Consumer Business Briefing

8th October 2020

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Purpose
We connect for good

2030 Ambition
To be the world's most trusted connector of people, devices and machines

Values
Personal, Simple, Brilliant

BT

Strategy

1. Build the strongest foundations
2. Create standout customer experiences
3. Lead the way to a bright, sustainable future

Marc Allera - CEO

Forward-looking statement caution

This presentation contains certain forward-looking statements which are made in reliance on the safe harbour provisions of the US Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements include, without limitation, those concerning: the potential impact of Covid-19 on our people, operations, suppliers and customers; current and future years' outlook; revenue and revenue trends; EBITDA and profitability; free cash flow; capital expenditure and costs; return on capital employed; return on investment; shareholder returns including dividends and share buyback; net debt; credit ratings; our group-wide transformation and restructuring programme, cost transformation plans and restructuring costs; investment in and roll out of our fibre network and its reach, innovations, increased speeds and speed availability; our broadband-based service and strategy; investment in and rollout of 5G; the investment in converged network; improvements to the customer experience and customer perceptions; our investment in TV, enhancing our TV service and BT Sport; the recovery plan, operating charge, regular cash contributions and interest expense for our defined benefit pension schemes; effective tax rate; growth opportunities in networked IT services, the pay-TV services market, broadband, artificial intelligence and mobility and future voice; growth of, and opportunities available in, the communications industry and BT's positioning to take advantage of those opportunities; expectations regarding competition, market shares, prices and growth; expectations regarding the convergence of technologies; plans for the launch of new products and services; retail and marketing initiatives; network performance and quality; the impact of regulatory initiatives, decisions and outcomes on operations; BT's possible or assumed future results of operations and/or those of its associates and joint ventures; investment plans; adequacy of capital; financing plans and refinancing requirements; demand for and access to broadband and the promotion of broadband by third-party service providers; improvements to the control environment; and those statements preceded by, followed by, or that include the words 'aims', 'believes', 'expects', 'anticipates', 'intends', 'will', 'should', 'plans', 'strategy', 'future', 'likely', 'seeks', 'projects', 'estimates' or similar expressions.

Although BT believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. Factors that could cause differences between actual results and those implied by the forward-looking statements include, but are not limited to: the duration and severity of Covid-19 impacts on our people, operations, suppliers and customers; failure to respond effectively to intensifying competition and technology developments; failure to address the lingering perception of slow pace and connectivity in broadband and mobile coverage, which continues to be raised at a UK parliamentary level; undermining of our strategy and investor confidence caused by an adversarial political environment; challenges presented by Covid-19 around network resilience, support for staff and customers, data sharing and cyber security defence; unfavourable regulatory changes; attacks on our infrastructure and assets by people inside BT or by external sources like hacktivists, criminals, terrorists or nation states; a failure in the supplier selection process or in the ongoing management of a third-party supplier in our supply chain, including failures arising as a result of Covid-19; risks relating to our BT transformation plan; failure to successfully manage our large, complex and high-value national and multinational customer contracts (including the Emergency Services Network and the Building Digital UK (BDUK) programme) and deliver the anticipated benefits; changes to our customers' needs, budgets or strategies that adversely affect our ability to meet contractual commitments or realise expected revenues, profitability or cash generation; customer experiences that are not brand enhancing nor drive sustainable profitable revenue growth; pandemics, natural perils, network and system faults, malicious acts, supply chain failure, software changes or infrastructure outages that could cause disruptions or otherwise damage the continuity of end to end customer services including network connectivity, network performance, IT systems and service platforms; insufficient engagement from our people; adverse developments in respect of our defined benefit pension schemes; risks related to funding and liquidity, interest rates, foreign exchange, counterparties and tax; failures in the protection of the health, safety and wellbeing of our employees or members of the public or breaches of health and safety law and regulations; financial controls that may not prevent or detect fraud, financial misstatement or other financial loss; security breaches relating to our customers' and employees' data or breaches of data privacy laws; failure to recognise or promptly report wrongdoing by our people or those working for us or on our behalf (including a failure to comply with our internal policies and procedures or the laws to which we are subject); and the potential impacts of climate change on our business. BT undertakes no obligation to update any forward-looking statements whether written or oral that may be made from time to time, whether as a result of new information, future events or otherwise.

What we will cover today

1. Progress on ‘loyalty gap’, fairness, market pricing and new pricing mechanic
2. Fast improving brand and service platform
3. Our approach to growth through convergence
4. Distribution trends and digital opportunity ahead
5. New metrics to better understand Consumer performance

Context

The Consumer Division

The UK's largest fixed and mobile customer base

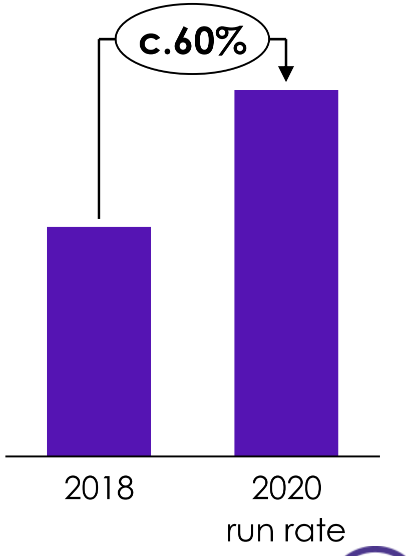
c.8m	c.14m	>50%
Broadband customers	PAYM mobile customers	Presence in UK households

46%	31%
of BT Group revenue	of BT Group EBITDA

Best 4G and 5G network	Access to largest superfast and FTTP network	Nationwide multi-channel service	Unique platform for partnerships	Growing marketplace platform

STADIA
XBOX
SAMSUNG
NIANTIC
nreal
amazon
NETFLIX

Platform transactions



We are 2 years into our integration journey

2016

EE becomes part of BT plc

Run as separate divisions

2018

Consumer division created

Dedicated teams

EE	BT	plusnet
Sales	Sales	Sales
Marketing	Marketing	Marketing
Channels	Channels	Channels
Digital	Digital	Digital
Service	Service	Service
Finance	Finance	Finance
HR	HR	HR
Legal	Legal	Legal

2020

One integrated team

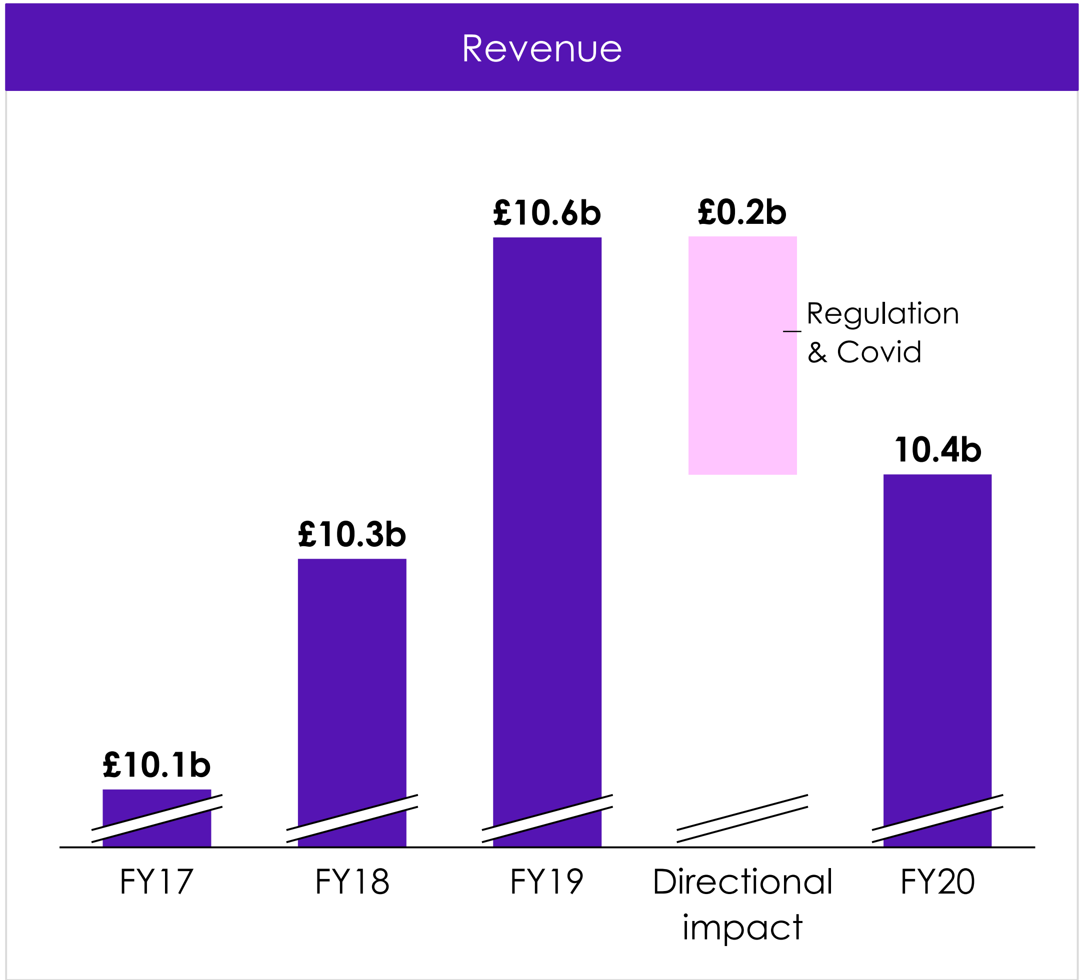
Consumer

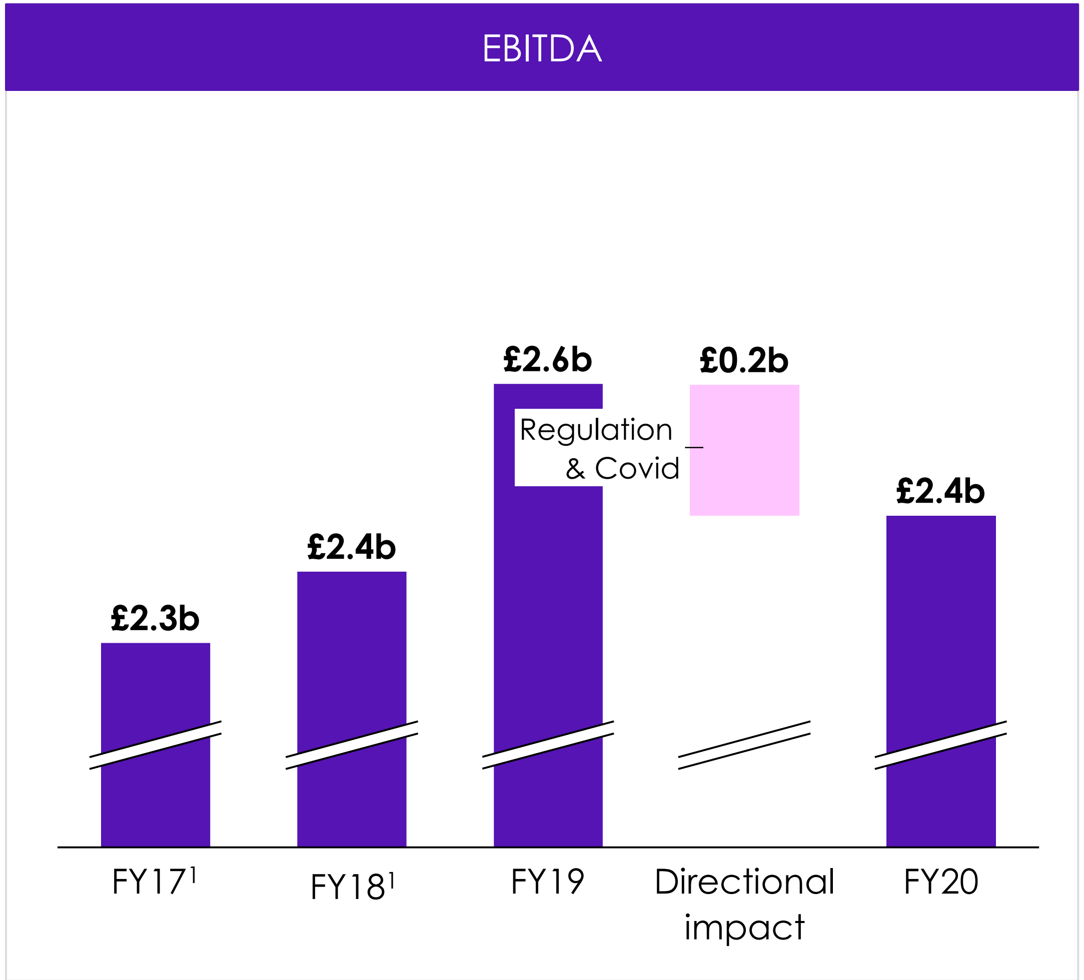
People

Channels

Capabilities

Consumer Division financial performance

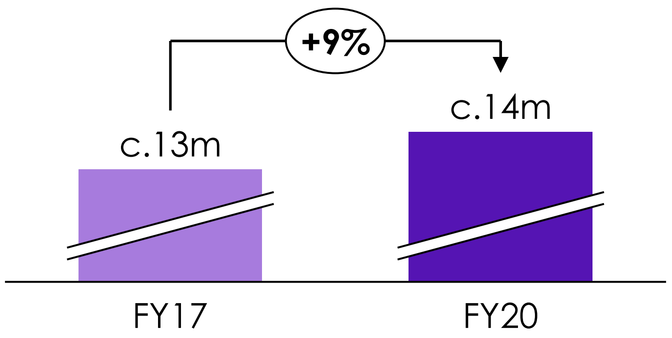




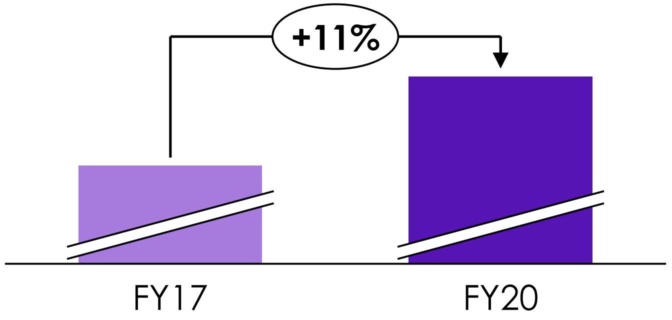
(1) EBITDA not restated for IFRS16 accounting policy change, group recharge methodology and ESN Transfer

