BT Group

BT Group plc FY23 results

18 May 2023

Forward looking statements caution

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

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Philip Jansen

Chief Executive

Highlights | Continued strong delivery against strategy

Delivered FY23 results in-line with our outlook

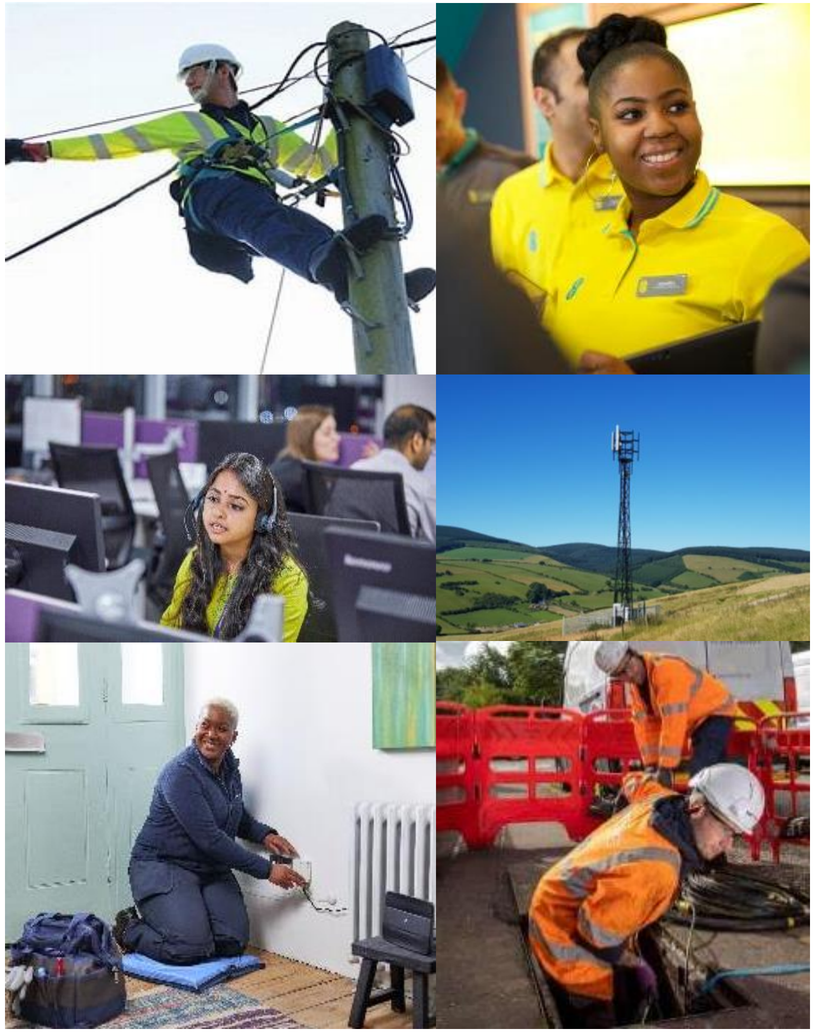
- Maintained full year dividend at 7.7pps[1]

Strong delivery against our strategy

- FTTP[2] build up 43% to 10.3m premises; take up 3.1m
- Consumer FTTP connections up 50% to 1.7m
- 5G now covers 68% of UK population
- Completed BT Sport JV
- Formed market-leading Business CFU[3]
- £2.1bn gross annualised cost savings at cost of £1.1bn

Stepping up pace of delivery

- Accelerating pace of FTTP connections
- Migrating customers, at pace, to next generation networks
- Continuing to drive transformation at pace
- Remaining responsible, inclusive and sustainable



[1] Pence per share; [2] Fibre-to-the-premises; [3] Customer facing unit

Simon Lowth

Chief Financial Officer

FY23 results in line with outlook

	FY23 Pro forma		FY23 Reported		FY23 Outlook
	£m	Change YoY %	£m	Change YoY %	
Adjusted revenue[1]	20,431	1	20,669	(1)	Growth on a pro forma basis ✓
Adjusted EBITDA[1]	7,999	3	7,928	5	At least £7.9bn ✓
Reported capex	5,056	5	5,056	5	c.£5.0bn ✓
Normalised free cash flow[2]	1,328	(5)	1,328	(5)	Lower end of £1.3bn-1.5bn range ✓
Dividend (pps)	7.70	-	7.70	-	Progressive ✓

[1] Before specific items; [2] After net interest paid and payment of lease liabilities, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items

