

TalkTalk
For Everyone

Full Year 2021 Results

Lender Presentation – 29 June 2021

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Agenda



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FY21 Overview



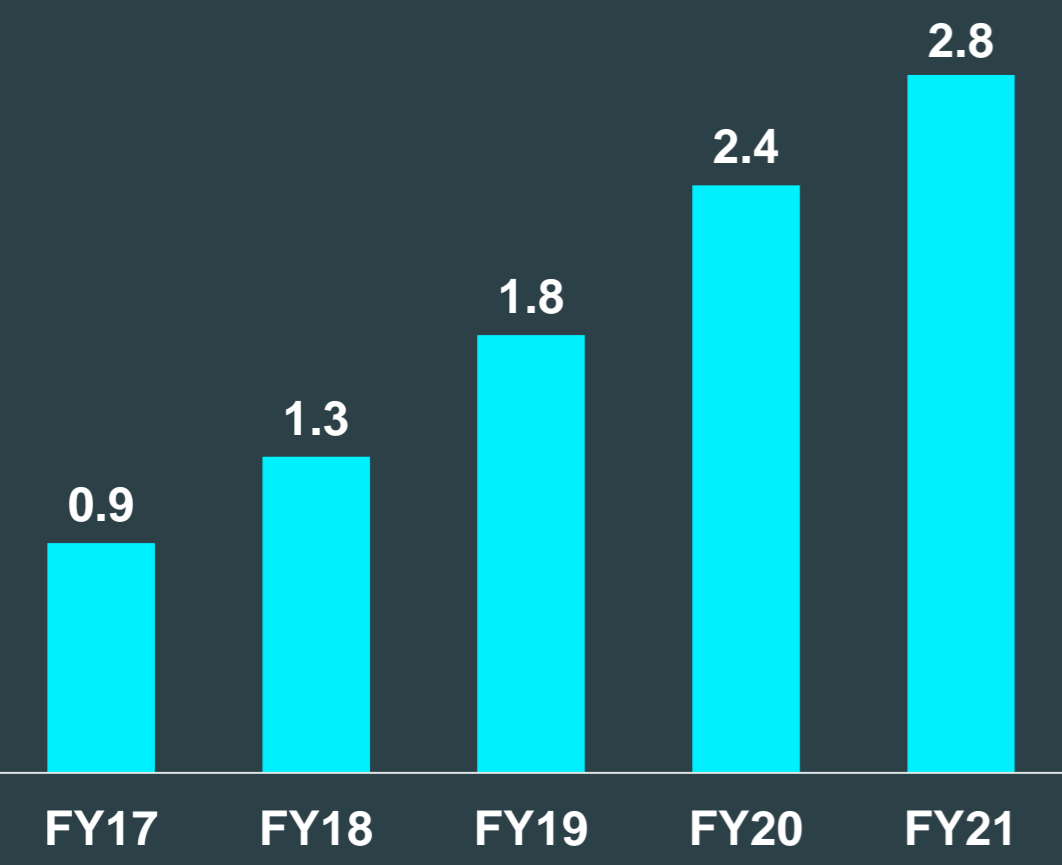
Headlines

- Kept the nation connected at an extremely difficult time, whilst protecting the wellbeing of colleagues and delivering an improved customer service.
- Network resilient despite 40% year on year increase in download usage.
- Continued acceleration of Fibre strategy adding 445k customers to our Fibre base (predominantly FTTC).
- Resilient throughout the Covid-19 period with no furlough of staff.
- Positioned well to take advantage of competitive supply in Full Fibre – national footprint of over 4m homes and businesses.
- All within the context of an active market where we are seeing consolidation and investment (O2/Virgin, Altice) at a time when consumer demand has reduced as Covid restrictions ease
- Headline EBITDA (post-IFRS 16) at £249m, down £59m on the prior year, due to shorter accounting period, impact of Covid-19 and legacy re-contract dilution.
- Net debt (excluding leases) stable at £739m despite non-headline and one-off items.
- Successful re-financing of the Group's borrowings.
- Public to Private transaction completed in March, enabling acceleration of investment and growth.



