

A message from our Chief Executive

10.3m

Openreach has now built full fibre broadband to a total of 10.3m homes and businesses across the UK

68%

We are also continuing to build EE's 5G mobile network which now covers 68% of the UK population



Much
done,
much
more
to do

Thanks to the dedication and commitment of colleagues right across the business, BT Group achieved its financial outlook in FY23. For the first time in six years, we grew both revenue and EBITDA on a pro forma basis, demonstrating our determination to get on with the job in another tumultuous year macro economically and geopolitically.

We have stayed true to our strategy over the last four years. We're building the UK's leading next generation fixed broadband and mobile networks, and radically transforming the way we operate to deliver for customers.

Building and connecting like fury

Openreach has now built full fibre broadband to a total of 10.3m homes and businesses across the UK, including 3.1m in rural locations. Added to that, initial build is underway for a further 6m premises.

The business is now more than 40% of the way through the initial 25m premises target, and the number of people taking up full fibre is ahead of our expectations. Of the total premises passed, nearly one third had opted to upgrade to full fibre (c. 3.1m end users) at the year-end.

The Government's full expensing regime introduced in the 2023 Spring Budget will mean BT Group defers paying UK corporation tax in fiscal years 24, 25 and 26. We will use this benefit to ensure Openreach is able to offset inflation and stick to its target of reaching 25m premises by the end of 2026 as well as covering the upfront costs of connecting customers to full fibre at a faster rate than we had originally expected.

We are also continuing to build EE's 5G mobile network which now covers 68% of the UK population. Since launching the UK's first 5G network just four years ago, we have grown our 5G connections to an impressive 8.6m customers; and RootMetrics named our 4G and 5G networks as the UK's best for the ninth year in a row.

Next generation networks

The combined power of BT Group's next generation networks will deliver an economic dividend for our customers and the UK economy for many decades to come. Fundamentally, that's why we remain laser focused on building them and accelerating take-up.

This, however, requires significant investment. While we fully understand that price rises are rarely welcomed, they are necessary to fund the transformation of our networks which will create better outcomes for customers and ensure we remain competitive. The two things go hand in hand.

That said, we still offer terrific value for money for customers who rely on our services today more than ever. Ofcom's pricing trends report 2022 showed that the UK had the lowest standalone mobile prices across Europe and in the mobile and broadband markets, average UK prices are well below the US.

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Competition is good for BT Group

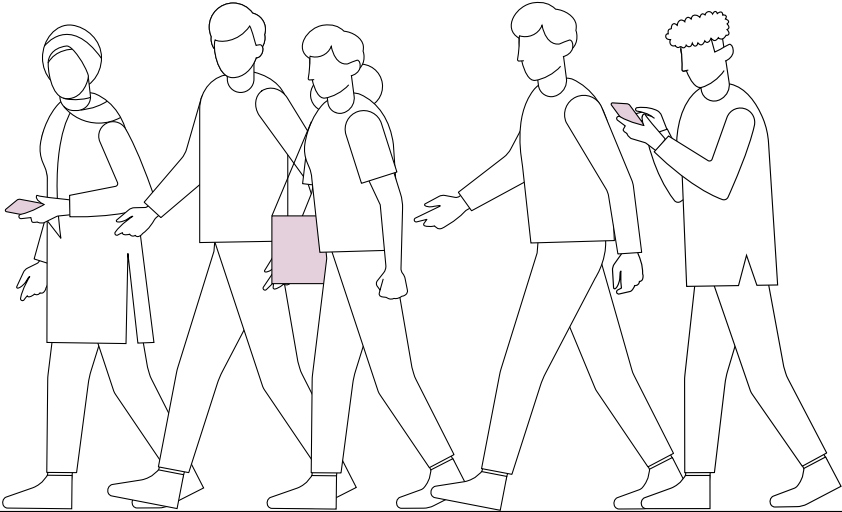
Of course, choice and competition in the UK market – prompted by our regulator, Ofcom – are big drivers of keen pricing, as well as stimulating significant and rapid investment in the UK's full fibre networks.

Ofcom's regulatory framework ensures that all network builders have the freedom to compete fairly, which is good for the UK, the country's telco industry and – most importantly – for customers.

Standing by our customers and our colleagues

Those same customers need us to stand by them through the worst cost of living crisis in a generation. Throughout the year, supporting our customers in need has been an overriding priority for me and my leadership team. On page 3, our Chairman outlines our approach to protecting those customers who need it most.