FY23 summary of customer facing units

	FY23 Adjusted Revenue[1,3]		FY23 Adjusted EBITDA[2,3]	
	£m	Change YoY %	£m	Change YoY %
Consumer	9,499	2	2,694	9
Enterprise	4,962	(4)	1,394	(15)
Global	3,328	(1)	458	0
Openreach	5,675	4	3,449	8
Other	27	0	4	(91)
Intra-group	(3,060)	2	-	-
Total	**20,431**	**1**	**7,999**	**3**

[1] Before specific items; [2] Before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense; [3] All numbers are on a pro forma basis

FY24 outlook and beyond

	FY24	Beyond
Adjusted Revenue[1]	Growth on a pro forma basis	Consistent and predictable growth
Adjusted EBITDA[1]	Growth on a pro forma basis	Consistent and predictable growth enhanced by cost transformation
Reported capex[2]	£5.0bn - £5.1bn	£5.0bn - £5.1bn to FY26 Reduces by >£1bn post peak FTTP build
Normalised free cash flow[3]	£1.0bn - £1.2bn	At least £1.5bn incremental by end of decade[4]
Dividend	Progressive dividend	Growth underpins progressive dividend

[1] Before specific items; [2] Excluding spectrum payments; [3] After net interest paid and payment of lease liabilities, before pension deficit payments (including the cash tax benefit of pension deficit payments) and specific items; [4] Versus FY22

Philip Jansen

Chief Executive

A compelling market opportunity for continued growth

Continued strong demand
for our core products and services

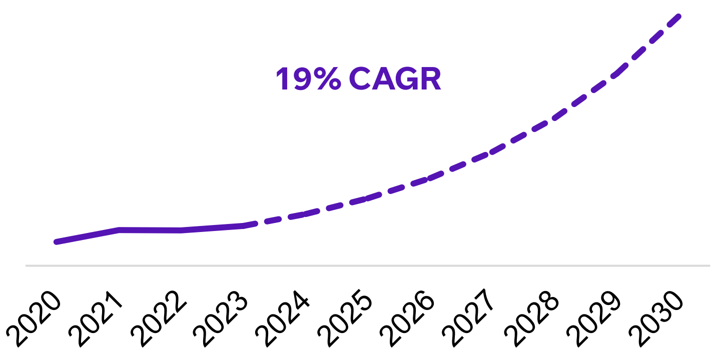
Next generation network coverage and take up in UK increasing significantly

Constructive, fair and transparent pricing model

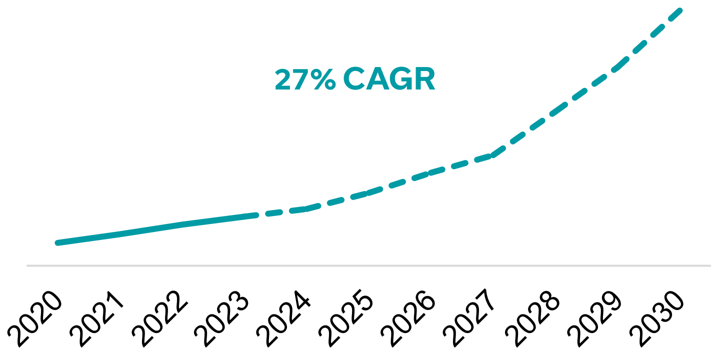
Growing scope for value-added services

Pro-investment and
stable regulatory environment

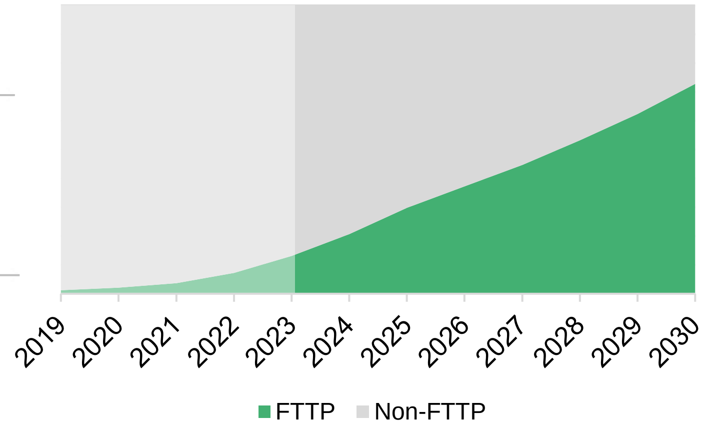
Fixed Data Usage
(PB)