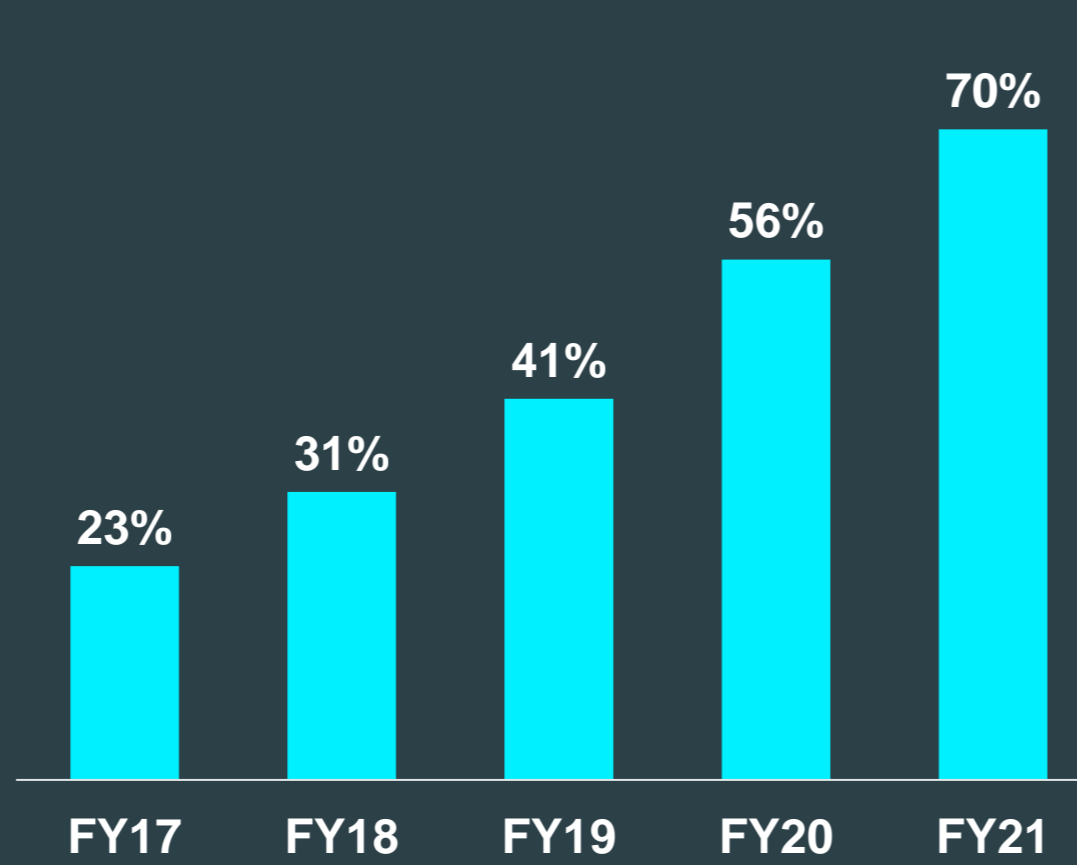
Key Product Metrics

Fibre Base: FTTC and FTTP (m)



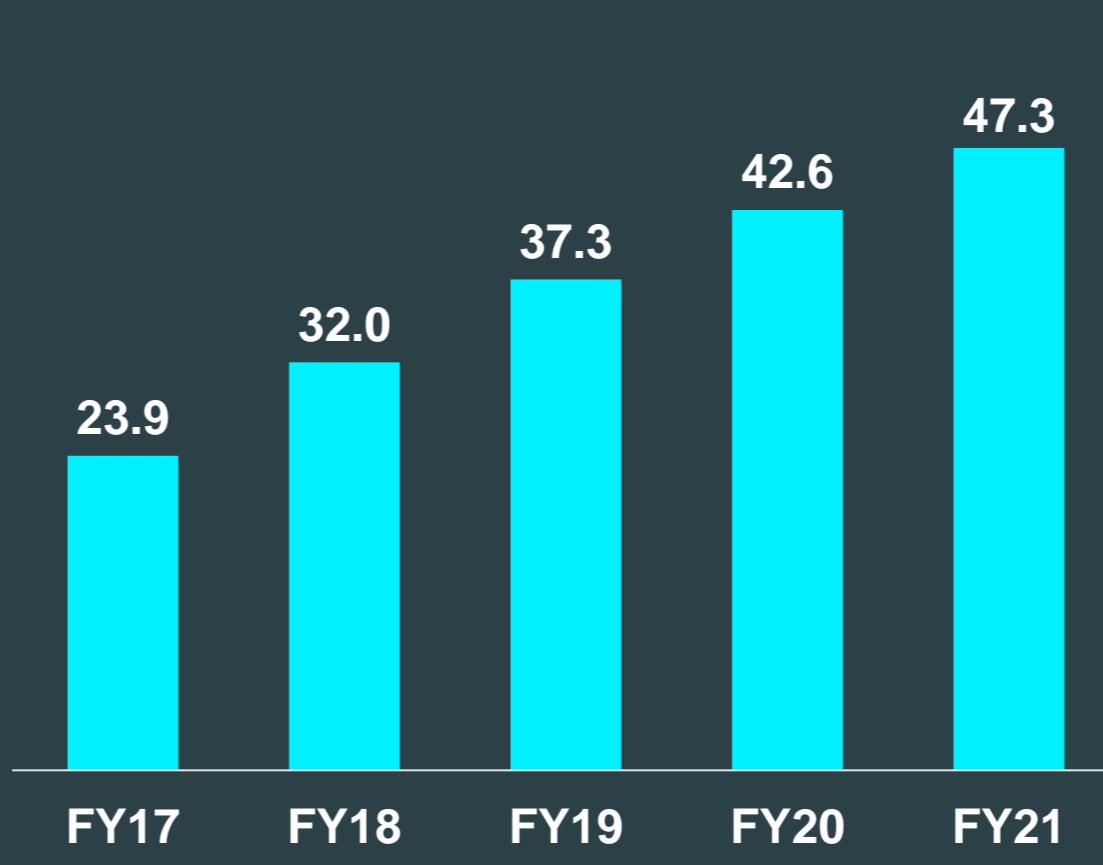
- 445k net adds to 28 February 2021.
- c.28% share of new Openreach FTTC (including SOGEA) lines – significantly above market share.

