

Capital Markets Day

05 March 2019

TalkTalk
For Everyone



Agenda

Time	Topic	Speaker
9.00	Welcome and open	Tristia Harrison (Chief Executive Officer)
9.10	Our plan	Tristia Harrison (Chief Executive Officer)
9.30	Building blocks for growth	Kate Ferry (Chief Financial Officer)
9.45	Future-proofing the network	Gary Steen (Managing Director, Technology, Change and Security)
10.15	Break	
10.30	Understanding Consumer	John Scouler (Managing Director, Consumer)
11.00	Tour of Soapworks including lunch	
13.00	Understanding B2B	Kristine Olson-Chapman (Managing Director, TTB)
13.30	FibreNation	Neil McArthur (Chief Executive Officer, FibreNation)
14.00	Q&A	All
14.30	Finish	

A photograph of three men sitting side-by-side against a dark background. The man on the left has long, light-colored hair and a beard, wearing a blue polo shirt. The man in the center has dark, curly hair and is wearing a dark blue t-shirt with a light blue collar and red trim on the sleeves. The man on the right has a dark beard and is wearing a dark blue t-shirt with a light blue collar. All three men have expressions of surprise or concern, with their mouths slightly open. A white speech bubble with a tail pointing towards the bottom left is overlaid on the image, containing the text 'Welcome and open' in a green, sans-serif font.

Welcome
and open

TalkTalk
For Everyone

TalkTalk Executive Committee In Attendance Today



Sir Charles Dunstone
Executive Chairman



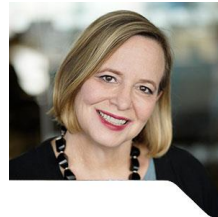
Tristia Harrison
Chief Executive Officer



Kate Ferry
Chief Financial Officer



John Scouler
Managing Director, Consumer



Kristine Olson-Chapman
Managing Director, TTB



Gary Steen
Managing Director, Technology,
Change and Security



Nick Gunga
Chief Operating Officer, Consumer



Daniel Kasmir
Interim Chief People Officer



Neil McArthur
Chief Executive Officer, FibreNation

A quick snapshot of our business

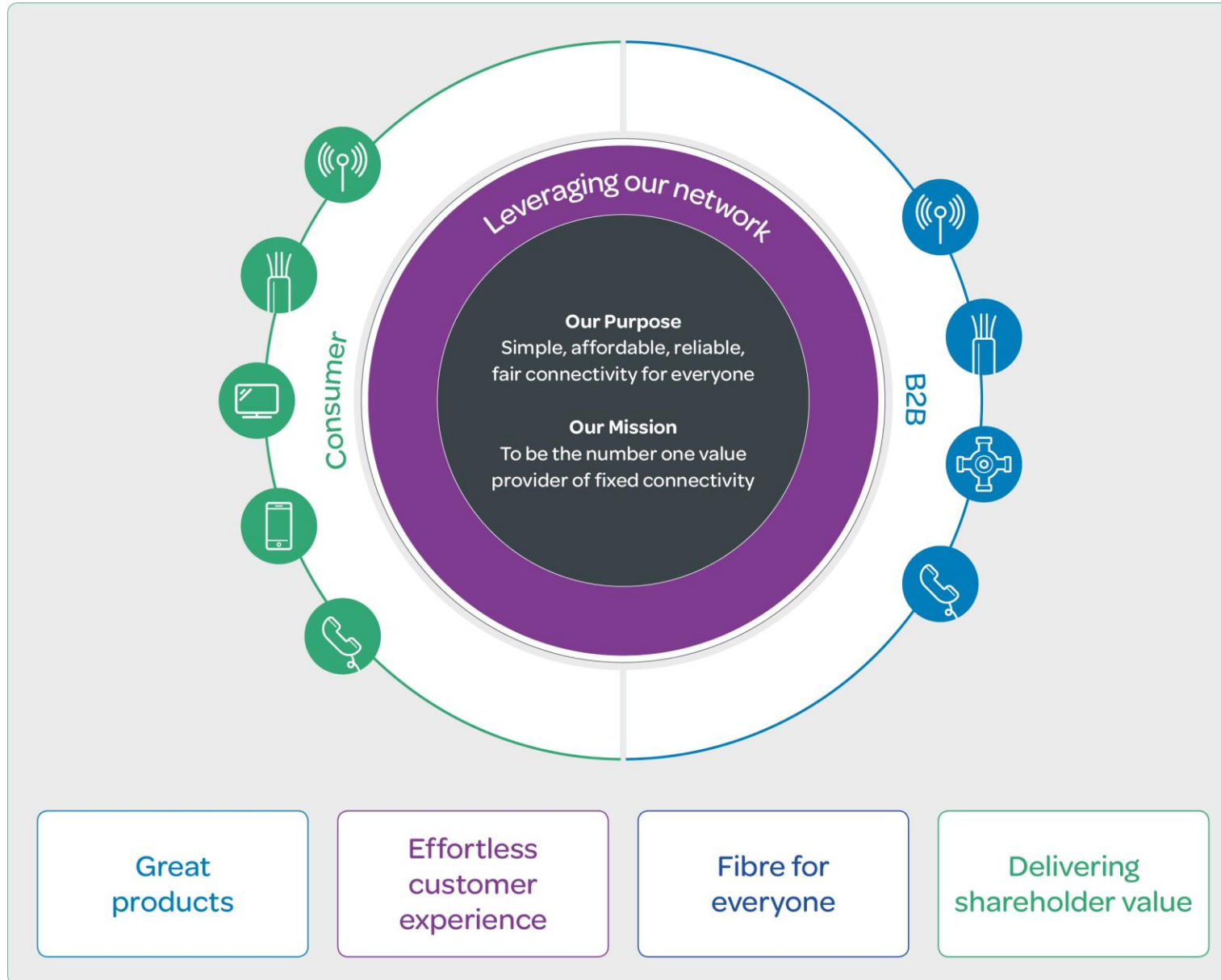
- TalkTalk is the UK's leading value for money fixed connectivity provider
 - We believe that simple, affordable, reliable and fair connectivity should be available to everyone
-
- ➔ Founded in 2003. Launched free broadband in 2006
 - ➔ Acquired AOL in 2006 and Tiscali in 2009
 - ➔ Demerger from Carphone Warehouse Group PLC and listed as TalkTalk Telecom Group PLC in 2010
 - ➔ Serving over 12m people in 4.3m homes and businesses
 - ➔ 3,000 unbundled exchanges, giving us nationwide coverage
 - ➔ 51,000+ high speed data connections
 - ➔ HQ: Salford (exiting London by end of December 2019) – currently have 2,150 employees

A city skyline is visible in the background, featuring several tall buildings, some under construction with cranes. In the foreground, there is a rooftop terrace with several picnic tables, one of which is painted red. The sky is blue with scattered white clouds.

Our plan

Tristia Harrison, CEO

Our purpose and business model



Our market position is strong in both Consumer and B2B

- ➔ There has never been such demand for reliable and affordable fixed connectivity
- ➔ A fast and reliable connection is now a given, with consumers and businesses using more and more data
- ➔ In the retail market, a key driver of exponential data usage is the popularity of OTT video services (e.g. Netflix and YouTube), and online-gaming (e.g. Fortnite)
- ➔ In the current economic climate, everyone wants good value for their connection
- ➔ Our price position supports Ofcom/CMA views on 'loyalty penalties'
- ➔ As such, there has never been a better time for a value player in this sector

In that context, the TalkTalk outlook has a number of tailwinds and headwinds



Ofcom “best plan” ruling / CMA loyalty penalty



HQ move and reorganisation



Cost to serve efficiencies



Fibre pricing – WLA and BTOR discounts



FLPP resonance



Voice usage revenue decline – Consumer + B2B



Data usage increasing 40% YoY



Competitive market



Fibre upsell mix (short term)



FLPP ARPU dilution – reducing headwind

Our plan consists of six priorities

1. Consumer



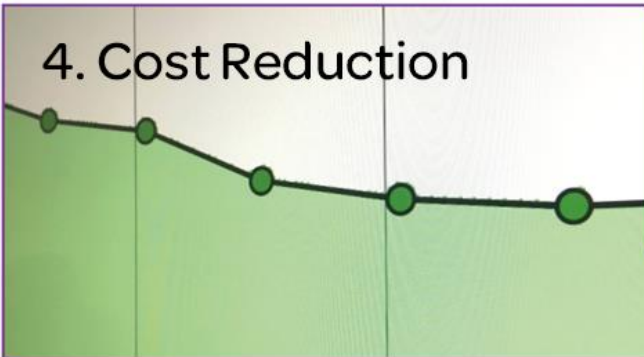
2. B2B



3. Network & Connectivity



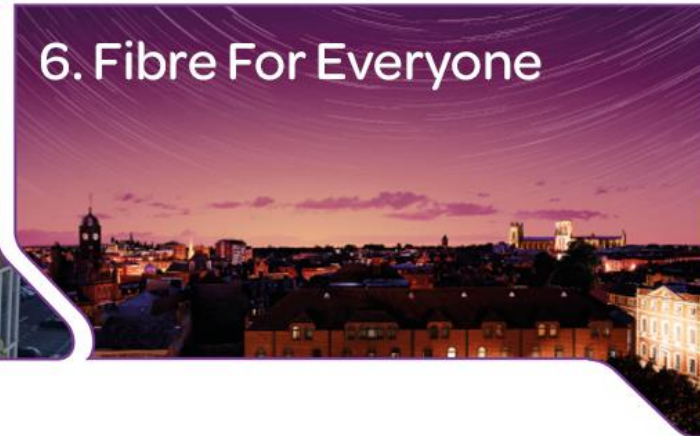
4. Cost Reduction



5. One Salford Campus



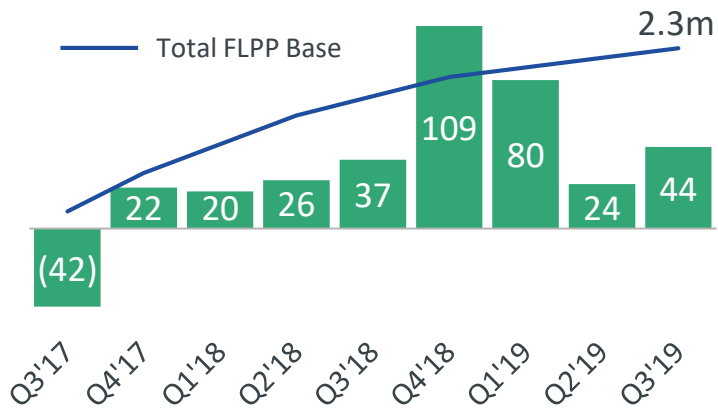
6. Fibre For Everyone



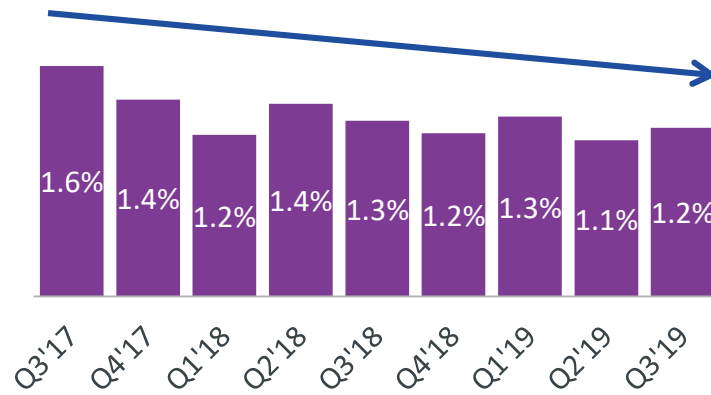
Leading to: Growth in ARPU and EBITDA, as well as cash generation

