Recent growth in business services has validated KPN’s strategy, which is focused on pervasive fiber, 5G and edge, growing its customer footprint, and simplifying its operating model.

**WHAT’S NEW**

- **October 2022:** KPN’s Q3 2022 results showed group-wide services revenue growth for the fifth consecutive quarter. Business service revenues grew for the second quarter in a row, mainly driven by strong growth in the SME segment, which has seen positive momentum for the last year.

- **October 2022:** KPN launched SASE KPN, a bundle of several security solutions and connectivity options, expanding on the recent introductions of SD-WAN Premium and Elastic Interconnect, which are part of KPN’s Secure Networking offering. KPN developed the security solutions within SASE KPN in partnership with Netskope.

- **August 2022:** KPN added SD-WAN Premium to its Secure Networking services. Partnering with VMware, the service enables unified management of corporate networks, providing detailed control over user groups, applications, and locations, enhancing security and compliance.

**GLOBALDATA COMPETITIVE INDEX**

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<th>Overall</th>
<th>Vision/Strategy</th>
<th>Momentum &amp; Stability</th>
<th>Innovation</th>
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<th>Go-to-Market</th>
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<td>Vulnerable</td>
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RATING UPDATE SUMMARY

Very Strong

Recent growth in business services has validated KPN’s strategy, which is focused on pervasive fiber, 5G and edge, growing its customer footprint, and simplifying its operating model.

PERSPECTIVE - ESSENTIAL ANALYSIS

Strengths

- **Customer Focus:** KPN has a sound reputation for customer focus, reflected in its strong emphasis on getting things right for specific customer segments. Business NPS was positive throughout 2021 rebounded to +4 in Q3 2022 after a small dip in Q2 2022.

- **Network Platform:** KPN’s dominant network coverage in the regions it serves provides a matchless platform for delivering digital services to the enterprise market. Its open approach allows KPN to insert itself in other digital ecosystems such as public cloud platforms as well as telco consortia.

- **Covering the Bases:** KPN hosts industry-standard platforms and technology such as Microsoft, Cisco, BroadSoft, and Mitel for cloud communications, Genesys for contact center, and Cisco and VMware for secure networking. It also provides secure access to third-party public clouds (AWS and Azure), to its own virtual private cloud, and to on-premises services, all integrated within KPN’s Cloud services offering. KPN also offers a Modern Workplace based on Microsoft 365.

- **Simplified Portfolio:** KPN succeeded in its goal of reducing the number of offers in its business portfolio by 50% by end-2021, and it continues to migrate business customers to its simplified, modular, and converged propositions that combine network, ICT (e.g., cloud and workspace), and security services.

Limitations

- **Small Base:** KPN is dedicated to focusing on its home market, the Netherlands, which is small, mature, and competitive, making revenue growth difficult. The corporate base especially is under pressure, but the company saw its business market revenue return to growth in Q2 2022.

- **Elephant(s) in the Room:** The local presence of hyperscale cloud providers AWS and Microsoft Azure in the Netherlands creates opportunities for KPN, but also represents a threat as the US giants continue to innovate in a broad range of increasingly easy-to-consume digital business solutions.

- **5G Conundrum:** KPN has an excellent story with its 5G business services, comprising three well-defined offerings, but the lack of 3.5 Ghz spectrum, which has yet to be auctioned, and the high performance of Dutch 4G/LTE networks are limiting adoption of 5G in the Netherlands in the short term.

- **Survival Instinct:** KPN’s focus has recently been on cost-cutting and generation of customer loyalty (both valid strategies), but with a mature market and growing inflation, KPN must execute on cross-selling and upselling via its converged propositions for SMEs and large enterprises while delivering on rising quality-of-service expectations to maintain a positive NPS.
CATEGOR Y RATINGS AND JUSTIFICATION

Vision/Strategy

Rating: Very Strong

• KPN aims to “connect everyone in the Netherlands to a sustainable future.” Its vision is to make the Netherlands the most connected country in the world. In November 2020, it presented its Accelerate to Grow strategy update, putting an increased focus on expanding both the network and customer footprint, while streamlining internally.

