



# Business Briefing

Presentation transcript

22 November 2023

## **BAS BURGER**

Hello and welcome to Business.

Today we are going to cover four key aspects of Business – the B2B unit of BT Group.

I will give you an overview of our strategy

### **Slide 2**

Kerry Small will outline our transformation plans, the market and our portfolio plans.

Chris Sims, Ashish Gupta and Joris van Oers and will lay out our go-to-market strategy for the four segments in which we operate – namely small and medium business, corporate and public sector, wholesale and global. Chris will cover both SMB and Wholesale as Alex Tempest is unable to join us today due to illness.

And finally, Martin Smith will lay out the CFO perspective on our plans and our prospects.

The presentation will take about 75 minutes. After that we'll have a good 45 minutes for Q&A.

Back in December 2022 we announced our intention to create Business, a dedicated B2B operation.

On 1 April 2023 we brought our two B2B teams together and started the integration process with three objectives in mind:

- To leverage the full scale and capabilities of BT Group to develop and deliver market-leading products and services for all our B2B customers

- To create a single interface for all our corporate customers and public sector institutions, removing duplication wherever it appeared
- To drive additional cost savings of at least £100m by the end of FY25 through the consolidation management teams, support functions, product portfolios and systems

I am pleased to report that we have achieved the first two and are on track to deliver the third.

Today we are going to share what we see as the opportunity ahead and how we intend to seize it. Before doing that, I'd like to acknowledge that the past has not been straightforward and that previous promises of growth have not all materialised.

#### **SLIDE 4**

In bringing Enterprise and Global together we examined the historical challenges we faced and determined how we would fix them for the future. In the past, we were slow to migrate away from legacy products; we had too many bespoke solutions, which increased our costs, complexity and inefficiency; and we had failed to offset our input costs.

This led to a scenario where our profitability and market share were declining – a scenario that called out for a radical modernisation of our business. At the time we under-estimated the size and complexity of the task. We are now in a position to see it through in full.

We plan to accelerate the move to next generation products and services; to streamline, standardise and scale our portfolio; and to drastically reduce our cost base, while reviewing our pricing strategies.

This will give us a simpler, more standardised next generation portfolio, increased profitability and ROCE, with increased share in the markets we choose to win in.

In short, we are ripping off the plaster. I am convinced that the short-term pain of radical modernisation will lead to long-term benefits for our customers, our partners, our people and ultimately the shareholders of BT Group.

## **SLIDE 5**

Let me start by outlining what I hope you will take away from our presentation today, starting with our customers:

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

Our aim today is to share an open and forthright view of the challenges and opportunities ahead, recognising the obstacles we have faced in the past, to present you with a realistic picture of our prospects.

Our business starts with customers. We address our customer needs through the following channels.

Going from left to right, you have the small and medium business segment or SMB, which is made up of just over a million enterprises in the UK with under

250 employees. This segment resulted from merging the previous SME (Small & Medium enterprises) and SoHo (Small Office Home Office) segments, generating around £1.5 billion in revenues or 20-30% of the market.

Next you have Corporate & Public Sector, which covers larger organisations in the public and private sector, ranging from high street brands to government departments and the NHS. As part of the merger, we integrated our top UKheadquartered multinational customers from Global into CPS. We have around 12,000 customers in this segment, generating revenues of over £2.4 billion, making up a 20-30% market share.

In the middle you will see our Wholesale segment, made up of about a thousand customers, generating revenues of around £1.2 billion. Customers include other telecom companies, mobile virtual network operators and resellers in the UK. Our market share is between 20-30%.

Next we have Global, serving multinational corporates and international government bodies. This segment has revenues of £2.4 billion, representing between 5- 10% of the addressable market.

And finally, Portfolio Businesses, consisting of end-to-end businesses, which do not easily integrate into the new operating model, but which consume our core assets, operate successfully on a stand-alone basis and which we will optimise for value. This includes businesses like Radianz, Trading & Command and Redcare. Our Portfolio Businesses deliver revenues of around £700 million. We won't present on them in detail today but are happy to answer any questions you may have.

Put this all together and you have a business with revenues of around £8.3 billion, representing around 40% of Group revenues, 25% of Group EBITDA and 33% of the cash generated by the trading units. It is a significant factor in the future success of BT Group, which is why our planned modernisation is so critical and so urgent.

Before we talk about customer needs, let me describe some relevant changes we've observed in the business environment that affect our customers.

Think back just 5-10 years ago. This was a time when many organisations still held most of their data and applications on site, either on a standalone computer or server in the case of a small business or a datacentre in the case of corporates or government departments. Today the growth of software-as-a-service and cloud-based applications offers an efficient and convenient way of running operations.

Whether you are a flower shop in Bristol or a multinational in Berlin, it just makes more sense to operate your business from the cloud – your website, your accounting software, your HR tools. The downside is that your data is distributed across multiple clouds in multiple locations across the world – and access to that data in a secure, reliable way may not be guaranteed. It may also be at risk.

Our customers are aware of that risk and why it's important to have a rock-solid foundation, on which they can build their digital future with confidence. And that rock solid foundation is where our unique assets play such an important role. More of that later.

## **SLIDE 6**

The uniting factor among all of these customers is ever-increasing demand for secure, always-on connectivity.

You may recall that the BT Group ambition is to be the world's most trusted connector of people, devices and machines. Nowhere is this ambition more pronounced than in Business.

The data we gather from our networks, the conversations we have with our customers and the insights we get from the market paint a very clear picture of where the demand is coming from.

And that is the increase in compute power from the expansion of AI-driven applications, the massive increase in data generated by more and more connected devices, the continued digitalisation of business and the accompanying traffic to, from and between clouds. At the same time demand is driven by the expansion of cyber risk and geopolitical risk, combined with the increased requirements from governments and related agencies to comply with new data sovereignty regulations as well as ESG targets. An example of how we are addressing these issues is our rollout of our network-as-a-service offering, Global Fabric, which Kerry and later Joris will talk about.