The plan is working with strong momentum on KPI's

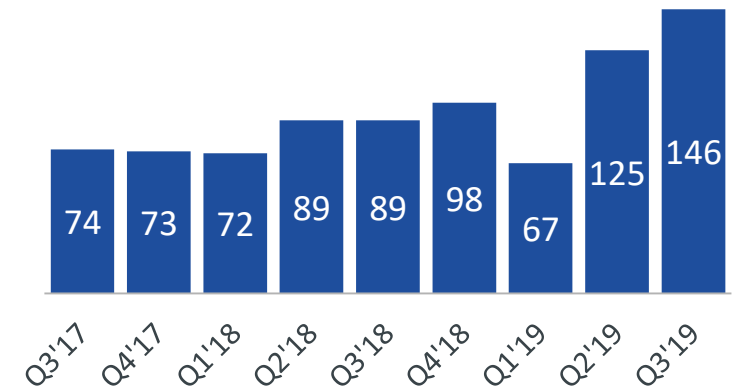
BB Net Adds



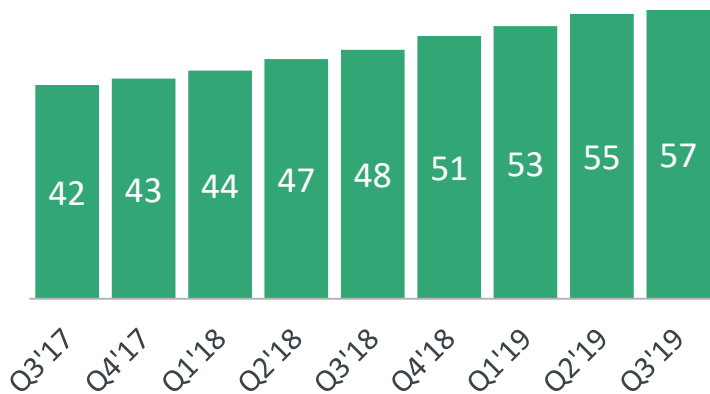
On-net Churn



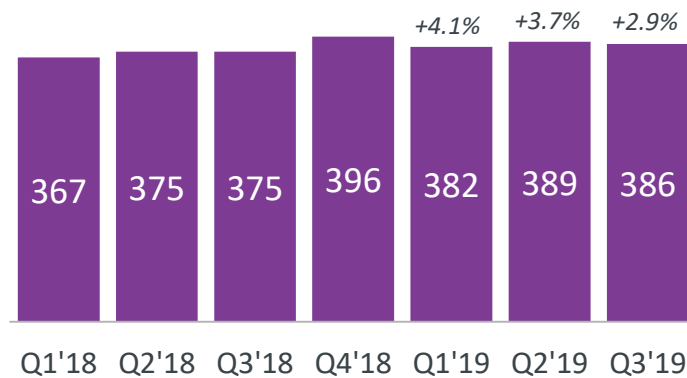
Fibre Net Adds



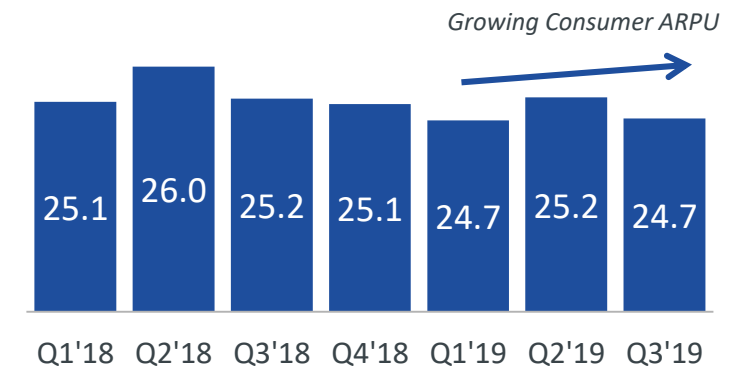
EFM & Ethernet Base



Revenue ex-Carrier & Off-net



On-net ARPU



Happy, stable and profitable consumer base, and B2B data provider of choice

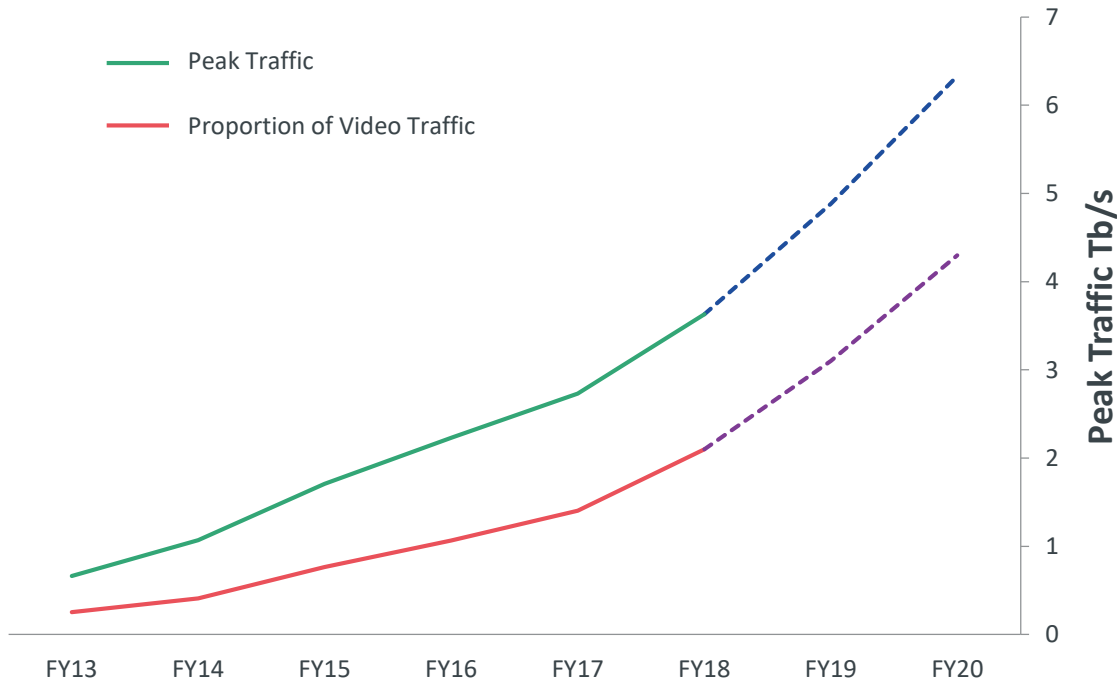
Focus in both divisions on customers taking faster, more profitable products

	Consumer 2019 onwards	B2B 2019 onwards
Approach	<ul style="list-style-type: none"> Continued focus on fixed Future proofing; meaningful shift from MPF to Fibre Fairly priced add-ons, e.g. TV, Mobile and Call Boosts Continuing FLPP 	<ul style="list-style-type: none"> Continued growth in high margin Data revenue Further reduced lower margin Carrier revenue Continued leadership in Wholesale Broadband Fundamental shift from MPF to Fibre
Impact	<ul style="list-style-type: none"> Modest ARPU growth Ongoing low churn Reducing costs to serve 	<ul style="list-style-type: none"> Strong ARPU and margin growth Reducing costs to serve Continued base growth

Leveraging our Network

Unlimited data products for businesses and consumers continue to drive network usage to new record peaks within our Network

Data Usage



- ➔ 40% increase in data usage year-on-year
- ➔ Customers are upgrading to our higher speed products in both Consumer and Business
- ➔ OTT video continues to be the largest driver, accounting for 58% of all traffic, due to the popularity of Netflix, YouTube, Amazon and BBC iPlayer
- ➔ We have enhanced our customers video experience by caching an average of 87% of video content within the network



Driving cost efficiencies

- ➔ Network – regulatory tailwinds and BTOR pricing
- ➔ Self-service reducing cost to serve
- ➔ Review of external spend
- ➔ Central costs – HQ move and organisational structure

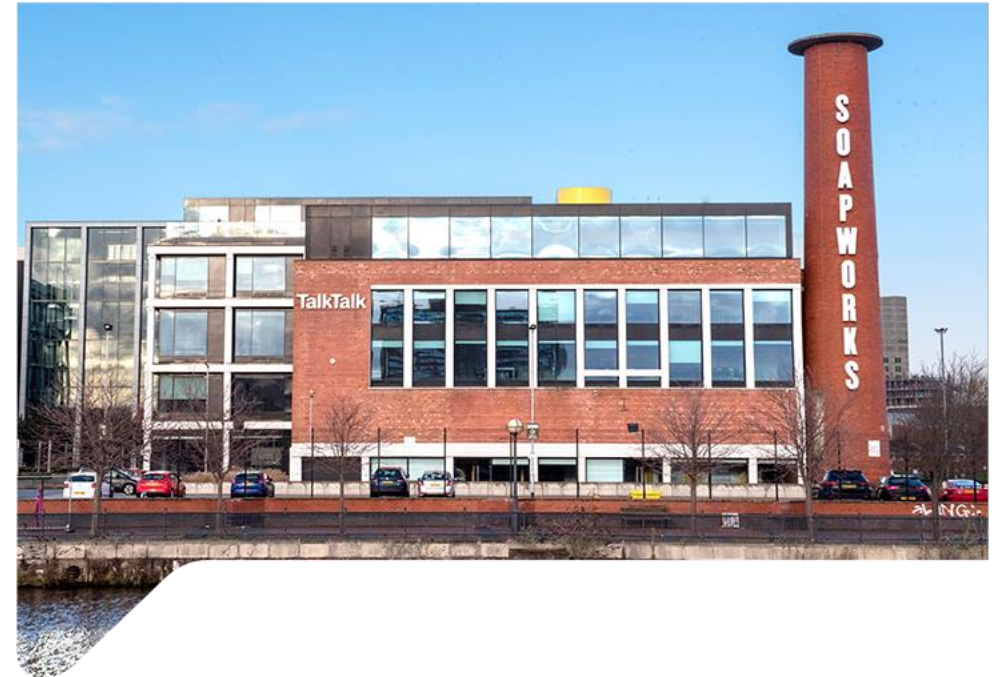


#spenditwisely

One TalkTalk Team

With the TalkTalk HQ moving to Salford; we are creating one main campus and a more efficient operating model

- ➔ Our simplification has led to us being a leaner, more efficient business
- ➔ We have seen real operational and cultural benefits since we moved to Salford
- ➔ We want to build on Salford success by creating one main campus for the whole business
- ➔ We will transition gradually over the course of 2019 and complete by January 2020



Fibre for Everyone

Future proofing our network, both through our partnership with Openreach and with our own infrastructure investment

Partnership with Openreach

openreach

Service Today

- Holding Openreach to account to improve service
- Particular focus on repair and provisioning
- Underpins higher CSAT, lower churn and lower cost to serve

FTTC Discounts

- Driving scale adoption of part Fibre products
- WLA and commercial deal has reduced wholesale FTTC prices
- Underpins lower churn, lower cost to serve, growing ARPU and EBITDA growth
- Fast adopter of G.Fast – offering higher speeds and improving ARPU

FTTP Future

- Committed to ensuring maximum number of customers have access to full Fibre
- Investing in scale full Fibre network. TalkTalk as anchor tenant
- Will wholesale from Openreach – and potentially others – in remainder of country

Launch of FibreNation

In November 2018 we launched a new company, FibreNation, to roll out Full Fibre in the UK

- Reiterating commitment to investing in scaled Full Fibre network
- Accelerating roll out plans; 3 new towns and cities – Harrogate, Knaresborough and Ripon
- Total footprint of over 100,000 homes in these towns and cities (including York)
- TalkTalk and Sky to continue to be wholesale partners of the new network in the three new towns and cities
- In discussions with infrastructure investors on the right long-term capital structure to enable roll out to target of 3m homes
- TalkTalk will not be investing long-term in Full Fibre infrastructure

