

A report for nexfibre

The Next Chapter in UK Fibre

About this study

Following the publication of Ofcom's Telecoms Access Review, nexfibre commissioned Assembly to analyse the financial health of the UK's altnet sector and the role consolidation will play in shaping the next chapter in the country's fibre story.

Research correct as of June 2026.

About Assembly

Assembly produces research on regulatory, policy, and legislative developments in communications markets and the digital economy.

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Executive summary

The proposed nexfibre/Netomnia transaction provides the most meaningful opportunity to date to help deliver sustainable investment, competition and consumer benefit in the UK's fibre market. A delay to the deal via a protracted review would not only impact the merging parties but could have a chilling effect on investment and consolidation across the sector, hindering the creation of scaled, financially secure challengers at the infrastructure level.

Key messages

1. Supportive government policy and enabling Ofcom regulation propelled the UK's rollout of fibre, seeing coverage increase from 17% to 78% over the last five years. Despite the contribution of altnets to this success story, build-out across the country has been more disparate than expected, with some smaller operators unlikely to survive on a standalone basis.
2. While some altnets have recorded strong revenue growth, EBITDA remains negative for three of the eight largest, with a further two only marginally profitable on this basis. Cash flow is negative for all but one altnets. Amid increasing concerns about the sustainability of many of their peers, collapse of the market could have significant implications for consumers, network competition and public funding.
3. The current fragmented nature of the market limits investment, causes unnecessary overbuild and exacerbates the issue of encouraging take-up. While nexfibre and CityFibre are the largest players behind Openreach, neither currently – nor are likely to on their own – match the incumbent's operation. Scaled challengers are required for the long-term competitiveness of the wholesale fibre market, as well as for Openreach's route to deregulation.
4. Consolidation is the obvious next chapter in the UK's fibre story, initiating the transition to a more sustainable market with fewer but ultimately more financially stable operators. Ofcom and the CMA are well-placed to enable an orderly combination of assets that promotes competition and protects consumers, while driving investment and economic growth.
5. nexfibre/Netomnia reflects the type of deal needed to help establish effective and sustainable competition to Openreach for the long-term. However, a prolonged Phase 2 merger review process could have a chilling effect on investment and discourage other operators from taking the steps towards the consolidation and meaningful scale that the industry now needs.

Setting the scene

The combination of private investment, regulation and low interest rates have supported a fibre ‘gold rush’

The UK telecoms market was long-considered to be on a ‘low fibre diet’, with the country trailing behind European peers, such as France, Portugal and Spain, in the rollout of high capacity, future-proof broadband networks. However, a confluence of factors, including the emergence of various independent operators (i.e. altnets), lit the touchpaper on the UK’s race to fibre, catalysing investment and ultimately leading to a sea change in the digital infrastructure landscape.

Ofcom’s Strategic Review of Digital Communications in 2016 marked a major strategic shift to large-scale investment in fibre, which the regulator stated would help create more choice for consumers and businesses, while reducing the country’s reliance on Openreach, the only fully national operator. The Government’s Future Telecoms Infrastructure Review (FTIR) in 2018, echoed this sentiment, recognising that competition between rival networks was best placed to deliver its objective of extending the availability of full fibre. The Government’s commitment to a competitive build was later emphasised as a strategic priority for Ofcom in 2019 to set out a framework of “stable and long-term regulation that encourages network investment”. This policy positioning outlined a clear direction of travel for the sector, coinciding with a wave of private capital from investors emboldened by the potential for commercial opportunity and enabled by low interest rates and a relatively steady macroeconomic climate.

The activity that followed, resembling a ‘land grab’ mentality, saw considerable investment and the rapid build-out of fibre networks across the UK. The emergence of a host of challengers sparked a reaction from BT, which pivoted away from relying on its copper network with a hybrid FTTC deployment to ramping up its full fibre rollout. Ofcom’s Wholesale Fixed Telecoms Market Review (WFTMR) in 2021 sought to set the conditions to support the fibre transition journey over the coming five years by establishing a clear and predictable regulatory regime that prioritised incentivising investment in the deployment of multiple fibre networks, while allowing for the opportunity of fair returns.

Ofcom’s Telecoms Access Review (TAR) statement for the 2026-2031 period aims to ensure consistency in its regulation that would maintain incentives for fibre rollout that ultimately has positive impacts on competitive dynamics at the

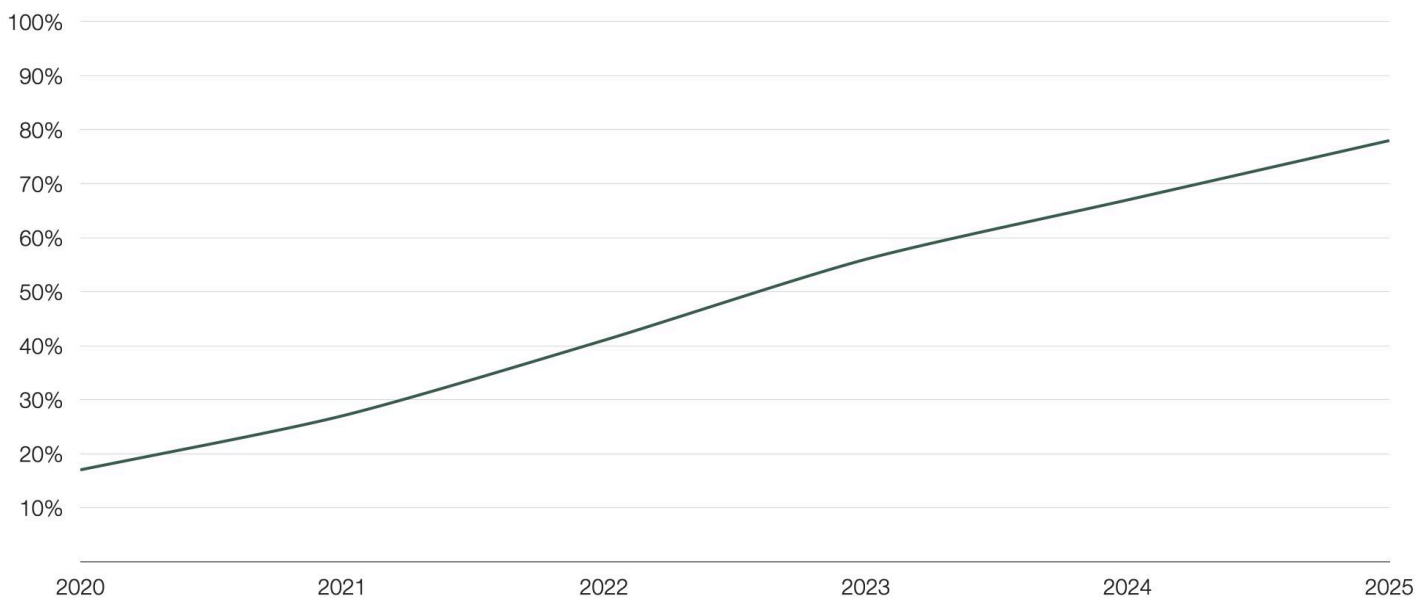
retail level. While stating that further private investment will be needed to cover more parts of the UK, the TAR acknowledges the market's evolution in focus towards take-up, underlining its criticality to altnet sustainability and to establishing viable competition to Openreach.

