Welcome to the Global Services Business Briefing

September 19, 2018

Bas Burger

CEO

Global Services’ Business Briefing agenda

1	**Bas Burger** CEO	Digital Global Services: transforming for growth
2	**Maria Grazia Pecorari** President, Digital, Global Portfolio & Marketing	Focusing on our core, delivering growth
3	**Mark Hughes** President, BT Security	Our opportunity, differentiating for growth
4	**Martin Smith** CFO	Financial performance and strategy
5	**Bas Burger** CEO	Progress and key messages
6	Q&A	

Key messages

We are radically **repositioning** our business around our core markets

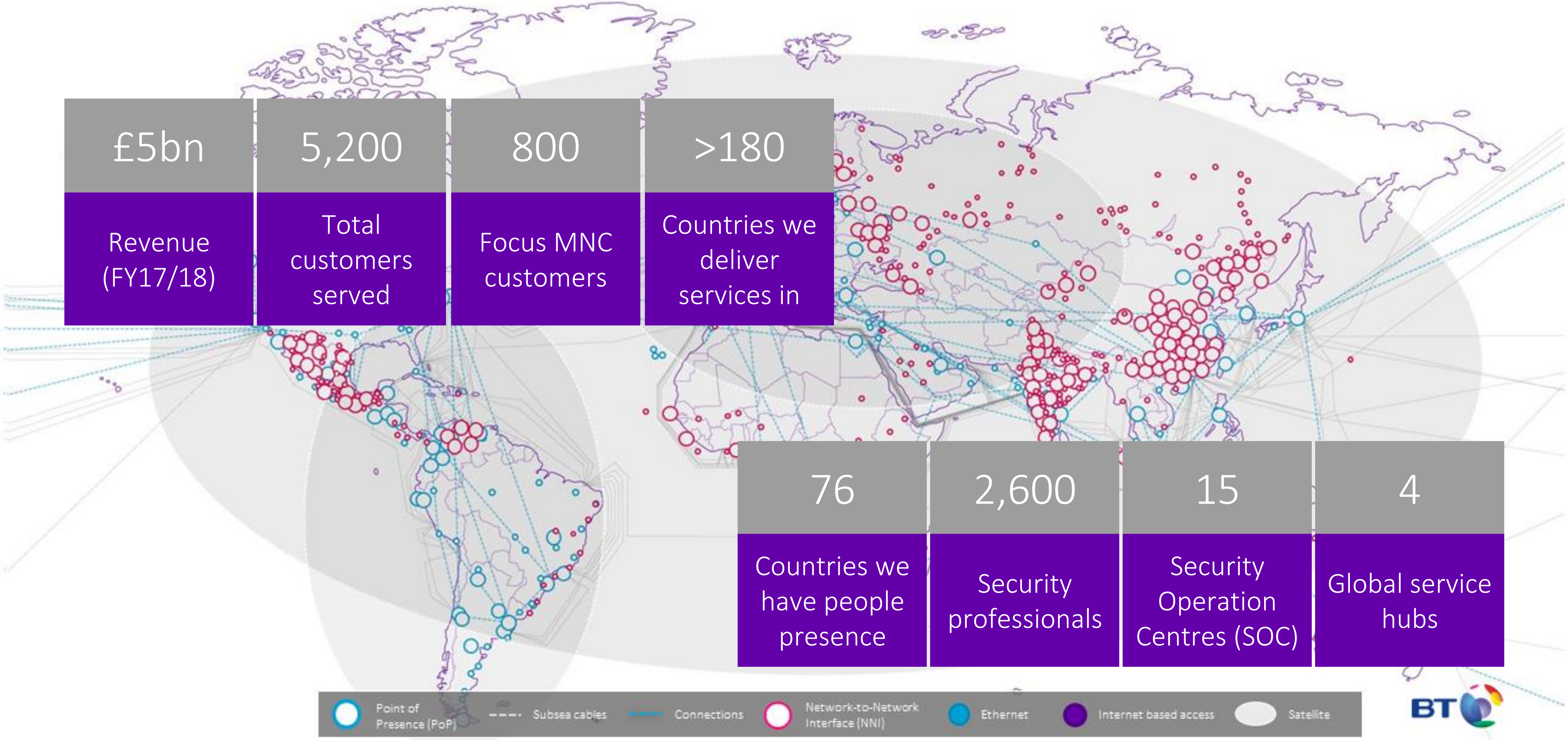
We are **future-proofing** GS by building value in strategically selected areas of growth

We are moving at pace to **reduce risk** and deliver **higher returns**

We are the international arm of BT, serving our customers globally and securely

£5bn	5,200	800	>180
Revenue (FY17/18)	Total customers served	Focus MNC customers	Countries we deliver services in

76	2,600	15	4
Countries we have people presence	Security professionals	Security Operation Centres (SOC)	Global service hubs



We are connecting and protecting our customers' infrastructure and cloud services to enable their digital transformations

Cloud and network infrastructure

Infrastructure solutions connecting customers' sites and people to secure, scalable cloud services

Cloud collaboration

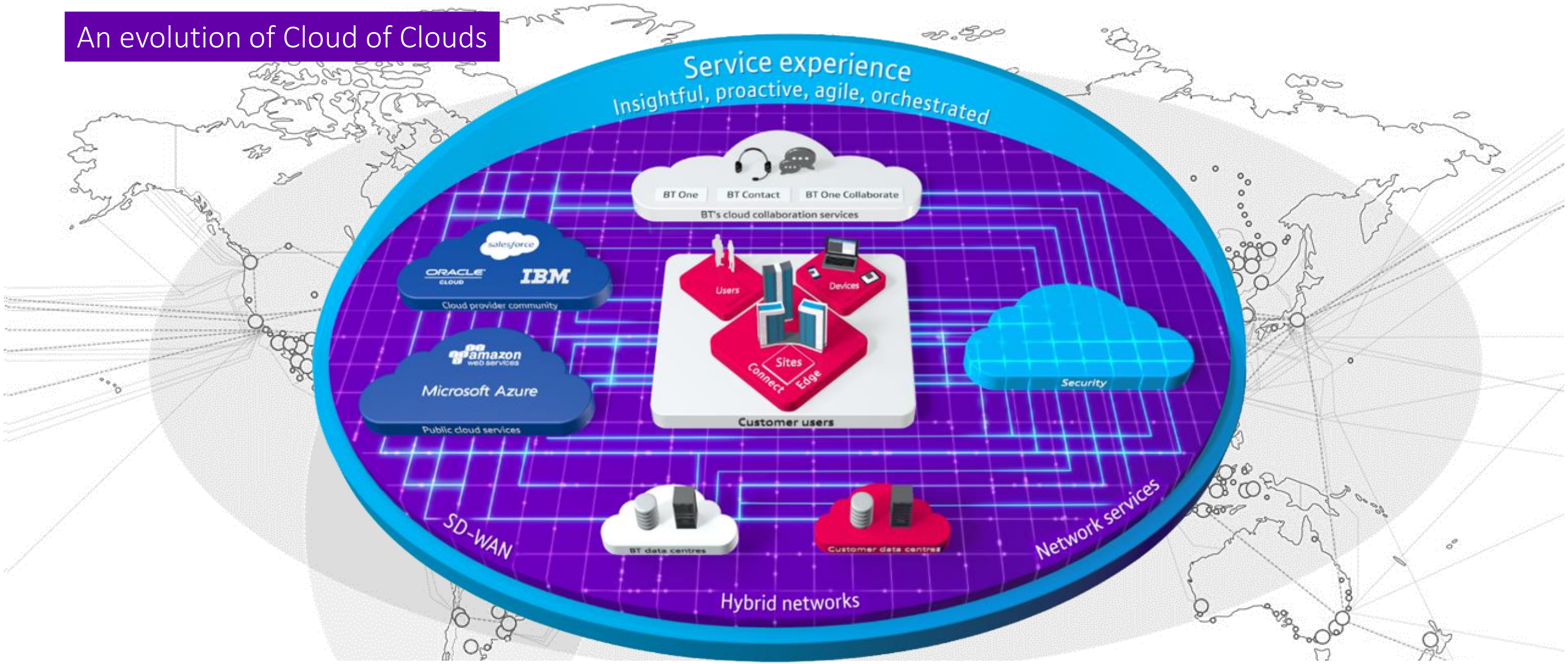
Cloud-based collaboration and contact centre solutions that boost productivity, control costs and adapt to customer demand