Mobile performance – successful integration of EE

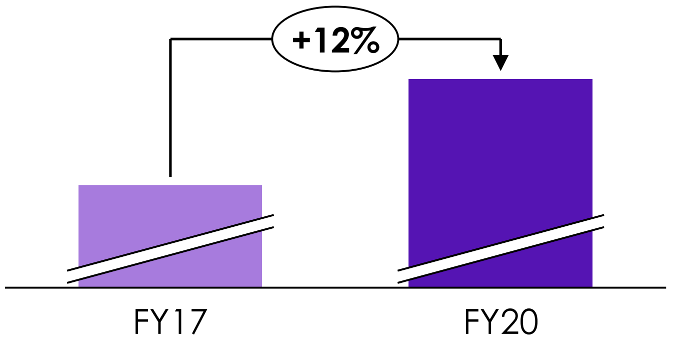
Consumer PAYM mobile base



Consumer PAYM mobile revenue

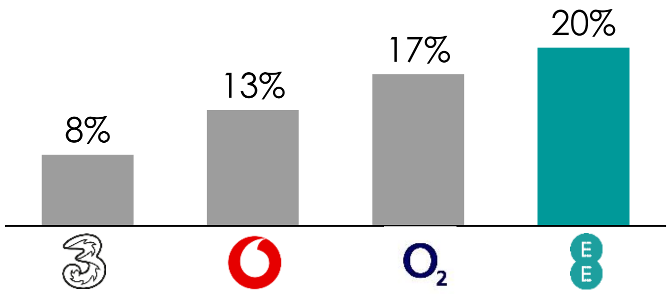


Consumer PAYM mobile gross margin

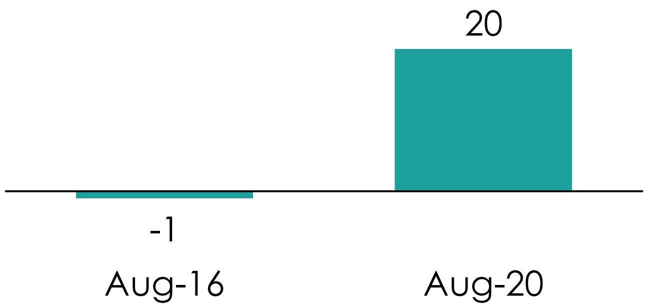


EE First Choice Purchase Intent[1]

August 2020



EE brand NPS[2]

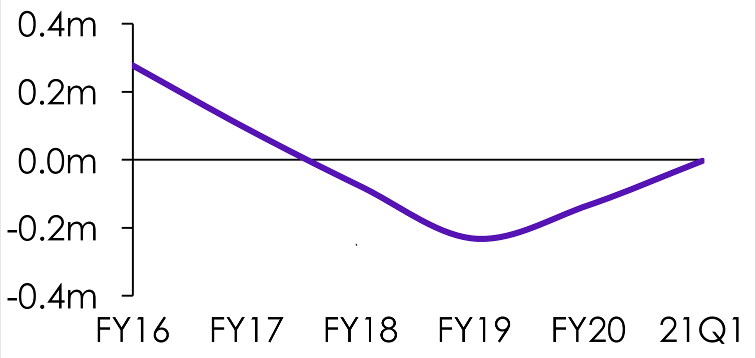


#1 for Apple and Samsung

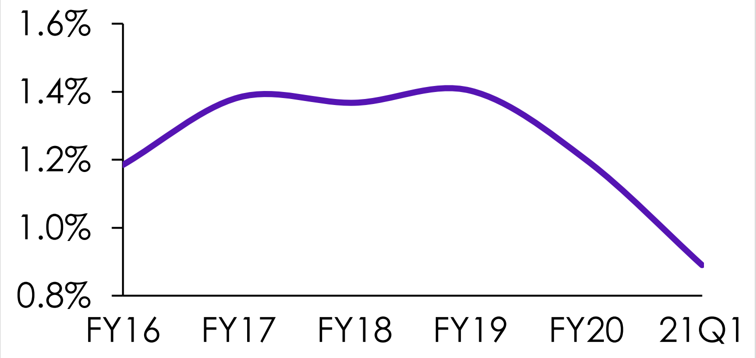
(1) Hall & Partners Brand Tracker
(2) Customer Experience Insights Consumer Relationship NPS Survey

Broadband performance – BT turnaround in progress

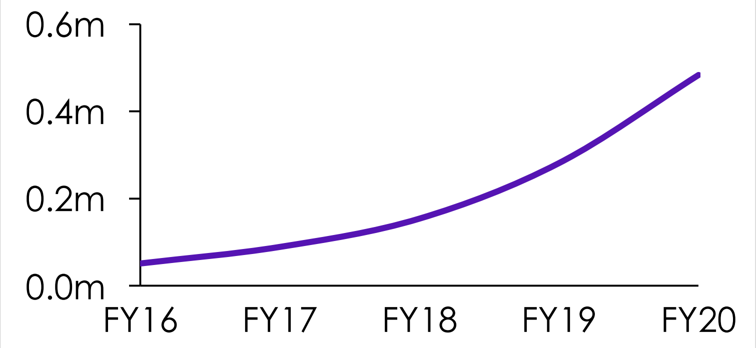
BT broadband net adds



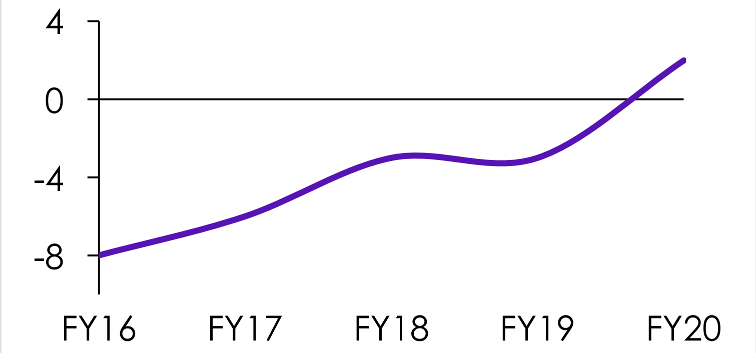
BT broadband monthly churn



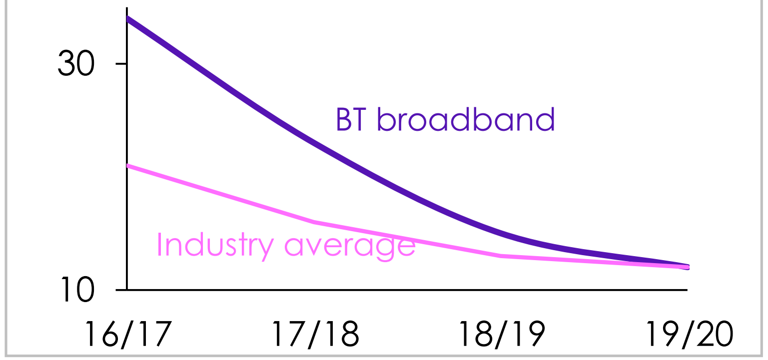
FTTP base



BT brand NPS[1]



Ofcom complaints



New brand identity

(1) Customer Experience Insights Consumer Relationship NPS Survey

Major progress on service transformation

	January 2018 BT	January 2018 EE	October 2020 BT	October 2020 EE
Nationwide Retail	✗	✓	✓	✓
Products available	✗	All	**BB & TV**	**All**
Service capability in store	✗	Limited	✓	✓

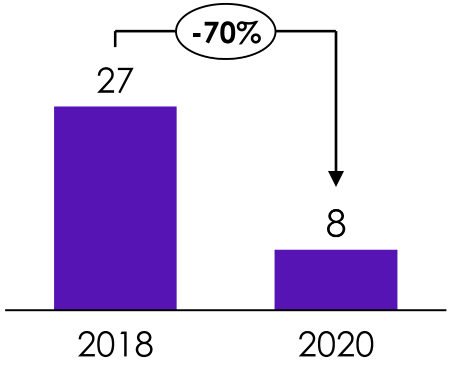
	January 2018 BT	January 2018 EE	October 2020 BT	October 2020 EE
UK service calls	72%	100%	**100%**	
Broadband Ofcom complaints Q1	27	12	**8** (below average)	**4**
Mobile Ofcom complaints Q1	11	3	**3**	**1**

	January 2018 BT	January 2018 EE	October 2020 BT	October 2020 EE
In Home Services team	✗	✗	✓	✓

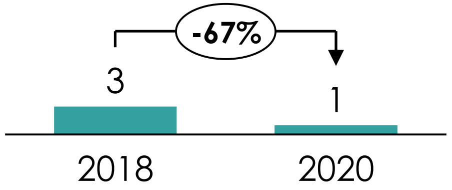
Continued improvement in customer experience and efficiency

