

ANTICIPATED ACQUISITION BY LIBERTY GLOBAL, TELEFÓNICA AND INFRAVIA (THROUGH THEIR JOINT VENTURE, NEXFIBRE) OF SUBSTANTIAL

Interim Report

ME/7146/26

2 October 2026

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The Competition and Markets Authority has excluded from this published version of the Interim Report information which the inquiry group considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure).

The omissions are indicated by [X]. Some numbers have been replaced by a range. These are shown in square brackets. Non-sensitive wording is also indicated in square brackets.

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GLOSSARY

SUMMARY

OVERVIEW OF OUR INTERIM REPORT

1. This is the Interim Report of the Inquiry Group appointed to consider the anticipated acquisition by Opal JVco Limited (**nexfibre**) of Substantial Topco Limited (**Substantial**). The CMA refers to this acquisition as the **Transaction**.
2. nexfibre is a joint venture between Liberty Global Ltd (**Liberty Global**) and Telefónica S.A. (**Telefónica**) (together, also the owners of VMED O2 UK Limited (**VMO2**)) and Crown Infra Bidco Limited, an entity wholly owned by funds managed by InfraVia Capital Partners (**InfraVia**) (a private equity investor).
3. nexfibre, VMO2 and Substantial are together referred to as the **Parties**, and for statements relating to the future (if the Transaction was to proceed), nexfibre, VMO2 and Substantial are together referred to as the **Merged Entity**.
4. We have provisionally found that the Transaction amounts to a relevant merger situation (**RMS**) that may be expected to result in a substantial lessening of competition (**SLC**) in the wholesale supply of fixed broadband services.
5. This is not our final decision, and we invite any interested parties to make representations to us on these provisional findings by **no later than 5pm on Friday 23 October 2026**. Please submit any responses to these provisional findings by email to nexfibre.substantial@cma.gov.uk. We will take all submissions received by this date into account in reaching our final decision.

WHO ARE THE BUSINESSES AND WHAT PRODUCTS DO THEY SUPPLY?

6. nexfibre is a wholesale-only provider of fibre to the premises (**FTTP**) broadband to internet service providers (**ISPs**) in the UK, with VMO2 as its anchor (and currently only) customer.
7. VMO2 is a vertically integrated UK telecommunications provider. It offers retail fixed broadband services, as well as other services such as wholesale and retail mobile services and pay TV.
8. Substantial is a holding company which includes Netomnia Limited (**Netomnia**), Brsk Limited (**Brsk**) (which develop and operate FTTP networks) and YouFibre Limited (**YouFibre**) (a retail provider of FTTP broadband).
9. nexfibre, VMO2 and Substantial are **network operators** that build and operate their own fixed telecommunications networks. Other network operators include

Openreach (which owns the largest network) and numerous smaller players known as ‘**altnets**’ of varying network sizes.

10. Based on the evidence received so far (set out below), our report focusses primarily on the impact of the Transaction on the wholesale supply of fixed broadband to ISPs. We have also considered the implications of the Transaction for the retail supply of fixed broadband – including the extent to which higher wholesale prices are reflected in higher prices for end-consumers and businesses.

OUR ASSESSMENT

Why are we examining this Transaction?

11. The Competition and Markets Authority (**CMA**)’s primary duty is to seek to promote competition for the benefit of consumers. It has a duty to investigate mergers that could raise competition concerns in the UK, provided it has jurisdiction to do so.
12. In this case, the CMA has jurisdiction over the Transaction because each of Substantial and nexfibre is an enterprise that would cease to be distinct as a result of the Transaction, and Substantial’s UK turnover exceeds £100 million.

What evidence have we looked at?

13. In assessing the competitive effects of the Transaction, we have looked at a wide range of evidence which we have considered in the round in reaching our provisional conclusions.
14. We received several submissions and responses to information requests from the Parties, including their [response](#) to [Our areas of focus](#) document. We also held several meetings with the Parties, including a teach-in, a site visit, an Initial Substantive Meeting and an Update Call.
15. We have considered the Parties’ submissions and internal documents carefully, including their financial data and modelling, business plans, and their negotiations with potential wholesale customers.
16. We also received submissions and gathered information from third parties to better understand the competitive landscape, market trends, and to obtain views on the impact of the Transaction. We received evidence from network operators, ISPs, investors, consumers and other interested parties. We have also engaged with Ofcom throughout our inquiry. Ofcom has provided data and expertise on technical matters, and assisted us in developing our understanding of the relevant markets.

WHAT DID THE EVIDENCE TELL US...

...about what would have likely happened had the Transaction not taken place?

17. To determine what impact the Transaction may be expected to have on competition, we considered what would likely happen if the Transaction did not take place. This is known as the counterfactual. The CMA assesses whether the Transaction may be expected to result in an SLC compared to the counterfactual.
18. The counterfactual has been a key focus of our inquiry so far, and we have considered the relevant counterfactual for each of Substantial, nexfibre and VMO2.

... for Substantial ...

19. A sale process was held for the Substantial business in 2025, with nexfibre and CityFibre (another network operator) submitting bids. We have assessed whether, absent the Transaction, it is more likely that Substantial would have remained as a standalone entity or would have been acquired by CityFibre. We consider that we need to form a judgement as to which of these scenarios is more likely as these two scenarios could lead to materially different conditions of competition: Substantial does not currently have any wholesale customers, and competes at the retail level through YouFibre, whereas CityFibre would likely wholesale the Substantial network to its current ISP customers (including Sky and VodafoneThree) and sell YouFibre to a third party.
20. Forming a judgement on these two alternative scenarios (ie Substantial remaining a standalone entity or being acquired by CityFibre) is an inherently uncertain exercise. However, the CMA's Merger Assessment Guidelines state that uncertainty about the future will not in itself lead the CMA to assume the pre-merger situation to be the appropriate counterfactual. Further, as part of its assessment, the CMA may consider the ability and incentive of the merger firms to pursue alternatives to the merger. In this regard, our assessment has considered the incentives of Substantial and CityFibre to reach a deal, as well as CityFibre's ability to raise the necessary funds.
21. The evidence shows that Substantial's financial outlook has deteriorated in recent years, and whilst it was a viable option to continue as a standalone entity, this was not attractive compared to a sale at an acceptable valuation. This is reflected in Substantial's internal documents, including those which consider the strategic options for the business, and financial models shared with its investors. The internal documents and financial evidence show that Substantial's shareholders had a strong incentive to reach a deal with CityFibre (absent the Transaction with

nexfibre) and CityFibre was likewise highly motivated to conclude a deal with Substantial.

22. We have also considered detailed evidence on CityFibre's ability to finance the acquisition on terms acceptable to Substantial's shareholders. This includes evidence on the sources of finance available to CityFibre, the timeframe on which it could raise such finance, and the negotiations between CityFibre and Substantial regarding appropriate terms.
23. This evidence shows that CityFibre would likely have been able to raise the required funding for a valuation that was acceptable to Substantial's shareholders. For example, CityFibre's shareholders were prepared to invest equity into the deal, certain third parties were interested in buying Substantial's ISPs, and Substantial's shareholders would be highly motivated to reach terms where their approval was needed.
24. Therefore, on the basis of all the evidence considered in the round, our provisional view is that the most likely counterfactual is an acquisition of Substantial by CityFibre, with a subsequent sale of Substantial's retail businesses to a third-party ISP.

... for nexfibre and VMO2 ...

25. We have also considered the relevant counterfactual for nexfibre and VMO2, particularly in relation to (i) the extent and timing of future network expansion and upgrades, and (ii) the extent to which VMO2/nexfibre would compete in the wholesale supply of fixed broadband absent the Transaction.
26. Regarding network expansion and upgrades, the evidence shows that nexfibre would be unlikely to materially expand its current FTTP network of c.2.6 million premises absent a significant change in market conditions.
27. For VMO2, we have considered its plans to upgrade its predominantly cable broadband network (known as 'hybrid fibre coaxial cable' (**HFC**)) to FTTP. We recognise that there is some uncertainty as to the exact timing and extent of future network upgrades, including as a result of recent financial conditions that may have impacted VMO2's plans. However, we consider that the evidence shows that there is a clear long-term incentive on VMO2 to upgrade its cable network, and our provisional view is that, absent the Transaction, VMO2 would continue to upgrade its network to FTTP.
28. Regarding VMO2/nexfibre's activities in wholesale, internal documents show that there has been a clear strategic objective to compete as a wholesale broadband supplier to ISPs, and investments have been made to develop the infrastructure

and capabilities to achieve this. Further, VMO2/nexfibre have had discussions with several ISPs regarding a wholesale agreement.

29. Our provisional view is therefore that, absent the Transaction, VMO2/nexfibre would compete in the wholesale supply of fixed broadband to ISPs.

...about the impact of the Transaction on competition between the Parties?

30. Our provisional view is that in the absence of the Transaction, the Parties would compete in the wholesale supply of fixed broadband. As discussed above, CityFibre would acquire Substantial's FTTP network, would wholesale this to CityFibre's ISP customers, and would sell Substantial's retail business (YouFibre) to a third party. VMO2/nexfibre would continue to upgrade its cable network to FTTP and would also wholesale this to ISPs.
31. We consider the relevant market for our competitive assessment to be the wholesale supply of fixed broadband (including FTTP and Openreach legacy technologies) within the Parties' combined FTTP network footprint. VMO2/nexfibre and Substantial are present in areas across the UK, albeit Substantial's network is concentrated in the midlands and north of England (including Birmingham, Bradford and Manchester).
32. The relevant market does not include VMO2's cable network (as there is no demand from wholesale customers), but we have taken into account future cable to FTTP upgrades in our analysis. The percentages presented below are calculated on the basis that VMO2 upgrades its entire network to FTTP, but the percentages are similar if we were to instead use VMO2/nexfibre's current FTTP network only.
33. Since the Parties would compete as wholesale providers in their respective network footprints, we have first analysed the extent of overlap between the Parties' networks. We consider that network overlaps are important because they indicate the extent of direct competition between wholesale providers; in areas of network overlap, a wholesale provider faces a direct threat of losing volumes to a competitor. Network overlaps can also have a wider impact across a provider's network footprint, because competitive parameters (such as price) are set uniformly across a provider's network, and the provider will take into account the extent of competition across its network when determining such parameters.
34. In our view, the Transaction gives rise to a significant reduction in wholesale competition across the Parties' FTTP network footprints (for simplicity, we focus here on the VMO2/nexfibre network). Our analysis shows that VMO2/nexfibre's network is fully overlapped by Openreach, c.14% overlapped by Substantial, and c.18% overlapped by CityFibre (with minimal overlap between Substantial and

CityFibre). In the counterfactual, the Substantial network would have been acquired by CityFibre, and there would therefore be wholesale competition between three providers – Openreach, VMO2/nexfibre and CityFibre – in all these areas of overlap (ie c.32% of the total VMO2/nexfibre network).

35. Following the Transaction, CityFibre would not be present in the Substantial network footprint (due to the minimal overlap), and there would therefore only be wholesale competition between Openreach and VMO2/nexfibre in these overlap areas (ie in the areas of the VMO2/nexfibre footprint overlapping with Substantial). Relative to the counterfactual, this reduces the proportion of VMO2/nexfibre's total network in which VMO2/nexfibre, CityFibre and Openreach are all present from c.32% to c.18%. In other words, the Transaction would materially reduce the competitive constraints on VMO2/nexfibre in a significant part of its network.
36. We have focussed above on the VMO2/nexfibre network. As a comparison, the Substantial network is c.26% overlapped by VMO2/nexfibre's FTTP network, and would be c.82% overlapped if VMO2 were to upgrade its cable network to FTTP. In the counterfactual, there would be competition between Openreach, VMO2/nexfibre and CityFibre in these areas, compared to just Openreach and VMO2/nexfibre following the Transaction.
37. Our provisional view is that this would have a significant impact on wholesale competition within the Parties' network footprints, because CityFibre is a vigorous wholesale competitor. It has secured wholesale agreements with Tier 1 and Tier 2 ISPs, on highly competitive terms, with Tier 1 ISPs indicating that they consider CityFibre's wholesale offer to be strong, particularly in terms of price, network speed and reliability. Compared to the counterfactual, in which a combined CityFibre/Substantial would be present across a larger proportion of the VMO2/nexfibre footprint, the Transaction would therefore lead to significantly weaker conditions of competition.
38. In terms of competitive constraints on the Merged Entity, Openreach is an important wholesale competitor. However, it is a regulated entity that cannot freely compete on key metrics such as price and service, with CityFibre, VMO2/nexfibre and altnets offering lower prices and (on some metrics) greater service quality. Further, there are very few other wholesale constraints, with other altnets being small in scale. Our provisional view is that the constraint from Openreach and other altnets would not be sufficient to mitigate the impact of the Transaction on wholesale competition.
39. Our provisional view is therefore that (in the absence of countervailing factors, considered below) the Transaction would result in an SLC in the wholesale supply of fixed broadband in the Parties' combined FTTP network footprint.