Security

Monitoring and managing over 100,000 customer and BT devices around the clock from 15 accredited global Security Operations Centres

Leading our customers' digital transformations as a trusted partner

An evolution of Cloud of Clouds



Transforming to address challenges and opportunities in a disrupted global marketplace

	Challenges	Opportunities
 Customers	• Demand for deal flexibility and Opex models • Budgets increasingly stretched due to competing CIO demands	• Complexity drives demand for trusted partners • Demand for platform-based solutions
 Partners / Vendors	• Shift from hardware to software models and from individual products to platform-based propositions	• Managed infrastructure services facilitate customer adoption of new platform-based services
 Technology	• Technology migration impacting legacy profit pools	• Shift to solutions requiring lower infrastructure investment
	Changing business models and technology impacting the top-line	GS repositioning to a more asset-light model, driving higher EBITDA margins and ROCE

Our Digital Global Services strategy aligned to BT Group

Our purpose	To use the power of communications to make a better world
Our vision	Trusted partner of choice for global enterprise, enabling their digital transformations
Our goal	Deliver brilliant customer outcomes and drive sustainable returns for BT Group

Our strategy

Differentiated customer experience	Integrated network leadership	Transform operating model
Deep global relationships with our focus MNC customers	Lead in managed infrastructure and cloud services	A simple agile operating model that differentiates on service

Investing in the best talent

Our values

Personal	Simple	Brilliant

Differentiating through deep global relationships and industry expertise

Deep Global Relationships	Lead in Managed Infrastructure and Cloud Services	Simple, Agile Operating Model

Globally Managed MNCs
200
customers

Other focus MNCs
600 customers

Regional Enterprise
4,400 customers

Industry Verticals

Banking and Financial Services

Resources, Manufacturing and Logistics

Technology, Life Sciences and Business Services

Leading managed infrastructure and cloud services provider

Focusing and excelling where we differentiate to achieve better scale and returns

	Value Today	Value Tomorrow
Infrastructure	Bespoke managed services over traditional infrastructure	Scalable managed services leveraging software-defined capabilities to support cloud consumption
Collaboration	On-premise voice services	Cloud-based collaboration services
Security	Site-based managed services and cyber services	Cloud-based services and AI-enabled proactive threat management

Partnering where others excel with our leading global ecosystem

We enable our customers' digital transformation and deliver value by working with best-in-breed partners

We strategically differentiate against new and traditional competition

Deep Global Relationships | **Lead in Managed Infrastructure and Cloud Services** | Simple, Agile Operating Model

	New entrants/OTT players	Traditional telco service providers	System integrators and technology vendors
Market position and strategy	**Agile, operating models** designed from a "blank sheet of paper" – focus on "simple" network deployments	Focused on **core network** capabilities with growing **security and cloud services**	Global technology and application vendors **selling direct to end-customers**
How Global Services maintains differentiation	Ability to **transform** and **manage complex, global multi-service environments**	Maintain leadership in our **global portfolio** capabilities and **differentiate on service**	Deep **managed service wraps** and **multi-product** capabilities fully **integrated with the network**

We are running ten strategic programmes in parallel to simplify our business and position for growth

Deep Global Relationships | Lead in Managed Infrastructure and Cloud Services | Simple, Agile Operating Model

Portfolio
Developing more scalable platforms for better returns

Costs
Reducing overhead costs to improve competitiveness

Network
Evolving our global network for the future

Systems
Enabling a digital customer experience

Service
Simplifying and automating processes

Sales
Implementing one, consistent global approach to sales

Finance
Improving effectiveness of financial reporting

Markets
Aligning resources to core customers

People
Right-sizing and simplifying our organisation

Security
Accelerating growth in a focus market

Maria Grazia Pecorari

President, Digital, Global Portfolio & Marketing

The infrastructure needs of our customers are changing driven by digital, they need a trusted partner

CIOs are focused on the digital needs of their organisations

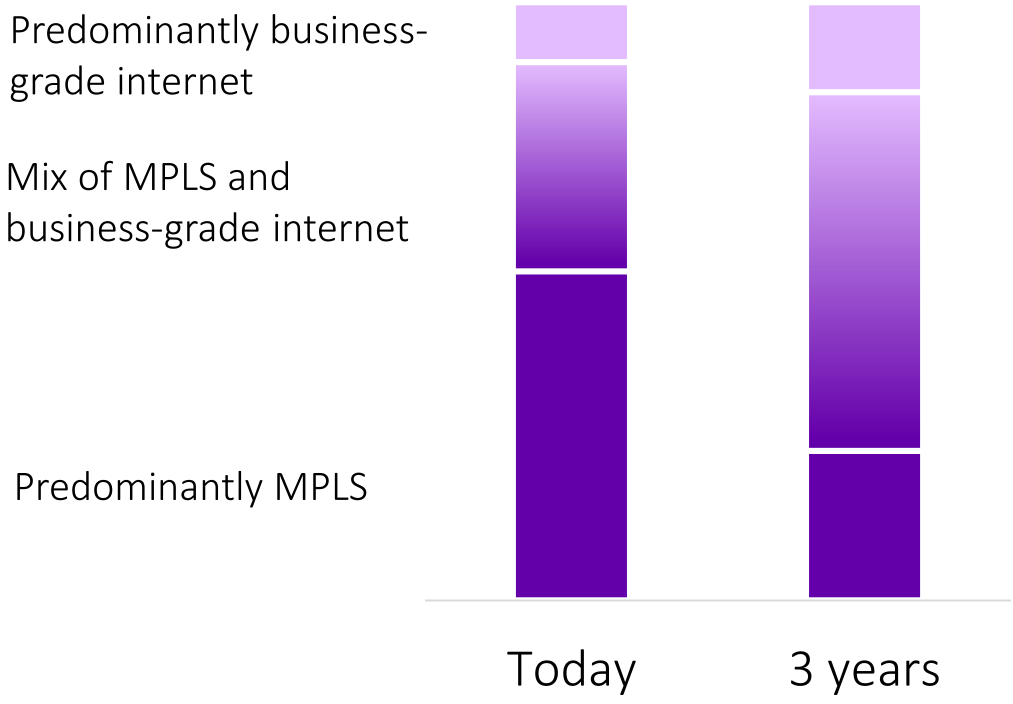
- Experience
- Digital workplace and business models
- Agility and flexibility
- Cost
- Security

CIOs are adopting new infrastructure capabilities to deliver their digital agenda

- Public/hybrid cloud
- Cloud-based services
- Hybrid network infrastructure
- Software-enabled networking
- Analytics
- Security
- Enabling skills

