# Altnets face £1bn losses but propel regional growth and digital inclusion in UK



In a climate marked by fierce competition and financial scrutiny, alternative network providers (altnets) are striving to redefine their roles within the UK telecommunications landscape. Recently, several altnets have underscored their impact on local economies and their strategic importance to the broader community through a series of studies and reports that highlight the value of increasing fibre connectivity.

Fibrus, for instance, recently announced that its network construction in Northern Ireland has contributed £431 million to the local economy since its launch in 2020. This impressive figure, as outlined in a report by Grant Thornton, includes £74 million from operational activities such as wages and £271 million from supply chain investments. The total Gross Value Added to the local economy was reported at £217 million, highlighting the multifaceted impact of infrastructure projects on regional economies.

In a similar vein, CityFibre has begun to draw attention to its Project Gigabit initiatives, particularly in agricultural circles. A recent survey revealed that 60% of farmers believe improved internet connectivity is essential for their businesses. Key advancements in precision technology and better administrative tools were noted as significant benefits that could enhance productivity within the sector. This reinforcement of connectivity as a cornerstone for economic growth demonstrates the inherent value of altnets beyond mere service provision.

A more inward-looking survey conducted by Neos Networks of 100 senior decision-makers at UK fibre altnets yielded insights into the sector's ambitious plans. Despite around one-third of respondents expressing aspirations to position their businesses as national players through partnerships or mergers, the primary focus for many is on enhancing customer satisfaction and service diversification. Only a third prioritised further network construction, while just over 20% anticipated significant improvements in average revenue per customer in the coming years. This paints a complex picture where operational excellence often overshadows expansion ambitions, revealing a sector focused on consolidating its gains in a still-challenging economic environment.

Despite these positive narratives, the landscape for altnets is fraught with challenges. Collectively, altnets reported over £1 billion in losses during 2023. Factors contributing to this downturn include escalating operational costs, difficulties in securing financing, and slow consumer adoption rates. Industry analysts predict a wave of bankruptcies and consolidations ahead, as many players struggle to pivot toward profitability amidst a backdrop of falling valuations and rising interest rates.

In an environment of consolidation, industry trends suggest significant strategic movements are underway. A notable case is the anticipated merger between Netomnia and Brsk, which, upon finalising, will create one of the largest altnets in the UK, valued at approximately £1.1 billion. This merger, along with CityFibre’s recent acquisition strategies, exemplifies a sector eager to bolster market presence while seeking sustainable operational models.

On the consumer front, companies like Community Fibre have recently reported breakthroughs, with the firm achieving its first-ever profit, recording £8 million in EBITDA for the 2024 fiscal year. Despite operating within a challenging financial landscape, marked by a £118.5 million pre-tax loss due to infrastructural investments, the company experienced an impressive 82% revenue increase. Such developments have led industry observers to consider Community Fibre a strong contender within the competitive market.

As awareness of the digital divide grows, efforts are being made to improve access to high-speed broadband, particularly for underserved regions. The Welsh Government has announced plans to launch a procurement exercise aimed at extending high-speed broadband to approximately 84,000 premises lacking superfast infrastructure. This initiative reflects a national recognition of the importance of inclusivity in connectivity and the pivotal role altnets play in bridging gaps in digital access.

Overall, while the altnet sector encounters turbulence, it is also seizing opportunities for growth and innovation. From investments in infrastructure to collaborations aimed at enhancing service offerings, altnets continue to position themselves as vital components of the UK's digital ecosystem. With the recovery of the broader economic landscape anticipated in future, the ultimate challenge will be transforming current ambitions into sustainable, profitable realities.

### Reference Map

* Paragraph 1: [[1]](https://www.telcotitans.com/infrawatch/uk-infrawatch-briefing-altnets-prove-worth-ai-plans-develop-nexfibre-stalls/9238.article)
* Paragraph 2: [[1]](https://www.telcotitans.com/infrawatch/uk-infrawatch-briefing-altnets-prove-worth-ai-plans-develop-nexfibre-stalls/9238.article)
* Paragraph 3: [[1]](https://www.telcotitans.com/infrawatch/uk-infrawatch-briefing-altnets-prove-worth-ai-plans-develop-nexfibre-stalls/9238.article)
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* Paragraph 6: [[4]](https://www.ft.com/content/33807e55-024c-4797-9f20-e4a9a45fb1e8)
* Paragraph 7: [[6]](https://www.ft.com/content/bbec2c03-c631-406e-9eea-f24548b73e39)
* Paragraph 8: [[1]](https://www.telcotitans.com/infrawatch/uk-infrawatch-briefing-altnets-prove-worth-ai-plans-develop-nexfibre-stalls/9238.article), [[2]](https://www.ft.com/content/f9503078-59af-44e6-8284-fa64bb3a4cad), [[7]](https://www.ft.com/content/cd6db6ba-43b3-413f-bfc4-278fd253f51b)

