Slide 4: H1 FY24 Highlights

Good morning and thank you for joining today’s call.

Before I get into the detail of today’s results, I just want to pick up the theme of our full year results – much done, much more to do – and give you an overview of how we are tracking against our long-term ambition as well as progress this half:

- First, we delivered a strong financial and operating performance with both adjusted revenue and EBITDA growth in H1. At the same time, we are strengthening our competitive position, and accelerating progress, through improving our products, propositions and service, whilst investing heavily in our digitalisation and next generation networks.

- Second, we remain absolutely focused on cost and efficiency. Our transformation programme is ahead of plan and has now delivered the original FY25 target of 2.5 billion pounds of gross annualised savings, with as expected, a cost to achieve of just under 1.3 billion pounds.

- Third, we remain on track to achieve our revenue and EBITDA outlook for the full year. As a result of build efficiencies, primarily in Openreach, we are lowering our full year capex outlook to around 5.0 billion pounds. This will flow through to normalised free cash flow which we now expect to outturn towards the top end of the 1.0 to 1.2 billion pound range.

- And finally, we are reaffirming our long-term ambition and continue to expect that by the end of the decade following the peak of our full fibre build, we’ll generate at least 1.5 billion pounds more normalised free cash flow a year. This cash uplift is before any contribution from revenue
growth or cost savings, net of tax, and underpins both our progressive dividend policy and BBB+ through cycle credit rating target.

Slide 5: H1 FY24 Results Highlights

Moving now to the half year pro-forma results on slide 5.

We delivered another strong financial and operational performance. Revenue for the half was up 3%, with good trading in Consumer and Openreach along with increased lower margin sales in Business, partially offset by legacy product declines and continued pressure on large corporate customers.

EBITDA was up 4% reflecting the revenue flow through and strong cost control, which more than offset the impact of cost inflation and one-off items in the prior year.

Capex in the first half was down 11% to 2.3 billion pounds, mainly reflecting unit cost efficiencies in Openreach which have more than offset the impact of more FTTP build, connections and of course inflation.

H1 normalised free cash flow was strong at 456 million pounds, primarily due to the higher EBITDA and lower capex partly offset by working capital movements.

Finally, and as expected, we are announcing our interim dividend of 2.31 pence per share, in line with our policy for it to be set at 30% of the prior year’s full year dividend.

Let’s now take a look at the pro forma financials by customer facing unit....
Slide 6: H1 FY24 Summary of customer facing units

So turning to slide 6, I’ll start with Consumer which delivered another strong performance with revenue up 3% in H1 driven by service revenue from contractual price rises, increased roaming and more FTTP connections.

EBITDA grew 4%, supported by tight cost management and the annualising of some prior year one-off impacts.

We’re also encouraged by churn staying low for the half year, while ARPU has remained robust. That is a tricky balance to get right in the current economic environment, but we have worked hard to offer additional value, so the vast majority of re-contracting customers stay with us. As I’ve always said before, you may be able to buy cheaper, but you can’t buy better with BT – and with New EE’s leading-edge propositions, that has never been more true.

Moving to Business. In a challenging environment, revenue was up 1% in the half, driven by lower margin sales and good trading momentum in our Small and Medium Business segment, supported by inflation-linked price rises. This was, however, partially offset by legacy managed contract exits and declines.

EBITDA was lower for the half, driven by higher input costs and revenue flow through, along with some one-off items in the prior year leading to a tougher comparator.

Business’ new wins included a new five-year contract with the Army, which demonstrates that our public sector business remains a key partner across many areas of Government and the country’s public services.

And finally, Openreach, which has again shown strong operational and trading momentum resulting in revenue up 8% in the half, driven by price increases and growth in the FTTP and Ethernet bases. EBITDA was 12% higher due to revenue flow through and lower staff numbers, partially offset by pay and energy cost inflation, along with higher FTTP provision volumes.
Slide 7: Strengthening our competitive position

Moving now to our operating performance on slide 7.

[Accelerating our growth strategy]

Despite the tough economic climate demand for our next generation products and services has never been higher and is projected to keep on increasing. For example, take up on Openreach's leading FTTP network has grown to 33%, while in our downstream units we added another 350,000 full fibre retail customers in the half year. 5G too, has demonstrated consistent take up, with almost 1.3 million connections in H1.

In Business, the hostile threat environment has clearly left customers motivated to seek protection from cyber-attack, and this has driven BT's Security revenue up 14% in the first half.

This vote of confidence from our customers is the result of a consistent focus on customer experience right across the business. I'm pleased to see BT Group's net promoter score has risen 1.8 points year on year to 22.7.