Multi-year transformation journey

Revenue mix by network solution type (top customers)



Our portfolio mix is well-balanced to meet our customers' changing needs

	Legacy Approaching end-of-life or deprioritised	Mature Moderate growth or alternatives emerging	Growth High-demand, new technologies	Other BT BT Enterprise, 3rd party or bespoke
Approximate % of revenue	**20%**	**50%**	**20%**	**10%**
Portfolio examples	• Legacy network services • Legacy voice • Global wholesale voice	• WAN/MPLS services • On-premise collaboration and contact • Radianz	• Security • SD-WAN solutions • Hybrid cloud solutions • Cloud-based collaboration and contact • Cloud-based trading solutions	• UK Business broadband • Resale of global 3rd party network services • Bespoke customer solutions
Trend	↓	→	↑	↓

We build on our strengths as a global leader to differentiate and stay relevant in our changing marketplace

We operate in business areas where global scale matters

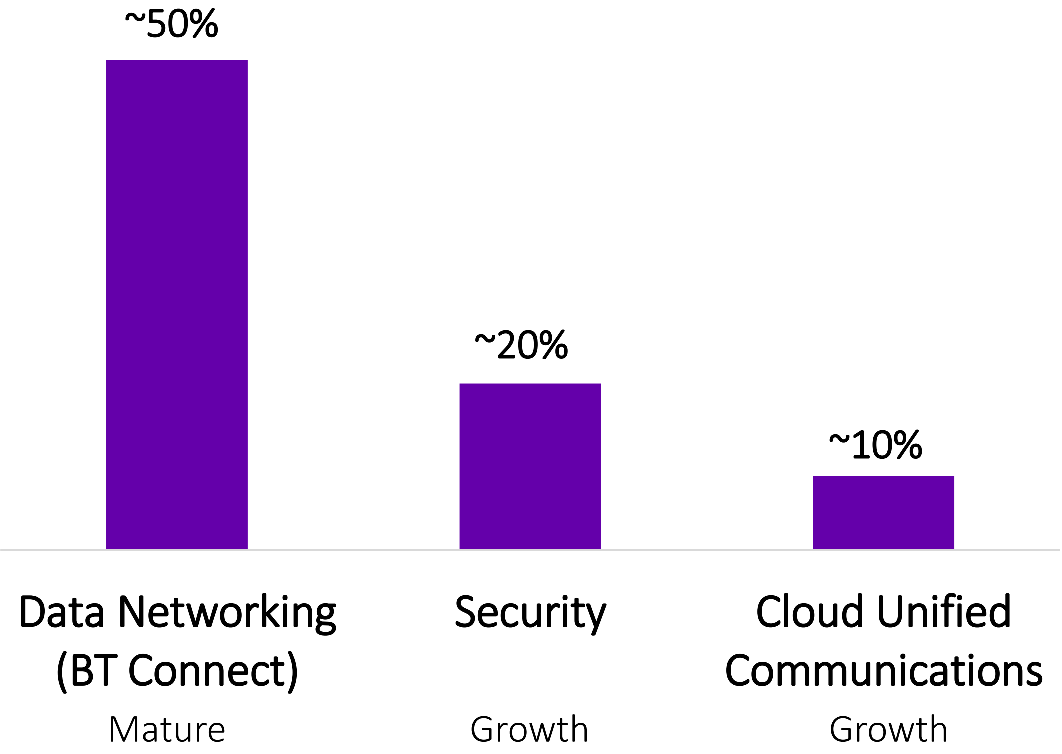
- Global customer relationships
- Global infrastructure
- Global capability depth
- Global ecosystem of partners and vendors

We build on our scale to differentiate further

- Customer and employee experience
- Managed solutions capability
- Commercial flexibility

Opportunity to grow with our customers

Percent of focus 800 customers buying Network, Security and Cloud UC solutions



Cloud Collaboration with Cisco: we build on our scale to differentiate and deliver superior customer experience

Customer needs	Migrate from existing voice and collaboration services to flexible, cloud-based services, enabling better employee productivity at a lower cost

Solution	Secure, BT cloud hosted voice and collaboration solution, using Cisco technology (HCS), offered on a pay-per-user, per month basis. Integrated with other services as needed (e.g. IP voice, network, handset, Webex, etc.)

Global scale

- ✓ #1 global provider
- ✓ >400,000 seats

Tools and expertise

- ✓ Solution design tools
- ✓ Automated user configuration
- ✓ Digital portal for add, moves and changes

Speed and agility

- ✓ 21,000 seats deployed globally in past 2 months
- ✓ Real time add/changes

Commercial flexibility

- ✓ Global bundle PAYG pricing

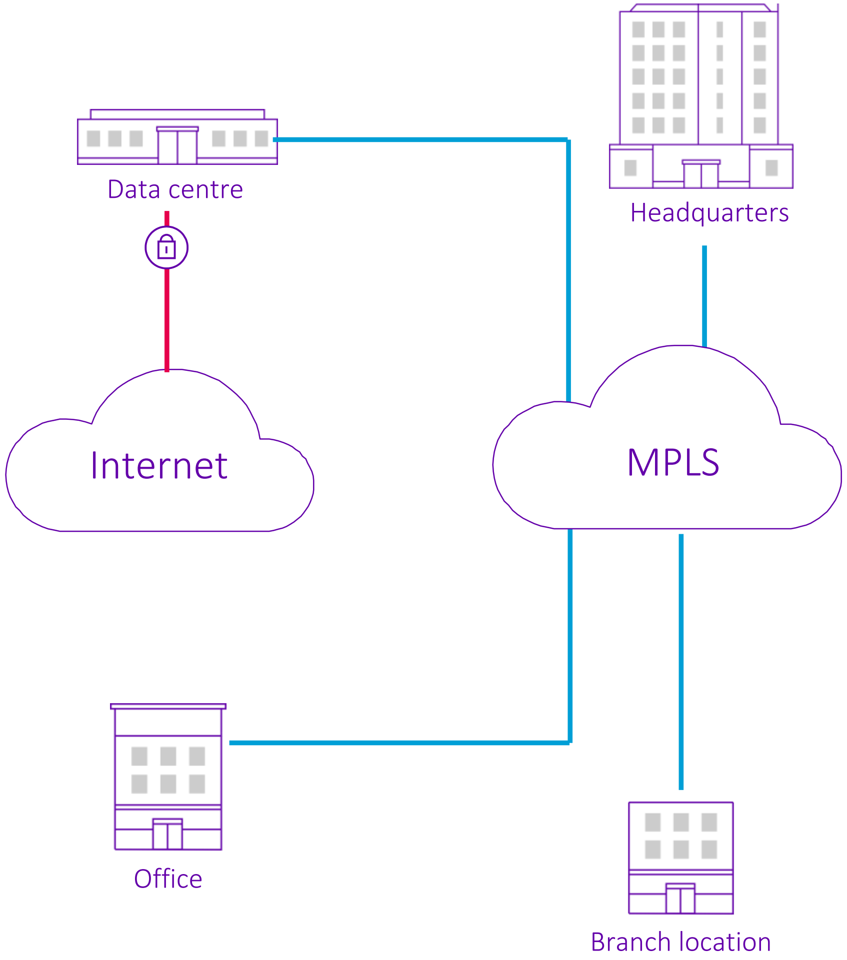
BT

Market and technology changes create opportunities to transform the economics of our business, compensating for a decline in legacy profit pools