When asked what keeps them awake at night, our customers refer to all the above, along with concerns that there are simply not the skills out there to meet their own needs and to enhance their own competitive advantage. In short, they need partners that can help them fulfil their own ambitions.

## **SLIDE 7**

Customer outcomes Our response to these needs is to deliver a set of outcomes:

- Stability in the form of the most reliable, secure and resilient connectivity possible
- Skills in the form of deep technical, network and digital expertise
- Security in the form of best-in-class protection from the ever increasing threat of cybercrime
- Sustainability in the form of practical tools to help them reduce their energy consumption and carbon footprint
- And Sovereignty in the form of strategic support in complying to local and international regulations on data

## **SLIDE 8**

We are addressing these markets through the segmentation I described earlier and through a clearly defined Product Powerhouse, which Kerry will describe in more detail. Reading from the bottom up you can see the assets that form the rock-solid foundation, made up of our fixed, mobile and voice networks in the UK, our global network and our rich data resources. The three portfolio categories on top of that foundation drive customer benefits while prioritising the consumption of our core assets. They are:

- Digital Infrastructure - for our converged, mobile, and fixed networks
- Digital Work – for our voice and digital collaboration products
- Digital Services – for managed services and fast-growing security solutions

As you look at this chart, I'd like you to imagine it segmented to reflect two of our key financial drivers, namely our 'volume business', which comprises our product-centric mobile, voice and broadband business in the UK, and our 'value business', centred on our UK and Global managed services. The volume business in the UK represents around 40% of our revenue base, covering the majority of SMB and Wholesale, along with around a third of CPS; while our value business represents the remaining 60% of our revenue base, covering all our Global and Portfolio segments, around two-thirds of CPS and the remainder of Wholesale and SMB. Martin will explain how these financial drivers play out in our view of long-term value generation.

## **SLIDE 9**

This is why our strategy is a *focus* strategy and we have called it 'Better on BT.' You will hear how each of our segments embraces this strategy shortly. In brief, our aim is for our customers to recognise that their business is simply better on BT and that our partners see that their technology works better on BT.

This strategy consists of three components



- Better Focus means prioritising decisions that radically simplify our business, allowing us to go faster and scale.
- Better Outcomes defines how we deliver value for our customers through our modern scalable platforms
- Better Tomorrow sees us investing in skills and technology that deliver long-term benefits.

The measures are captured in this chart which I'll leave up here as we consider the case for radical modernisation – because being 'Better on BT' is all about focus and execution: deciding where to build, where to partner and where to stop.

The case for change is compelling and urgent. We will move off legacy products, speed up the modernisation of our IT systems and to radically simplify our processes – so that we emerge as an efficient, streamlined and future-focused business.

We will rip the plaster off quickly, knowing that the long-term benefits outweigh the short-term pain. Martin will explain what this means in terms of our growth trajectory. As you'll appreciate, timing is everything – and we are realistic in our approach to this.

### Summary

In short, we understand our customers' needs today and can help them navigate future challenges. I am confident that we can do this better than anyone else, if we execute on our modernisation now.

We are confident in the opportunity for long-term value generation in the B2B market and have organised ourselves to maximise that opportunity.

And we believe our 'Better on BT' strategy will help us achieve our long-term goal of sustained financial growth. At the same time, we have no illusions – it is complex, it will take time, it requires bold decisions and a relentless focus on execution.

To describe our approach to modernisation and the future of our portfolio, I'd like to hand over to one of the most recent members of our team, Kerry Small.

**SLIDE 10**  
**KERRY SMALL**

Thank you, Bas – and a warm welcome to everyone.

I joined BT back in April and my welcome was warm – perhaps in knowing anticipation of the task ahead. Seven months in and my main reflection is that this company has good assets: great people, great networks and great customers.

My role is to help convert those assets into a viable, future-focused product powerhouse, while recognising the considerable external pressures

- to transform,
- to respond to new competitive forces and
- to accommodate shifts in customer expectations.

So, in the next ten minutes I'd like to cover two specific areas that will guide the process: Modernising our Business and our Product portfolio.

**Slide 11:**

First up, Bas spoke before about our need to transform, we will do this through radical simplification of our products, our operating processes and our technology.

We are running a multi-year complex transformation, with a view to protect the base whilst building for future growth.

Our transformation relies on 3 levers:

No1: Simplification:

- Structural simplification through the merging of the former B2B units, Enterprise and Global to create Business has allowed us to remove duplication, optimise the P&L and actively address the cost structure.

No2: Rationalisation:

- Key is Product rationalisation – Going forward we will build new products on common platforms and move from building products for each channel to products that can be configured to meet the individual needs of each channel. By adopting the approach of build once, deploy to many, we expect to significantly improve capital allocation, unit economics and scale benefits.

• No3: Digitisation:

- We are building a modern modular IT stack that reuses components across products, is future-proofed to exploit AI and data mining and allows partners in our ecosystem to ‘plug and play’. This builds a digital layer decoupled from the complex telco’s Operating and Business system stacks enabling zero touch digital journeys and a marketplace capability to support new revenues.

This will create a Modern business that is fast to market, has a digitally engaged customer base operating at the right cost point for sustainable growth.

Slide 12:

We’ve already kicked off our multi-year transformation plan that touches on all aspects of the organisation, key to which is optimising the current state while carrying out longer-term changes. Let me share some examples:

- In our Sales transformation designed to increase our Sales Order Volume, move to Solution Selling and drive up Productivity where we are on track to deliver a 40% YOY increase in Digital Channel sales in SMB.

