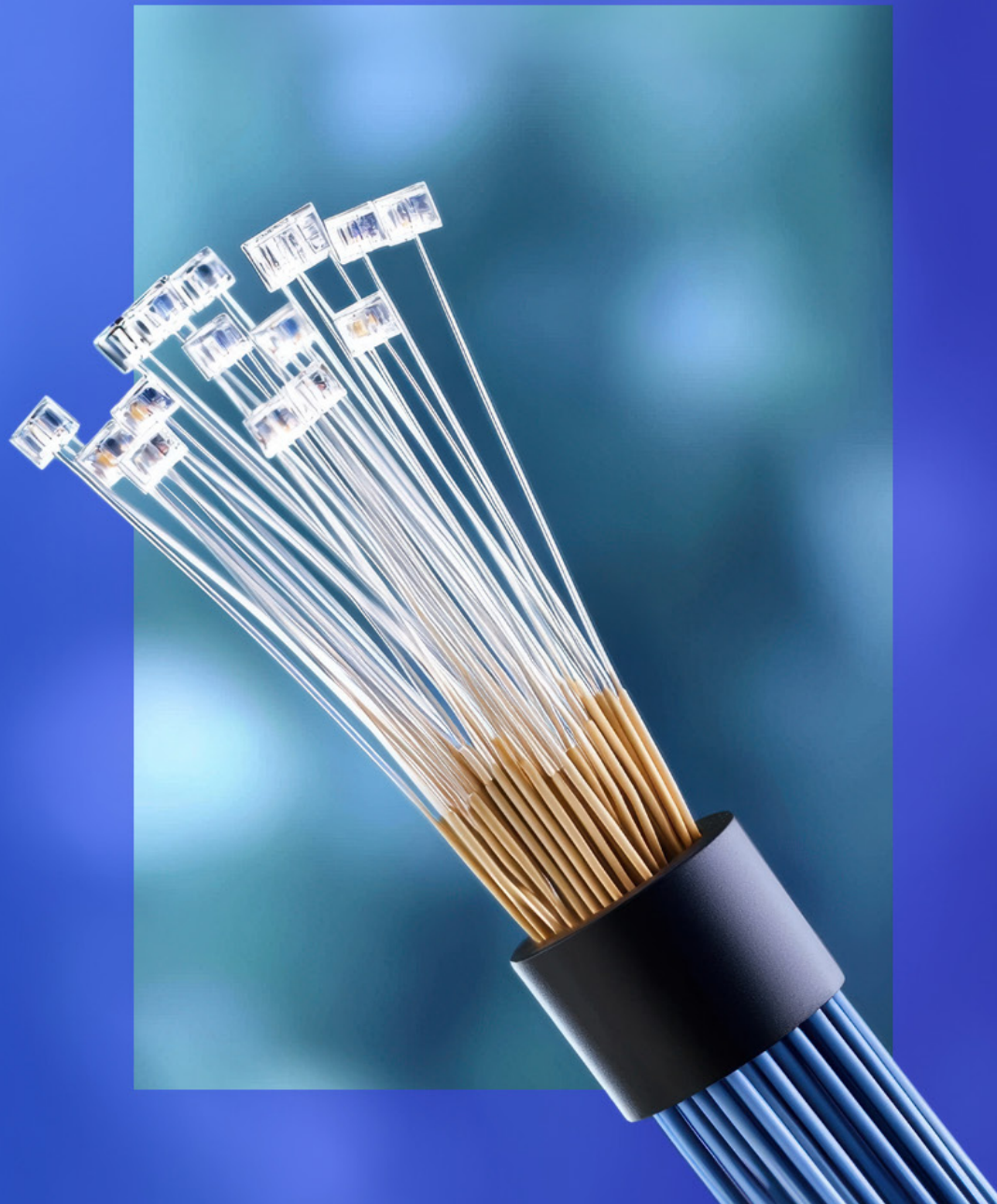


Home stretch for UK Fibre: Navigating the Consolidation Wave



June 2025

Table of content

01

Summary of Key Takeaways

02

Introduction: From Fibre Boom to Consolidation Crunch

03

The Fibre Build-Out: Incumbents vs. Altnets Scorecard

04

Funding Freeze and the Pivot to Profitability

05

Consolidation: The New Frenzy in Fibre

06

Lessons from Europe: A Roadmap for the UK

07

Outlook and Strategic Implications

08

Conclusion

Summary of Key Takeaways

Full-fibre build-out nears maturity:

Britain's rollout of full-fibre broadband is approaching its endgame, with nearly 70% of homes covered by late 2024¹. The two incumbents – Openreach (BT's network arm) and Virgin Media O2 (via its **nexfibre** joint venture) – account for most of this coverage, but dozens of smaller **"altnet"** operators have also laid millions of fibre lines. This rapid build-out has often overlapped, with multiple networks in the same areas vying for customers, leading to fierce competition.

Shift from expansion to sales:

Having laid the cables, the industry's focus has shifted to signing up customers. Openreach has converted about one-third of its fibre footprint into active subscribers (around 6 million lines, ~35% uptake)². All the alternative networks combined, however, have only roughly 2.2 million customers (averaging just ~13% uptake). The challenge now is to turn all that capacity into revenue – a race for **commercialisation** as altnets scramble to boost take-up before their cash runs out.