• In the enterprise space, KPN has pursued a converged, simplified product portfolio; transformation of the operating platform; and lean and digital operations. By connecting its existing network and platform engines to Microsoft and other third-party platforms, it can position itself to sell more cloud and network-enabled services. Having reduced its B2B portfolio, and by providing converged propositions for both SME and large & corporate enterprise customers, it has been able to innovate more quickly and strengthen partner relationships.

• KPN restructured its business division to achieve stronger customer focus and increased standardization, prioritizing value over volume with fewer, but stickier offerings. As part of its streamlining efforts, it accelerated the integration of its networking, cloud, IT, and security acquisitions made in recent years.

Momentum & Stability

Rating: Strong

• KPN met its target to grow mass-market service revenues by year-end 2021 through a strengthened and stable-to-growing customer footprint. KPN’s Q3 2022 adjusted group revenues grew 1.9% year-on-year (YoY), supported by increased sales in both consumer and business markets, where SMEs especially have impacted the top line. Adjusted Business revenues increased 4.4% YoY in Q3 2022. Over the first nine months of 2022, adjusted group revenues grew 1.6%.

• Like other companies, KPN is challenged by the dark clouds of global inflation and the prospect of recession in Europe, with increasing costs leading to increased prices, introducing additional risk to its current momentum. So far, however, the company has achieved strong growth in EBITDA AL in 2022 (+1.8% in Q3 2022 and +2.5% year-to-date).

• KPN maintains strong positions in cash, debt, and cash flow, and it remains well funded with ample liquidity to cover debt maturities for the coming years. CapEx was down by -7.8% year-to-date at the end of Q3 2022 (+1.5% YoY Q3 2022) due to the timing of investment projects, despite plans to maintain investment at over EUR1 billion annually.

Innovation

Rating: Very Strong

• KPN is now focused on six areas for innovation: digital service aggregation, cybersecurity for all, converged hybrid working, secure data exchanges, mission and business-critical platforms, and network platform-as-a-service. In most of these areas, KPN has demonstrated some innovation already (e.g., SASE KPN, 5G Application Priority, KPN Health Exchange, and Data Services Hub).

• KPN’s 5G strategy for business customers is based on mission-critical communications, in effect delivering ‘private over public’ network solutions based on business value. Its innovative Coverage on Demand, Application Prioritization, and Guaranteed Bandwidth offerings for both SME and large enterprise customers represent a compelling approach to enterprise 5G.
KPN has several dedicated business units to explore new business opportunities (e.g., IoT, 5G, data services, etc.) and for enhanced innovation. Its venture capital investment arm, KPN Ventures, invests in promising startups and scale-ups to accelerate the development of ideas, products, and applications.

**Product Portfolio**

**Rating : Very Strong**

- By end-2021, KPN had reduced its business product portfolio by more than 50% since 2019. KPN now provides business customers simplified, modular, and converged propositions that combine network, ICT (e.g., cloud and workspace), and security services. By Q2 2022, approximately 100% of eligible SME and 87% of eligible large and corporate enterprises had been migrated from traditional fixed voice and legacy broadband services.

- KPN’s business mobile portfolio includes its private over public 5G services for guaranteeing coverage, bandwidth, or application priority, as well as its KPN Things modular IoT portfolio. Fixed access and connectivity services include fiber (available to 46% of the Netherlands in Q3 2022, expanding to approximately 80% by 2026), XG-PON, and secure internet, along with mobile backup.

- Within Secure Networking, KPN combines services such as internet, VPN, SD-WAN, SD-LAN, and network security. Key recent introductions include a centralized firewall, Elastic Interconnect (interconnectivity solution based on KPN’s internet exchange), SD-WAN Premium (based on VMware), and Secure Connect (network-based solution for secure hybrid working). KPN has also developed solutions for converged B2B/B2C use cases in support of providing secure and guaranteed business services at home. KPN partners with Cisco Meraki and VMware on SD-WAN.