...about the potential benefits of the Transaction?

40. The Parties submitted that the Transaction is pro-competitive, as it will unlock significant new investment and create a more effective and financially sustainable wholesale challenger to Openreach. The Parties submitted that this is the 'primary efficiency' of the Transaction, which will create wholesale broadband competition for the first time in the UK, and place competitive pressure on Openreach to improve its product offering and deliver lower prices. The Parties state that the Transaction will also accelerate the migration of VMO2's customers from cable to FTTP, amongst other benefits.
41. Following the framework set out in the CMA's Merger Assessment Guidelines, we have considered whether the Parties' claimed efficiencies are timely, likely and sufficient to prevent an SLC from arising, and whether they are merger-specific (ie whether the efficiencies are reliant on the Transaction or whether they would be brought about by other means).
42. On the Parties' primary efficiency claim, we recognise that the Transaction will lead to some increased scale for VMO2/nexfibre, due to the addition of the non-overlapping Substantial network and some Transaction-specific upgrades. However, our provisional view is that any additional scale is likely to be relatively small, in particular (as set out above) because VMO2 is in the process of upgrading its cable network to FTTP, which will erode most of the additional scale achieved through the Transaction.
43. Further, the Parties have provided limited evidence to support their claim that the Transaction materially increases the likelihood of ISPs agreeing a wholesale deal with VMO2/nexfibre. We have also provisionally concluded that the Substantial network would be wholesaled by CityFibre in the counterfactual, and the Parties have not provided evidence to show that there would be a clear benefit in this footprint being wholesaled by VMO2/nexfibre rather than CityFibre.
44. Our provisional view is therefore that the Parties' primary efficiency is not merger-specific, and in any event would not be sufficient to prevent an SLC from arising.
45. Regarding the Parties' other efficiency claims, our provisional view is that these have limited bearing on competition at the wholesale level of the supply chain, and/or are supported by limited evidence. We therefore do not consider these efficiencies to be timely, likely or sufficient to prevent an SLC from arising.

...about the overall impacts of the Transaction?

46. For the reasons outlined above, we have provisionally concluded that the Transaction would result in an SLC in the wholesale supply of fixed broadband services in the Parties' combined network footprint.

47. Whilst our assessment has focused on the wholesale supply of fixed broadband, we have also considered the implications for competition at the retail level. Importantly, the evidence shows that where ISPs receive better wholesale terms, this is often reflected in better deals for end-consumers and businesses, including lower prices and improved service quality. A reduction in competition at the wholesale level would therefore directly impact end-consumers and businesses (including, disproportionately, those in the midlands and north of England given the location of Substantial's network).
48. Finally, we note that in coming to our provisional conclusion, we have assessed a wide range of evidence from a diverse set of stakeholders. We have given careful consideration to evidence regarding the financial challenges facing the altnet sector, and we recognise that several third parties have stated that some form of consolidation is necessary for the altnet sector to grow and compete effectively. We emphasise that our provisional findings are based on our assessment of this specific acquisition, and the particular competition concerns which arise as a result of the degree of network overlap between the Parties, and do not reflect any view on consolidation in the wider altnet sector.

PROVISIONAL CONCLUSION

49. For the reasons explained in this Interim Report, we have provisionally concluded that the Transaction will result in the creation of an RMS, and the creation of that RMS may be expected to result in an SLC in the supply of wholesale fixed broadband services in the Parties' combined FTTP network footprints.

WHAT HAPPENS NEXT?

50. We invite any interested parties to make representations to us on these provisional findings by no later than **5pm on Friday 23 October 2026**.
51. As a result of the provisional SLC identified, the Parties are required to confirm to the CMA within three working days of notification of this Interim Report whether they intend to submit a completed Phase 2 Remedies Form, and to submit this by no later than **5pm on Friday 16 October 2026**. Following submission of the Remedies Form (or confirmation by the Parties that they do not intend to submit such a form), the CMA will publish an Invitation to Comment on Remedies in order to consult on possible action to remedy, mitigate or prevent the SLC and the resulting adverse effects provisionally identified. For more information on the phase 2 remedy process, see chapter 12 of [Mergers: Guidance on the CMA's jurisdiction and procedure](#).

FINDINGS

1. INTRODUCTION

- 1.1 This is the Interim Report of the Inquiry Group appointed to consider the anticipated acquisition by Opal JVco Limited (**nexfibre**) of Substantial Topco Limited (**Substantial**). We refer to this acquisition as the **Transaction**.¹
- 1.2 nexfibre is a joint venture between Liberty Global Ltd (**Liberty Global**), Telefónica S.A. (**Telefónica**) and Crown Infra Bidco Limited, an entity wholly owned by funds managed by InfraVia Capital Partners (**InfraVia**) (a private equity investor). Liberty Global and Telefónica are also the joint owners of VMED O2 UK Limited (**VMO2**).
- 1.3 nexfibre, VMO2 and Substantial are together referred to as the **Parties**, and for statements relating to the future (if the Transaction was to proceed), nexfibre, VMO2 and Substantial are together referred to as the **Merged Entity**.
- 1.4 On the basis of the evidence to which we refer, and our assessment of that evidence, in this Interim Report we provisionally conclude that the Transaction, if carried into effect, will result in the creation of a relevant merger situation (**RMS**), and may be expected to result in a substantial lessening of competition (**SLC**) in the wholesale supply of fixed broadband services.
- 1.5 The Interim Report sets out the reasoning for our provisional decisions as well as describing the evidence upon which those decisions are based.² It provides interested parties with an understanding of the evidence the Inquiry Group has received and assessed in the investigation to date and the findings which we propose to draw from it.
- 1.6 The provisional conclusions presented in this Interim Report are not our final decision. This will be made at the end of the investigation and may vary from the provisional conclusions presented in this Interim Report. Interested parties are invited to make written representations on any aspect of this Interim Report by **no later than 5pm on Friday 23 October 2026**.
- 1.7 Following this, the Inquiry Group will conduct a face-to-face hearing at which the Parties will have an opportunity to expand upon or supplement any written

¹ On 1 July 2026, in exercise of its duty under [section 33\(1A\)](#) of the Enterprise Act 2002 (the **Act**), the Competition and Markets Authority (**CMA**), having concluded that the conditions to accept a fast-track reference request under [section 34ZF\(3\)](#) of the Act are met, and having accepted the fast-track reference request made by nexfibre and Substantial, made a reference to its Chair for the constitution of a Group of CMA panel members (the **Inquiry Group**) under [Schedule 4](#) to the Enterprise and Regulatory Reform Act 2013 (**ERRA13**) in order that the Inquiry Group may investigate and report, within a period ending on 15 December 2026. The relevant terms of reference can be found on the CMA website, see: CMA, [Terms of reference](#), 1 July 2026.

The Interim Report has been notified to the Parties and is published pursuant to the [CMA rules of procedure for merger, market and special reference groups \(CMA17\)](#), 2 January 2025, Rule 11.

² [Mergers: Guidance on the CMA's jurisdiction and procedure \(CMA2\)](#), 19 December 2025, paragraph 12.53.

representations they wish to make.³ We may also request and/or receive further evidence following the hearing which may inform the Inquiry Group's final decision.

Evidence in our investigation

- 1.8 In conducting our investigation in phase 2, we have had access to and assessed evidence gathered during pre-notification and the phase 1 investigation, as well as the additional evidence received in phase 2 to date. The evidence base that we have drawn on includes the following:
- (a) We held several meetings with the Parties and their advisors.⁴
 - (b) We received the Parties' responses to several information requests (including a large volume of internal documents, quantitative data and business plans), as well as several submissions from the Parties during the phase 1⁵ and phase 2⁶ process, including in response to the phase 2 '**Areas of focus**' document.⁷
 - (c) We received submissions and gathered evidence from a wide range of third parties, including alternative broadband network operators (**altnets**), internet service providers (**ISPs**), investors and consumers. The submissions we received included responses to the phase 1 invitation to comment,⁸ and the phase 2 Areas of focus document.⁹ We also received internal documents from some of these third parties.
- 1.9 We have engaged closely with Ofcom throughout our inquiry. Ofcom has provided expertise on aspects such as the broadband supply chain and alternative broadband technologies, and generally assisted us in developing our

³ The main party hearing provides an opportunity for the merger parties to explain their position on issues raised in the interim report orally, directly to the Inquiry Group. Merger parties can waive their right to a main party hearing, for example where the Inquiry Group's Interim Report indicates that no SLC arises as a result of the merger, or where merger parties elect at that stage to focus only on remedying the SLCs identified in the interim report. See [CMA2](#) paragraph 12.60.

⁴ This included: a Phase 1 Teach-in on 22 April 2026; a Phase 1 Update Call on 19 May 2026; a site visit on 13 July 2026; a Phase 2 Teach-in on 15 July 2026; an Initial Substantive Meeting (**ISM**) on 28 July 2026; a call with Infravia on 29 July 2026; and a Phase 2 Update Call on 20 August 2026.

⁵ Parties, CMA Briefing Paper, 18 February 2026. Substantial's submission, '[X]', 17 April 2026 (resubmitted as annex 1.008 to Final Merger Notice (**FMN**)). Parties' submission, 'Quantification of pro-competitive efficiencies', 20 May 2026 (resubmitted as annex 1.011 to FMN). Parties' submission, 'Wholesale local access – geographic frame of reference', 5 June 2026 (resubmitted as annex 1.005 to FMN). Parties' submission, 'Submission on the relevant buy-side counterfactual', 10 June 2026 (resubmitted as annex 1.006 to FMN). Substantial's submission, '[X]', 12 June 2026 (resubmitted as annex 1.009 to FMN). Substantial, Keystone presentation to Ofcom dated 24 June 2026, '[X]'. Substantial's submission, '[X]', 25 June 2026 (resubmitted as annex 1.007 to FMN). Parties, Final Merger Notice (**FMN**), 29 June 2026.

⁶ Parties, nexfibre's Incentives to Wholesale Paper, 1 July 2026. Parties, Additional economic evidence on retail competition, 14 August 2026. Parties' response to CityFibre's response to the Areas of Focus, 14 August 2026. Substantial's submission, '[X]', 28 August 2026. Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026. Parties' submission, 'Economic comment on the CMA's emerging view regarding Efficiencies', 2 September 2026. Parties' letter to the CMA, 2 September 2026.

⁷ See, CMA, [Our areas of focus \(Areas of focus\)](#), 7 July 2026, and [Parties' response to the Areas of focus](#), 20 July 2026.

⁸ CMA, [Invitation to comment](#), 23 April 2026.

⁹ Responses to the Areas of focus were published on the CMA's inquiry [webpage](#).

understanding of the relevant markets. Ofcom has also provided certain information and data, including on the location of broadband networks and network take-up rates.