- In our Service transformation: We've deployed "Service Now" – a cloud-based workflow automation platform" with 240+ of our largest customers now migrated and on-track to migrate 2500 by the end of the year. We will then scale up to migrating 1000s customers / month, driving significant cost savings through automated processes and Customer Experience upside.
- Digitisation: We signed a partnership with Tata Consultancy
- Services to simplify the BT Group legacy estate allowing us to focus on delivering the new tech to meet our customers' needs and drive growth. Around 500 of our legacy apps have now been transitioned and we are on track to deliver group wide target of £145m annualised savings by FY27.

### **Slide 13:**

A key part of our Modernisation plan is the simplification of our Portfolio.

Our Product strategy is to have a reduced number of market relevant products, going from 312 to 150 products, that are secure, cloud centric and built on modern IT as modular components.

This meets the needs of our customers' ever-increasing demand for Secure, always on connectivity on which we can layer digital services.

- Let me start with explaining our 3 portfolios:
- Digital Infrastructure - offers our converged, mobile and fixed networks providing the stable connectivity needed for businesses to run effectively and efficiently. Here we have unmatched core infrastructure with 27 Tbs core traffic and continue to be recognized as the best mobile network for 10 years consecutively and have been a global leader for 20 years in Global Network services

- Digital Work – offers collaboration products that help teams work seamlessly, such as online meeting platforms, communication tools and customer contact centres. You'll be familiar with many of the major partners i.e. Microsoft Teams, Cisco Webex, Zoom and Ring Central and we use our close relationships with these partners to build, innovate and integrate.
- Digital Services – offers end-to-end solutions such as cybersecurity (including Eagle-i) and specific solutions for different industry verticals like healthcare and within government i.e. Defence and our managed services. Security is the No1 concern for all businesses driven by increased number of threats and move to the cloud, which we expect to increase. We have an established market leading Security proposition which grew 14% YoY in H1, differentiated through having our own 14 Cyber Operation Centres and 3,000+ experts holding a wide range of vendor and industry accreditations. This is a good example of our build once, deploy to many approach, where we are scaling down our Global Security proposition to our Small and Medium Business segment on a single platform.

Throughout our whole portfolio, our ambition is to embed sustainability by design.

We're already transitioning our networks to be more efficient such as Fibre, 5G and our global networks. Not only does this lower BT's own carbon emissions contributing to our net zero ambition, but also helps to reduce our carbon footprint on customers.

Some Examples:

- Improving the efficiency of Global voice network to reduce carbon footprint by 81%
- Moving from 3G to 5G is up to 90% more energy efficient

- Digital eSIM reduces carbon footprint by 99% vs traditional SIM

## Slide 14

So, that's today's portfolio. As you know the market is shifting and we're seeing migrations from copper to fibre, 3G to 5G, Voice to IP and we need to pivot the portfolio to capture the value shift.

We are already on this journey, but we need to accelerate to take leadership in next-generation connectivity: Virtualised networks (Global Fabric, Fibre, Cyber, 5G, IP Voice).

This requires a programmatic orchestration of the customer migrations in huge volumes. This includes everything from sales training and incentivisation, regulatory compliance, product builds, IT development.

Here you can see two examples.

On Voice we are 50% of the way and due to complete by end of 2025. For those adopting digital / collaboration ways of working they went quickly, for the second cohort we've got these three actions in place:

- Made the migration more seamless.
- Made commercials attractive by billing on activation.
- Targeted campaigns

As we look to end of 2025, we expect all of our broadband customers will be on either be on a FTTP or Single Order Access Solution (i.e broadband without traditional phone line). We are currently c.25% of the way there. On FTTP specifically, Business has good take-up where it is available, with the vast majority of orders for Business Broadband. So as our

coverage increases, our take-up of FTTP will increase. We are confident about the future of FTTP looking forward

However, the future isn't these 5 connectivity products standalone. the future is the convergence of these, whether that's Security with Connectivity or even 5G with Voice which we are already looking at.

In summary: To transform to a modern business, we need to:

- Simplify the Integrated businesses.
- Rationalise the Portfolio from 312 to 150 products and pivot to next gen connectivity.
- Digitise the business to enable zero touch journeys & a build a marketplace capability.

## **SLIDE 15**

This level of transformation can only work with a deep focus on our customers, so let's hear from our segment leaders.

First up, Chris Sims.

## **SLIDE 16** **CHRIS SIMS**

SMB services businesses with less than 250 employees – the majority of businesses in the UK

It's a broad segment with a range of needs in terms of the products, levels of service, and how they engage with us.

In general, these businesses understand what technology can do, but often need help to get there. With growth, they need technology to keep up with competition.

But they remain value conscious and considered.

Critically, they are time poor and often don't use professional buyers. They are often emotive in decisions emphasising brand & marketing - supporting our two-brand strategy.

We primarily sell mobile, connectivity and voice services – and increasingly solutions to help businesses operate more efficiently such as collaboration tools, payments and messaging.

We believe the market will grow by 4% CAGR to 2028. But the current environment isn't favourable. In 2022 the total number of businesses shrank and last month saw a big rise in reported insolvencies.

However, we see evidence of confidence improving, I'm always impressed by the sector's resilience.

We'll see winners and losers in our base over the next few years, and our growth in part comes from customers embracing digital to ensure they're one of the winners.

### **Slide 17:**

We have a good core market share, over-indexing in mobile, connectivity and traditional lines; with growth opportunity in IP voice & security.

However, the picture is not homogenous. We believe we take higher share in micro & small versus medium where we have an opportunity to grow further.



And there is still growth in term of cross sell. Our push into security and other digital services is critical to that.

We grew 4% last FY (and more in H1 23/24). This was due to index linked pricing and strong trading where we believe we beat the market in most products.

This is helped by our market-leading reach. Smaller businesses are served by telesales, EE high street retail stores and a growing digital channel.

For larger customers, we've continued investing in our "local business channel", a network of 28 independent businesses selling BT products, as well as a growing field & desk team.

As a result, we've seen growth, increasing our Mobile market share YoY and increasing average deal size increase.

