



**Means
Business**

Business Briefing

November 22, 2023

Agenda

1 Welcome

Bas Burger

2 The opportunity and our strategy

Bas Burger

3 Our modernisation plan

Kerry Small

4 Winning in our segments

Chris Sims, Ashish Gupta, Alex Tempest, Joris van Oers

5 Our financial goals

Martin Smith

6 Closing remarks

Bas Burger

7 Q&A

Business leadership team



Welcome

Bas Burger
CEO, Business

BT

Bringing Business together creates a catalyst for change

History

Slow migration from legacy impacting share

Too many bespoke products and services increasing costs and complexity

Inability to offset increased input costs

Outcomes: increased complexity, reduced profitability, declining share

Change principles

Accelerate move to next generation products and services

Rationalise portfolio, standardise and scale

Radically reduce cost base and push indexation into contracts

Outcomes: simpler, standardised next generation portfolio, increased profitability and ROCE, increased share



Customers

Customers need a rock-solid foundation on which to build their digital future. We can deliver that foundation better than anyone else.

Value

We see an opportunity for long-term value generation in the B2B market. Through modernisation and focus we will deliver better outcomes for our customers.

Growth

We will build on our assets, simplify our portfolio and scale at pace to reach our long-term goal of sustained financial growth.



Business is a leader in the UK and global markets



Small and Medium Business

UK small and medium businesses, <250 employees e.g. local tradesmen, GP surgeries



Corporate and Public Sector

UK private and public sector, >250 employees e.g. retailers, NHS, government



Wholesale

Large and small partners, e.g. telcos, mobile virtual network operators, resellers



Global

Multinational corporates, e.g. world's largest banks, international governments



Portfolio Businesses

End-to-end businesses e.g. Media and Broadcast



Business contributes 25% to BT Group EBITDA and 33% of the NCF generated by the trading units ²

Notes:

1. Illustrative market shares across key product categories based on IDC 2023 market data – see slide 45 for market data.

2. FY23 external results release.



We're uniquely positioned to meet the changing needs of our customers through our segments and products

Drivers of demand

- increase in compute power and data
- growth in volume of devices
- AI applications
- digitalisation of businesses
- cyber and geopolitical risk
- compliance with data sovereignty
- sustainability
- requirement for assured performance
- distributed apps and data



Customer segments



Product powerhouse

Our customers need five common outcomes



Stability

Delivering assured performance and flexibility



Skills

Delivering skills and expertise to keep digital transformation on track



Security

Delivering always-on secure business operations managing increased cyber risk



Sustainability

Delivering reductions in customer CO₂ emissions and ESG goals

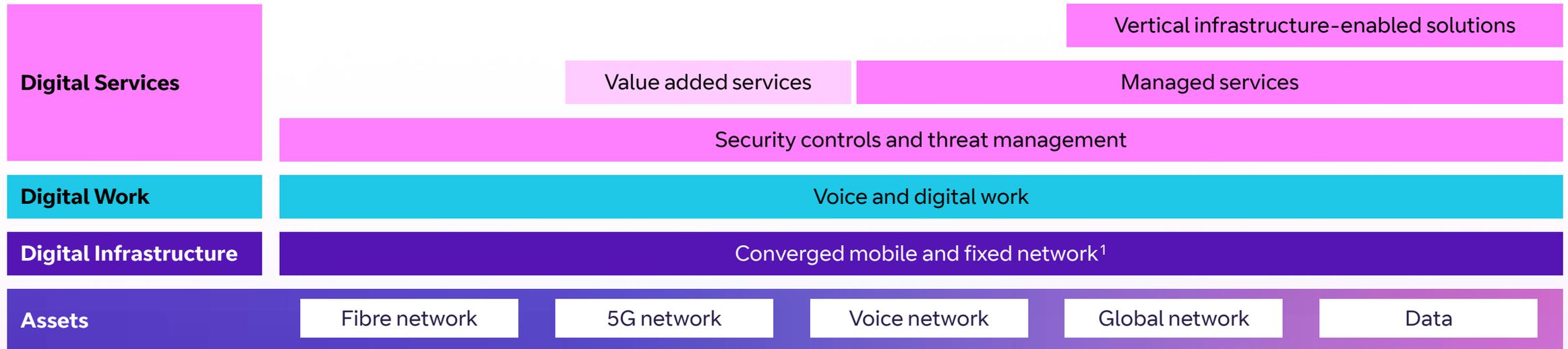


Sovereignty

Delivering compliance to local and global regulations



We will be a platform business that leverages the scale of our assets



Notes:
1. Includes LAN and Edge (5G, Wi-Fi), IoT connectivity.



Better on BT: Our strategy for Business



Our modernisation plan

Kerry Small
COO, Business



Multi-year complex transformation: Engaging the base whilst building for the future

Simplify



- realise integration synergies by removing duplication and address the cost structure
- continue to divest assets not closely linked with strategic platforms

Rationalise



- radically simplify portfolio from >300 to less than 150 products
- step-up migration to next generation products and services
- reduce unit economics with rationalised scaled platforms

Digitise



- launch digital channels and build foundational AI capability
- build a modern modular IT stack to drive scale and repeatability
- launch our next generation portfolio e.g. Fibre, security, 5G

Modernised Business

Ongoing modernisation and opportunity to scale



Sales

Increase digital sales and self-service driving cost savings and new revenues

Increase revenues:

On track to deliver 40% increase in SMB Digital Sales



30% share on digital channels



Service

Deploy ServiceNow driving significant cost savings through automated processes

Improve Customer Experience:

Migrated 240 complex customers on-track to migrate 2.5k this year



Plan to migrate >1k customers per month



Digital

Partnership with Tata Consultancy Services (TCS) to simplify the BT legacy estate and reduce cost