Funding drought pressures altnets:

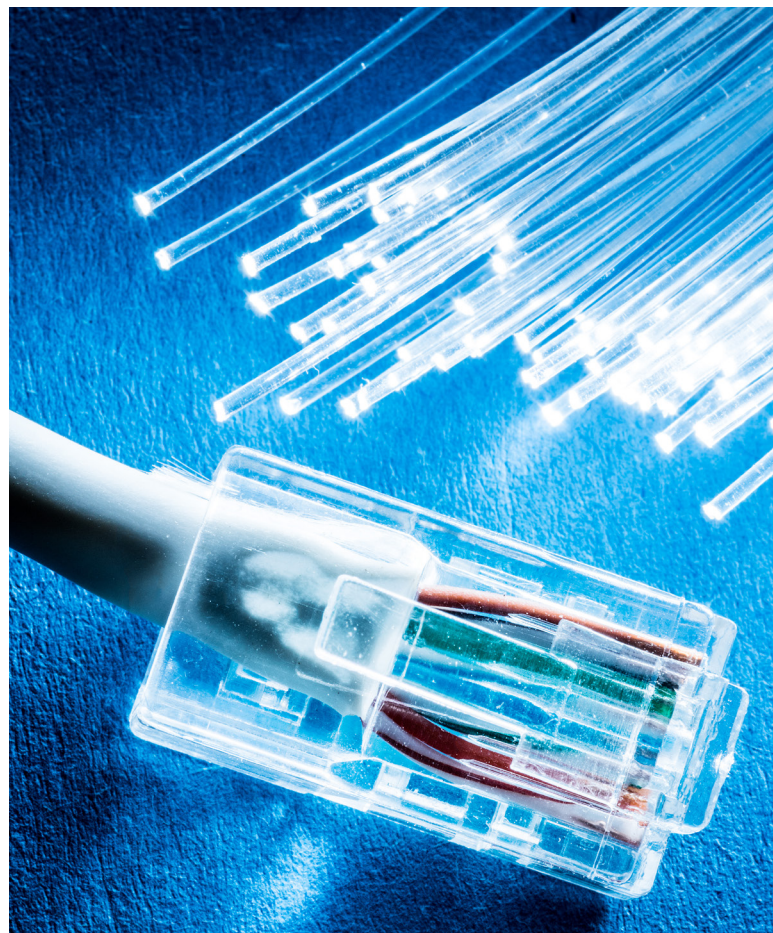
After a flood of investment in 2020–22, financing for new fibre ventures has largely dried up. In early 2025 only a single small funding round (~£6 million for one rural provider) closed, as rising interest rates and wary investors put the brakes on fresh capital. Many altnets have responded by halting expansion, cutting costs, and focusing on survival. A handful of the largest players (like CityFibre and Community Fibre) managed to reach EBITDA breakeven in 2024, but true cash-flow profitability remains distant for most, given high debt costs and still-low customer volumes.

Consolidation wave begins:

A wave of mergers and acquisitions is now sweeping the UK fibre sector as weaker or sub-scale operators seek lifelines. Recent deals include the merger of altnets **Zzoomm** and **FullFibre** (creating a combined network of ~600,000 premises and 65,000 customers³), the tie-up of **Netomnia** and **brsk** to form a larger third-network challenger⁴, the sale of regional provider Trooli to new investors, and Virgin Media O2's acquisition of smaller rival **Upp** (an East of England fibre builder). Even CityFibre – the biggest independent fibre platform – has begun snapping up peers (for example, taking over Lit Fibre in late 2024 via an equity swap). More such combinations are expected as backers push altnets to combine rather than risk failure.

Major players reposition for dominance:

Larger fibre players with deep-pocketed owners are positioning themselves to dominate the post-shakeout market. CityFibre is reportedly seeking another **£500 million** in equity funding to fuel further expansion and takeovers, bolstered by a new wholesale deal with Sky that commits it to reaching 8 million premises⁵. Netomnia (and its retail arm brsk) is building at an annual rate of around 1.2 million premises – rivaling the incumbents' pace – as it aspires to be a **third national network**. Meanwhile, infrastructure investors are merging the altnets in their portfolios for efficiency (for example, Fern Trading is consolidating its ventures Giganet, Swish Fibre, Jurassic Fibre and AllPoints into one group⁶). Nonetheless, some smaller firms have already gone bust, with their networks auctioned off at pennies on the pound. The industry is shifting from a frantic fibre "land grab" to a battle over **scale and sustainable economics**.



Sources: (1) [Full-fibre broadband reaches nearly 7 in 10 homes - Ofcom](#)
(2) [Openreach achieves record build quarter - Fibre Provider](#)
(3) [FullFibre and Zzoomm to merge in latest UK altnet consolidation - DCD](#)
(4) [Altnets Netomnia, brsk announce merger | Computer Weekly](#)
(5) [CityFibre Begin UK Fibre Broadband Consolidation with Lit Fibre Buy UPDATE4 - ISPreview UK](#)
(6) [Fern Consolidates UK ISPs Jurassic Fibre, Swish Fibre, Giganet and AllPoints Fibre UPDATE2 - ISPreview UK](#)

Introduction: From Fibre Boom to Consolidation Crunch

Not long ago, the UK's fibre broadband market was in an explosive growth phase. Spurred by government gigabit-speed targets and generous investor funding, dozens of alternative network providers sprang up to lay fibre-optic cables across the country. By mid-2023, there were roughly 100 such **altnets** (alternative network operators) in operation, collectively extending high-speed fibre to millions of premises that the incumbents had yet to reach. This frenzy delivered rapid results: by the summer of 2023, just over half of UK premises (~52%) had access to full-fibre broadband, and by late 2024 availability had surged to 69% – some **20.7 million** homes⁷. The two big players – Openreach (part of BT) and Virgin Media O2 – also accelerated their own rollouts in response, each targeting around 25 million UK premises by the end of the decade.