Additionally, insight data has shown that BT outperformed the market over the last 12 months taking 40% of all mobile transactions.

IP Voice has also grown faster than the market and are finally starting to see real traction with larger customers.

For smaller customers, some of the market has moved away from voice. Here, our unbundled solus BB only proposition has been retaining customers whilst avoiding undue ARPU dilution

We see early signs that FTTP is driving lower churn and higher ARPUs. And our net adds position on ethernet is 6% higher YoY.

## **Slide 18**

Before sharing our plan to transform SMB, I want to highlight three major trends in our market.

Firstly, the growth of mobile first businesses, remote working and cloud-services are driving a transition from traditional voice to IP voice.

This has a positive impact on the UK economy as IP services are affordable and help businesses improve their productivity.

For smaller customers we're insulated from dilution as voice is always bundled with broadband.

For larger customers, propositions such as Teams Phone Mobile, in partnership with Microsoft, help us directly monetise this trend.

For both, we provide a range of tools supporting digitisation - from payments, website builders, collaboration tools such as M365, helping build back the value for BT.

Secondly, SMBs are at high risk of cyberattacks such as phishing, malware, ransomware and data breaches.

SMBs are worried, but the security expertise outlined by Kerry means customers are confident that BT is the right partner for them.

We also have a range of solutions supporting businesses regardless of their size, scale and need and we'll continue to build "security as standard" across our portfolio.

For example, our BTnet solution has a powerful security add-on, offers: firewall, content filtering, anti-malware protection and intrusion detection and prevention. A one-stop-shop.

Finally, customers face continued uncertainty driven by global instability.

The need for flexibility and tailored levels of support has never been greater and BT's scale is well positioned to respond to this.

Index-linked pricing allows us to continue investing for the longer-term, focusing on the stability of our network and service levels.

And shortly, our scale will allow us to launch new mobile and broadband propositions with more favourable commercial terms.

## **Slide 19**

Addressing these trends, we have a clear plan to transform SMB. Firstly, “Modernise our Sales Engine” shifting customers online to reduce costs and provide greater cross-sell opportunities driving RGUs.

This allows us to invest in our channels serving larger customers. There is a big opportunity to gain market share with larger customers and the increased investment in people and sales tools, will drive this.

We’ll also Simplify Our Business, radically reducing the number of products we sell, simplifying things for our customers and colleagues.

We’ve seen from closing PlusNet business and BT Mobile we can move customers to strategic propositions with acceptable churn and ARPU outcomes.

Secondly, and I think most excitingly, we’ll “Amplify Customer Value” showing customers they are truly better on BT.

We believe we have the best customer propositions: blending the power of fixed and mobile, innovative service models and great add-ons such as: free roaming, exclusive Apple One content – all on the best network.

And we have security embedded with options to pay more for increased coverage – which many customers choose to do.

Over the next year, we'll enhance our propositions to make them richer and easier to use.

Including providing a range of tools making it easier for customers to run their businesses - all of which work "Better on BT".

Improving early life journeys is key and we have several initiatives to do just that which will reduce breakage. This will enable us to become a trusted partner from start-up to scale-up. Hugely Exciting.

Finally, we'll focus on driving a Broader Impact – supporting businesses to be sustainable and digitally skilled via our Skills4Tomorrow.

In summary, we've made a great start in getting back to growth. And we have headroom to go further and offset our headwinds.

And we're well placed to: Modernise our Channels, Amplify Customer Value and Simplify our Business

I'm really excited by what the next year will bring for us, and our customers. With that, I'd like to hand over to Ashish.

## **SLIDE 19**

### **ASHISH GUPTA**

## **Slide 20**

As a brief overview

- Our CPS customer base is comprised of large enterprises across the UK, split across public sector and private companies. In total this equates to approximately 12,000 customers - half of which we have a substantial trading relationship with and the other half representing an opportunity for growth

- The public sector base covers all areas of UK government and public services, including all 24 Central Government Departments, the 3 Devolved Authorities (Scotland, Wales, and Northern Ireland), local councils, police forces and NHS trusts. BT is the largest telco in public sector and one of the biggest providers overall of technology solutions.
- Our corporate base covers all UK headquartered businesses with over 250 employees, across all industry segments – we power the digital operations of a sizeable number of the best-known UK companies.
- Across these segments our customers are increasingly seeking enhanced business outcomes from transformational investments in digital capabilities, and we support them by providing end to end infrastructure managed services covering networking, mobility, collaboration and security.
- This segment of BT’s business has been under significant financial pressure as we migrate our customers from high margin legacy revenues to next generation services.
- Public sector pricing has been particularly challenging given significant competition and the structure of public sector procurement especially in mobile services.
- Given the nature of our services in this segment we compete not just with other telecoms companies but also with systems integrators
- That said we are seeing increasing demand for our digital infrastructure & digital work offerings as customers upgrade to secure converged networks on their journey to the cloud where flexibility, simplicity, security & sovereignty are the key requirements.

- Customers are also increasingly looking for partners to help manage this converged secure infrastructure to ensure they mitigate any skills gaps and deliver the outcome their business is looking to achieve

Whilst we have faced headwinds, BT maintains a unique position to meet the growing & changing demands of our customers with the broadest base of assets, well established ecosystem of partners and unrivalled skills.

## **Slide 21**

- We have a strong base of large managed services contracts across all sectors – including Defence, Banking, Retail, Transport & Logistics
- We are the clear market leader in connectivity with an overall 39% market share and we continue to win more customers back to BT (e.g. Scottish public sector network, National Air Traffic Services, Scottish Power to name but a few)
- We have strong mobile share at around 30%
- In a highly fragmented market we have a decent share in the security market and are seeing strong double-digit growth in this part of our offering
- Our mobile penetration is higher in public sector, especially central government, giving us opportunity to grow our corporate customers and valueadded services (VAS) representing an opportunity for ARPU improvement given the pressures of public sector pricing

- We still have a significant traditional voice base, which we are migrating directly to our **digital workplace solutions** limiting exposure to the low ARPU & declining on premise based voice solutions our ability to delivery contact centre solutions integrated with our IP platforms makes us a partner of choice
- Our strong connectivity market share is helping us drive strong growth in adjacent network services – Cloud connectivity, Security, and network managed services. We are also well positioned to help our customer through establishing strong partner ecosystems (Hyper-scalers, Service Integrator's and other vendors) to deliver transformational outcome-based services.