2. THE PARTIES, TRANSACTION AND RATIONALE

The Parties

- 2.1 nexfibre is a joint venture between Liberty Global,¹⁰ Telefónica,¹¹ and Crown Infra Bidco Limited, an entity wholly owned by funds managed by InfraVia.^{12, 13} Liberty Global and Telefónica are also the joint owners of VMO2.
- 2.2 nexfibre is a wholesale-only provider of fibre to the premises (**FTTP**) broadband to ISPs in the UK, with VMO2 as its anchor tenant customer. nexfibre's UK turnover in its 2024 financial year was £20.1 million.¹⁴
- 2.3 VMO2 offers retail fixed broadband services, as well as other services such as wholesale and retail mobile services, business to business (**B2B**) connectivity services such as leased lines, and pay TV. VMO2's UK turnover in its 2025 financial year was £10.1 billion.¹⁵
- 2.4 Substantial is a holding company for a corporate group that includes Netomnia Limited (**Netomnia**) and Brsk Limited (**Brsk**) (both of which develop and operate FTTP networks), YouFibre Limited (**YouFibre**) and Brsk ISP Limited (**Brsk ISP**)¹⁶ (retail providers of FTTP broadband) (together, **Substantial Group**). The Substantial Group is currently owned by a consortium including funds operated by DigitalBridge, Advencap and Soho Square Capital. Substantial Group's UK turnover in its 2025 financial year was £104 million.¹⁷

The Transaction

- 2.5 Under a sale and purchase agreement signed on 18 February 2026 (the **SPA**), nexfibre BidCo Limited, an indirect subsidiary of nexfibre, will acquire the entire issued share capital of Substantial and its subsidiaries. The consideration reflects

¹⁰ Liberty Global is a public limited company listed on the NASDAQ Global Select Market and headquartered in Bermuda. It owns and operates cable networks offering television, broadband internet, fixed-line voice telephony and mobile telecommunications services in Europe. Liberty Global's UK turnover in its 2024 financial year was €[X] billion. Parties, FMN, paragraph 106(i).

¹¹ Telefónica is a global telecommunications operator and mobile network provider listed on the stock exchanges in Spain, New York and Lima, and headquartered in Madrid. Telefónica's UK turnover in its 2024 financial year was €[X] billion. Parties, FMN, paragraph 106(ii).

¹² InfraVia is a European private equity firm that specialises in real assets and technology investments throughout Europe. It is headquartered in France. The UK turnover of the investment funds managed by InfraVia in its 2024 financial year was €[X] million. Parties, FMN, paragraph 106(iii).

¹³ Parties, FMN, paragraph 104.

¹⁴ Parties, FMN, paragraph 104. See Nexfibre Networks Limited, '[Annual Report and Financial Statements for the year ended 31 December 2024](#)', page 4.

¹⁵ Parties, FMN, paragraph 107. See VMED O2 UK Holdings Limited, '[Annual Bond Report and Consolidated Financial Statements](#)', 31 December 2025, page 48, 49, 65 and 83.

¹⁶ The Parties submitted that Brsk ISP now operates under the YouFibre brand, following the operational merger of YouFibre and Brsk ISP in March 2026. Parties, FMN, paragraph 135. For brevity, in some instances in this report we refer to Substantial's retail business simply as YouFibre.

¹⁷ Parties, FMN, paragraph 105.

an enterprise value (**EV**) of up to £[REDACTED] billion,¹⁸ funded through cash [REDACTED] and the rollover of around £[REDACTED] million of Substantial's senior debt.¹⁹

- 2.6 In accordance with a transaction framework agreement signed on [REDACTED], shortly following completion under the SPA, the Substantial Group will be split such that (i) the 'last mile' access network assets held by Netomnia and Brsk will be retained by nexfibre and (ii) VMO2 will pay nexfibre a consideration of £150 million to acquire the remainder of Substantial, including the retail ISPs YouFibre and Brsk ISP.²⁰
- 2.7 Contemporaneously with the Transaction, nexfibre and VMO2 will enter certain commercial arrangements whereby, among other things, nexfibre will agree to upgrade certain parts of VMO2's broadband network to FTTP (comprising c.2.1 million premises). nexfibre will finance and own the upgraded network, which VMO2 will then use to deliver FTTP services.²¹ The Parties told us that [REDACTED].²² These agreements [REDACTED].²³ [REDACTED].²⁴
- 2.8 VMO2 will receive £1.1 billion in cash from nexfibre and obtain an equity stake in nexfibre. In exchange, VMO2 will pay nexfibre an 'FTTP availability fee' in relation to 4.6 million premises where the FTTP network is available but VMO2 still has customers connected to hybrid fibre coaxial cable (**HFC**) (see the nature of competition chapter for a discussion of alternative broadband technologies).²⁵ [REDACTED]. Of these 4.6 million premises:²⁶
- (a) c.2.5 million premises are VMO2's HFC premises that overlap with Substantial's FTTP footprint; and
 - (b) c.2.1 million premises are VMO2's HFC premises for which FTTP becomes available through the upgrades funded by nexfibre.
- 2.9 The Parties submitted that [REDACTED] sale process was conducted for the Substantial business, which led to (i) nexfibre with its shareholders Liberty Global, Telefónica and Infravia (together the **nexfibre Consortium**) and (ii) CityFibre (another

¹⁸ Parties, FMN, paragraphs 110 and 119.

¹⁹ Substantial annex to P1-s109(01)-Substantial, slides 10 and 20: '[REDACTED]'. However, based on an assumption that the Transaction closes in September 2026, InfraVia's presentation to the CMA on 29 July 2026 stated that Substantial senior debt of £[REDACTED] would roll over, and Substantial junior debt of £[REDACTED] would be repaid. InfraVia, Presentation of S&U and Business Plan), 29 July 2026, slide 9.

²⁰ Parties, FMN, paragraphs 1, 111 and 121.

²¹ Parties, FMN, paragraphs 2, 112–114 and 158.

²² Parties' response dated 10 August 2026 to the CMA's RFI dated 4 August 2026 (**P2-RFI3-Parties**), question 10(c), paragraph 34.

²³ Parties, FMN, paragraphs 2, 112–114 and 158.

²⁴ Parties, FMN, paragraph 115.

²⁵ Parties, FMN, paragraph 114.

²⁶ Parties, FMN, paragraphs 112–114. See also VMO2 internal document, Annex 8.B.1.014 to the FMN, slides 6–7.

provider of wholesale broadband), being identified as the two final bidders in the binding offer stage:²⁷

- (a) In respect of the nexfibre Consortium bid, discussions between Substantial, Liberty Global and Telefónica began with the signing of an NDA on [REDACTED]. The nexfibre Consortium proceeded to submit initial and revised non-binding offers on [REDACTED]. Following Substantial's acceptance of the nexfibre Consortium's offer on [REDACTED], the Parties engaged in final commercial negotiations and signed the SPA on 18 February 2026.
- (b) In respect of the CityFibre bid, discussions between Substantial and CityFibre began with the signing of an NDA on [REDACTED]. CityFibre proceeded to submit initial and revised non-binding expressions of interest on [REDACTED] and offers on [REDACTED].

Rationale

2.10 The Parties submitted that the Transaction is intended to:²⁸

- (a) facilitate cable-to-fibre upgrades by unlocking capital for nexfibre to resume investment in fibre deployment by upgrading VMO2's existing HFC premises to FTTP, expand its footprint at a lower per-premise deployment cost and create a denser FTTP network within Substantial's footprint;
- (b) create a sustainable challenger to BT/Openreach, with the financial security and scale required to pose an active constraint on BT/Openreach;
- (c) unlock the competitive potential of Substantial's network, enabling targeted infill to give its footprint comprehensive coverage and present a highly attractive alternative provider to the incumbent, BT/Openreach, for ISPs;
- (d) secure the economic viability of nexfibre, transforming it into an operator with a material and growing customer base and a fully financed business plan to support future upgrades and wholesale local access (**WLA**) activities; and
- (e) increase and accelerate fibre uptake for retail customers, by creating strong financial incentives to migrate customers from legacy cable to high-speed FTTP technology and facilitating VMO2 customers in accessing FTTP technology.

²⁷ Parties, FMN, paragraph 127 and Table II.

²⁸ Parties, FMN, paragraph 124.

2.11 The Parties' internal documents discussing the rationale are broadly consistent with the Parties' submissions described above.²⁹

²⁹ For example, VMO2 internal documents, Annex 8.B.1.014 to the FMN, slides 2 and 5, and Annex 8.B.1.016 to the FMN, slides 2 and 3 (the document, however, also describes additional factors including [REDACTED]).

3. RELEVANT MERGER SITUATION

- 3.1 This chapter addresses the first of the two statutory questions which we are required to answer under [section 36\(1\)](#) of the Act, namely whether arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of an RMS.
- 3.2 The concept of an RMS, which is used to assess whether the CMA has jurisdiction to investigate a merger, has two principal elements: (a) two or more enterprises cease to be distinct enterprises; and (b) a threshold test based on share of supply and/or turnover – in this case the relevant test is whether the value of the turnover in the UK of the enterprise being taken over exceeds £100 million.³⁰ We address each of these elements in turn below.
- 3.3 For the reasons set out below, we provisionally conclude that the Transaction, if carried into effect, will result in the creation of an RMS, on the basis that nexfibre and Substantial are enterprises that will cease to be distinct and that the value of the turnover in the UK of the enterprise being taken over (Substantial) exceeds £100 million.

Enterprises ceasing to be distinct

Enterprises

- 3.4 The first element of the jurisdictional test is whether two or more enterprises will cease to be distinct as a result of the Transaction.³¹
- 3.5 The Act defines an ‘enterprise’ as ‘the activities, or part of the activities, of a business’. A ‘business’ is defined as including ‘a professional practice and includes any other undertaking which is carried on for gain or reward or which is an undertaking in the course of which goods or services are supplied otherwise than free of charge’.³²
- 3.6 As noted above, nexfibre offers wholesale FTTP broadband to ISPs and its UK turnover in its 2024 financial year was £20.1 million.³³ Substantial is a holding company for the Substantial Group that includes Netomnia and Brsk, which develop and operate FTTP networks, and YouFibre and Brsk ISP, which are retail providers of FTTP broadband.

³⁰ Sections [23](#) and [24](#) of the Act. The share of supply and hybrid test can apply when determining the RMS question, but these do not need to be considered in this case.

³¹ [Section 23](#) of the Act.

³² [Section 129\(1\)](#) of the Act.

³³ Parties, FMN, paragraph 104. See Nexfibre Networks Limited, [‘Annual Report and Financial Statements for the year ended 31 December 2024’](#), page 4.

- 3.7 Our provisional conclusion is that each of nexfibre and Substantial is a ‘business’ within the meaning of the Act and that, accordingly, the activities of each of nexfibre and Substantial constitute an ‘enterprise’ for the purposes of the Act.

Ceasing to be distinct

- 3.8 The Act provides that any two enterprises ‘cease to be distinct’ if they are brought under common ownership or common control.³⁴
- 3.9 As a result of the Transaction, nexfibre, through its indirect subsidiary nexfibre BidCo Limited, will acquire the entire issued share capital of Substantial and its subsidiaries.³⁵ Accordingly, on completion of the Transaction, nexfibre and Substantial will be brought under common ownership and control within the meaning of section 26 of the Act.
- 3.10 Our provisional conclusion is therefore that the Transaction will, if carried into effect, result in two or more enterprises ceasing to be distinct, namely (i) nexfibre (together with its shareholders Liberty Global, Telefónica and InfraVia) and VMO2 on the one hand, and (ii) Substantial on the other.

The turnover test

- 3.11 The second element of the jurisdictional test seeks to establish sufficient connection with the UK, on the basis of one of the turnover test,³⁶ the share of supply test³⁷ or the hybrid test.³⁸
- 3.12 The turnover test is satisfied where the value of the turnover in the UK of the enterprise being taken over exceeds £100 million.³⁹ Substantial’s UK turnover was £104 million in its 2025 financial year.⁴⁰ We are therefore satisfied that the turnover test is met.⁴¹

Conclusion on the relevant merger situation

- 3.13 In view of the above, we have provisionally found that arrangements are in progress or contemplation which, if carried into effect, will result in the creation of an RMS.

³⁴ [Section 26](#) of the Act.

³⁵ Parties, FMN, paragraph 110.

³⁶ [Section 23\(1\)](#) of the Act.