Network coverage and choice have increased but not all altnets can survive on their own

The increase in fibre coverage over the past decade – which has surpassed Ofcom's own expectations – has been underpinned to a material degree by the investment of altnets, whose collective rollout has been profound in terms of both pace and premises passed. According to Ofcom, between 2020 and 2025, fibre coverage has risen from 17% to 78% (see *Figure 1*¹), with the adoption rate for those with access to full fibre reaching 42%.² £21.4bn has been invested in fibre over the 2020-2024 period, while 75% of premises now have at least one alternative to Openreach and 25% have two.³

Figure 1

Fibre coverage in the UK
% premises, 2020-2025



Data collected in September for 2020, 2021, 2022 and 2023, July for 2024 and 2025

Source: Assembly, Ofcom

As the market matures, the focus is shifting from build to take-up and sustainable economics, with sharper competition and more disciplined capital. Altnets are seeking to move from disruptors to established players, shaping the market through investment, pace of delivery and genuine customer choice. However, within the TAR, Ofcom acknowledged that the UK's build has been more fragmented than it expected and that it is unlikely that all operators will prove able to thrive on a standalone basis. Consolidation will therefore be an

¹ [Connected Nations: Interactive report 2024](#) and [Connected Nations: Interactive report 2025](#), Ofcom

² [Connected Nations UK Report 2025](#), Ofcom

³ [Analyst presentations](#), Ofcom

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important feature of the market's future development, helping some altnets reach the network scale and penetration needed to overcome Openreach's incumbency advantages and impose an effective competitive constraint.

The financial fragility of the altnet market

Altnets' financial results paint a clear challenge to becoming profitable

The altnet market's lack of widespread profitability has become a frequent talking point, highlighting the challenges that have arisen for smaller operators following a period of significant funding raises and debt accumulation. Altnets are starting to feel the effects of their heavy debt burdens, with investors keen for returns to promptly follow network deployment. As a result, many altnets have slowed or even halted fibre rollouts to concentrate on increasing take-up and revenue. The market has also not been immune to the challenging macroeconomic and political factors that have become commonplace since 2023.

As altnets have prioritised take-up, some larger players have started to report positive results. Fibrus has achieved a take-up rate of 28% over its network,⁴ Community Fibre grew its customer base by 26% in 2025 to 429,000, achieving a take-up rate of just under 32%,⁵ and CityFibre has reported that it had "exceeded 20% penetration across its consumer footprint and is on track to exceed 30% by the end of 2026".⁶ At the end of 2025, more than 3.5m live fibre connections were delivered by altnets, reflecting a 32% increase year-on-year (YoY), as well as an 18% average take-up rate – see *Figure 2*.

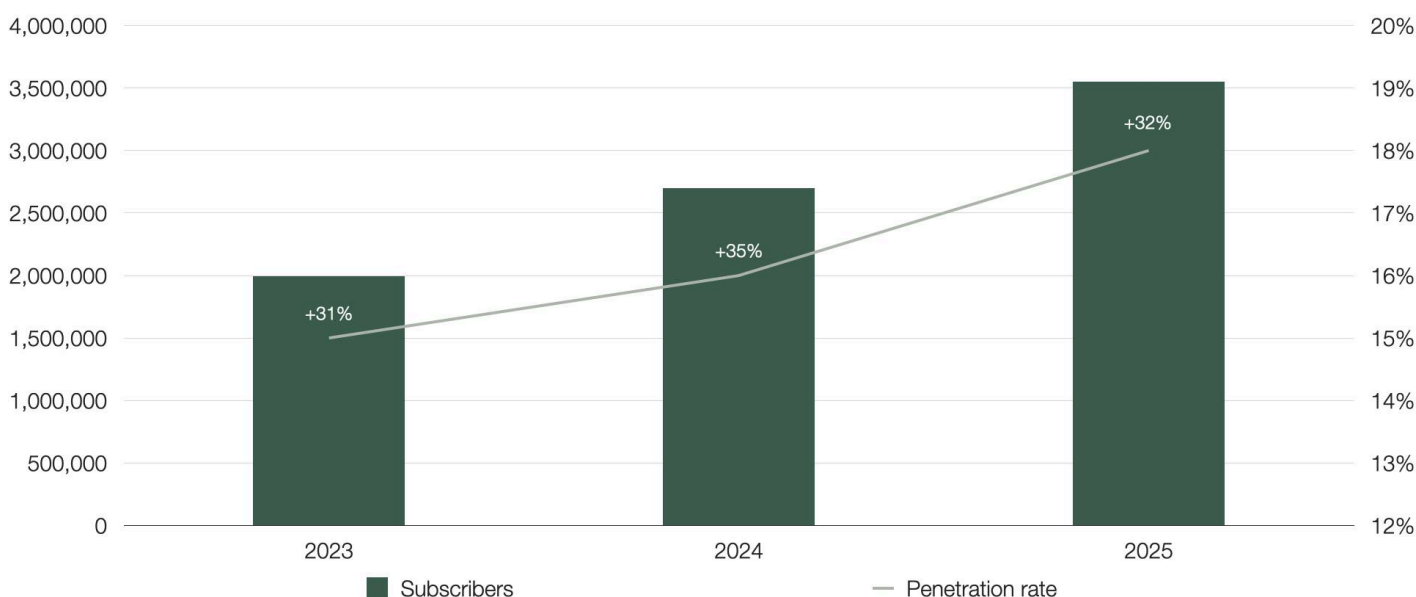
⁴ [Financial Results 2024/25 – Fibrus Speeds Ahead of Growth Forecasts](#), Fibrus, 2026

⁵ [Community Fibre announces record revenue growth: over one in ten Londoners now using its full fibre service](#), Community Fibre, 2026

⁶ [CityFibre delivers record performance in 2025](#), CityFibre, 2026

Figure 2

Annual change in altnet FTTP subscribers and penetration rates
2023-2025



Source: INCA Annual Report 2026

Improving adoption has been reflected in these altnets' revenues, with CityFibre, Community Fibre and Fibrus reporting YoY uplifts of 27%, 48% and 67%, respectively. Despite these positives, it is important to note here that some of these altnets, particularly CityFibre, still have significant debt burdens hanging over them – with CityFibre's total reported current and non-current liabilities amounting to £5.1bn.⁷ Revenue growth has also not been universal across all larger altnets, with F&W Networks and KCOM recording annual decreases of 10% and 5.5%, respectively, while many smaller operators in the sector's 'long tail' have not necessarily enjoyed the same degree of success as their relatively more scaled peers.

