

Is the wholesale model reshaping fiber rollout in Western Europe?

A comparative rollout status in the big 5 countries

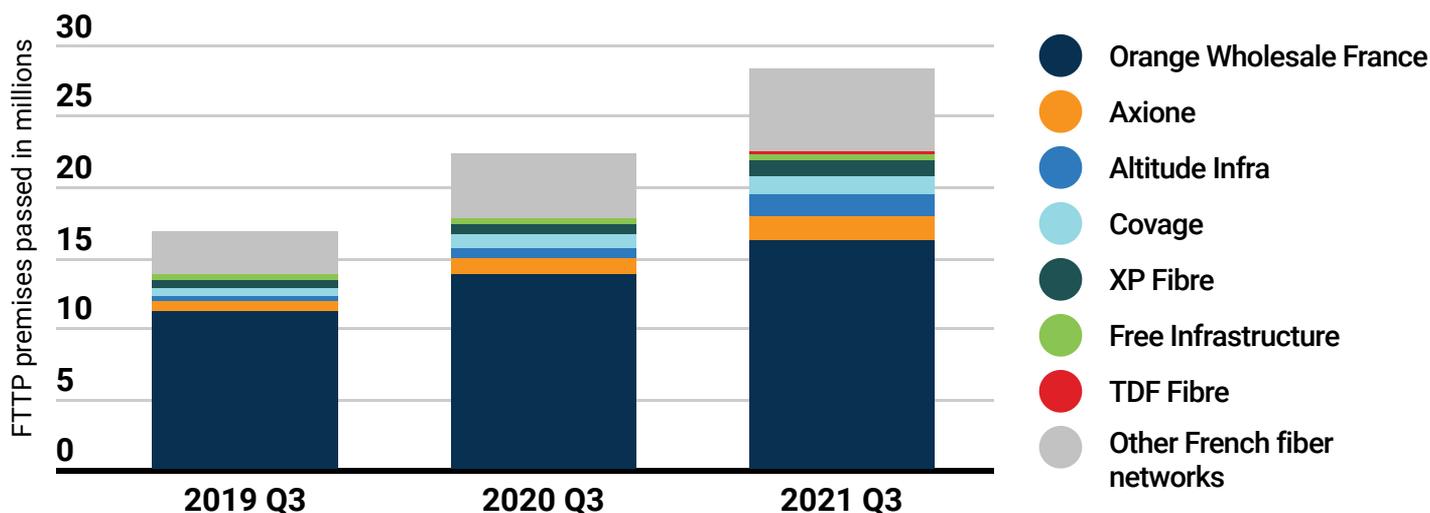
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The expansion of fiber networks is progressing fast in Western Europe, where an average of 7 million premises were connected each quarter over the last year. If we consider the five biggest consumer markets in the region though, it is clear that the deployment of fiber infrastructures widely varies in each country.

The market is currently being reshaped by an unprecedented investor rush in broadband infrastructures. Dozens of global and regional private equity funds have shown interest in deploying fiber connections in Europe, by acquiring local networks or investing capital in historical operators' infrastructures to finance the expansion of their footprint. With governments and local authorities providing huge scale subsidies in national fiber rollout projects, the context is ideal for network builders to find investors.

In France for example, a total of €20 billion, out of which €3.3 billion from the government, are being invested into a national fiber rollout launched since 2013. At Q3 2021, over 28 million premises have been connected, with rollout prerogatives defined by zones and attributed to different network operators. Altice, which operates retail service provider SFR, had built over 3 million premises through its Covage network and through XP Fibre, a joint-venture created in 2018 with Allianz, Axa and Omers Infrastructures that operates the network formerly known as SFR Collectivités. Bouygues, which is in charge of 3.4 million connections in dense areas, opened Axione's capital to Mirova in 2019.