³⁷ [Sections 23\(2\)–23\(4\)](#) of the Act.

³⁸ [Sections 23\(4C\)–23\(4G\)](#) of the Act.

³⁹ [Section 23\(1\)\(b\)](#) of the Act.

⁴⁰ Parties, FMN, paragraph 157.

⁴¹ As we have provisionally concluded that the turnover test is met, there is no need to consider the share of supply or hybrid test.

4. NATURE OF COMPETITION

- 4.1 This chapter provides background information about the supply of fixed broadband services in the UK by the Parties and their competitors. We consider:
- (a) the fixed broadband supply chain;
 - (b) network operators (including the wholesale supply of fixed broadband services); and
 - (c) the retail supply of fixed broadband services.

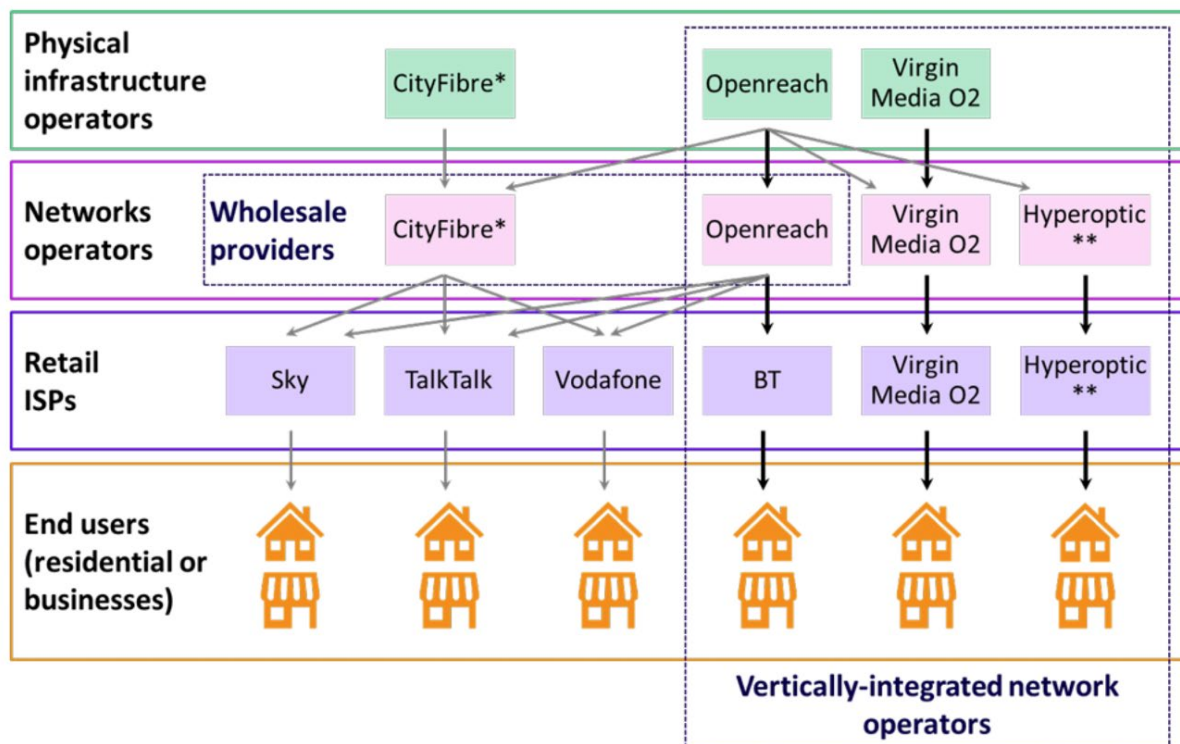
The fixed broadband supply chain

- 4.2 The Parties are active in the supply of broadband services at a fixed location (**fixed broadband**). An overview of the fixed broadband supply chain is provided in Figure 4.1, and we provide a brief summary of each level below:
- (a) **Physical infrastructure operators** build and operate the infrastructure used to deploy fixed broadband networks, such as ducts and poles.⁴² Network operators may build their own physical infrastructure, or use that of third parties (primarily Openreach's). Openreach is mandated to provide specific access to its physical infrastructure, with pricing and other terms regulated by Ofcom in the physical infrastructure access (**PIA**) regime (see Appendix A for further information).
 - (b) **Network operators** build and operate their own fixed broadband networks. Each of the Parties is a network operator. Some network operators are **wholesale providers** that sell network access to third-party retail ISPs (see below). Some other network operators are fully **vertically-integrated** and supply only their own retail business (some follow a mixed model, ie operating as both a wholesale and retail provider). We discuss this level of the supply chain in further below.
 - (c) **Retail ISPs** provide residential consumers and businesses with fixed broadband services. Some retail ISPs purchase network access from one or more third-party network operators; others are vertically-integrated and self-supply their own network access; and still other ISPs follow a hybrid model, depending on the area they are selling fixed broadband.⁴³ We discuss this level of the supply chain in further detail below.

⁴² Ducts are underground pipes that house underground telecommunications cables, and poles support above-ground cables.

⁴³ For example, Substantial has an agreement over which it can connect customers using Openreach's network. Parties, FMN, paragraph 354(a).

Figure 4.1: The fixed broadband supply chain



Source: Parties, FMN, Figure (3) (based on Ofcom, [Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 2: Market definition and SMP assessment](#), 17 March 2026, Figure 2.1).

Notes: The diagram is stylised. The Parties note that:

*CityFibre uses a mix of self-build and Openreach PIA.

**Hyperoptic uses Openreach PIA and Openreach leased lines.

Network operators and the wholesale supply of fixed broadband services

4.3 We first discuss the technologies through which fixed broadband is delivered, then the provision of fixed broadband networks, and finally the wholesale provision of these networks.

Fixed broadband networks

4.4 Fixed broadband connections rely on national fibre networks to reach an exchange serving a local area (a **local exchange**).⁴⁴ These local exchanges are connected through ‘last mile’ network infrastructure (a **local access network**) to individual premises (ie homes and businesses) using four main types of technology.⁴⁵

- (a) **Asymmetric digital subscriber line (ADSL):** Each premise is connected to the local exchange via copper (telephone) cables. The maximum download

⁴⁴ We focus on networks which serve local areas, rather than backhaul networks which connect local exchanges to ISPs’ core networks.

⁴⁵ Ofcom, [Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 2: Market definition and SMP assessment](#), 17 March 2026, paragraphs 2.28-2.29.

speed for ADSL is around 24 Mbps, although speeds diminish with the length of the copper cable.

- (b) **Fibre to the cabinet (FTTC):** optical fibre connects the local exchange to a street cabinet closer to the premise, with copper cables connecting the cabinet to each premise. Download speeds are faster than ADSL, up to 80 Mbps, although speeds also diminish with length of the copper cable.
- (c) **Hybrid fibre coaxial cable (HFC):** HFC connections use optical fibre to connect the local exchange to a street cabinet, and coaxial cable from the cabinet to the premise. Speed still diminishes with the distance from the premise to the cabinet, but to a lesser extent than on copper cables, and download speeds are significantly quicker – HFC can deliver download speeds up to 2.2 Gbps and is therefore ‘gigabit capable’. The technology is ‘asymmetric’, in that upload speeds are slower than download speeds (and at most 100 Mbps).⁴⁶ VMO2 is the only network operator in the UK that uses HFC technology.⁴⁷
- (d) **Fibre to the premise (FTTP):** The connection from the local exchange to the premise is provided entirely over optical fibre (this technology is therefore also known as ‘full fibre’). Speed does not diminish with the distance from the exchange, and maximum speeds are higher than HFC: the latest form of FTTP technology (known as **XGS-PON**) can deliver up to 10 Gbps symmetric speeds with lower latency and greater reliability than other technologies. VMO2, nexfibre, Substantial and CityFibre (amongst others) have FTTP networks which use this form of technology.⁴⁸

4.5 Historically Openreach has had the largest fixed broadband network and Ofcom has identified it as having significant market power (**SMP**) in the relevant broadband markets.⁴⁹ We discuss Ofcom’s regulatory framework in Appendix A.

4.6 Since 2016, Ofcom’s strategy has been to promote investment in gigabit-capable technologies (ie HFC and FTTP), through network competition where it is viable. In

⁴⁶ The total capacity of an HFC network can be increased through upgrades to the available frequency range and network equipment. VMO2’s HFC network relies on DOCSIS 3.1 technology, an upgrade to DOCSIS 4 would not incur new connection costs, which are incurred when upgrading HFC to FTTP. Parties, FMN, paragraph 299; and Parties, ISM transcript, page 36-37, lines 25-9.

⁴⁷ VMO2 services a small proportion of homes using Radio Frequency over Glass (**RFOG**). This technology uses full fibre to the outside wall of a premises and is then linked to a media converter, from which coaxial cable connects to the customer’s in-home broadband kit. RFOG allows download speeds of up to 2.2 Gbps and upload speeds of up to 100Mbps. Parties, FMN, paragraphs 27, 300, and 330.

⁴⁸ An older **GPON** variant of FTTP used by Openreach can deliver upload speeds up to 1.2 Gbps. The newer XGS-PON variant can deliver up to 10 Gbps (with symmetric download and upload speeds) and is more commonly used by altnets. The difference between GPON and XGS-PON relates to the equipment placed at the end of the fibre, rather than the fibre itself. Parties, FMN, paragraph 300 and 501.

⁴⁹ In its market reviews, Ofcom defined, among others, a market for wholesale local access. See Ofcom, [Wholesale Local Access Market Review: Statement](#), 28 March 2018, paragraph 1.21; Ofcom, [Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021-26](#), 18 March 2021; and Ofcom, [Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 1: Overview, summary and structure](#), 17 March 2026, paragraph 2.102.

2021, it put in place a regulatory framework with the aim of promoting network investment and competition, and this was followed by significant network build by Openreach and altnets. From May 2021 to July 2025, the number of UK premises with access to FTTP increased from c.7 million to c.24 million.

- 4.7 In the Telecoms Access Review 2026–2031 (**TAR 2026**), Ofcom stated that gigabit-capable coverage had met the Government’s target of reaching 85% of premises by the end of 2025.⁵⁰ Ofcom told us that the benefits of developing competition are already being felt in the form of attractive pricing offers for consumers, innovation in terms of the adoption of new technologies, and a greater choice of services.⁵¹ However, Ofcom also told us that network competition takes time to develop, and that it concluded in the TAR 2026 that competition has not yet developed to the point where Openreach no longer has SMP in the relevant broadband market.^{52,53}
- 4.8 In the TAR 2026, Ofcom stated that it expects further altnet build to be more limited than in previous years, given a changed investment climate.⁵⁴ The Parties and some third parties have also acknowledged this trend.⁵⁵ Openreach continues to expand its FTTP network however: Openreach told us that it plans to reach 25 million premises with FTTP by December 2026, and approximately 30 million premises in the early 2030s (see Table 4.1 below for a comparison against other providers).⁵⁶

Network operators

- 4.9 The largest local access networks in the UK are owned by Openreach and VMO2/nexfibre. Openreach is the largest provider, with most of its premises now covered via FTTP.⁵⁷ VMO2 is the next largest; with most of its premises currently covered via an HFC network and only a minority of premises connected by FTTP

⁵⁰ Ofcom, [Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 1: Overview, summary and structure](#), 17 March 2026, paragraph 2.27.

⁵¹ Ofcom response dated 18 September 2026 to the CMA’s RFI dated 15 September 2026, page 1.

⁵² Ofcom response dated 18 September 2026 to the CMA’s RFI dated 15 September 2026.

⁵³ Ofcom has stated that take-up on rival providers is critical, as it underpins the ability of altnets to exert an effective competitive constraint in the long term, and so for competition to be sustainable (Ofcom, [Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 3: Non-pricing remedies](#), 17 March 2026, paragraphs 1.17-1.26).

⁵⁴ Ofcom, [Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 2: Market definition and SMP assessment](#), 17 March 2026, paragraphs 2.33.

⁵⁵ For example, Substantial’s submission, ‘[§]’, 17 April 2026 (resubmitted as annex 1.008 to FMN), paragraph 14; and INCA, [Annual Report 2026](#), March 2026, page 27.