		Opportunities	Enablers
	Network Infrastructure	**Optimised global network**	New **network access options** New **network technologies** Maturity of **3rd party infrastructure**
	Managed Service	More **agile and digital operations**	**Network operations augmented and automated** through software and analytics
	Cloud Platforms	**Greater scale returns**	Portfolio delivered as **scalable solutions** from **shared, cloud infrastructure**

Our infrastructure and security propositions are mutually amplifying forces for growth

Move to hybrid networks increases security complexity



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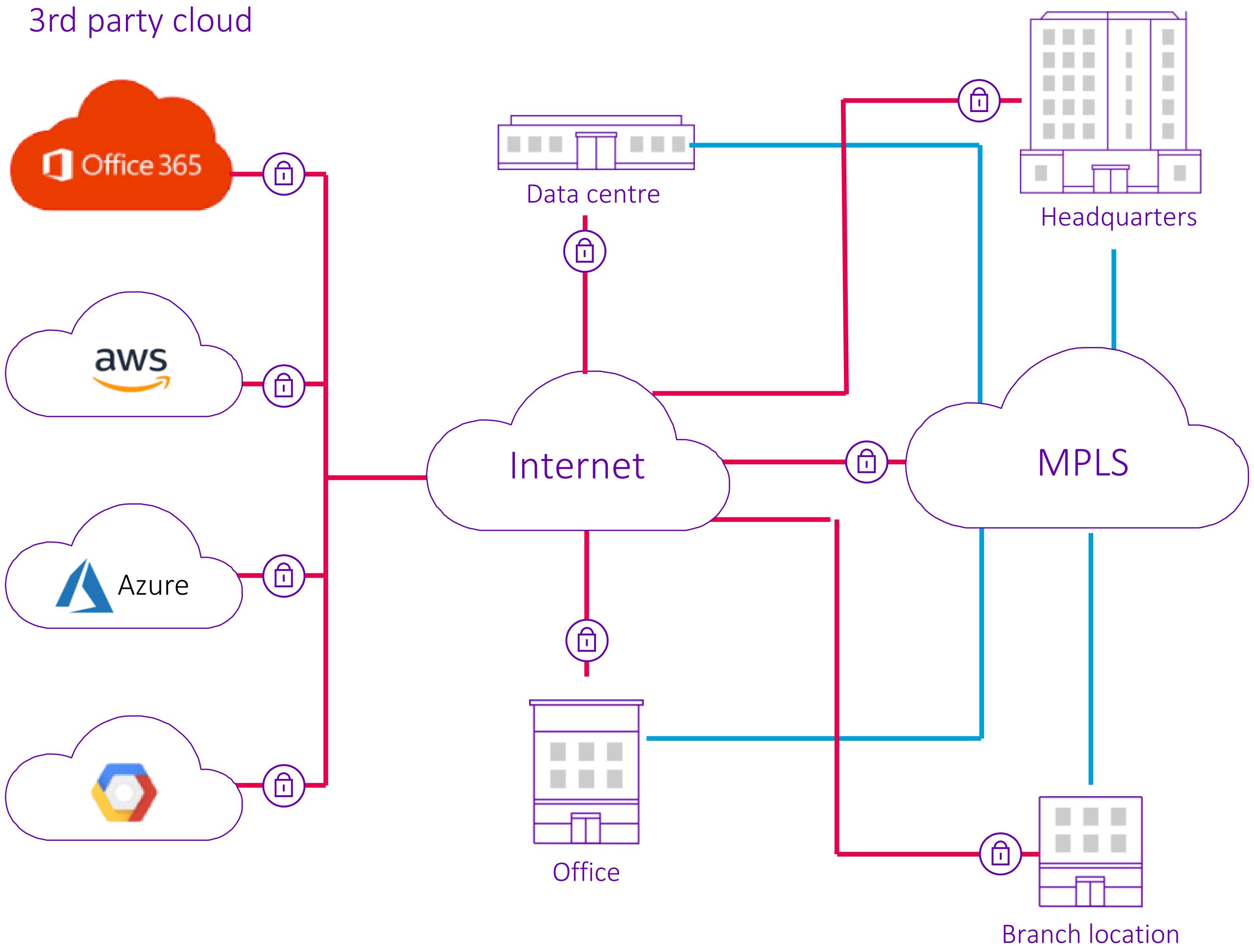


Network and security domains converging

Network and security managed services increasingly delivered as cloud-based solutions hosted on the same infrastructure

The ownership and management of BT's global network drives differentiation for BT Security

Visibility and insights on emerging threat at global level, strengthening our position in cybersecurity

Mark Hughes
President, BT Security

We are the trusted partner-of-choice to solve our customers' security challenges

Enabling the business to move to the cloud responsibly

44% see software-defined apps and networks as a major disrupter

19% have moved all apps to the cloud

46% have moved half

Staying ahead of the changing threat landscape

97% of firms have security skills concerns

66% have difficulty with security staff retention

Supporting customers to protect their organisations and enable compliance

4% of revenue at risk from a GDPR breach

37% of large enterprises have 50+ security vendors

Customers look to BT as their **trusted partner** to remove complexity and ensure they are secure in a rapidly changing global marketplace

Our comprehensive portfolio uniquely and effectively addresses our customers' rapidly evolving security challenges

- Enabling the business to move to the cloud responsibly
- Staying ahead of the changing threat landscape
- Supporting customers to protect their organisations and enable compliance

