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**Roll-up or roll on? Prospects for
consolidation amongst UK fibre-deployers**

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Disclaimer

The opinions offered herein are purely those of the author. They do not necessarily represent the views of all members of Communications Chambers.

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1 Introduction

Deployment of FTTP is proceeding at a brisk pace. Well over 100 companies are putting fibre in the ground, or are planning to. This includes the large incumbent players (Openreach and Virgin Media) but also many alt-nets. Amongst the alt-nets are some larger players (Cityfibre, for example), but also a very long tail of smaller players, many of which are too new or too small even to have filed company accounts yet. Nonetheless, in combination they are making a significant contribution to FTTP deployment (Figure 1).

Scale matters in telecoms. At a national level, it helps cover the fixed costs of network operation. It also helps build a retail brand to attract consumers, or alternatively scale that justifies a wholesale customer's investment in integration with your network. Locally, scale is essential for return on investment. The fixed costs in deployment to a given neighbourhood means the profitability of that neighbourhood depends heavily on the percentage of premises passed that become paying customers.

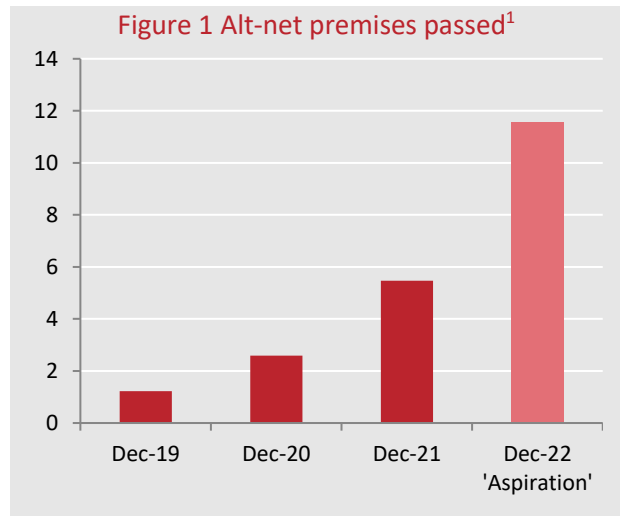
In practice, over 100 fibre deployers are not all going to be able to achieve scale. As a result there is an industry expectation that smaller or weaker players will look for an exit, and consolidation is inevitable.

This does not necessarily mean that smaller alt-nets investing now are making a mistake – investing with an eye to an exit through disposal to a larger player is perfectly reasonable. However, this does depend on whether these large players are willing to acquire, at a price that represents a good return for investors. There are perhaps more challenges here than are generally recognised. These include:

- Business model compatibility
- Technical issues
- Deal pricing issues

There are also a set of more specific challenges (particularly regulatory issues) that are relevant to individual likely acquirors.

In this paper we set out these challenges, and consider the implications for industry consolidation.



¹ INCA & Point Topic, [Metrics for the UK independent network sector](#), May 2022

2 Business model compatibility

FTTP deployers may offer service on a wholesale or retail basis (or both). 'Cross-model' acquisitions may have various challenges.

First, providers with a wholesale model may be reluctant to enter the retail market – their customers might be wary of a supplier that competed with them. (Much of UK telecoms regulation over the last 20 years has been driven by telcos' discomfort in having to buy wholesale services from BT, who also competes in the retail market). Thus a wholesale acquiror of an alt-net with retail customers may need to spin out those customers to a third party. This would add significant friction to the transaction, both to split the business in this way and to find a buyer for the retail customer base.

Second, if a retail player acquires a wholesale player, this may clash with exclusivity obligations of the wholesaler. To secure anchor tenants and minimum volume commitments, some wholesalers have agreed that (for a period) they will only provide service to certain wholesale customers. If such a restriction is in place, then the acquired wholesaler might not be able to provide service to its retailer acquiror. This would both limit synergies and require careful legal structuring for a full integration of the businesses.

Third, cross-model acquisitions are likely to generate lower economies of scale. If only one party has retail operations, then there are no scale-synergies available in this area of the business - the retail scale of the combined business is no greater. If the retailer is the target, the wholesaler will need to pay an acquisition premium to gain control, but (within the retail side of the business) will see minimal synergies to offset this premium.