Reduce Cost:

500 legacy apps transitioned to TCS



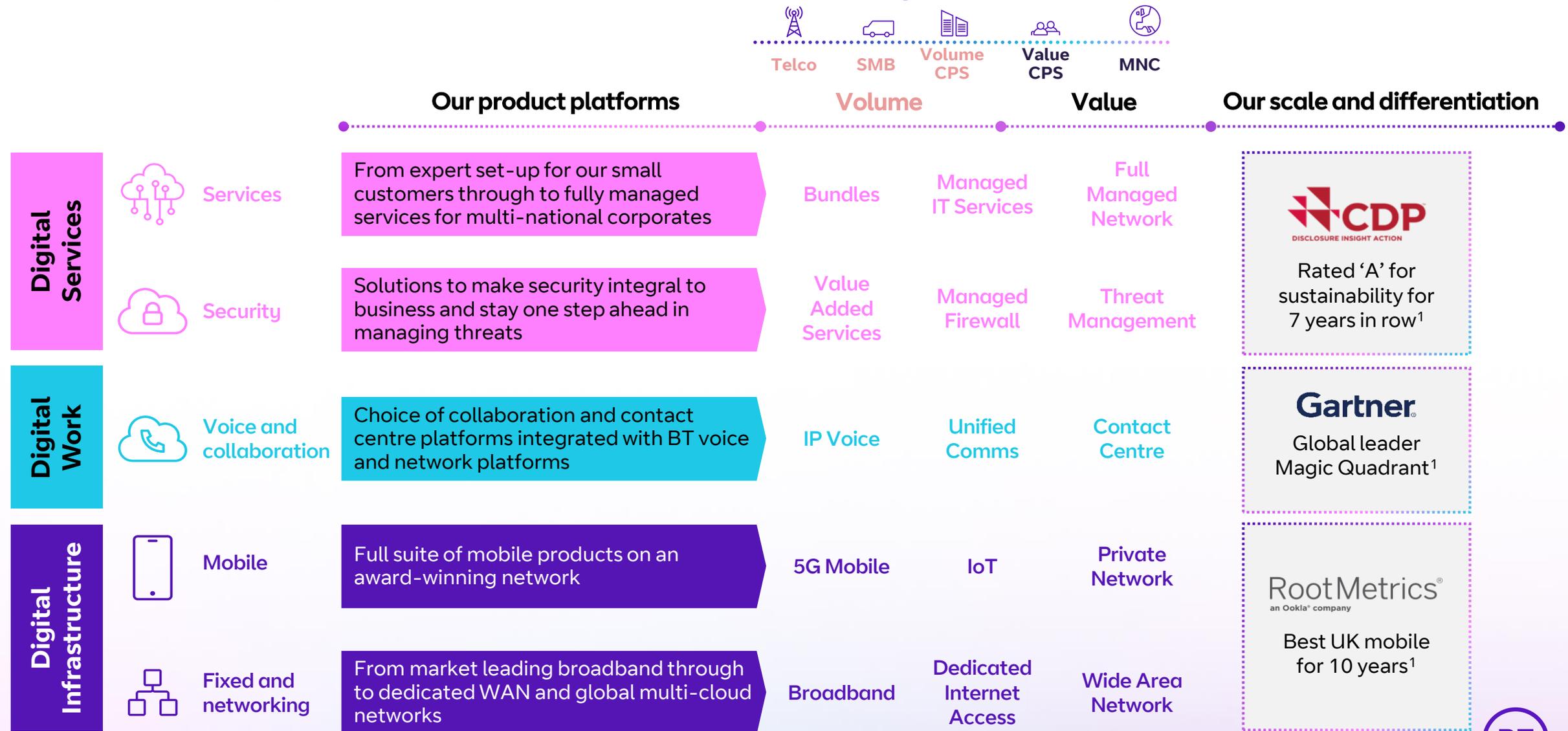
£145m¹ annualised savings by FY27

Notes:

1. Business contributes to BT Group target of £145m by FY27.



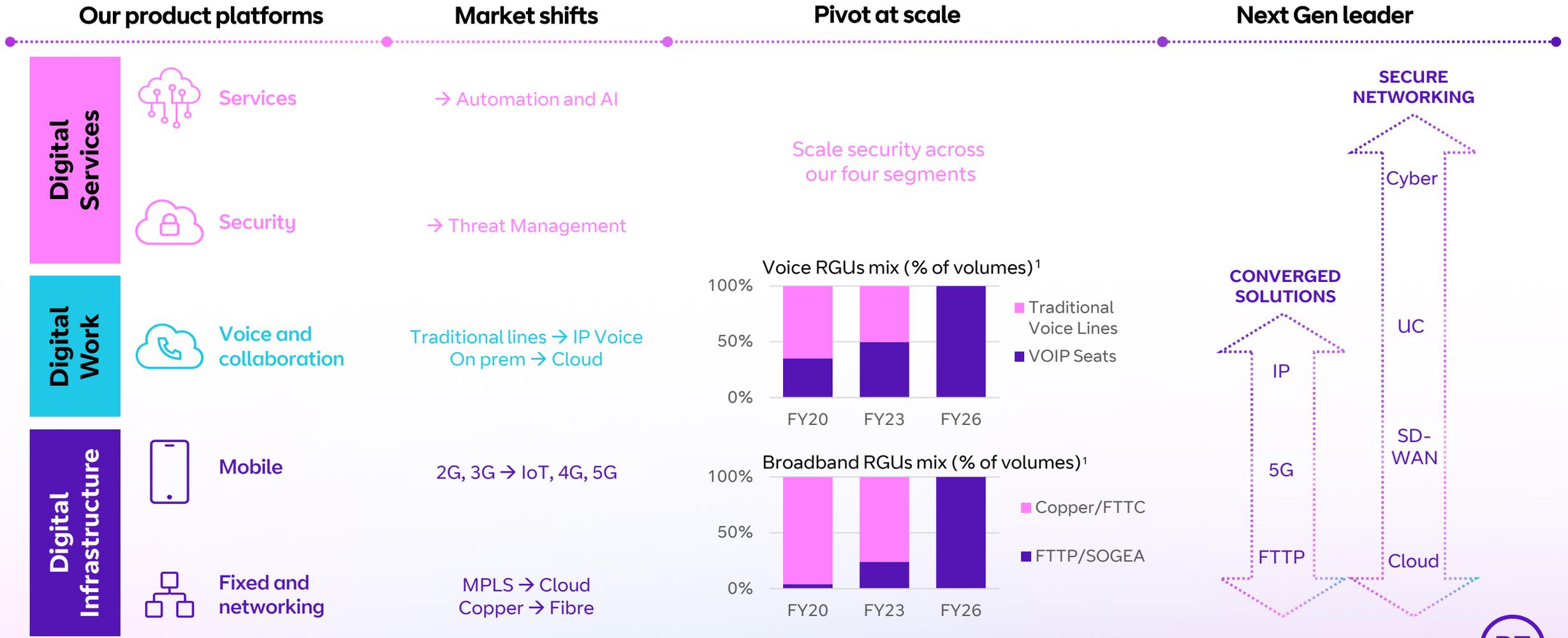
Our current portfolio is focused on scaling our core assets