Graded Service Model

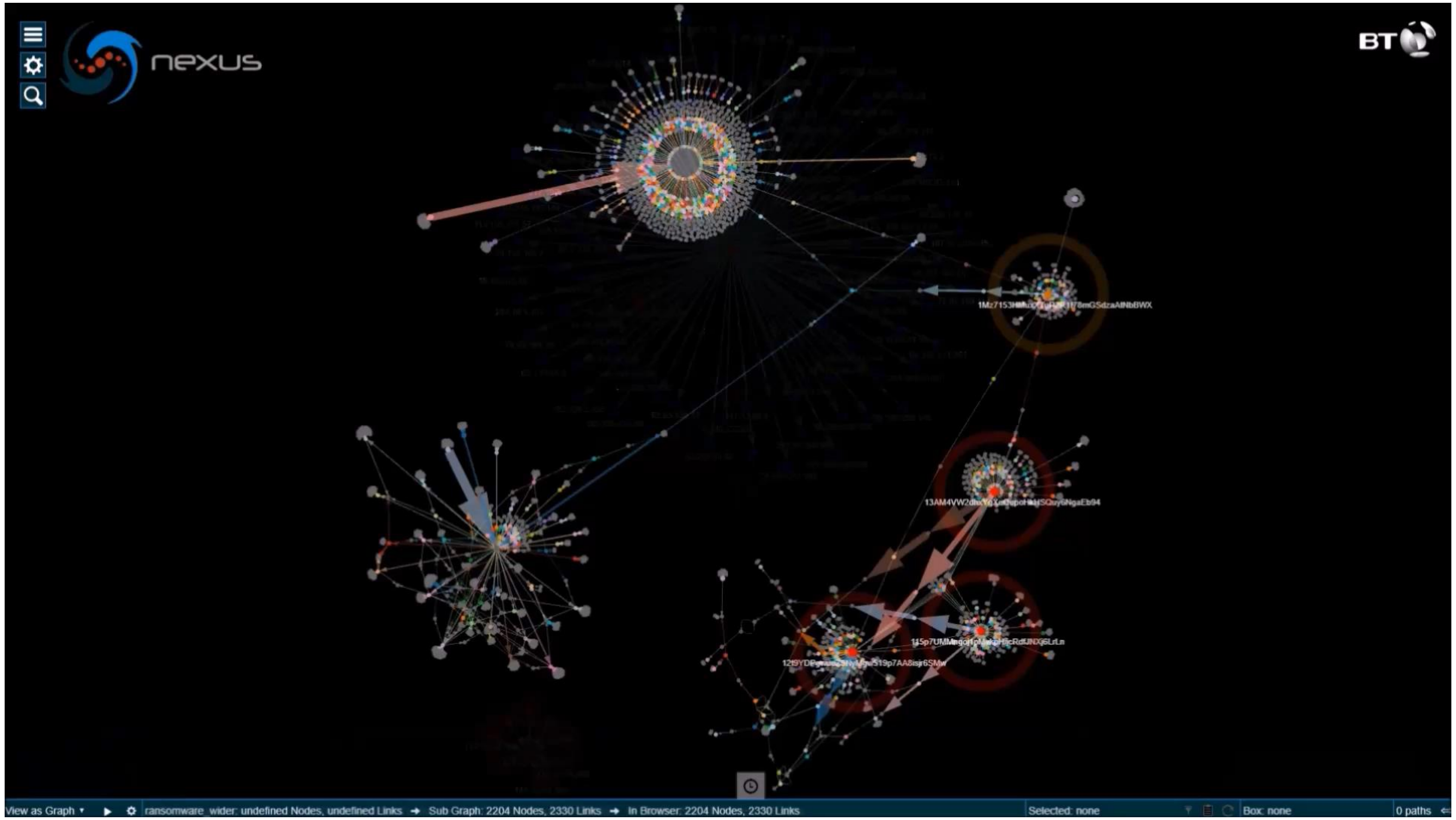
	Core			Emerging		
Security Controls (Protect and Identify)	Security solutions for connectivity and access	DDOS, Firewall, Email Security	Cloud Security, Web Proxy, Endpoint	Polices for connectivity, devices, users and applications	Virtual Sec. Controls, Cloud Access Security, Network Access Control	Identity
Threat Mgmt. (Detect and Respond)	Playbooks for standard threats/attacks	Security Incident and Event Monitoring (SIEM), Threat Intelligence		Tailored, bespoke playbooks for advanced and targeted threats/attacks	Cyber Security Platform, Augmented SIEM	

Graded Service Model

Portfolio Differentiators

- Cyber Assessment Lab to identify best new emerging vendors
- 20 strategic partners
- Protect BT security practitioners key to service design
- Cloud Security Best Practice guides customer on secure transformation
- Integrated with GS portfolio
- Rapid down-streaming turns emerging into core

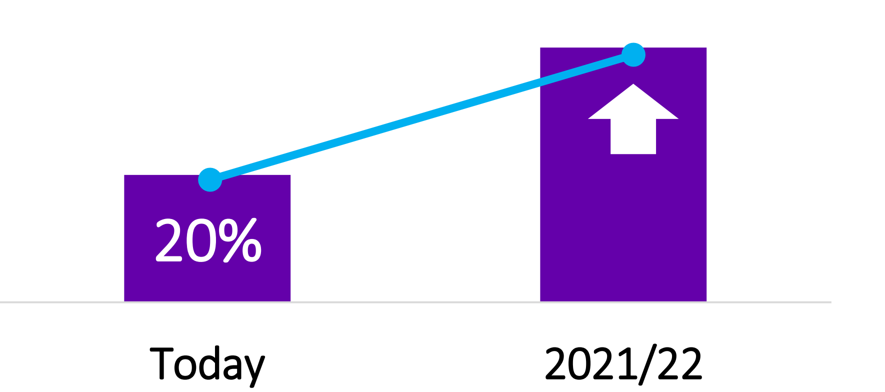
Our security experts leveraging our innovation to stay ahead of cybercrime



- An evolving approach to analytics to address the sheer scale of data generated by hybrid networks
- Identifying more complex relationships between multiple data points e.g. from people, servers, applications rather than simple point-to-point
- Advances in graph databases and GPU processing giving us the ability to interrogate huge data sets and derive more actionable intelligence than previously thought possible

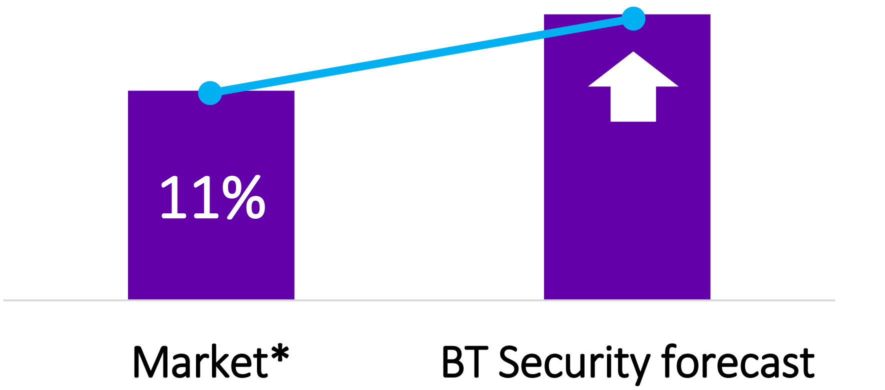
We will double the size of the Security business and beat the market's growth rate through differentiation

Focus 800 account penetration



Increasing wallet share and monetising the cloud security opportunity

Growth rates (CAGR)



Differentiators in the market

- Ability to **leverage Protect BT** expertise to build practitioner-led services
- A **mutually amplifying** relationship with hybrid network solutions:
    - **Pull-through** of security portfolio as customers move to the cloud
    - **Strengthening our global network** to enhance threat hunting capabilities and services
    - **Converged security and infrastructure** monitoring capability improving customer service levels
- **Global coverage** - 180 countries versus <60 for our nearest competitors
- **Close working relationships with government** enabling shared threat intelligence and contributing to policy development
- Leveraging critical mass (**2,600 security professionals**) in an industry with a scarcity of skills

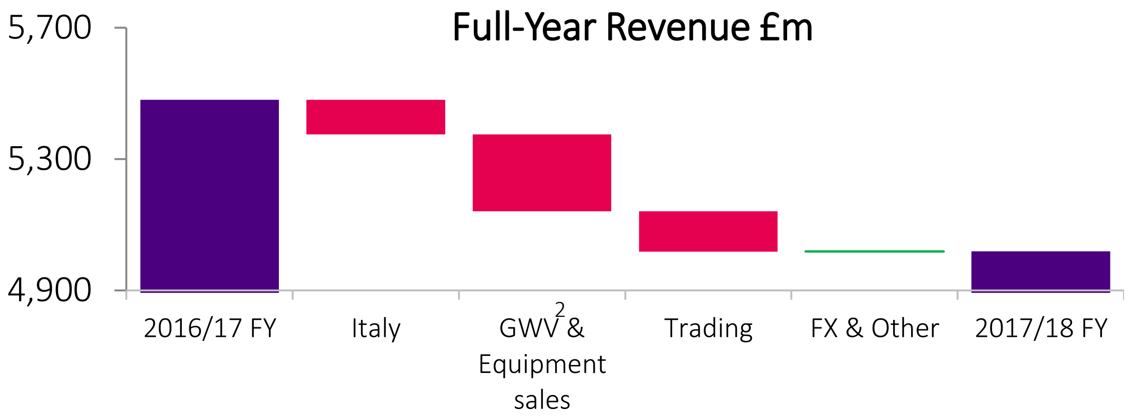
**BT GS insights model, input from Gartner and IDC*
**Graphs not to scale*

