



Mid-year update 2023/4



The six months to 30 September, 2023, have seen considerable progress for KCOM as it has continued to focus on its development as a leading regional provider of voice, IT solutions and full fibre broadband to its growing retail and wholesale customer bases.

Set against a backdrop of economic uncertainty, including recovery from the pandemic, issues with global energy supplies and the cost of living crisis, our strategic approach to establishing KCOM as a leading regional broadband provider has proven to be the right choice, focussing on prudent and pragmatic investment in our business and expansion activities.

The national landscape has increased KCOM's resolve to support its customers through these challenging times while providing excellent service and a world class broadband network, backed by locally based engineering and customer service teams.

Our One Network migration programme, migrating voice customers from legacy copper wires to full fibre VOIP, has ramped up considerably during the year. Arguably the biggest infrastructure project in KCOM's 119 year history, this £17m, two-year programme aims to switch off the legacy copper PSTN network by 2025. Retiring the copper network and focusing on a single fibre network will allow KCOM to make considerable cost savings while also setting us on the right course to achieving our energy saving and Net Zero ambitions. Upgrading from copper to fibre will enable KCOM to reduce our electricity usage by 35%. This will immediately cut KCOM's carbon emissions by a quarter. We're well on the road to achieving this and have so far migrated around 20,000 premises from copper landlines to fibre; engaging with the community along the way and making sure no vulnerable customers are left behind.

This approach to engaging with local people was recognised recently at the 2023 ISPA Awards where KCOM won the Best Integrated Communications Campaign category for raising awareness of its One Network activities. KCOM was also a finalist in the Best Consumer Internet Service Provider category.

Earlier this year we launched our commitment to become a carbon neutral company by 2040. This is ten years ahead of the UK Government's national target.



As a major employer in our region, it's important that we take a lead on this issue and do what we can to show we're serious about reaching Net Zero and combatting global warming. To reach this ambitious target we announced a range of actions to help us on our Net Zero journey. These include expanding our fleet of Net Zero vehicles, partnering with urban mining specialist N2S to reclaim rare earth metals from old exchange equipment and installing solar panels at our offices.

We have also partnered with Yorkshire-based family business Make It Wild, which will offset 1,500 tonnes of Carbon Dioxide equivalent (CO₂e) greenhouse gases by planting trees in Make it Wild's Yorkshire nature reserves.

Our leadership team has been strengthened this year with Carrie Hutchison joining us as Chief Financial Officer. Carrie joined KCOM as CFO in January 2023, bringing with her a wealth of experience delivering major transformational programmes across a wide range of customer focused sectors in regulated and private equity backed businesses.

We have also continued to invest in our people, recruiting in many areas especially in customer service and engineering, as well as in new HR and IT systems to support operating performance improvement and employee experience across all areas of our business.



Network expansion and upgrade

The expansion of our full fibre broadband network has progressed as planned with the help of our own Internal Construction Teams. The latest phase of our expansion has seen us connect rural communities such as East Cottingham in East Yorkshire and Wrawby and Gunness in North Lincolnshire to our full fibre network.

We are also successfully progressing our announced £10m programme to upgrade 14,000 properties in East Yorkshire currently without full fibre in communities such as Cherry Burton, Brandesburton, Hutton Cranswick and Leven. The next communities to be upgraded to full fibre in the coming months include South Cave, North Cave, Gilberdyke, Newport, Sancton, Newbald and Keyingham.

This is running concurrently alongside a £10m long term upgrade of the existing fibre network to enable download speeds of 10Gbps.

Wholesale capability

The Wholesale team continues to focus on investing in systems capabilities and improving the wholesale customer experience and reducing manual involvement in provisioning and managing service.

The team has increased focus on continuing to build strong relationships with our larger customers to explore how we can further improve services and deliver the high level tailored support they need.

Our drive to improve customer experience has helped increase the number of wholesale partners using our network to grow and we now regularly work with 160 CPs.

Despite increased competition from new altnet entering the market, we remain well prepared to face such challenges with our differentiating focus on delivering high quality customer services alongside being a trusted provider embedded within the local community.





Retail performance

2023 has been pivotal in our shift towards starting to drive customer experience as the key differentiator in a growing competitive market, and why customers would choose KCOM. The Retail business has continued to achieve significant growth in the year-to-date, with sales in Hull and East Yorkshire increasing 4% year-on-year.