Ofcom complaints

BT Broadband complaints

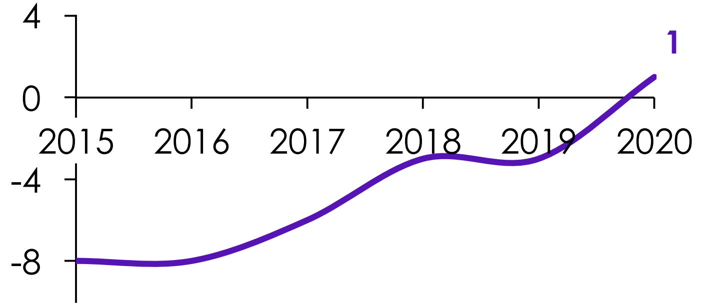


EE Mobile complaints

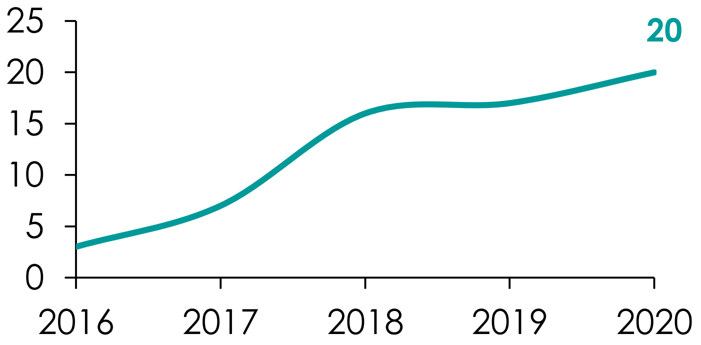


NPS

BT brand NPS

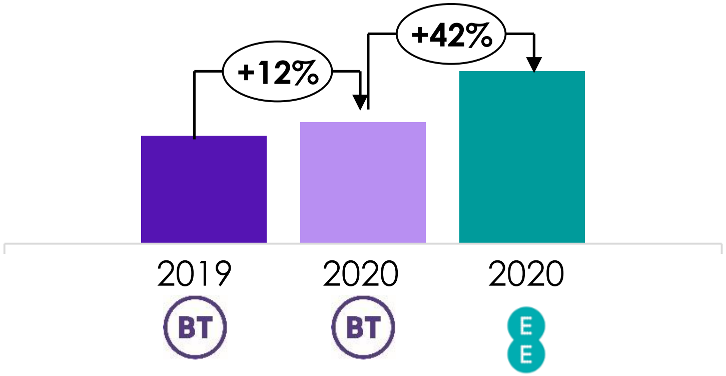


EE brand NPS

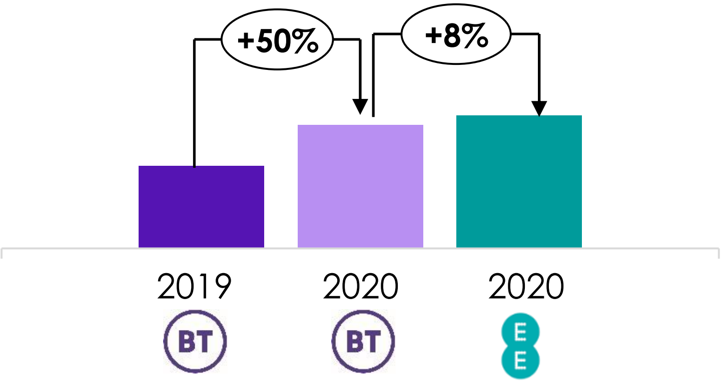


Contact centre efficiency

Customers per agent - Broadband

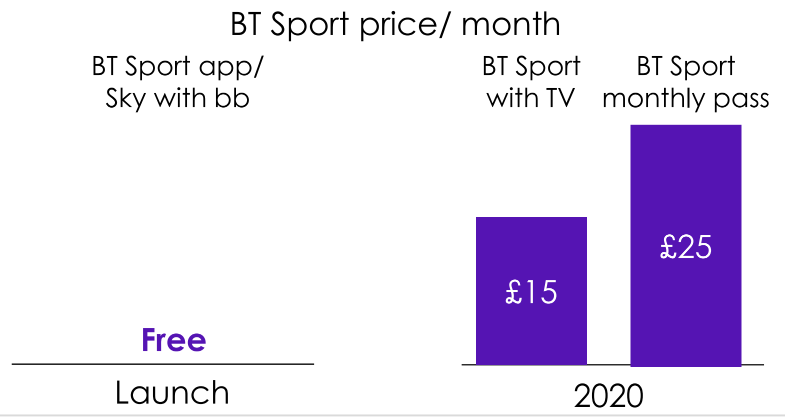


Customers per agent - Mobile

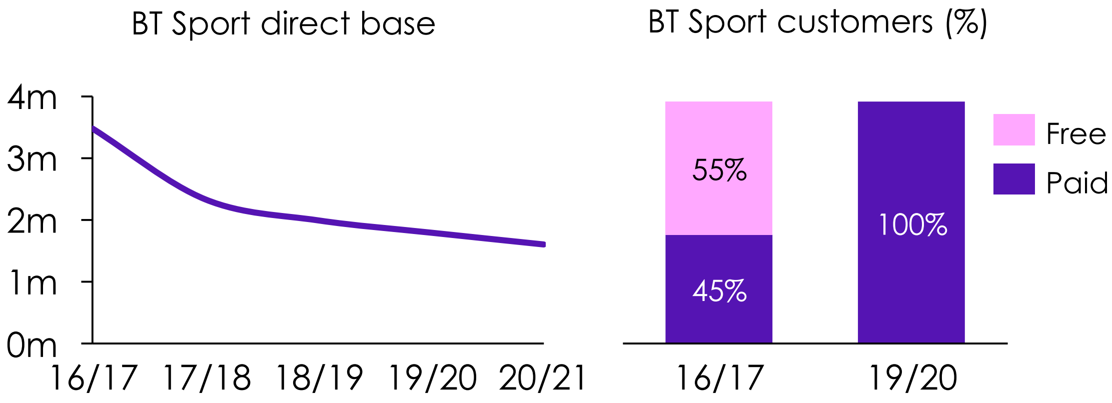


Progress on BT Sport profitability

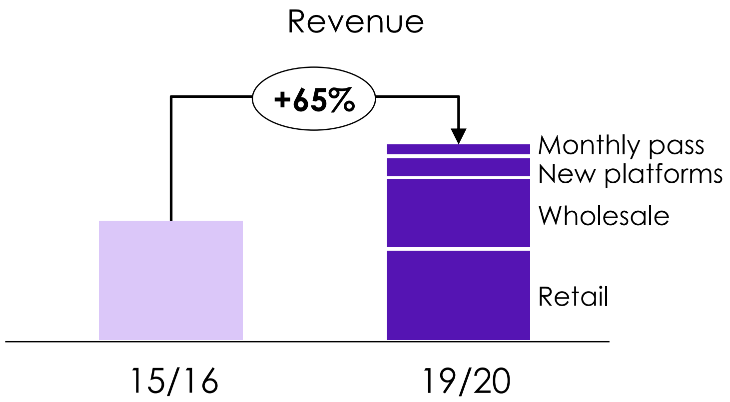
Evolution of pricing strategy



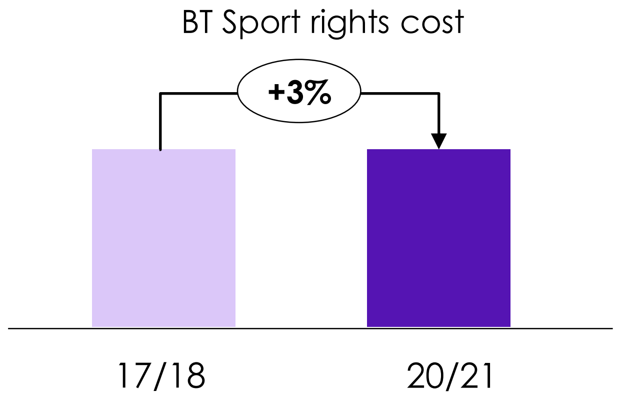
Base transition from free to paid



Expanded BT Sport distribution

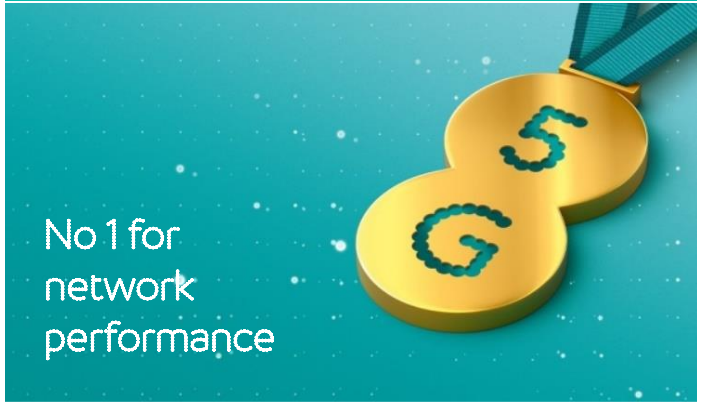


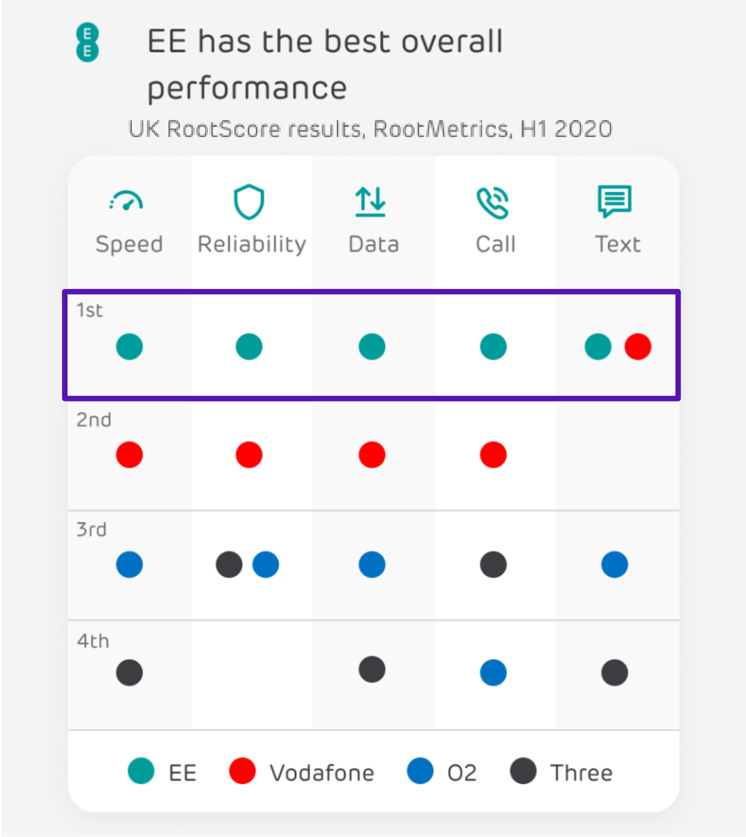
Maintaining cost discipline on rights



Mobile network & 5G leadership with EE

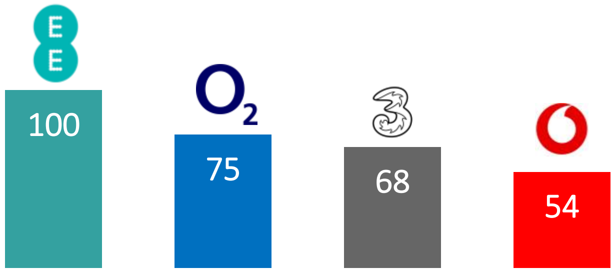
Best for 5G, after 7 years of undisputed network leadership





Leading the UK on 5G rollout

#5G locations[1] by provider

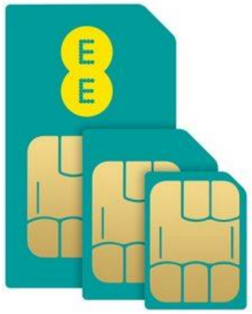


(1) Source: Competitor websites, as of 15th September

Strong portfolio to lead the 5G market

Pricing approach

✓ All handset plans 5G ready



✓ Retain premium on SIM: Smart plans 5G ready

Innovative use cases

5G FWA[1]

Expand into new categories

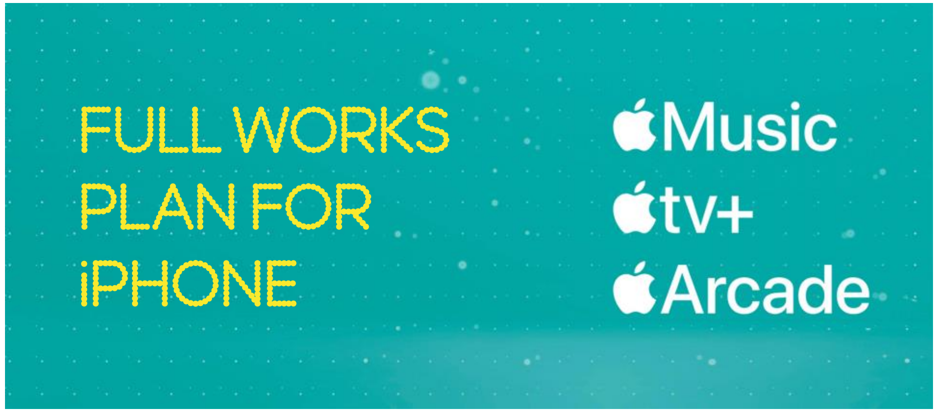
NIANTIC

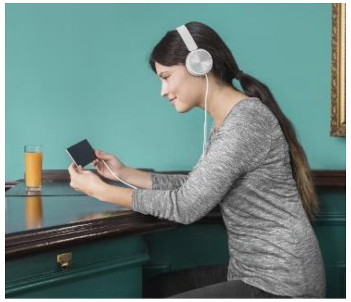
XBOX

(1) Fixed Wireless Access

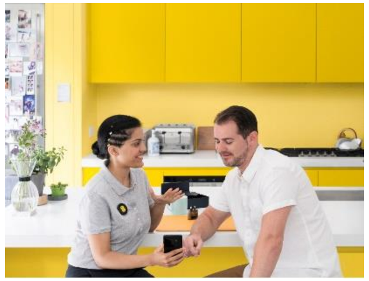
Global first for EE and Apple

Exclusive plans for iPhone





Upgrade anytime

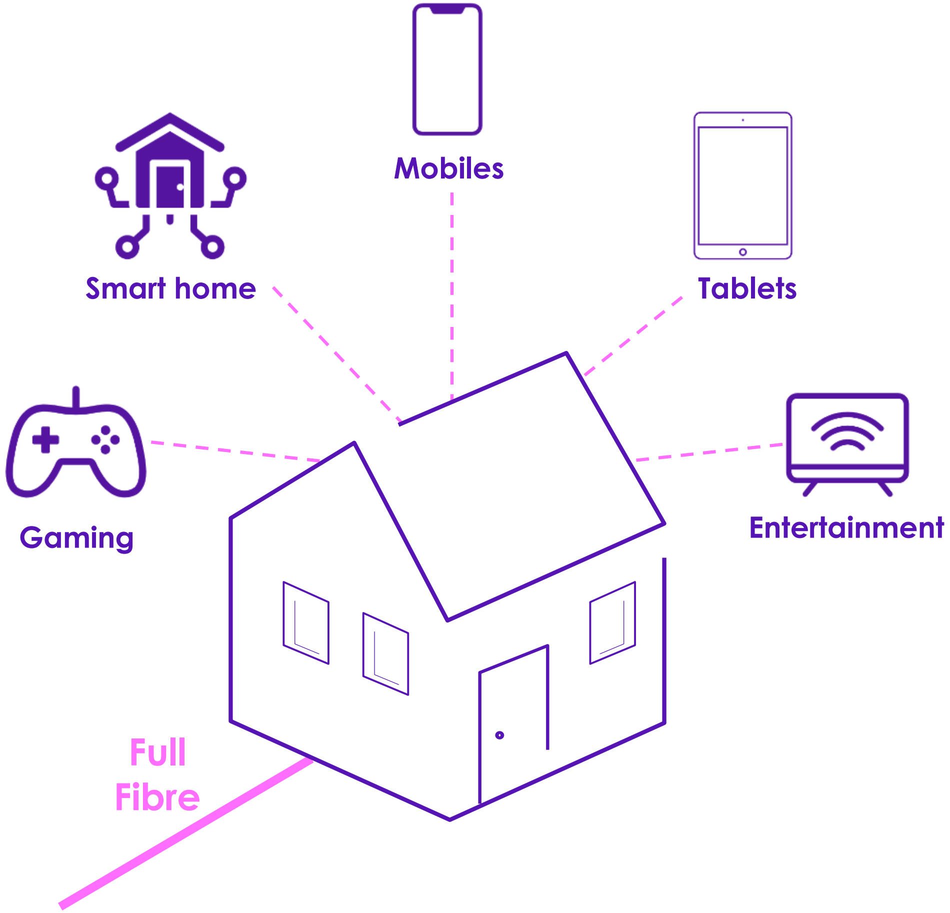


Service pack

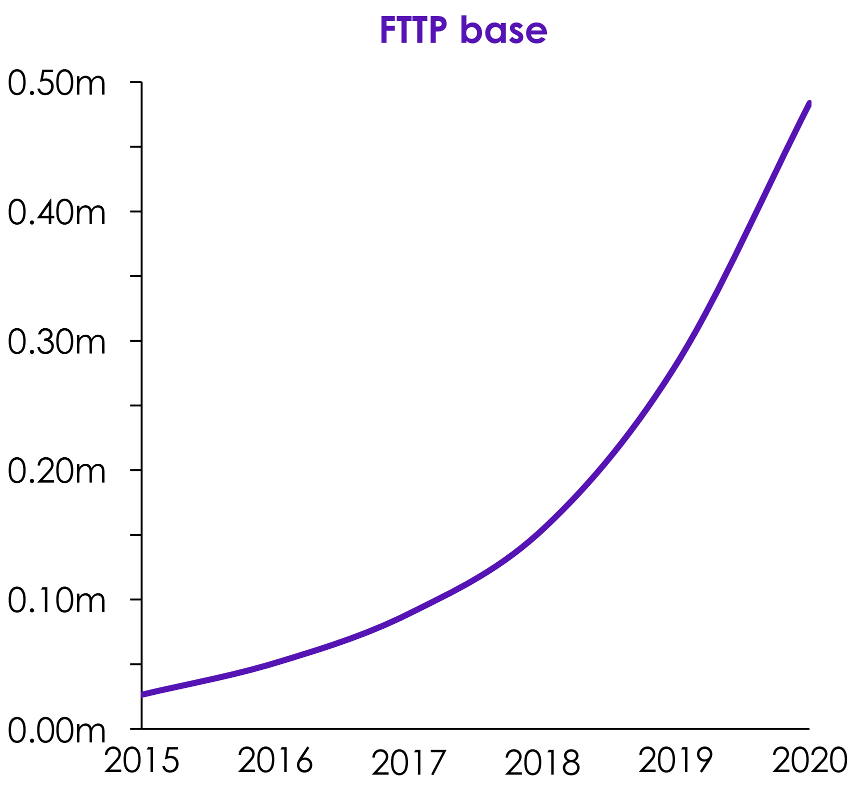
Multi-channel campaign

Leading in FTTP

FTTP as a platform for convergence growth



Nationwide multi channel distribution



Retail

Home Tech Experts

Pricing, fairness & market competitiveness

Three key priorities for us to address

1. Market competitiveness

2. ‘Loyalty gap’

3. Fairness agenda

Increasing our market competitiveness – BT Broadband

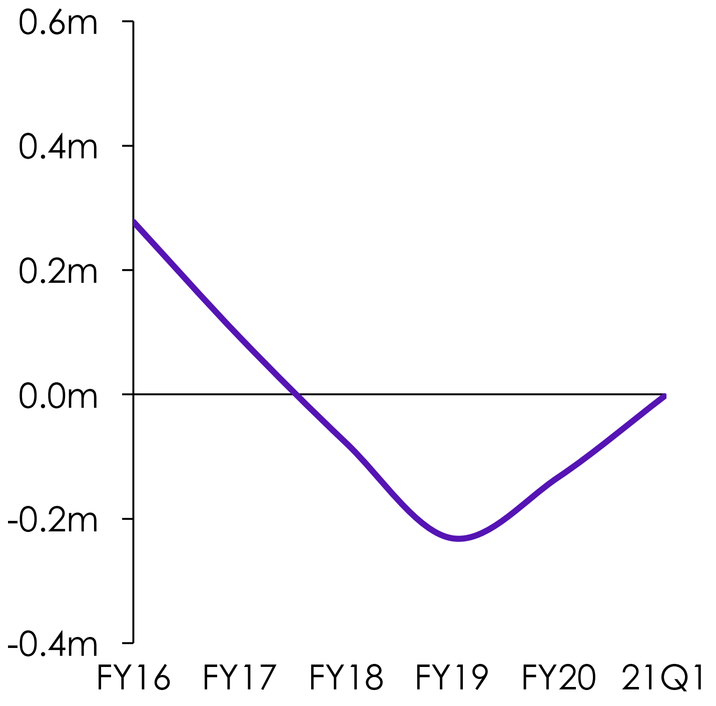
Entry level flexes with market

Speed	Price/month[1]
36Mb	£27
50Mb	Variable
67Mb	£32

More for more upsell path

- Converged offers
- Keep connected promise
- Complete WiFi
- Flexible TV & Sport
- 4G WiFi on EE network