Merging wholesale networks may also need to consider their customers' exclusivity obligations. Major deals between retailers and wholesalers typically include an obligation on the retailer to use the wholesaler's network where it is available. However, an acquisition might effectively extend the wholesaler's network unexpectedly, likely to an area where the retailer was using another supplier, and maybe even was obliged to do so. Such mergers would therefore require careful management of wholesale customers.

In addition to the wholesale/retail split, alt-nets differ in their target markets – dense-urban vs rural, for example. An dense-urban focused alt-net is not necessarily incompatible with one focused on rural areas, but the skills and locations are quite distinct, which may again reduce the potential for synergies from a merger.

3 Technical issues

While virtually all alt-nets are deploying fibre, this does not mean they are entirely compatible. For example, the target business may have network equipment that is incompatible with the acquiror's.

Further there may be various forms of vendor lock-in. For example, operators generally prefer to source their OLTs and ONTs² from the same vendor. However, this creates some lock-in to the vendor in question since replacing ONTs is expensive. Thus if the two networks start with different vendors, it may not be possible to capture scale benefits in purchasing by switching to a single vendor.

A practical consequence is that the merged entity may need to run the two different networks in parallel, rather than as an integrated whole. This would likely undercut some of the scale rationale for an acquisition.

However, acquirors may be willing to absorb the cost of replacing electronics in order to secure the benefits of a fully integrated network. CityFibre did just this after its acquisition of FibreNation. (FibreNation's use of Huawei equipment may also have been a factor).³

There are similar issues for the integration of BSS and OSS, which can be costly and/or time consuming.

² Optical Network Terminal and Optical Line Terminal – the equipment that converts between electrical and optical signals at either end of the fibre connection between the customer and the network

³ ISP Review, [Cityfibre Working to Replace Existing UK FibreNation FTTP Kit](#), 27 September 2020

4 Deal pricing issues

For an exit via disposal to be attractive, it obviously needs to be at the right price. Numerous factors will influence the price a vendor can achieve, which we discuss below. These are certainly not unique alt-net consolidation – many will apply in any merger situation. However, some of them may be more acute given the particular circumstances of the fibre market.

4.1 Deal competition

Can the vendor credibly claim there is competition for acquisition? This is particularly important given the business model compatibility issues discussed above. Are there multiple bidders so that the vendor can create an auction dynamic, or might they be stuck with just one likely bidder, paying the lowest price they think the vendor will accept? Note that even credible bidders may not ‘show up’ if they are busy with other potential or recent acquisitions- a plausible scenario given the number of alt-nets that may be seeking exits over the coming years.

4.2 A distress sale

An acquisition under insolvency or with a challenging refinancing pending will obviously be less likely to secure a good price. This will be an important timing issue for alt-nets looking for an exit.

One potential challenge is that many alt-nets will be operating under a range of debt covenants, including targets for financial metrics. Failing to meet these metrics can put the debt into default, even if the business is not fundamentally unhealthy.

4.3 The acquiror’s BATNA

All bidders consider their ‘best alternative to no agreement’. For example, if the main asset being offered is a network in a given region, then bidders are likely to consider self-build in that region. While this would forgo any revenue associated with the target, it could nonetheless be preferable:

- It would avoid any technology incompatibility issues
- The potential acquiror’s cost-per-home-passed may be lower than the historic cost of the potential target, due to scale, experience and the downward trend of costs over time. Note that this means that a target with few customers may possibly be worth less than its book value. (This was a

common phenomenon with the sale of subsea networks in the early 2000s)

- For an acquiror with locked-in large ISP customers, self-build may deliver similar long term revenues to those from an acquisition (since the acquiror will be able to begin migrating those ISPs onto their self-build network as soon as it is available)

If the bidders' BATNAs are indeed reasonably attractive, then even in an auction, bidders are unlikely to offer a rich price – they would be better off walking away

4.4 Security of revenues

Naturally businesses with substantial and secure revenues are likely to be more attractive. For wholesale customers, this would mean long-term contractual lock-in with attractive renewal and price-adjustment clauses, and healthy existing margins. In the context of accelerating inflation, how price adjustment mechanisms deal with CPI will be a particularly important factor.