Notes:
 1. CDP, 2022; RootMetrics 2023; Gartner, 2023.



Pivoting our portfolio to ensure leadership in Next Gen connectivity



Notes:

1. BT data based on volume segments (SMB, Wholesale and CPS Product).



Winning in our segments

SMB

Chris Sims

CPS

Ashish Gupta

Wholesale

Alex Tempest

Global

Joris van Oers



Small and Medium Business

Chris Sims

Managing Director
Small and Medium Business

SMB:

Our customers and markets



Customer segments and needs

- small and medium businesses in the UK, typically 1-249 employees
- over 5.5m businesses spending over £5bn per annum on telco solutions
- three segments: micro 0-9, small 10-49, medium 50-249
- value conscious and time poor
- growing demand for digital capabilities: collaboration, payments and messaging

Market trends

- market value growing 4% CAGR FY23-28
- more small and medium business deaths than births in FY22
- confidence is improving



SMB:

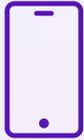
Our leading position

IP Voice



15%

Mobile



35%

Broadband



50%

Leading position in the UK

- 30% share in micro and small segments
- returned SMB to revenue growth: +4% in FY23
- increased market share in the last 12 months
- increase competition has been offset with increasing reach, index-linked pricing and more proactive trading

Value mix

- market share growth in mobile
- market share growth on IP voice. Traction with larger customers
- fixed connectivity growing with index-linked pricing and FTTP

Notes:

Market share estimated based on BT data for addressable value with inputs from IDC 2023.

SMB: Market trends

Switchover from Traditional Voice to IP

Digitalisation accelerate IP opportunity

Slower adopters driven by PSTN closure

Cyber security continues to worry smaller business

Increased and varied threats

Solutions versus products

Economic uncertainty

Macroeconomic instability

Need for commercial flexibility

Opportunity

- growth of mobile first businesses and rise of remote work
- the adoption of cloud-based communication services
- launch of Teams Phone Mobile to SMB customers

- significant opportunity to cross sell in to a strong and growing base

- inflationary linked pricing
- new broadband propositions to mitigate alt net disruption
- flexible commercial models

SMB: Our execution priorities



Better focus

Modernise our sales engine

- channel optimisation
- digital sales

Simplify our business

- simplify our portfolio
- focus on customer experience



Better outcomes

Amplify customer value

- clearer value proposition
- improve early life experience



Better tomorrow

Broader impact

- digital skills
- sustainability

Corporate and Public Sector

Ashish Gupta
Managing Director
Corporate and Public Sector

CPS:

Our customers and markets



Our winning value proposition

Leader in secure managed infrastructure solutions for public and corporate customers

Customer segments and needs

- UK private sector c.11k customers
- UK public sector c.1k customers including 24 government departments, 3 devolved governments and 408 local councils, 43 police forces and 223 NHS trusts
- corporate UK headquartered businesses (>250 FTEs) across sectors
- customers increasingly seeking business outcomes based on investment in digital transformation