BT broadband net adds

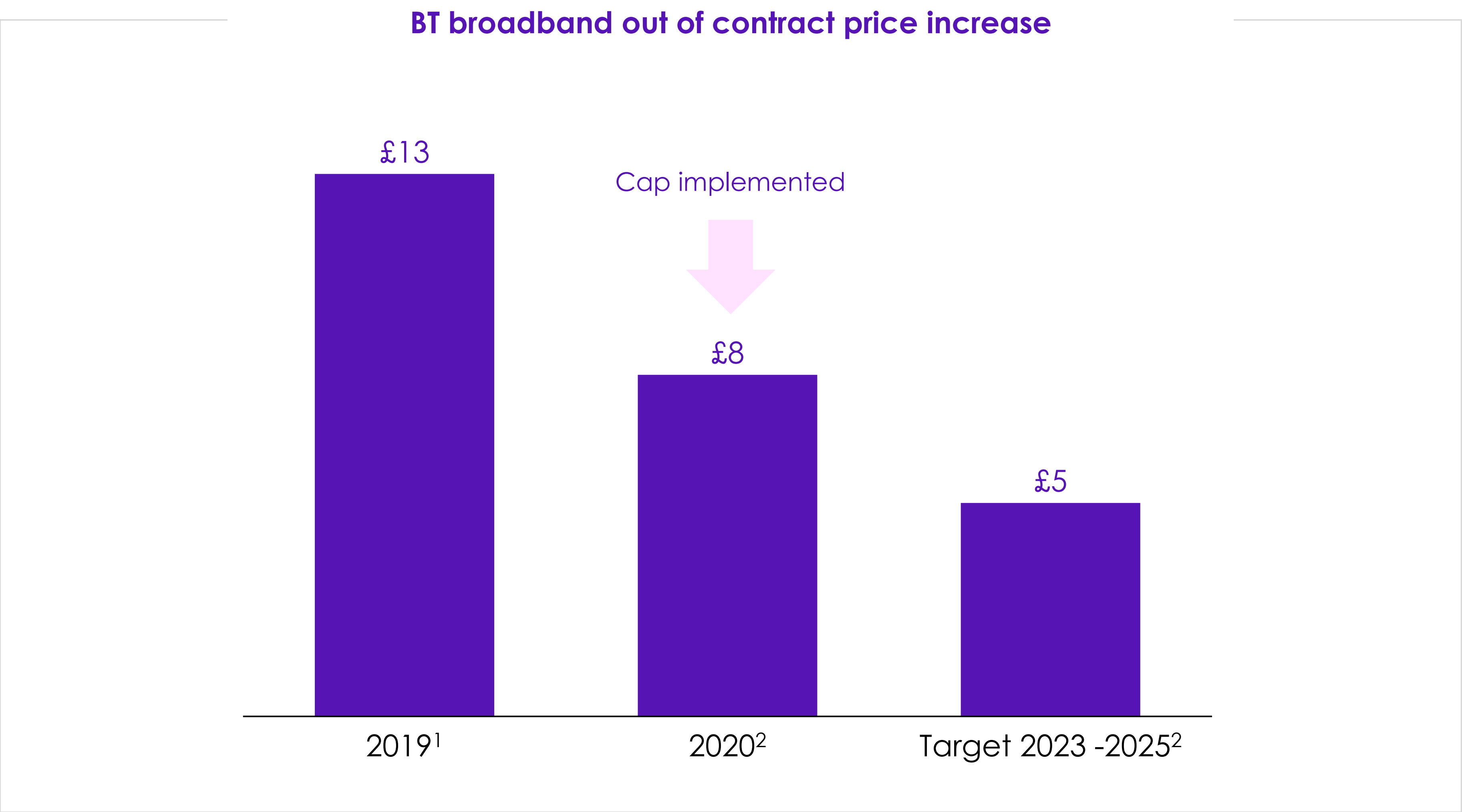


(1) Indicative pricing

'Loyalty gap' and fairness – key issues we have addressed

1. Out of contract price gap
2. Copper customer migrations
3. No proposition to reward existing customers' loyalty
4. Multiple price rises, at different times on different products

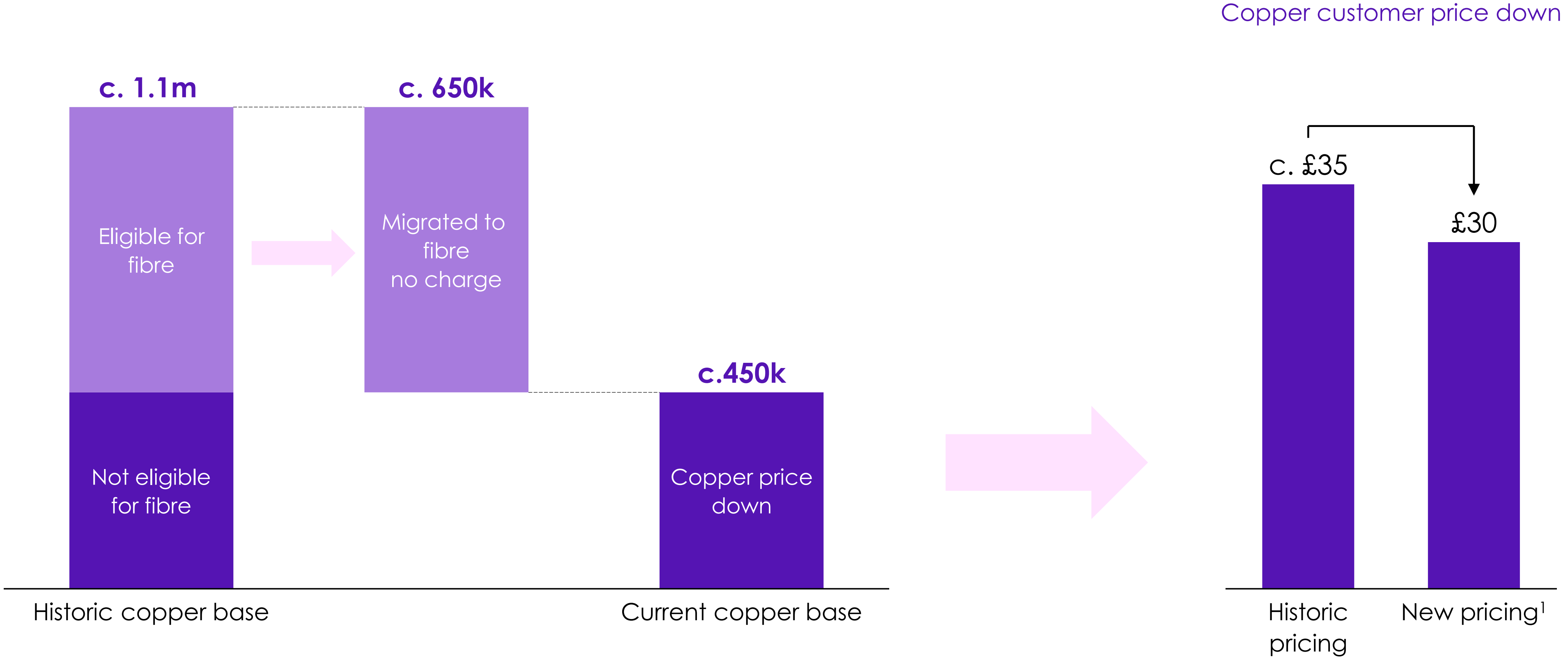
1 Reducing Out of Contract price increases



(1) Ofcom: Fairer prices for broadband customers, 25th September 2019. Average out of contract price increase
(2) Out of contract cap

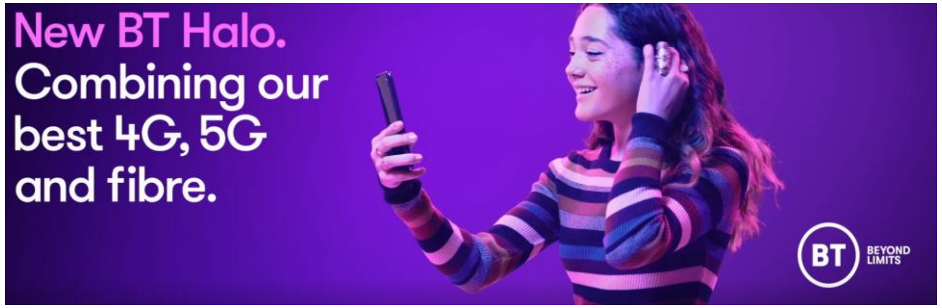
② Migrated copper base, reduced price for non-eligible customers