[Investing in networks and digitalisation]

Of course, to retain our customers' confidence, we need to hold on to our lead in next generation networks. I am more confident than ever that we're doing just that, as our investment strategy continues to work. The 15 billion pound investment in FTTP is delivering ahead of expectations with a record quarter of build extending the current reach of our full fibre network to 12 million homes and businesses. Furthermore, we maintained the level of work-in-progress for infrastructure that underpins the next 6 million premises – meaning the build is either complete, or underway, for around 18 million premises... that's approximately 56% coverage across the whole of the UK.
Openreach has delivered this with unit costs for H1 in the lower half of our 250 to 350 pound build range. And we have the capacity to go faster still – we expect to build to more than 900,000 premises in quarter 3 and even more in Q4.

We’ve also seen strong demand, with the fibre base standing now at 4 million, and we expect take up to grow modestly over the remainder of this year – despite the accelerating rate of build. We are determined to remain the partner of choice for our CPs in a competitive marketplace, and we’re delighted that now over one million Sky customers are FTTP customers and can benefit from faster speeds and a more reliable broadband network across the Openreach FTTP platform.

At the same time as this unprecedented pace of fibre delivery, we’ve made fantastic progress upgrading the nation’s mobile connectivity, and currently have 5G within reach of 72% of the UK’s population.

**[Increased focus on simplification and cost efficiency]**

We are also investing to transform and digitise to improve customer experience and lower our cost base. Through our modernisation programme and tight cost control we’ve seen the cost base continue to come down and have already delivered 2.5 billion pounds towards our total target of 3 billion pounds of gross annualised cost savings by fiscal year 2025.

However, our simplification journey is about more than just cost savings. The launch last month of ‘New EE’ marks the go-live of an entirely new platform. It builds the foundations of how we’ll interact with our consumer customers and the new, single ID to enhance that relationship. As well as a flagship customer facing brand, the systems on which EE’s products will be sold are more integrated, they are more efficient and they are much easier for our customers and our people to use.
In Business, the new “Global Fabric” will be a game changer for our corporate customers as they become increasingly digital. It will simplify global connectivity in an ever more complicated multi-cloud, multi-SaaS environment. This will be the world’s largest cloud centric, feature-rich network with in-built security and multi-cloud management – all as a service.

Our accelerated delivery, significant network and system investments, and relentless focus on our cost base all culminate in a strengthening of our competitive position. This will result in:

- Continued network leadership through our best-in-class FTTP and 5G networks;
- More customers on our next generation platforms, at an accelerating rate; and
- A lower cost base, with a simpler, modernised operating model

This will put us in a really strong competitive position with a strong balance sheet and strong cash flow.

I now want to take a few moments to remind you how we see BT Group looking in the future before reviewing progress against the key metrics underpinning our five clear priorities. So turning to slide 8:

**Slide 8: BT Group of the future – we connect for good**

As I pointed out at our full year results in May, in the future BT Group will be a much simpler and more digitised business than the one we have today, with leading networks and great customer experiences; powered by a lean and efficient organisation and utilising the very latest technology. All of which will ultimately help to fulfil our purpose – we connect for good.

So how are we progressing towards this? I’ll take each of our priorities in turn, starting with Consumer on slide 9:
Slide 9: Drive Consumer growth through converged propositions and services

In **Consumer** we remain well positioned to **continue driving growth**. As you can see, we’ve continued our momentum on FTTP additions, winning 335,000 customers in H1 – that’s a 40% year on year acceleration in the rate of net adds. At the same time, we have grown our 5G connections to 9 million.

Although the proportion of converged households was flat – we do expect to start driving growth through ‘New EE’ with our single brand focus and advanced converged propositions. Strong sales of Games consoles in the half gives us confidence that we can stretch the brand into new areas, and it is testament to the relationship we have with our customers and partners.

**Slide 10: Capitalising on Business’s unrivalled assets to restore growth**

Moving onto our second priority on slide 10, **to capitalise on our unrivalled assets in Business**.

Managed services revenue is broadly flat for the past rolling 12 months, and the market remains challenging. However, as I said earlier, strong trading in security and the recent launch of our innovative Global Fabric will support growth and form the basis of future managed services contracts.

Alongside this we continue to see positive trading momentum with our small and medium business customers, supported by index linked pricing.
Slide 11: Delivering Openreach growth and strong returns on FTTP

Turning to slide 11, Openreach delivered another record quarter of FTTP build taking the base to 12 million premises passed, of which 3.5 million are in area 3. Connections were also robust at 364,000 in the second quarter and, in some ways more importantly, FTTP orders in September were at a record high, setting us up for a strong quarter of net adds in Q3. Openreach delivered this whilst maintaining a premium build quality and at a cost in H1 in the lower half of our 250-350 pounds per premises build range, with ongoing engineering efficiencies and scale economies more than offsetting inflationary pressures.