In a fragmented and competitive market BT is and can continue to win by being the partner of choice for our customers offering a comprehensive range of services which are "Better on BT" than with any other market participant.

## **Slide 22**

Whilst there is a lot to do we have 3 key areas of focus to deliver the plan for CPS

- Rigorous focus on growth in our core portfolio
- This has been a core focus area for the last year and is a shift in the approach to managing this segment. We are seeing the benefits with more to come
- Have made strong strides across networking and security and hope to demonstrate material growth across the other portfolio areas
- This is important and will help us consolidate market shares and also help us sustainably improve our margins

- Drive improvements in the customer experience we deliver to customers

Whilst we have continued to make sustained improvements in our Net Promoter Score we still have a lot to do to deliver a level of service our customers expect from BT

- Service Delivery & Billing improvements – continue to be the biggest NPS (Net Promoter Score) detractors
- Focused investments in Integrated digital customer experience – customers increasingly want automation and integration to their own investment in automation and robotics. Customers are also looking to BT for scale on future AI enabled services
- The service we provide our customers is critical to the efficient functioning of their operations and we are committed to driving and delivering improvements
- Be the National Champion and the partner to deliver infrastructure enabled vertical solutions
- Customers want to leverage technology to drive transformational outcomes, and these are often unique to their vertical sector – with our range of assets and services we are well placed to be the partner of choice across a number of industry sectors
- We have made good progress in developing a number of solutions where we have created outcome-based solutions for our customers beyond pure infrastructure. You will see us increasingly go to market with a vertical focus creating a broader range of infrastructure enabled services.
- Lastly, we are committed to be the partner of choice to the public sector. We have been vertical focused in the public sector for a



while and this has allowed us to focus our investments and evolve our service models to best serve critical needs to various government bodies and we will continue to drive this focus. We continue to partner with the government in the delivery of critical next generation infrastructure programmes such as ESN.

In conclusion, whilst the CPS market is fragmented and challenging and, we still have significant legacy revenues to manage - BT has the scale and breadth to be the infrastructure solutions partner of choice and the ability to return the segment back to growth.

Thank you and now I will hand over to Chris.

## **SLIDE 23**

### **CHRIS SIMS**

Thank you, Ashish.

## **SLIDE 24**

Wholesale is the least understood area of BT Business.

But they are integral to its success as it addresses a sizeable part of the UK

Telco market that buys and sells through indirect channels – a potential market of £4.6bn

We provide communications providers with a variety of both ‘sell to’ and ‘sell through’ solutions

These enable BT to incrementally monetise its fixed and mobile assets, improve unit economics and maximise market value share for BT Group.

We're often asked how BT Wholesale differs from Openreach. The reality is that Openreach provide the basic building blocks of a service.

And we take those and build them into an end to end solution ready for our communication providers to brand and sell to their customers.

Wholesale is primarily a 'volume' business, with 81% of our revenues coming from customers that buy standardised products like broadband, voice and mobile.

We are really strong in this Wholesale market – serving over 1000 customers actively across 3 segments:

The first is Wholesale Partners, where we predominantly sell broadband, ethernet, optical and hosted connectivity.

Here we serve some of the largest UK resellers such as Gamma, Daisy, Claranet etc alongside national and global network operators such as TalkTalk, Colt and Verizon.

The second segment is mobile and digital infrastructure, where we work with the UK's mobile networks such as VMO2, Three and Vodafone, to bring the best of BT's connectivity to the market.

Within this segment, there is the exciting new world of Edge and Co-location, where we form partnerships with cloud providers such as AWS to run network edge services from our exchanges

For example Camera as a service and private 5G hosted applications.

The third segment is made up of mobile virtual network operators or MVNOs. Here we partner with businesses to provide access to the EE mobile network to their customers under their own brands.

This segment continues to grow in the traditional consumer MVNO market, with brands such as Utility Warehouse and Lyca. We are also seeing growth with MVNOs in the enterprise and IoT markets through partners like plan.com and Wireless Logic.

## **SLIDE 25**

Let's turn to the market.

We are a leader in the traditional Broadband and Small cells & Backhaul with over 30% market share and we have 20% of the total Openreach's Ethernet market.

We are aiming to grow our market share in the fast-growing Hosted space and following the exit of the Virgin MVNO, our MVNO market share has recovered with strong year on year growth driven by existing partners and new launches including Lyca.

However, the wholesale market is increasingly challenging.

We see growing competition compounded by reseller consolidation, ARPU erosion, and costly demand for higher bandwidths.

However, while there is tension in the traditional market, we see growth opportunities in newer markets which keep us excited about the future.

Crucially, we are actively investing in these opportunities that will set us up for growth in the coming years.

For example, today's business environment places a premium on the ability of communications providers to collaborate.

Partnerships allow us to play in these new areas, especially in relation to digital infrastructure.

This allows us to explore the benefits of combining the power of the hyperscalers such as Amazon Web Services, Microsoft Azure and Google Cloud with the scale and reach of BT Wholesale to bring new solutions to the market.

An example of this is our recent joint project with AWS to provide mobile edge compute services in the UK, starting with the delivery of the Manchester Wavelength Zone.

This shows the value of two partners coming together and what BT Wholesale is able to do by leveraging existing assets to deliver new value to customers.

A further opportunity is the migration from PSTN to “IP voice” by Dec 2025.