- In the cloud and workplace domain, KPN offers a variety of workplace, public, and private cloud solutions. Key introductions are Business Ready Cloud, Managed Oxygen, and a Modular Workplace offering. KPN CloudNL has been relaunched as a sovereign cloud offer. For Cloud Communications, KPN offers various solutions based on Cisco, Microsoft, Mitel, and Genesys.

**Go-to-Market**

**Rating : Very Strong**

- KPN’s go-to-market strategy is based on modular and converged segment-specific propositions. For SOHO customers, KPN offers KPN Small Business, combining internet, fixed voice, mobile, and television. For SMEs, KPN provides KPN EEN MKB, a converged offering of internet, fixed voice, mobile, television, security, cloud, and workspace services.

- For large and corporate enterprises, KPN provides KPN Smart Combinations, including secure networking (e.g., internet, VPN, SD-WAN, SD-LAN, and network security), cloud communications (e.g., mobile, VoIP, UC, and contact center), and cloud and workplace (e.g., modern workplace, private cloud, public cloud).

- For its top 100 customers, KPN offers tailored solutions with the Smart Integration of all its portfolio components at scale. This can include co-innovation with customers as well as managing third-party services as required, with KPN taking care of operational IT processes and supplier management. KPN currently provides two levels of integration: fundamental and advanced.
Service & Support

Rating: Very Strong

- KPN’s customer service provides a single interface to business customers; its customer service model includes a 24x7 service desk, a self-service portal, a management portal, and a dedicated service manager. Its Smart Integration proposition provides modular support for large business and corporate customers with multiple IT stacks in place, enabling simplified integration of both KPN and third-party services.

- KPN’s portfolio transformation program has eliminated many legacy business products and services, but it has also led to a (mostly) consistent positive NPS score, a strong indicator of improving customer satisfaction. KPN claims to have a market-leading NPS in the Netherlands, leveraging work put in via customer experience labs and co-creation programs. A temporary dip in reported NPS in Q2 2022 was mainly attributed to the general difficult economic environment. In Q3 2022, KPN reported a B2B NPS of +4, driven by customer centricity and reliability of products and services.

Segment Ratings

<table>
<thead>
<tr>
<th>Market</th>
<th>Perspective</th>
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</thead>
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<tr>
<td>Business Network and IT Services - Europe Region</td>
<td>Very Strong</td>
</tr>
<tr>
<td>Collaboration and Communications</td>
<td>Very Strong</td>
</tr>
<tr>
<td>Data Center and Cloud Services</td>
<td>Strong</td>
</tr>
<tr>
<td>Mobility</td>
<td>Very Strong</td>
</tr>
<tr>
<td>Network Access and VPNs</td>
<td>Very Strong</td>
</tr>
<tr>
<td>Security</td>
<td>Competitive</td>
</tr>
</tbody>
</table>

THREATS AND BARRIERS

- **GTM Adjustment:** With the comprehensive simplification of the business services portfolio significantly reducing the number of products, KPN’s salesforce had to retrain around the new core bundles and learn to sell based on value as opposed to volume. While the new marketing messaging around business outcomes (increased client interaction, employee productivity, and organizational performance) are clever, there is no next step where specific outcomes are tied to service contracts.

- **Domestic Rivalry:** KPN’s rightsizing has left it more fit to compete domestically, but it still needs to overcome the challenge of declining sales in mature product segments. VodafoneZiggo is a serious threat to its consumer business, and KPN can’t afford to ignore its potential to attract enterprise and international business customers.

- **Geopolitics and Recession:** Even though it is focusing solely on the Dutch market, KPN operates in a global ecosystem, which has been challenged over recent years by pandemics, shortages, and a supply-chain crisis, as well as a war in Europe— all of which have impacted costs and time-to-market. Most economists are predicting recession in Europe, while KPN is already dealing with high inflation in its cost base and the need to raise prices.
SUSTAINABILITY

- **Environmental**: KPN has a AAA sustainability rating in the MSCI World Communication Services Index. By 2025, it aims to reach near to zero waste to achieve 100% circular operations and aims to have 15 circular products specified by end-2022. By 2030, its goal is to have reduced Scope 3 emissions by -30% compared to 2014, and energy consumption by -55% compared to 2010. By 2040 within the entire group, KPN has set its sustainability ambitions to ‘net-zero’ emissions.