FIBRE
NATION
Full fibre for everyone





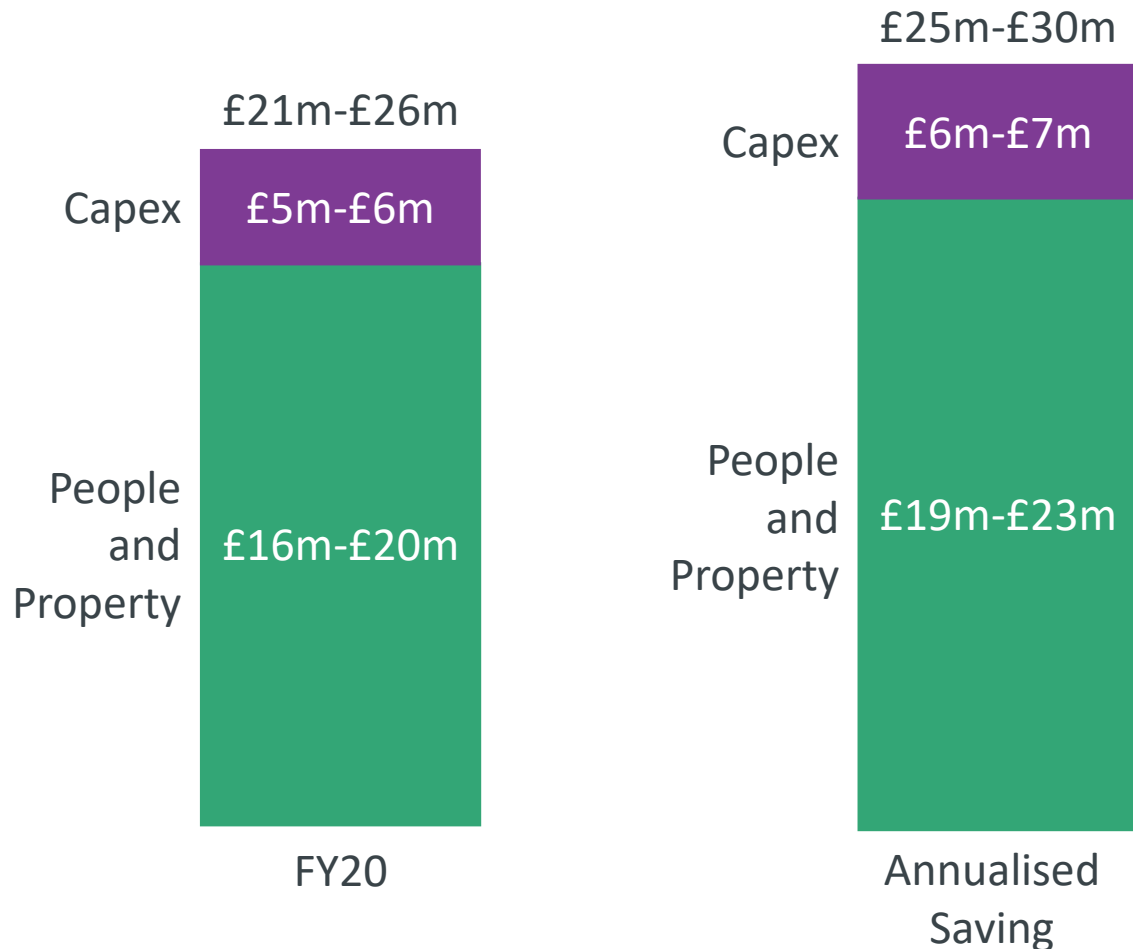
Building blocks
for growth

TalkTalk
For Everyone

Drivers of profitable growth

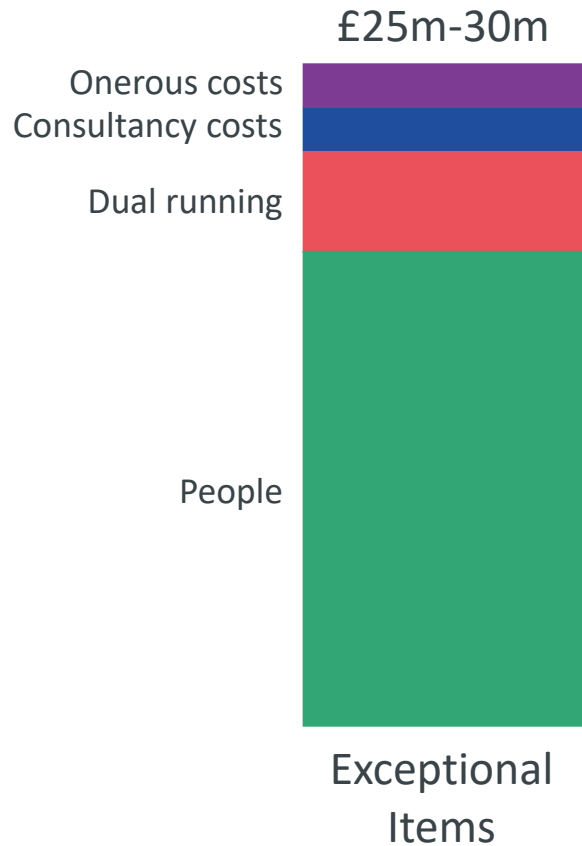
	FY18	FY19	Impact	FY20 and beyond
1. Customer Base <ul style="list-style-type: none"> • Meaningful shift to higher speed products 	↑	↑	<ul style="list-style-type: none"> • Base growth • Growing in Consumer • Increasing revenue 	↑
2. ARPU	↓	↔	<ul style="list-style-type: none"> • Growing Consumer ARPU • Stable Group ARPU and reducing headwind 	↔
3. Cost Base <ul style="list-style-type: none"> • HQ move • Organisational structure • FTTC discounts 	↑	↓	<ul style="list-style-type: none"> • Continued improvements in cost efficiency 	↓
4. Regulation <ul style="list-style-type: none"> • WLA pricing 	↔	↓	<ul style="list-style-type: none"> • Tailwind • Reducing cost base 	↓

Estimated cost savings from HQ Move and associated re-organisation



- ➔ Announcement made to staff in February
- ➔ We now have clear visibility of the efficiencies and headcount reduction
- ➔ Many roles relocating, in particular Consumer commercial teams
- ➔ Significant recruitment drive has started for roles in North West, with opportunities for existing staff
- ➔ Staff are leaving in phased approach, with first cohort in March, and then September and December

Exceptional items relating to HQ move and associated re-organisation

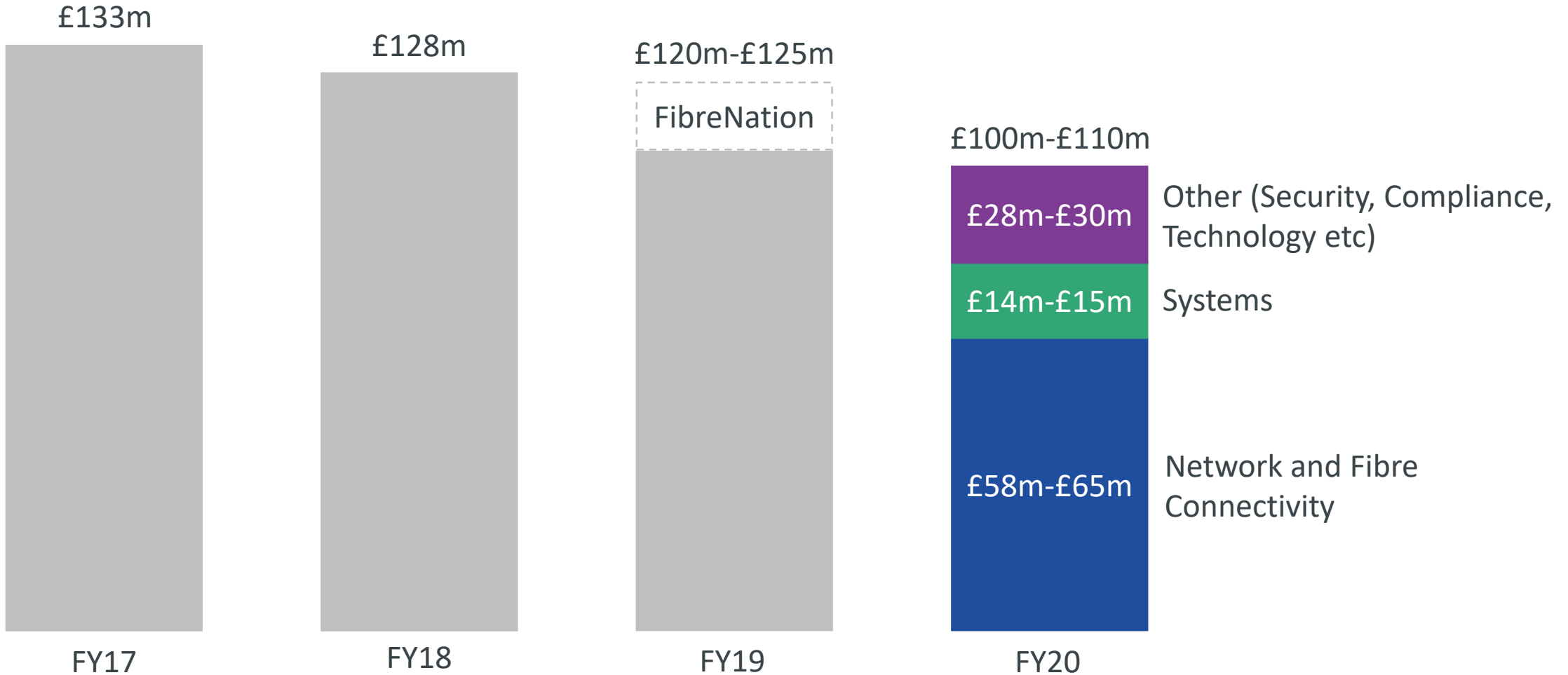


- ➔ People costs relate predominantly to redundancy payments (subject to consultation), as well as recruitment and relocation costs
- ➔ Dual running costs relate to salary costs during the transition period
- ➔ Onerous costs from facilities contracts
- ➔ Indicative timing, pending consultation:

	FY19	FY20
P&L Charge	£18m-£21m	£7m-£12m
Cash	£1m-£3m	£24m-£29m

Cash Capex

Doing fewer things, with focus fully on fixed connectivity

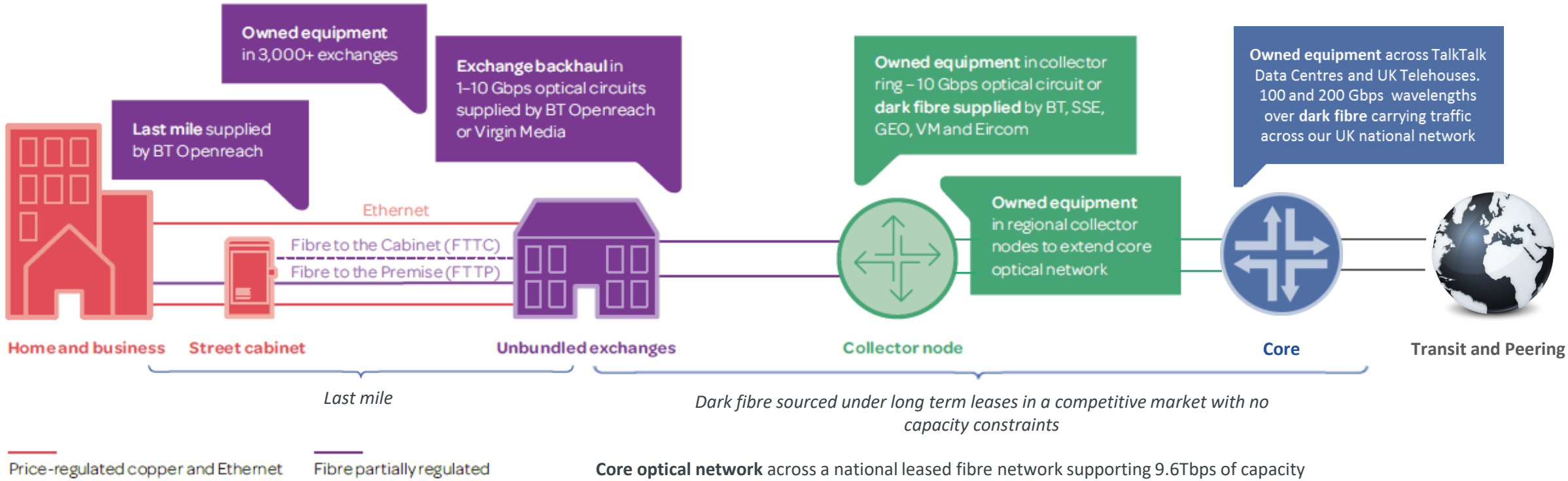


A large, three-dimensional metallic sign spelling 'TalkTalk' is mounted on a wall. The letters are thick and have a brushed metal finish. The sign is illuminated from above, casting shadows on the wall. The background is a plain, light-colored wall.

Future-proofing
the network

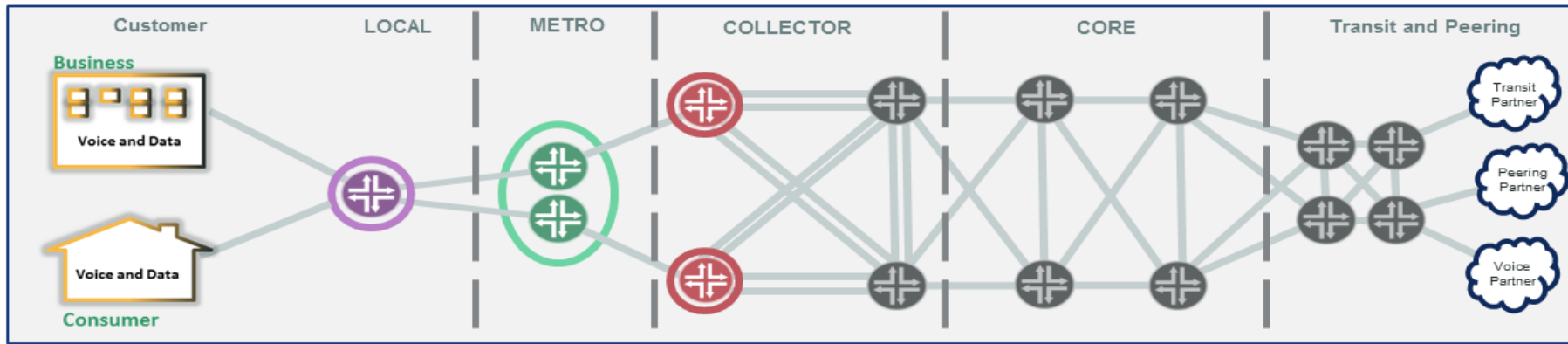
TalkTalk
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Our Network



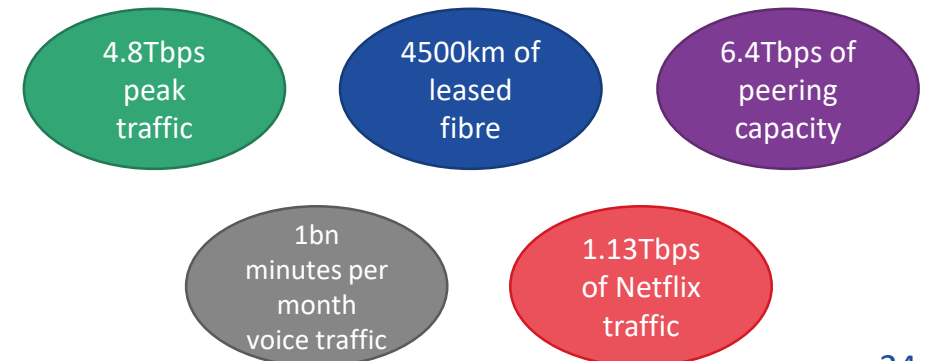
Why our network gives us a competitive advantage?

Our national network is broken into distinct layers using different technologies to maximise cost advantage and drive down cost per Gb



- ➔ Nationwide scale – reaching approximately 96% of the UK’s homes
- ➔ Single network that serves both Consumer and B2B
- ➔ Scale allows use of high bandwidth self managed products.