For retail customers, customer satisfaction, high penetration and healthy ARPU are key drivers

4.5 Scale of synergies

Outside a distress sale, synergies are critical to the prospect of a deal. They create the gap between what the vendor thinks the business is worth stand-alone, and what the acquiror thinks it is worth as part of their larger group. The bigger this gap, the easier it is to find a price that works for both parties.

Depending on the nature of the parties, there are various potential synergies. If one of the parties has a strong brand, this brand strength could be extended across both businesses. If the businesses are highly compatible, there may be material opex savings. Or the combined scale of the two businesses may be such that they become a credible wholesale supplier, whereas separately each was too small to be worth a large retailer's trouble.

Working against synergies would be significant network or systems incompatibility, or long term contracts that made it difficult to manage out costs. (For example, both parties might be committed to different contractors).

4.6 Possible dis-synergies

While mergers may create synergies, sometimes there is also value destruction from bringing businesses together. For example, if a wholesale business acquires an integrated business, and wishes to spin out the latter's retail arm, this is likely to cost time and money, and lose any synergies that previously existed between retail and wholesale in the integrated business.

Dis-synergy might come from new regulatory burdens if – say – the acquisition brings the target in scope for regulations applying to the acquiror. Finally, wholesale contracts may well contain MFN⁴ clauses, which say that the customer in question must receive the best prices the wholesale provider offers. Potentially these could force unwanted price changes for the merged entity, if (say) the target was offering lower prices than the acquiror with the MFN was currently giving.

4.7 Level of and nature of financial liabilities

While the incumbents⁵ have positive operating cashflow, most fibre-deployers have been raising significant capital (debt and equity) to support their network deployments. Currently, the funding market is highly supportive of alt-nets. In a recent INCA/PointTopic survey of alt-nets, not one respondent reported that 'access to finance' was a challenge.⁶

Looking ahead to future acquisitions, debt often contains a change-of-control provision, meaning that it needs to be paid off if the borrower is acquired. Thus even if the bidder is paying only a modest amount for the equity of the target business, they will typically need to refinance the debt, likely through new borrowings.

Thus consolidation will depend materially on there continuing to be liquidity in the debt markets for fibre deployers. To date, alt-nets have been seen as relatively attractive borrowers, with hard assets and the prospect of healthy cashflows once deployment is complete.

⁴ 'Most favoured nation'

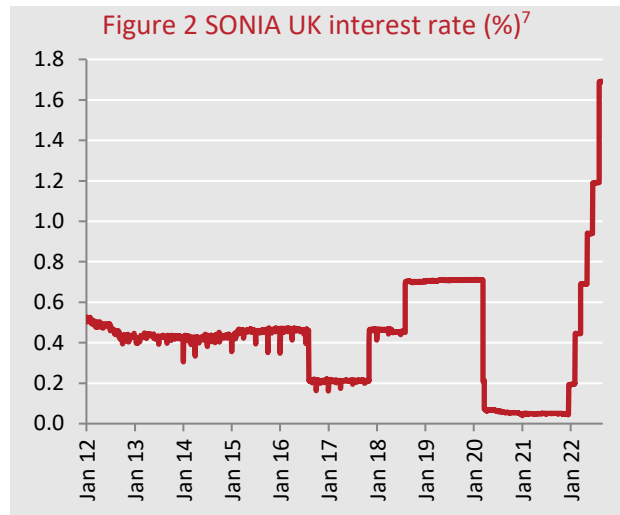
⁵ Openreach, Virgin and KCOM

⁶ INCA & Point Topic, [Metrics for the UK independent network sector](#), May 2022

However, it is possible the debt markets will become more challenging, at least for a period. Indeed, if interest rates continue to rise rapidly, this will make a material difference to the cashflows of FTTH deployers, in turn making them look riskier to lenders. (Though this may be offset by higher ARPU, if ISPs raise prices to consumers).

Lenders may also be wary of increasing overbuild (by Openreach or other alt-nets). Until recently, this was seen as only a modest risk, but as Openreach has broadened its coverage plans, it is now perceived as a much more material threat.

As the FT has noted, “some companies’ fate will hinge on whether their backers’ wallets remain open.”⁸ Similarly, the ability to make acquisitions will generally depend on willing backers.



