

A message from our Chief Executive

Sharpening our focus.



BT Group built and connected customers to our next generation networks at record speed and efficiency over the past year, while continuing to grow revenue and EBITDA.

Allison Kirkby
Chief Executive



Watch our CEO reflect on her first few months in office.
bt.com/annualreview

Since her appointment as Chief Executive, Allison has visited BT Group sites across the UK, including:



Full fibre rollout: now at 13.8m premises

13.8m

Normalised free cash flow: raising targets to c.£3.0bn by 2030

c.£3.0bn

Sharpening our focus on being the best we can be for our customers, for our shareholders and for the UK.

Having passed peak capex on our full fibre broadband rollout and achieved our £3bn cost and service transformation programme a year ahead of schedule, we've now reached the inflection point on our long-term strategy.

Early reflections

I've spent the last few months meeting as many of our customers and stakeholders as possible. Every interaction has confirmed to me that connectivity is the lifeblood of the UK's society and economy. We provide the digital backbone for the nation; without us, life as we know it stops. That might sound dramatic, but it's true – and it's why everything we do has to be focused on supporting the customers who rely on us and living up to our purpose, to connect for good.

I've now visited close to 20 BT Group sites in the UK to meet with colleagues across our operations, and it's been fantastic to see their commitment and passion for what we do. As they're the people who connect with our customers most often, hearing their perspectives on our strengths, opportunities and challenges has also been invaluable as I've shaped my thinking.

These conversations have deepened my appreciation of the fantastic assets that make us unique. We're unrivalled in our experience of operating critical national infrastructure, our breadth of private and public sector customer relationships, our research and development credentials, our partnerships with the world's leading technology firms, and above all our brilliant people who underpin everything we do.

We must harness these strengths as we move into the next phase of BT Group's transformation. We're over the peak of our investment in fibre-to-the-premises ('FTTP' or 'full fibre'); take-up of 5G and FTTP is growing; and we're seeing higher customer satisfaction across the business as our networks and services provide ever-improving experiences. But we can and must go faster in utilising the full power of our networks. We'll do this by sharpening our focus on being the best we can be for our customers, for our shareholders and for the UK.

Our financial performance

Over the past year we delivered a solid operating and financial performance, with growth in both adjusted revenue and EBITDA. We passed peak capex on our full fibre broadband rollout and achieved £3bn of annualised cost savings a year ahead of schedule.

This means we've now reached the inflection point where we emerge from the most capital-intensive phase of our investment programme. It also gives us the confidence to provide new guidance that significantly increases our short-term cash flow and sets out a path to more than double our normalised free cash flow over the next five years. This enhanced cash flow allows us to increase our dividend for FY24 by 3.9% to 8.0 pence per share. We're also setting an additional £3bn of gross annualised cost savings to be reached by the end of FY29.

I know BT Group's share price has underperformed in recent years, but we now have a clear, positive path that aims to drive significant value for all stakeholders going forward.

Connecting the UK

Our full fibre rollout has delivered the UK's largest private national infrastructure programme, on time and on budget. It will deliver huge benefits to the UK, with nationwide full fibre broadband predicted to increase national GDP by £72bn – or about 2% – by 2030.

We've built at record speed and efficiency this past year, with an additional 3.5m premises passed, taking us to 13.8m premises covered – equivalent to well over 40% of UK homes. In fact, we're currently the fastest builder of fibre anywhere in Europe, and at a lower cost than our major competitors in the UK. More importantly, we're also seeing industry-leading customer take up of our FTTP networks at 34% – and this is even stronger where we built two or more years ago, with take up of over 50%.

We've continued our rollout of 5G, which now covers 75% of the UK population, and grown our 5G-ready customer base to 11m. Our overall mobile network has increased to 88% of the UK by geography, including new mobile connectivity in 33 London Underground stations. We're also the only network provider to have hit our Shared Rural Network commitment to Government, bringing mobile coverage to many parts of the country for the first time. The customer experience uplift is evident from the scale of traffic increase that we see when new locations are connected. In remote parts of Scotland, for example, we have seen this drive new commerce for businesses, enable people to use online services for the first time, and connect emergency services in the most remote locations.

We're not just providing brilliant fixed and mobile networks – we're also combining them with the key services our customers need to live, work, game and learn. For example, we launched EE Fibre 1.6Gbps, offering the fastest home broadband speeds of any major provider, and a new EE TV app and set-top box, fully integrated with Apple TV 4K. For businesses, we announced Global Fabric, which will enable organisations to seamlessly and securely connect to multiple clouds and seize the advantages of digital automation and artificial intelligence (AI), and we've also launched new customer solutions via collaborations with companies such as Google, SAP and Microsoft. These are reflected in strong customer satisfaction metrics across the business, and external accolades such as EE being named as RootMetrics' number 1 mobile network for the 21st time.

