

Independent network sector investment – September 2020 update

The past year has continued to see strong interest and engagement from the investment community in the UK's independent network sector. We have gathered together the main financial-related announcements. It is important to note these do not cover the entire sector:

- Over £1.76 billion worth of private funding related to the sector was announced during 2019 until September 2020
- If we include CityFibre's £200 million cash purchase of FibreNation from TalkTalk Group, this comes to £1.96 billion
- These figures are on top of an estimated £5.7 billion of private investment-related announcements already made in the sector, bringing the total to over £7.6 billion.

Table 1 summarises selected investment-related announcements over the past three years with regard to the independent network operator sector.

Table 1: Investment-related announcements, selected

To end-2017	To end-2018	To March 2020	To September 2020	Accumulative total
£2.55 billion	£3.15 billion	£0.936 billion (including FibreNation sale)	£1.76 billion	£7.66 billion

Note: Figures cover only part of the sector

See general caveat on page 4

Source: Public announcements and press reports

A number of smaller operators with fixed and FWA networks taking part in our survey this year and last year noted their capex plans for the current financial year (2019/20) and the next financial year (2020/21). We also requested estimated capital expenditure from now until the end of 2025.

We have added additional estimates to those figures collected through the survey for intended spend by independent network operators based on public announcements over time. Table 2 provides a summary.

It is important to note that these figures do not represent the whole sector. We also note that the figures provided and public announcements made are projected capital spending, not actual.

Table 2: Intended capital expenditure, estimates

Current financial year (2019/20)	Next financial year (2020/21)	2020 to end-2025
£426 million	£656 million	£5.419 billion

Note: Figures form only part of the sector; capex relates to intended capital investment, not actual

See general caveat on page 4

Source: Operators taking part in INCA surveys 2020 and 2019; public announcements

A summary of selected financial-related announcements are detailed in Table 5 below. Earlier announcements can be found in our previous report for INCA, [Metrics for the UK independent network sector](#), published in May 2019.

Table 5: Selected independent network operator investment announcements 2019 to 2020

Operator	Investment announcement
B4RN	08/07/2019 surpassed £3 million crowdfunding target via Triodos Bank raising £3.3 million total, with maximum capital raise of £5 million; £1.6 million in community investor loans
Box Broadband	18/09/2019 significant new investment from high net worth individuals
Broadway Partners	31/07/2020 secured £2 million commercial loan from Monmouthshire County Council to deploy FWA and FTTP “gigabit-capable” fibre to 5,000 premises; 22/05/2020 announced that it aims to cover 500,000 premises by end of 2022
Call Flow Solutions, Trooli	05/06/2019 secured £26.6 million of funding from European investors 07/02/2020 gained a further £5 million of funding via a senior facility agreement with NatWest Bank
CityFibre/Fibre Nation	27/03/2020 Completed acquisition of FibreNation and increased investment plan to £4 billion; 21/01/2020 bought FibreNation for £200 million in cash. 18/12/2018 debt package of £1.12 billion from seven major financial institutions, ABN AMRO, Deutsche Bank, Lloyds Bank plc, Natixis, NatWest, Santander and Société Générale. Proceeds from infrastructure debt package to be used to fund first part of CityFibre’s £2.5 billion investment plan; 23/10/2018 £2.5 billion investment programme reinforcing CityFibre’s commitment to connect five million homes to full fibre
Community Fibre	29/07/2020 secured £400 million from global equity firm Warburg Pincus LLC and management group DTCP to cover c.1 million premises (mostly in and around London) by end of 2023; 16/07/2019 secured an extra £50 million of funding from its two institutional investors, RPMI and Amber Infrastructure. 23/04/18 £18 million through NDIF and £7 million from private equity investment via Railpen
G.Network	09/03/2020 Reportedly seeking investment boost of around £200 million to accelerate rollout plans. 05/11/18 Closed deal with investment partner Albion Capital resulting in Cube Infrastructure Managers providing initial £60 million of additional funding; already had investment of £4.6 million from Albion
Gigaclear	17/03/2020 secured £525 million in financing from Lloyds, NatWest, Santander and ABN Amro, which consists of £485 million seven-year capex facility and £45 million revolving credit facility; 13/03/2018 Infracapital acquires majority stake in Gigaclear for c. £270 million; aims to cover 500,000 premises in rural areas, mostly in England, by the end of 2023
Hyperoptic	14/10/2019 KKR completed the acquisition of a majority stake in Hyperoptic from funds managed by Newlight Partners LP and the Mubadala Investment Company. This followed 07/11/2018 strategic investment from Mubadala Investment Company and 03/08/2018 completed a debt raise of £250 million from eight international banks
ITS Technology Group	07/01/2020 completed £45 million in funding from a deal with Aviva Investors to allow ITS to build several new full fibre networks, as well as to build out its current footprint
Jurassic Fibre	17/04/2019 acquired by Fern Trading to provide funding for an expansion plan that could exceed £250 million over the next few years
Quickline (part of Bigblu)	12/08/2019 secured a £12 million investment comprising a £4 million credit facility from HSBC and £7.75 million from Harwood, with existing investors re-investing
Swish Fibre	17/12/2019 acquired by Fern Trading as part of a long-term funding deal to unlock £250 million of investment