We have invested in our customer service experience by recruiting more agents and investing in the digitalisation of the customer journey. This paves the way for the imminent launch of our new My KCOM progressive web app, designed for our Retail customers who want to manage their accounts and services through online digital channels.

Our pricing strategy continues to be sympathetic to the cost of living crisis which has had a significant impact on our region, supporting our customers wherever possible. Over the last couple of years we have opted not to raise our prices in step with CPI+3.9% to support our customers whilst continuing to ensure strong customer revenue growth is delivered.

A major focus across all our customer care teams this year has been on training and ensuring we're ready to get the most benefit from our new ICS systems which are benefitting our customers, reducing waiting times and helping to provide a single visit problem resolution.

KCOM has continued to promote and encourage sign up for its well-subscribed social access package, Flex, that gives full fibre connectivity to customers on Universal Credit and a range of other state benefits.

ESG focus

We remain committed to our pledge to becoming a responsible and sustainable business. Alongside our announcement to become a Net Zero business by 2040, as detailed above, in the first half of the year our activities have focussed on reducing energy consumption within our operations.

We have achieved this through retirement of legacy platforms and infrastructure in engineering, the outcome being the closure of several systems and the migration of customer services to new infrastructure. Examples are the closure of legacy ISDX, CS1K, ADVA and Avaya systems.

In addition, we have consolidated our ongoing platforms to maximise the benefits of capacity management, enabling the removal of cards associated with DWS, FBX, Milegate systems and System X.

We have also worked on the virtualisation of corporate IT infrastructure, enabling the removal of several internal corporate servers from our own data centre. This combined effort has reduced our energy consumption by 4.5% year-on-year, or 65 tonnes of carbon dioxide equivalent (CO₂e), with an expectation of further reductions in H2.

In the latest submission, we achieved a GRESB score of 87, which is higher than the GRESB average of 85. We continually review and seek to improve all elements of our performance against the framework.



Community

In the past six months, KCOM's engagement with the community has continued to deliver strong support for local charities and groups helping to improve life for people across our region.

This has been through both financial support in the form of community grants and also through KCOM employee volunteering hours and delivering support in kind.

Between April and September, KCOM employees donated a total of 347 volunteering hours and 150 hours working with schools and colleges. Our Learning Zone, situated in our Carr Lane offices, re-opened for a new term and is set to welcome more than 1,000 students during this academic year.

KCOM has delivered various workshops and talks within schools and colleges helping to broaden horizons and encourage students to consider a career in STEM. We have attended Humber STEM Day to provide an educational activity for 100 students and also provided engaging activities at a UK Space Agency STEM event in Hull, welcoming 1,000s of visitors.

As part of our Official Community Partner status with Hull City AFC, we have given away more than 3,000 tickets to Hull City matches to local schools, colleges, charities, and community organisations. KCOM employees also delivered coding workshops at the MKM Stadium for children working with the Peel Project for disadvantaged communities.



Our Community Grants continue to be popular. Our September round of grants supported two Hull charities, a community centre in Bridlington and a group in Hull which will provide more than 400 lunches for children in need during school holidays.

This year we have launched the KCOM Foundation, pledging to invest in digital inclusion schemes in the local area.

This will enable KCOM to expand on its digital inclusion schemes that it already operates in local communities. These include digital training sessions in schools and community centres, installing open access Wi-Fi in public buildings and investing in local infrastructure – such as connecting community and rural hubs to fibre broadband such as in the rural communities of Epworth and East Cottingwirth.

In addition, KCOM will continue to promote and encourage sign up for its well-subscribed Flex package that gives full fibre connectivity to those that previously couldn't afford it

For employees, the past six months have seen our newly launched Inclusion Team go from strength to strength, holding themed weeks and events to reflect the diverse nature of KCOM employees and to make everyone feel welcome within the business.

The company continues to hold Lunch & Learn sessions giving colleagues insights into other areas of the business.



Looking ahead

After continued change in the business the leadership team remains committed to building a strong, forward focused business ready to face future challenges in a rapidly evolving market.

2024 represents a significant opportunity for KCOM as it celebrates its 120th anniversary. This will give the company the chance to talk about KCOM's strong history and heritage within the region, while also highlighting its constantly pioneering outlook and ability to innovate and remain at the forefront of developments within the industry.