However, the rush to build came at a cost. **Overbuild** – multiple fibre networks overlapping in the same locations – became common in lucrative towns and suburbs. In street after street, three or four operators dug trenches and strung cables, each hoping to lock in local customers first. The result has been intensified competition and a fragmented patchwork of networks, many of which remain **under-utilised**. Despite all the new fibre in the ground, winning customers has proven much harder than digging trenches. In late 2024, BT's Openreach and Virgin Media O2 together lost a record number of broadband subscribers (over 200,000 in a single quarter) to the altnets – yet that translated to only about 3% annualised growth on the incumbents' huge base, a modest inroad overall. In other words, millions of shiny new fibre lines are still awaiting customers.

At the same time, financial pressures that began building in 2023 have reached a boiling point. Rising interest rates and jittery capital markets have made debt expensive and equity scarce for these fibre start-ups. Many smaller altnets that once thrived on cheap capital are now **cash-constrained** – some have drastically slowed their build programmes, cut staff, or shelved expansion plans. The industry narrative has flipped: after a period of “**build it and they will come,**” the new mantra is “**build less, sell more.**” As of early 2025, the focus is firmly on consolidating existing networks and signing up customers, rather than expanding coverage at any cost.



Notes: (a) FTTP stands for fibre-to-the-premises

Sources: (7) [Full-fibre broadband reaches nearly 7 in 10 homes - Ofcom](#)

The Fibre Build-Out: Incumbents vs. Altnets Scorecard

Despite recent turbulence, the UK's fibre rollout has been a qualified success in terms of sheer coverage. Openreach – by far the largest network – is still full steam ahead on construction. In the final quarter of 2024, it set a record by upgrading over 1.1 million premises to fibre and adding nearly 0.47 million new fibre customers in three months². Openreach's full-fibre network now passes about **17 million premises**, and it counts roughly **6 million FTTP^a** subscribers on that network – achieving ~35% take-up. BT's goal of reaching 25 million premises by end-2026 looks within reach, although migrating the remaining holdouts from old copper lines will be an ongoing challenge.

Virgin Media O2 (together with its **nexfibre** joint venture) is following at a somewhat more modest pace. By incorporating the recently acquired **Upp** network and new builds, VMO2 added roughly 1.3 million full-fibre premises in 2024, bringing its pure fibre coverage to **~6.4 million premises** (out of ~17.8 million total across its hybrid fibre-cable network). The rest of Virgin's footprint still relies on upgraded cable (DOCSIS) rather than fibre, but those lines can deliver gigabit speeds too. Virgin's broadband customer base (~5.6 million) has been flat or inching down, reflecting a saturated market and inroads by altnets in some areas. Still, as an incumbent with a large existing customer pool and deep-pocketed owners, VMO2 has options that smaller players lack – notably, it's one of the few that can afford to **acquire** rivals for cash (as seen in its purchase of Upp, reportedly for just under £100 million⁸).

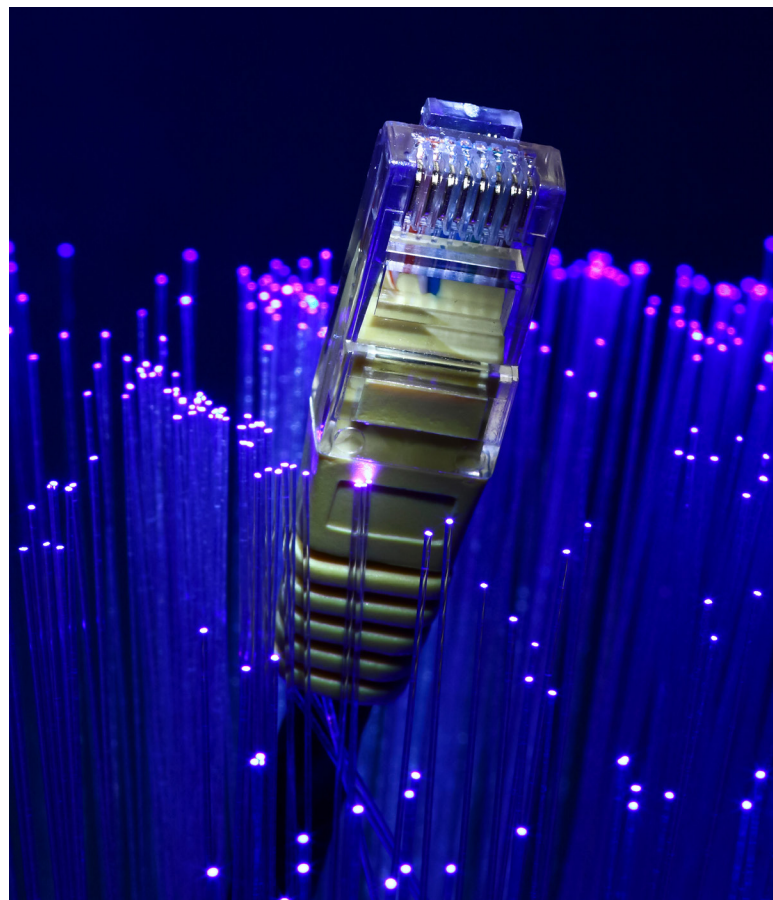
By contrast, the **altnet** sector – while collectively covering territory on par with Openreach – is fragmented among many operators. Industry data suggest that all the alternative providers combined have built fibre past roughly **16–17 million** premises as of early 2025⁹, a similar scale of footprint to Openreach. But on the commercial front they have only about **2.2 million** customers between them, implying an average uptake of perhaps 13–14% – far below Openreach's ~35% uptake. Even allowing that Openreach had a head start, it underlines the altnets' core challenge: they've been building networks faster than they can sign up people to use them.