Deleted: 2025

toob	25/03/2019 secured £75 million funding package from Amber Infrastructure Group's National Digital Infrastructure Fund
Voneus	15/08/2019 secured initial £10 million investment from Macquarie Capital investment, with possible future investment to reach £30 million; 21/06/2017 secured £4.8 million growth capital loan from BOOST&Co alongside £500,000 equity investment from Jenson Solutions; FWA provider that has been focusing on FTTP deployment to rural communities, current FTTP coverage of around 400 rural properties, with aim of increasing to around 500,000 by end of 2022.
Zzoomm	28/09/2020 secured £100 million from Oaktree Capital Management to increase coverage to and around Henley-on-Thames, Oxfordshire area where they currently cover c. 6,000 premises

Source: Independent operators

Ofcom Area 3 – Independent Networks and Openreach

The impact of the proposed Area 3 designation is likely to have significant impact on the investment decisions of the Independent Network operators already in the UK.

As at June 2020 Openreach has passed just short of 666 thousand premises with 'full fibre' in Area 3 postcodes. The Independent Networks meanwhile cover just over 400 thousand premises with FTTP/B and a further 780 thousand with wireless solutions from various suppliers who are moving towards gigabit supplies.

The current intersection of Openreach full fibre with the Independent Networks is only 55 thousand premises in Area 3 with over 600 thousand premises with Openreach FTTP available outside the current intersection with Independent Networks.

Almost 20% of Area 3 as it currently stands is now covered by at least one supplier offering full fibre or (potentially for wireless) gigabit capable supply and Openreach is responsible for just 7%.

Ofcom Area 3 Premises Indie Net	Openreach tech										Grand Total
	adsl	fttc	fttp	fttp-fttc	fttp-gfast-fttc	fttponly	gfast	unknown			
Airband Fibre	205,853	7,204,104	364,115	187,994		1,853	56,015	273,891	26,507		8,320,333
Broadband for the Rural North	28	1,213	25					29			1,266
Call Flow Solutions	958	9,079	525	40							10,612
Community Fibre	6,300	7,480	466	5							14,251
Gigaclear	5								7		12
Gigafast/Vodafone	34,791	70,463	1,481	244		62	709		31		107,781
Hyperoptic	41	25,532	650				6,720	214			32,943
ITS Technology Group	409	1,007					1,056				2,687
KCOM		658									658
Other (fixed)	1,328	7,670	323	158		5			15		9,499
Other (wireless)	19,165	181,772	3,961	1,063		94	611	5,392	7,787		219,844
Wightfibre	17,189	684,816	25,132	17,098		1,328	1,529	33,171	130		780,393
Zzoomm	34	2									36
Zzoomm		3,710									3,744
Grand Total	286,101	8,197,508	396,678	206,603		3,275	59,342	320,097	34,476		9,504,080