Fibre Penetration: FTTC & FTTP



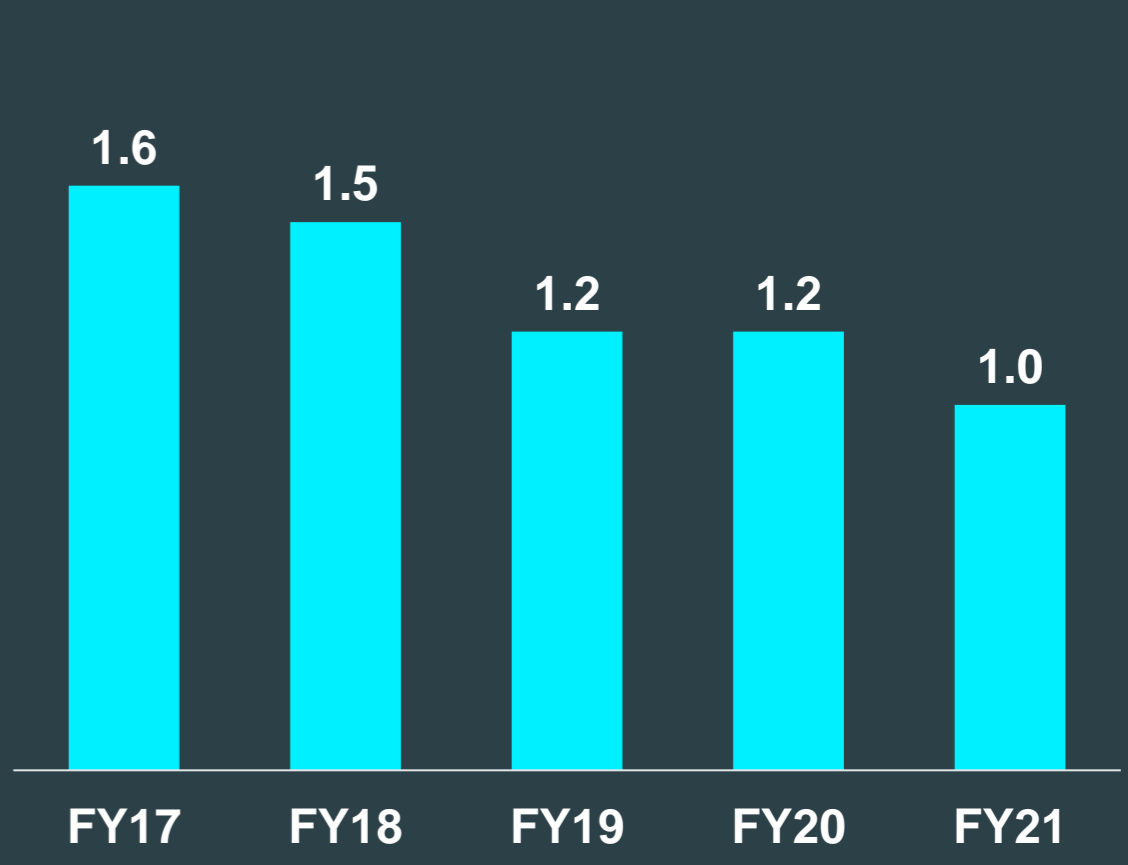
- 70% of total base now on Fibre products; increasing proportion opting for a faster Fibre services.
- Accelerating roll-out of G.Fast and FTTP.

Ethernet base ('000)



- 4.7k net adds to 28 February 2021.
- c.24% share of new Openreach Ethernet lines in FY21– significantly above our market share of c.13%.

On Net Churn %

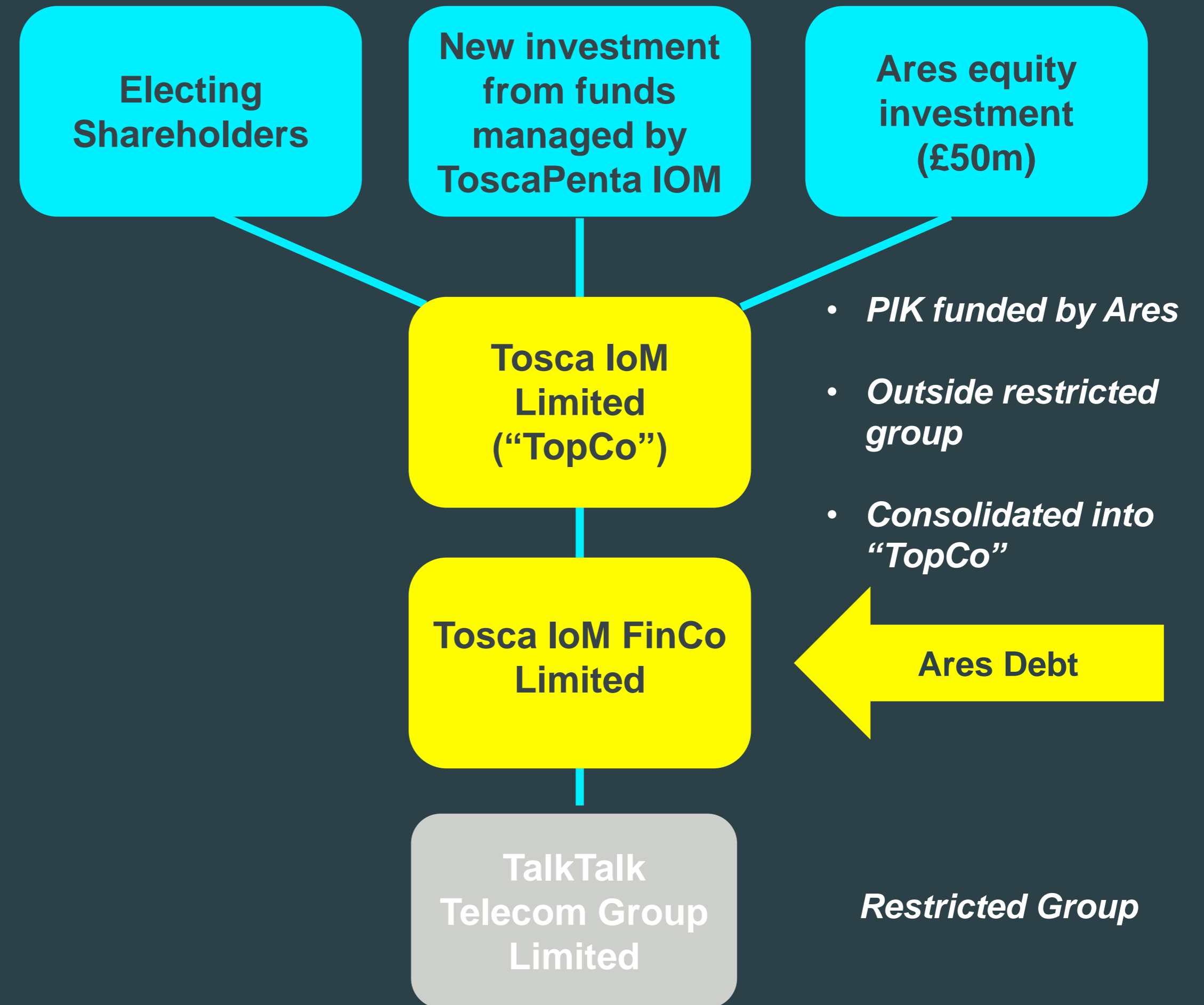


- Churn reduced to 1%.
- Key drivers include increasing fibre mix as well and impact of Covid lockdown restrictions.