Competitor Landscape – National Presence at Scale					
	Local	Metro	Collector	Optical Core	Transit and Peering
TalkTalk	✓	✓	✓	✓	✓
Sky	✓	✓	✓	✓	✓
BT W	✓	✓	✓	✓	✓
CFH	✓				
Voda		✓	✓	✓	✓
TTB Partners	✓	✓			✓
SSE	✓	✓	✓	✓	✓



Our network evolution is underpinned by three C's



Capacity

With more customers migrating to higher bandwidth products, the demand on our network is ever increasing

We are transforming the access network, driving simplification with increased use of new optical technologies and dark fibre, delivering core network expansion at the most efficient rate

Measurements of Success



Customer Experience

We are fully focused on the customer experience, delivering operational excellence in everything we do

We are adopting new technologies and exploiting network telemetry data to improve quality of experience and product optimisation

Measurements of Success



Cost

In spite of ever increasing data usage demands, we are meeting customer needs whilst reducing our cost per Gb by evolving our network

We will transform our network economics, to reduce our cost per Gb by approximately two-thirds over the next 5 years

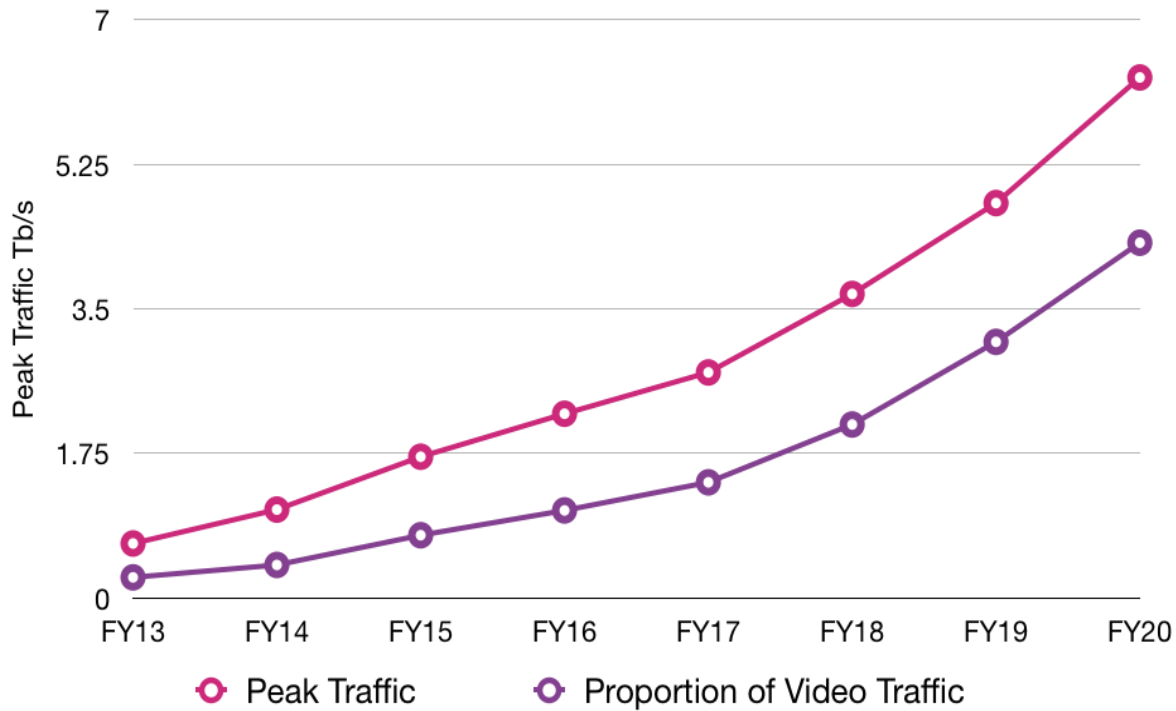
Measurements of Success



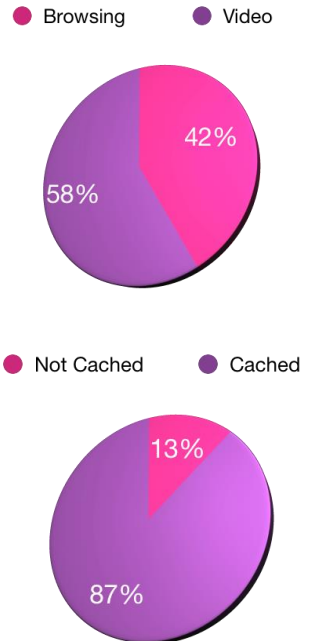
Capacity

Unlimited data products for businesses and consumers continue to drive network usage to new record peaks within our Network

TalkTalk Data Growth

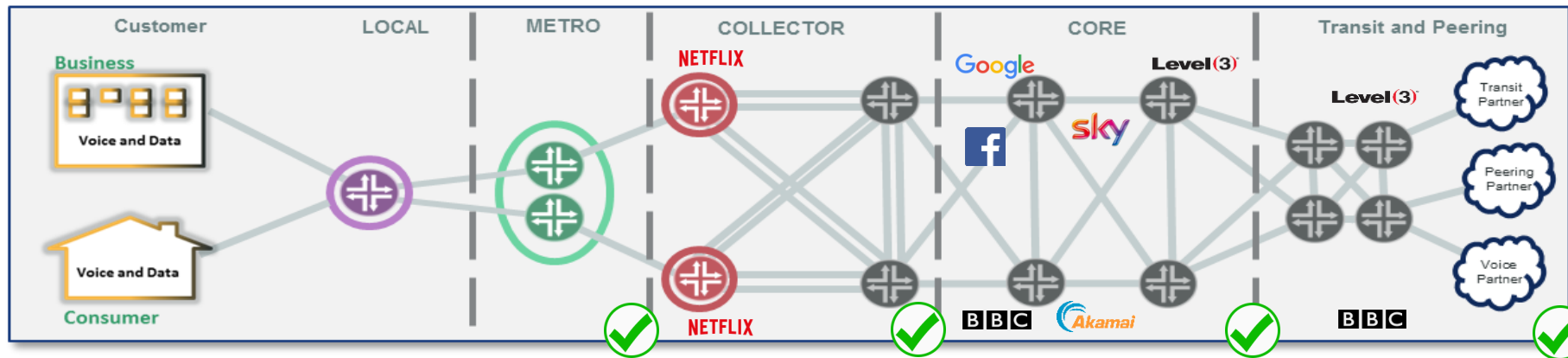


- ➔ 40% increase in data usage year-on-year
- ➔ Customers are upgrading to our higher speed products in both Consumer and Business
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- ➔ We have enhanced our customers video experience by caching an average of 87% of video content within the network



Caching helps manage capacity, customer experience and costs

We are managing bandwidth overheads through efficient caching of content on our network

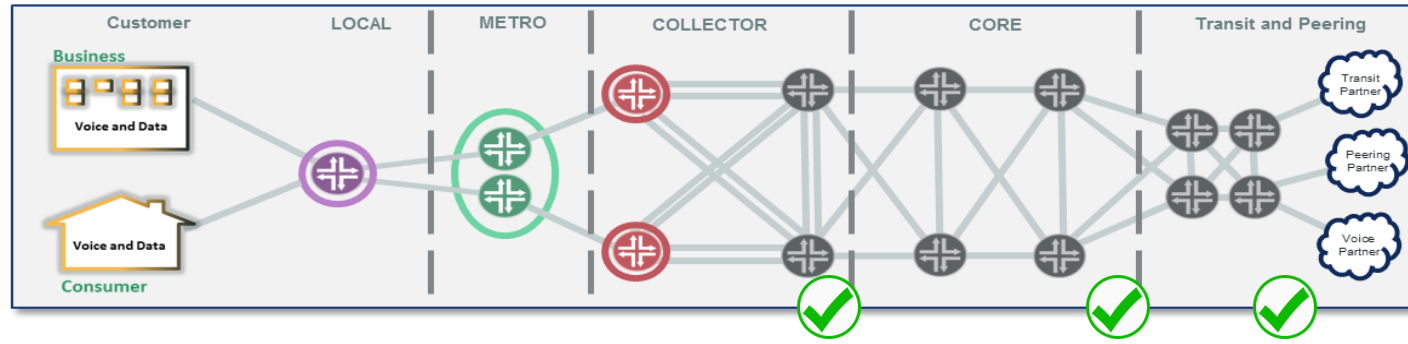


Provider	Utilisation
	1,029Gbps
	568Gbps
	278Gbps
	220Gbps
	218Gbps
	80Gbps
	55Gbps

- ➔ Video Traffic cached on the network is approximately 2.3Tbps
- ➔ The deeper into the network content is cached the lower the latency and the more bandwidth saved across the network
- ➔ Netflix, for example, is located at over 60 locations around the UK, avoiding bandwidth costs in the core network and serving content to end customers with lower latency response times

Customer Experience

We are exploiting new technologies such as self healing software defined networking, and using real-time network optimisation



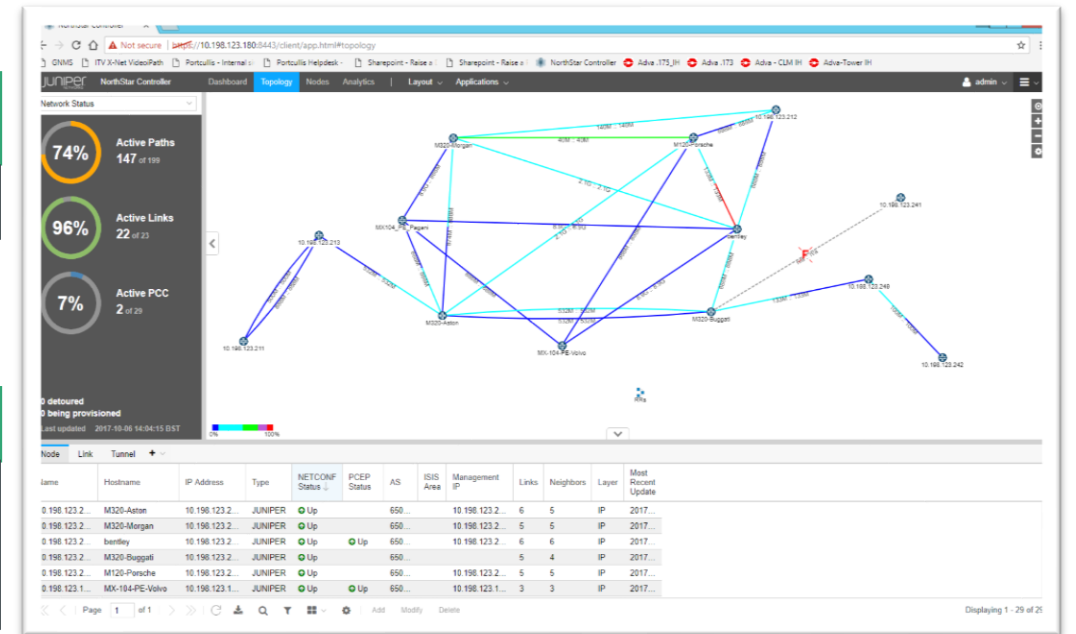
Network Strategy Elements

Further adoption of Software Defined Network (SDN) and automation capabilities



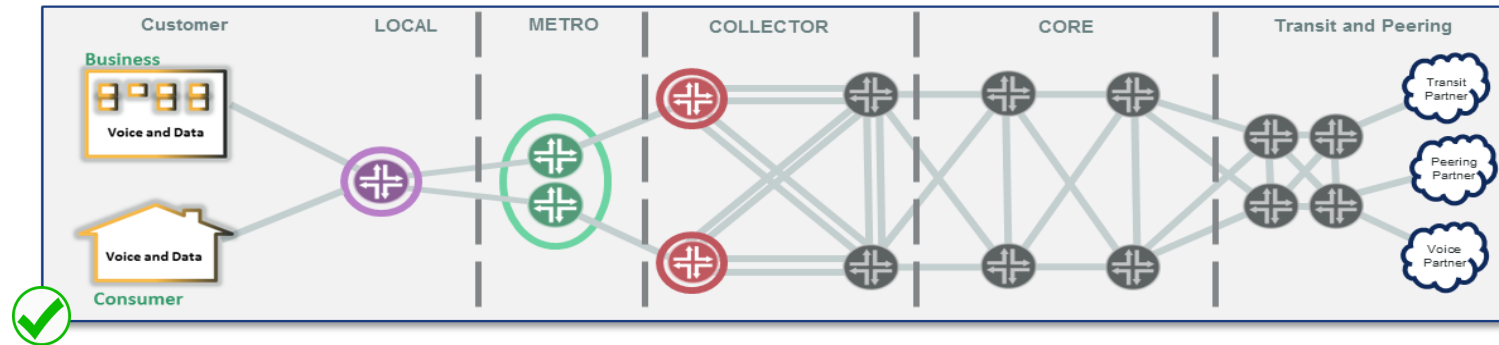
Customer Outcomes

Increasing our efficiency through the use of self optimizing technologies will ensure we identify and respond in real time to customer impacting issues. Progressive use of AI technologies ensure the Network will learn from such events to prevent future service affecting issues



Customer Experience

We are empowering customers to diagnose in-home issues by providing detailed diagnostic information of device performance

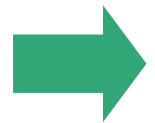


TalkTalk are currently the largest and most advanced implementation of CloudCheck in EMEA.