Of course, we're not alone in recognising the benefits of FTTP. We know others are building too, but only Openreach is connecting customers to full fibre at real pace and scale, driving ARPU up and costs down. Our proposition remains incredibly successful, with more than 70% of sales for products offering ultrafast speeds.

The challenging macro environment certainly contributed to Openreach’s 255,000 broadband line losses in H1. The downturn in house building and softness in new broadband adoption has meant that we have again had limited offset to competitive losses, that were broadly flat against the second half of last year. I think it’s worth noting that our broadband base decline has occurred where we do not have FTTP. We have grown the broadband base within our FTTP footprint over the past 12 months.

We were also pleased to see Openreach broadband ARPU increase by 10% year on year, providing a benefit to revenue that far outweighs the drag from the loss of copper broadband lines. Moreover, quarter 3 is usually seasonally stronger in volume terms, so we’re continuing to target around 400,000 losses over this fiscal year as a whole. In saying that, a weaker than expected market, including slower new home build, increases the risk that we will exceed this level. However, let’s be clear:
• The lines we are losing are primarily low value copper lines
• This is about a slow broadband market
• And as just mentioned, we are growing in Openreach FTTP areas

So our best defence to line losses is to build FTTP as fast as possible – which I hope you agree, we are doing.

**Slide 12: Digitise, automate and reskill to transform our cost base and improve productivity**

Turning to slide 12, we’ve moved fast on our fourth priority to **digitise, automate, and reskill to transform our cost base and improve productivity**.

Our strong delivery in H1 against this priority has seen total labour resource in the business fall by nearly 7,000 people. Some examples of our transformation improvements include:

• Consolidating 17 financial systems into a single standard version, saving around £70m in annual running costs
• More than halving the number of products in our Business portfolio, to around 150
• And a significant proportion of the code our BT colleagues add to our IT estate is now written using Generative AI, allowing us to boost productivity considerably.

Work in our Digital division is also delivering genuine business transformation. We have now moved 80% of our data from multiple locations onto Google’s cloud platform - from a standing start two years ago. All this data is enabled for the use of AI and analytics applications, providing the basis for further savings and opportunities in the future.
Slide 13: Update strategic metrics – much done, much more to do

On slide 13, as I said at the full year, are the key metrics to measure successful delivery of our strategy, which we have updated for this half year, further demonstrating our track record as we work towards delivering future BT Group.

Slide 14: Summary – much done, much more to do

So in summary on slide 14, we are driving our growth strategy, investing heavily in our next generation networks, while improving our operational and cost efficiency, leading to a strengthening of our competitive position.

We have a robust strategy, a strong plan that we are executing well, and we are reiterating our long-term growth ambition, supporting our customers, underpinning economic growth in the UK and delivering for our shareholders.

Build efficiencies, primarily in Openreach, mean we have been able to reduce this year’s Capex outlook to around 5.0 billion pounds while still accelerating the fibre build and increasing take up. This reduced capex will flow through to normalised free cash flow which we now expect to outturn towards the top end of the 1.0 to 1.2 billion pound range. Beyond the peak fibre build, we continue to expect at least a 1 billion pound reduction in capex, flowing through to normalised free cash flow, with an additional half a billion pound uplift by the end of the decade as we benefit from an all-IP, all-FTTP network.

This is a clear route to more than double our fiscal year 22 normalised free cash flow by the end of the decade.

All of this combines to underpin our progressive dividend policy, with the interim dividend of 2.31 pence per share confirmed today.
Now, it would be remiss of me not to recognise that this is my last results presentation as BT Group’s Chief Executive, and to say a few words about the last 5 years and in particular thank all of my brilliant BT Group colleagues and teams who have allowed us to deliver some outstanding outcomes for our stakeholders. For example;

- providing the network resilience during, and after, the pandemic; to support changing working patterns across the nation;
- by the time I hand over to Allison, bringing 40% of UK premises within reach of our FTTP network;
- launching the UK’s first and leading 5G service, which now supports almost 10 million customers
- reducing our energy consumption over the last 6 years by a cumulative 259GWh - equivalent to a city the size of Durham
- blocking around 280 million texts since deploying our new anti-scam technology in 2021
- and finally, consolidating the 440 locations where our UK desk based colleagues used to work to just 97

BT Group is on the right track and in a much better shape than when I joined in early 2019 and I’m really pleased to be handing the baton to Allison who knows the sector, knows the company, and knows what’s needed for the next phase of our journey and I wish her all the best.

And finally, a thanks to everyone on the call today – your scrutiny may not always make for an easy ride, but we appreciate that it reflects the degree to which BT Group matters to people, across the UK and beyond. So thank you for your scrutiny, your challenge and your interest in BT.

So let’s open up to Q and A and please could you keep it to one succinct question each, operator please open the lines.