Among the altnets, a few **frontrunners** stand out (Table 1). **CityFibre** is the largest independent player, with an estimated **4.3 million** premises passed across dozens of cities. It operates mainly as a wholesaler – leasing access to consumer ISPs like Vodafone, TalkTalk, and Sky – and has amassed about **518,000** customers via

those partners by Q1 2025, making it the biggest altnet by active users as well.² **Hyperoptic**, which focuses on dense urban apartments, has around **340,000** customers on a footprint of roughly 1 million city premises, giving it a healthy take-up rate in the buildings it serves.

Community Fibre, concentrated in London, expanded from about 100k customers to **310,000** within a year by shifting aggressively from construction to sales; after approaching ~600k premises passed, it paused new building in late 2024 to concentrate on hooking up more Londoners. **Netomnia**, together with its sister retail ISP **brsk**, has quickly risen into the top tier as well – the combined entity claims an annualised build rate of 1.2 million premises and roughly **253,000** customers to date, and it aspires to be the “third national network” behind Openreach and VMO2.

Other notable altnets include **Gigaclear** (a rural specialist with ~130,000 customers) and **Fibrus** in Northern Ireland (~110,000 customers). Yet beyond the top five or six players, most of the remaining altnets have fewer than 100k subscribers and operate in only a handful of locales.



Notes: (a) FTTP stands for fibre-to-the-premises

Sources: (2) [Openreach achieves record build quarter - Fibre Provider](#)

(8) [Virgin Media O2 to snap up Russian oligarch-backed broadband firm | Mergers and acquisitions | The Guardian](#)

(9) [Comms Dealer - Digging into the altnets](#)

The Fibre Build-Out: Incumbents vs. Altnets Scorecard

Table 1: UK Fibre Networks (approx. Q4 2024) – Premises Passed vs. Subscribers

Network	Premises Passed (FTTP)	FTTP Subscribers	Uptake (take-up rate)
Openreach (BT)	~17.0 million ²	~6.0 million ²	~35%
Virgin Media O2 (FTTP only)	~6.4 million	(included in ~5.6 m total broadband)	n/a (hybrid network)
All Altnets (combined)	~16.3 million ⁹	~2.2 million	~13–14%
CityFibre	~4.3 million	518,000	~12% (wholesale model)
Hyperoptic	~1 million (urban apartments)	340,000	~34% (within covered buildings)
Community Fibre	~600,000 (London)	310,000	~21% (and rising)
Netomnia/brsk	~500,000 (various regions)	253,000	~50% (in active areas)
Gigaclear (rural)	~450,000	130,000	~29% (rural focus)
Fibrus (N. Ireland)	~400,000	110,000	~28%

Sources: Company reports; Ofcom; industry reports; [Openreach achieves record build quarter - Fibre Provider](#); [Comms Dealer - Digging into the altnets](#)

As Table 1 suggests, the incumbents still tower above any single rival in absolute scale. The near-parity in total premises passed (Openreach's ~17 million vs. the altnets' combined ~16 million) is misleading – no single challenger comes anywhere close to Openreach's coverage or subscriber count. Instead, the altnet market is splintered into regional players, each scratching for a foothold. Now, many of those smaller operators face an existential question: **continue building and burning cash in hopes of future customers, or merge with a peer (or sell out to a bigger player) to achieve the scale needed to survive?**

Sources: (2) [Openreach achieves record build quarter - Fibre Provider](#)
(9) [Comms Dealer - Digging into the altnets](#)

Funding Freeze and the Pivot to Profitability

The early 2020s saw a surge in investments in UK broadband, driven by venture funds, infrastructure investors, and banks. However, by 2024, funding had significantly decreased. In Q1 2025, only one notable private funding round of £6.2 million for Voneus was recorded, along with a £26 million government grant to GoFibre under Project Gigabit - but that was essentially taxpayer money, not market investment. Beyond those, **no altnet managed to raise significant new equity or debt in early 2025**, reflecting investors' cooled appetite amid higher interest rates and uncertain returns.

By comparison, 2024's funding activity was already muted, save for a late flurry of debt deals. The only major financing late in 2024 was a **£1.5 billion** debt package for Gigaclear (mostly refinancing and contingent credit). Earlier in the year, some altnets did secure loans with government support – for instance, Hyperoptic borrowed £150 million from the state-backed UK Infrastructure Bank to help fund broadband in social housing, and Netomnia raised substantial debt from a consortium of lenders that included publicly-backed banks. Community Fibre also brought in £125 million of new capital in 2024 from institutional investors impressed by its urban business case. But in hindsight, those now look like the last gasps of a funding cycle that has decisively turned. The era of easy money is over.

The consequences of this **funding freeze** are profound. Fibre upstarts have been forced to pivot from expansion to **survival mode**. Instead of boasting about how many premises they've passed, CEOs are now talking about operational efficiency, average revenue per user (ARPU), and breakeven timelines. Most alternative providers are still loss-making on an EBITDA basis and burning through cash. Altnets spend more on network building and customer acquisition than they earn, an unsustainable model now that new funding is scarce. Management teams that once focused on grabbing market share at any cost are being told to **tighten belts** and prove a path to profitability.

The variability in business models is becoming clearer. By one estimate, the **payback period** (time to recoup the cost of building the network) differs wildly across the sector – from roughly 6–7 years for the best urban players like Hyperoptic or Community Fibre, to over 20 years for a rural-focused network like Gigaclear, and astonishingly **80+ years** for London's niche operator G.Network under current trajectory. Some fibre projects may repay their investors quickly, while others may take much longer. The difference depends on cost and density: fibre in apartment blocks or dense cities yields faster returns, while sparse villages or competitive urban areas can lead to slower payback.