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## Bibliography

1. <https://www.telcotitans.com/infrawatch/uk-infrawatch-briefing-altnets-prove-worth-ai-plans-develop-nexfibre-stalls/9238.article> - Please view link - unable to able to access data
2. <https://www.ft.com/content/f9503078-59af-44e6-8284-fa64bb3a4cad> - This article discusses the collective losses exceeding £1 billion experienced by UK alternative network providers (altnets) in 2023. Despite the initial promise of a fibre broadband 'gold rush,' these companies have faced challenges in replacing dominant operators like BT and Virgin Media O2. Rising costs, financing difficulties, and limited consumer adoption have contributed to these losses. Investment executives predict an increase in bankruptcies and consolidations, with valuations falling below invested capital. However, some remain optimistic about the long-term viability of altnets, focusing on achieving self-sustaining cash flows. Ofcom's 'One Touch Switch' policy and new funding rounds offer some hope for the sector.
3. <https://www.ft.com/content/8e0c00d3-823d-4888-aced-f15e01f4e0f6> - This article examines the perceived threat posed by alternative network providers (altnets) to BT. Despite Sky's agreement with CityFibre to supplement its existing BT Openreach network, fears about significant damage to BT's business appear exaggerated. Customer relationships with BT remain strong due to the effort and disruption associated with switching networks. BT has countered the altnet threat by aggressively expanding its fibre rollout, with Openreach fibre now covering 46% of UK premises and expected to reach 76% by 2026. Altnets, while a force, struggle with profitability due to high capital expenditure and competition. Even CityFibre, despite positive earnings, faces negative cash flow and financing challenges. BT's strategic network expansion protects it from significant threats, though it cannot entirely avoid some market share loss.
4. <https://www.ft.com/content/33807e55-024c-4797-9f20-e4a9a45fb1e8> - This article reports that G.Network, a full-fibre broadband wholesaler with a network reaching 416,000 homes in London, has renewed efforts to sell the company by engaging bankers at Jefferies and Nomura to contact potential buyers. This marks another wave of consolidation among providers challenging BT and Virgin Media O2. Despite previous failed attempts, interest from rival altnets is being gauged. The consolidation trend benefits larger players like CityFibre, which recently agreed to acquire Connexin. G.Network has approached CityFibre and other companies about potential mergers or acquisitions. Valued at £450 million, previous acquisition interests from Community Fibre and Virgin Media 02 were not pursued due to financial reasons. Additionally, Virgin Media 02 seeks £1 billion from investors for its new UK wholesale fibre business, NetCo. Analysts foresee increased dealmaking as altnets, which faced significant losses in 2023, seek scale, financing, and higher returns to compete in the market.
5. <https://www.ft.com/content/9c679b17-668f-4b15-8e8b-65ca72409f66> - This article reports that Netomnia and Brsk, two UK broadband providers, have agreed to merge, creating one of the largest alternative network providers (altnets) to compete with BT and Virgin Media O2 in the country's full-fibre rollout. This merger signifies the largest consolidation in the altnet sector, aiming to provide a sustainable competitive environment. The deal, which puts Brsk under Netomnia's parent company, Substantial Group, will result in a combined valuation of £1.1bn. The unified entity will continue operating separately but aims to aggregate their networks and potentially acquire more altnets in the future. The collective services are available to 1.5 million premises with plans to expand to 3 million by the end of 2025, utilizing up to £900m in debt. This merger reflects a broader trend of consolidation in the industry, with previous mergers like CityFibre acquiring Lit Fibre and Virgin Media O2 buying Upp. The Netomnia-Brsk deal is expected to finalize soon, pending regulatory approval, with no job cuts anticipated.
6. <https://www.ft.com/content/bbec2c03-c631-406e-9eea-f24548b73e39> - This article reports that Community Fibre, a UK alternative fibre network backed by Warburg Pincus, has reported its first-ever profit, achieving £8 million in EBITDA for 2024 despite ongoing challenges in the altnet sector. The company saw a significant 82% annual revenue increase to £76 million and grew its customer base by 50% to 336,000, making it the third-largest altnet in the UK. Although the company incurred a £118.5 million pre-tax loss due to heavy infrastructure investments, CEO Graeme Oxby emphasized the long-term financial viability of competitive broadband. The broader altnet sector has accrued £1.3 billion in losses amidst mounting competition and rising interest rates. Community Fibre paused network expansion to focus on in-network connections among the 1.3 million homes it serves in London. Analysts consider it one of the strongest competitors in the market and well-positioned for future consolidation. The altnet sector, which now reaches 16.4 million homes, continues to grow following Ofcom's 2021 pricing regulations on dominant provider Openreach. Meanwhile, rival CityFibre is pursuing £1.5 billion in additional funding and recently agreed to acquire Connexin, highlighting ongoing pressures and consolidation in the industry.
7. <https://www.ft.com/content/cd6db6ba-43b3-413f-bfc4-278fd253f51b> - This article reports that alternative network providers (altnets) Fibrus and Community Fibre have secured new debt financing, raising £100mn and £60mn respectively. These deals are part of a broader trend in the sector as smaller participants endeavor to challenge incumbents BT and Virgin Media O2. Despite higher borrowing costs and investor pressure over the past 18 months, the sector has seen a series of recent funding successes, including CityFibre’s partnership with Sky. Fibrus expects positive earnings before interest, taxes, depreciation, and amortisation (EBITDA) in 2025 and has raised funds from existing and new lenders. Community Fibre, already EBITDA positive, secured financing from JPMorgan, Barclays, and Landesbank Baden-Württemberg. Despite some successes, analysts remain cautious about the sector’s long-term sustainability due to low customer uptake and high operating costs. Additional altnets, such as Hyperoptic, Quickline Communications, and Wildanet, have also recently secured funding, providing some optimism for the industry.