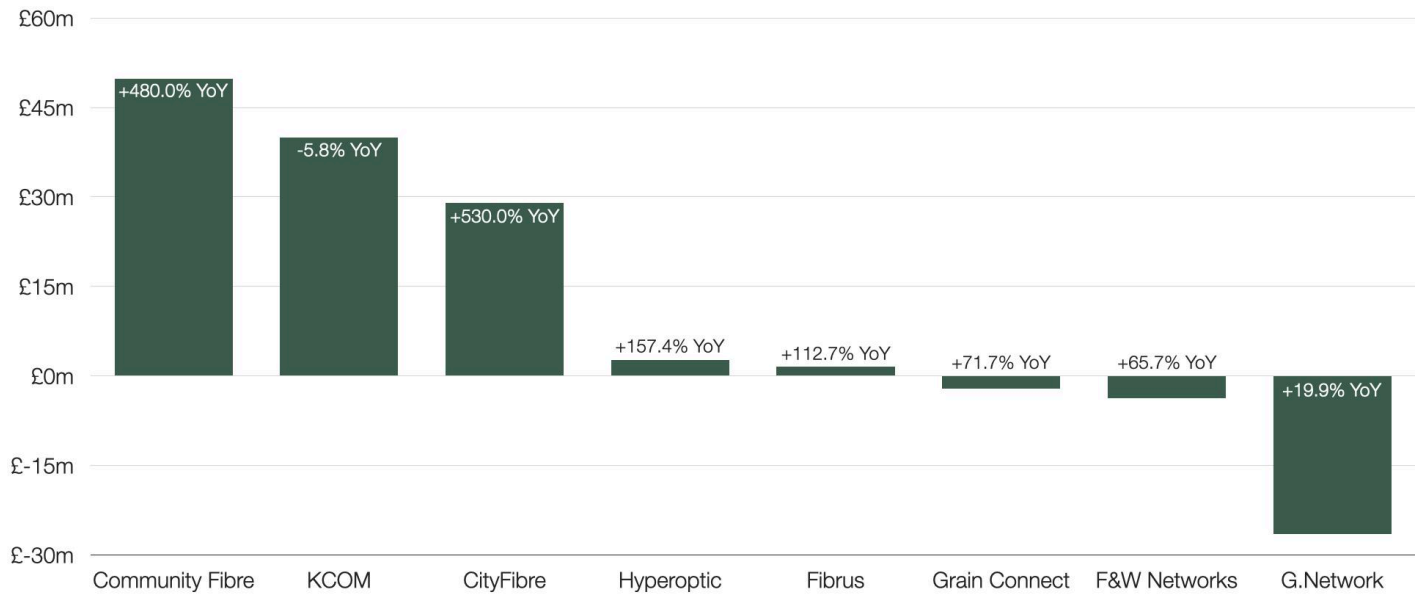
The latest financial reporting shows that some of the most significant increases in earnings before interest, taxes, depreciation and amortisation (EBITDA) have stemmed from those larger altnets – see *Figure 3*. While five of the eight largest altnets have reported positive EBITDA figures, two of them (Hyperoptic, Fibrus) have done so narrowly. Even where EBITDA has seen strong growth, many altnets have still not reported reaching profitability on this basis, including F&W Networks, G.Network and Grain Connect. While G.Network's revenue increased by 58% YoY in 2024 and its EBITDA increased by just under 20%, EBITDA in absolute terms was still firmly in the negative, at around -£26.5m.

⁷ CityFibre full accounts made up to 31 December 2024, [Companies House](#), 2025

Figure 3

Altnet profitability

Adjusted EBITDA of major altnets



Excludes nexfibre and Netomnia

Source: Assembly, company reporting

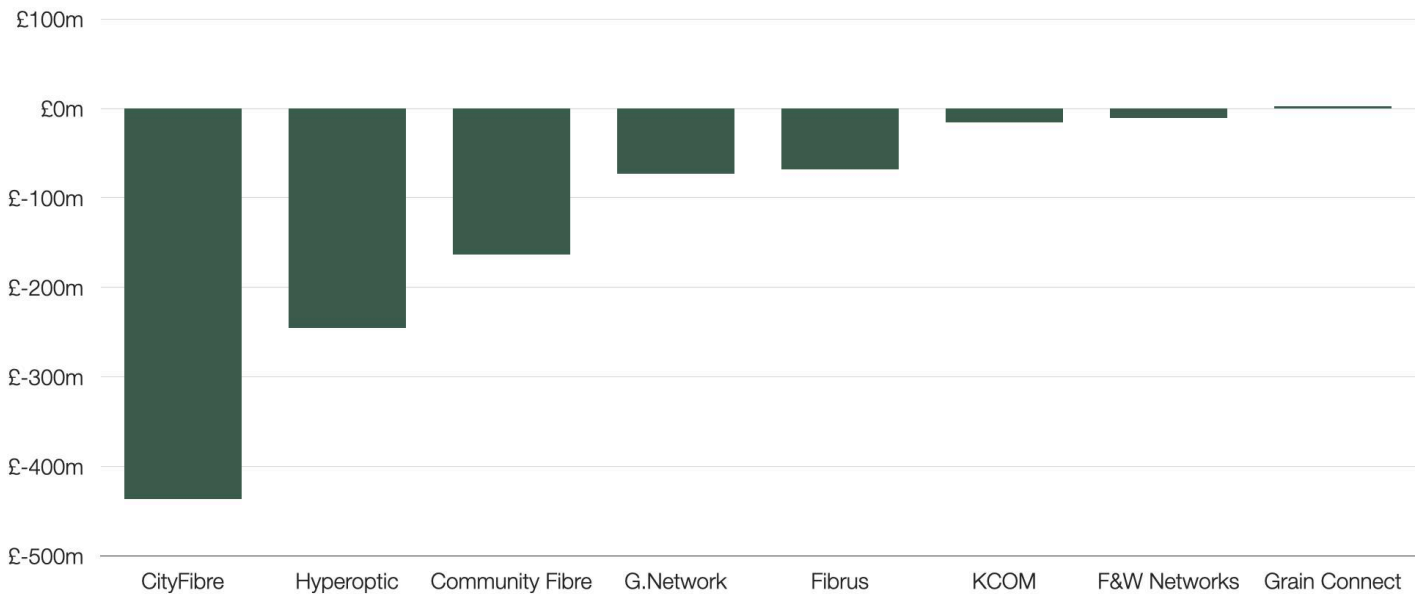
Although this paints a positive picture for the future of at least the larger altnets, there are limitations when using adjusted EBITDA figures as a relevant indicator of profitability, with free cash flow (FCF) a potentially more accurate representation. FCF highlights the significant losses many are experiencing. For example, CityFibre's most recent accounts indicate a negative FCF of more than £435m, while Hyperoptic and Community Fibre⁸ have reported losses of over £245m and £160m, respectively (see *Figure 4*). G.Network and Fibrus are seeing similarly significant losses, while Grain Connect has managed to achieve a narrowly positive FCF of just over £1m.

⁸ We note that Community Fibre reported that it had broken even on an operational cash flow (rather than FCF) basis in Q1 2026. See [Community Fibre publishes financial results for 2025 and trading update for Q1 2026](#), Community Fibre, 2026

Figure 4

Altnet profitability

Estimated free cash flow of major altnets



Excludes nexfibre and Netomnia

Source: Assembly, company reporting

The long-term sustainability of some fibre operators appears uncertain

While some larger altnets are beginning to see notable improvements in revenue and EBITDA, there are undoubtedly still concerns about the sustainability of many of their peers. The significant debt carried by altnets has been widely cited as a primary barrier to investment, profitability and consolidation, and in turn sustainable infrastructure-based competition. Despite some positive results from the market's heightened focus on adoption, the Independent Networks Cooperative Association's (INCA) 2026 Annual Report showed that 'customer acquisition' is currently one of the largest causes for concern⁹ – and indeed the crucial next step to competitiveness with the established players. Many altnets have found it hard to monetise their networks, struggling to attract customers without a recognised and reliable brand, while also facing public misunderstandings about differences between full and part-fibre options.