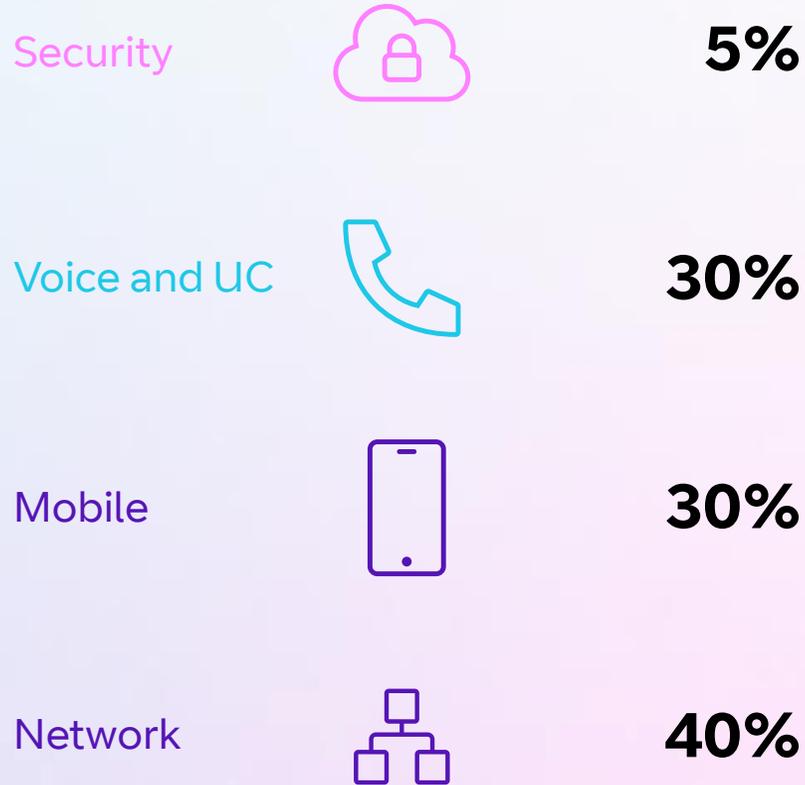
Market trends

- Public sector pricing under pressure, especially mobile
- market is competitive across all towers, with integrators and IT specialists the main challengers
- customers upgrading secure converged networks and moving to cloud are core value drivers
- 5G private networks not a panacea for industry growth



CPS:

BT is a leader in our core markets



Notes:
Market share estimated based on BT data for addressable value.

Leading position in the UK

- large managed contracts base
- leader in connectivity, with strong growth in security and managed networking attached
- successfully winning back customers to BT Secure converged networks e.g. NATS and Scottish Wide Area Network (SWAN)
- good mobile share

Value mix

- mobile penetration higher in public sector – corporate and value added services represents opportunity for ARPU improvement
- utilising leading connectivity position to drive growth in adjacent markets e.g. security and managed services
- traditional voice position migrating to cloud unified comms, less exposed to low ARPU and declining SIP market

CPS: our execution priorities



Better focus

Grow our core products and managed services

- grow market shares
- improve ARPU and margins



Better outcomes

Focus on great customer experience

- continue service delivery and billing improvements
- integrated digital customer experience



Better tomorrow

Deliver vertical infrastructure enabled solutions

- national champion for UK public sector
- satisfy market needs for converged infrastructure-enabled solutions

Wholesale

Alex Tempest
Managing Director, Wholesale

Wholesale:

Our customers and markets



Wholesaling allows BT to play in the c.£4.6bn UK indirect telco market through utilising spare capacity on our great assets

Market structure

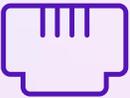
- Wholesale is the indirect channel within Business that sells to and through other communication providers in the UK
- serves c.1k active customers across three key segments in a highly competitive market

	Customers	What they buy
 Wholesale partners	1000+	Data and voice connectivity, managed services, unified comms, equipment, professional services
 Mobile and digital infrastructure	10	Connectivity, colocation, Edge services, managed services
 MVNO	16	Wholesale access to the EE network and associated enabler services



Wholesale:

BT's leading position and opportunities

Hosted Voice		10%
MVNO		25%
Small cells and backhaul		40%
Ethernet		20%
Broadband		30%

Notes:
Market share estimated based on BT data for addressable value with inputs from IDC 2023.

Market dynamics

- increased competition and consolidation in the market
- growth in unified comms services like Microsoft Teams
- increase in demand for high bandwidth, low latency solutions
- MVNOs are increasing market share in consumer and IoT
- challenging market, but ways out through exciting growth opportunities

Growth opportunities

Partnerships

- support existing partners to grow and secure new partnerships as the UK's wholesale partner of choice

All IP

- PSTN shut down in 2025 creates opportunity for IP transformation of c.2.1m broadband lines to fibre and cloud voice services

Digital Infrastructure

- complex partnerships with hyperscalers to monetise exchange infrastructure to drive Edge use cases
- co-investment partnerships to unlock value from existing physical assets

Wholesale: Our execution priorities



Better focus

- develop and simplify market leading propositions
- capitalise on security, Edge and IoT opportunity
- transform customers to All-IP by providing professional services



Better outcomes

- unlock value from assets
- simplify and modernise IT to improve productivity
- build and retain trusted strategic partnerships



Better tomorrow

- digitise, automate and reskill to transform
- deliver frictionless experience
- develop skills to be specialists to our customers

Global

Joris van Oers
Managing Director
Global

Global:

Our customers and markets



Continued investments in cloud and digital transformation creates further opportunity for BT

Customer segments and needs

- global support c.1.2k Multi-National Corporates (MNCs) and large international governmental organisations
- MNCs all digitise their customer experience and employee collaboration, bringing their operations to the cloud
- digital transformation is requiring a shift to multi-cloud connectivity in a secure and sustainable environment

Market trends

- global market to grow c. 5% p.a., driven via MNC's digital transformation agenda, particularly cloud connectivity, collaboration and cyber security
- evolving ecosystems with system integrators and hyperscalers increasingly active in telco territory
- MNCs and governmental institutions across the globe are progressively moving to the multi-cloud, with public cloud adoption continuing to accelerate

Global: BT's leading position



Our winning value proposition

The number one provider of secure multi-cloud connectivity in the world

A trusted global service provider

- refocused Global business on a select set of customers and significantly divested non-core assets and portfolio
- now a smaller but more focused business doubling down on secure multi-cloud connectivity
- established vertical and regional go-to-market organisation to engage with our existing and new customers, delivering high renewal (96%) and new business win rates (41%)
- evolving ecosystem of partners

A leading portfolio

- migration into the clouds with Digital infrastructure and our Network-as-a-Service (NaaS) offering “Global Fabric”
- migration into cloud voice and contact centre platforms with Digital Work
- secure multi-cloud environment with Digital Services and our managed security portfolio