Copper customers upgraded to fibre and FTTP



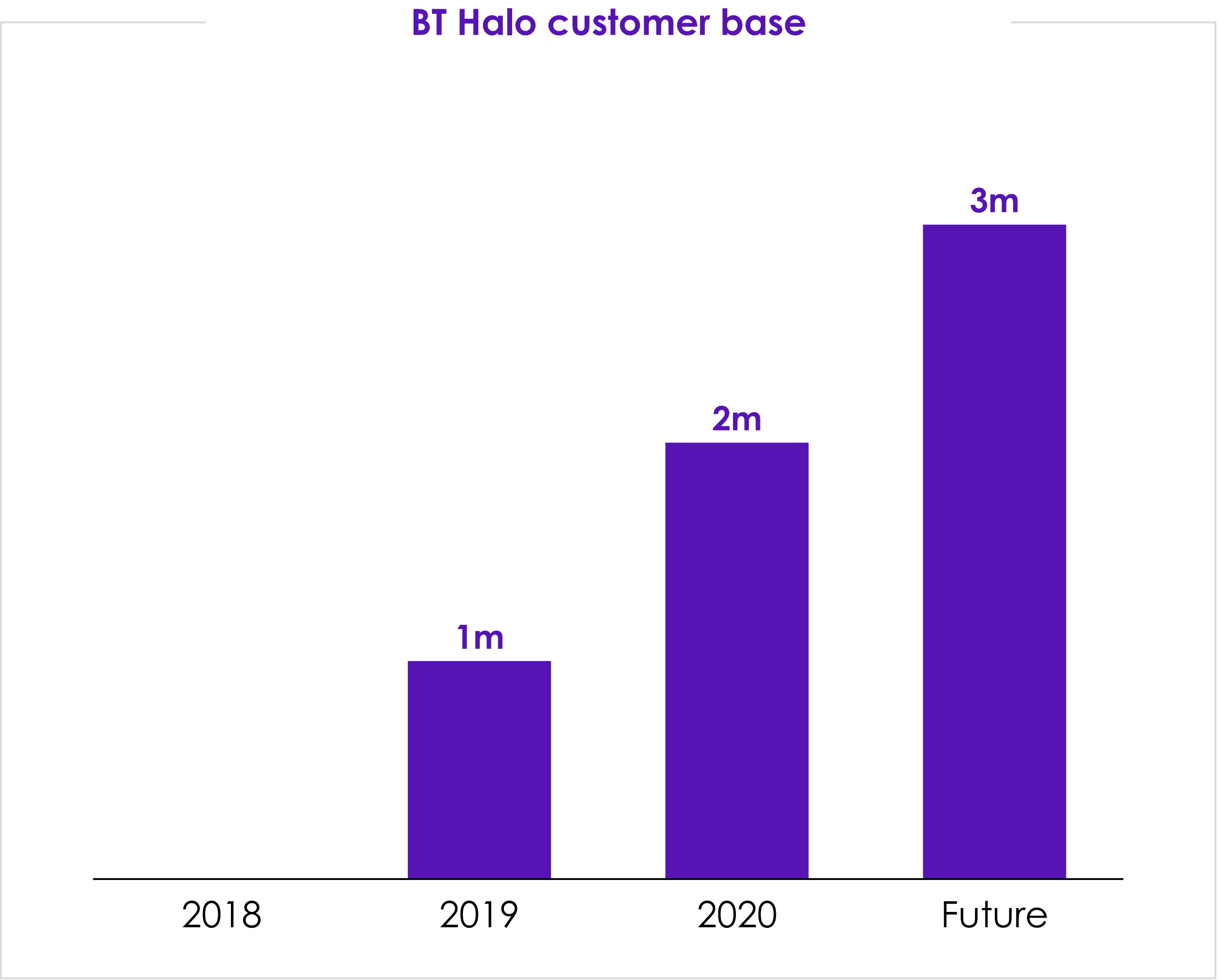
(1) Non Halo customers

3 Rewarding loyal customers with Halo

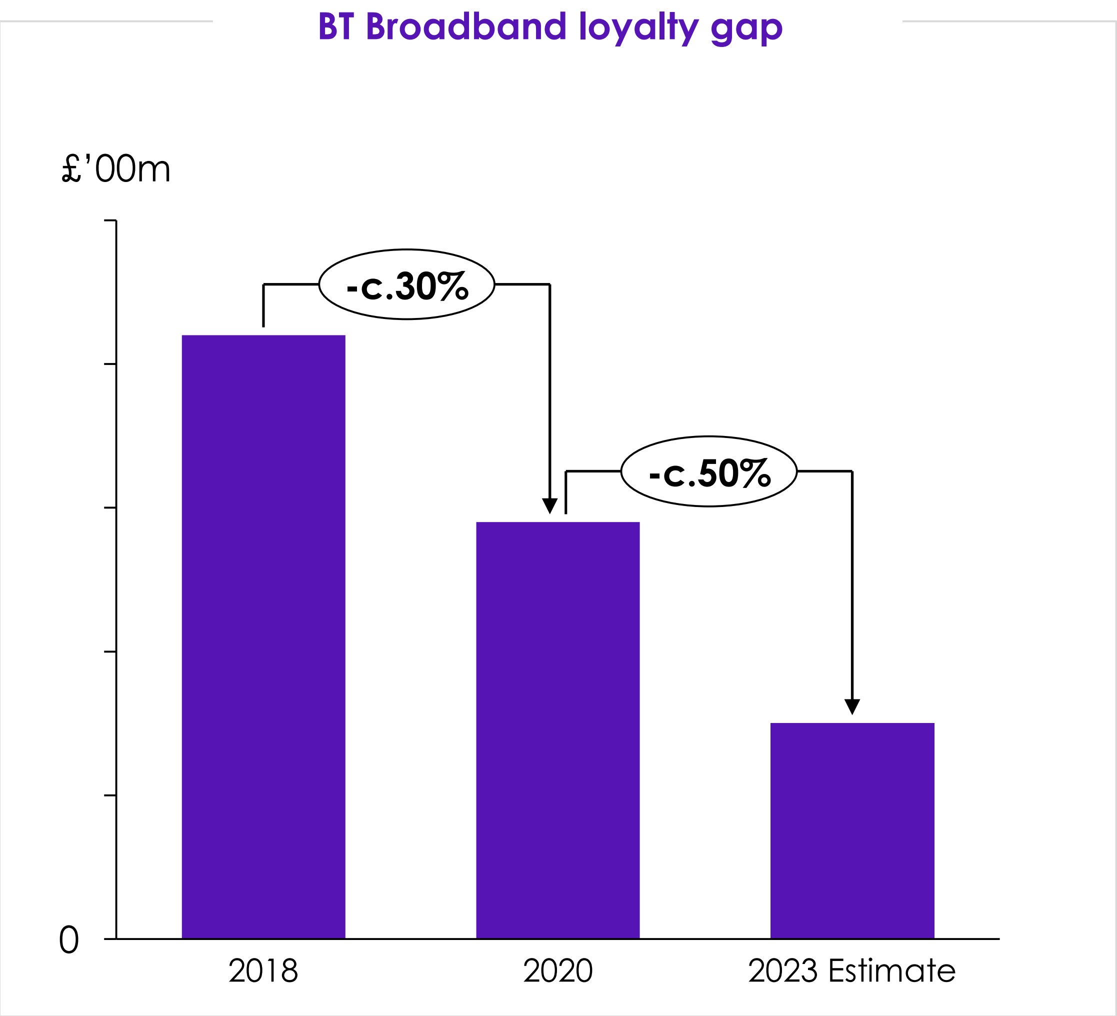


1. Existing customers pay same or less than new
2. £0 out of contract price rise for Halo customers
3. Exclusive Halo benefits

- Keep connected promise
- Home tech experts
- x2 Double data on mobile



Significant progress reducing 'loyalty gap'



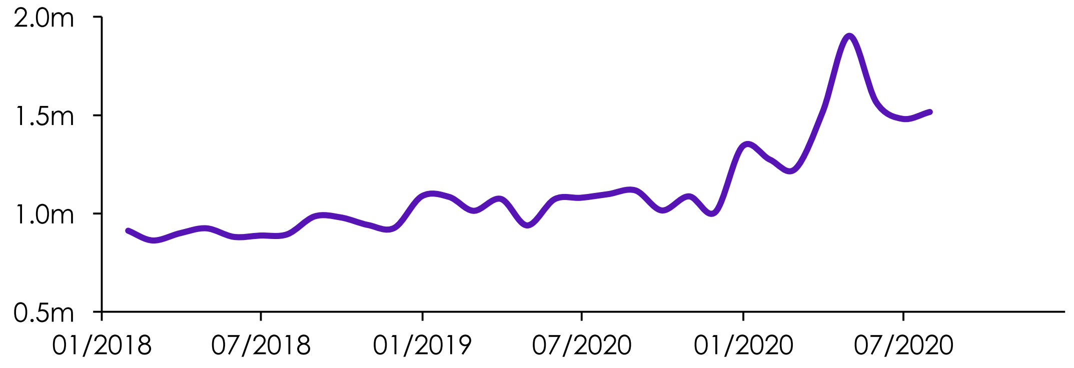
- Out of contract price cap
- Copper customers migrated
- Halo – loyalty mechanic
- Simpler pricing

4 One simple price mechanic across all products and brands

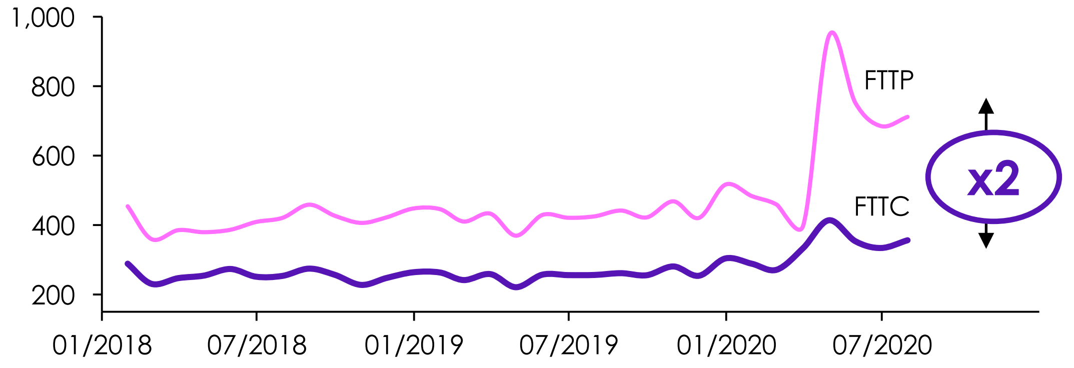
	Before				From 1 September 2020	
Base	Pricing mechanic	Frequency	Pricing mechanic	Frequency	Pricing mechanic	Frequency
BT broadband	Ad hoc	Ad hoc	CPI	Annual	**CPI +3.9%**	**Annual**
BT mobile	Ad hoc	Ad hoc	CPI	Annual		
BT TV	Ad hoc	Ad hoc	Ad hoc	Ad hoc		
BT Sport	Ad hoc	Ad hoc	Ad hoc	Ad hoc		
EE broadband	Ad hoc	Ad hoc	CPI	Annual		
EE mobile	RPI	Annual	RPI	Annual		
Plusnet	Ad hoc	Ad hoc	CPI	Annual		

Growth of data on FTTP. Costs will rise and need recovering

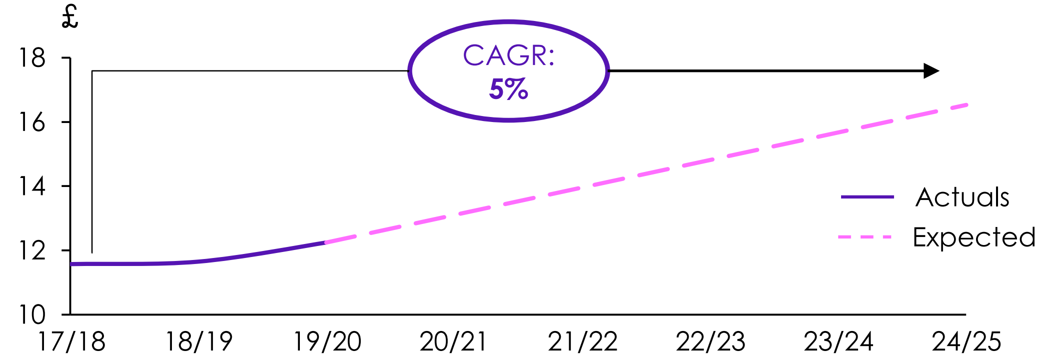
Fixed data growth (millions of PB)



Fixed data usage (average GB per household)



Monthly fixed data cost[1] / customer (£)



Fixed data traffic[2] by player (%)

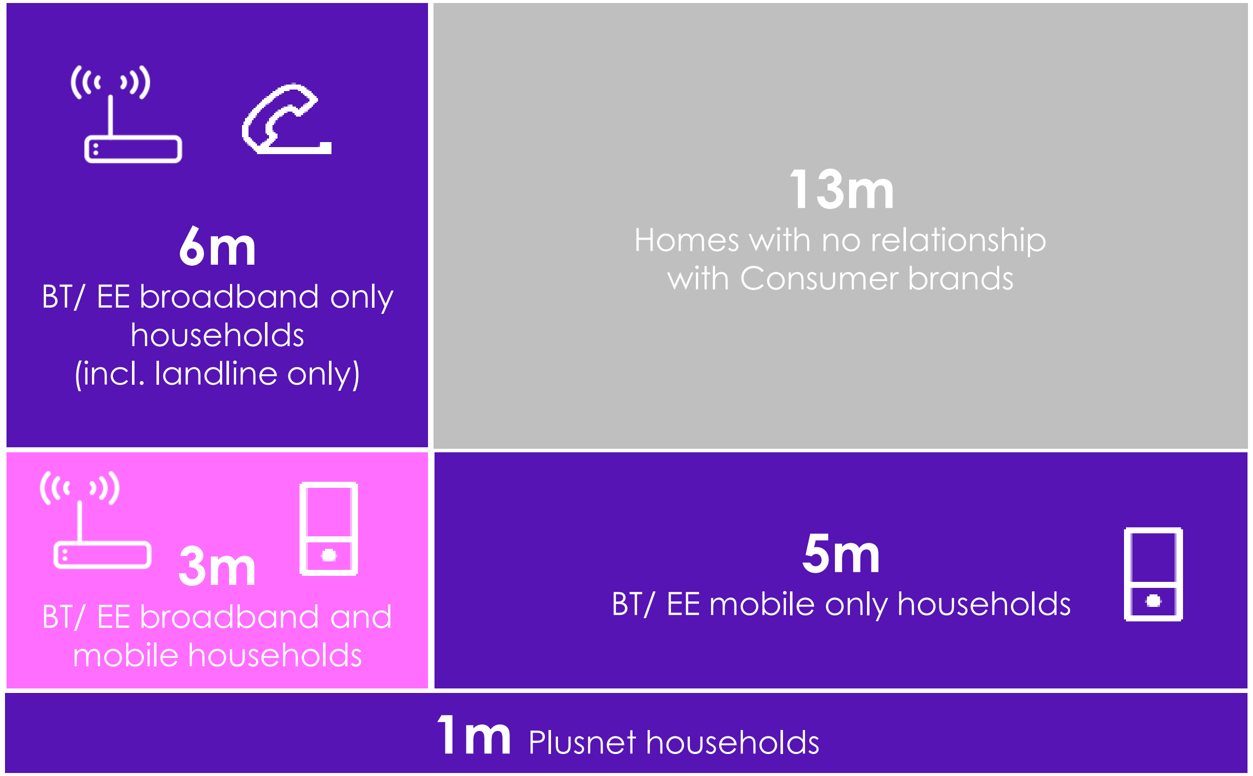
(1) Includes CapEx
(2) Peak time usage on 30th June 2020

Winning in Convergence

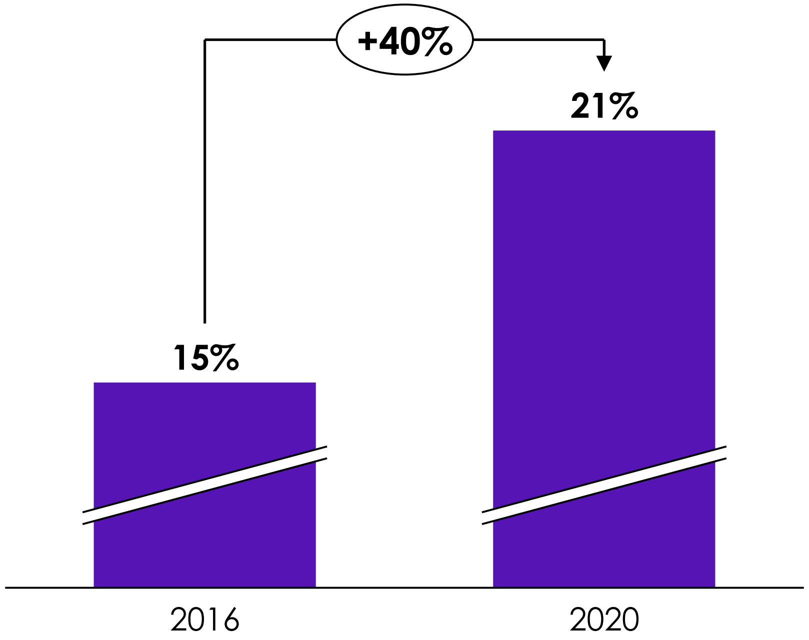
Convergence will create value for our customers and for BT

We have a strong brand portfolio and an opportunity to drive more value

UK total households



Base taking broadband and mobile (%)



Leading propositions and capabilities to win in convergence

Halo

Best of Both

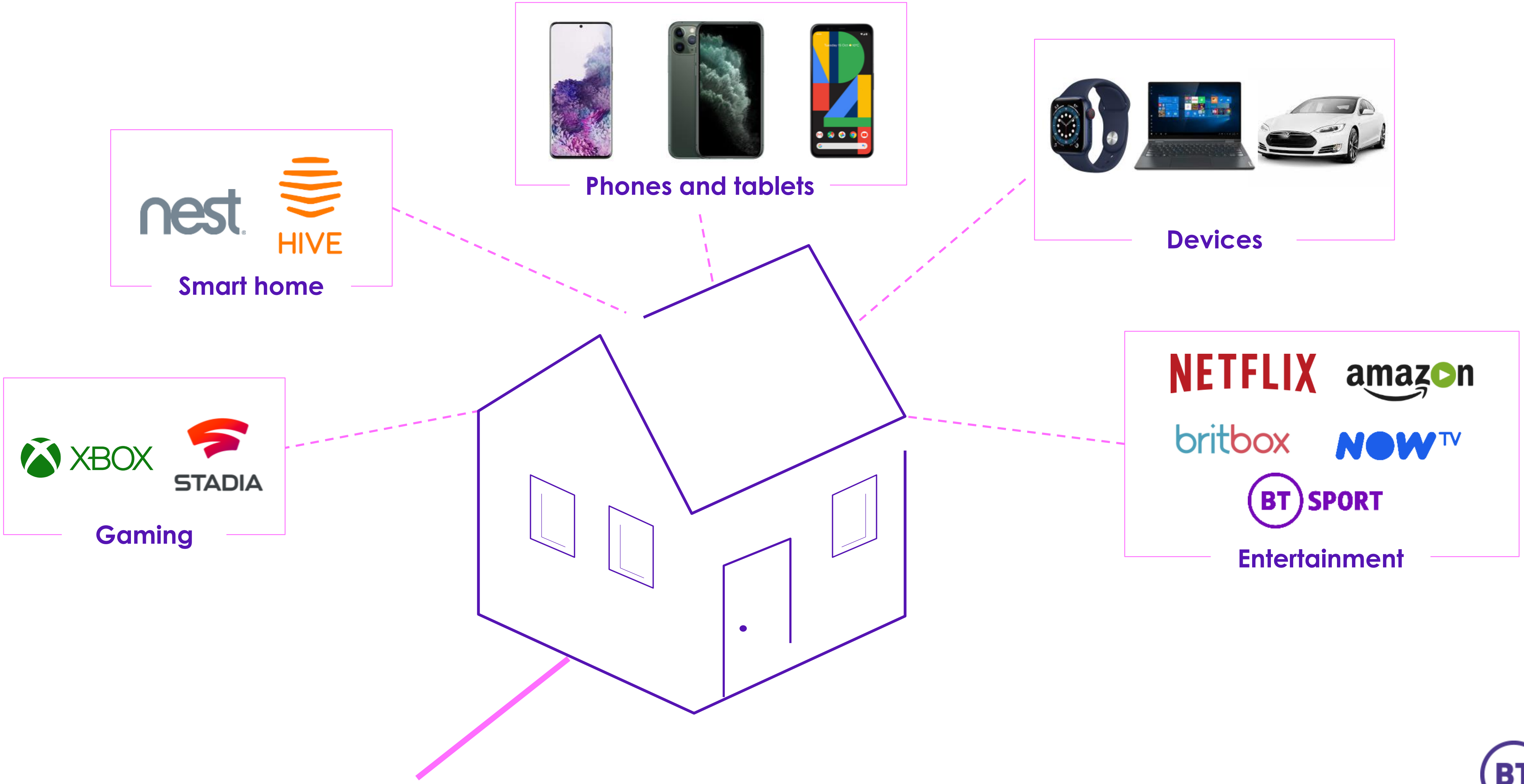
Capabilities to execute convergence

- Data
- Channels
- Systems
- Digital

We have built important capabilities to unlock convergence

	2018	2020
Product Catalogue	Individual	Best of Both
CRM	Multiple systems	PEGA decisioning tool across brands
Billing	Separate systems	Discounts across bills
Identity	Separate identities	BT & EE accounts linked
Service Interface	Separate interfaces	Both brands visible to agents
Channels	Single brand only	Brands x-sell capability