	Oct 11	Oct 12	Oct 13	Oct 14	Oct 15	Oct 16	Oct 17
Cpu	●	●	●	●	●	●	●
Memory	●	●	●	●	●	●	●
PowerCycle	●	●	●	●	●	●	●
Recommendations		1	1	1		1	1

Oct 17
● Router reboots were detected.

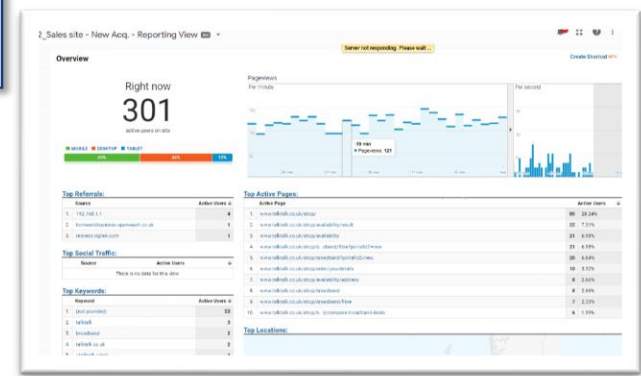
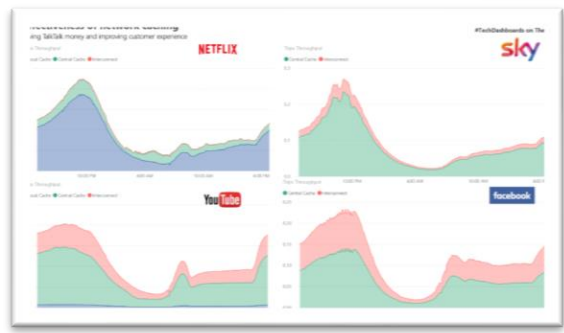
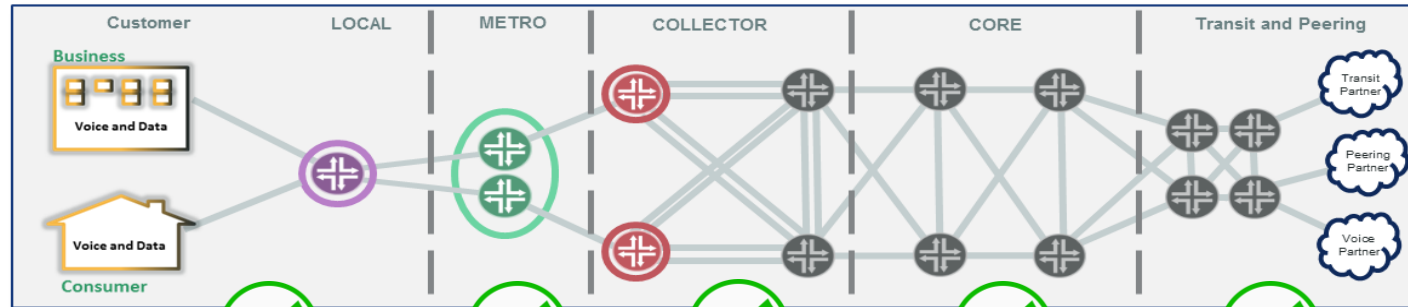


Bedroom Fire TV	This device is congesting broadband between 20:00 and 23:00
[TV][LG]42LN575V-ZE	This device is unable to stream HD due to Wi-Fi range issues
DAVIDS-IPHONE	Device unable to connect – check password

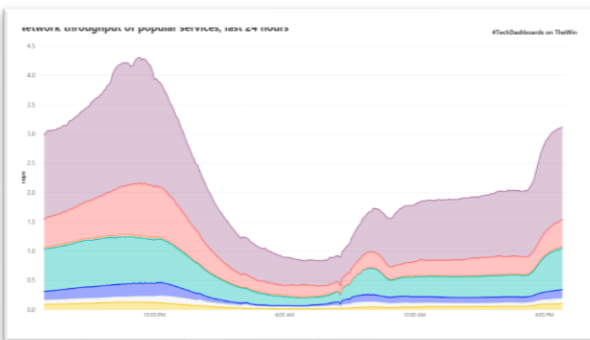
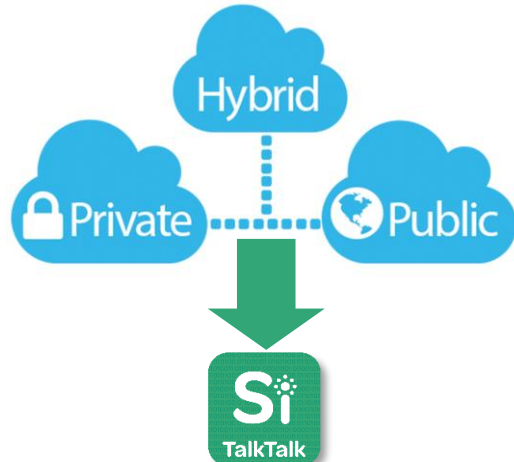
OoE Indicators Weekly							
	Feb 24	Feb 25	Feb 26	Feb 27	Feb 28	Mar 1	Mar 2
Cpu	●	●	●	●	●	●	●
Memory	●	●	●	●	●	●	●
PowerCycle	●	●	●	●	●	●	●
Recommendations							
2G							
Latency	●	●	●	●	●	●	●
Connectivity	●	●	●	●	●	●	●
Throughput	●	●	●	●	●	●	●

Customer Experience

We are utilising hybrid cloud technologies to drive business intelligence, automated decisioning and data driven decisioning and diagnostics

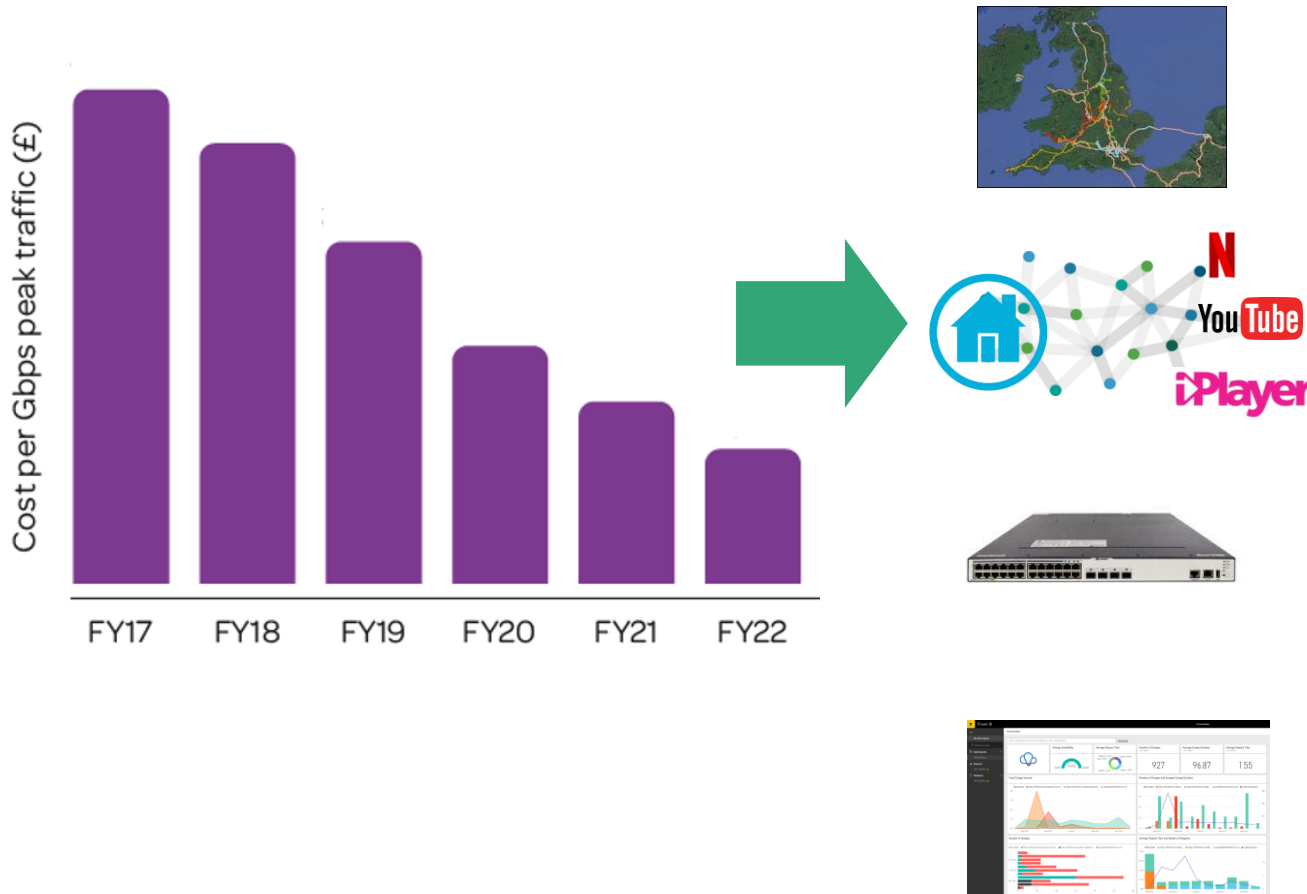


13.15 Billion Data Points Per Day



Costs

We are meeting data usage demands, whilst reducing our cost per Gb by evolving our network



➔ We are driving down the cost per Gb through four key initiatives;

- Adoption of additional high capacity optical products deeper into our network
- Holding more content deeper in the network, improves the customer experience and reduces the amount of traffic that has to leave our network
- Deploying our next generation access switching capability that allows us to utilise more cost effective and higher capacity backhaul options
- Exploitation of service layer data to identify and resolve service issues in near real time to avoid customer disruption and engineer dispatch

A photograph of three Black women sitting on a couch in a dimly lit room. They are all looking at their smartphones. The woman on the left is wearing a blue hoodie and has a surprised expression. The woman in the middle is wearing a white sweater and has a very shocked expression with her mouth wide open. The woman on the right is wearing a white long-sleeved shirt and blue jeans, looking focused on her phone. A remote control and a plate of food are on a coffee table in front of them. A white speech bubble is overlaid on the left side of the image.

Break

TalkTalk
For Everyone

Understanding Consumer



We believe there is a significant opportunity for a value player in UK broadband

Pressure from economic environment makes value proposition appealing	TalkTalk well-positioned to meet needs of value-oriented customers
<ul style="list-style-type: none"> • UK GDP growth decelerated • Real wage growth continues to decline • Household spend on Telecom services continues to be broadly flat • Brexit uncertainty likely to have negative impact on household incomes putting further pressure on willingness to pay for connectivity 	<ul style="list-style-type: none"> • Low proportion of legacy customers, with minimal delta between front and back book pricing, positioning TalkTalk well for impending Ofcom changes • Not competing for high cost premium content • Laser focus on cost efficiency with capital light approach to all non-core activity and no cost burden from legacy pension or high Capex demands • Our FLPPs are resonating with customers and are impossible for competitors to replicate • Significant barriers to entry for new value player entrants given high network investment requirements for potential new entrants

We exist to make things more **simple, affordable, reliable,** and **fair** for our customers in broadband, TV, mobile and voice

Our 'value equation'

Fast, reliable service



Prices we are proud of

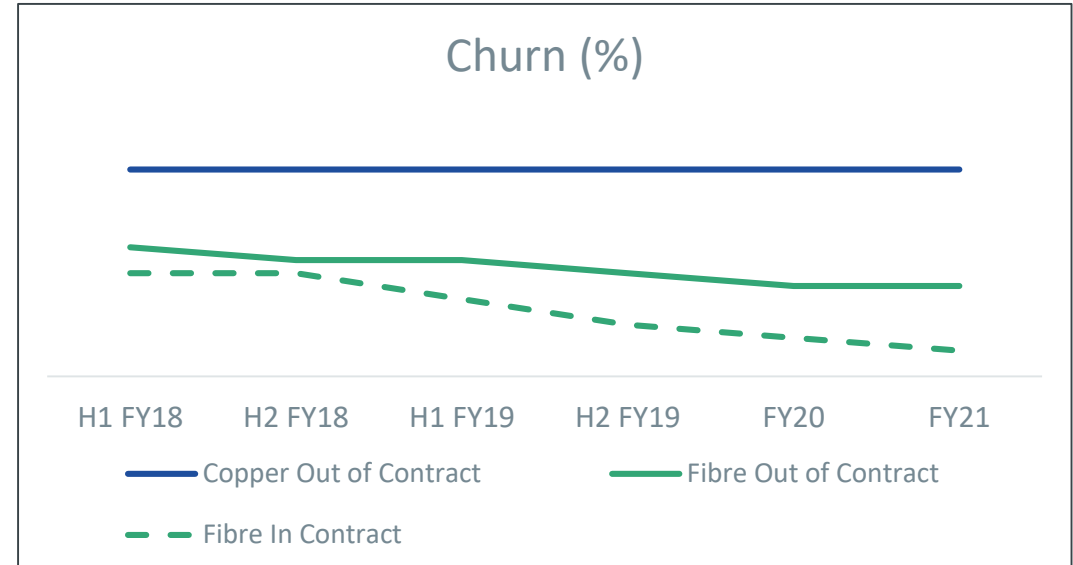
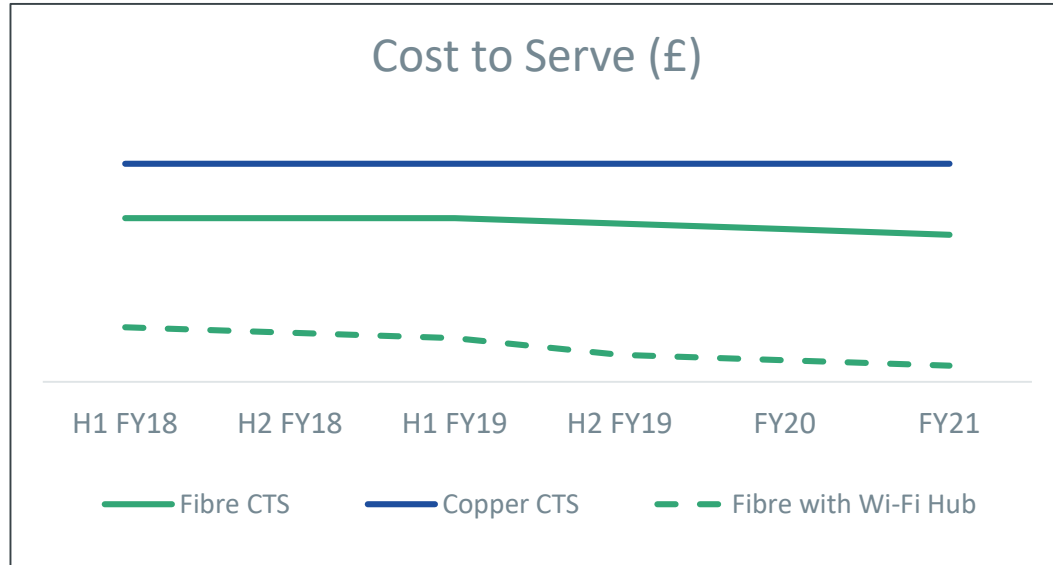
Easy to deal with