Fiber rollout in France by network

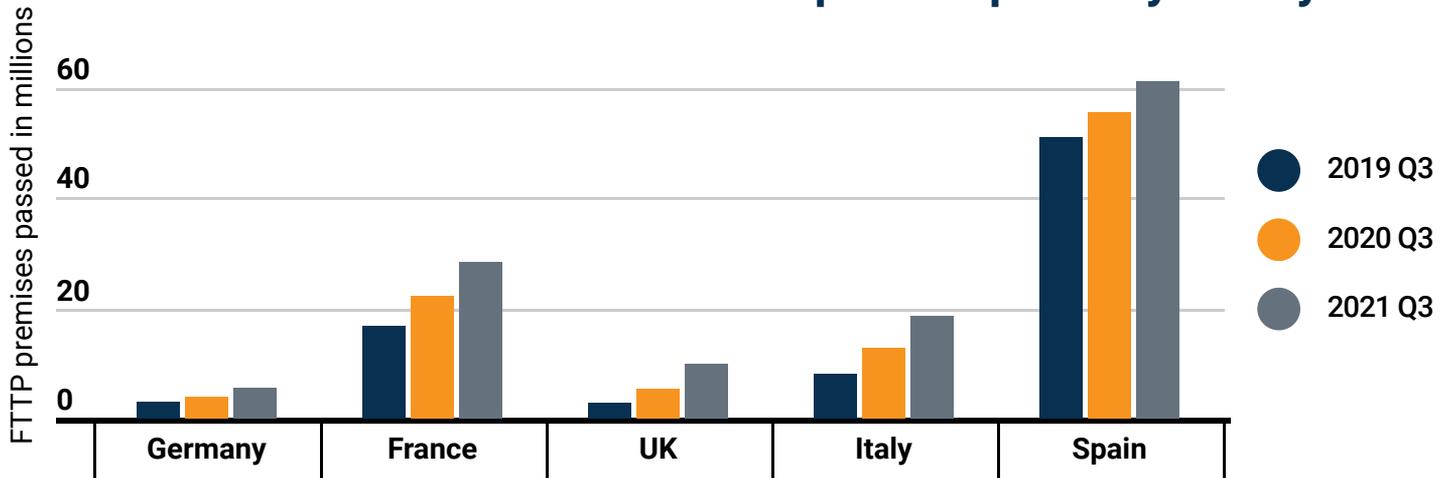


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Last year, the shift towards a wholesale model accelerated in southern Europe. In Spain, where most premises have been connected by Orange and Telefonica so far, investors have recently become more present in the infrastructure landscape: Masmovil has been successively ceding a few million connected premises to new entrants like Lyntia Access (backed by Antin Infrastructure Partners) in 2019, and Onivia (backed by Macquarie, Aberdeen and Daiwa) in 2019 and again in 2021. In Italy, the national wholesale fiber network, OpenFiber, first established by Enel at the end of 2015 was sold in mid-2021 to a joint-venture between investment fund Macquarie and the government-owned Cassa Depositi e Prestiti. At the time, it already covered a total of 12 million premises, or over 60% of its original target to cover the whole country. This was announced a few months after KKR Infrastructure injected capital in FlashFiber, a competing initiative launched in 2017 by TIM and Fastweb.

In Germany, the extensive coverage of Deutsche Telekom's copper network, the lack of regulation in favour of open access networks and the extensive costs of connecting individual housing to fiber optical networks have held back the country's infrastructure rollout until recent years. But as the German government gives access to more subsidies to expand investments towards grey and white zones, we see more and more local networks emerging and a growing interest from investment funds. In 2020, EQT Partners acquired and merged two wholesale networks, Deutsche Glasfaser and Inexio, currently covering 1.2 million premises. Infracapital operates BBV in southwestern Germany and CCNST in Bavaria; Basalt Infra owns two networks focusing on fiber rollout in rural areas; Morgan Stanley Infrastructures is investing in Telecolombus' fiber network; Allianz concluded a JV with Telefonica to connect over 2 million premises through a 5 billion euros investment. InfraVia Capital Partners also recently announced that they are entering the German wholesale infrastructure market alongside Liberty Global, which left the country several years ago after ceding its cable networks, in a new joint-venture.

Evolution of the total number of fiber premises passed by country



SOURCE: **Dataxis** ©

In the UK and Germany, the significant delay with which fiber rollout took off can be partly explained by the prevalence of cable and copper networks in broadband consumer offers. But migration towards optic fiber seems to be the credo of local incumbents and historic cable operators across the continent. Local incumbent telcos still lead the way both in terms of investments and premises connected, but the structure of fiber networks in both countries is changing rapidly with dozens of new entrants over the last 2 years. In the UK, BT's wholesale network OpenReach currently represents less than 60% of the country's fiber premises, and the rest of the market is extremely fragmented under the impulse of dozens of small local construction initiatives. And in Germany, Deutsche Telekom accounts for just over half of connected premises.

In the UK, where the Gigabit connectivity market remains dominated by cable connections that are reaching more than 15 million households, Virgin Media O2 announced last summer that they intend to migrate their network towards FTTP by 2028 despite having now just completed the rollout of DOCSIS 3.1. In Germany, Telecolombus is already building fiber networks to expand its Gigabit footprint while still migrating existing HFC networks to DOCSIS 3.1. A growing number of European cable operators are announcing a shift towards optical fiber networks across the continent.

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