ARPU offers another piece of the puzzle. Most altnets charge customers between about **£25 and £40 per month**, in line with mainstream broadband prices, as they compete for household budgets. Wholesale-focused players earn much less per line – Openreach's wholesale broadband ARPU is around £16 per month² (since retailers like BT or Sky take the rest) – but that model can still be profitable at scale. A few niche providers can command higher ARPUs: for example, G.Network, which targets premium business sites in central London, has reported ARPU ~£50 by serving commercial clients. On the other end, some newcomers have effectively given their service away at first – **Lightspeed** (an altnet startup) had an ARPU under £10 in 2023 because it offered steep introductory discounts to lure users. The broader point is that fibre broadband in the UK is now a price-competitive, utility-like service. Operators cannot count on charging a premium; most consumers see gigabit internet as a basic commodity. This means profitability will depend on **scale and efficiency**, not on fat margins.

In response to these realities, management teams and investors have imposed a new discipline. Nearly all altnets are engaged in **cost-cutting** over the past year like scaling back construction plans, shedding staff, renegotiating vendor contracts, and so on. CityFibre, for instance, reduced its headcount and optimized its build contracts in 2023 – measures that helped it reach EBITDA breakeven in early 2024, after years of heavy losses. Community Fibre likewise claims to be around EBITDA-neutral now, after curbing its expansion, and aims for actual cash-flow breakeven by 2026. Even tiny WightFibre (serving the Isle of Wight) managed to turn EBITDA-positive recently. These are symbolic milestones – hitting breakeven demonstrates to skeptical investors that the business model can work – but they are only first steps. The more crucial metric, **free cash flow** breakeven (when a company stops needing any new funding), remains a distant goal for most. With interest costs high and networks requiring ongoing maintenance, firms typically need a critical mass of subscribers to cover all their costs. Many altnets candidly admit they won't achieve cash-flow breakeven until the later 2020s, if ever, under current plans.

All this puts enormous pressure on underperforming players. If an altnet can't demonstrate a credible path to profitability – say, by hitting certain take-up rates or by substantially lowering its cost per home passed – its backers are increasingly unwilling to throw good money after bad. And that investor impatience is precisely what's **catalysing** the next phase of the industry's story: **consolidation**.

Consolidation: The New Frenzy in Fibre

As standalone business plans become harder to sustain, a wave of **mergers and acquisitions** is now sweeping through the UK fibre sector. What began as isolated cases of distress sales in 2023 has broadened into a strategic trend by late 2024 and early 2025: combining forces is widely seen as the best hope for many altnets to survive – and perhaps eventually thrive. This is reminiscent of earlier telecom shake-outs. (The UK once had 150+ small cable TV companies in the 1980s; by the 2000s they had all merged into one national operator, Virgin Media. A similar great consolidation appears to be underway in fibre.)

Several notable deals over the past year illustrate the patterns of this consolidation:

Mergers of strong challengers:

In mid-2024, **Netomnia** and **brsk** – which shared a major investor – announced a merger, uniting Netomnia’s wholesale fibre network with brsk’s retail ISP operations into a single platform. The combined group immediately boasted a network footprint of about **1.5 million premises** ready for service, with a target of reaching 3 million by the end of 2025¹⁰, making it one of the largest altnets. This “merger of equals” aimed to create a more **capital-efficient** contender: Netomnia-brsk can leverage a unified rollout model and shared overheads across a broader footprint. Hot on their heels, in January 2025 two other mid-sized altnets – **FullFibre** and **Zzoomm** – announced a merger to form an operator with roughly **600,000 premises** ready for service and **65,000 customers**¹¹. Each was backed by a different infrastructure fund (Basalt for FullFibre, Oaktree for Zzoomm), and each faced growth limitations alone; together they hope to become more attractive to investors and cover a larger swath of England with less overlap. We can expect more pairings of altnets with complementary footprints, so long as their owners can agree on valuations and who leads the combined entity.

Stronger players absorbing weaker ones:

Another consolidation route is outright **acquisition**, especially by the larger altnets that have the backing – or equity currency – to buy smaller rivals. CityFibre has been a prime mover here. Back in 2020 it acquired FibreNation (TalkTalk’s fibre arm) for £200 million, a deal that significantly expanded its footprint. More recently, in late 2024 CityFibre struck a deal to acquire **Lit Fibre**, a regional altnet, in a creative arrangement. Rather than a full cash payment, Lit Fibre’s investor (Newlight Partners) agreed to take equity in CityFibre – reportedly ending up with around a **2% stake** in the enlarged group¹² – effectively valuing Lit at roughly £80 million. This gave CityFibre control of Lit’s network while offering Lit’s backers a potential upside in CityFibre’s future growth.

(Notably, Lit’s founders bought back the retail ISP portion of their business, since CityFibre operates as a wholesale network only.) This kind of “**swap and integrate**” approach may become a template: a financially strained altnet hands over its network assets to a bigger player in exchange for a slice of the combined company, betting that scale will unlock value down the line. CityFibre’s attractiveness as a buyer has only grown since it signed the major wholesale deal with Sky – which requires CityFibre to reach at least 8 million premises passed – because fulfilling that promise almost certainly necessitates absorbing some smaller networks. Industry observers suspect CityFibre held off on some acquisitions until the Sky deal was secured; now, with that in place and a war chest of new funding expected, CityFibre is poised to resume an aggressive “roll-up” strategy through 2025.