Public to Private Transaction

- Transaction completed 15th March 2021.
- Existing TalkTalk Telecom facilities unchanged.
- Expected £275m PIK note, net of £140m ToscaPenta IoM additional equity.
- Year-end changed to February. Therefore, FY21 reporting period is 11 months.



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Financial Review



Headline EBITDA

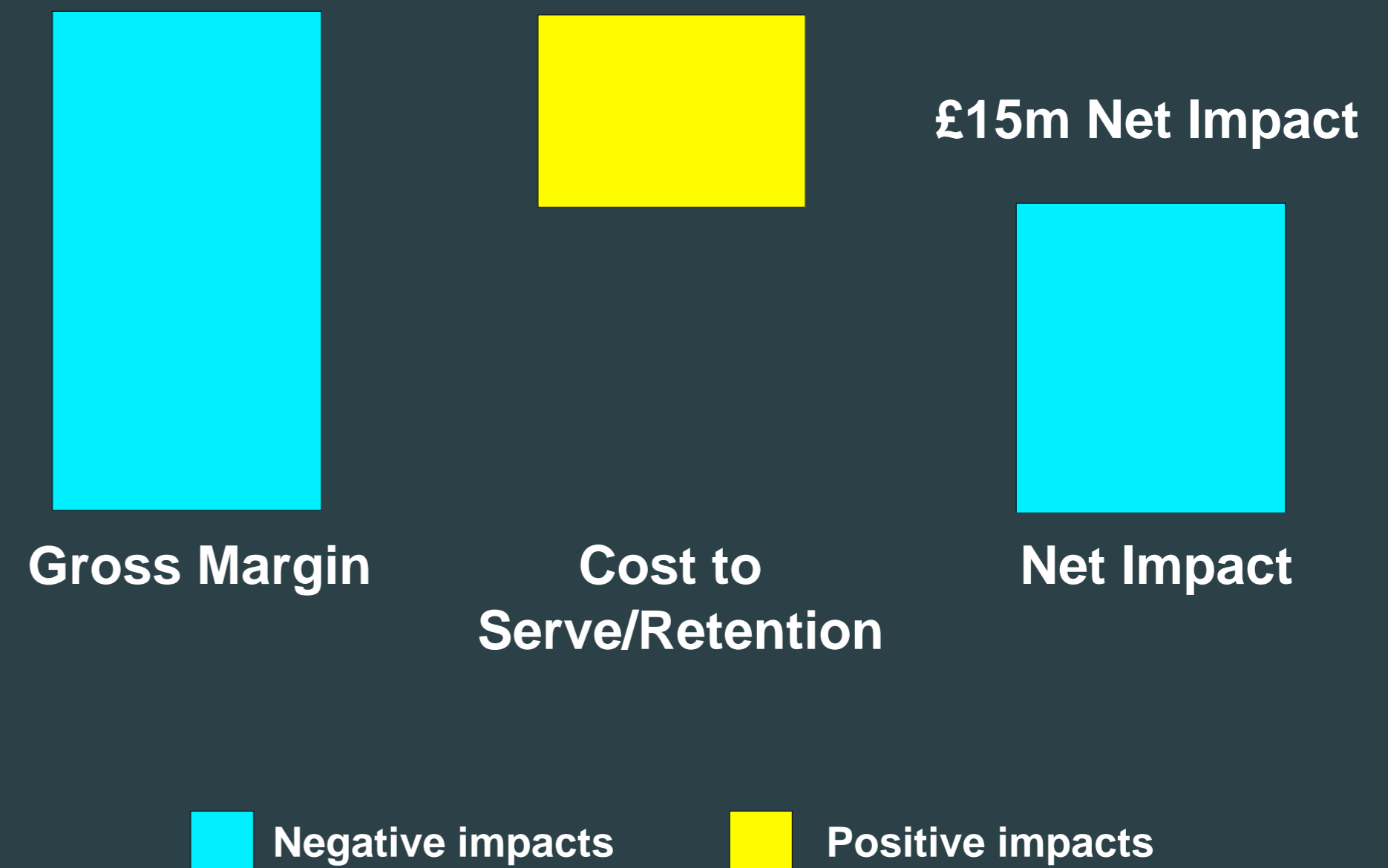
£m (IFRS 16)	Eleven month period ended 28 February 2021	Twelve month period ended 31 March 2020
Headline revenue	1,348	1,557
<i>Headline revenue (excluding carrier and off-net)</i>	1,313	1,518
Gross profit	660	794
<i>Margin</i>	49.0%	51.0%
Operating costs & SAC	(411)	(486)
Headline EBITDA	249	308
<i>Margin</i>	18.5%	19.8%
Headline profit before taxation	28	49

Headline EBITDA driven by:

- Material shift to fibre based products and ethernet
- Some dilution due to Ofcom end of contract and annual best tariff notifications
- Ongoing industry-wide Voice decline
- Strong cost control
- Lower FY21 average base
- Covid-19 impacts (see next slide)
- Shorter accounting period

Covid-19 Impact

- **£15m Covid-19 EBITDA impact driven by:**
 - **Contraction in gross margin**
 - Trading restrictions saw fewer connections and churn.
 - Removal of call usage caps and increased customer credits.
 - ARPU dilution from earlier re-contracting.
 - **Reduction in cost to serve and retention**
 - Closure of third party overseas call centres saw significantly reduced numbers of call centre agents.
 - Fewer connections due to trading restrictions meant lower engineer fees.
- **Whilst we are not experiencing additional Covid-19 impact in FY22, the FY21 gross margin effect will create partial drag into FY22.**



Cashflow and Net Debt

£m	Eleven month period ended 28 Feb 2021	Twelve month Period ended 31 March 2020
Opening net debt	(954)	(960)
Headline EBITDA	249	308
Working capital	15	(181)
Capital expenditure	(75)	(116)
Interest and taxation	(44)	(54)
Non-Headline items	(37)	158
Acquisitions and investments	(6)	(13)
ESOT share purchase	(19)	–
Dividends	(17)	(28)
Non-cash movement in leases	(84)	(68)
Closing net debt	(972)	(954)
Leases	233	217
Closing net debt (excluding leases)	(739)	(737)

Net debt (excluding leases) stable at £739m despite non-headline and one-off costs. This includes:

Working capital inflow of £15m

- Timing benefit of key supplier payments partially offset by IFRS 15 impact of accelerated fibre investment.