Competing on prices that are considered too low has challenged the financial prosperity of the altnet market, with suggestions that some may need to raise retail average revenues per user (ARPU) significantly just to break even. Most altnets reportedly have ARPUs of between £25 and £35, which may need to rise to £40 or higher to place them on a sustainable financial footing that allows for future investment. CityFibre recently explained that its full fibre wholesale pricing is up to 37% cheaper than Openreach's.¹⁰ While this may make CityFibre a commercially attractive option for wholesale customers, such competitive pricing may not be possible for many altnets to offer or sustain.

⁹ [State of the Altnets 2026](#), INCA, 2026

¹⁰ [CityFibre Presentation Talks Wholesale. Take-up and Future UK Broadband Plans](#), ISPreview, 2026

The impacts of high debt levels, rising costs and intense competition have been particularly acute for certain altnets, such as G.Network and Gigaclear, both of which have encountered headwinds caused by the wider economic environment. In January 2026, G.Network was sold and then swiftly put into administration by distressed debt specialist, FitzWater Capital,¹¹ later emerging “successfully reorganised” under new ownership, and focused on moving forward on a “debt-free, well-capitalised and growth-oriented footing”.¹² Ahead of this reorganisation, there had been rumours of a rescue deal for G.Network involving Community Fibre, who reportedly stepped back from an acquisition due to concerns over the altnet’s debt “structural issues” that would be expensive to resolve.

Gigaclear launched a process to try to resolve its £1bn debt pile, but no sale materialised. On 9 April 2026, Gigaclear announced it had successfully financially recapitalised, completing a transfer of ownership to a consortium of 11 institutional investors, including the UK’s National Wealth Fund (NWF) and banks Lloyds and NatWest. While a positive step forward, it has been reported that this recapitalisation has represented a haircut of about 40% for lenders’ original loans and one of the first major financial losses felt by investors. Similarly, it has been reported that some of the altnets given loans by the NWF are failing to fulfil their contracts. The NWF has recognised these difficulties, and since January 2026, has taken a new approach that relies less on using taxpayer money, and more on encouraging private sector investment.

In Hull, KCOM (the former local incumbent) is facing its own debt pile of approximately £205.6m in total current and non-current liabilities¹³, and may be en route to some form of refinancing as a result. It has seen its dominant position eroded by an increase in competition from MS3, City-Fibre owned Connexin and Grain Connect, the impact of which has been reflected in KCOM’s financial results, with the operator reporting a significant, £530m write down in the value of its assets following an agreement with lenders and shareholders to adjust its capital structure.

Consumers, competition and public money are all at risk if the market collapses

Though certain altnets have reported encouraging financial results, including achieving profitability on an EBITDA basis, they remain in the minority, with a number of cases of bankruptcy or rescue deals witnessed over recent years. For example, in 2021, Swish Fibre acquired People’s Fibre for £2.8m after it fell into administration, while in 2023, Voneus acquired Broadway Partners after it similarly collapsed into insolvency. Given the current fragility of the market, further instances of financial distress – especially among the larger members of the altnet community – could have significant implications on three separate fronts:

¹¹ [G.Network appoints Joint Administrators](#), G.Network, 2026

¹² [G.Network successfully re-organises](#), G.Network, 2026

¹³ [KCOM full accounts made up to 31 March 2025](#), Companies House, 2026

1. **Consumers:** Should an altnet fail, there is a clear possibility that its customers would find themselves without a broadband service. Unlike in the business market, consumer telecoms does not have a Supplier of Last Resort (SoLR) process in place, which would otherwise establish a safety net for the customers of ailing operators. Though high inflation and supply chain issues reportedly prompted the Government, Ofcom and BT to discuss contingency plans for such a scenario, no formal backup system has yet materialised;¹⁴
2. **Competition:** In the event of failure, there would be the question as to which network(s) the customer base should be transferred, acknowledging that an immediate integration of infrastructure to resolve the issue would be impractical. Given the lack of an SoLR process, Openreach and Virgin Media O2, as the largest scaled operators, could present an appropriate backstop solution; however, there is a risk that this system results in an artificial subscriber boost for the gaining provider that may not have otherwise realised under normal circumstances. There is the risk too that insolvency or rescue deals reduce the prospect of network competition emerging where the acquiring party scales back the local deployment plans of the distressed operator;¹⁵and
3. **Public funding:** While private investment has been central to the rollout of fibre across the UK, public financing¹⁶ is also playing a supporting role. Altnet failure could therefore result in the loss of public money or expose the risk that more capital than originally projected is needed to fill the gaps deemed uneconomical by the commercial market. This would compound the issues already playing out whereby a handful of altnets have modified or terminated Project Gigabit contracts, which Openreach have often subsequently taken on. CityFibre is part of the latest example of “re-scoping”, returning a Project Gigabit contract for Nottinghamshire and West Lincolnshire.¹⁷ While not necessarily problematic for rollout when taken in isolation, further instances may not be a good reflection of a competitive fibre subsidy scheme given the few alternatives to Openreach that would have the capacity to assume ownership of the abandoned lots.

¹⁴ [Supplier of Last Resorts: What happens if an altnet goes bust?](#), Assembly Research, 2022

¹⁵ After Voneus acquired Broadway Partners, it opted not to continue with deployment projects in several communities in Wales, likely leaving them reliant on Project Gigabit for fibre access. See [Former broadband customers of Broadway Partners and Voneus](#), UK Parliament, 2024

¹⁶ E.g. the £5bn allocated to Project Gigabit and the £1.7bn+ committed by the NWF to altnets such as CityFibre, Gigaclear, Hyperoptic, Wessex Internet and Wildanet.

¹⁷ [CityFibre and BDUK agree changes to Project Gigabit rollout following increase in commercial build](#), CityFibre, 2026

The importance of scaled challengers to Openreach

Excessive fragmentation and overbuild hamper continued investment and effective competition

Ofcom's TAR statement emphasised a desire for "material, sustainable and effective competition" in the UK's broadband sector. However, the current, disparate makeup of the market is unlikely to be conducive to meaningful competition over the long-term, with a handful of altnets accounting for the majority of premises passed to date, and a long tail of smaller operators. Altnet coverage is far more fragmented than that of the incumbent, with altnets typically specialising in dense urban areas or rural regions that may have been previously unserved by fibre. Though this may provide some strong competition at the local level (in some instances driven by pricing that may not be sustainable long-term), it ultimately limits their potential customer base growth and consequently their investment capacity, scope for profitability and attractiveness to investors. The prevailing market structure also affects altnets' ability to win demand from larger ISPs (who seek national scaled, in-filled networks and are likely to be less willing to integrate with smaller ones). For operators such as Sky or VodafoneThree, negotiating access with dozens of regional altnets across different systems and price points would raise integration and operating costs, and generally increase the complexity of their own operations. As such, these ISPs have so far opted to only partner with some of the largest wholesalers, including Openreach, CityFibre and Community Fibre.

In the short-term, Openreach is arguably the single greatest beneficiary of this model persisting, whose scale and resources enable it to continually invest heavily in network deployment, thereby securing customers and maintaining its dominant position. The emergence of altnets pushed Openreach to go further and faster with fibre than it had originally planned. However, with Openreach now "building like fury" and aiming to connect up to 30m premises by 2030, the lack of sustained investment from altnets alongside barriers to consolidation could reduce the overall level of infrastructure competition the incumbent faces come the end of the decade. This could likely leave some consumers with less choice of fibre networks than they would have otherwise enjoyed with the existence of scaled challengers.