Mobile, Entertainment, Gaming and Smart Home are key opportunities

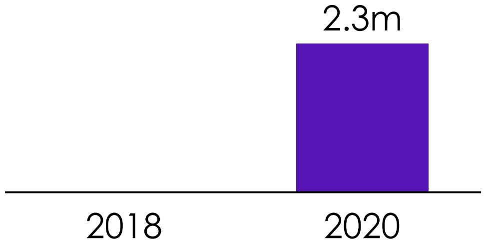


Halo – Driving convergence in the BT base

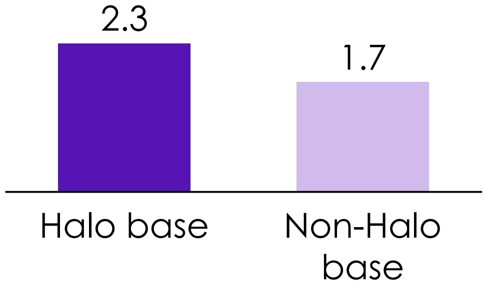
BT Halo

Connecting the UK like never before

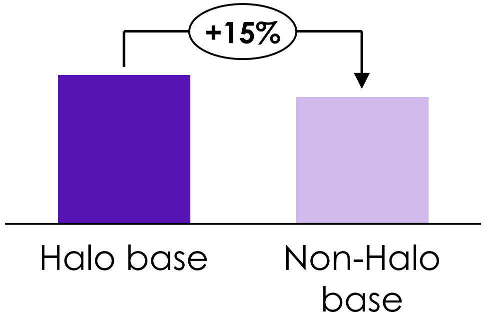
BT Halo base



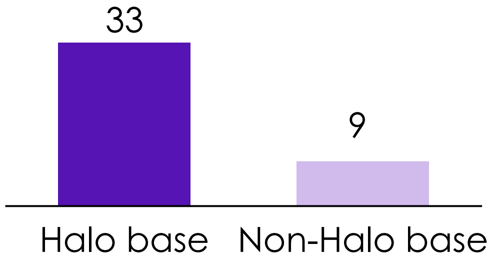
Connections per household



Monthly ARPU



Product NPS[1]



Halo Customer benefits

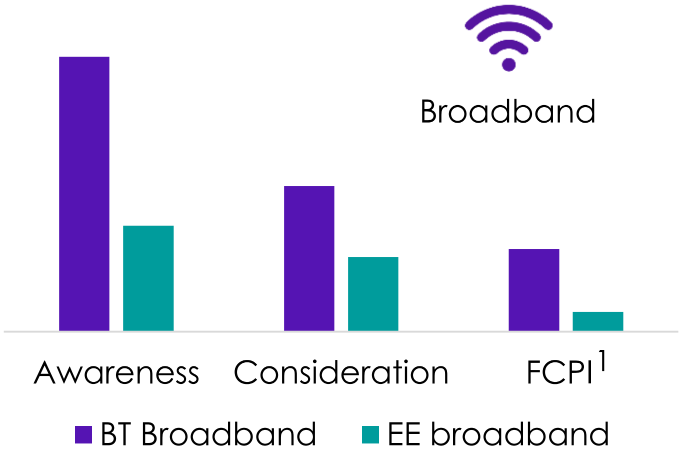
- Keep connected promise – 4G WiFi using EE network
- Home Tech Expert visits
- x2 Double data on mobile
- No out of contract price rise
- Existing customers' pricing same or better than new

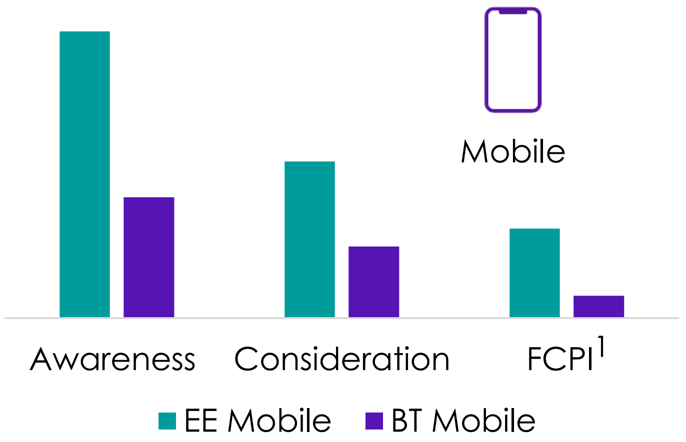
Halo 3+ **Coming soon…**

(1) Customer Experience Insights Consumer Relationship NPS Survey

Customer insights driving Best of Both

Brand metrics





Greater appeal amongst high value customers

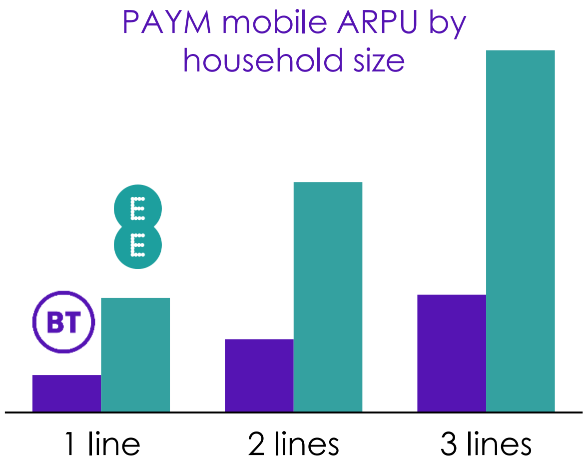
cost-saving is secondary to brand appeal

c.1/3 of customers see appeal

prefer 'specialist brands'

convenience of one contract & one bill: 'nice to have'

Growth opportunity to gain mobile revenue share through EE

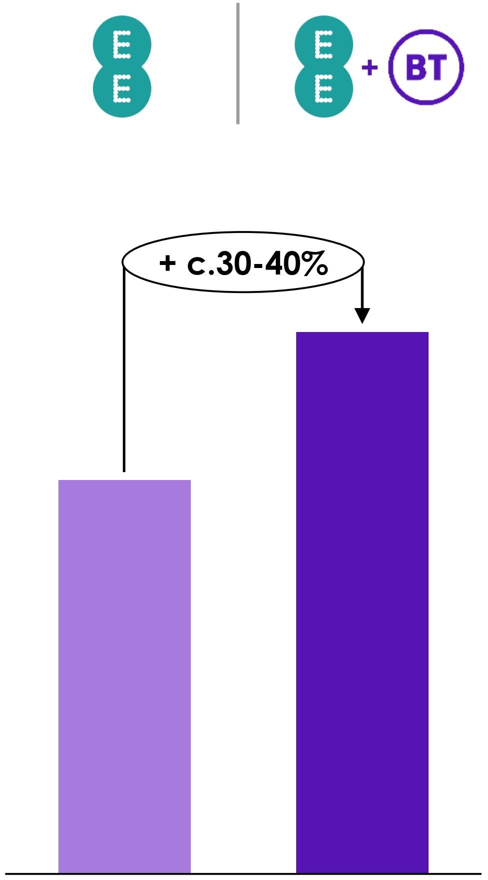


Opportunity to cross sell growing categories into households

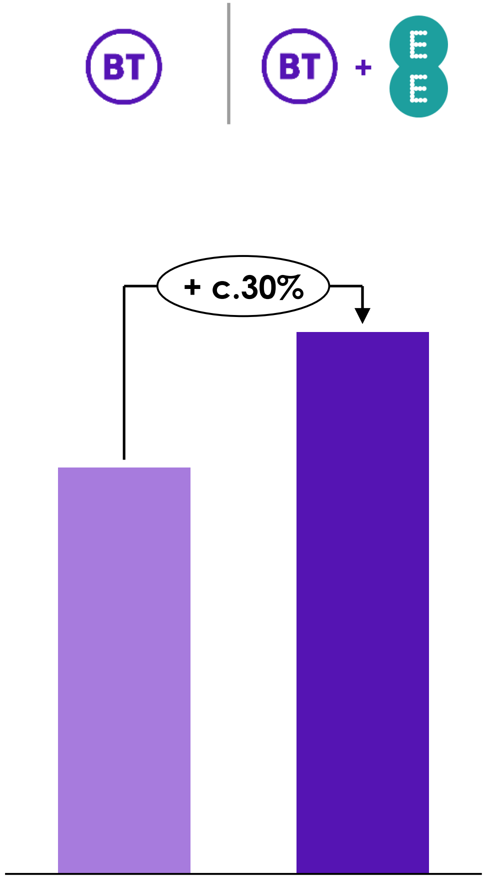
(1) First choice purchase intent

Best of Both shows positive and encouraging results

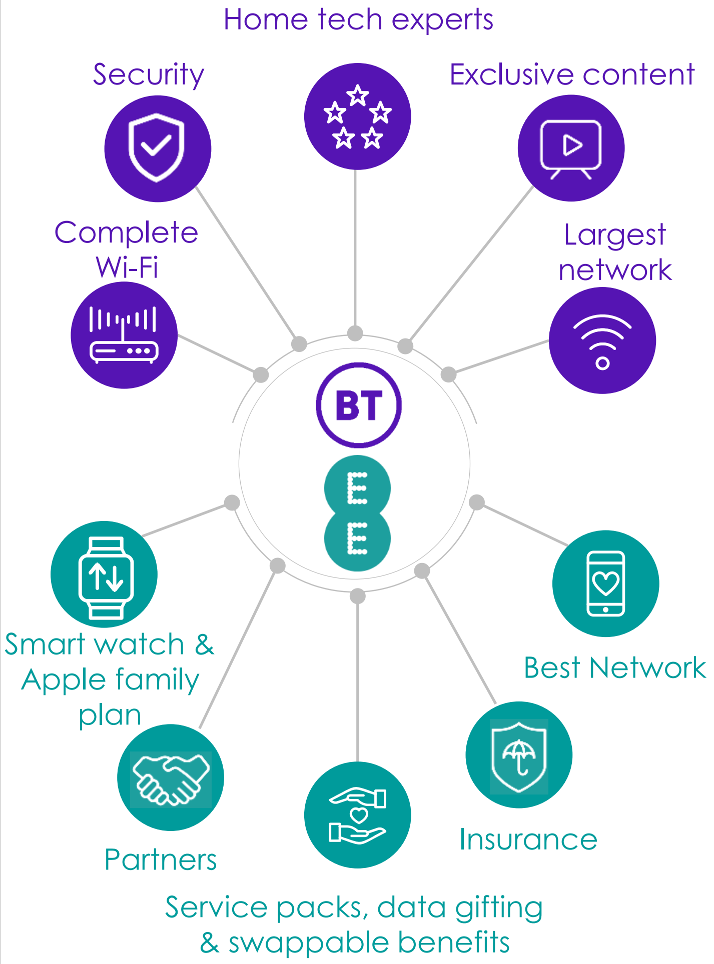
BT broadband sales in retail and EE telesales



EE mobile sales in BT telesales



Innovation customers can access on other brand



More choice and better experience for our TV customers

2 years ago

Lack of key pay-TV content

sky CINEMA
amc
GOLD
Discovery
NETFLIX
BT Sport

Today

Flexible BT TV

SVoD providers

NETFLIX amazon britbox

All premium Sky content

NOW TV

sky sports
sky 1
sky ARTS
sky LIVING
sky ATLANTIC
sky CINEMA

Pay channels

amc GOLD Discovery

BT SPORT

Future

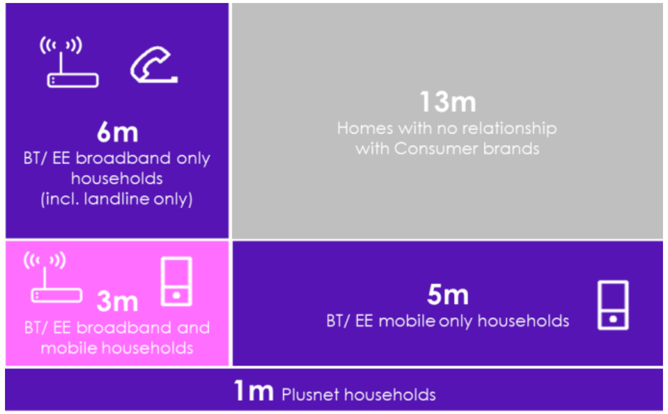
Converged viewing experience

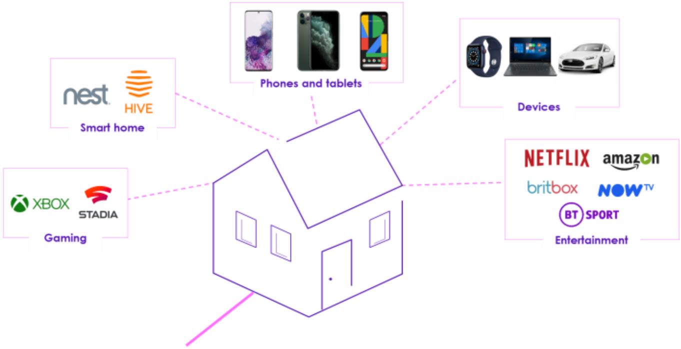
BT EE Best of both	Seamless TV in and out of the home
Wireless	Device evolution
	Multi room capability
NETFLIX prime video	Elevating partner content
	One personalised subscription
sky BT SPORT XBOX android	Evolution of sport and entertainment