Capital expenditure of £75m

- Continued investment in pivot to full fibre.
- Year on year reduction due to shorter accounting period and sale of the capital intensive Fibre Nation asset.
- No significant change in underlying investment.

Non-headline items of £37m

- £21m of costs relating to Fibre Nation sale.
- Remainder driven by the costs of transformational programmes including costs of reorganisation.

ESOT share purchase of £19m

- Shares purchased to satisfy requirements under the Group's long term incentive plans. In March 2021, these shares were sold as part of the public to private transaction.

Single dividend payment of £17m

- Final dividend for FY20 with no FY21 dividends declared or paid.

Tailwinds and Headwinds



Accelerated importance of fast, reliable and affordable connectivity



FTTP a game changer; improvements in ARPU and reductions in cost to serve and churn



Unique position as aggregator of Fibre provision in Wholesale markets



Continued customer experience and NPS improvements



Back book re-pricing



Significant opportunities to further simplify and reduce cost



Covid-19 – short-term drag



Partial release of lockdown restrictions has led to a softer consumer market in the short term



Industry-wide Voice decline – will be less pronounced over time as overall Voice revenue within total revenue mix falls



Ofcom imposed activity accelerates legacy re-contracting ARPU dilution



Lower average base

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Our Plan



Strategic Priorities

1

DELIVER A STEP CHANGE IN BRAND CONSIDERATION AND NPS

- Materially improve customer experience.
- Transition customers to more reliable FTTC and FTTP services.
- Digital first support model and more automated customer journeys.
- Innovation within the network, e.g., capability to self-drive through incidents and outages.
- Simplify customer service, e.g., combination of UK and offshore contact centres.

2

ACCELERATION OF FULL FIBRE

- Continue to secure competitive wholesale terms with FTTP network providers.
- Build out our network and IT in parallel with our infrastructure partners as they roll-out.
- Materially grow FTTP base.

3

MAXIMISE VALUE OF EXISTING CONSUMER AND DIRECT B2B CUSTOMERS

- Reset propositions whilst remaining UK's leading value for money connectivity provider.
- Transition customers to more reliable FTTC and FTTP products.
- Accelerate cross-selling of fairly priced add-ons, e.g., OTT TV services.

4

CONTINUE TO GROW TALKTALK WHOLESALE SERVICES

- Transition customers to more reliable FTTC, FTTP and 1Gb Ethernet services.
- Simplify our own operations to improve the ease with which our customers can do business with us.
- Leverage successful wholesale business to enhance our proposition and grow revenue and margin.

5

BE RIGOROUS ABOUT BEING A VALUE PROVIDER

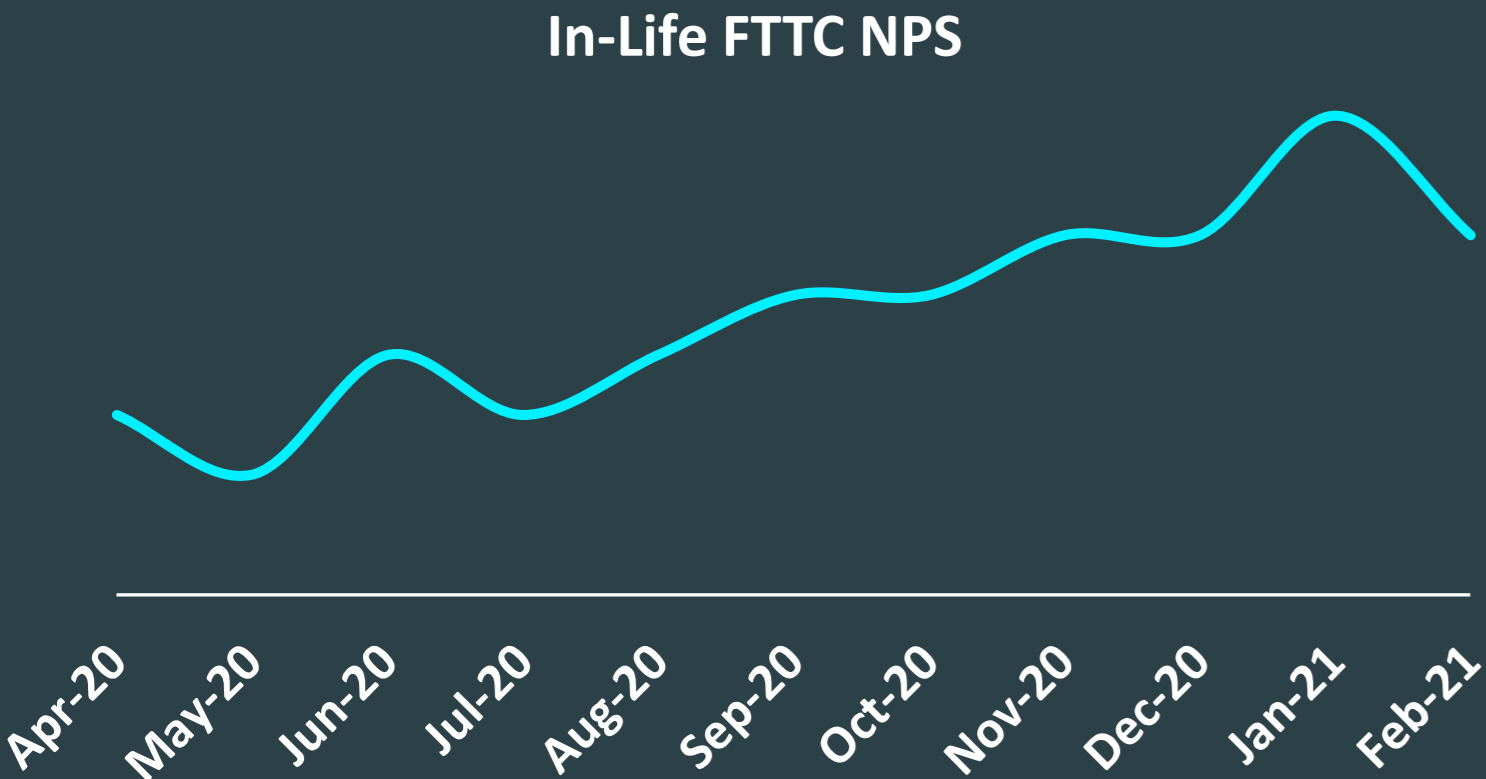
- Transition customers onto more reliable FTTC and FTTP services to significantly lower cost to serve.
- Optimise how we serve our customers, e.g., roll-out of digital first support tools.
- Ensure headcount reflects simpler set of priorities.
- Acquire customers more efficiently.