We are choosing to get ahead of the competition by offering stability in this ever-changing market, rather than waiting until the 2025 switch off. Unlike some of our competitors.

To do this we are running campaigns that help partners identify, understand and execute their migration with white label collateral and professional services to support and ensure our customers are better on BT.

To highlight the scale of the opportunity, the Broadband market has around 2 million business lines that need migrating, and we have the capability to service this through a range of technologies.

Finally, another area of growth is Complete Mobile, recognising customers’ need for a wholesale mobile solution. Launched earlier this year.

Slide: Our execution priorities

We have three execution priorities to build on our market leadership: our propositions, our customer experience and our people.

Firstly, we will focus on developing market-leading propositions in both traditional telco and new future-proof products.

In the traditional telco space, we're helping communications providers move to our all-IP products through the expert support provided by our Professional Services.

We see new opportunities in the Security, Edge, Asset Commercialisation and IoT. I talked earlier about the concern around cybersecurity for SMBs and we are perfectly positioned to offer solutions as a wholesaler through our partnerships with industry-leading vendors.

Secondly, we have an uncompromising focus on customer experience, ensuring our customers find us as easy as possible to do business with.

In order to deliver this, we are prioritising the modernisation of our IT platforms.

Also, as mentioned previously, partnerships lie at the heart of our success. Increasingly, we work hand in hand with customers to create value-driven partnerships that demonstrate that customers are better on BT.

Lyca mobile is a great example of this.

Lyca migrated their customer base to BT Wholesale earlier this year, with 4x faster data speeds and broader coverage than they previously experienced. Thanks to the EE network.

Finally looking to a better tomorrow, we recognise that one of our key differentiators is the calibre of our people, who stand out as both experts

in their field and trusted advisors in the ever-changing world of technology.

That's why we continually invest in the training of all our teams, acknowledging that 42% of employers in the sector report a gap in specialist digital or IT skills. Again proving customers are better on BT.

But, before I finish I just want to reiterate our key messages:

- Wholesale utilises BT's assets to drive better value for the group
- we partner with customers bundling components together – to give end to end solutions.
- new technology gives us new markets and opportunity for growth

I hope you now feel you have a better understanding of the dynamics of our business and are as excited about our future as we are.

We turn now to Global, and I'd like to welcome Joris van Oers to the stage.

## **SLIDE 26**

### **JORIS VAN OERS**

Thank you, Chris and good afternoon everybody.

I'm Joris and I'm responsible for managing BT's Global business. And I'm happy to provide you with some more insight into our global business.

As mentioned earlier, in Global we serve the largest multinational corporates and international governmental institutions in the world, helping them digitise their business.

This means moving their operations into the cloud in an environment that is getting even more complex, with multiclouds, AI, data flows and cyber threats.

For our customers, this is a critical transformation that requires a shift to cloud connectivity.

They need a stable performing network where they can move their applications and data on, and access them anytime anywhere, securely.

We take them on this journey thanks to our rock-solid foundation and secure multicloud offerings – which I'll address shortly. Before that, let me call out a few examples of what we do:

For instance, we optimise cloud data flows to allow Financial Services customers to meet data sovereignty and regulatory requirements,

But we also keep the European Airspace safe by providing a highly resilient network to EUROCONTROL,

We connect and simplify mission critical services for many of the ministries of foreign affairs of multiple countries,

And we also provide network and security services to leading Manufacturing companies such as Michelin.

Just a few examples where our platforms and services help our customers digitise their business.

Now let me highlight a few market trends.

The Cloud Connectivity, Collaboration and Cybersecurity market we are operating in, is growing circa 5% per annum.

To drive the right return on our investments, as Bas said earlier, our strategy is to double down where we excel, and partner where we see opportunities.

And this is even more relevant in a changing telco landscape where we see more System Integrators and hyperscalers being active.

The digitisation journey of global organisations just started and only a small percentage of data overall moved to the cloud yet.

They see complexity, costs and security as their key challenges, which our secure multicloud connectivity offering fully addresses.

Hence there's a huge growth opportunity out there and we are well positioned to capture this.

So let me briefly talk about our market position and capabilities on the next slide.

## **Slide 27**

Over the past 4 years, we have refocused our Global business on a select set of customers and have significantly divested non-core assets and portfolio.

We are now a smaller but more focused business ready to double down on secure multicloud connectivity.

Going through this change we also need to recognise that we have underestimated the complexity of transforming and simplifying our portfolio on modern IT.

This is now a key part of our modernisation plan as highlighted by Kerry.



Together, all of this puts us in a strong position, making us one of the global leading providers in this market.

With regards to our go to the market, let me highlight 3 key elements: First, we grow our business from flagship customers by focusing on a limited set of development accounts.

Last year we renewed 96% of our existing contracts, which gives us solid foundations for cross and upsell.

One of them, for example, is DHL, a relationship we have for more than 12 years. They have renewed their contract, trusting us to transform their connectivity in 27 countries across Europe.

Then, we expand our customer base with new contracts via a regional salesforce. Last year, we won 41% of opportunities we went after.

A good example is Rio Tinto, where we will be transforming their network, Unified Communications, and security environment. A new acquisition, carefully selected on the back of our credibility in the mining industry, supported by long-standing customer Anglo American.

Another example is the global SD-WAN contract with Unilabs that we won on the back of our experience in the pharma industry.

And finally, we work with our evolving ecosystem of partners where we see opportunities to leverage their capabilities. For instance:

With Microsoft we combine products and services to drive voice volumes through Microsoft Teams,

We have a joint go-to-market with CrowdStrike as part of our Managed Security Services portfolio,

And we partner with System Integrators such as ATOS, Infosys and WIPRO to drive volume onto our core platforms.

So our leading position is well recognised by our customers and partners.