⁵⁶ Third-party call note: [§].

⁵⁷ Ofcom, [Connected Nations 2025 Methodology Annex](#), 19 November 2025, paragraph 22. Ofcom define a premise as covered if fibre is deployed in close proximity, so only a dedicated fibre connection to the premises would be necessary to provide full-fibre connectivity to the local exchange or access node; and where the end-user would expect to pay only a published pre-agreed connection charge, if one was to be imposed. The industry also uses the term ‘premises passed’; whilst precise definitions vary across providers, the meaning is broadly similar.

at present.⁵⁸ All others network providers are classified as altnets,⁵⁹ which have generally built their networks entirely with FTTP and have, in general, avoided overbuilding each other.⁶⁰ The largest altnets are CityFibre, Substantial, Community Fibre and Hyperoptic. Most other altnets are materially smaller.⁶¹

4.10 We present data on the premises covered by each network in Table 4.1 below. We emphasise that this information is based on a snapshot in time, and may not reflect current network sizes, eg due to further network build.

Table 4.1: 2026 network footprints – UK-wide

<i>Provider</i>	<i>Total premises covered (millions)</i>	<i>Coverage (% of total UK premises)</i>
Total	32.2	100.0
VMO2/nexfibre	18.1	56.2
... of which VMO2 HFC	10.2	31.6
... of which VMO2 FTTP	[§]	[§]
... of which nexfibre FTTP	2.5	7.8
... of which VMO2 RFOG	[§]	[§]
Substantial	3.0	9.4
CityFibre	4.6	14.2
Openreach total	32.2	99.9
... of which FTTP	20.4	63.4
... of which legacy technology	11.7	36.5
Community Fibre	[1-2]	[0-5]
Hyperoptic	[1-2]	[0-5]
Other providers*	6.5	

Source: CMA analysis of Ofcom's Connected Nations January 2026 dataset and VMO2 data as of [~~§~~].

Note: Other providers comprise the remaining 45 altnets included in the Ofcom's Connected Nations January 2026 dataset. We do not report a coverage figure for this category, as doing so would likely overstate the number of unique premises covered due to a small degree of overlap between the networks of these smaller providers. For example, see Thinkbroadband, [The State of Broadband – September 2025](#), Fibre Overbuild by Provider. We note that the numbers presented here are based on historical information and may not reflect current network size, eg due to additional build.

⁵⁸ Over [95]% of the VMO2/nexfibre footprint (including all technologies) is overbuilt by Openreach. VMO2/nexfibre's FTTP only footprint is also over [95]% overbuilt by Openreach (CMA analysis of Ofcom's Connected Nations January 2026 dataset and VMO2 data on Fibre Up build as of [~~§~~]).

⁵⁹ An altnet is a network provider, other than Openreach or VMO2, that builds its own network infrastructure for wholesale and/or retail provision of broadband services. Ofcom, [Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 1: Overview, summary and structure](#), 17 March 2026, footnote 27.

⁶⁰ For example, the Merged Entity would compete with at least two altnets in just 3.2% of its footprint. CMA analysis of Ofcom's Connected Nations January 2026 dataset.

⁶¹ In its Telecom Access Review, Ofcom identified that as of December 2025, more than 150 providers had already deployed network using access to Openreach's physical infrastructure (or had placed orders to do so). Ofcom, [Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 1: Overview, summary and structure](#), 17 March 2026, paragraph 2.24.

The wholesale supply of fixed broadband services

Wholesale fixed broadband providers and customers

- 4.11 As noted above, only some network operators wholesale their local access network to third parties. Nationally, the most significant wholesale provider is Openreach. The next largest wholesaler is CityFibre, which is materially smaller than Openreach and supplies wholesale services to many ISPs including Sky and VodafoneThree.⁶² VMO2/nexfibre and Substantial currently only self-supply their own ISPs, albeit they had both engaged in wholesale negotiations with third-party ISPs prior the Transaction (see the counterfactual section for details).
- 4.12 The main customers of wholesale providers are retail ISPs, such as Sky and VodafoneThree, and wholesale aggregators, such as PlatformX Communications (**PXC**) operated by TalkTalk Group.⁶³ Wholesale aggregators contract with multiple wholesale providers and offer ISP customers access to multiple networks. Evidence indicates that the aggregation business model has not yet gained much traction relative to the direct wholesale model,⁶⁴ and throughout this report we do not separately distinguish aggregators from retail ISPs as this distinction is not material to our assessment.

Wholesale negotiations and parameters of competition

- 4.13 Terms of wholesale access are set through a process of negotiation between wholesale providers and ISP customers.⁶⁵ The negotiations can occur over months or years.⁶⁶
- 4.14 All the major ISPs have a wholesale agreement with Openreach.⁶⁷ Many of the key terms of such agreements are set through or restricted by regulation, as discussed in Appendix A.⁶⁸ Openreach has implemented pricing discounts termed Equinox 1 (announced in 2021) and Equinox 2 (announced in 2022),⁶⁹ and

⁶² Ofcom, [Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 2: Market definition and SMP assessment](#), 17 March 2026, paragraph 2.12.

⁶³ TalkTalk Group is currently seeking to sell both its wholesale (ie PXC) and retail ISP business (ie TalkTalk). [Weekly Brief - 25th September 2026 | thinkbroadband](#); [TalkTalk issue strategic update on sale of UK broadband and PXC businesses UPDATE - ISPreview UK](#); [TalkTalk races to sell consumer and broadband arms as administration looms | TalkTalk | The Guardian](#) (last accessed on 28 September 2026).

⁶⁴ Third-party call note: [§].

⁶⁵ Parties, FMN, paragraph 485.

⁶⁶ In the early stages of commercial negotiations, parties may exchange summary slides and then develop to more detailed term sheets, before progressing to drafting and negotiation of long form binding contracts followed by implementation of IT and network integration leading to the commercial launch. Parties, FMN, paragraph 560-564.

⁶⁷ [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 128.

⁶⁸ Openreach retains some pricing flexibility, but the nature of discounts it offers geographically in particular are also restricted by regulation.

⁶⁹ Openreach has also provided other discounts, such as line rental and connection fee discounts.

Openreach's Equinox 2 prices have become a significant reference point against which competing providers benchmark their own offers.^{70,71}

- 4.15 ISPs may negotiate wholesale agreements with altnets, for example Sky and VodafoneThree both have contracts with CityFibre.⁷² ISPs may do so where offered a sufficient discount to Openreach's price over a sufficiently large footprint to justify the integration costs.⁷³ Where they have integrated with multiple networks, ISPs choose which wholesaler they will use to provide new connections to premises, and can also seek to migrate premises currently connected to one network to another. Such decisions are often incentivised by contractual provisions in the ISP's wholesale agreements, for example prices and volume-based incentives.⁷⁴
- 4.16 Wholesale prices can consist of an upfront connection fee for installing and activating a connection,⁷⁵ integration fees,⁷⁶ as well as a recurring fee for ongoing rental of the local access network.⁷⁷ Wholesale prices to an individual customer (such as an ISP) are typically broadly uniform across a network footprint, but can vary with volumes committed by ISPs to the network.^{78,79} Negotiations also cover other parameters, such as measures intended to address conflicting incentives of wholesale providers who also operate retail businesses, such as Most Favoured Nations (**MFN**) clauses;⁸⁰ minimum volume commitments; service levels; installation performance; and contract durations.⁸¹
- 4.17 The most frequently cited parameters of wholesale competition appear to be wholesale prices and network scale. The Parties submitted that wholesale competition is primarily driven by price and scale;⁸² and as shown in Figure 4.2 below, all respondents to our third-party questionnaire also ranked price and scale within the top five most important factors.⁸³

⁷⁰ [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 131-133.

⁷¹ Competing providers may also benchmark service levels against Openreach. Parties, FMN, paragraph 419.

⁷² Third-party call note: [REDACTED]; and Third-party call note: [REDACTED].

⁷³ Parties, FMN, paragraph 484.

⁷⁴ Third-party call note: [REDACTED].

⁷⁵ Third-party call note: [REDACTED].

⁷⁶ Third-party call note: [REDACTED].

⁷⁷ Third-party call note: [REDACTED].

⁷⁸ Documents show that [REDACTED] (nexfibre annex to P1-s109(02)-nexfibre, '[REDACTED]', page 50).

⁷⁹ In their Areas of Focus response, the Parties also linked the scale of the discount that [REDACTED] might achieve from nexfibre to its volumes ([Parties' response to the Areas of focus](#), 20 July 2026, paragraph 196).

⁸⁰ MFN clauses are a feature of wholesale agreements and aim to protect ISPs against discriminatory pricing by vertically integrated network operators (Parties, FMN, paragraph 555).

⁸¹ Third-party call note: [REDACTED].

⁸² Parties, FMN, paragraph 483.

⁸³ We asked third parties to rank the following parameters: network scale; price; network location; speed and reliability of the technology available; service level; network density; integration costs and minimum volume commitments (8 factors). The average rank for network scale was 2.3 amongst customers, and 1.8 amongst suppliers, for price was 2.5 amongst customers and 1.8 amongst suppliers. The average ranks for all other parameters were higher. Minimum volume commitments were ranked in the top 5 most important by less than a third of both customers and suppliers, as were all additional parameters added by third parties. These were long-term security of supply and rates ([REDACTED] ranked this second); ease of doing business ([REDACTED] ranked this third); incentive payments from suppliers ([REDACTED] ranked this third); demographic match to customer base ([REDACTED] ranked this fourth); cross-selling ([REDACTED] ranked this sixth); network build quality

- 4.18 We consider in the competitive assessment how wholesale prices interact with retail prices. Regarding scale, the evidence shows that (all else equal) ISPs prefer networks with larger scale due to the upfront costs of integrating with a new provider.⁸⁴ While there is no clear ‘minimum scale’ at which an altnet can compete in wholesale,⁸⁵ we consider that the significant fragmentation of the altnet tail significantly limits the wholesale prospects of all but the largest altnets.⁸⁶
- 4.19 The Parties and a majority of third parties also identified service levels and speed/reliability of the technology as amongst the most important parameters of wholesale competition. The Parties additionally said that innovation and network rollout are important parameters.⁸⁷ Whilst a majority of third parties ranked network location (related to network rollout) and integration costs amongst the top 5 most important factors, third parties did not mention innovation.
- 4.20 The Parties also submitted that ISPs prefer to contract with wholesale providers with a broad and dense geographic coverage.⁸⁸ As set out below, only a minority of third parties ranked network density amongst the top 5 factors.⁸⁹ The Parties indicated that this may be explained by lack of third-party experience with low-density networks,⁹⁰ however, third-party commentary indicated they had such experience. For example, a few third parties mentioned the prevalence of digital and marketing strategies as effectively mitigating low density,^{91,92} though another drew on its experience in recent negotiations (in saying density was important).⁹³

([X]) ranked this ninth) and brand ([X]) ranked this tenth). We have categorised as ‘other’ all parameters mentioned by less than a third of both customers and suppliers. (Third party responses to the CMA’s phase 2 third-party questionnaire, question 6: [X]; and Third party responses to the CMA’s phase 2 third-party questionnaire, question 13: [X]).

⁸⁴ In this regard, [X] submitted that a network of around one million homes is a practical minimum scale for integration, because smaller networks may not justify the operational complexity (Third-party call note: [X]). [X] submitted that scale is important because it needs sufficient footprint to justify the investment costs of onboarding a wholesaler from an IT and network integration perspective (Third-party call note: [X]). [X] submitted that initially, it prioritised partnering with large scale network providers with at least one million premises (Third-party call note: [X]).

⁸⁵ For example, Community Fibre currently supplies to large ISPs, despite having a network of less than 2 million premises (Third-party call note: [X]). In addition, [X] submitted that it does not have a ‘brightline’ minimum network scale (Third-party call note: [X]). [X] submitted that more recently, factors other than scale have also become more important in [X] selection of providers (Third-party call note: [X]).