6

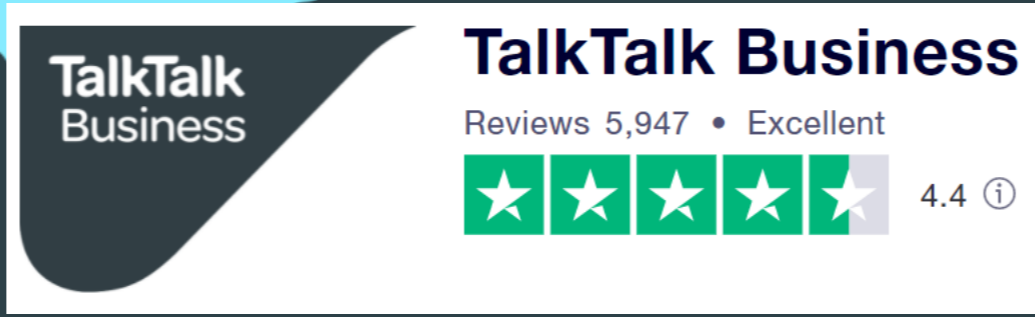
DEVELOP NEW STREAMS OF GROWTH THROUGH INNOVATION

- Find new streams of growth and value through innovation.
- Develop our retail and wholesale platform business.
- Build strategic partnerships that accelerate growth and value creation.