Global: Our execution priorities



Better focus

- **Who we sell to:** 100% focus on globally operating MNCs and governmental institutions
- **What we sell:** our core portfolio in secure multi-cloud connectivity
- **Where we sell:** optimising our geographic footprint and leveraging channel partnerships
- **How we sell:** data analytics to identify cross and upsell, new logos, and digitise sales process



Better outcomes

- Retaining our customers by supporting their cloud strategies with our secure multi-cloud propositions
- Driving growth with higher win rate in key markets
- Transforming Global to new scalable platform delivering higher return



Better tomorrow

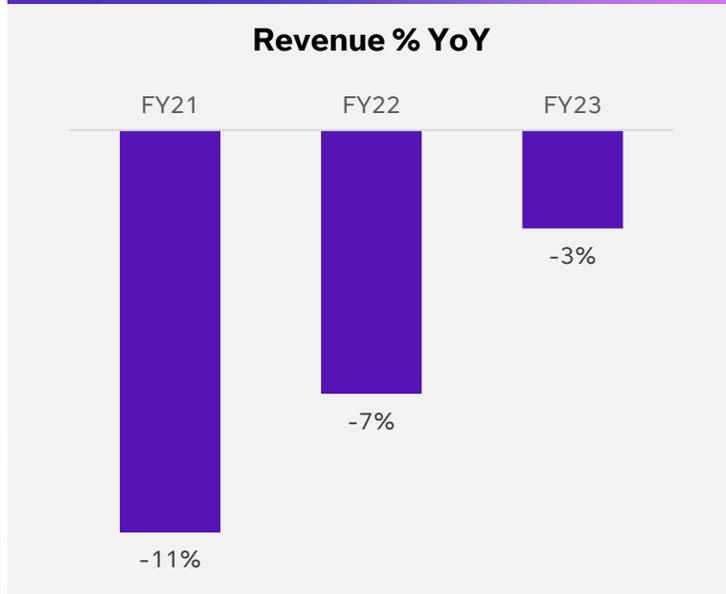
- Creating long-term value with the investment in Global Fabric for our customers, our partners and for BT
- Driving differentiation by focusing on sustainability and skills

Our financial goals

Martin Smith
CFO, Business

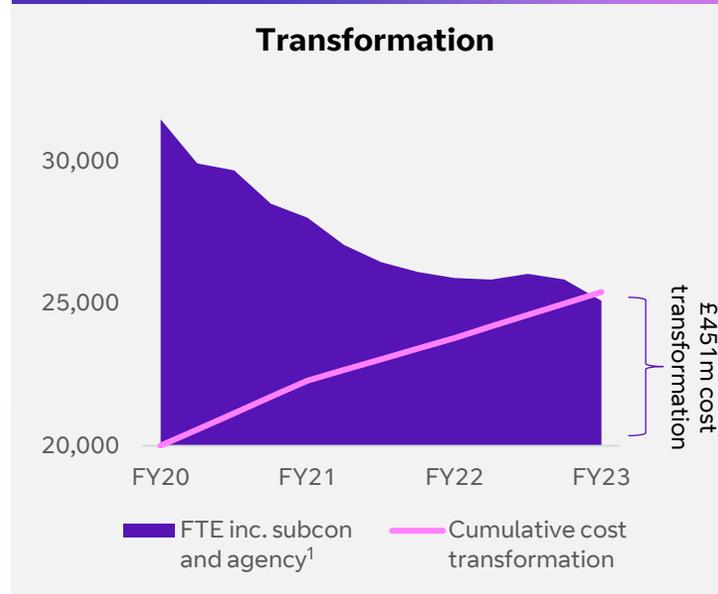
Looking back: Our historical EBITDA performance has been challenging

1 Revenue decline on a steadily improving trajectory



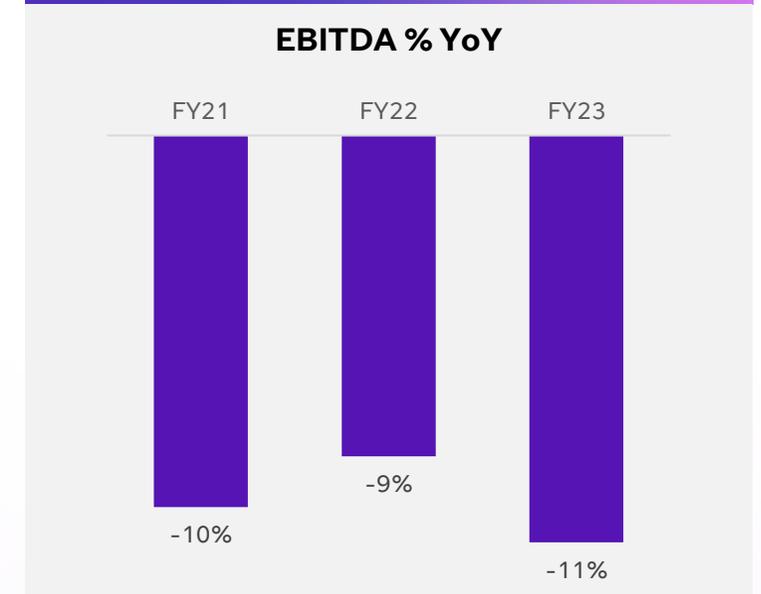
- divestments of non-core assets
- legacy declines and exits
- impact of Covid
- market headwinds and increased competition

2 Significant focus on simplifying our business and reducing our cost base



- cumulative gross cost transformation of £451m delivered
- headcount reduced by c. 6,400 FTE (20%)

3 EBITDA continued a downward trend driven by legacy declines and, more recently, input cost pressures



- adverse margin mix from legacy migration and contract exits
- increasing inflation on input costs
- constrained index-linked pricing