⁸⁶ In this regard, we note that all altnets other than Community Fibre and Hyperoptic have passed less than [X] premises (or less than [0-5]% of national premises). CMA analysis of Ofcom’s Connected Nations January 2026 dataset.

⁸⁷ Parties, FMN, section 14.1.3.

⁸⁸ Parties, FMN, paragraph 493.

⁸⁹ Third party responses to the CMA’s phase 2 third-party questionnaire, question 6: [X]; and Third party responses to the CMA’s phase 2 third-party questionnaire, question 13: [X].

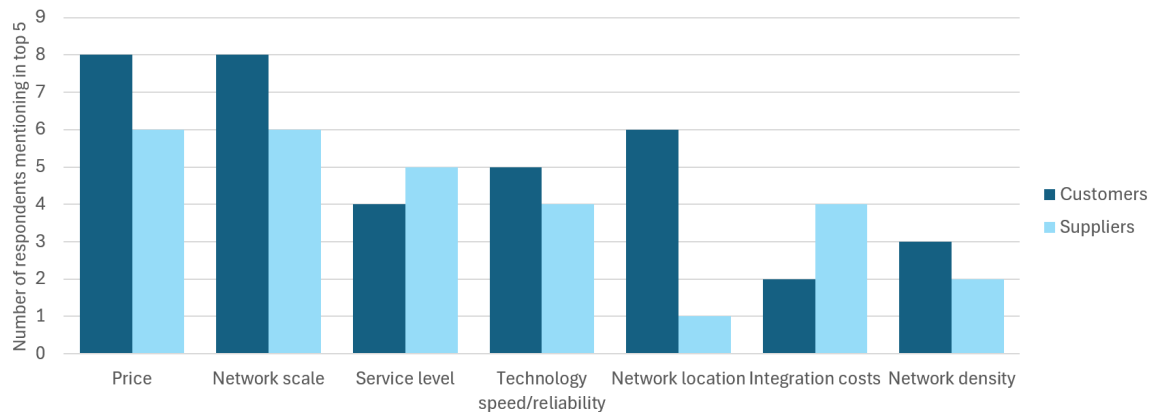
⁹⁰ The Parties said that were third parties to gain experience marketing to a very low-density network (rather than Openreach which is not low density), their views may change (Parties, ISM transcript, page 45, lines 16-22).

⁹¹ A Tier 1 ISP said that it has not had problems with altnets not being available in every premises in a local area, having strategies such as marketing at the higher price, advertising multiple prices, using a lookup to check availability on its website, and direct mail or emails based on known availability (Third-party call note: [X]).

⁹² A network operator said that density was important a number of years ago, but digital capabilities have eroded this, citing Substantial’s growth in spite of being a less dense network as an example (Third-party call note: [X]).

⁹³ A network operator said that its network density was seen as very beneficial in its negotiations, and noted that a hybrid HFC/FTTP network is not attractive as a wholesale platform since it creates inconsistent market propositions by postcode (Third-party call note: [X]).

Figure 4.2: Wholesale parameters of competition mentioned in the top 5 most important by respondents, split by respondent type (customers and suppliers)



Source: CMA analysis of six customer and eight supplier responses to the CMA's phase 2 third-party questionnaire (Third party responses to the CMA's phase 2 third-party questionnaire, question 6: [38]); and Third party responses to the CMA's phase 2 third-party questionnaire, question 13: [38]). Two responding entities are both customers and suppliers – they appear both as customers and suppliers with their respective views in each setting. We include factors ranked in the top 5 by at least a third of customers and suppliers.

The retail supply of fixed broadband services

4.21 In the discussion below, we first outline the competitive landscape of retail broadband providers, before considering parameters of competition.

Retail fixed broadband providers

4.22 Retail ISPs provide broadband to end-users (individuals and businesses) using their own networks or the networks of third-party network operators. The Parties identify five broadly national providers as 'Tier 1' ISPs.⁹⁴ These are BT Group, Sky, VMO2, TalkTalk, and VodafoneThree. The Parties identify other smaller providers as 'Tier 2' ISPs.

4.23 The retail competitive strengths of these ISPs vary in different areas, for example because (as set out in our competitive assessment and Appendix D) they use different networks in different areas, and because vertically integrated ISPs will be strongest when operating on their own network. Therefore, whilst we set out national shares below for context, these shares do not fully account for the strength of retail ISPs in any given area, or recent trends in competitive strength.⁹⁵

⁹⁴ Parties' response to the Areas of focus, 20 July 2026, footnote 205.

⁹⁵ The shares represent a static snapshot reflecting customer acquisition and retention outcomes over a number of years. As such, they may not fully capture recent developments in retail competition, including changes in the relative strength of ISPs such as growth of fixed broadband providers. For example, a nexfibre internal document notes large highly positive net adds for Vodafone, implying it has a growing share. Parties' annex to FMN, '[38]', slide 24.

For example, VMO2's share is around [30-40]%,⁹⁶ and YouFibre's share is around [10-20]%,⁹⁷ within their own network areas.

Table 4.2: Retail shares of supply, based on 2025 number of premises connected nationally

<i>Provider</i>	<i>Shares (%)</i>
Parties' combined shares	[20-30]
...VMO2	[10-20]
...YouFibre	[0-5]
Other Tier 1 ISPs	[60-70]
...BT Group	[30-40]
...Sky	[20-30]
...TalkTalk	[5-10]
...VodafoneThree	[5-10]
Other Tier 2 ISPs	[10-20]
Total	100

Source: CMA analysis of Parties' data. Parties, FMN, Table XII.

Parameters of competition

- 4.24 The Parties submitted that price is the primary parameter of competition at the retail level, particularly for customer acquisition.⁹⁸ Similarly, respondents to our third-party questionnaire generally ranked retail price as the most important, followed by initial offers, download speeds, quality of service, reviews/recommendations, and the potential for mid-contract price rises.^{99, 100}
- 4.25 ISPs' offerings are differentiated across these parameters, as well as others such as bundled broadband and mobile/TV offerings (particularly for providers such as VMO2, Sky and BT). Some of this differentiation stems from the terms of network access, and there is evidence that lower wholesale prices are reflected in lower retail prices (see the discussion in the competitive assessment below).
- 4.26 Further, ISPs often differentiate retail prices to individual end-customers in response to a wide array of factors, including their contract status, measures of wholesale and retail competition, and their engagement. For example:

⁹⁶ CMA analysis of Ofcom's Connected Nations 2026 fixed broadband networks coverage data.

⁹⁷ We base our assessment of YouFibre's share on its penetration rate for Q1 2026. Source: Substantial annex to P1-RFI2-Parties: [REDACTED], page 8.

⁹⁸ Parties, FMN, paragraph 679.

⁹⁹ We asked third parties to rank a list of parameters. Third parties were able to, but did not, add parameters. We mention here all parameters included in the top 5 factors by at least two respondents, ranked by their average score (Third party responses to the CMA's phase 2 third-party questionnaire, question 19: [REDACTED]).

¹⁰⁰ [REDACTED] explained that network installation times are an important quality of service parameter which make its offering attractive to ISPs. In particular, it can install networks quickly and has [REDACTED] (Third-party call transcript: [REDACTED]).

- (a) New joiners to a broadband network often get better prices than existing customers.^{101, 102}
- (b) [REDACTED].¹⁰³
- (c) Third party evidence indicates that retail prices respond to local competitive conditions, although the extent varies across providers.¹⁰⁴ Ofcom also told us that it considers geographic variation in retail broadband pricing to be an important feature of the market, and that it could become more prevalent over time.¹⁰⁵

¹⁰¹ Ofcom data broadly covering the Tier 1 ISPs shows that out-of-contract standalone fixed broadband customers paid around £7.20 per month (or 25%) more than in-contract customers in 2025. Ofcom Pricing Trends 2025 Chart Data, Pricing and consumer engagement report, Figure 21.

¹⁰² A VMO2 internal document containing insights from its Q3 2025 Joiners and Leavers Survey indicates that [REDACTED] (Parties annex to FMN: '[REDACTED]', page 6).

¹⁰³ [REDACTED]. P1-RFI3-Parties, question 3, Schedule 2 paragraph 5 and Schedule 4 paragraph 3.

¹⁰⁴ Over half of respondents to our questionnaire ([REDACTED]) indicated that prices their customers pay vary in response to local retail competitive conditions in some way, though how far varied from pricing structures directly responsive to competition, targeting on bundle pricing, and in responsiveness of retention pricing to higher churn in more competitive areas. [REDACTED] indicated that it is investing in capabilities which will allow greater pricing flexibility in recognition of a local dimension of competition. [REDACTED] said it does not undertake geographic pricing and does not expect to move towards it in future. (Third party responses to the CMA's phase 2 third-party questionnaire, question 21: [REDACTED].)

¹⁰⁵ Ofcom response dated 18 September 2026 to the CMA's RFI dated 15 September 2026, page 5.

5. COUNTERFACTUAL

5.1 This chapter sets out our assessment of, and provisional conclusions on, the appropriate counterfactual for the Transaction. It is structured as follows:

- (a) framework for assessing the counterfactual;
- (b) assessment of the relevant counterfactual for Substantial;
- (c) assessment of the relevant counterfactual for VMO2/nexfibre; and
- (d) provisional conclusions on the appropriate counterfactual.

Framework for assessing the counterfactual

5.2 Applying the SLC test involves a comparison of the prospects for competition with the merger against the most likely competitive situation without the merger. This is known as the counterfactual.¹⁰⁶

5.3 The counterfactual is not a statutory test. Rather it is an analytical tool used in answering the statutory question of whether the merger gives rise to an SLC.¹⁰⁷

5.4 Nor is the counterfactual intended to be a detailed description of the conditions of competition that would prevail absent the merger. Those conditions are better considered in the competitive assessment.¹⁰⁸ The CMA will generally conclude on the counterfactual conditions of competition broadly – that is, prevailing or pre-merger conditions of competition, conditions of stronger competition or conditions of weaker competition.¹⁰⁹ The CMA also seeks to avoid predicting the precise details or circumstances that would have arisen absent the merger and will often focus on significant changes affecting competition between the merger firms.¹¹⁰ This reflects the fact that the counterfactual, as an analytical tool, is ‘simply a form of “but for” analysis’.¹¹¹

5.5 For example, if two or more possible counterfactual scenarios lead to broadly the same conditions of competition, the CMA may not find it necessary to select the particular scenario that leads to its counterfactual.¹¹² In some instances, the CMA may need to consider multiple possible scenarios before identifying the relevant

¹⁰⁶ [CMA129](#), paragraph 3.1 read together with paragraph 3.13, which provides that, at phase 2, the CMA will select the most likely conditions of competition as its counterfactual.

¹⁰⁷ [CMA129](#), paragraph 3.1. See also *Spreadex v CMA* [2026] CAT 24 (***Spreadex v CMA***), paragraph 130 where the Competition Appeal Tribunal (the **Tribunal**) stated that: ‘We underline that the counterfactual is not a statutory test. Rather it is no more than a form of analytical tool used to help the CMA in answering the statutory question on the SLC issue.’

¹⁰⁸ [CMA129](#), paragraph 3.7.

¹⁰⁹ [CMA129](#), paragraph 3.9.

¹¹⁰ [CMA129](#), paragraphs 3.8 and 3.11.

¹¹¹ *Spreadex v CMA*, paragraph 130.