A message from our Chief Executive continued

Our strategy for growth

To deliver long-term sustainable growth, we've set ourselves five priorities within our overall strategic framework:

1 **Grow Consumer through converged solutions**
Led by EE, Consumer will win more UK households by creating deeper relationships on the back of leadership in full fibre broadband, 5G and convergence.



2 **Capitalise on Business' unrivalled assets to restore growth**
Business will help customers grow through next generation connectivity solutions, leading managed services and outstanding customer experience.

3 **Grow Openreach and get strong returns on full fibre broadband**
Openreach is building the UK's largest full fibre broadband network. It will get cost advantage from this scale, upgrade customers to the new platform, continue to provide industry-leading service and strengthen all its communications provider relationships.



4 **Transform our cost base and be more productive**
Across BT Group we will fundamentally change what we do and how we work. We'll automate, digitise and close old systems, processes and networks. This will cut costs, help us do things faster and bring better experiences to our customers and colleagues.

5 **Optimise our company portfolio and capital allocation**
We will keep strengthening our portfolio by buying, selling or partnering to push our strategy forward. We'll invest in next generation networks and solutions to meet customers' needs and deliver shareholder returns. As we finish rolling out full fibre broadband, we'll reduce capital expenditure by c.£1bn and increase normalised free cash flow.



As we move into the next phase of BT Group's transformation, we are sharpening our focus to be better for our customers and the country, by accelerating the modernisation of our operations, and by exploring options to optimise our global business.

Strategy

This year's Annual Report provides many more examples of how our long-term strategy is delivering: we're building and connecting our customers to next generation networks at pace; we're creating standout customer experiences; and we're leading the way to a bright and sustainable future.

While building our next generation IT and network infrastructure, we're proactively moving customers off legacy platforms that don't deliver the full benefits of digital connectivity. We recently completed the sunsetting of our 3G mobile network, and we're continuing to move customers onto digital IP-based services. We now expect to have completed this shift by January 2027.

We are also radically simplifying our product and customer journeys by partnering with leading technology players and responsibly adopting new technologies such as AI to enable customer benefits and business growth.

In October, we launched our new integrated EE digital platform to drive convergence. This included new connectivity propositions, building on our FTTP and 5G leadership, improved products and services and a simpler, better set of customer journeys. Overall this is driving a better customer experience, with those that have migrated showing a higher rate of convergence and NPS.

Our strategy is delivering, and when BT Group wins, the UK wins. But the world around us is moving at pace, and so must we. I will set out more on this in the coming months, but I am already clear that my ambition for BT Group is to be the UK's most trusted connector of people, devices and machines.

The digital opportunity for the UK

Having spent the last decade running telecoms companies in Scandinavia, I've seen first-hand how much more digital and connected those nations are. For example, Sweden's equivalent FTTP take-up rate is over 80%, and they have far greater adoption of the new services that this connectivity enables. Digital platforms are embedded and aligned across all aspects of everyday life, with online banking, payment, public services and healthcare apps used at much higher rates than in the UK.

What I saw in Sweden is a clear example of how a better-connected society can unlock huge benefits for both governments and citizens. As well as reducing costs, bureaucracy, fraud and complexity, these digital services also have great potential to help society decarbonise, and to underpin the creation of new, technology-based models that empower businesses to compete in an increasingly digital, global marketplace.

That's why I'm committed to ensuring BT Group plays a key role in helping the UK catch up and realise the benefits of a fully connected society. This isn't something that's nice to do – it's critical to the UK's future.

Having made huge investments into UK infrastructure and services, we must ensure everyone now benefits from them. And all the right foundations are in place to enable this. As well as our own networks, we have regulatory stability, government policy that incentivises further investment, and strong competition spurring all of us in the industry to keep innovating.

I know from my years of experience in the industry that the most successful telcos around the world are national champions who leverage their history, their assets and technology leadership to create value for all. Building on the progress we have made, and with the transformation of BT Group now accelerating, we are moving into a phase where the full potential of our brands, networks, products and services can be realised. This will unlock benefits for UK citizens, businesses and the economy as a whole – and I personally can't wait to start delivering for all our stakeholders.

Allison Kirkby
Chief Executive
15 May 2024