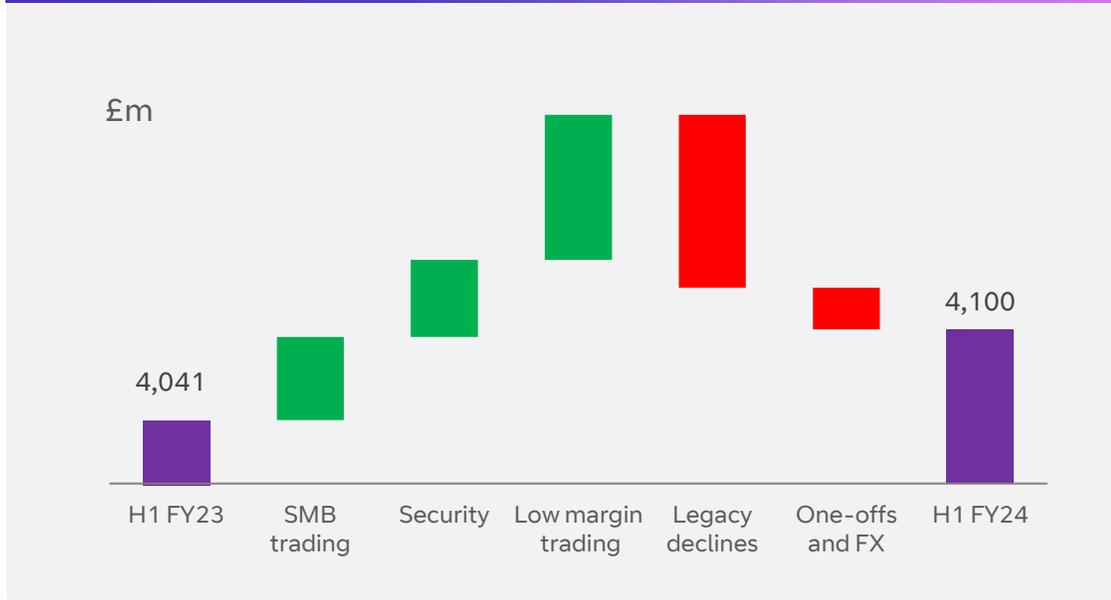
Notes:

1. FTE figures include directly employed, subcontractor and agency resource and have been restated for historic internal transfers into Business to report on a like-for-like basis through the period shown.



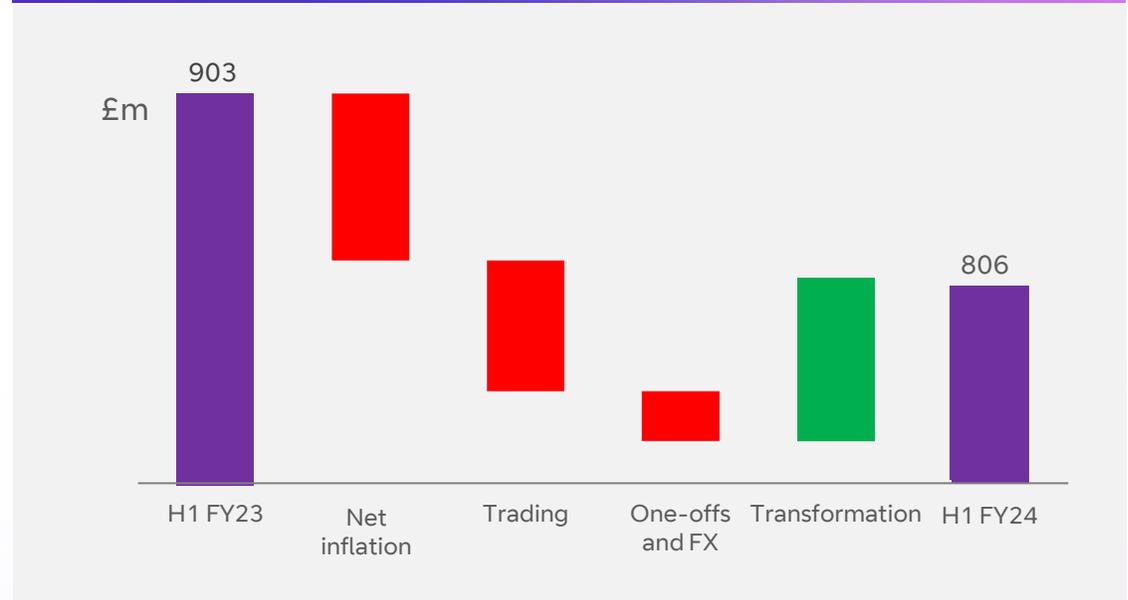
Our H1 FY24 results were heavily impacted by higher input costs

1 Revenue – up 1%



- continued trading momentum enhanced by index-linked price rises in SMB
- strong demand for Security products up 14%
- increased sales in lower margin trading
- partly offset by high margin legacy declines and exits

2 EBITDA – down 11%



- higher inflation-driven input costs
- trading momentum in SMB and Security offset by margin mix impact of legacy declines
- one-offs in the prior year
- partially offset by ongoing cost transformation, including increasing integration synergies