Fibre for Everyone

Fibre-led approach to be the market leader in value Fibre continues, delivering modest ARPU growth, higher customer satisfaction and lower cost to serve

<p>Fibre-First Proposition (Prices we are proud of)</p>	<ul style="list-style-type: none"> • Industry and customer trends mean now is the right time to focus fully on Fibre – 66% of new customers choosing to take Fibre at the end of Q3 FY19 • Continue to differentiate with FLPP, with accelerated Fibre growth, including upsell penetration, delivering ARPU growth. Proposition will be connectivity led with all additional services, including voice, being charged as add-ons. Further modest ARPU growth via copper pricing and re-contracting at a higher price point.
<p>Connectivity (Fast reliable service)</p>	<ul style="list-style-type: none"> • Churn will reduce further driven by sustained improvements in connectivity. Market leading Wi-Fi Hub and connectivity improvements are gathering pace underpinned by the Customer Dashboard and will be continued, including targeted, simple upsell to Fibre for customers that need it.
<p>Customer Experience (Easy to deal with)</p>	<ul style="list-style-type: none"> • Building our target customer experience (effortless, simplest, digital) for SOGEA (data only FTTC) and FTTP to support becoming most recommended for future products, with low cost to serve. • Maximising the benefits of the investments already made to optimise customer experience, with easier access to existing self-serve, automation of repair and the rollout of complaints case management, much of which is already bearing fruit.

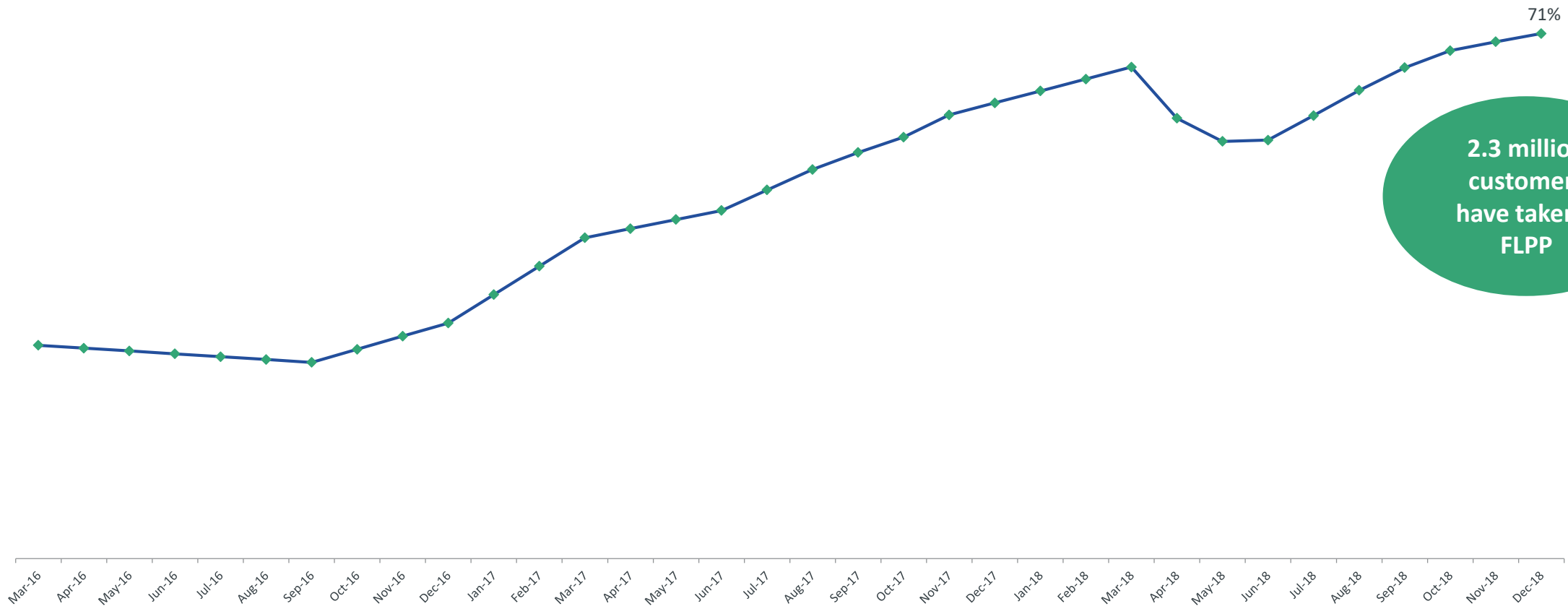
Despite lower gross margin, Fibre has materially lower cost to serve and churn



- Fibre customers come with lower cost to serve, e.g. fewer faults and quicker resolution
- Cost to serve is better still when our customers have a Wi-Fi Hub
- Fibre customers churn less than copper customers, particularly when they are in-contract
- Fibre customer have an average life which is significantly longer than an average copper customer
- Therefore over customer life, Fibre customers are more profitable than copper customers

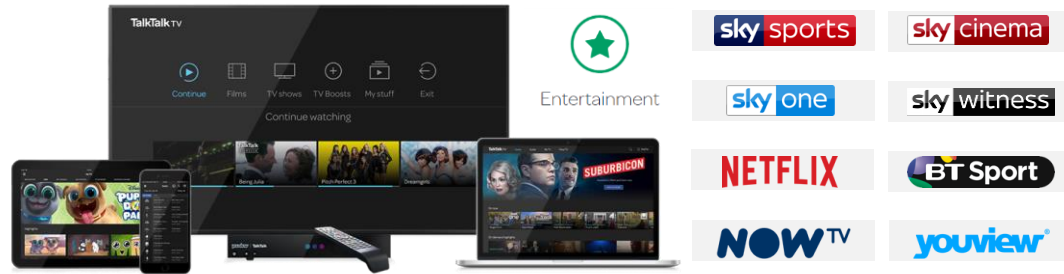
In-contract base continues to grow, contributing to sustained low churn

Percentage of the Base In Contract



With further ARPU opportunities outside of Fibre

TV



Mobile



Together with



Enhanced Security

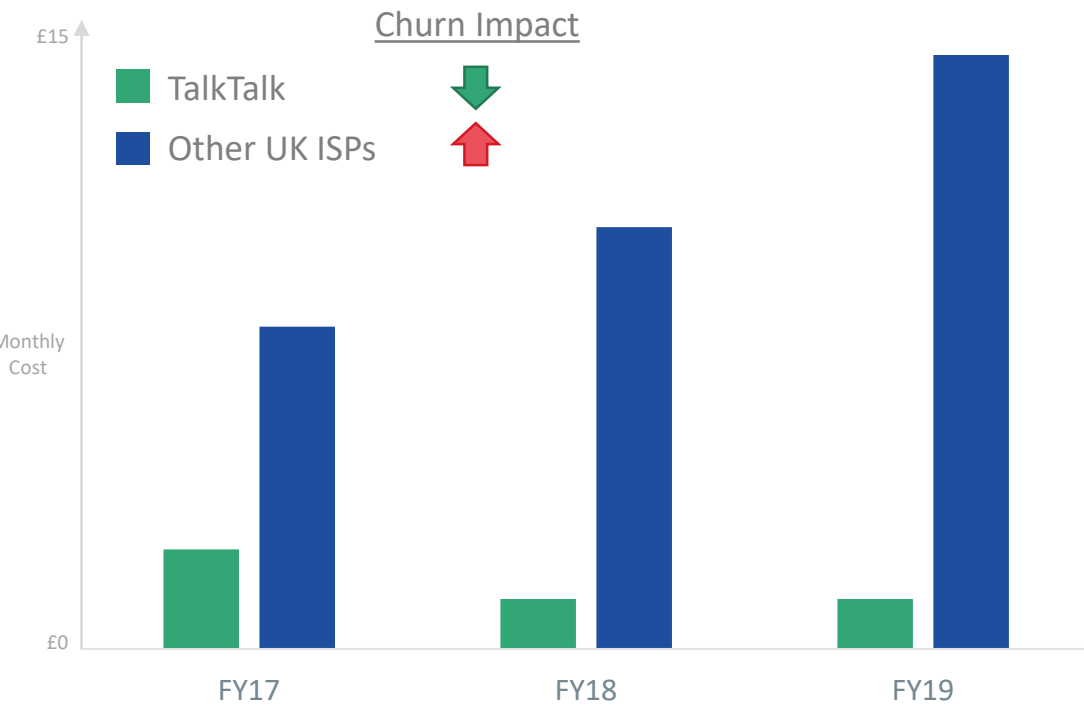


Voice

Fairer broadband for everyone

Well positioned for Ofcom “Best Plan” ruling

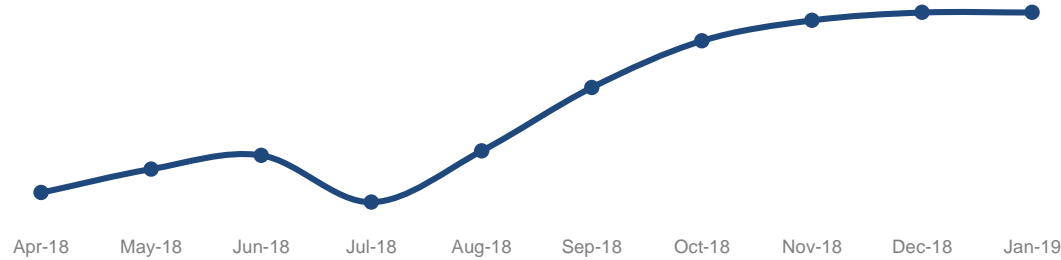
Average price delta between front and back book



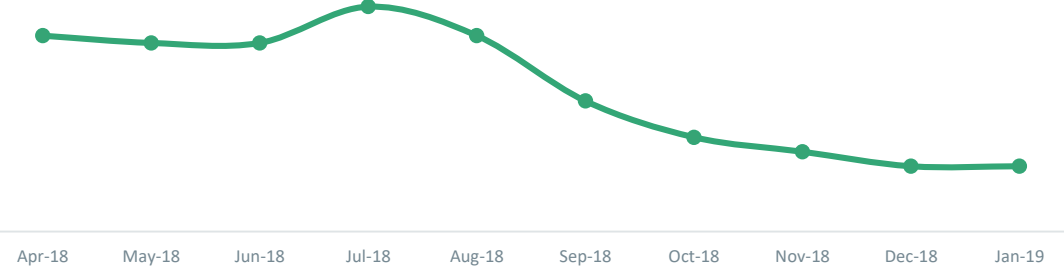
- ➔ Competitor front and back book price delta can be up to £15 – as new customers are offered cheaper deals
- ➔ We have closed the average gap between front and back book to £1-2
- ➔ This has brought down churn over the last few years, whilst others have seen an increase
- ➔ We are well positioned to maximise the opportunities presented by the Ofcom “Best Plan” ruling which comes into force from October