¹¹² [CMA129](#), paragraph 3.9.

counterfactual (eg a merger firm being purchased by alternative acquirers). In doing this, the CMA will consider whether any of the possible scenarios make a significant difference to the conditions of competition and, if any do, the CMA will find the most likely conditions of competition absent the merger as the counterfactual.¹¹³

- 5.6 Establishing the appropriate counterfactual is an inherently uncertain exercise and evidence relating to future developments absent the merger may be difficult to obtain. Uncertainty about the future will not in itself lead the CMA to assume the pre-merger situation to be the appropriate counterfactual. As part of its assessment, the CMA may consider the ability and incentive (including but not limited to evidence of intention) of the merger firms to pursue alternatives to the merger, which may include reviewing evidence of specific plans where available.¹¹⁴
- 5.7 The assessment of the counterfactual does not seek to ossify the market at a particular point in time. For example, an assessment based on the prevailing conditions of competition can reflect that, absent the merger, the position of the merging parties and their competitors would have continued to change and evolve in the market over time.¹¹⁵ The time horizon that the CMA considers when describing the counterfactual will depend on the context and will be consistent with the time horizon used in the CMA's competitive assessment.¹¹⁶ While there is a need for overall consistency between the time horizon for assessing the counterfactual and competitive effects of a merger, the CMA is not limited to considering alternative scenarios that would have occurred at exactly the same time as the developments that give rise to the merger under review.
- 5.8 Only events that would have happened in the absence of the merger under review—and are not a consequence of it—can be incorporated into the counterfactual.¹¹⁷ Where internal documents support claims being made by merger firms or third parties that have an interest in the outcome of the CMA's investigation, the CMA may be likely to attach more evidentiary weight to such documents if they were generated prior to the period in which those firms were contemplating or aware of the merger, or if they are consistent with other evidence.¹¹⁸
- 5.9 The Parties submitted that the prevailing conditions of competition do not represent the appropriate counterfactual against which the competitive effects of the Transaction should be assessed.¹¹⁹ In particular, the Parties submitted that

¹¹³ [CMA129](#), paragraph 3.13.

¹¹⁴ [CMA129](#), paragraph 3.14.

¹¹⁵ [CMA129](#), paragraph 3.3.

¹¹⁶ [CMA129](#), paragraph 3.15.

¹¹⁷ [CMA129](#), paragraph 3.4.

¹¹⁸ [CMA129](#), paragraph 2.29.

¹¹⁹ Parties, FMN, 29 June 2026, paragraph 259.

each of Substantial, VMO2 and nexfibre would, absent the Transaction, experience reduced network investment, slower FTTP deployment and higher retail pricing than current conditions suggest.¹²⁰ Separately, CityFibre submitted that the most likely conditions of competition absent the Transaction would involve CityFibre acquiring Substantial.¹²¹ We have therefore considered the appropriate counterfactual for each of the Parties separately.

Counterfactual for Substantial

Our approach to the assessment

- 5.10 To assess whether the Transaction may be expected to give rise to an SLC, we have assessed, based on the evidence we have seen, which of the following counterfactual scenarios for Substantial is the most likely and, therefore, the appropriate counterfactual in this case:
- (a) **Standalone scenario.** Under this scenario, absent the Transaction, Substantial would have remained under its current ownership as a ‘standalone’ business.
 - (b) **CityFibre acquisition scenario.** Under this scenario, absent the Transaction, Substantial would have been acquired by an alternative purchaser (the only likely one being CityFibre).
- 5.11 These scenarios would likely have led to materially different conditions of competition, in particular:
- (a) as a standalone operator Substantial would continue to operate in retail through its retail arm (YouFibre) with capabilities to wholesale;¹²² whereas
 - (b) if Substantial was acquired by CityFibre, CityFibre would sell Substantial’s retail business (YouFibre) to a third-party and not operate in retail, and CityFibre would wholesale the Netomnia network.
- 5.12 In this section, we consider the evidence for each of these scenarios before setting out our provisional conclusions on the most likely and the corresponding impact on the conditions of competition in the counterfactual which will form the basis of the competitive assessment.
- 5.13 In coming to our provisional conclusions, we have carefully evaluated the weight that it is appropriate to place on the different evidence provided to us by the

¹²⁰ Parties, FMN, paragraph 259.

¹²¹ [CityFibre response to the Areas of focus](#), 4 August 2026, paragraph 2.1.

¹²² As explained below, it has not been necessary to conclude on the extent to which Substantial would operate in wholesale in a standalone scenario.

Parties and third parties. We have had regard to the interest a party has in the outcome of our investigation, the timing of the relevant documents, including if they were generated prior to the contemplation of the Transaction, and the extent to which the evidence is consistent with other evidence provided to us.

- 5.14 In particular, we need to take account of the fact that the conduct during the period in which the Transaction was being negotiated may have been influenced by the Transaction. For example, the discussions leading up to the Transaction may have affected the progress of Substantial's wholesale negotiations with ISPs. Similarly, its negotiations with CityFibre were also conducted in the context of the nexfibre Consortium's fully funded offer and the timing constraints it imposed. As explained above, our task is to assess what would most likely have happened but for the Transaction. Evidence on events leading up to or otherwise influenced by the Transaction therefore needs to be carefully interpreted. We have factored into our assessment whether and how the Transaction could have influenced relevant events and sought to consider, to the extent practicable, how events would have evolved absent the Transaction.

Events leading up to the Transaction

- 5.15 Prior to the Transaction, Substantial had been considering various strategic options. Since 2024, at a high level, these were: continued organic growth; growth through acquisition; or a sale.¹²³
- 5.16 As part of its organic growth strategy, Substantial has been pursuing wholesale negotiations with a number of ISPs with the aim of entering into a formal wholesale contract including with Tier 1 ISPs ([X]),¹²⁴ and other ISPs, eg [X].¹²⁵ By the time the SPA for the Transaction was signed on 18 February 2026, it had not entered into any formal wholesale contract.
- 5.17 In relation to its network build, in August 2024, Substantial was targeting reaching [X] million premises by [X]. In May 2025, this target was revised downwards to 5.0 million premises by 2027,¹²⁶ and to [X] million premises in the December 2025 [X].¹²⁷
- 5.18 In relation to its growth through mergers and acquisitions (**M&A**) or sale options, an internal Substantial presentation titled [X] stated: [X].¹²⁸ In August 2024, Substantial acquired Brsk, resulting in a combined network footprint of around

¹²³ See for example, Substantial annex to FMN. See also Substantial annex to FMN which state that Substantial's goal is to [X] and suggests that [X].

¹²⁴ Substantial submission, 'Submission on the Scope of a Further Notice under Section 109 of the Enterprise Act 2002', 28 May 2026, paragraph 2.3(c).

¹²⁵ Parties' consolidated response dated 4 June 2026 to the CMA's RFI dated 26 May 2026 (**P1-RFI3-Parties**), question 14.

¹²⁶ Substantial's submission, '[X]', 17 April 2026 (resubmitted as annex 1.008 to FMN), paragraph 68.

¹²⁷ Substantial response dated 8 June 2026 to the CMA's email dated 5 June 2026, paragraph 2.1(b).

¹²⁸ Substantial annex to FMN.

1.5 million premises.¹²⁹ In announcing the Brsk transaction in June 2024, Substantial described the transaction as creating ‘the only scaled and capital-efficient retail, wholesale and consolidation platform in the market’.¹³⁰ In March 2025, Substantial [REDACTED] analysis indicated that [REDACTED].¹³¹

- 5.19 Substantial had been in discussions with CityFibre in relation to a potential [REDACTED] since [REDACTED],¹³² when Substantial and CityFibre entered into an NDA to facilitate negotiation of a potential transaction on [REDACTED].¹³³ Prior to [REDACTED], these discussions were focused on an [REDACTED] between the two parties. As part of these [REDACTED] discussions, CityFibre presented a business plan to Substantial on [REDACTED] regarding a [REDACTED], and on [REDACTED], CityFibre submitted a formal proposal to Substantial.^{134, 135} Discussions on [REDACTED] in relation to an [REDACTED] continued until around [REDACTED], during which there had been a series of proposals and counterproposals.¹³⁶
- 5.20 The nexfibre Consortium also entered into discussions with Substantial making its first non-binding offer to Substantial on [REDACTED] with a bid that valued Substantial at an EV of £[REDACTED] (with an equity value of around £[REDACTED]).¹³⁷ At this time, [REDACTED], and the nexfibre Consortium was bidding against CityFibre to acquire Substantial. On [REDACTED], CityFibre submitted to Substantial a non-binding expression of interest to acquire Substantial for an EV of £[REDACTED] (with an equity value of £[REDACTED]).¹³⁸ [REDACTED].¹³⁹
- 5.21 During the second half of 2025, further non-binding offers were made by both the nexfibre Consortium and CityFibre,¹⁴⁰ culminating in final offers being made by both in [REDACTED], which were subject to further revisions and negotiation which carried on until around 18 February 2026 when the SPA was ultimately signed with the nexfibre Consortium.
- 5.22 The nexfibre Consortium’s offer was for an EV of around £2 billion, funded through cash; a £[REDACTED];¹⁴¹ and the rollover of around £[REDACTED] of Substantial’s senior debt.¹⁴²

¹²⁹ Parties, Phase 1 Teach-in slides (Substantial session), 22 April 2026, slide 5 and Parties, FMN, paragraph 151. The Parties submitted that Brsk ISP now operates under the YouFibre brand, following the operational merger of YouFibre and Brsk ISP in March 2026. Parties, FMN, paragraph 135.

¹³⁰ Substantial’s submission, ‘[REDACTED]’, 17 April 2026 (resubmitted as annex 1.008 to FMN), paragraph 110.

¹³¹ Substantial’s submission, ‘[REDACTED]’, 17 April 2026 (resubmitted as annex 1.008 to FMN), paragraph 110.

¹³² Parties, FMN, Table II.

¹³³ P1-s109(01)-Substantial, question 2.

¹³⁴ P1-s109(01)-Substantial, question 2.

¹³⁵ P1-RFI2-Parties, question 6.

¹³⁶ P1-RFI2-Parties, question 6.

¹³⁷ P1-s109(01)-Substantial, question 2.

¹³⁸ P1-s109(01)-Substantial, question 2.

¹³⁹ P1-s109(01)-Substantial, question 2.

¹⁴⁰ On [REDACTED], the nexfibre Consortium submitted a revised non-binding offer of £[REDACTED]. On [REDACTED], CityFibre submitted a revised expression of interest bid of £[REDACTED]. On [REDACTED], the nexfibre Consortium submitted a revised offer of £[REDACTED]. On [REDACTED], CityFibre submitted a revised expression of interest bid for [REDACTED]. On [REDACTED], CityFibre submitted its ‘final offer’ [REDACTED]. On [REDACTED], CityFibre submitted a revised final offer of £[REDACTED] P1-s109(01)-Substantial, question 2. [REDACTED]. On [REDACTED], CityFibre [REDACTED]. Substantial annex to P2-s109(01)-Substantial [REDACTED] and CityFibre submission.

¹⁴¹ The [REDACTED] will have [REDACTED]. The [REDACTED] will have [REDACTED]. Substantial annex to P1-s109(01)-Substantial, slide 10.

¹⁴² [REDACTED]. Substantial annex to P1-s109(01)-Substantial, slide 20. However, based on an assumption that the Transaction closes in September 2026, InfraVia’s presentation to the CMA on 29 July 2026 stated that Substantial senior debt of £[REDACTED] would roll over, and Substantial junior debt of £[REDACTED] would be repaid. InfraVia, Presentation of S&U and Business Plan), 29 July 2026, slide 9.

CityFibre offered around £[REDACTED] to be funded by £[REDACTED] of [REDACTED] raised from [REDACTED]; £[REDACTED] from the sale of Substantial's ISPs; £[REDACTED]; and the rollover of around £[REDACTED] of both Substantial's senior and junior debt (the **Final Offer**).