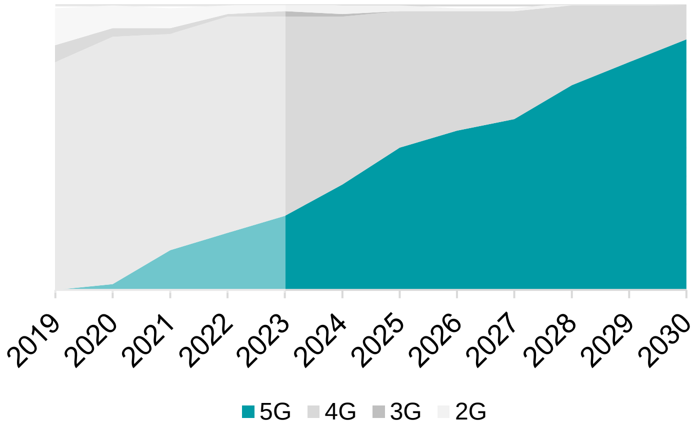
Mobile Data Usage
(TB)



Evolution of Broadband Lines



Evolution of Mobile Subscribers

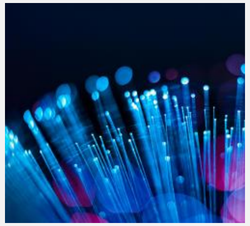


Unique assets to deliver future BT Group

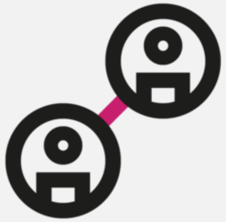
Leading fixed-access wholesaler

National superfast fixed network reaches 29m premises

Fastest FTTP take up, now 30.4%



Over 10m FTTP premises passed



Deep relationship and networks integration with CPs[1]

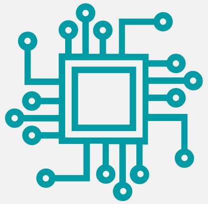
Skilled in-house engineering capability

Market share leader in UK retail markets

Relationship with 25m subscriptions; 1.2m businesses

Market-leading networks; converged core now live

Broadest portfolio of next generation products



Unrivalled geographic sales, marketing and service reach

Ever-improving service

Digital capabilities driving a relentless focus on simplifying our products, processes and systems

Strong balance sheet, unrivalled scale and technical capabilities, strong Manifesto commitments

[1] Communications provider

Five clear priorities to drive sustainable growth

Drive **Consumer** growth through **converged propositions** and **services**

Capitalise on **Business's unrivalled assets** to restore growth

Deliver **Openreach growth** and **strong returns on FTTP**

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

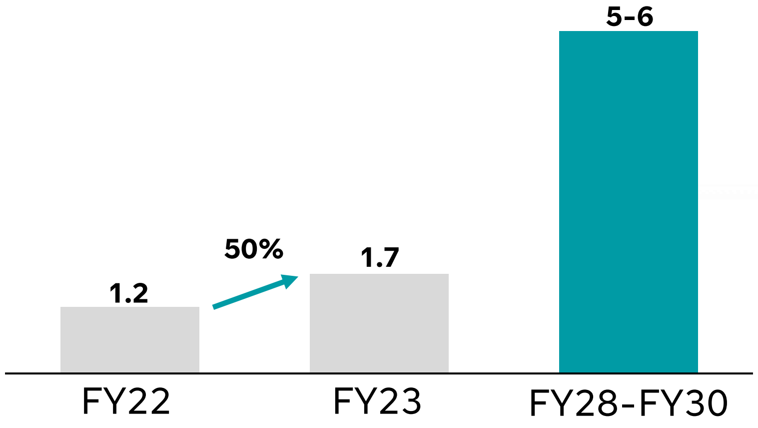
Optimise our **business portfolio** and **capital allocation**

Drive Consumer growth through converged propositions and services

Key Growth Drivers	Drive FTTP and 5G penetration	Drive convergence take up	Deliver best in class customer experience	Price fairly and transparently

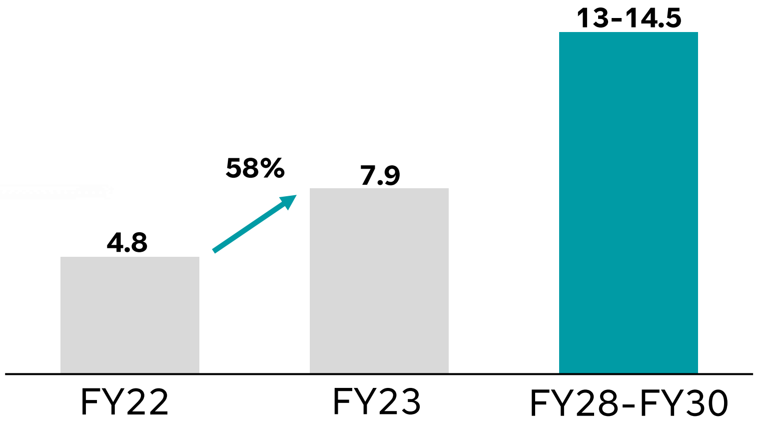
Market-leading FTTP base

(m)