4.8 Operating liabilities

Acquirors will also factor into their bids any material operating liabilities of the target. For example, an alt-net may be contracted with contractors for fibre deployment in one or more regions. If these regions are highly competitive or if the acquiror already has its own network there, then the network to be built may have modest or no value. In such cases the operating liability will represent a deduction to the value of the business. (This too was an in consolidation of subsea fibre in the 2000s, where contracted payments to complete cable systems were sometimes more than the value of the finished system).

4.9 Transaction costs

A bidder will need to take into account the deal costs. Any bid carries cost in management time, advisors’ fees and so on. However, these will be greater if:

- There are multiple parties on the vendor side, for instance if an alt-net is owned by multiple private equity firms
- There are unrealistic price expectations. It seems likely that some of the capital raised recently by alt-nets will have been

⁷ SONIA (Sterling Overnight Index Average) is a benchmark risk-free interest rate published by the Bank of England. It is a replacement for LIBOR

⁸ FT, [‘Altnets’ take on incumbents in fight for UK fibre broadband customers](#), 20 March 2022

at quite rich valuations. Funders who bought equity at those valuations are likely to be slow to sell at a lower price

- The transaction does not involve a willing seller – if, for example, it is in insolvency, where debt holders will be important stakeholders
- There is a need to renegotiate major contracts, perhaps because of a change of control provision in an important wholesale contract, say
- There is a need for regulatory approvals on competition or other grounds

4.10 Timing

An overarching issue for many of the factors above is timing.

Generally speaking, more time allows an alt-net to execute its business plan and create more value.

For example, deploying the network and passing more homes will create value, assuming the value-per-home-passed is greater than the cost-per-home-passed. (However, note that financial investors' perspective on value may differ from that of a trade buyer. Financial investors value successful deployment in part because it proves management capability, removing one potential risk. Trade buyers are likely to be less interested in this, because they have their own deployment capability).

More time also allows penetration rates to rise on the alt-net's network, driving revenue and proving the quality of the network.

However, there are also factors that may reduce valuations over time:

- If a potential bidder secures its own fibre (either by build or acquisition) in the alt-net's footprint, then the value to the bidder of that alt-net falls significantly, since their BATNA is much better
- As wholesale contracts near the end of their term, the risk to revenue increases and the valuation of the alt-net diminishes
- If securing new funding becomes more challenging, both the number of bidders and the bids they can offer are likely to diminish

Thus the ideal timing of a transaction is something of a balancing act.

4.11 Conclusion

Owners of alt-nets looking to exit via a disposal will be thoughtful about the structuring of their business and their contracts. While profitable growth is obviously paramount, being 'acquisition ready' (ideally for more than one potential bidder) is also valuable. Owners will also wish to consider timing of any exit, with an eye to ensuring that there are competing bidders, each without attractive BATNAs.

5 Issues for particular acquirors

In addition to the generic issues for FTTP mergers discussed above, there are also important issues that are specific to particular acquirors. We take these potential acquirors in turn.

5.1 BT

The obvious issue for BT as an acquiror is that it is deemed to hold SMP⁹ in the wholesale local access market. Thus any acquisition by BT of competing access networks is likely to come under intense scrutiny. Even a small network may represent important competition within a given geographic market.

Further, BT has argued strenuously for deregulation. At the moment its only path to deregulation of wholesale access is for a given region to be declared to be in 'Area 1' by Ofcom – broadly speaking, those regions where there are two established rivals to Openreach.

Thus there are two likely scenarios for BT. A region may be served by Openreach and an alt-net, and acquisition of that alt-net would recreate a monopoly, with the scrutiny that would imply. Alternatively a region is served by three players, and is actually or potentially deemed to be in Area 1 and deregulated. However, an Openreach acquisition would seem likely to immediately push that region back into Area 2 (where Openreach is deemed to have SMP) and trigger re-regulation.

In either case, these would be significant deal risks and potential dis-synergies for BT. In particular, the target's pricing would almost certainly become regulated. These regulated prices might be incompatible with the target's existing wholesale agreements, creating a significant clash between BT's regulatory and contractual obligations. At the retail level, it is possible that the alt-net's existing retail prices would fail a margin-squeeze test if they were carried forward by BT.