It is also vital that we're there for our people. I was pleased that during FY23 we were able to award pay increases equivalent to a 15% rise for our lowest paid colleagues and agreed a way forward with our union partners on a shared vision for BT Group's modernisation agenda.



A message from our Chief Executive continued

Our strategy for growth

Five strategic priorities:

- 1

Drive Consumer growth through converged solutions

Consumer will lead in full fibre broadband, 5G and convergence to win in UK households and build deeper relationships with customers by providing exceptional experiences.
- 2

Capitalise on Business’ unrivalled assets to restore growth

The creation of our Business unit will create a more competitive player in the B2B market that will help its customers grow through next generation converged connectivity solutions, leading managed services and outstanding customer experience.
- 3

Deliver Openreach growth and strong returns on full fibre broadband

Openreach will build the UK’s largest full fibre broadband network, offer competitively priced wholesale services, and upgrade customers to the new platform. It will continue providing industry-leading service and strengthen its relationship with all communications providers.
- 4

Transform our cost base and improve productivity

Across BT Group we will fundamentally change what we do and how we work. We’ll automate, digitise and shut down legacy systems, processes and networks. This will cut costs, boost execution speed and deliver better experiences for customers and colleagues.
- 5

Optimise our business portfolio and capital allocation

We’ll keep reviewing ways to strengthen our business portfolio by owning, selling or partnering. We’ll allocate substantial amounts of capital to next generation networks and solutions to better meet our customers’ current and future needs. As we move beyond the peak of our full fibre broadband build programme, we’ll reduce capex by c. £1bn and realise value from our investment.

Transforming our business

Modernising the UK’s digital infrastructure isn’t only about building new networks; it also requires us to migrate customers off our nearly obsolete and energy-hungry legacy networks. In FY24 we will be ramping up activity to smoothly migrate customers onto newer technology through the All IP and 3G sunseting programmes, among others.

Next generation networks need next generation customer service. They also need the very best products and services running over them. Across the business, we are partnering with some of the world’s most innovative companies, including AWS, Google, Microsoft and TCS (Tata Consulting Services) to provide leading products and services and drive exceptional customer outcomes.

We are also radically changing the size and shape of our business. During the year we completed the BT Sport 50-50 joint venture with Warner Bros. Discovery and we announced the creation of our integrated Business unit with the merger of our Enterprise and Global operations. The new Business unit will be better focused and better able to compete in the market, serving enterprise customers large and small.

The combined financial benefit from our transformation programmes will result in gross annualised cost savings of £3bn by the end of FY25. We are well on track to achieving this and by the end of FY23 we had made gross annualised savings of £2.1bn.

New BT Group

The new BT Group will be a higher margin, high-tech organisation built on the UK’s best fixed and mobile networks. It will be fully digitised and highly automated with exceptional products and services for customers.

By continuing to build and connect like fury, digitise the way we work and simplify our structure, towards the end of the 2020s BT Group will rely on a much smaller total workforce and a significantly reduced cost base. New BT Group will be a leaner company with a brighter future, and we will get there by continuing to deliver our five strategic priorities. (See table opposite.)

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BT Group has the right strategy to deliver its purpose: we connect for good; and the business has again proved its ability to deliver in testing circumstances. Everything we do starts and ends with our customers; our success is built on enabling theirs.

Visit our online annual review and see how we’re enabling customers’ success bt.com/annualreview



£2.1bn

Gross annualised cost savings to date, putting us well on track to achieve our £3bn goal

8.6m

Since launching the UK’s first 5G network just four years ago, our brands have grown the number of 5G connections to an impressive 8.6m customers

Much done, much more to do

Our progress during the year was made possible by the support of our shareholders and bondholders, and I would like to thank them for their ongoing commitment. Despite the relative under-performance of our shares compared to the FTSE 100 in the year to 31 March 2023, they ended the year on an improving trend.

Having returned BT Group to both pro forma revenue and EBITDA growth for the first time in six years, we are now determined to maintain this momentum. Over the coming years we will deliver consistent and predictable revenue and EBITDA growth which, combined with the completion of our full fibre build and move off legacy networks, will result in an expansion to normalised free cash flow of at least £1.5bn by the end of the decade.

BT Group has the right strategy to deliver its purpose: we connect for good; and the business has again proved its ability to deliver in testing circumstances. Everything we do starts and ends with our customers; our success is built on enabling theirs. We know there’s a long way to go but our performance in FY23 shows that we have the right plan, the right team and the determination to achieve it.

Philip Jansen
Chief Executive
17 May 2023