Incumbent opportunism:

The national incumbents themselves have not been mere bystanders. Virgin Media O2, along with Liberty Global and InfraVia, acquired the altnet Upp in mid-2023 for under £100 million.¹³ Upp, a newer fibre builder in East England, had no overlap with Virgin’s network, boosting VMO2’s fibre reach by 175,000 premises. Virgin can pay cash for smaller competitors, unlike most alternative networks that often merge or trade equity due to smaller balance sheets. VMO2 may pursue more acquisitions if prices are reasonable and regulatory scrutiny is manageable. Openreach faces more constraints due to regulations and extensive coverage. BT’s CEO humorously mentioned “offering to buy Openreach,” reflecting industry consolidation trends. Incumbents will seize fitting opportunities, but the market’s fragmentation will primarily involve the altnets themselves.

Sources: (10) [Altnets Netomnia, brsk announce merger | Computer Weekly](#)

(11) [FullFibre and Zzoomm to merge in latest UK altnet consolidation - DCD](#)

(12) [CityFibre Begin UK Fibre Broadband Consolidation with Lit Fibre Buy UPDATE4 - ISPreview UK](#)

(13) [Virgin Media O2 to snap up Russian oligarch-backed broadband firm | Mergers and acquisitions | The Guardian](#)

Consolidation: The New Frenzy in Fibre

Investor portfolio consolidation:

Quite a few altnets share common investors, and those investors are now pushing to combine their holdings for efficiency. A prime example is **Fern Trading**, a finance vehicle that ended up backing four separate fibre companies – **Giganet**, **Swish Fibre**, **Jurassic Fibre**, and **AllPoints Fibre**. In 2023, Fern moved to merge these into a single entity, creating a larger regional player instead of four sub-scale ones.⁶ Notably, one of Fern's other fibre investments – the London-focused **Vorboss** – was left out of this merger because of its heavy cash burn and distinct B2B (business-oriented) focus, illustrating that investors will consolidate where synergies exist but may cut loose businesses that don't fit a viable combined model. Similarly, Aviva Investors (another funding source) has stakes in **Truespeed** (West Country) and **County Broadband** (East of England) and is widely expected to explore merging those networks to streamline operations. These funder-led combinations treat fibre companies a bit like LEGO blocks – the goal is to snap together a more **viable whole** out of struggling parts.

Distressed fire-sales:

Finally, the harsh reality is that not all altnets will find a friendly merger in time. Several fibre start-ups have already hit the wall and entered administration, leading to **fire-sale** disposals of their assets for pennies on the pound. **Broadway Partners**, a rural-focused operator, collapsed in 2023 and saw its network assets picked up by Voneus for only £6.3 million – despite Broadway reportedly having spent around £29 million in cash and carrying a £12 million book value on those assets. Another recent failure was **Spring Fibre**, which spent about £37 million to lay fibre to 12,000 premises but was sold out of bankruptcy for just £1.5 million to a new owner (Harmony Networks)⁹. Even **Giggle Fibre**, a tiny regional player, had to be rescued by the same buyer after its external investor pulled out, leaving it without funds. These examples are sobering. They warn investors that if they wait too long, there may be very little to recover. They also underscore a fundamental truth about telecom infrastructure – a fibre network with tens of thousands of **empty** (unsubscribed) lines isn't worth much, because the value lies in the customers connected, not just the cables in the ground.

This consolidation wave is still in its early innings as of Q1 2025. More combinations are anticipated in the coming months. Ironically, the very factor that once fueled the altnet boom – plentiful capital – is now absent, and that **financing drought** is accelerating M&A by making independent survival untenable for many players. For the stronger competitors, the shake-out presents an opportunity to acquire assets and customers at bargain valuations. For investors in weaker altnets, merging with a peer or selling to a larger platform may be the only way to salvage a portion of their investment. The big strategic question is how far and fast the industry will consolidate: will we eventually see a handful of major fibre networks (perhaps Openreach, VMO2, and one or two large consolidated altnets) akin to the outcome in cable television? Or will a long tail of niche fibre providers persist to serve specific regional and rural markets? The answer will unfold over the next year or two as the deals continue.



Sources: (6) [Fern Consolidates UK ISPs Jurassic Fibre, Swish Fibre, Giganet and AllPoints Fibre UPDATE2 - ISPreview UK](#)
(9) [Comms Dealer - Digging into the altnets](#)

Lessons from Europe: A Roadmap for the UK

Looking across the Channel provides crucial insights for UK fibre consolidation.



01 France

experienced significant consolidation as networks matured, driven by investors like Altitude Infrastructure aggregating smaller networks to achieve efficiencies and scale. Orange and Altice similarly absorbed smaller players to strengthen national coverage. France's market demonstrates the importance of scale and sustained capital access, suggesting a similar future path for large UK players like CityFibre or Netomnia.

02 Germany

offers a cautionary tale, illustrating how slower policy coordination and fragmented rollout prolonged market rationalisation. However, recent aggregation by infrastructure funds—like EQT and OMERS with Deutsche Glasfaser—signals that consolidation is inevitable, albeit delayed. For the UK, avoiding Germany's extended fragmentation is crucial, emphasising the need for prompt, coordinated consolidation.

03 Spain

represents an aggressive consolidation model, rapidly transitioning from fierce competition to market stabilisation through mergers like MásMóvil and Orange Spain. This swift rationalisation created a more profitable, stable broadband landscape. The UK could replicate Spain's rapid, decisive approach to secure similar industry health.

04 Nordic countries

such as Sweden and Denmark, implemented infrastructure sharing early on, reducing costly duplication and enabling stable, efficient consolidation around major incumbents like Telia and Telenor. For the UK, fostering similar cooperative infrastructure-sharing frameworks could ensure sustainable competition without wasteful redundancy.