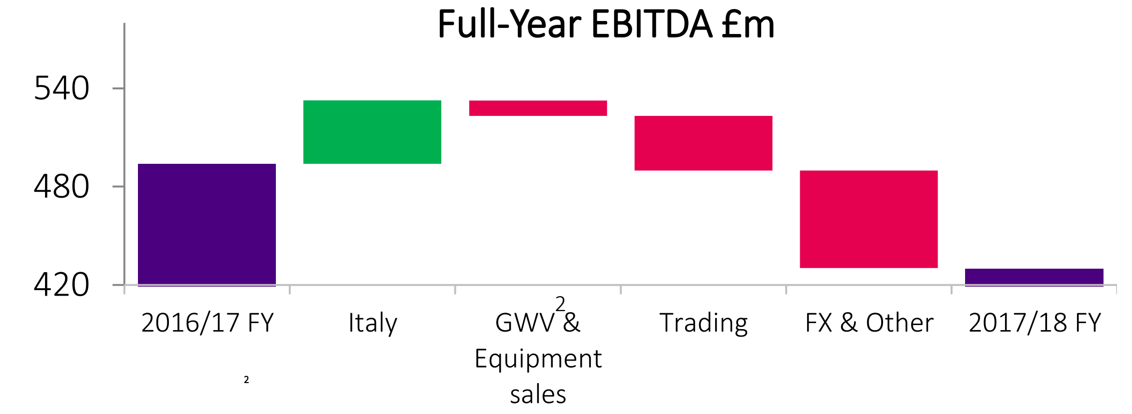
Martin Smith
CFO

Historical financial performance: Full-Year 2017/18

Full-Year	16/17[1]	17/18[1]	Change
Revenue	£5,480m	£5,019m	(8)%
EBITDA	£494m	£430m	(13)%
Capex	£361m	£278m	(23)%
Normalised Free Cashflow	(£245m)	£115m	147%

Global Services' revenue and EBITDA movements



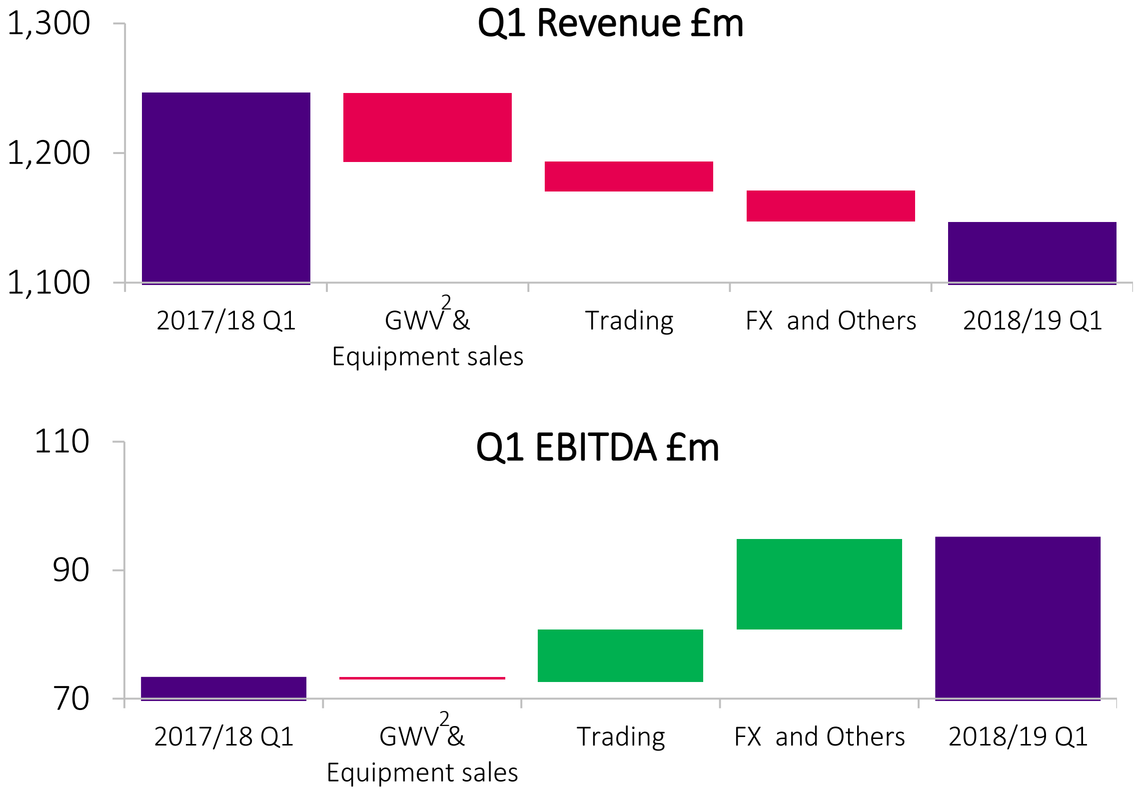


[1]16/17 and 17/18 based on proforma post IFRS15 adjustments, [2]Global Wholesale Voice

Current financial performance: Q1 2018/19

Q1	17/18[1]	18/19	Change
Revenue	£1,246m	£1,147m	(8)%
EBITDA	£73m	£95m	30%
Capex	£69m	£48m	(30)%
Normalised Free Cashflow	(£178m)	(£126m)	29%

Global Services' revenue and EBITDA movements



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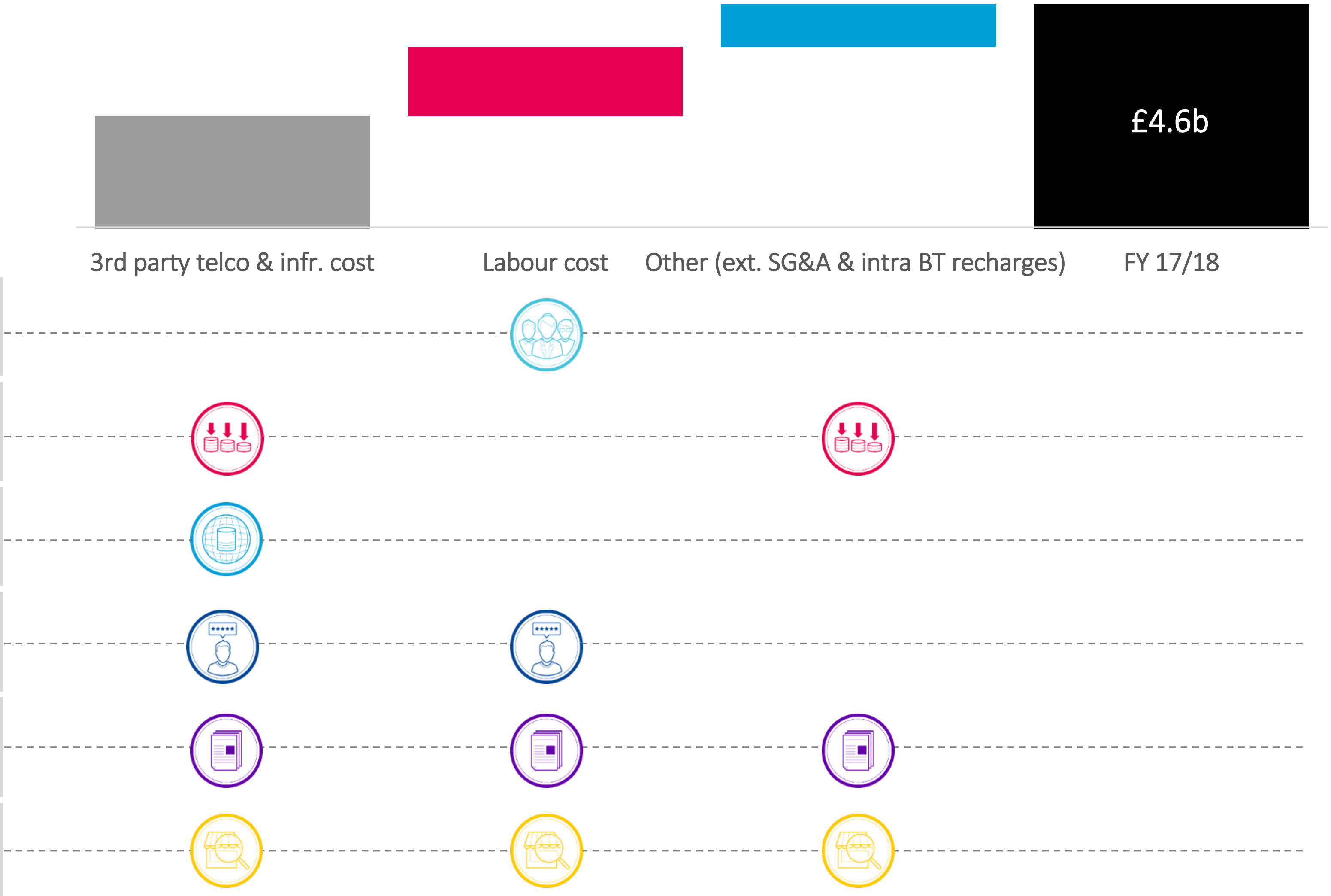
We are making substantial progress in de-risking the business