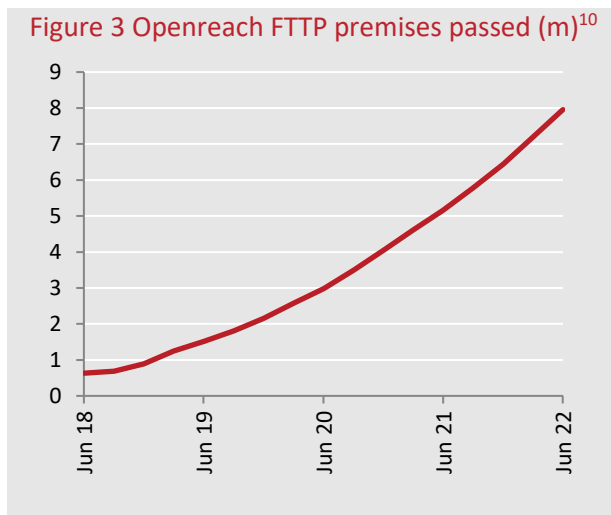
Then there is the issue of operational separation. If BT were to acquire an integrated alt-net, it would need to split the business between Openreach and its retail operations, which would create transaction costs and trigger multiple regulatory issues, such as ensuring equivalence of inputs.

⁹ Significant Market Power

There are also two practical issues that act to make BT a less likely acquirer. First, it is rapidly progressing its own fibre deployment, and plans to reach 25m premises by 2026. In any region where BT already has its own fibre, the value to it of an alt-net is greatly diminished - the alt-net's customers are still valuable, but the physical assets may be worthless to BT.

Second, even if BT does not have fibre in the alt-net's region, it has an attractive BATNA. Openreach's cost per home passed is low and falling as it continues to refine its deployment techniques. It also has more operational capacity than any other player in the market. Thus it is likely to have an attractive self-build option as an alternative to acquisition.

Thus BT (or Openreach) is unlikely to be an active bidder, and even if it does bid, it is unlikely to be generous.



5.2 Sky and TalkTalk

Sky and TalkTalk are both major players in the retail broadband market, and might be considered to be natural buyers of fibre networks which would enable them to vertically integrate.

However, neither of these players have shown much interest in this strategy. Indeed, TalkTalk has very explicitly moved in the opposite direction, by disposing of FibreNation (a deployer of FTTP, initially in York). The existence of attractive and regulated wholesale access offers from Openreach means that these players can sustain their business without the need to tie up significant capital in access networks.

Moreover, both parties are well aware of the value of their wholesale custom to alt-nets, which gives them significant leverage. It seems likely that much of the £200m CityFibre paid to acquire FibreNation was not fundamentally associated with FibreNation's business, which had revenues of just £0.3m at the time.¹¹ Rather, it was perhaps associated with the wholesale agreement that TalkTalk signed at the same time, committing to use CityFibre across its existing and future network.¹²

¹⁰ BT, [KPIs](#), 28 July 2022

¹¹ FibreNation, [Annual Report and Financial Statements for the year ended 31 March 2020](#)

¹² CityFibre, [CityFibre acquires FibreNation and adds TalkTalk as strategic customer, increasing its rollout plans to pass up to 8 million premises](#), 21 January 2020

Given this leverage, Sky and TalkTalk seem likely to continue to prefer renting rather than owning access networks.

That said, they are potential acquirors of retail customer bases. For example, TalkTalk recently bought 100,000 customers (served under the SSE brand) from Ovo Energy.¹³

5.3 Virgin Media O2

Like BT, Virgin already has a widespread gigabit network, passing 15.9m premises. (Much of this is based on cable, but it plans to upgrade to full fibre by 2028). In addition, Virgin's shareholders, together with InfraVia Capital, have announced a joint venture backed by investment of £7bn to build a wholesale fibre access network to a further 7m premises.¹⁴ In combination, this would represent 80% coverage of the UK.

Thus as a potential acquiror, Virgin faces some of the same issues that BT does. If it already has overlapping coverage with the target alt-net, the incremental benefit of adding the alt-net's fibre is modest. There may also be competition issues in acquiring an overlapping alt-net, which would take local competition from three fixed networks (the alt-net, Virgin and Openreach) to two.

That said, Virgin is not deemed to have SMP, and the existence of ex-ante regulation on Openreach might perhaps conceivably make competition authorities more amenable to such a merger.