The excessive level of network overbuild is another risk to investment and competition. While the presence of multiple networks may benefit consumers in some cases, e.g. via competitive pricing, it also further exacerbates the challenges of altnets driving take-up. It is likely easier for altnets to stimulate adoption in areas where they are only competing with Openreach, as it is here that they can provide a cheaper or higher quality service, particularly in areas

where the incumbent's networks still rely on legacy copper. Again, this is where consolidation could support stronger long-term competition to Openreach by bringing together infrastructure and customer bases, and establishing more significant and consistent revenue streams for a smaller number of scaled altnets. Overbuild by other altnets (including Virgin Media O2 and nexfibre) was ranked as a pressing concern for members in the INCA 2026 Annual Report, moving up 10 places from 2025.

Sub-scale altnets reflect an inefficient allocation of resources

Network duplication may represent an inefficient use of resources, further exacerbating the issue of reduced fresh funding into the market. When multiple sub-scale altnets are present in the same areas, their networks essentially service the same premises and customers – something that Fibrus has stated could lead to a “destruction of capital” and has left premises passed as a meaningless metric.¹⁸ According to Ofcom, everything else being equal, a network with larger scale is likely to be a more efficient and more effective competitor (e.g. due to economies of scale or greater brand recognition).¹⁹ An alternative market with a smaller number of larger altnets that benefit from national scale would therefore be able to allocate available capital more efficiently, with reduced network overbuild paired with increased wholesaling, the market would be better able to share the costs of deployments. This would make it easier for these altnets to perform financially, driving long-term investment and growth for the market, while lowering the chance of failures.

Scaled wholesale platforms could deliver wider positive economic impacts

Given the challenges driven by fragmentation and overbuild, it is evident that more scaled platforms are required to credibly challenge Openreach in the wholesale market over the long-term. While larger altnets, such as CityFibre, have the potential to challenge Openreach, it does not currently – nor is it likely to on its own – match the scale of the incumbent's operation. Similarly, although nexfibre has one of the largest fibre footprints, it is yet to announce external wholesale agreements. Streamlining the vast altnet market into a few scaled challengers is unlikely to be a quick process, and some inefficiencies in terms of network overlap may have to be accepted, but it would ultimately lead to a healthier and more competitive market, both at the wholesale and retail levels, expanding access to fibre faster and more efficiently than today. The impact of widespread fibre availability on the economy has been projected to be significant, for example by generating productivity gains and creating jobs.²⁰

Scaled wholesale platforms would be better positioned to support network deployment in hard-to-reach and rural areas, where costs per premises passed and per customer connected are typically notably higher. Opening up these networks would also support the emergence of competitive downstream markets, providing end users with more choice and potentially lower prices. The economic value-add in these traditionally underserved locations could be

¹⁸ [Conference debrief: Connected North 2023](#), Assembly Research, 2023

¹⁹ [Volume 2: Market definition and SMP assessment](#), Ofcom, 2026

²⁰ [New study identifies over £38bn in economic benefits from CityFibre's rollout helping to level up the UK](#), CityFibre, 2022

particularly remarkable, supporting sectoral transformation, business efficiency and remote working opportunities, while helping to narrow the digital divide.

Scaled competition is BT's route to future deregulation

The importance of competition is well appreciated by Ofcom and the UK Government, who have recognised the contribution altnets have made in terms of fibre rollout, supporting the national ambition of a competitive, investable gigabit market for the long-term. What could be perceived as counterintuitive at first glance is the recognition from Openreach of the benefits of competition, with Clive Selley (former CEO, Openreach) having stated that the growth in fibre coverage witnessed since 2019 – which has been faster than any other European country – is a whole-of-industry story, not just an incumbent-centric one.²¹ According to Katie Milligan (CEO, Openreach) the WFTMR has led to “lots of assets in the ground”, with large swathes of the country now having three, four or even five network operators.²²

Ofcom's conclusions on market definition in the TAR may not subscribe (certainly not fully) with this point of view, in particular the decision to not yet define an 'Area 1'. Nevertheless, the regulator has been clear that sustainable, meaningful competition to the incumbent would provide a pathway towards deregulation, potentially from the next market review in 2031. At this point, Ofcom's strategy would have allowed a window of 10 years for fibre network rollouts to occur and for competition to develop. Where effective competition has emerged, there would be no need for Ofcom to regulate. This is what it would like to see happen. With Openreach similarly eager to be able to compete “on the merits”, the second half of Ofcom decade-long, pro-investment framework is arguably more important to the incumbent than the first in ensuring rivals are able to achieve the sufficient scale and foothold in the market to warrant the removal of long-standing ex-ante regulation.

²¹ [Event debrief: ISPA's Parliament & Internet conference 2024](#), Assembly Research, 2024

²² [Event debrief: Connected Britain 2025](#), Assembly Research, 2025

Consolidation as the next chapter in UK fibre

Consolidation would improve the prospect of sustainable network competition taking root

There are various current and emerging issues facing the altnet community in terms of both supply (funding challenges, high interest costs and opex, increasing overbuild) and demand (lower than hoped adoption, materially discounted retail prices). Given the reality of the market backdrop we've described, consolidation is widely considered a solution to several prevailing headwinds, particularly due to the significant potential synergies and scale it could offer. A wave of M&A has been predicted – if not willed to happen – for some time, with different eventualities anticipated, from 'fire sales' of distressed altnets to an orderly combination of network assets (which Ofcom has explicitly hoped for), or a combination of the two.²³ Overall deal activity has been more subdued than most envisaged; between 2020-2025, we are aware of 20 successfully completed transactions, including 'in-family' combinations,²⁴ mergers and equity- or cash-based acquisitions.

However, there is a (belated) sense that more deals are coming, which would help to rationalise the UK market. CityFibre has long been viewed as a credible aggregator of smaller altnets, with the operator itself suggesting that further acquisitions may be on the cards. nexfibre also has some recent acquisition experience, as well as the financial capability and the platform for additional purchases. Consolidation is an inevitable (and in certain instances necessary) next chapter, which will initiate the transition to a more concentrated market with fewer but ultimately more financially stable operators, and in turn a higher chance of sustainable infrastructure-based competition in the long-run.

Ofcom has no red lines and understands not all altnets will prove viable on a standalone basis

Ofcom considers that its regulatory framework has been successful in enabling parallel fibre deployments and in encouraging the proliferation of altnets across the UK. It has though recognised the current fragmentation of competition, which means that some operators will not achieve the requisite economies of scale, efficiency or penetration to survive, and rightfully noted that it is not its role to artificially sustain certain operators by 'picking winners', but to give each an equivalent, reasonable shot at success. The regulator's express objective is material, established network competition that delivers long-term benefits for end users – something the TAR stressed has not yet arrived.

²³ [Consolidating the altnets: Setting the scene](#), Assembly Research, 2025

²⁴ I.e. Mergers between networks or operators with common investors.

That market review also anticipated consolidation, particularly among operators planning on covering 50,000 premises by 2031, as a likely and natural evolution of the market over the coming years, which could result in an enlarged entity (other than CityFibre and Virgin Media O2) that may be able to exert a stronger competitive constraint on BT. While Ofcom has stated that the consolidation journey is at an early stage and that the exact timing and form of it is unknown, the regulator considers M&A a “foreseeable development” that it has reflected in its geographic market definition.