Improving Fibre customer metrics as a result of customer experience investment

Fibre First Early life NPS



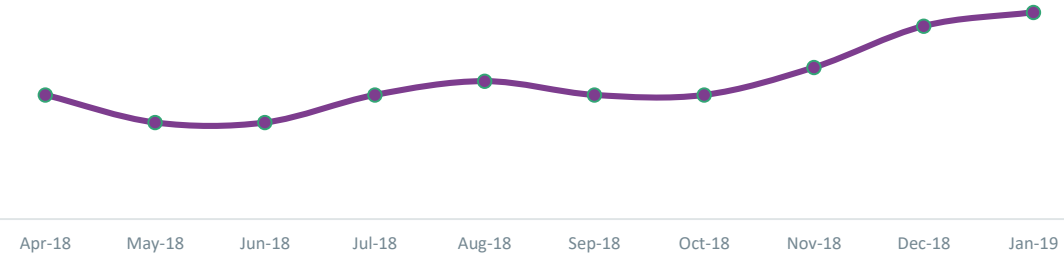
Early Life Fibre Customers with Connectivity Issues



Award Winning Wi-Fi Hub



Fibre Connectivity Speed CSAT

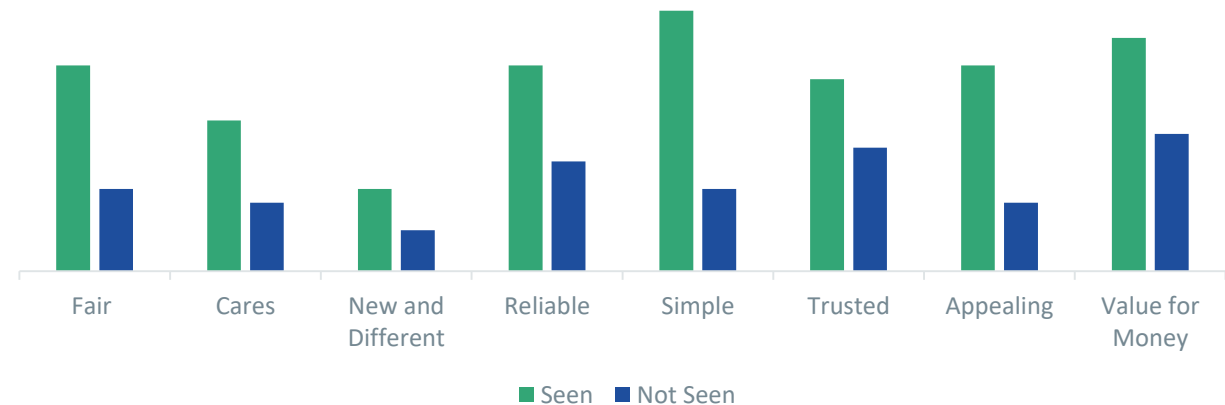


Continue to make smarter marketing investments



TalkTalk Brand Consideration (among non-customers)
Seen campaign = **100% uplift**

Impact on TalkTalk brand perceptions among **Talk-Talk non-customers**



Priorities over the next 12 months

Proposition

“Ability to drive ARPU through the proposition, the way we sell and the products we sell”

- Continued focus on Fibre – new acquisition and upsell
- Refresh proposition to focus on core connectivity with all additional services as charged add-ons, and in readiness for multiple access methods including G.Fast, SOGEA and FTTP
- Continued micro-targeted base management including one-click upsell
- Reasonable and proportionate price changes as appropriate

Connectivity

“Embedding Service Dashboard; driving Hub penetration in Fibre; optimising lines”

- Continued penetration of Wi-Fi Hub into base
- Proactive and targeted use of Managed Fibre Install to avoid further in-life connectivity issues
- Continued rollout of Customer Dashboard and small connectivity scrum to fix line issues

Customer Experience

“Optimising existing experience; moving toward target customer experience for Fibre”

- Automation of key repair journeys
- Rollout of Complaints Case Management
- Effortless access to self-serve with upgraded online identity management
- Start building target customer experience for future Fibre products



Tour and Lunch



Understanding TalkTalk Business

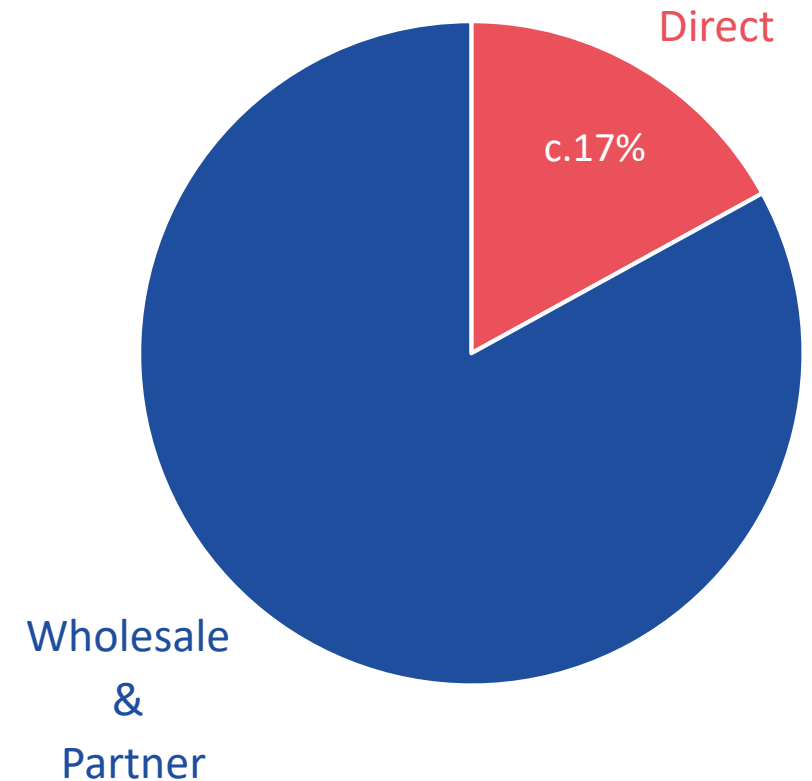
TalkTalk
For Everyone

B2B connectivity is a significant market, and our business model covers routes to all segments

	Product Offering			Route to market
	Broadband	Data	Voice	
Public Sector	✓	✓	✓	<ul style="list-style-type: none"> • System integrators (SI's)
Corporate & Enterprise (250 + employees)	✓	✓	✓	<ul style="list-style-type: none"> • System integrators • Managed service providers (MSP's) • TTB Direct
SME & Micro SME (4-250 employees)	✓	✓	✓	<ul style="list-style-type: none"> • Managed service providers (MSP's) • Resellers • TTB Direct
SoHo (1-3 employees)	✓	x	✓	<ul style="list-style-type: none"> • Managed service providers • Resellers • TTB Direct
Consumer (25m homes)	✓	x	✓	<ul style="list-style-type: none"> • B2B2C partners • TalkTalk Consumer

Separation of Direct and Indirect reduces complexity and ensures that both business units have freedom to grow

	Direct	Wholesale
Customer Base	80k customers from SOHO to Enterprise	650 active partners, including resellers, Wholesalers and Carriers – serving over 1m end customers
Target end customers	<ul style="list-style-type: none"> × Consumer ✓ SOHO ✓ SME ✓ Corporate and Enterprise × FTSE × Public Sector 	<ul style="list-style-type: none"> ✓ Consumer ✓ SOHO ✓ SME ✓ Corporate and Enterprise ✓ FTSE ✓ Public Sector
Complexity	<ul style="list-style-type: none"> • SOHO = Simple • Corporate and Enterprise = Complex deliveries with broad and diverse product requirements 	<ul style="list-style-type: none"> • Factory processes • Value through insight • Benefit of scale delivered through wholesale pricing • Partners deliver overlay capabilities

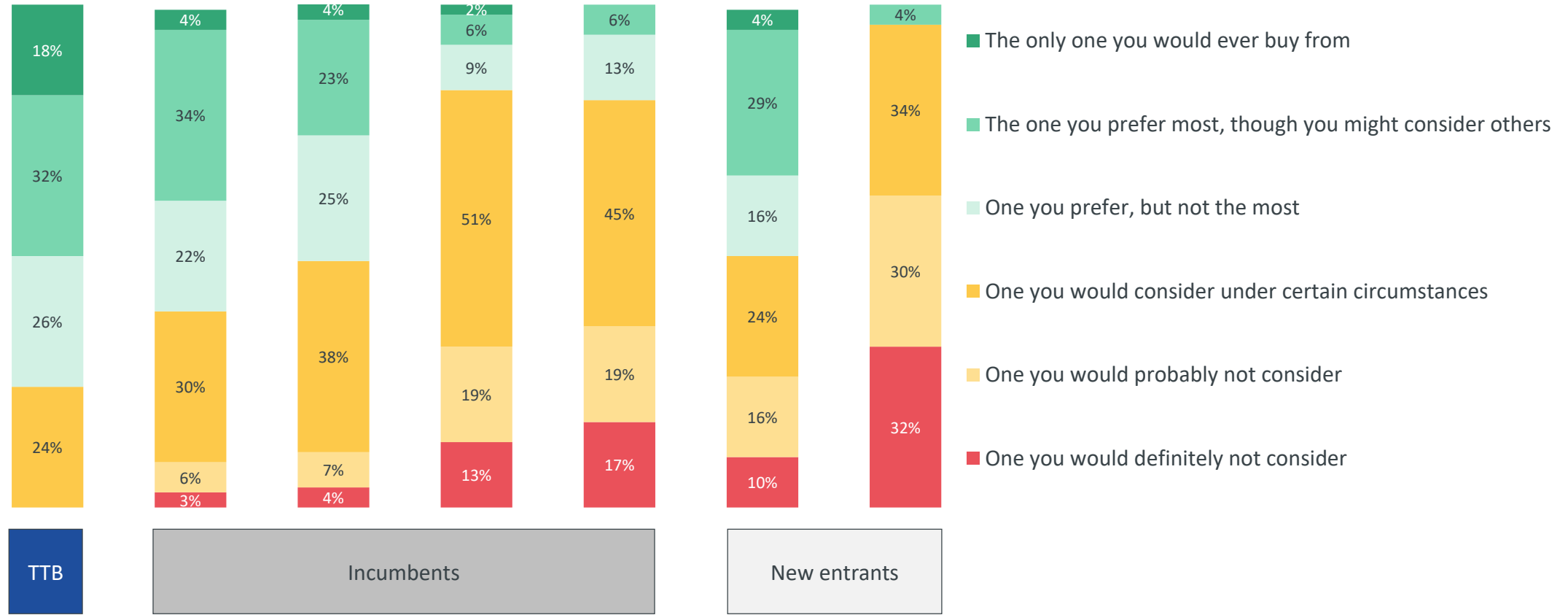


We have clear differentiation and clear USP's in the indirect channel

- ➔ **Value provider** – history of disruptive pricing and product innovation in Voice, Broadband and Data to enable long term reductions in B2B connectivity costs
- ➔ **Scale network** shared with consumer with complimentary peak demand profiles
- ➔ **Easy to do business with** – investment in portals, provisioning and assurance activities
- ➔ **Breadth and depth** of account management structures
- ➔ Senior management **engagement and bespoke solutions** to customer needs
- ➔ **Proprietary insights** shared with customers enabling smart decisions and end user customer satisfaction
- ➔ **Industry coverage** through diverse wholesale relationships across the market without dependency on a few key accounts

Our customers value this differentiation - made clear by their buying choices vs industry peers

Q: Now thinking about *COMPANY*, compared to the others you have mentioned, which of these phrases best describes your overall feeling towards them?