Customer Experience

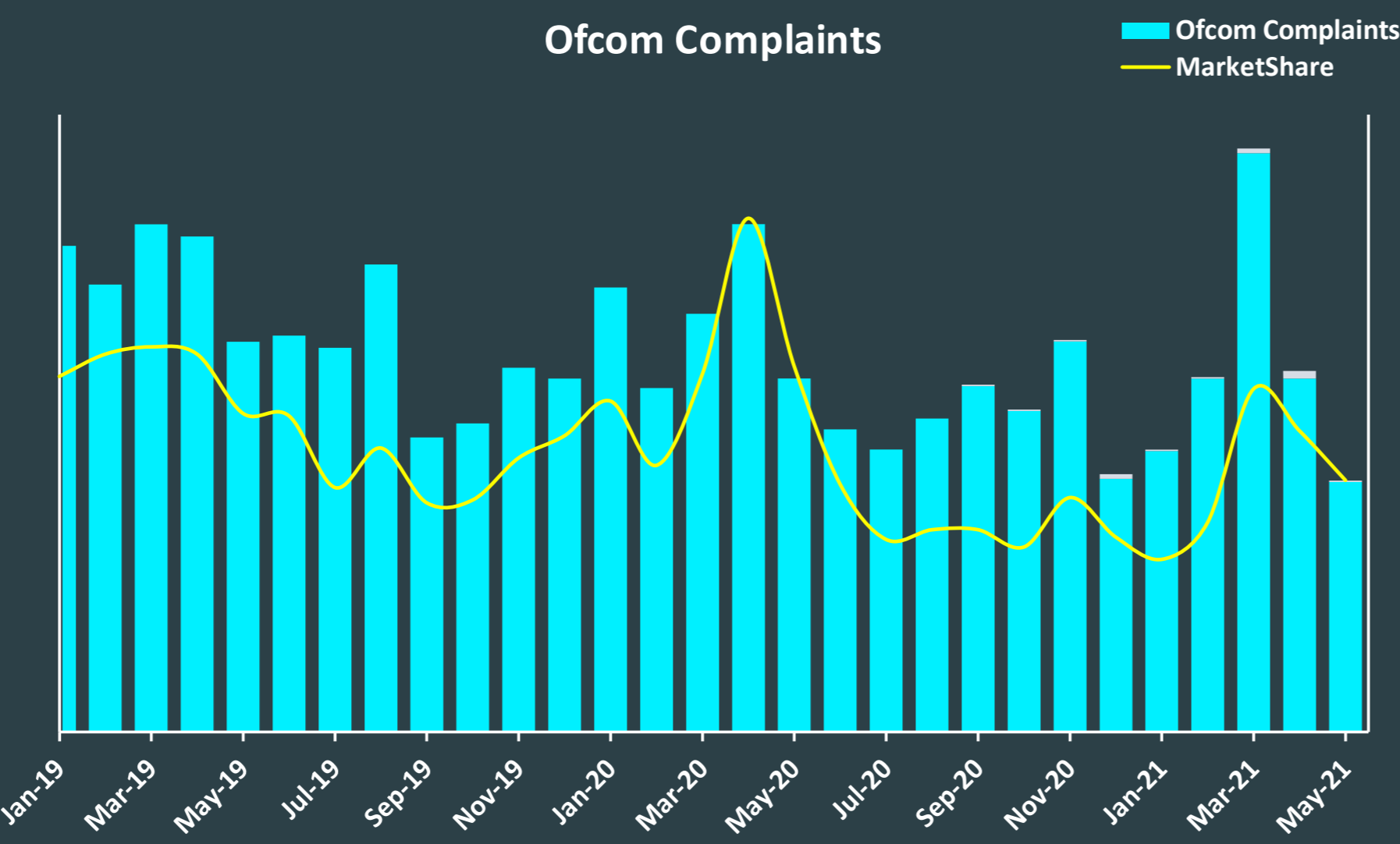


TalkTalk Business rated 4.4 out of 5 on Trust Pilot



- Good progress on customer experience but still work to be done.
- Transitioning customers onto fibre services means more customers on more reliable, fit for purpose products.
- Highest ever in-life FTTC NPS score in January 2021 with consistent improvement during the lockdown period.
- TalkTalk Business rated of 4.4 out of 5 on Trust Pilot, 71% of reviews rank service as 'Excellent'.
- Churn continues to improve as more customers move onto more reliable FTTC services.
- Lowest ever Ofcom complaints in December 2020 and lowest ever market share of complaints in January 2021. (peak in March 2020 Covid-19 forced closure of customer service centres).

Continued improvements in churn



Regulation

Ofcom Wholesale Fixed Telecoms Market review completed by in March 2021

- Outcome gives investment certainty to fibre builders that will allow them to accelerate their build plans for the next five years, benefitting ISPs like ourselves.
- Also allows us to strike discount commercial deal with builders – OR deal currently in process of being finalised.

We continue to promote competition in the sector

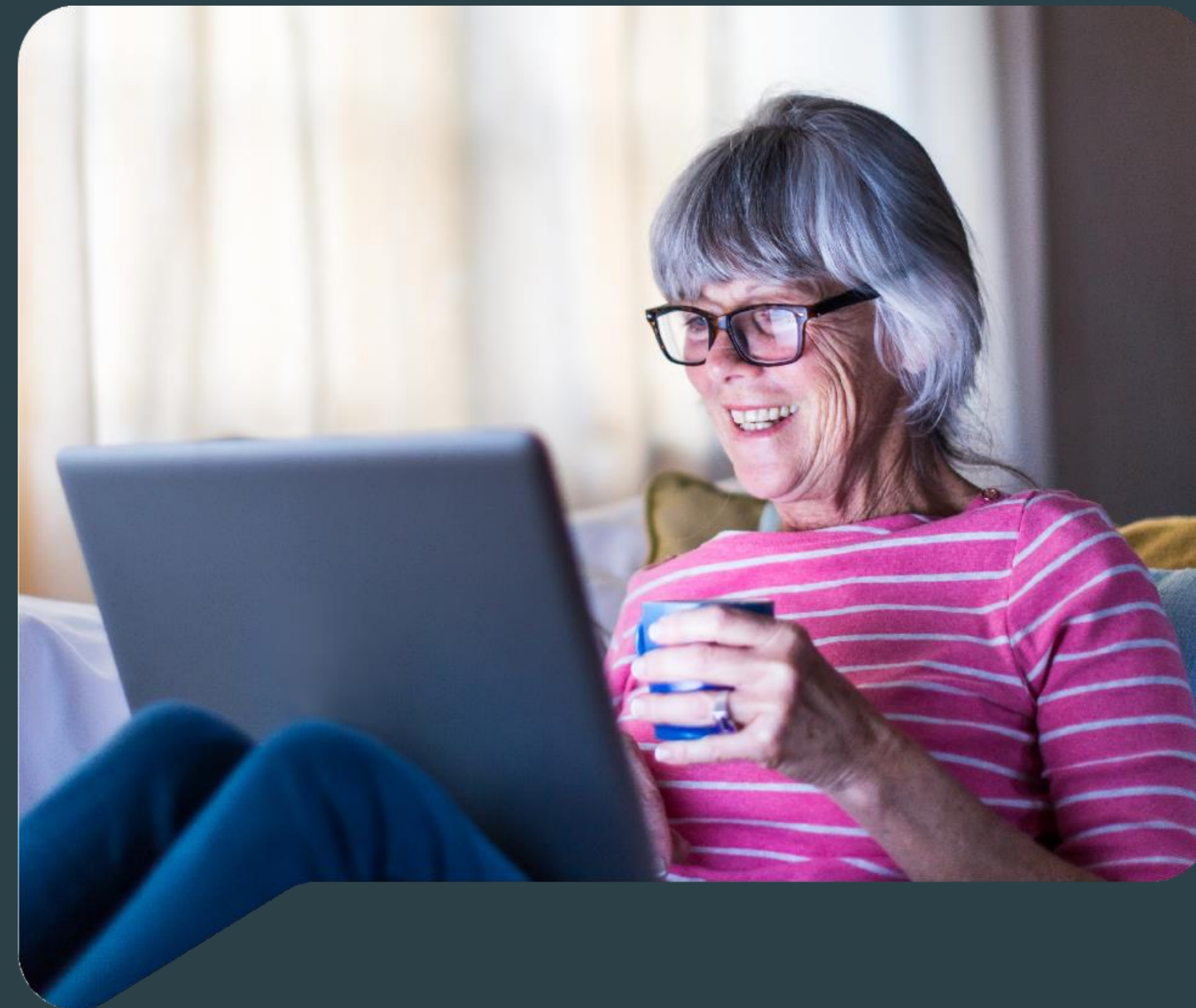
- We champion AltNets, as we are network agnostic.
- Our aim is to build a team of best in class partners for the benefit of our customers.

We want better oversight of Openreach that would enhance competition and transparency

- Delivering a faster, more affordable and more successful Full Fibre rollout.
- Seeking additional monitoring activities on the part of Ofcom, DCMS and more involvement from Openreach themselves.

Developed a voucher product with the DWP for jobseekers to allow them quick easy online access to find work

- After a trial in the North West, it now has rolled out nationally with the support of the minister Mims Davis.



Competition in Full Fibre Supply

- Current UK full fibre footprint 5m.
- Openreach, CFH and other AltNets current plans to build to more than 25m homes by 2026.
- CFH targeting 8m homes.
- Other AltNets investing heavily.
- Virgin Media/O2 looking to wholesale for the first time.
- TalkTalk is well positioned to benefit from competitive market for full fibre.
- Opportunity for ARPU improvement, cost reduction and churn benefits.