And our market-leading portfolio and capabilities, as explained by Kerry, give us the credibility to help our customer migrate from the old to the new:

Firstly, we migrate our customers into the cloud with Digital infrastructure and our Network-as-a-Service (NaaS) offering, including our new Global Fabric network, recently announced.

Currently being deployed globally, it marks a once-in-a-decade shift in technology to a high-performance, fully programmable cloud-centric network.

To make it simple, Global Fabric enables our customers to easily move their data between clouds, at lower cost and securely.

Secondly, we also support them migrating into cloud voice and contact centre platforms with Digital work. And finally, we secure their multicloud environment with Digital Services, our managed security portfolio.

This is our winning value proposition which covers the digital transformation agenda of our customers, making them better on BT.

Learning from the past, we need to control this migration better. So we can put our legacy platforms end of life, giving us the opportunity to further remove complexity and structurally reduce our cost base.

Moving to the next slide, Better on BT for Global is all about the execution of our strategy with a clear set of priorities.

## SLIDE 28

For us is not per se new. As I mentioned, it's a continuation of the strategic refocus we started in 2019. This has allowed us to reduce the number of customers that we serve by 54%, while at the same time increasing the share of wallet that we have with them by 64%.

And almost 66% of our existing customers are already consuming our growth portfolio.

So, although we didn't grow as we wanted, we've radically refocused our business and improved our predictability over the years.

On the previous slide, I already covered the "Who" and the "What" of our go to market strategy, now let me briefly cover the other 2: the "Where" and the "How"

Where we sell: our global reach remains one of our key differentiators, so we continue to serve our customers in 180 countries. However, we will do our sales through our direct channels in a more selected number of key and emerging markets outside the UK.

And we'll expand our distribution via partners everywhere else.

With regards to the "How we sell", we have 3 clear priorities: First: we focus on cross and upsell of our core services with existing customers to improve ROCE.

Second: we use data analytics to identify targeted new logos where we have the higher chance to win.

And third: we digitise our sales processes to drive productivity of our workforce.

Better outcomes for us means better outcomes for our customers and for BT:

We deliver value for our customers by supporting their cloud strategies. Key metric here is NPS. Over the last year, our Global NPS improved by 21% YoY.

We drive profitable growth for BT by retaining our customers and with higher win rate on new business in key markets.

And we transform Global to new scalable platforms, delivering higher return on investments.

But we are also looking ahead in everything we do today, for a better tomorrow. With the investment in Global Fabric, we create long-term value for existing and future customers, leading technology partners, hyperscalers and application providers.

We also see our customers requesting sustainability commitments, and we are driving differentiation here with our Global Fabric offering, which drives approximately 80% reduction in carbon footprint.

We're also shaping a “better tomorrow” for our people, for example by upskilling them as accredited cybersecurity professionals. By doing that we address critical skills shortages and enhance customer experience.

So, in summary:

Global is a different business today – we are laser focused on our target customers and we've radically simplified our offerings, now focused on secure multicloud connectivity.

We address the key needs of our customers who all move to multiple clouds at pace which results in a growing market opportunity.

Leveraging the credibility we have with our customers and our partners, and together with our investments in Global Fabric and Security, we're well positioned to capture that growth.

Thank you, and now I hand over to Martin.

**SLIDE 29**  
**MARTIN SMITH**

**SLIDE 30**

Thank you Joris and good afternoon

I'll start with a brief look back at our financial history, with some reflections on progress made and challenges faced since the last Global and Enterprise investor briefings in 2020 and 2021.

At that time both units were expecting revenue declines to continue in the near term before pivoting to modest growth, with the declines reflecting the impacts of divestments, Covid, market headwinds, and legacy declines, along with the loss of the Virgin Mobile MVNO.

Both units also highlighted the critical importance of increasing investment in transformation and driving efficiency to stem the declines in EBITDA caused by the changing revenue mix, with a longer-term goal of reaching sustainable EBITDA and cash flow growth.

Looking back at the combined results of Enterprise and Global over the last 3 years, we see revenue declines on a steadily improving trajectory as the units navigated the short-term challenges and executed their divestment plans.

Both units also executed their transformation plans, delivering a cumulative gross transformation benefit of £451m by the end of last year. Over the same period the combined headcount reduced by around 6,400 FTE, representing a net reduction of over 20%.

Despite this improved revenue profile and the extensive transformation, the EBITDA performance has been disappointing, with the downward trends continuing at levels worse than anticipated.

This performance reflects the various factors that Bas described in his opening remarks, translating into a greater than expected margin mix impact from legacy migration and managed contract declines and, more recently, macroeconomic conditions leading to material inflation of our input costs.

We are negatively geared to inflation as historically only around 20% of our revenues were index-linked

### **SLIDE 31**

Our Financial performance in H1 this year showed the same historical trends broadly continuing.

On revenue we saw modest growth, up 1%, driven by continued trading momentum enhanced by index-linked pricing in SMB, combined with strong demand for our Security products, which were up 14%

We also saw an increase in lower margin sales, which masked the ongoing impact of high margin legacy product and managed contract declines.

EBITDA declined 11%, reflecting the impact of high inflation on our input costs.

Despite ongoing efforts to increase coverage, we still only have just over a quarter of our revenues index-linked and so remain negatively geared to inflation.

In addition, the margin mix impact from legacy declines continues to have a material negative effect on our gross margins, offsetting the trading momentum in SMB and Security.

The prior year comparator also benefited from a number of one-offs and marginally favourable foreign exchange.

Our transformation and tight cost control continues at scale and we are now also starting to realise the synergy benefits from integration, which will continue to ramp up over the next 16 months. However, with heightened inflation these transformation and integration benefits only partly offset the input cost and margin mix impacts.

In the prior year we saw an unusually large step up in EBITDA from H1 to H2, reflecting one-offs, bonus provision releases and favourable FX on the back of weak sterling.

Whilst we continue to expect some positive momentum into H2, the current year profile will be much flatter. This reflects the impact of the September pay rises and the attenuation of April's price increases as we move through the year.