In terms of the impact of consolidation, Ofcom has stated that not all deals should be viewed equally and that competition concerns can arise depending on specific details, including the market position, geographic location and network overlap of the relevant parties. That said, the regulator sees that consolidation is clearly going to be needed as a means by which some altnets achieve a more sustainable position, and that it does not have any “red lines” as to whether a given transaction should be approved or not. Its focus is squarely on ensuring competition and good outcomes for consumers (e.g. in terms of choice and price). While the Competition and Markets Authority (CMA) is the decisionmaking body under the UK’s merger control regime, Ofcom would assist the CMA with its understanding of the market and assessment of the potential anti-competitive effects and any claimed efficiencies.

The Government has no magic number of fibre operators so long as effective competition exists

The Government has said fairly little on consolidation, but would presumably be broadly supportive. In the FTIR, the then Department for Digital, Culture, Media & Sport (DCMS) stated that the most effective and efficient way to deliver nationwide fibre coverage was to promote competition and commercial investment where possible. This mantra was reflected in the 2019 Statement of Strategic Priorities (SSP) for Ofcom and has carried through to the current version published in April 2026. Further, the Government’s 2025 Infrastructure Strategy²⁵ sets out three key actions it will take to remove barriers to deployment to enable the market to deliver “as far and as fast as possible”:

- Full implementation of the Product Security and Telecommunications Infrastructure (PSTI) Act 2022;
- Bringing forward a more flexible permitting system for street works in England; and
- Easing the process for gigabit deployment for leaseholders in multi-dwelling units (MDUs).

The Government has also stated that there is no ‘magic number’ of fibre operators so long as there is a genuinely competitive environment.²⁶ If the Government’s goal is indeed scaled, sustainable competition to the incumbent, it should be understanding that there are dozens of altnets for which the

²⁵ [UK Infrastructure: A 10 Year Strategy](#), HM Treasury, 2025

²⁶ [Conference debrief: ISPA ISP Business Summit 2023](#), Assembly Research, 2023

economics will never add up and that a dose of consolidation must be administered, for example to foster investment and to support the overarching growth mission.

The CMA has sought to adopt a more pragmatic, pro-growth approach to mergers

Almost entirely untested is the extent to which the CMA would be open to consolidation between altnets, especially those with a meaningful, expanding network and/or customer base. In December 2024, it conditionally approved the Three/Vodafone merger, although the nature of the deal and the parties involved provided for limited read across. The CMA would assess the merits of a transaction on a case-by-case basis, investigating whether or not it would lead to a substantial lessening of competition (SLC). Inferences could be made from the recent CityFibre- and nexfibre-led acquisitions, which essentially added hundreds of thousands of premises to their coverage outside of their previous footprints.

That these deals did not give the CMA cause to review, even at Phase 1, might suggest that consolidation among smaller operators whose fibre networks do not overlap may not raise competition concerns. In any case, the ability of the CMA to review a prospective transaction would depend on whether it would constitute a “relevant merger situation” under the Enterprise Act. The CMA therefore would not stand in the way of smaller transactions, for example due to the parties’ revenues not meeting the necessary threshold or because their joint “share of supply” would not be sufficiently high (25%+), as outlined by law.²⁷ This could enable further transactions that potentially replicate the effects of targeted acquisitions, such as CityFibre/Lit Fibre, or of the County Broadband/Truespeed merger, where the parties operated in different parts of the country – with Truespeed itself now having completed a tie-up with Freedom Fibre.²⁸

While scope for consolidation among larger altnets, which have a greater presence in the market, is currently less clear-cut, indications of the CMA’s likely approach to any prospective deal can be gleaned from both its external commentary and internal repositioning. Sarah Cardell (CEO, CMA) has remarked that the goal for merger control is simple: “every deal that is capable of being cleared either unconditionally or with effective remedies should be”.²⁹ She has also highlighted the flexibility that exists in the UK merger regime, allowing the CMA to evaluate whether a merger is likely to result in competition-enhancing efficiencies (e.g. from long-term infrastructure or technology investments) that might offset immediate concerns. Cardell, in launching the CMA’s 2026-2029 strategy, stated that the authority would be stepping up its action to enable “legitimate, pro-growth collaboration”, which

²⁷ [Consolidating the altnets: The main act](#), Assembly Research, 2026

²⁸ [Truespeed and Freedom Fibre complete merger](#), Truespeed, 2026

²⁹ [Driving growth: how the CMA is rising to the challenge](#), CMA, 2024

can help firms gain scale, secure investment, innovate and realise productivity gains.³⁰

Since early 2025, the CMA has undergone a reset in its approach to mergers, looking to more closely align with the Labour Government's growth agenda, including through its "4Ps" framework outlined in the Mergers Charter and a review of its use of remedies in merger investigations,³¹ as well as in light of the Government's Strategic Steer, which expects the CMA to prioritise pro-growth, pro-investment interventions across its duties.³² The CMA has also launched a call for evidence on a review into its approach to the assessment of rivalry-enhancing efficiencies, seeking input on whether it allows the dynamic benefits of mergers to be captured.³³ Such developments perhaps indicate a greater possibility or willingness of the authority to enable M&A than in the past where it can be convinced that a transaction would have a net positive effect, in particular through stimulating investment.

³⁰ [Promoting competition and protecting consumers to drive growth and improve household prosperity](#), CMA, 2025

³¹ [Reviewing merger guidelines](#), Assembly Research, 2025

³² [Strategic steer to the Competition and Markets Authority](#), Department for Business and Trade, 2025

³³ [Reviewing our approach to assessing merger efficiencies](#), CMA, 2026

The merits of the Netomnia acquisition

Netomnia's performance makes for an attractive target

Netomnia's strong financial performance relative to many of its peers has made it an attractive target for consolidation, which has been reflected in CityFibre's reported interest in the operators, as well as with the proposed deal with nexfibre. In January 2026, Netomnia reported revenue of £104m for 2025 (up 168% on the previous year) and a take-up rate of 15% (a 28% improvement YoY), and announced that it had turned a profit for the first time, posting a positive EBITDA of £5m.³⁴

Netomnia's continued ability to secure external funding has highlighted its perceived financial attractiveness to investors at a time when the rate of new capital entering the market has become more subdued. In May 2025, Netomnia announced that it had raised £160m from I Squared Capital and Palistar Capital to contribute to its network deployment, pushing it to boost its coverage target of 3m premises passed by the end of 2025, which it has now surpassed.³⁵ In September 2025, it raised a further £140m from the same two firms alongside new funding from Rand Merchant Bank (RMB) and Bain Capital.

With around 3m premises passed, Netomnia's capital discipline and strong build economics would bolster nexfibre's efforts to create a scaled competitor to Openreach. The planned acquisition would bring the overall fibre footprint of the merged entity to 8m premises by 2027, with over 450,000 retail customers being sold to Virgin Media O2.