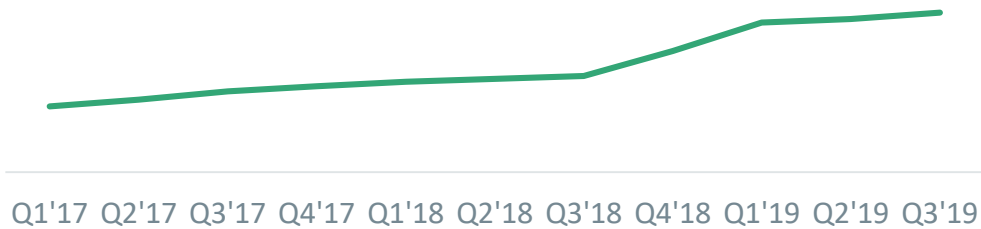


Enabling significant growth in both wholesale broadband and Ethernet markets

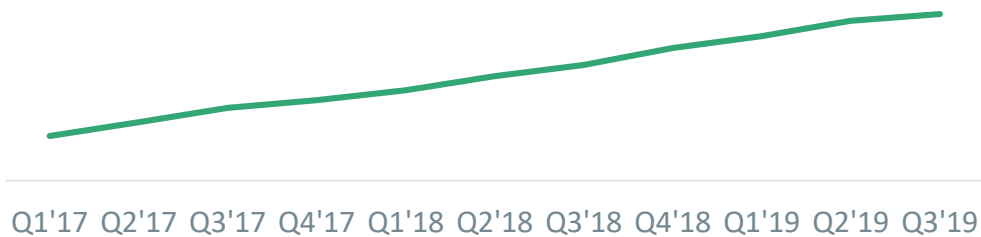
Base Growth

TTB On-Net Base

UK's largest wholesale broadband base

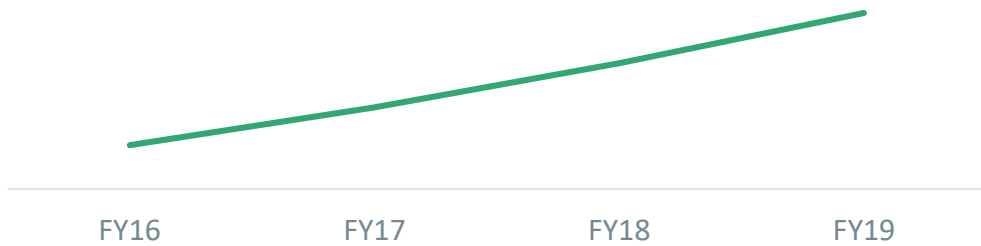


EFM & Ethernet Base

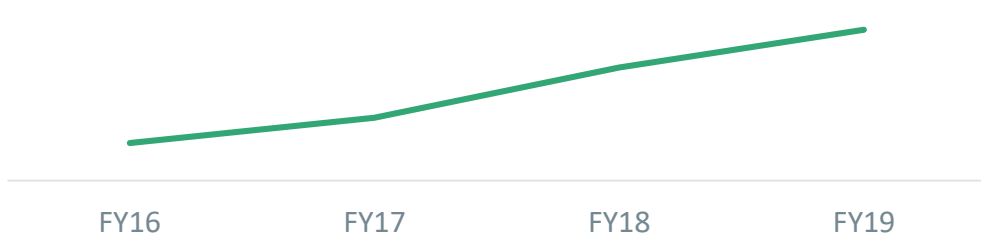


Product Mix

FTTC Penetration



1 Gb % of Ethernet Base



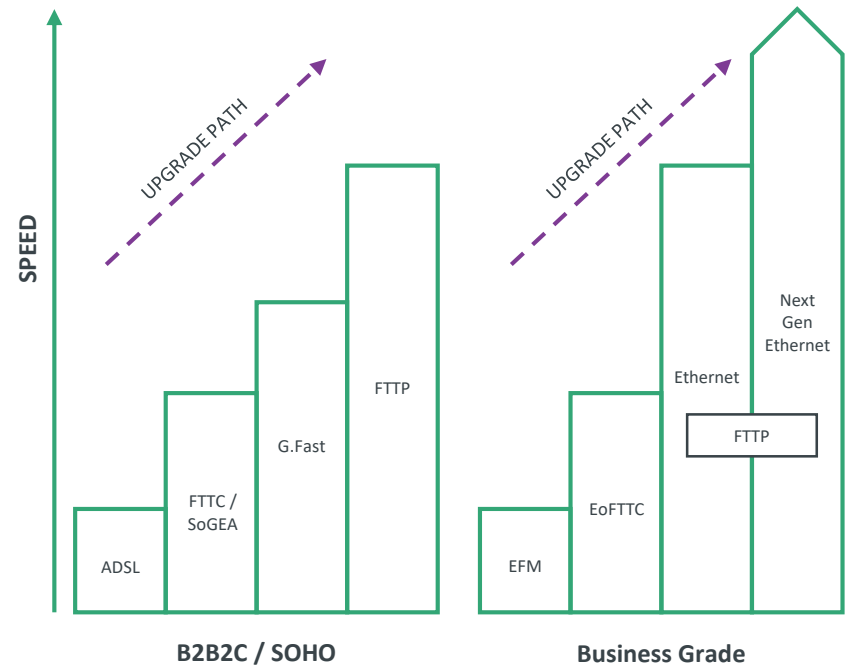
Operational improvements have led to cost efficiency and industry leading CSAT



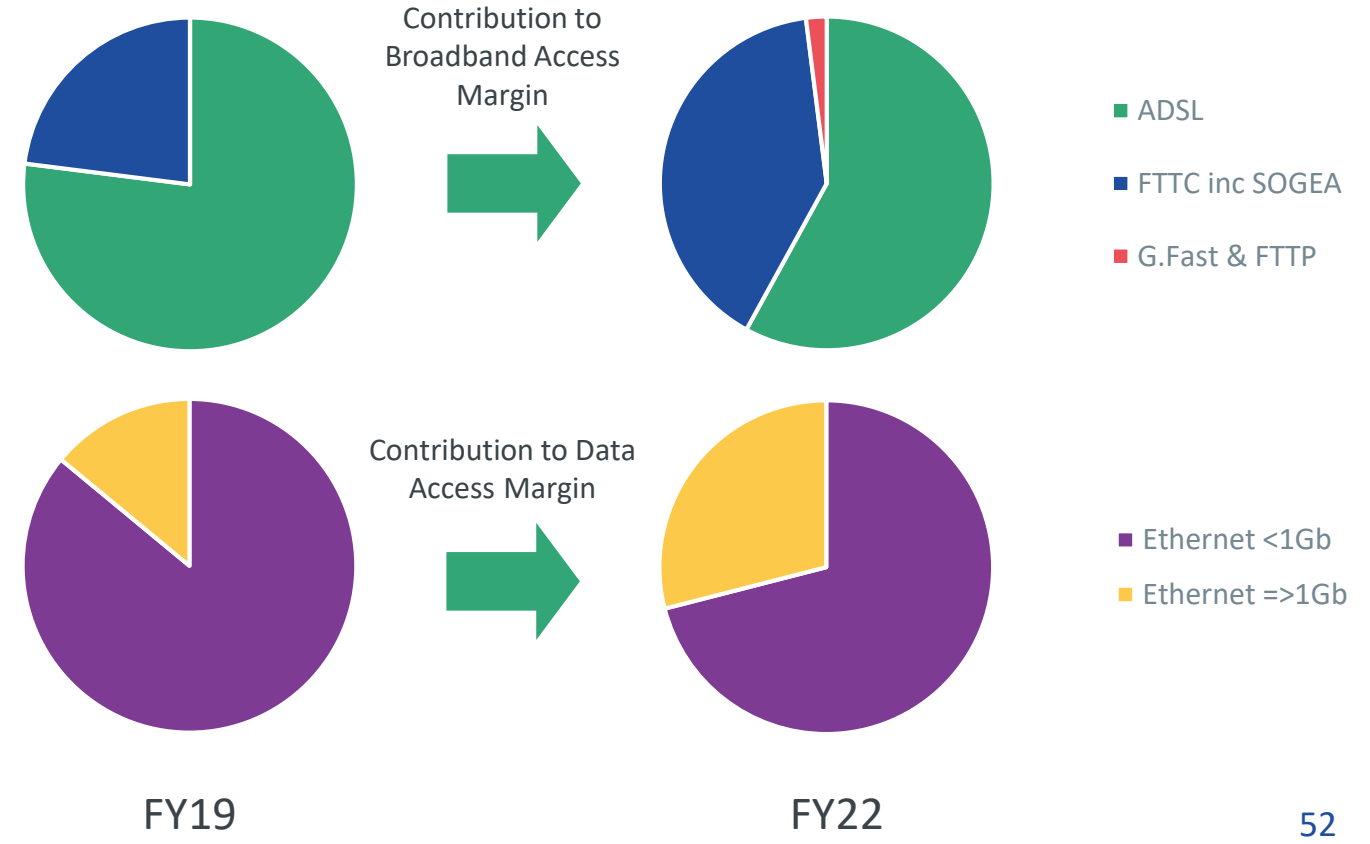
And we continue to invest in operations and customer experience as we strive to be easy to do business with

Broadband and Ethernet ROI continue to improve, driven by scale efficiency and product mix

Product Upgrades



Shift to Higher Bandwidth Products



Strategic plan in place to deliver profitable growth

Be The Leader in Wholesale Data – 10Gb, SD-WAN, Cloud Connect

Becoming Access Agnostic – 2nd Supplier, DIA, Scale in FTTP

Enhance Ease of Doing Business – Self-service portals, monitoring and bulk-checking

Reduce Cost to Serve – ‘Right first time’ assurance, automation & robotics

A long-exposure photograph of a city at night, showing numerous star trails in the sky. The city lights are visible in the foreground and middle ground, with a prominent church spire in the distance. The sky is a deep purple and blue, with the star trails creating a sense of motion and time passing.

FibreNation

TalkTalk
For Everyone

Launch of FibreNation

In November 2018 we launched a new company, FibreNation, to roll out Full Fibre in the UK

- Reiterating commitment to investing in scaled Full Fibre network
- Accelerating roll out plans; 3 new towns and cities – Harrogate, Knaresborough and Ripon
- Total footprint of over 100,000 homes in these towns and cities (including York)
- TalkTalk and Sky to continue to be wholesale partners of the new network in the three new towns and cities
- In discussions with infrastructure investors on the right long-term capital structure to enable roll out to target of 3m homes
- TalkTalk will not be investing long-term in Full Fibre infrastructure

FIBRE
NATION
Full fibre for everyone



Continued progress in York

- ➔ Over 33k premises now passed in York (14k in phase 1, 19k in phase 2), with 21k more to follow this year
- ➔ Extremely positive customer reaction
 - Phase 1 penetration reached 35% with only TalkTalk marketing the service – and 7 of the 38 Cabinets have 40%+ penetration
 - Phase 2 cabinets released in Autumn 2018 already achieved penetration of 12% with no proactive migration activity
 - Significantly lower fault rates and virtually no churn
 - Net Promoter Score of +47, higher than any UK telecommunications business – fixed or mobile
- ➔ Exciting construction innovation driving down cost
 - Use of Openreach infrastructure both ducts and poles
 - Active cabinets expanding addressable area

NPS:
+47

CSAT:
92% Satisfied
(57% of which are 'Very Satisfied')

"I am just happy in general. The speed is absolutely fantastic, and the quality of the connection is brilliant. I cannot complain."

"It gives me precisely the service it promised at the outset. It has so far delivered exactly what was expected."

Construction Innovation

- ➔ Construction innovation is driving down cost
 - We replaced the Tier one construction manager, why?
 - Its very important we understand the detail of how to build so we can drive down costs before we scale
 - It lets us innovate in both construction and Network design
 - We document and own the process manuals, which is important in scaling
 - We have IP embedded in construction equipment, which is also important in scaling
 - It allows us close relations with our construction contractors
 - We are in control of the design
 - It allows us to build relationships with the councils
 - Spread of build methods
 - Narrow trenching & overhead fibre delivery
 - Use of Openreach infrastructure both ducts, for trunk elements, and poles, for final connections
 - Active cabinets economically expand the addressable area
 - Fixed Wire access technologies for premises with access problems

Driving down costs

- ➔ We have seen trenching costs fall
- ➔ Widespread use of Openreach poles for overhead delivery reduces costs further
 - Use of poles reduces trenching required by 90%, as well as being less disruption and faster to deploy
- ➔ Addressing ‘Not spots’ and small conurbations
 - We are building a toolbox of techniques to address ‘Not spots’, within the urban build and service small communities
 - It’s important as our partners, TalkTalk and Sky, migrate their customers, we don’t leave some stranded and drive churn
 - It maximises the build in any given area, reducing fixed mobilisation costs
- ➔ Access to public funding
 - DCMS has launched a number of schemes to help promote full fibre rollout.
 - A £95m scheme to fund Local Full Fibre Networks
 - The £67m Gigabit voucher schemes; £2,500 for business connectivity and £500 for residential group projects
 - A £200m fund for local hubs and rural areas

Expanding product set

➔ Primarily a fibre to the home project (FTTP)

- Dense urban areas
- Isolated smaller communities (>500 homes)
- Potential for addressing even smaller communities (>50 homes)
- Potential to access public funding for rural areas

➔ Significant opportunity in B2B

- Full Fibre to the Premise, with B2B offering Gigabit Ethernet for multiple service delivery
- Replacement for legacy B2B products, i.e. low bandwidth Ethernet
 - Build to industrial estates, with installation of passive infrastructure
 - Major use of Openreach infrastructure

The challenge of scaling build

- ➔ Scaling the build rate whilst keeping costs under control is a key challenge
- ➔ You should not scale any construction project until you know how to optimise the build
- ➔ Can only build on solid foundations
- ➔ If you don't understand a problem you cannot fix it, hence our York pilot and contract strategy
- ➔ We need parallel construction technologies to allow us to access more/different construction resources
- ➔ We need to be a customer of choice for the contracting industry
 - By understanding the contractors challenges we understand their costs and can help optimise them
 - Play/pay fair policy: the industry is riddled with contractual conflict and incentives to drive cost up
 - We will need to bring in resource from other construction sectors, as there is insufficient resource and high demand in this sector



Investment partner process underway

- ➔ Encouraging investor interest
- ➔ Strong infrastructure returns underpinned by TalkTalk customer commitment
- ➔ The only fibre investment of its kind:
 - Revenue underpinned by material take up commitments
 - Innovative construction approach keeping costs low
 - Focused approach to location selection optimising both revenue and cost
- ➔ Structured approach being taken to secure capable and ambitious investment partner for TalkTalk

A photograph of two middle-aged men sitting on a dark couch in a dimly lit room. The man on the left has dark hair, a goatee, and glasses, wearing a dark vest over a light blue shirt; he is looking down at a tablet computer. The man on the right has grey hair, a beard, and glasses, wearing a maroon vest over a light blue shirt; he is smiling and looking towards the camera. A white speech bubble with a tail pointing towards the bottom left is overlaid on the image.

Summary

Summary

- ➔ Our plan is on track and working
- ➔ We have strong structural positions in both of our segments; Consumer and B2B
- ➔ Simplification is leading to significant cost reductions and we're not finished yet
- ➔ Our network optimisation and plans for FTTP mean we're well positioned for the future

Q&A

TalkTalk

SOAPWORKS

TalkTalk
For Everyone