- **Social**: KPN reached more than 30% gender diversity at board level in 2020 and aims to reach the same percentage for all senior management by 2023.

- **Governance**: KPN has instituted a code of conduct for its supply chain with a focus on circular economy. Suppliers need to comply or have their own equivalent policies around recycling, consumption, design, production, and distribution.

RECOMMENDED ACTIONS

Vendor

- **National Champion**: KPN is now focused almost entirely on its domestic market. With its main competitors for the enterprise market being VodafoneZiggo (SME, large enterprise, and corporate) and the recently spun-off T-Mobile (SME, large enterprise), KPN has the opportunity to position itself as a national digitization champion and exploit its ‘Dutchness,’ together with its resonant messages on ESG.

- **Edge Opportunity**: KPN should partner with cloud infrastructure and platform providers to leverage its unique position in the Netherlands to deliver highly distributed edge computing in support of 5G-enabled IoT applications, even via the public network.

- **Business Continuity**: KPN should keep security at the forefront of its customer messaging. It should continue to emphasize its investment in security solutions across the portfolio, including secure networking and advanced cybersecurity, to promote KPN’s value to clients in support of business continuity and resiliency.

COMPETITORS

- **Exploit Restructuring**: As KPN completes rationalization of the many significant changes it has undertaken (divesting international and consulting units, integrating various acquisitions and subsidiaries, and reducing its B2B product portfolio), competitors could exploit any missteps in its execution across both sales and delivery.

- **Attack Weakness**: International carriers should continue to target KPN’s MNC and enterprise customers with packaged deals and leverage access to KPN’s network to target SME and SOHO customers via resellers. Global players should also look to target the largest and most sophisticated Dutch enterprises with their enhanced security, cloud, and professional services capabilities.

- **Private Seller**: Competitors with and without spectrum can position private network (4G/5G) solutions for campus locations and Industry 4.0 use cases as a sound alternative to KPN’s shared 5G network strategy. While KPN’s approach, which takes advantage of local market characteristics, may prove successful, private networks with dedicated resources have momentum so far in mindshare and can be positioned as especially secure, stable, and capable of very low latency in support of real-time applications.
BUYERS

• **Full-House Offer:** KPN offers the industry’s broadest range of ICT services to enable the digital transformation of Dutch businesses, and its modular and converged propositions (e.g., KPN EEN MKB, KPN Smart Combinations, etc.) that combine network, ICT, and security services should make it easy and efficient to consume.

• **At Your Service:** KPN has not always had the best brand for customer service and experience, but Dutch businesses should pay attention to the telco’s achievements in NPS within its business division. The trend has been positive over recent years, setting new records in Q3 2021 (+3 compared to -1 in Q3 2020) and Q4 2021 (+4).

• **Socially Responsible:** KPN has a strong reputation for being socially responsible; the growing number of customers who regard ESG as a key buying criterion should consider KPN.

COMPANY DETAILS

Company Snapshot

<table>
<thead>
<tr>
<th>Revenue</th>
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<tbody>
<tr>
<td></td>
<td>KPN’s Q3 2022 group revenues were EUR1.337 billion (Q3 2021: EUR1.311 billion), up 1.9% YoY. Adjusted EBITDA AL increased by +1.8% to EUR618 billion (Q3 2021: EUR607 billion).</td>
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<tr>
<td></td>
<td>Adjusted B2B revenues in Q3 2022 amounted to EUR447 million, up 4.4% YoY (Q3 2021: EUR428 million).</td>
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<td></td>
<td>Q3 2022 B2B service revenue by customer segment was: SME EUR151 million (+9.3% YoY); large corporate/enterprise EUR194 million (-0.4% YoY); tailored solutions (strategic clients) EUR71 million (+2.1% YoY).</td>
</tr>
</tbody>
</table>