The acquisition would deliver scale and long-term investment capacity at the macro level

The proposed Netomnia acquisition would substantially expand nexfibre's footprint, at a time when it has paused network rollout, supporting its challenge to Openreach at the national level. Upon the deal's announcement, InfraVia Capital Partners, Liberty Global and Telefónica issued a joint statement, explaining that it would unlock £3.5bn of investment into the UK market.³⁶ Specifically, the acquiring parties have committed to £1bn in new net funding for nexfibre to fund the transaction – made up of £850m from Infravia and £150m jointly from Liberty Global and Telefónica. These figures demonstrate both the long-term benefits that can be delivered by this deal, but also the kind of enhanced investment capabilities and financial security that can be realised

³⁴ [Netomnia, YouFibre, Brsk Annual Results 2025](#), Netomnia, 2026

³⁵ [ANALYSIS: Exactly how much new fibre is Virgin Media O2/Nexfibre buying with Netomnia?](#), thinkbroadband, 2026

³⁶ [InfraVia, Liberty Global and Telefónica acquire Substantial Group for £2 billion through their existing joint venture, nexfibre](#), Liberty Global, 2026

when operators achieve sufficient scale, including establishing attractive wholesale alternatives to the incumbent that translate into choice for consumers and businesses downstream.

The CMA's Phase 1 considerations would cover the counterfactual, impact on competition and potential efficiencies

While every transaction to date has been irrelevant nationally and from a competition perspective, nexfibre/Netomnia would meet the revenue threshold for review.³⁷ Following (voluntary) notification by the parties, the CMA is expected to launch a Phase 1 merger investigation. At this stage, the authority would have a legal deadline of 40 working days to make initial considerations spanning the following areas:

- Counterfactual;
- Competitive assessment; and
- Efficiencies.

The choice of counterfactual would likely reflect the pre-merger scenario

The counterfactual is the competitive situation without the merger, which the CMA must compare against the prospects for competition with the merger in order to apply the SLC test. The CMA's assessment on the counterfactual would not seek to "ossify" the market at a particular point in time, but might reflect that, absent the transaction, the firms in question would have continued to make investments in improvements, innovations or new products. In many cases, the assessment is likely to be brief, with the CMA drawing general conclusions, rather than predicting precise details or circumstances, on the counterfactual conditions of competition.

Only events that would have happened in the absence of the merger under review – and are not a consequence of it – could be incorporated into the counterfactual. Though talks of a CityFibre/Netomnia deal have been reported in the past, this potential alternative transaction is not currently on the table and cannot be wished into being. As such, there would not be more than one bidder with a live bid for the target business that would impact the CMA's assessment. The appropriate counterfactual would therefore be the prevailing or pre-merger scenario involving distinct entities that compete separately as going concerns but are in truth less capable of investing heavily and mounting a scaled challenge to Openreach in the wholesale market.

The competitive assessment would weigh the potential horizontal unilateral, coordinated and vertical effects

During its preliminary review, the CMA will be tasked with determining whether a deal has a "realistic prospect" of an SLC. If the CMA believes that the likelihood of an SLC is "greater than fanciful, but below 50%", it has a wide

³⁷ £100m turnover in the case of the target.

margin of appreciation in exercising its judgement whether to refer a merger to Phase 2.³⁸ At Phase 1, the CMA might clear a merger unconditionally, launch an in-depth review or accept commitments from the parties to remedy the competition concerns it has identified. The realistic prospect threshold is intentionally lower and more cautious than the threshold applied by the CMA at Phase 2, where it applies a “balance of probabilities” (or a >50% chance) threshold to its analysis.

Against the standard of proof applied at Phase 1, the CMA would examine any merger on its own unique terms and with an open mind, analysing its effect on rivalry over time in the market or markets affected by it. Based on available evidence, the CMA would consider whether a merger would lead to theories of harm regarding the possibility of:

- **Horizontal unilateral effects:** The merged entity is able to profitably and unilaterally raise its prices, worsen its quality or service and non-price factors of competition, or reduce innovation efforts as a result of weakened competition;
- **Coordinated effects:** Remaining firms realise that they could coordinate their activity, for example to raise prices, by not competing as intensely post-merger; or
- **Vertical effects:** The merged entity prevents other businesses in the market from purchasing certain services (input foreclosure) or a firm stops selling its services to other customers and instead only supplies the business it has merged with (customer foreclosure).

In most cases, and according to the CMA, any reduction in competition resulting from a merger would not be substantial as there would be sufficient rivalry between the firms left in the market to discipline the commercial behaviour of the merged entity. For example, a merger between two companies in a large market (with many other similar competitors) would be unlikely to affect competition across the whole market, as there would still be sufficient rivalry between those businesses who remain after the merger.³⁹

The appropriate geographic frame of reference is national

Despite the dozens of altnets present in the UK (which all but eliminates the chance of coordination effects post-merger), Ofcom has stated that nexfibre/Netomnia “raises important issues that need to be looked at” and that network overlap would be one for the CMA to consider. As recognised by INCA, overbuild is an increasing, naturally occurring phenomenon in the pursuit of network competition, particularly as operators target prospective customers in relatively high-value areas. Indeed, CityFibre has acknowledged that based on premises density, cost to build and propensity for take up, operators

³⁸ [Merger assessment guidelines](#), CMA, 2021

³⁹ [Mergers: how they are investigated](#), CMA, 2025

(including itself, Openreach and Virgin Media O2) have often prioritised many of the same locations.⁴⁰ A central weakness in the argument that overlap is problematic per se is that it conflates all network overlap with meaningful overlap in full fibre infrastructure. While there is significant premises-level overlap between Virgin Media O2's legacy hybrid fibre-coaxial (HFC) footprint and Netomnia's FTTP deployment, the vast majority of this involves HFC technology rather than FTTP. That distinction matters. There is currently no meaningful wholesale demand for HFC infrastructure in the UK, and the strategic and regulatory focus of the sector is overwhelmingly on FTTP competition and migration. Any competition assessment should therefore focus on overlap between full fibre networks, not legacy cable coverage.

Once the analysis is narrowed to FTTP overlap, any potential competition concern looks weaker. The overlap between nexfibre/Virgin Media O2 fibre and Netomnia is geographically dispersed rather than concentrated in any particular local market. This cuts directly against the argument that the transaction would remove an important localised rival in specific areas. In many northern regions, overlap is understood to be below 10%, reflecting Netomnia's lower-cost, opportunistic deployment strategy focused on easier-to-build locations rather than systematic overbuild of existing fibre infrastructure. Specifically, the XGS-PON fibre networks of nexfibre and Virgin Media O2 overlap with that of Netomnia in 17% of premises (540,000).⁴¹ Across the combined footprint, they would encounter the competitive constraint and incumbency advantages of Openreach, limiting the merged entity's ability to harm competition in terms of price and non-price factors, or through reduced choice for consumers at the UK level.

The existence of overbuild between the networks of merging parties should therefore not be assumed to automatically raise competition concerns and would become more commonplace as the UK's consolidation journey progresses. The extent to which the CMA could therefore consider that nexfibre/Netomnia could give rise to horizontal unilateral effects would largely depend on its assessment of the possible elimination of potential or dynamic competition. Though Netomnia's investor support, debt profile and recent profitability may help in its efforts to achieve scale and long-term financial viability, they do not guarantee it. Preventing its acquisition could be inappropriate, raising artificial barriers to exit – an organic development as markets evolve. nexfibre/Netomnia would not prevent a third national platform emerging, but could instead have pro-competitive effects by creating a stronger rival to Openreach in line with the policy goal of enduring infrastructure-based competition.