Outside Virgin's footprint, a Virgin acquisition (or one by the deployment JV) is much more plausible. It would not change the number of retail competitors, and might strengthen competition if Virgin's brand were stronger than that of the alt-net competition. (This assumes that any wholesale offer of the alt-net would be continued by Virgin, to avoid any loss of competition in that market).

As an integrated business Virgin is better placed to acquire alt-nets with their own retail customer base.

5.4 CityFibre

CityFibre is the largest and most aggressive of the alt-nets (though still substantially smaller than BT and Virgin Media). In June it announced a debt raise of £4.9bn, sufficient to complete its planned

¹³ ISP Review, [OVO Sells UK SSE Phone and Broadband Customers to TalkTalk](#), 5 August 2022

¹⁴ Liberty Global, [InfraVia and Telefónica, Liberty Global, Telefónica and InfraVia Capital Partners Form Joint Venture to Build a New Fibre Network in the UK Covering up to 7 Million Homes](#), 29 July 2022

roll-out to 8m premises.¹⁵ Via its purchase of FibreNet, CityFibre has shown a willingness to acquire, and clearly has the budget to do so if it wished. (It has made other acquisitions before, though not of fibre access networks).

CityFibre has a strong focus on a wholesale model, and has Vodafone, TalkTalk and Zen as customers. Alt-nets that themselves have a wholesale model, and are not within CityFibre's existing footprint are the most obvious targets. However, simply because CityFibre is deploying rapidly (with an aim of 1.8m premises passed per year), an increasing number of alt-nets may see at least some overlap with CityFibre.¹⁶

If a target wholesale network is technically compatible, then there may be material synergies available to CityFibre, thanks to its relationships with large wholesale customers. If it can bring (say) TalkTalk and Vodafone onto the acquired fibre, then this would add substantial value.

5.5 Other large alt-nets

There are a number of other larger alt-nets, such as G.Networks, Hyperoptic, Gigaclear and KCOM.¹⁷ These may be plausible acquirors, though to date they have limited history of acquisitions. (This may simply be because they feel current valuations are too high, rather than because they're not interested in inorganic growth).

This group have their own niches- Hyperoptic is primarily focused on MDUs¹⁸, for example, and Gigaclear on more rural areas. They are likely to seek acquisitions that match this strategy. All these players are retailers, and thus other retailers may be a better fit.

Thus depending on an alt-net's focus, one or more of these players might be a potential acquiror. Whether they have potential synergies with the alt-net (to justify offering an attractive price) will depend on the particulars of the situation. However, they lack the large wholesale customers that might instantly add value to a network, and their geographic scope is tight, meaning it may be harder to achieve scale economies from a remote target.

¹⁵ CityFibre, [CityFibre completes a £4.9bn debt raise in one of Europe's largest ever full fibre financings](#), 2 June 2022

¹⁶ Of course, CityFibre is likely to seek to avoid overbuild where it can

¹⁷ KCOM is of course an incumbent in Hull, but is investing in fibre elsewhere

¹⁸ Multiple dwelling units – apartment blocks

5.6 Other third parties as consolidators

Another possibility is a roll-up by a financial player or a smaller alt-net. This would face some of the same issues of business model conflicts, so might choose to specialise wholesale or retail.

Such a roll-up might create value by ‘tidying up’ a set of companies for on-sale to one of the larger players. However, as we have seen, the larger players have quite different interests. The constituents of a rolled-up entity to tempt CityFibre would be very different from those for Virgin Media. Thus the owner of the rolled-up entity might struggle to create a competitive auction that would enable it to achieve a full price.

Alternatively, such a roll-up could create value purely through scale efficiencies, with combined cashflows greater than the sum of the parts. This would depend on a coherent set of businesses – it will be easier to develop cost savings in geographically concentrated businesses serving similar customers.

5.7 Financial investors

Even a smaller alt-net may be in a position to generate healthy, ongoing cashflow if it can secure and retain reasonable uptake in its region. From the perspective of a financial investor, such an alt-net would have some of the characteristics of an annuity, offering low-risk returns. This brings a new set of investors into play, such as pension funds. These investors can accept a lower rate of return (given the lower risk) and thus may be able to pay a higher price than more risk-tolerant early investors. This represents a potential exit route, assuming an alt-net can achieve scale and the market (within its region) is stable.