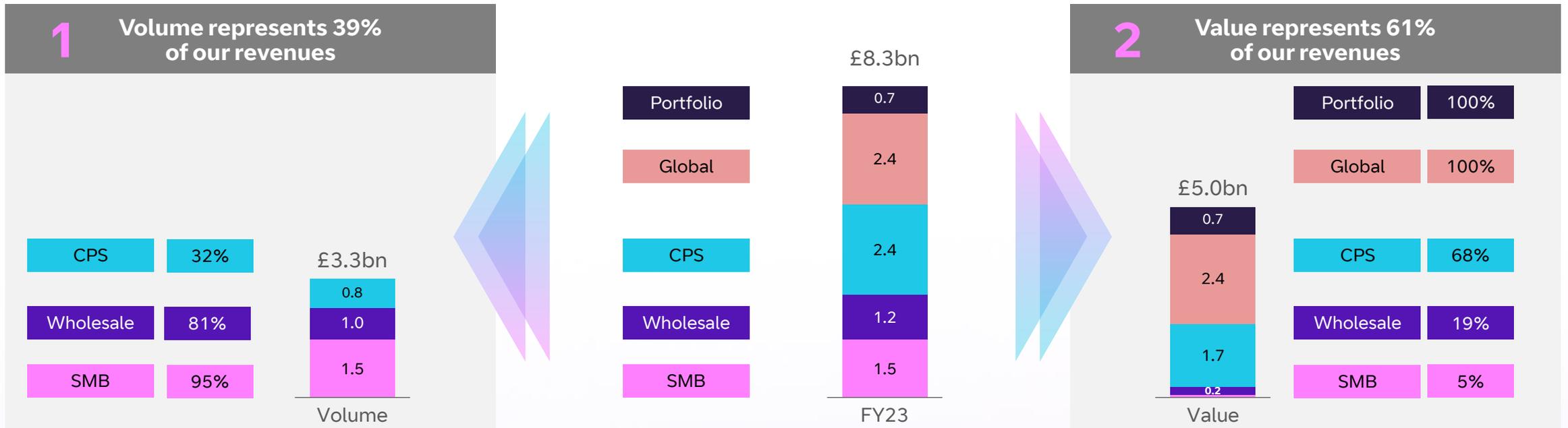
Notes:

1. Prior year comparatives have been re-presented for the creation of Business from legacy Enterprise and Global.
2. Financials and commentary are based on adjusted measures.



Our Volume and Value business segmentation

Business revenues of £8.3bn in FY23



- product-centric UK Volume business
- primarily mobile, voice and broadband products
- focused on SMB and Wholesale, also sold through CPS
- 'Price x Volume' business

- Value business focused on managed services primarily in Global and CPS
- CPS revenue comprises 50% public sector, 50% UK corporates and UK-centric multinationals



Key financial drivers for our Volume business

KPI for Volume: Revenue Generating Units (RGUs)



Index-linked pricing in place as standard across majority of SMB revenue base, but currently rare in bespoke pricing and fixed rate card trading models in CPS and Wholesale

- around 50% of the current volume revenue base is subject to index-linked pricing

Future drivers of value focused on:

- volume growth from current 7.8m to target of 11m RGUs, including through cross-sell
- driving ARPU through inflation-linked pricing and value-add attachment
- improving margins through modernisation

Key financial drivers for our Value business

KPI for Value: Managed Services revenue



Notes:

1. £0.3m of £5bn FY23 Value revenue categorised as 'Other' outside of Managed Services definition. This includes certain non-core trading categories such as professional services, IT services, billing services and certain equipment sales.

Around 80% of base revenues contracted; remaining revenue through change control and other trading above contracted base

Currently generating £6.9bn total retail and wholesale orders on a rolling 12-month basis:

- around 80% relates to the Managed Services
- average contract length weighted by value at 2.5 years

Value business traditionally based on bespoke pricing without indexation

- around 15% of our contracted managed services base includes indexation
- around 25% of new orders in the last 12 months included indexation

Future drivers of Value focused on:

- refocused and simplified offering
- scaling of platform solutions
- building indexation into contracts
- improving margins through modernisation

We have a clear path to long-term sustainable growth

Key financial dynamics

Projected outcomes

Revenue

Capex

Returns
(EBITDA, NCF, ROCE)

Historical (to FY24)

- divestments, Covid, legacy declines and exits, market headwinds
- margins heavily impacted by mix and input cost inflation
- investment increased for transformation and product development
- efficiency plans delivered, insufficient to offset margin mix and inflation



Near term (FY25 - 26)

- extensive migration from legacy to Next Gen portfolio
- margin mix and cost inflation continue, but declining impact
- ongoing investment in modernisation (transformation and product)
- drive extensive cost efficiency, realise full £100m integration benefit



Mid term (FY27 - 28)

- growth in Next Gen portfolio outweighs legacy declines
- majority of legacy migrations complete, reduced dual running costs
- margin pressures offset by transformation
- ongoing investment in modernisation (transformation and product)



Long term (to end decade)

- Next Gen portfolio scales, gaining market share
- scaling of new platforms and modernisation increase margins
- legacy portfolio fully decommissioned
- lower investment as modernisation programmes conclude





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Value

We see an opportunity for long-term value generation in the B2B market. Through modernisation and focus we will deliver better outcomes for our customers.

Growth

We will build on our assets, simplify our portfolio and scale at pace to reach our long-term goal of sustained financial growth.



Q&A



**Means
Business**

Forward looking statements caution

Certain information included in this announcement is forward looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward looking statements. Forward looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations. Forward looking statements can be identified by the use of forward looking terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology. Forward looking statements in this announcement are not guarantees of future performance. All forward looking statements in this announcement are based upon information known to the Company on the date of this announcement.