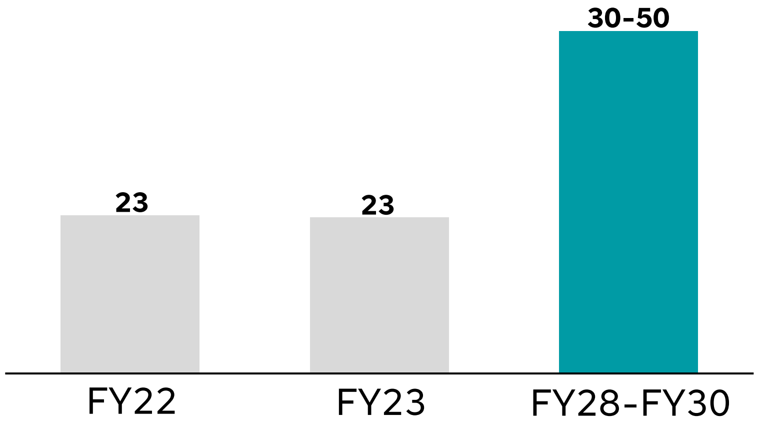
Largest 5G base

(m)



Growing converged households

(%)



Low churn
Stable share

High NPS

New digital
platform

Leading multi-channel
sales and services

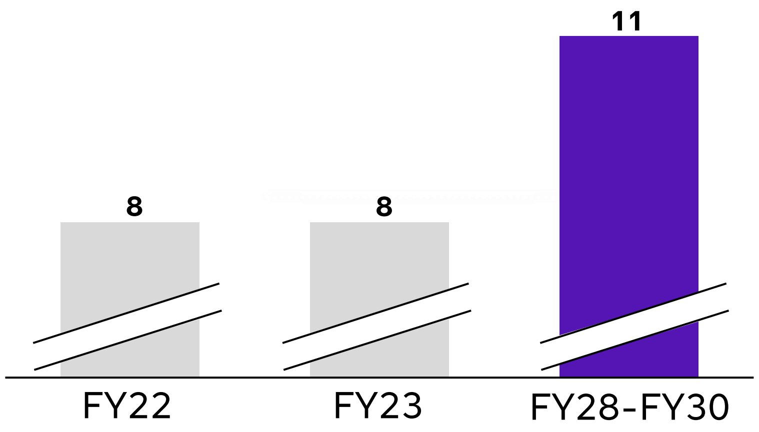
Leading UK-wide connectivity and digital services platform

Capitalise on Business's unrivalled assets to restore growth

Key Growth Drivers	Expand customer base	Drive adoption of Next gen connectivity	Grow value-added solutions and bundles	Simplify and digitise customer journeys

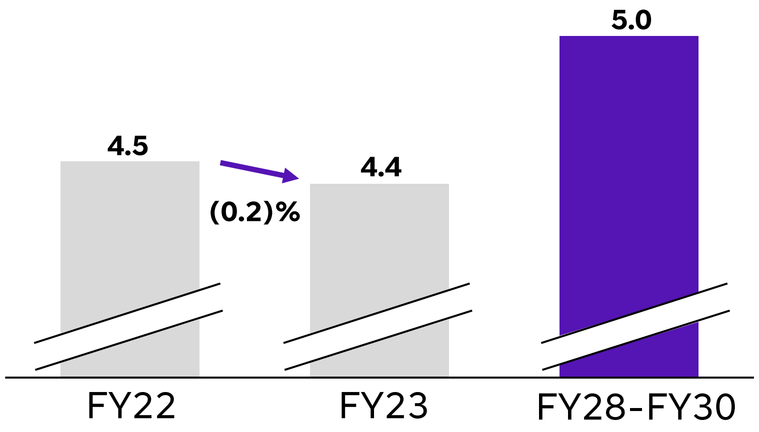
Growing UK RGUs[1]

(m)



Improving Managed Services revenue

(£bn)



Low churn

High NPS

Leading converged base

Growth in security revenue to exceed market

Leading connectivity and digital services platform for UK enterprises and MNCs[2]