Outlook and Strategic Implications

The UK fibre market in early 2025 stands at an **inflection point**. After a frantic period of laying fibre in the ground, the emphasis has shifted to market structure and business sustainability. The next year or two will likely determine the winners and losers of the fibre frenzy. Several strategic implications emerge for the various stakeholders:

For Altnet Operators: Adapt or Die:

The era of easy money and mindless expansion is over. The dozens of altnets now face a stark choice: **prove** they can execute commercially or bow out. This means substantially boosting their subscriber penetration and revenues in the areas they've built – or else finding a way to combine with others to achieve that scale. We will likely see more mergers among mid-sized altnets (as with FullFibre/Zzoomm), since combining networks can instantly enlarge customer pools and eliminate overlapping costs. Conversely, altnets that directly overbuild each other will be under pressure to differentiate or to retreat to their strongest core regions; a merger between competitors who serve the same streets is trickier unless one pivots to wholesale. Across the board, the focus will be on **operational excellence**: squeezing more sign-ups from passed homes through better marketing, customer service and installation efficiency. Those that succeed will either become attractive takeover targets or credible standalone challengers; those that struggle will gradually fade away or be picked off in distress sales.

For the Big Players (Openreach, VMO2, CityFibre, Netomnia/brsk):

The largest network owners are positioned to **dictate the pace** of consolidation. Openreach, while it won't be buying rivals, can still influence the game by accelerating its own rollout (forcing altnets to think twice about building in areas already covered) and by sharpening wholesale pricing to undercut smaller competitors' offerings. Virgin Media O2, with its nationwide ambitions and access to capital, can continue to **cherry-pick** acquisitions to fill gaps in its map – it will keep a close eye on struggling altnets in regions that don't overlap with its existing network. CityFibre, assuming it secures the rumoured £500 million funding, will have a war chest to act as a **kingmaker** in the altnet arena - it could scoop up several regional networks under its umbrella, positioning itself as a de facto third national network alongside Openreach and Virgin. Netomnia/brsk plans to grow organically while potentially acquiring smaller networks, aiming to be a scalable third-platform alternative. CityFibre and Netomnia are now rivals for the "third network" position, and may even consider merging or acquisitions in the future to strengthen their market stance. The stronger players will absorb the weaker ones,

resulting in a market shake-out. The balance among the top competitors will determine long-term competition, influencing whether CityFibre and Netomnia remain as independent challengers or if one surpasses the other.

For Investors and Lenders:

This shake-out is a moment of truth for the many investment funds that bet on UK fibre. For infrastructure investors and private equity backers, consolidation is a double-edged sword of **peril and opportunity**. On one hand, merging two portfolio companies can salvage value – if an investor holds stakes in, say, two altnets that combine, the resulting entity might achieve the scale needed to eventually attract a high-value exit or even an IPO once the market stabilises. On the other hand, those invested in single, isolated networks that aren't performing may have to write down losses or accept fire-sale outcomes. We can expect more activism from investors: those with multiple fibre holdings will **push management teams to pursue mergers** (as Fern and Aviva have done), while those with a single asset in trouble will be seeking white-knight investors or partners (as Newlight did by handing Lit Fibre to CityFibre for equity).

For lenders, caution will remain the watchword. The few new lenders that dipped a toe into altnet financing in recent years did so either alongside government support or only to the most promising players. Until the dust settles, banks and bond markets are likely to lend only to the top consolidated platforms or against very secure assets. In practical terms, the **cost of capital** for smaller fibre projects will stay high, reinforcing the need for consolidation – only the larger, merged operations will justify big financing deals. Investors will also keep a keen eye on policy: if interest rates fall or if the government steps in with more support for digital infrastructure, that could relieve some pressure on the sector; absent that, discipline and patience are the order of the day. In short, investors who picked the eventual winners could still see handsome returns, but many others will have to reconcile with much longer payoff timelines or potential losses as the market restructures.

Outlook and Strategic Implications

For Consumers and ISPs:

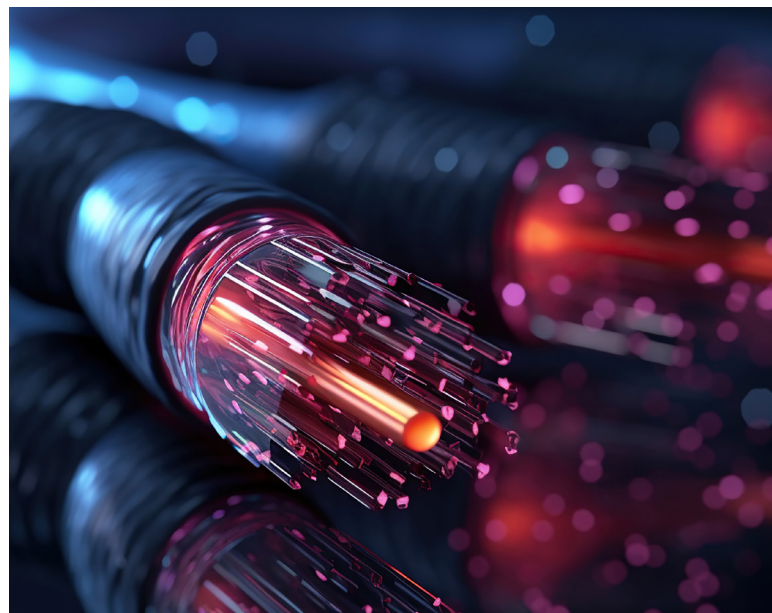
In the short term, consumers have arguably benefited from the fibre frenzy. In many areas, people now have a choice of broadband providers and faster gigabit speeds, often at competitive prices. In towns where overbuild occurred, a household might have the option of an Openreach-based provider (like BT or Sky), Virgin Media if available, and one or even two local fibre ISPs – a level of choice unheard of a few years ago. This competition has spurred promotional offers and kept prices in check, which is good news for customers. Over time, however, as consolidation reduces the number of distinct physical networks, some fear a loss of choice. It's important to note that a reduction in **network** operators doesn't necessarily harm **retail** internet competition, because multiple ISPs can operate over a single network through wholesale access. In fact, CityFibre's wholesale-only model – where dozens of ISPs compete to offer service over CityFibre's lines – shows that a consolidated network can still yield plenty of retail choices. The key will be ensuring that industry consolidation doesn't turn into a cozy duopoly (Openreach and Virgin carving up the market with no room for others). Regulators will be alert to this. They have a stake in making sure at least one strong independent fibre operator remains to challenge the incumbents, so that consumers continue to enjoy competitive offerings. Ofcom has proposed regulations to limit the nominal price that Openreach can charge retail providers, such as Sky or TalkTalk, for download speeds up to 80Mbit/s, rather than the current 40Mbit/s. This proposal is under consideration, with a final decision expected in March 2026.¹⁴