Improved focus	• Focus on strategic accounts – 800 MNCs • Increased strategic partnering for non-core operations, rationalising country/regional footprint • Simplify operating model, clearer accountabilities and decision making • Supplier base rationalisation
Process simplification and standardisation	• Global standardisation across core processes and products • Transformation focused on efficient, streamlined business processes, automated by technology • Simplifying, standardising and centralising our support functions
Enhanced controls and assurance	• Maintain strong country and regional governance • Enhanced financial controls and policies in place, central finance compliance team established • Redefined three lines of defence model, improved integrated risk and assurance introduced • Additional financial control and fraud awareness training rolled out globally
Italy stabilisation	• New senior management team appointed • Material control weaknesses identified in FY 2016/17 remediated • Correction of historical financials materially complete • Significant process improvements implemented

Our transformation work streams are addressing our full operating cost base

17/18 GS operating costs

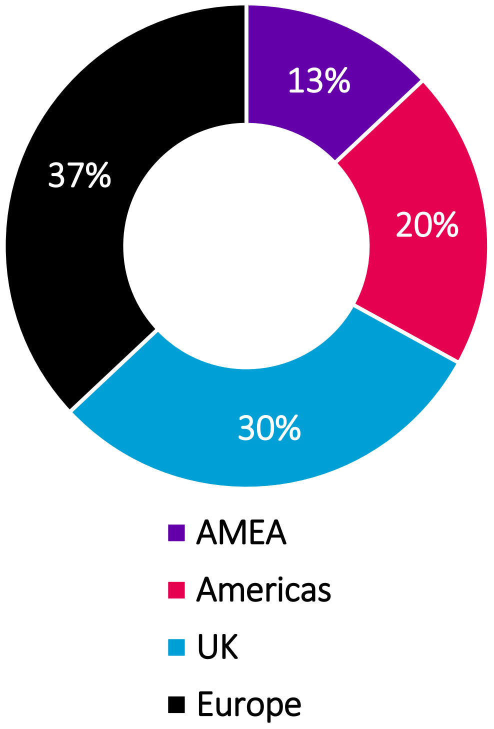


Transformation work streams

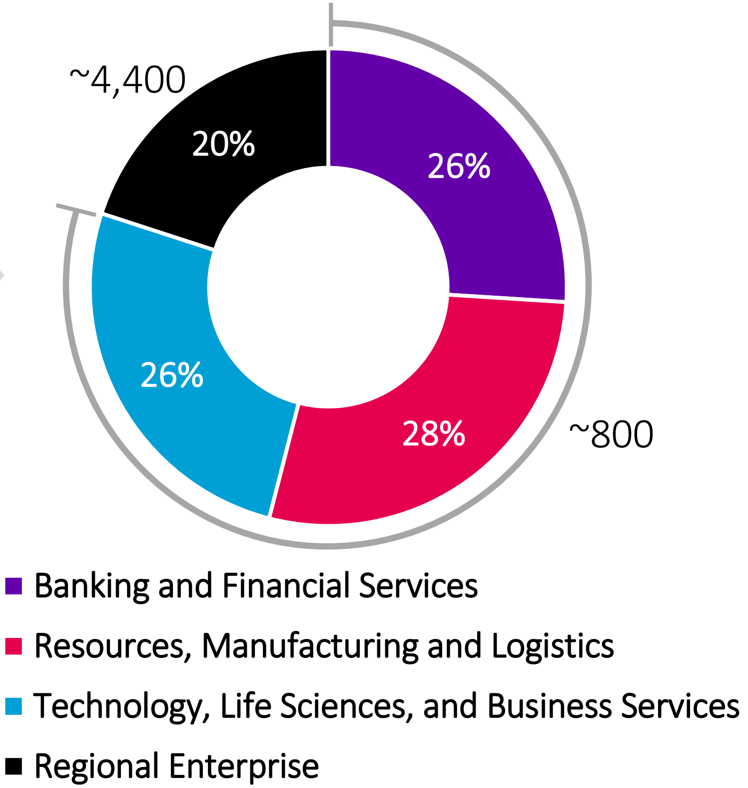
People	Right-sizing and simplifying our organisation
Costs	Competitive cost base
Network	Cloud and security optimised network
Service	Simplifying and automating processes
Portfolio	Flexible and scalable platforms
Markets	Focused on core customers and capabilities