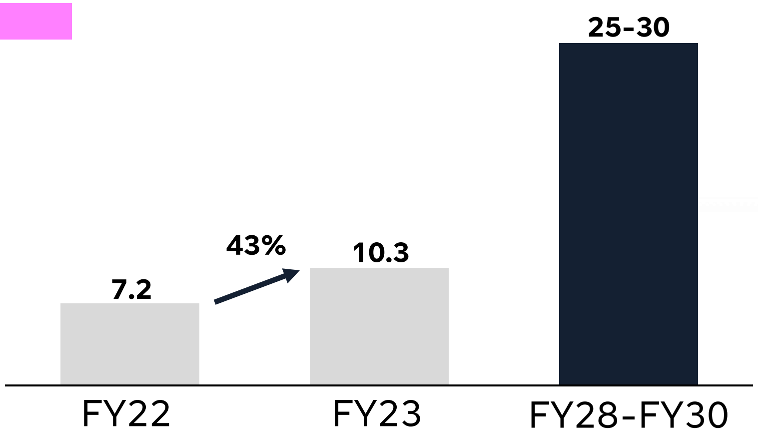
[1] Revenue generating customer units; [2] Multinational companies

Deliver Openreach growth and strong returns on FTTP

Key Growth Drivers	Build FTTP at pace	Migrate customers to FTTP at pace	Deliver great service	Price fairly and transparently

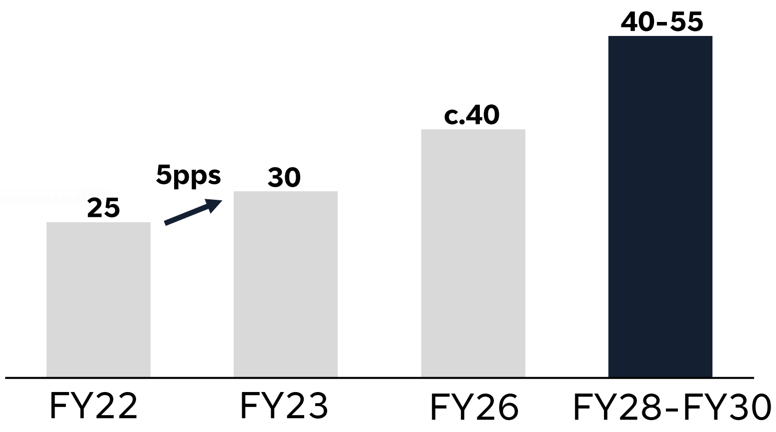
Passing 25m-30m premises with FTTP

(m)



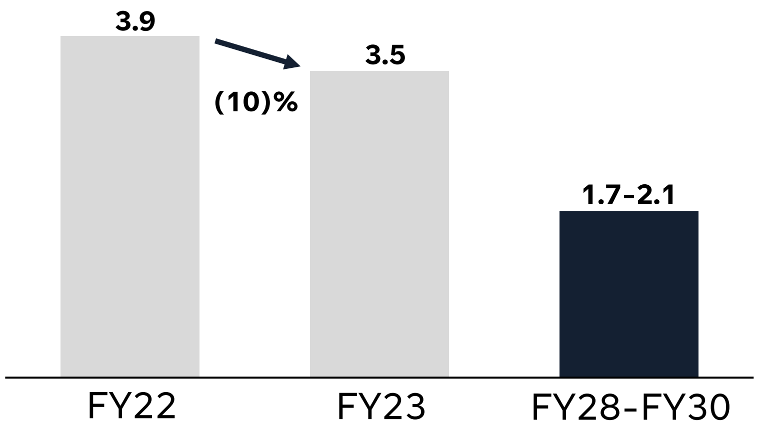
Accelerating FTTP take up

(%)



Reducing repair volumes

(m)