BT

Leading propositions and capabilities to win in convergence

We have a significant opportunity…





We have strong brands and propositions

… and we have built the capabilities to execute

Data

Channels

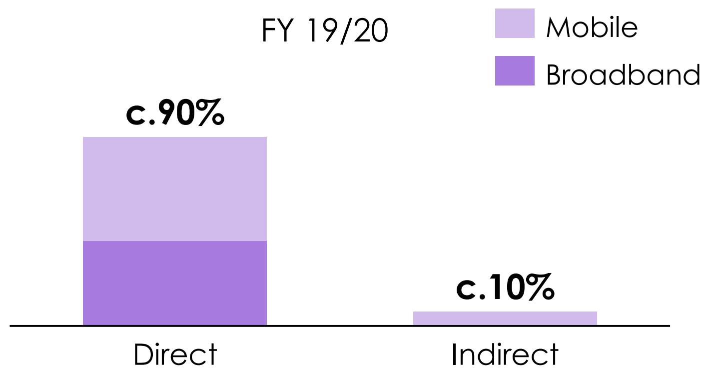
Systems

Digital

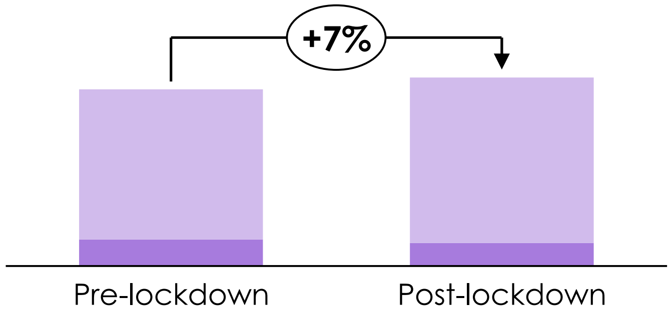
Business transformation: Digital, channels and cost base

Direct and Digital shift in our channels

Total BT/ EE/ Plusnet sales & upgrades

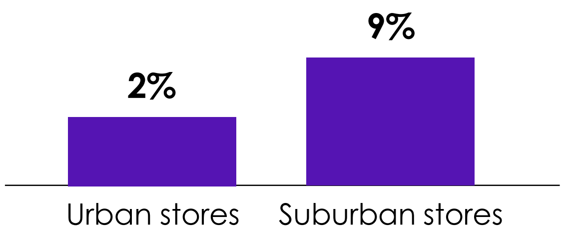


Average weekly retail sales

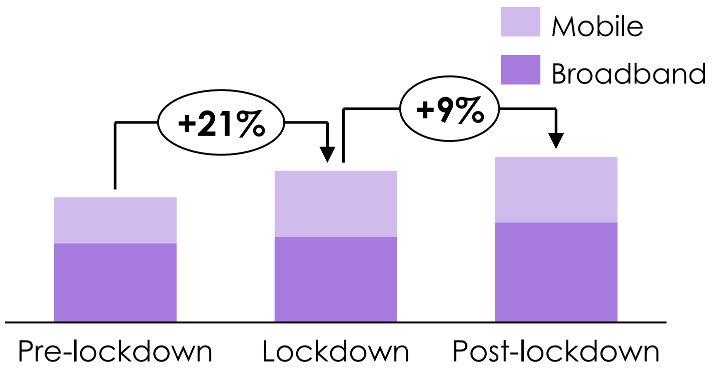


PAYM retail sales and upgrades

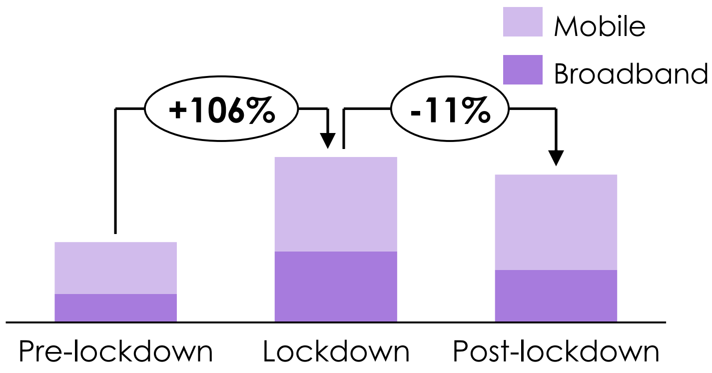
Pre-lockdown vs. post-lockdown



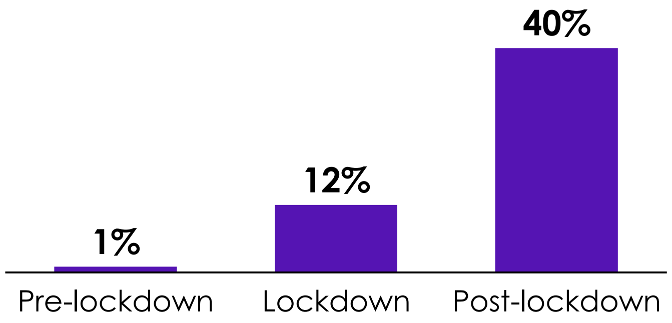
Average weekly digital sales



Average weekly digital upgrades



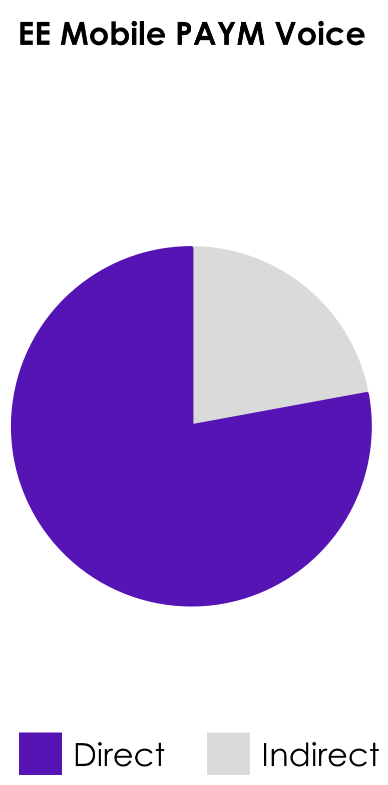
YoY increase in visits to MyBT and MyEE



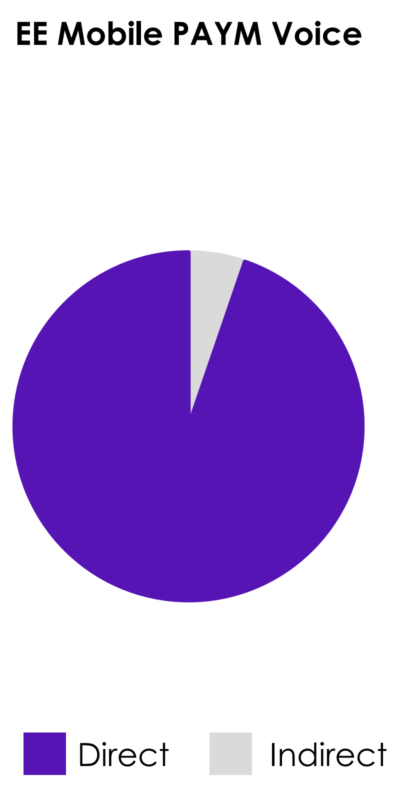
Note: Lockdown - Retail Closed, post-lockdown - Retail Open

Mobile distribution evolving to drive convergence

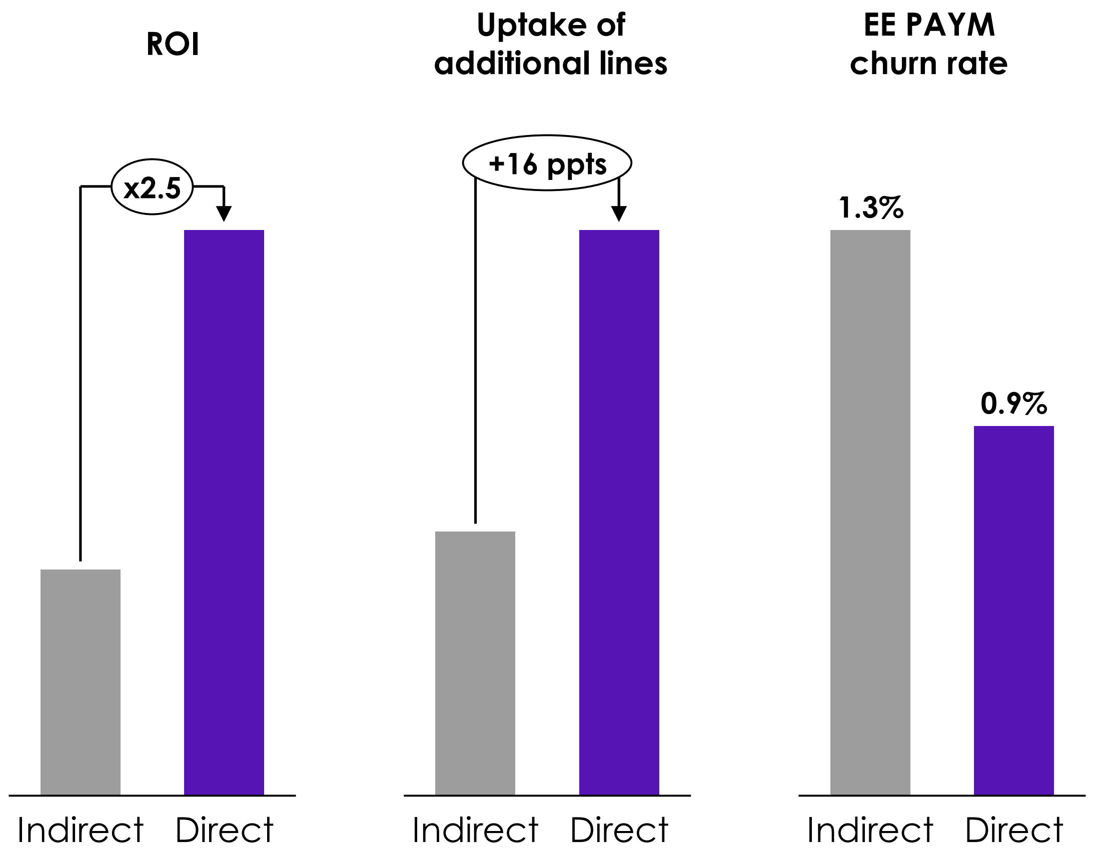
FY 2016/17



Today



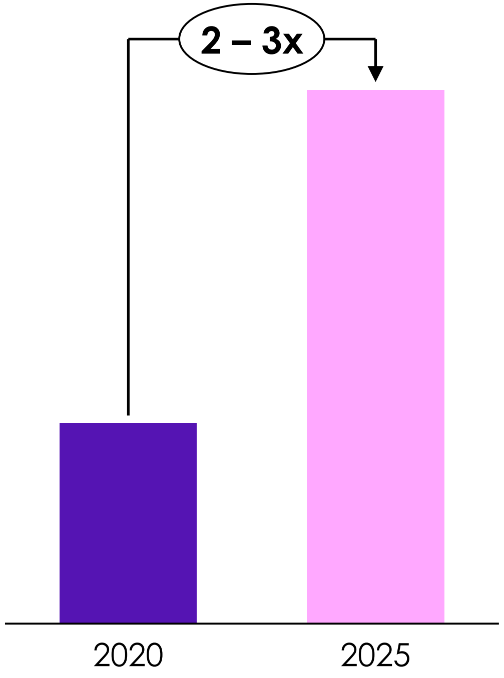
Increasing ROI, driving convergence and improving loyalty