We are changing the focus of our performance reporting

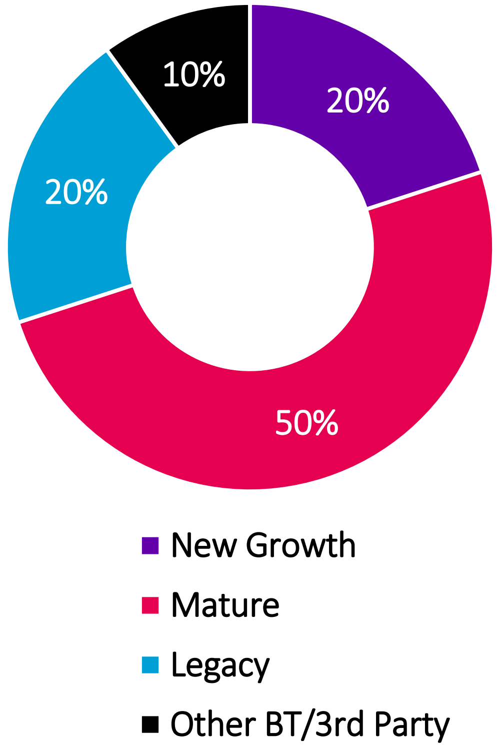
Regional revenue 17/18



Vertical revenue share and # of accounts 17/18

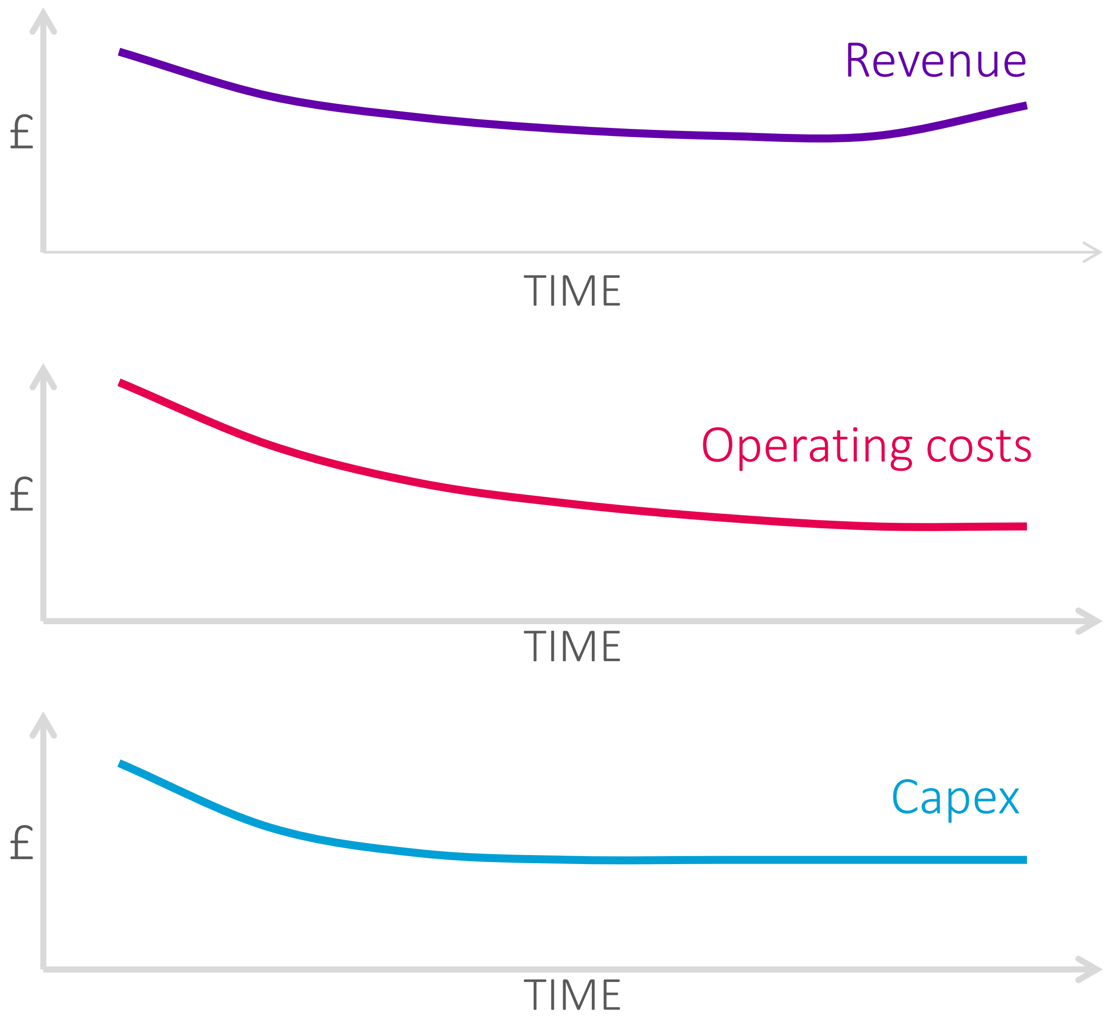


Portfolio (17/18 approx.)

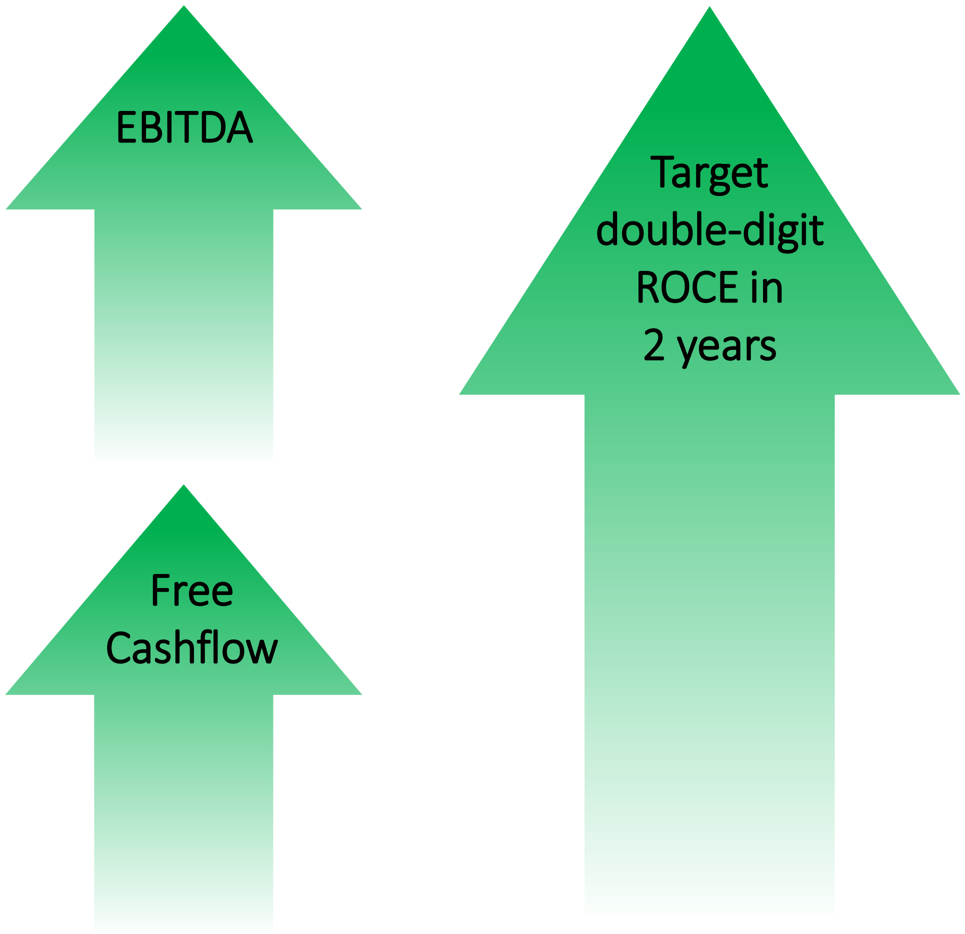


Overall, we are moving to an increasingly asset-light operation with an improved return to the business

Illustrative projection



Expected outcomes



Bas Burger

CEO

Global Services is transforming for growth

Transformation	Growth

Transformation

- **Right-sizing GS in line with BT Group strategy:** reduced headcount by 400 roles in Q1
- **Simplified commercial model:** put in place vertical sales structure
- **Improved customer experience:** NPS score up 15 points over past 18 months

Growth

- **Invested in BT Security:** New SOCs in the UK, Germany, Australia, and India supported by newly recruited security experts
- **Expanded partner ecosystem:** AWS, Microsoft, and many leading security providers
- **Launched three new SD-WAN products:** supporting demand for hybrid and asset-light solutions

Key Messages

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BT

Notes

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