Excellent service levels

Best in class provision/repair

ARPU growth driven by indexation and mix

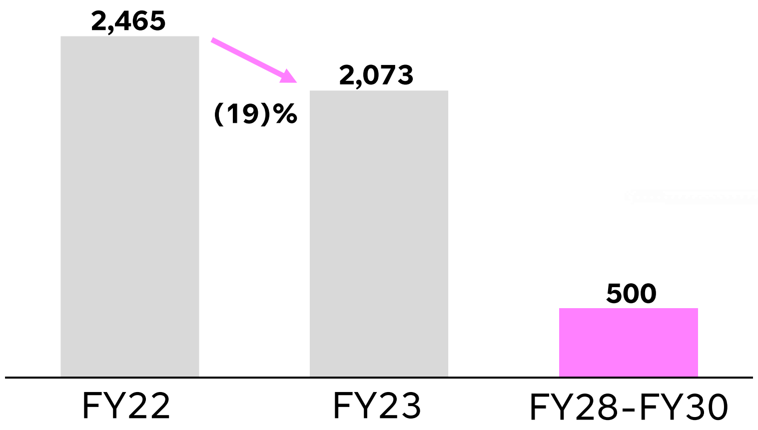
High NPS

Leading UK-wide fixed digital access wholesaler

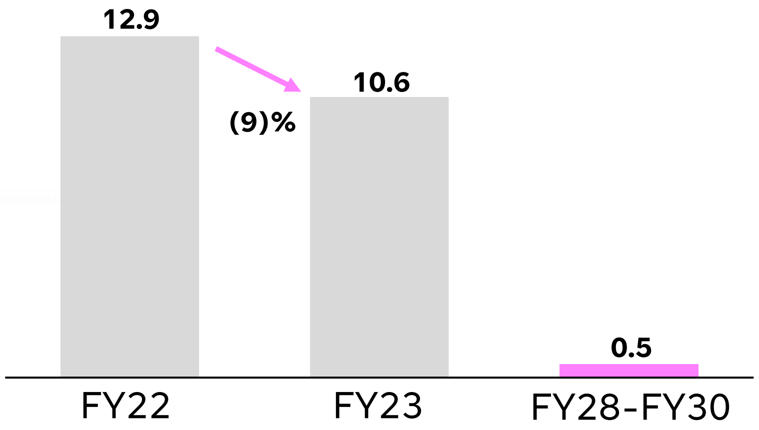
Digitise, automate and reskill to transform our cost base and improve productivity

Key Growth Drivers	Simplify product portfolio	Digitise and automate customer journeys	Shut down legacy IT and move to strategic digital tech	Migrate customers onto our strategic products and networks

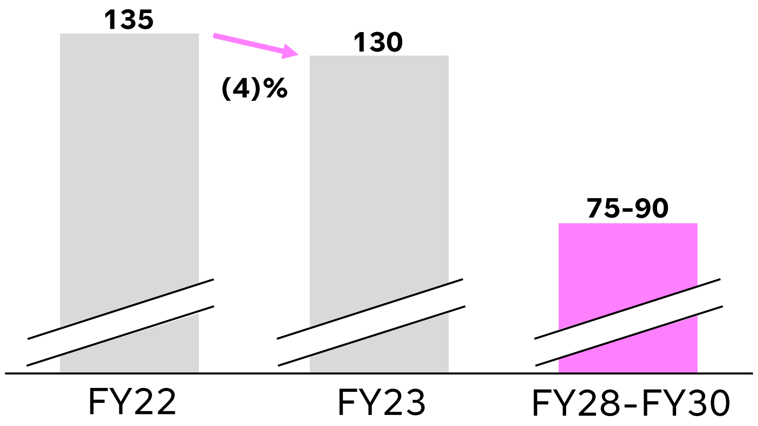
Closing business applications



Migrating units off legacy networks (m)



Reducing total headcount (k)



Digital first

Reskilled colleagues

Growing digital engagement

Faster time to market

Lean, agile and inclusive organisation with market-leading capabilities and deep automation