| Employees | 9,699 (year-end 2021) |

| HQ | Rotterdam (the Netherlands) |

| Market strengths/solutions | Fixed and mobile access; voice and data products; international access to Central/Eastern Europe and Latin America via Telekom Austria and América Móvil, and via BT elsewhere. ADSL, ADSL2+, VDSL, FTTH, Ethernet, IP/MPLS, SD-WAN, data center and cloud services, workspace services, managed/hosted services, and security services; mobile voice, data, and WAN; unified communications and collaboration; and FMC and IoT/M2M. KPN (group) claims leading market shares in broadband and mobile services. |
NETWORK DESCRIPTION

Fixed/Wireline Network
Copper legacy being phased out (1,300 central offices, 31,000 street cabinets, ~8.5 million copper lines) by next-gen network with four core locations, 161 metro core locations, ~89% FTTS, and ~33% FTTH, with the goal of nationwide fiber coverage. Fiber coverage will be over 50% in 2023 and about 65% in 2025. KPN and ‘Glaspoort’ expect to jointly reach approximately 80% of Dutch households by the end of 2026. International reach through MSA with GTT after the acquisition by the latter of KPN International. Also via partnership with ngena. Core backbone and core capacity- National: 10/40/100 Gbps; International: 10 Gbps. Architectures/technologies in network: IP VPN offers native Ethernet LAN/WAN connectivity, SDH, IPLC, IP transit, and wavelengths. Access technologies: VDSL2, VDSL2 pair bonding, vectoring, bonded vectoring, VPLUS, FTTH, FTTO; next upgrades- bonded VPLUS (copper), NG.PON (fiber). CapEx spend: Approximately EUR1.2 billion planned for 2022, with more than EUR8 billion invested in 2015-2021. Vendors deployed: Nokia (SDH, IMS); Huawei (optical core); Juniper (L2/L3 core); Cisco (L3 CPE); Adva (L2 CPE); Ipanema (WAN optimization)

Mobile/Wireless Network
Wireless technology: GSM/GPRS/LTE/LTE-A/LTE-M/LoRaWAN (Netherlands only) coverage by 3G/4G networks; 5G launch in July 2020 covered five cities and half the population, with continued rollouts promising national coverage by 2022. Countries: Netherlands Metros: N/A Spectrum holdings (Netherlands): 174.6 MHz (800MHz ñ 2x10MHz; 900MHz ñ 2x10MHz; 1800MHz ñ 2x20MHz; 1900 MHz ñ 5MHz; 2100MHz ñ 2x14.8 MHz, 2x5MHz; 2600MHz ñ 30MHz; 2600MHz ñ 2x10MHz) Recent cell tower additions/disposals: N/A Vendors deployed: Huawei, Nokia

Data Centers
The Netherlands: Amsterdam, Arnhem, and Rotterdam

KEY RECENT ANNOUNCEMENTS AND DISCLOSED STRATEGIC PLANS

<table>
<thead>
<tr>
<th>Date</th>
<th>Data</th>
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<tbody>
<tr>
<td>October 2022</td>
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<td>August 2022</td>
<td>KPN added SD-WAN Premium (in collaboration with VMware) to its Secure Networking services portfolio.</td>
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<tr>
<td>June 2022</td>
<td>KPN introduced Elastic Interconnect, providing real-time insight and control over traffic flows inside and outside of the business network.</td>
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<tr>
<td>February 2022</td>
<td>KPN Ventures invested in two startups focused on digital security (Censornet) and hybrid working (Lendis).</td>
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<tr>
<td>June 2021</td>
<td>KPN and APG announced Glaspoort: a new fiber joint venture, which will begin its operations immediately. In the next five years, the new company has a plan to invest EUR1 billion ($1.2 billion) in the fiber rollout and to connect around 750,000 households and 225,000 businesses.</td>
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<td>Date</td>
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<tr>
<td>January 2021</td>
<td>KPN announced that three fiber-optic networks had been transferred to it from Digitale Stad (Digital City).</td>
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