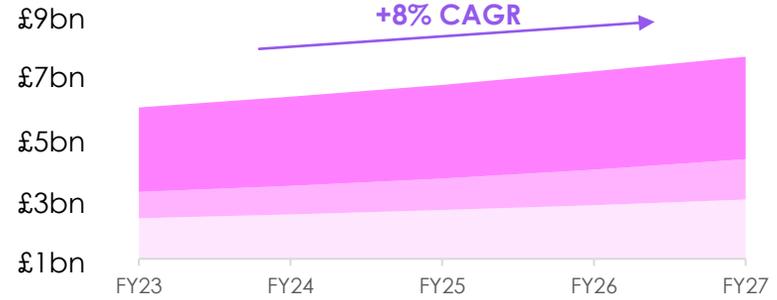
Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward looking statements, which speak only at their respective dates. Additionally, forward looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

Value transformation in our markets creates opportunities for BT

Value addressable by BT – UK View

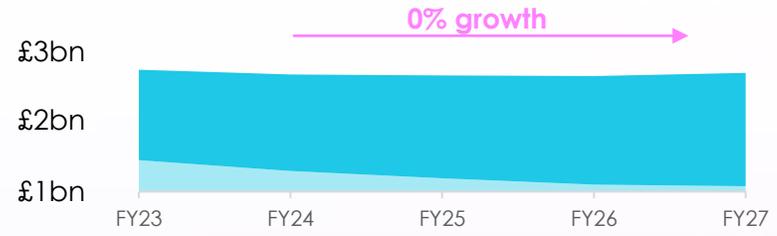
Digital Services

Category	23-27 CAGR
Managed and IT services	5%
Cloud and IoT	11%
Security	10%



Digital Work

Category	23-27 CAGR
IP Voice and Unified Comms	6%
Calls and Lines	-36%



Digital Infrastructure

Category	23-27 CAGR
Mobile	+1%
Networking	-2%
Broadband	+6%



Glossary (1/3)

5G	<ul style="list-style-type: none"> Fifth-generation technology standard for cellular networks
Alt Net	<ul style="list-style-type: none"> Alternative provider of broadband networks independent of market leaders e.g. Openreach
ARPU	<ul style="list-style-type: none"> Average Revenue Per User
ADSL	<ul style="list-style-type: none"> Asymmetric Digital Subscriber Line
B2B	<ul style="list-style-type: none"> Business to Business
B2C	<ul style="list-style-type: none"> Business to Consumer
Bandwidth	<ul style="list-style-type: none"> Capacity of a data connection (e.g. Mbps)
BB	<ul style="list-style-type: none"> Broadband
Bit/s or bps	<ul style="list-style-type: none"> Bits per second. Basic unit for data transfer & digital communications. Typically used for connection speed
CAGR	<ul style="list-style-type: none"> Compound Annual Growth Rate
CAPEX	<ul style="list-style-type: none"> Capital Expenditure
CCI	<ul style="list-style-type: none"> Customer Confidential Information. Openreach information related to CPs
CFU	<ul style="list-style-type: none"> Customer Facing Unit. Internal BT term for operating units
COTS	<ul style="list-style-type: none"> Commercial Off The Shelf. A widely available commercial solution
CPI	<ul style="list-style-type: none"> Consumer Price Index

CPS	<ul style="list-style-type: none"> Corporate and Public Sector. A division within BT Business
EBIT	<ul style="list-style-type: none"> Earnings Before Interest & Tax
EBITDA	<ul style="list-style-type: none"> Earnings Before Interest, Tax, Depreciation and Amortisation
ESG	<ul style="list-style-type: none"> Environmental, social, and corporate governance
ESN	<ul style="list-style-type: none"> Emergency Services Network. Communications network for emergency services provided by EE
FTE	<ul style="list-style-type: none"> Full time employee
FTTC	<ul style="list-style-type: none"> Fibre to the Cabinet
FTTP	<ul style="list-style-type: none"> Fibre to the Premises
FX	<ul style="list-style-type: none"> Foreign exchange
FY	<ul style="list-style-type: none"> Financial year
Gbps	<ul style="list-style-type: none"> One thousand Mbps
GEA	<ul style="list-style-type: none"> Generic Ethernet Access. Openreach wholesale product for FTTC/FTTP
H1	<ul style="list-style-type: none"> First half of a financial year
H2	<ul style="list-style-type: none"> Second half of a financial year
ICT	<ul style="list-style-type: none"> Information & Communication Technologies



Glossary (2/3)

IOT	• Internet of Things
IP	• Internet Protocol
KPI	• Key Performance Indicator
LAN	• Local Area Network
Mbps	• One million bits per second
MNC	• Multi-national Corporate
MNO	• Mobile Network Operator
MPLS	• Multiprotocol label switching
MS	• Microsoft
MVNO	• Mobile virtual network operator
NaaS	• Network as a Service
NATS	• NATS Holdings, formerly National Air Traffic Services
NFCF	• Net free cashflow
NHS	• National Health Service
NOC	• Network operations centre
NPS	• Net Promoter Score

NPV	• Net Present Value
POTS	• Plain Old Telephone Service
PSTN	• Public Service Telephone Network
RAN	• Radio Access Network
RGUs	• Revenue Generating units
ROCE	• Return on Capital Employed
SASE	• Secure access service edge
SDN	• Software-defined network
SD-WAN	• Software-defined wide area network
SIM	• Subscriber Information Module
SIP	• Session Initiation Protocol
SLA	• Service Level Agreement (Minimum contractual service levels)
SMB	• Small and Medium Business, a customer segment for BT Business
SOC	• Security Operations Centre
SOGEA	• Single Order General Ethernet Access



Glossary (3/3)

SWAN	<ul style="list-style-type: none">• Scottish Wide Area Network
TCS	<ul style="list-style-type: none">• Tata Consultancy Services
UC	<ul style="list-style-type: none">• Unified Communications
UCaaS	<ul style="list-style-type: none">• Unified Communications as a Service
UCC	<ul style="list-style-type: none">• Unified Communications and Contact Centre
VOIP	<ul style="list-style-type: none">• Voice over Internet Protocol
WAN	<ul style="list-style-type: none">• Wide Area Network
YoY	<ul style="list-style-type: none">• Year over Year