For now, the major retail ISPs (Sky, TalkTalk, Vodafone, etc.) are stakeholders in the success of consolidation: they want viable third-party networks to use as alternatives to Openreach. These ISPs have been partnering with altnets (like Sky with CityFibre, TalkTalk with Freedom Fibre, etc.) to diversify their wholesale supply. From a service provider's perspective, a **leaner set of capable network wholesalers** is preferable to a patchwork of dozens of tiny altnets with inconsistent coverage and quality. A bit of consolidation, in other words, could lead to a healthier, more consistent wholesale market for ISPs and potentially better service reliability for consumers, as resources concentrate on maintaining a few strong networks rather than being thinly spread. The hope for consumers is that the end state is a solid trio (or so) of national fibre networks all accessible to many ISPs, rather than one dominant network that could dictate terms.

For Government and Regulators:

The UK government's ambitious gigabit coverage targets – 85% by 2025, 99% by 2030 – are on track to be met¹, thanks in no small part to the altnet building spree complementing the incumbents' efforts. That's a policy success: Britain is moving from laggard to leader in pure fibre coverage. But the policymakers who once cheered the proliferation of dozens of fibre companies must now acknowledge the market's natural evolution toward consolidation. **Project Gigabit**, the £5 billion program to subsidise rural broadband rollout, has awarded contracts to 11 different altnets (and to Openreach) covering about 1.2 million hard-to-reach premises. This will ensure continued build-out in the countryside, but it also commits those altnets to ambitious build obligations backed by public money. Authorities will need to monitor these projects closely – as seen when one contract with Voneus in Shropshire had to be terminated for failure to deliver on time – and be ready to re-tender areas if an altnet falters or gets taken over.

Regulators, particularly Ofcom, will focus on preventing monopolistic outcomes as consolidation continues. They aim to ensure Openreach faces competition from at least one strong rival network. To avoid overbuilding in low-density areas and reduce costs, regulators may encourage infrastructure sharing, like duct and pole sharing arrangements. Consumer protection will also be a priority, particularly if altnet failures or mergers disrupt services or force migrations. The government's role now is to maintain a stable market structure with a few sustainable players to achieve universal coverage. Policymakers will aim to sustain the competitive benefits of the fibre rollout while avoiding a market collapse.



Sources: (1) [Full-fibre broadband reaches nearly 7 in 10 homes - Ofcom](#)
(14) [Ofcom propels full fibre rollout revolution into final phase - Ofcom](#)

Conclusion

The UK's fibre broadband saga is entering a new chapter. The muddy-boots work of digging trenches and stringing cable is giving way to financial and strategic battles in boardrooms. The coming consolidation will be **painful for some and propitious for others**. In a few years' time, Britain will likely enjoy the fruits of this frenzy: nearly ubiquitous gigabit internet, delivered by a handful of efficient, scaled-up providers. But to get there, many ambitious fibre ventures will have had to merge, morph, or bow out. It is a classic Schumpeterian shake-out – a bout of creative destruction in telecoms akin to the railway booms or the dot-com crash of the past.

The **race** now is not just to lay fibre, but to consolidate and capture the market. Who will ultimately “light up” Britain's fibre future, and on what terms, is being decided in real time. For investors and operators alike, the message is clear: the era of easy growth is over; the era of earning one's place has begun. Those with strong foundations, ample capital and strategic nous will find opportunity amidst the turmoil. Those built on hype or fragile economics will find no shelter as market reality sets in. The frenzy isn't ending – it is simply changing form, from a construction sprint to a contest of consolidation and execution. The endgame for UK fibre is underway.



Contacts

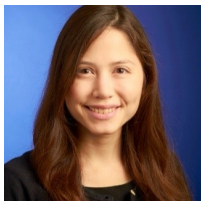


Chin Harn Leong

Partner

TMT Transaction Advisory Services

KPMG in the UK



Grace Merkin

Director

TMT Transaction Advisory Services

KPMG in the UK



Umayr Loan

Director

Economics | Telco and Digital Infrastructure

KPMG in the UK

“

Need guidance in navigating the fast-evolving telecom landscape through deals? KPMG UK's dedicated TMT team can empower your future moves. Leverage our expertise in valuation, due diligence, strategy, and post-merger integration to unlock synergies, optimise deals, and achieve seamless value creation. With a track record of success and deep sector knowledge, we can help you navigate regulatory complexities and maximise returns in your next M&A move.

”



Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates or related entities."

www.kpmg.com

home.kpmg/socialmedia



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2025 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.