⁴⁰ [CityFibre is rolling out gigabit connectivity to 8m premises](#), IET, 2026

⁴¹ [ANALYSIS: Exactly how much new fibre is Virgin Media O2/Nexfibre buying with Netomnia?](#), thinkbroadband, 2026

The transaction would inject competition into the wholesale market

The CMA's provisional conclusions on vertical effects would likely hinge on whether it sees the scope for the merged entity to restrict downstream competitors' access to wholesale services, restricting routes to market and reducing consumer choice. Importantly, the proposed transaction does not represent a merger between two nationally scaled wholesale fibre operators. Netomnia has not launched a wholesale platform to serve the consumer market, while the acquiring parties' networks have so far not been opened up to external access seekers, with no demand for wholesale cable services in the UK despite their presence in other European countries, such as Belgium. The transaction does not materially reduce the number of scaled wholesale alternatives available to ISPs and their customers, nor does it impair the ability of altnets such as CityFibre to compete nationally. CityFibre itself continues publicly to express confidence in sectoral consolidation opportunities and the availability of possible acquisition targets, underlining that this transaction does not foreclose broader avenues to its expansion in the market.

In effect, the transaction would be unlikely to have a detrimental impact on competition, whereas combining footprints and capital resources would create a stronger challenger capable of accelerating fibre deployment and competing more effectively against Openreach. With the provision of wholesale access to the operators' joint fibre assets a realistic, if not highly probable (given the stated transaction rationale), outcome either pre- or post-merger, the result would arguably be enhanced – not lessened – competition in those local overlap areas (a far cry from the suggested risk of “re-establishing an ineffective duopoly”⁴²), complementing the wholesale competition provided across the rest of the combined footprint and driving benefits at the retail level. As it cannot be ruled out that some theoretical concerns could arise (we see the merged entity as having the ability and yet a minimal incentive to foreclose access to certain ISPs in a future scenario where it enters the wholesale market), this could induce the CMA to seek assurances regarding the protection of retail competition and its related positive outcomes for consumers.

Efficiencies may help prevent or negate the effect of competition concerns arising

The CMA has the discretion not to launch a Phase 2 investigation if it believes that there are any factors that might prevent or significantly reduce any harmful impact of the merger. According to the CMA, consolidation can give rise to two types of efficiencies that make the merged business a more effective competitor:

⁴² [CityFibre raises competition concerns over nexfibre's Substantial Group acquisition. Capacity Global](#), 2026

1. **Rivalry-enhancing efficiencies** that increase competition from the merged entity, for example in terms of price, quality, range or service, that may prevent an SLC arising; and
2. **Relevant customer benefits** from strengthened competition, such as lower prices, higher quality or greater choice.

While relevant customer benefits do not prevent an SLC or factor into the CMA's competitive assessment, they may outweigh the adverse effects of the identified SLC and therefore the progression to Phase 2 based on the overall benefit to consumers of having such an investigation. In practice, the CMA has rarely approved a merger to Phase 1 based on relevant customer benefits;⁴³ however, they may be taken into account when the CMA considers options to remedy competition concerns and whether any of the remedy options would result in relevant customer benefits being unrealised.

Merger remedies may not be needed for nexfibre to become an active player in wholesale

If at Phase 1 the CMA considers that it should refer the merger to Phase 2, it will first give the merging businesses a chance (five working days) to propose remedies (known as 'undertakings in lieu' or UILs) to address its concerns. If the CMA then provisionally decides to accept the remedies, it would consult on them. The fact that the merging parties would be willing to discuss possible remedies would not:

- Be taken to mean that the parties believe that the merger raises competition concerns; or
- Mean that the CMA would necessarily decide that the merger would be expected to raise competition concerns.

The CMA typically looks for proposed UILs to remedy "in a clear cut manner" the SLC that it believes may occur, which can often mean proposals to sell businesses or assets, potentially including an agreement with an "upfront buyer" to that effect.⁴⁴ However, it does not appear compelling that such a structural solution would be appropriate in the nexfibre/Netomnia case, not least because of the limited fibre overlap between the parties, where a transfer of assets to another operator would not materially offset the effect on competition given the presence of a national, regulated incumbent.

Neither is it definitive that alternative UILs would be required to offset any potential competition concerns the CMA considers could arise. The authority could weigh up the value of a behavioural investment commitment (as it used to justify clearance of Three/Vodafone in 2024), although the parties have already made an announcement in that regard, meaning a remedy may have no incremental impact. The CMA could also consider binding wholesale obligations for the merged entity to try to ensure promised benefits for

⁴³ [Mergers exceptions to the duty to refer and undertakings in lieu](#), CMA, 2025

⁴⁴ [Quick guide to UK merger assessment](#), CMA, 2025

upstream competition materialise; however, ISP access agreements could be delivered via commercial negotiations outside of the review process. Virgin Media O2 has stated publicly an ambition to wholesale fibre, while nexfibre was specifically established to create a scaled wholesale-only platform, with multiple reports of discussions with retail ISPs.⁴⁵⁴⁶ Any remedies that are ultimately imposed should be proportionate and targeted, with the CMA mindful not to undermine the rationale for the deal in the first place or to jeopardise the relevant customer benefits that could accrue.

A lengthy CMA Phase 2 could hinder investment and dealmaking, all the while altnets' financial situation remains precarious

If the CMA does not identify competition concerns, it would clear a merger. In fact, most of its investigations end at Phase 1, often with unconditional approval. Less than 1% of the CMA's merger reviews in 2024/25 required remedies or were referred for a Phase 2 investigation.⁴⁷ This deeper review can take up to 32 weeks before a decision is reached, which is in addition to the approximate 50-day Phase 1 and the 40-day pre-notification stage. A lengthy Phase 2 review of nexfibre/Netomnia could therefore hold up the deal significantly, likely pushing its potential completion into 2027.

Such a delay risks limiting or slowing investment into the UK's fibre market, including the forecasted investment in domestic fibre networks that the nexfibre/Netomnia acquisition and further transactions would trigger. It could create regulatory uncertainty for the backers of other altnets, potentially discouraging them from providing new funding to fuel additional investment until the eventual outcome of the investigation is made known, with knock-on effects for GDP growth. A lengthy Phase 2 could also risk hampering further consolidation, particularly for merging parties where the target's revenue would be sufficient to trigger a formal CMA review, leaving ongoing scale and profitability challenges unaddressed.

Taken together, the potential chilling effect on investment and consolidation could hold up the development of sustainable infrastructure-based competition to Openreach, whether that be from a combined nexfibre/Netomnia or from another scaled altnet. This would constrain the market in its current state, limiting the flow of benefits to end users. A negative impact on investment could slow the deployment of fibre, reducing choice in harder-to-reach rural areas, while barriers to consolidation could hinder competition in the wholesale market taking shape, affecting prices at the retail level. With M&A reflecting necessary a natural correction after over-investment by too many sub-scale operators, prohibition would be disappointing for the parties, while harming investment, competition and end users. A decision at Phase 1 (even if conditional) would ensure pace and predictability while also limiting the costs and uncertainty imposed on the wider market.

⁴⁵ [Virgin Media O2 and VodafoneThree in talks over UK broadband wholesale deal](#), Capacity Global, 2026

⁴⁶ [Will nexfibre/Netomnia acquisition lead to a duopoly? Why pay £2bn for a network with 80% overlap?](#), Zen Internet, 2026

⁴⁷ [Annual Report and Accounts 2024 to 2025](#), CMA, 2025

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