## **SLIDE 32**

Before I move on to describe our financial goals, I'll briefly cover our key financial drivers that Bas mentioned earlier.

These are most easily considered by segmenting the 'volume business', which comprises our product-centric mobile, voice and broadband business in the UK, from the 'value business', centred on our UK and Global managed services.

The volume business in the UK represents around 40% of our revenue base, covering the majority of SMB and Wholesale, along with around a third of CPS. This business can be modelled on a Price/Volume basis.

Our value business represents the remaining 60% of our revenue base, covering all of our Global and Portfolio segments, around two-thirds of CPS and the remainder of Wholesale and SMB

### **SLIDE 33**

For the volume business, the primary KPI is our 'Revenue Generating Units' (or 'RGUs') metric, consistent with the published volume KPIs.

Index-linked pricing is in place as standard across the majority of the SMB revenue base, but is less common in CPS and Wholesale where bespoke pricing and fixed rate card trading models prevail.

Overall, around half of the current volume revenue base has index-linked pricing.

The main future drivers of value in this business include:

- driving volume growth from the current 7.8m RGUs to our target of 11m RGUs by the end of the decade, including through cross-selling of our product portfolio.
- driving unit revenues through inflation-linked pricing and increasing valueadd attachments and
- addressing the margin mix impact as we transition from higher margin legacy through our modernisation plans

### **SLIDE 34**

For the value business, the primary KPI is our published 'Managed Services' revenue metric.

Of the £5bn Value revenue, £4.7bn is reported as Managed Services, with the balancing £300m reflecting other trading categories as noted on the slide.



On average, around 80% of our Value revenue base is contracted, with the remaining 20% representing additional in-year revenues generated through change controls and other trading above the contracted base.

For the value business the main financial driver is orders won as reported in our KPIs. In the last 12 months we generated £6.9bn of total retail and Wholesale orders, around 80% of which relates to Managed Services.

The current average contract length weighted by value for orders won in the last 12 months is around 2.5 years.

Our value business faces the same margin pressures as the volume business through both input cost inflation and margin mix as we transition from legacy. However, the impact on gross margins is more pronounced as historically to be competitive, deals were contracted using bespoke pricing without indexation.

Since the start of last year we have, where possible, built indexation into our managed contracts in order to build future resilience.

Currently, around 15% of our managed services revenue base has index-linked pricing and around 25% of new orders won in the last year included indexation clauses.

In addition to driving managed services revenue growth through increasing orders and indexation, the main future drivers of value for this business are focussed on optimising our margins.

Key focus areas include executing our modernisation plans to refocus and simplify our portfolio and improve the margins of the next gen platforms as they scale - as well as driving transformation to improve returns on our existing contracted base.

## **SLIDE 35**

Finally, moving on to our financial goals, which I will consider in three future time horizons having already reflected on the historical dynamics and financial outcomes to the end of FY24.

In the near term, beyond FY24, we will see extensive migration from legacy to our next gen portfolio, but given the growing next gen base we expect revenue to be broadly stable.

The margin mix impact of the legacy declines and the higher input costs driven by ongoing inflationary pressures will continue to impact our margins.

We will continue with broadly the same level of investment in modernisation and will push hard to maximise transformation benefits which we expect to keep delivering on the same scale as today.

In addition, we are firmly on track to deliver gross annualised Group synergies of £100m in relation to Integration – with around one-third to be delivered in the current financial year and the remainder by the end of FY25.

As a result, we expect EBITDA to continue to decline, but at a reducing rate as inflationary pressures subside and the benefits of transformation and integration increasingly offset the legacy margin mix impact.

In the mid-term we expect the growth in next gen products to more than offset the legacy declines as we complete the majority of the transition from legacy, leading to increased RGUs and modest revenue growth.

In this period we expect the margin pressure to continue with the pivot to the next gen portfolio, but the delivery of our modernisation plans,

combined with reduced inflationary pressure and lower dual running costs, will lead to stabilised EBITDA and cash.

Again, throughout this period, our investment in modernisation and the expected incremental transformation benefits, will remain at today's levels.

Finally, in the longer term we expect sustainable revenue growth driven by the growth of our next gen products, gaining market share, with the transition from legacy largely complete.

We expect sustainable EBITDA growth driven by the scaling of our next gen portfolio, the finalisation of our modernisation plans and the decommissioning of our legacy products.

Conclusion of our modernisation plans, combined with less capital-intensive next gen products will lead to material reductions in our capex.

Which together will drive sustainable growth in our free cash flows.

Our Return on Capital Employed for Business at the end of last year was around 15%. Despite returns declining in the near term we expect to remain well above the Group average and the cost of capital throughout this period, with material expansion then expected in the longer term.

In summary, we have a clear path to navigate through the near-term challenges, to transform, to stem the declines and stabilise our financial performance, and to create the strong foundations needed to deliver long term sustainable financial growth.

Thank you, I'll now hand back to Bas for closing remarks

**SLIDE 36**  
**BAS BURGER**

Thank you, Martin.

Having heard from Kerry, Chris, Ashish, Chris again in for Alex, Joris and Martin, I hope you feel more knowledgeable about our business-to-business operations.

Our aim has been to shine a light on a complex business that we are striving to simplify, a promising business that we are looking to modernise and an important business that we believe will contribute to the long-term success of BT Group through the execution of our strategy.

With our new team, our new strategy and our new focus, we are ready to rip off the plaster. I am convinced that the short-term pain of radical modernisation will lead to long-term benefits for our customers, our partners, our people and ultimately the shareholders of BT Group.

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

When we do this, our customers will see that their business is simply better on BT and our partners will know that their technology works better on BT.

This brings the presentation part of today's event to a close and we'll move on to the Q&A session, for which my whole leadership team is available.

We will start with questions in the room and will monitor any questions that come through from those joining via Webex.

**END**



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