We will grow our digital share and optimise other channels

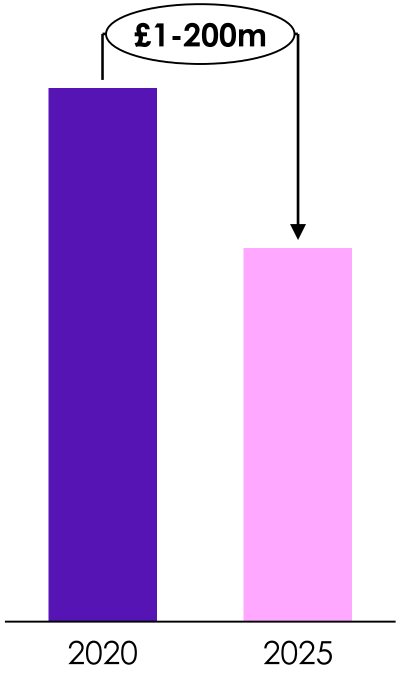
Growth in digital share

Digital channel share



OpEx savings

OpEx efficiencies



Optimising contact centre activity

Optimising retail footprint

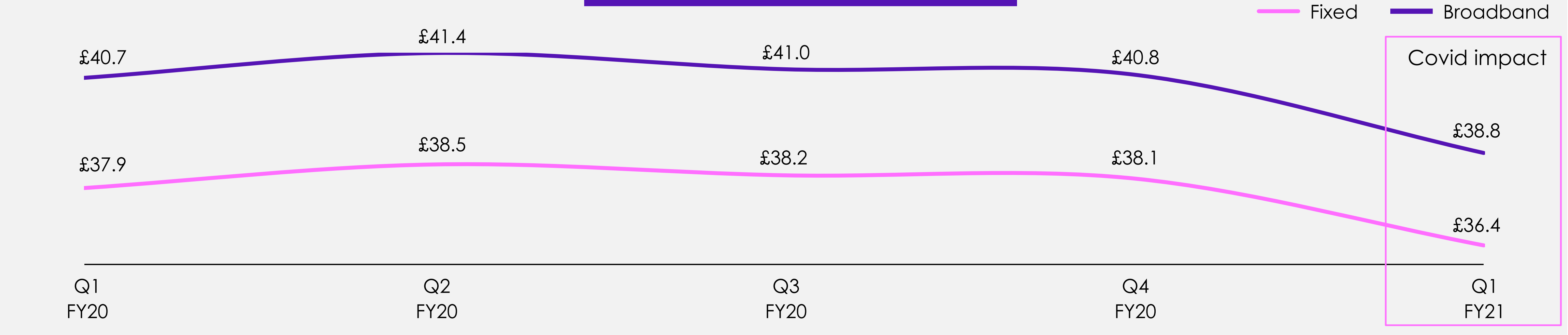
New external metrics

Our external metrics are expanding further in line with our strategy

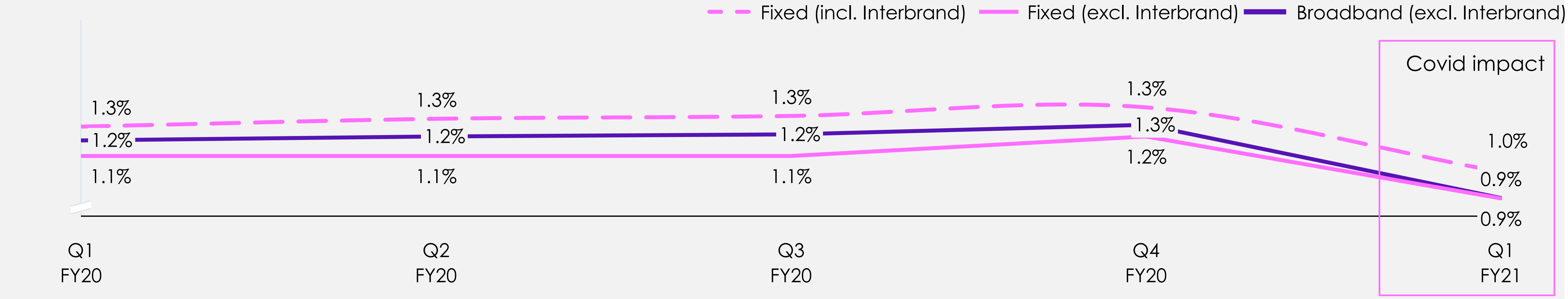
Current Metrics	New Metrics
• Fixed Revenue • Fixed ARPU • Fixed Churn	• Fixed Revenue • Fixed ARPU • Broadband Revenue (excluding Solus) • Broadband ARPU (excluding Solus) • Fixed Churn (excluding interbrand) • Broadband Churn (excluding Solus and interbrand)
• RGU	• RGU • Fixed Mobile Convergence (% Households which have both a Mobile and Broadband product)
• Superfast % of base • Ultrafast % of base	• Superfast % of base • Ultrafast % of base • FTTP base • 5G ready base

New metrics focused on core broadband business not legacy

ARPU

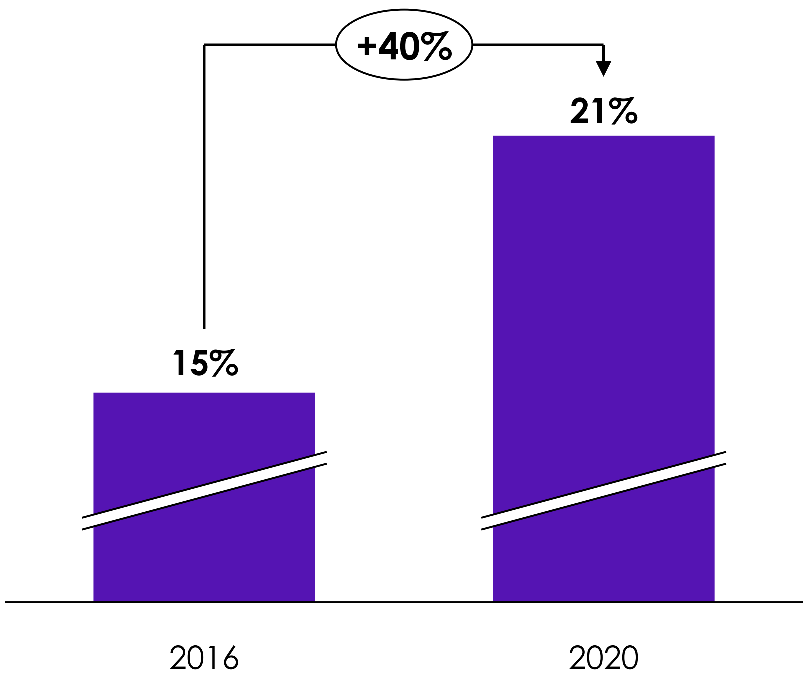


Churn

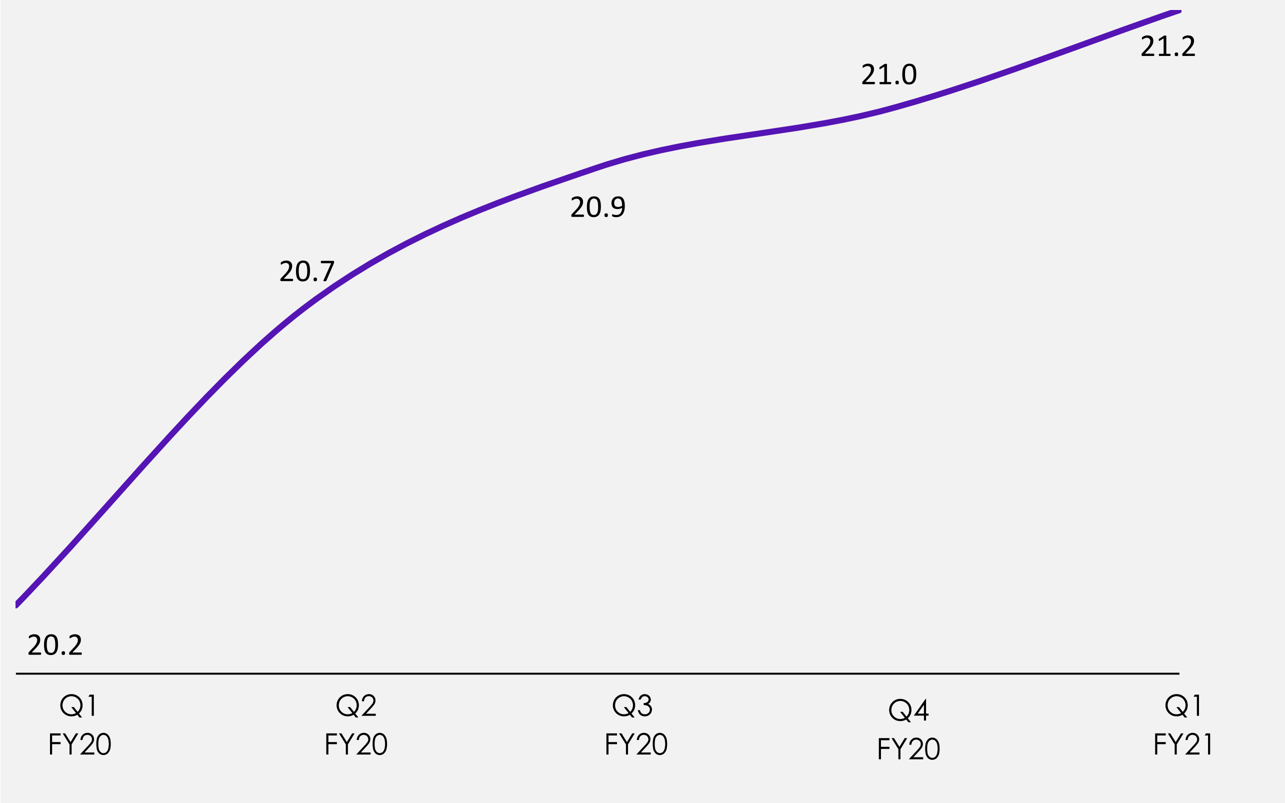


Increased convergence across the Consumer base

Base taking broadband and mobile (%)

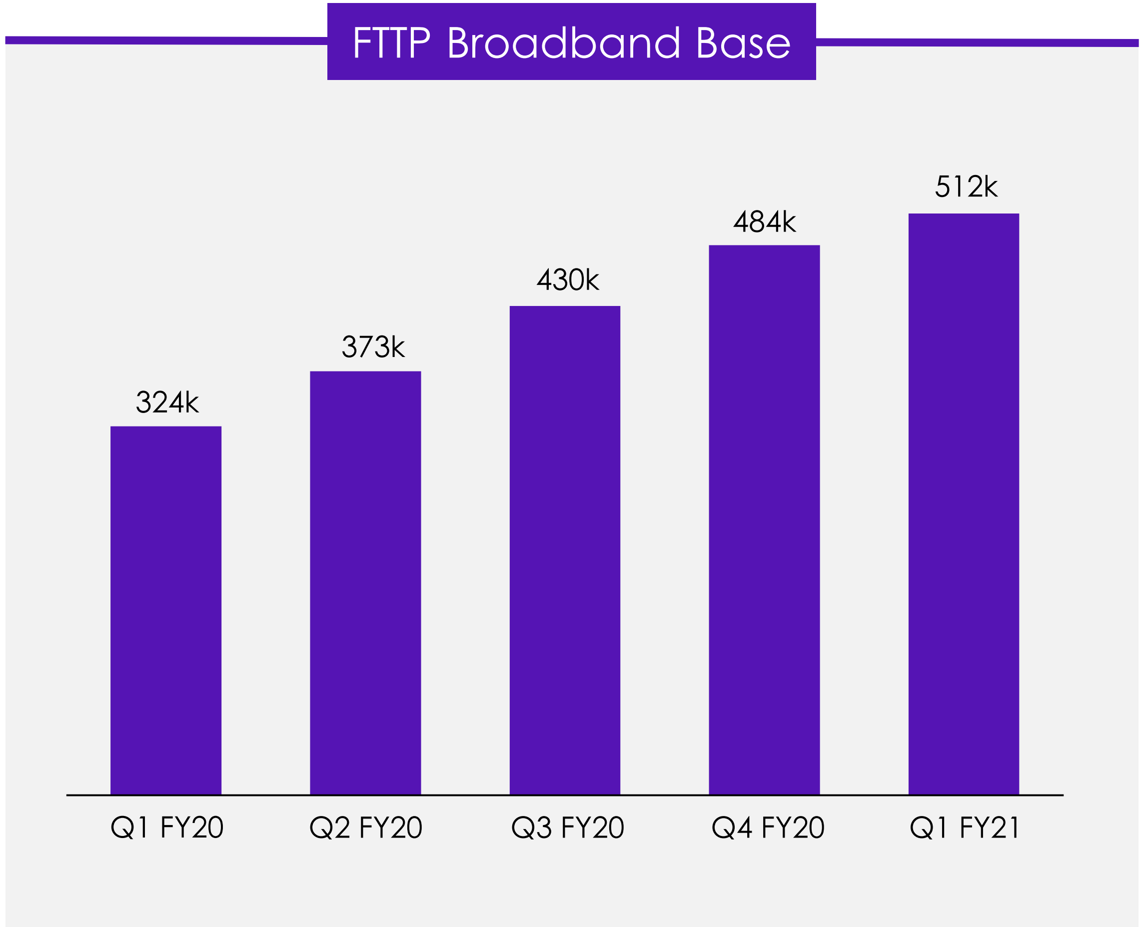


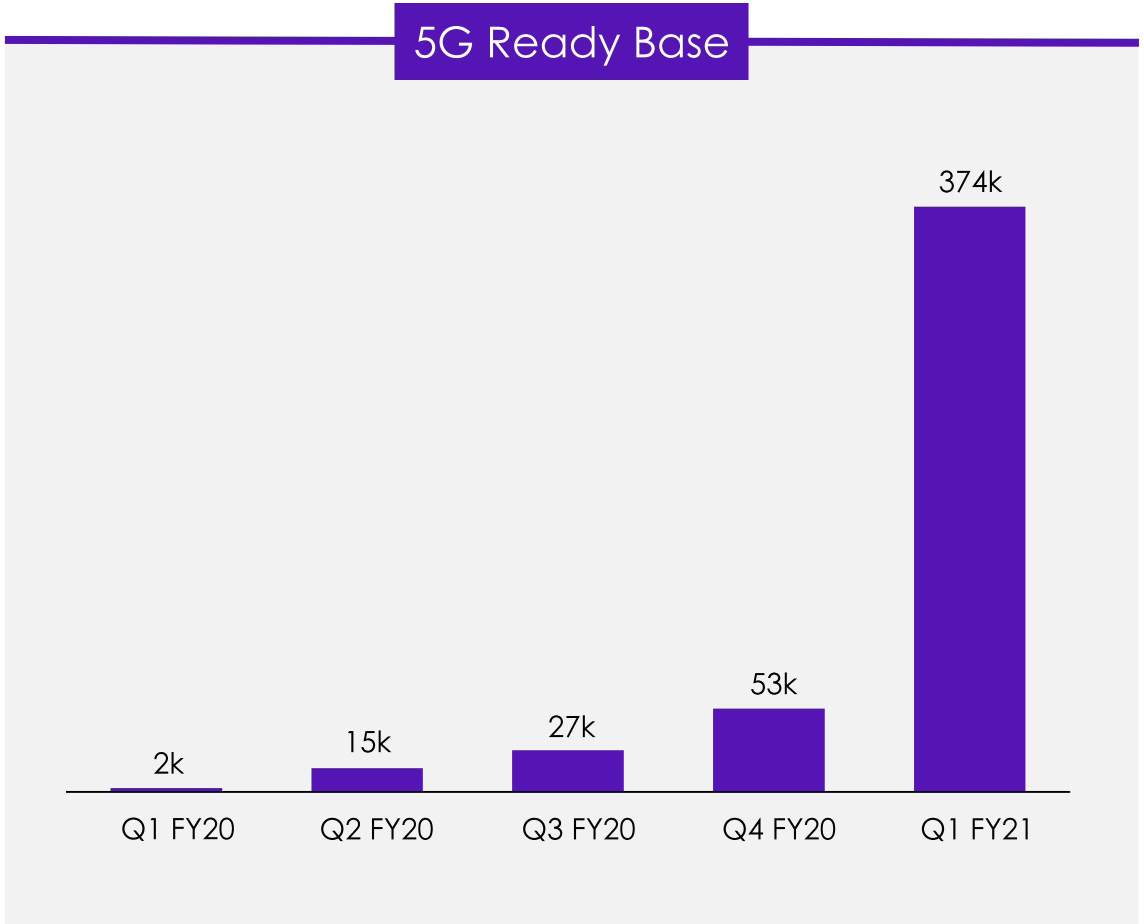
Fixed Mobile Convergence[1] (%)



(1) % of Consumer Households which have both a Broadband and Mobile product

Growth in our strategic bases





Summary of what we covered today

1. Progress on ‘loyalty gap’, fairness, market pricing and new pricing mechanic
2. Fast improving brand and service platform
3. Our approach to growth through convergence
4. Distribution trends and digital opportunity ahead
5. New metrics to better understand Consumer performance

Q&A