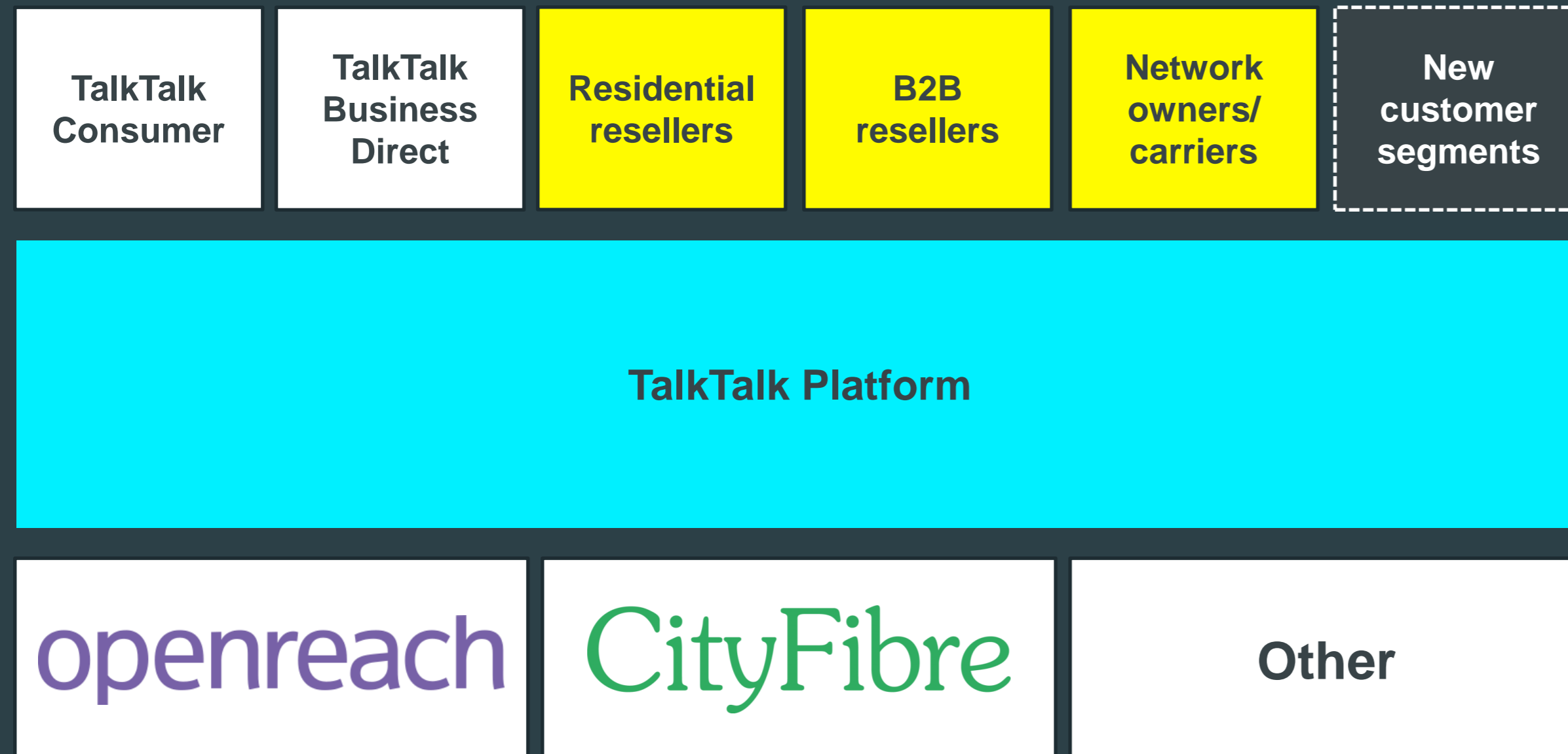


openreach

CityFibre



TalkTalk Wholesale Services



Unique potential to resell capabilities built for our direct business.

4 clear prioritisation criteria:

- Create value for our partners
- Play to our strengths
- Incur minimal incremental cost
- Make a healthy return on investment

Primary areas of focus:

- Network and connectivity including aggregation of supply
- Devices and applications
- Data and insights
- Customer Management

ESG Highlights

- All offices and sites switched to renewable electricity in Nov 2020 and to green gas in April 2020
- Removed all single-use plastic from packaging for FTTP routers (the only plastic is now the router itself). Now entirely cardboard, and will be used for all future product launches.
- Customers recycle their old router via a Royal Mail collection directly from their door. 56% of routers returned this way. We expect this to rise.
- Worked with the UN Framework Convention on Climate Change to draft a document which will be used at COP26 to highlight the best way of combatting carbon emissions in the industry.
- Commissioned a report into the green benefits of FTTP which highlights that there could be up to an 80% reduction in carbon emissions by switching from FTTC to FTTP.



Diversity and People

- TalkTalk ranked number 27 in the Top 50 Inclusive Companies in the UK 2020/21.
- Our TalkPride network has been shortlisted as one of the top 10 LGBT+ employee networks at the British LGBT awards for two years running.
- We are providing mentors from across the business to the University of Salford for Black Asian and minority ethnic students.
- We have become a Disability Committed Employer, ensuring all candidates who meet minimum criteria for our roles get a guaranteed interview.
- 45 young people recruited on the Kickstart program, many from the local area. Some already successfully applied for full time jobs at TalkTalk.
- Further 50-60 Kickstarters due to be taken on in our next cohort.



Summary

- Robust operational performance despite Covid-19.
- Public to private transaction completed.
- Plan to maximise potential of challenger positioning and competitive supply of higher bandwidth fibre products to grow volume, revenue and margins.
- Medium term outlook remains positive despite some near term headwinds.
- Modest base, revenue, EBITDA and net cash growth with stable capex and reducing leverage.



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Q&A