BT Group of the future – we connect for good

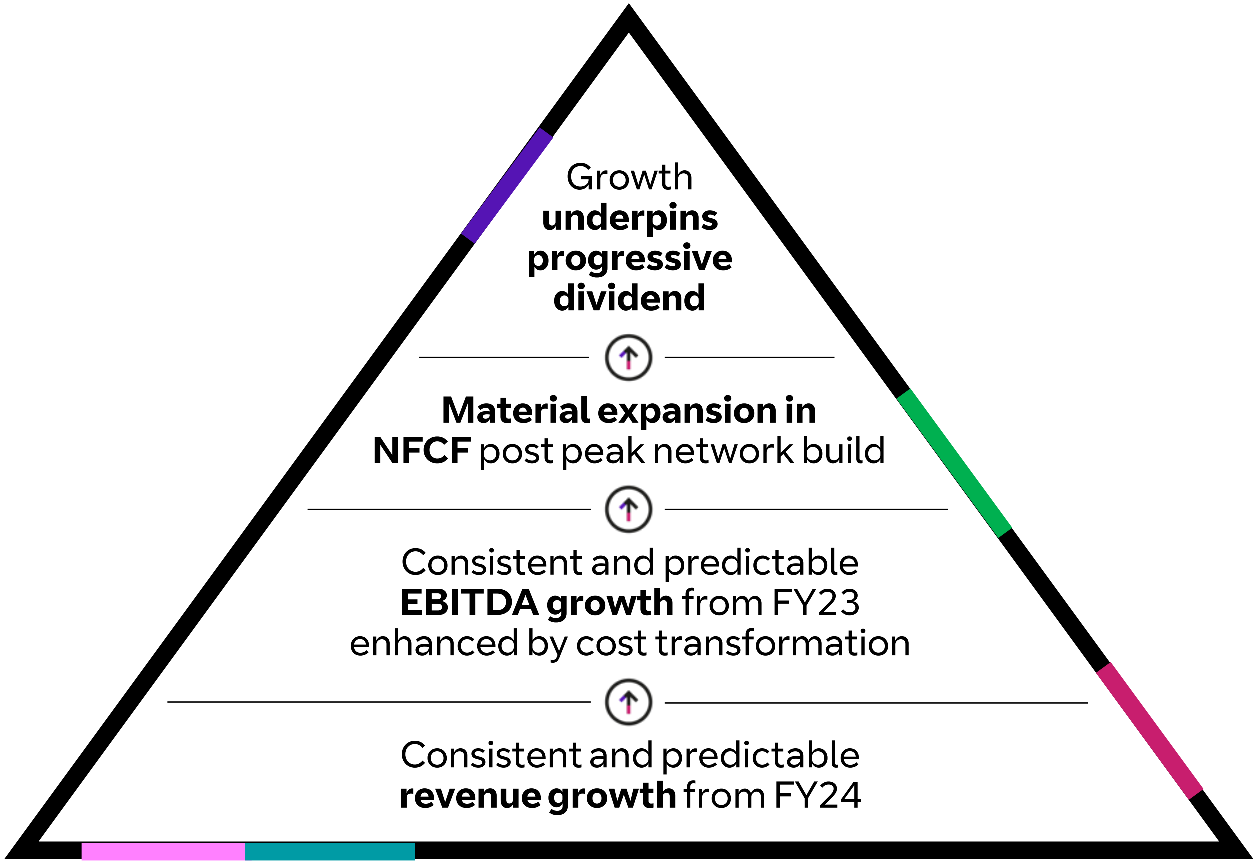
	openreach	EE	BT
	The leading UK-wide **fixed access wholesaler**	**Consumer:** The UK's leading **connectivity and digital services platform**	**Business:** The leading **connectivity and digital services platform**
Networks	Nationwide **FTTP** Best **Ethernet** Simple **exchange footprint**	Best performing **fixed** connectivity Market-leading **mobile** connectivity Most reliable **converged core network**	
Customer	**Fast, flexible, industry-leading service** for CPs and end-customers	**Trusted, secure and personalised** omni-channel customer experiences with **leading digital touch-points**	
Efficiency	**Lean** and **agile** organisation with **superior digital, AI** and **automation capabilities** **Responsible, inclusive** and **sustainable** business		

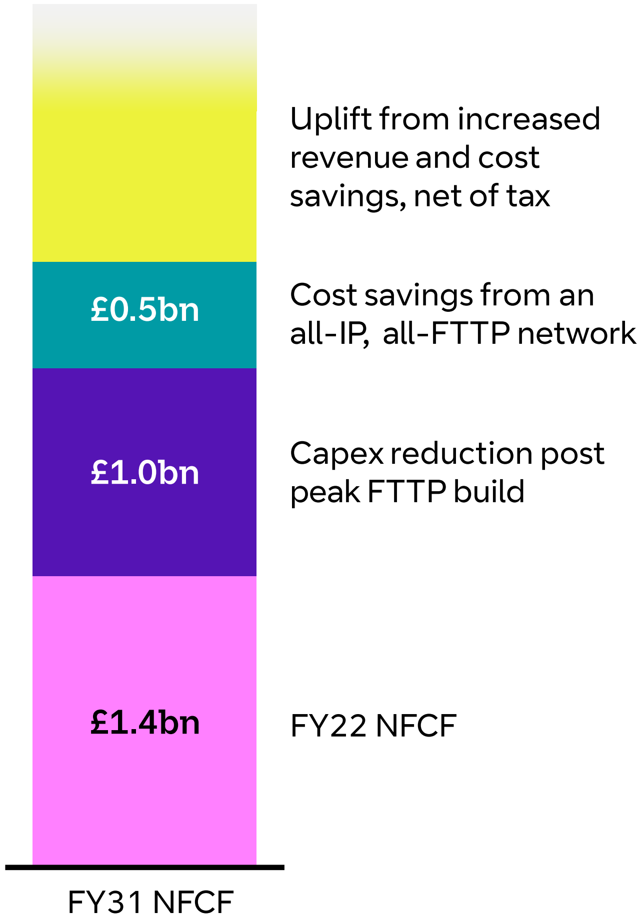
Strategic metrics – Much done, much more to do