5.8 Conclusion

The very large number of players now working on fibre deployment in the UK means that there is a long list of potential acquirors in the context of a roll-up. However, for any given alt-net, the set of probable acquirors is much shorter, given that many of the larger players may be precluded from acquisitions, may be interested only in limited regions, and/or may only be interested in businesses of certain types.

6 Consolidation of cable industry

Commentators sometimes point to the consolidation of the UK cable industry as a potential precedent for FTTP consolidation.

Liberalisation of UK cable began in 1984, with a series of exclusive regional franchises granted to a range of operators over the following years. By 1990 franchises for 14.5m homes had been granted (covering virtually all substantial towns and cities), though deployment was at a far earlier stage.

By 1992 there were 29 companies holding franchises, with a majority being North American. However, after a series of transactions this fell to 13 in 1997. Consolidation continued apace, and by 2000 the industry was dominated by NTL and Telewest. Both of these companies subsequently underwent restructuring, in part because of the debt burden built up during the consolidation. In 2005 they merged to form NTL Telewest, which then bought Virgin Mobile in 2006 to become Virgin Media.

Thus consolidation of the industry spanned a period of 13 years (1992-2005), and contributed to the bankruptcy of the consolidators. This is despite the fact that cable operators had some significant competitive advantages. First, the franchise system meant that they had regulated monopolies (and faced no prospect of overbuild). Second, at the turn of the century the cable franchises were pioneering broadband, before DSL was widely available.

The cable consolidators (particularly NTL and Telewest) also had the advantage that they were listed, and so had liquid shares to use as an acquisition currency. (Of the companies we have discussed in today's market, only BT and – indirectly - Sky¹⁹ are listed, and these are among the less likely acquirors).

Finally, precisely because of the franchise system, cable consolidation did not lead to a loss of competition (since an operator in Cambridge merging with an operator in Carlisle didn't reduce the number of players in either market). This is potentially different from FTTP mergers, if the operators in question overlaps.

Thus while the cable industry may represent a precedent for the consolidation of UK FTTP, it is not a particularly encouraging one – it suggests a risk of a drawn out and value-destructive process.

¹⁹ Sky is not itself listed, but it entirely owned by Comcast, which is. Virgin Media O2 is a 50/50 JV between Liberty Global and Telefónica. TalkTalk and CityFibre are private-equity owned

7 Conclusion

There is no reason that alt-net investors need to rely on consolidation for their exit. Even quite small players can achieve a profitable and secure future if they can secure local scale. KCOM is a case in point (in the context of general telecoms). It is far smaller than BT, but its strong presence in its home market of Hull means it has been a profitable business for decades.

However, achieving local scale is by no means a given, given that alt-nets are competing with strong players at both a retail and a wholesale level. A growing degree of overbuild is adding to the risk.

With or without scale, acquisition may be the right path – but it is not a safety net. Disposal at an attractive price is far from guaranteed. A limited set of likely acquirors, each with distinct requirements, means that a vendor may be challenged to create a competitive auction for their assets.

This suggests alt-nets and their owners should think carefully about:

- **The timing of any disposal.** Waiting allows more time to create network assets and revenue streams. But it also increases the risk of overbuild (perhaps by the very party that might otherwise have been an acquiror); potentially allows the perceived replacement costs of FTTP assets to fall; and runs the risk of the funding environment for FTTP acquisitions becoming more challenging.
- **Who potential acquirors are.** Which of the potential acquirors are the best fit for the alt-net in question? Can multiple bidders be secured?
- **How to structure for potential disposal.** Operational needs are paramount, of course. However, within these constraints, can the business be structured to facilitate a future disposal, either by reducing transaction costs or increasing the number of potential bidders? For example, some alt-nets have entirely separated their retail and wholesale operations. This may facilitate an acquisition by a wholesale-only player, who would be better positioned to sell on the retail customer base.
- **What technology to deploy.** If exit is via disposal, widely compatible technology may be more important than cutting edge technology.
- **Their position on Openreach regulation.** Broadly speaking, alt-nets have generally thought the more regulation of

Openreach the better. However, looser regulation that allowed Openreach to acquire alt-nets (in at least some circumstances) might be more positive for alt-net investors in the long term