		Actuals		Future BT Group
		FY19	FY23	FY28-FY30
Networks	Openreach FTTP premises passed	1.2m	10.3m	25m-30m
	Openreach FTTP take up	25%	30%	40-55%
	5G UK population coverage	0%	68.1%	>98%
Customer	Retail FTTP take up[1]	284k	1.8m	6.5m-8.5m
	5G connections[1]	0m	8.6m	13.0m-14.5m
	Convergence households	23%	23%	30-50%
	Group NPS	+11.7	+22.1	+30.0-35.0
Efficiency	Units on legacy networks	>16m[2]	10.6m	<500k
	Total headcount	130k[3]	130k	75k-90k

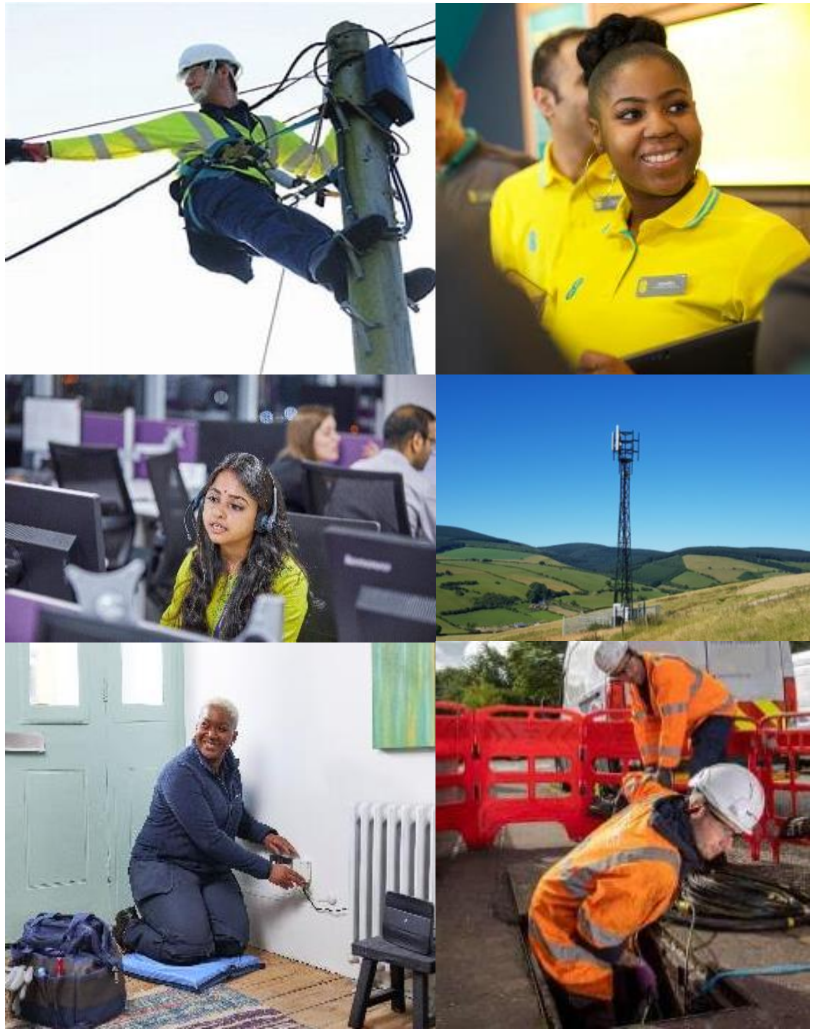
[1] Consumer & Business connections; [2] Formal tracking began in FY20 with a baseline of 16.2m; [3] Formal tracking of subcontractors began after FY19

Successful execution drives enhanced cash flow and returns





Summary | much done, much more to do



Delivered FY23 results in-line with our outlook

- Maintained full year dividend at 7.7pps

Strong delivery...and stepping up pace

- Market-leading FTTP and 5G networks
- Industry-leading customer experience
- Lean, agile and efficient organisation
- Digital and automated processes
- Higher revenue, lower costs and more cash

Future BT Group to be a leaner business with a brighter future, delivering sustainable growth and value

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Strategic metrics – definitions

	metric	Definition
Network	Openreach FTTP premises passed	Total Openreach premises passed
	Openreach FTTP take up	% Openreach FTTP take up - Openreach connections as proportion of Openreach premises passed
	5G UK population coverage	Population coverage of 5G network based on postcode
Customer	Retail FTTP take up	Enterprise and Consumer customers on FTTP
	5G connections	5G customers (SIM + Handset or SIMO)
	Convergence households	% of total Consumer households (excl. solus voice) that have either EE or BT broadband and PAYM mobile
	Group NPS	BT Group net promoter score
Efficiency	Units on legacy networks	Number of unique users or circuits run over legacy networks
	Total headcount	Total number of full time equivalent employees plus implied (derived from cost) sub contractors