- 5.23 On 18 February 2026, Substantial accepted the £2.0 billion EV (£[REDACTED]) offer from the nexfibre Consortium and the SPA was signed.¹⁴³ [REDACTED].¹⁴⁴ Substantial told us that it accepted the offer from nexfibre Consortium rather than CityFibre's [REDACTED] offer on the basis that CityFibre did not have committed funds for its £[REDACTED] offer (see also the Parties' submissions on the CityFibre counterfactual below).¹⁴⁵
- 5.24 The minutes from Substantial shareholder Soho Square's Investment Committee dated [REDACTED] stated that [REDACTED].¹⁴⁶

Substantial as a standalone operator

Substantial's submissions

- 5.25 Substantial submitted that the most likely conditions of competition absent the Transaction were that Substantial would continue as a standalone, retail-led network operator.¹⁴⁷ In this counterfactual, it submitted that Substantial would be more constrained than currently with a [REDACTED]; it would have no viable scaled wholesale route; it would remain at approximately 3.4 million premises; and there would be [REDACTED].¹⁴⁸
- 5.26 Substantial submitted that its financial outlook had progressively deteriorated since 2024, for example:
- (a) Although Substantial reached EBITDA profitability in 2025 for the first time, [REDACTED].¹⁴⁹
 - (b) Expected ARPU growth had not materialised, and [REDACTED].¹⁵⁰
 - (c) Data from July 2026 shows a further reduction in the value of new customer acquisitions (in particular, the average revenue per order at the point of sale for a specific month before installation (**Order ARPU**), which reduced from £[REDACTED] in [REDACTED] to £[REDACTED] in [REDACTED]) and an increase in customer churn (with the weighted-average annualised churn rising from [REDACTED]% in [REDACTED] to [REDACTED]% in [REDACTED]).¹⁵¹ Substantial submitted that the recent reductions in its value of new

¹⁴³ P1-s109(01)-Substantial, question 2.

¹⁴⁴ Parties' response dated 28 August 2026 to the CMA's RFI dated 19 August 2026 (**P2-RFI5-Parties**), question 6(c).

¹⁴⁵ Parties, FMN, paragraph 127.

¹⁴⁶ 'Substantial annex to P1-s109(01)-Substantial.

¹⁴⁷ Substantial's submission, '[REDACTED]', 25 June 2026 (resubmitted as annex 1.007 to FMN), paragraph 3.12.

¹⁴⁸ [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 5.

¹⁴⁹ Substantial's submission, '[REDACTED]', 17 April 2026 (resubmitted as annex 1.008 to FMN), paragraph 55.

¹⁵⁰ Substantial's submission, '[REDACTED]', 17 April 2026 (resubmitted as annex 1.008 to FMN), paragraphs 82-85.

¹⁵¹ Substantial's submission, '[REDACTED]', 28 August 2026, paragraphs 9-13.

customer acquisitions and headline ARPU remaining flat [X] represented a structural shift that weakened Substantial's standalone viability.¹⁵²

- 5.27 Substantial submitted that although it had projected wholesale customer volumes in both its [X] and [X], the projected volumes had been reducing: [X]; and in its [X].¹⁵³
- 5.28 Substantial submitted that although it had tried, and engaged with several Tier 1 ISPs and [X] to enter into a formal wholesale contract, as of February 2026 when the Transaction SPA was signed, it had not entered into any wholesale agreements with any of them:
- (a) [X]: Substantial submitted that its discussions with [X] commenced on [X] following an introductory meeting between Substantial's CEO and [X], and that an NDA was subsequently executed on [X].¹⁵⁴ Substantial added that while [X] were entered into [X], delays persisted and no wholesale agreement had been entered into, [X].¹⁵⁵
 - (b) [X]: Substantial submitted that discussions with [X] regarding a potential wholesale arrangement commenced on [X], and that although discussions continued [X],¹⁵⁶ these discussions did not progress beyond [X] and did not result in [X].¹⁵⁷
 - (c) [X]: Substantial submitted that discussions with [X] regarding a potential wholesale arrangement commenced in [X], but never progressed beyond [X].¹⁵⁸
 - (d) [X]: Substantial submitted that discussions with [X] regarding a potential wholesale arrangement commenced in [X]; however, they did not reach agreement on [X] Substantial emailed [X] to advise that it was unable to progress the discussions further.¹⁵⁹
- 5.29 In terms of further organic growth, Substantial submitted that, while its May 2025 plan envisaged passing [X] million premises by [X] and 5 million premises by

¹⁵² Parties' letter to the CMA, 28 August 2026, page 2.

¹⁵³ Parties, FMN, paragraphs 252 and 253.

¹⁵⁴ P1-RFI3-Parties, question 14.

¹⁵⁵ Substantial submission, 'Submission on the Scope of a Further Notice under Section 109 of the Enterprise Act 2002', 28 May 2026, paragraph 2.3(c).

¹⁵⁶ Substantial submission, 'Submission on the Scope of a Further Notice under Section 109 of the Enterprise Act 2002', 28 May 2026, paragraph 2.6(b).

¹⁵⁷ Substantial submission, 'Submission on the Scope of a Further Notice under Section 109 of the Enterprise Act 2002', 28 May 2026, paragraph 2.3(b).

¹⁵⁸ Substantial submission, 'Submission on the Scope of a Further Notice under Section 109 of the Enterprise Act 2002', 28 May 2026, paragraph 2.3(a).

¹⁵⁹ P1-RFI3-Parties, question 14.

2027, this target was progressively scaled back [REDACTED]. [REDACTED] and then 3.4 million premises in total.¹⁶⁰

- 5.30 Substantial submitted that the Brsk merger in August 2024 was in line with its strategy to increase in scale.¹⁶¹ However, it submitted that [REDACTED].¹⁶² Given the difficulties in acquiring altnets of any meaningful scale (eg with around 0.6 million premises ‘ready for service’ (**RFS**) or more) partly because of [REDACTED], Substantial submitted that a sale to a large consolidator at an acceptable valuation, such as the Transaction, was ‘materially more attractive’ than the standalone scenario.¹⁶³

Our assessment

- 5.31 We consider below, absent the Transaction: (i) the financial position of a standalone Substantial, and (ii) whether, and to what extent, a standalone Substantial would be active in wholesale.

Financial position of a standalone Substantial

- 5.32 Substantial’s revenues in 2025 increased significantly to £104 million from £38.7 million in 2024 and £9.2 million in 2023, and in 2025, it generated a positive EBITDA for the first time.¹⁶⁴ However, as explained above, Substantial submitted that its financial outlook worsened in 2026 as a result of reducing ARPUs and increased churn.
- 5.33 The minutes from Substantial shareholder Soho Square’s Investment Committee meeting dated [REDACTED] outlined its rationale for a transaction with the nexfibre Consortium.¹⁶⁵ While we note that the purpose of this Investment Committee meeting was to authorise the deal team to execute the Transaction which could potentially downplay the opportunities under a standalone scenario, the minutes on the rationale for the Transaction provide some indication of, and insight into, one of Substantial’s shareholders’ views on some of the challenges Substantial may have faced by remaining standalone. The minutes note the following key points as the rationale for selling Substantial:¹⁶⁶
- (a) ‘Growth Targets: [REDACTED];
 - (b) ‘APRU [sic] Growth: [REDACTED];

¹⁶⁰ Substantial’s submission, ‘[REDACTED]’, 17 April 2026 (resubmitted as annex 1.008 to FMN), paragraphs 7, 54 and 68, and Figure 3.

¹⁶¹ Substantial’s submission, ‘[REDACTED]’, 17 April 2026 (resubmitted as annex 1.008 to FMN), paragraph 4.

¹⁶² Substantial’s submission, ‘[REDACTED]’, 17 April 2026 (resubmitted as annex 1.008 to FMN), paragraph 111.

¹⁶³ Substantial’s submission, ‘[REDACTED]’, 17 April 2026 (resubmitted as annex 1.008 to FMN), paragraphs 112-113.

¹⁶⁴ [Netomnia, Youfibre, brsk Annual Results 2025](#), last accessed on 22 September 2026. EBITDA adjusted, eg to exclude exceptional items, and [Substantial Topco Limited Annual Report and Financial Statements for the year ended 31 December 2024](#), last accessed on 29 September 2026.

¹⁶⁵ Substantial annex to P1-s109(01)-Substantial.

¹⁶⁶ Substantial annex to P1-s109(01)-Substantial.

- (c) 'Liquidity Constraints: [REDACTED];
- (d) 'Capital Requirements: [REDACTED];
- (e) 'Financial Performance: [REDACTED];
- (f) 'Wholesale Relationships: [REDACTED]; and
- (g) 'Valuation Uncertainties: [REDACTED].

- 5.34 To assess Substantial's financial position, we also considered evidence from its latest pre-Transaction funding case (the **Gemini model**), which was presented to lenders as part of Substantial's senior debt refinancing process from [REDACTED].¹⁶⁷ The Gemini model ran a series of checks to assess, among other points, financial covenants and cash flow, [REDACTED].¹⁶⁸ Based on pre-Transaction ARPU projections, the Gemini model indicated that Substantial was financeable, [REDACTED].¹⁶⁹
- 5.35 In [REDACTED], Substantial updated the ARPU assumptions in the Gemini model to reflect more recent evidence.¹⁷⁰ Based on these updated assumptions, the analysis indicated that if Substantial were to follow its [REDACTED], it would [REDACTED]. Separately, the analysis found that Substantial would [REDACTED].¹⁷¹
- 5.36 These updates were undertaken by Substantial's advisers following agreement of the Transaction, and involve a number of assumptions about ARPUs and penetration rates that we are unable to validate. However, we note that the updated ([REDACTED]) model assumed that Substantial's penetration rate would increase to [REDACTED]% by [REDACTED],¹⁷² compared to just [REDACTED]% today.¹⁷³ Even with this significant increase in penetration, Substantial would be [REDACTED].
- 5.37 This is reflected in a submission from Substantial, which states that [REDACTED], and that even the [REDACTED]. The submission states that [REDACTED].¹⁷⁴
- 5.38 In terms of network expansion, Substantial's business plans indicate that it continued to scale back its build plans in response to failing to achieve its target fundraising:

¹⁶⁷ This model was produced [REDACTED]. Substantial, response to P2 RFI1, question 9(a). [REDACTED]. The senior debt refinancing process [REDACTED] against a [REDACTED] target. Keystone's [REDACTED].

¹⁶⁸ The model focused on outcomes to the end of [REDACTED]. Substantial, response to P2 RFI 1, question 9(e).

¹⁶⁹ Keystone's [REDACTED], paragraph 39.

¹⁷⁰ Lower retail ARPU assumptions were supported by three considerations. [REDACTED]. Substantial's submission, '[REDACTED]', 12 June 2026 (resubmitted as annex 1.009 to FMN), paragraph 44.

¹⁷¹ Substantial's submission, '[REDACTED]', 12 June 2026 (resubmitted as annex 1.009 to FMN), paragraph 35 and Table 3.1.

¹⁷² Substantial's submission, '[REDACTED]', 12 June 2026 (resubmitted as annex 1.009 to FMN), paragraph 35.

¹⁷³ See the nature of competition chapter for figures on current penetration rates.

¹⁷⁴ Substantial's submission, [REDACTED] 28 August 2026, paragraphs 13-15.

- (a) [X]. This envisaged planned build to [X] million premises by [X].¹⁷⁵ £[X] was raised in line with this plan [X].¹⁷⁶
- (b) The May 2025 business plan reduced rollout to 5 million premises by the end of 2027 with [X].¹⁷⁷ The [X] (agreed in [X]) further reduced this to [X] million premises by the end of [X] with [X].¹⁷⁸ Between these two plans, Substantial looked to raise an additional £[X]. The [X] funding request was based on a [X] million target for premises expected to be reached in [X].¹⁷⁹ Substantial raised around £[X] out of its £[X] target by [X].¹⁸⁰
- (c) Substantial consequently revised its planned rollout figures down in its [X]¹⁸¹ [X].¹⁸²

5.39 There is no indication that these scale backs to build plans and difficulties in achieving the required funding were influenced by the possibility of a sale. Rather, the evidence indicates that they were attributable to [X]. We therefore consider that Substantial had limited prospects for further organic network build, at least in the foreseeable future.

5.40 For the reasons set out above, we provisionally conclude that Substantial's outlook as a standalone operator had been deteriorating. We have considered whether this could be addressed by growing its wholesale business below.

Activities in wholesale

5.41 We consider that Substantial's wholesale prospects could be relevant to its future financial position and therefore the relative attractiveness of it remaining a standalone player absent the Transaction.

5.42 Before the Transaction was agreed, Substantial had invested considerable resource into its wholesale plans (including technical integration work),¹⁸³ taking steps to develop its wholesale offering,¹⁸⁴ and projected wholesale revenues in its

¹⁷⁵ P1-RFI5-Substantial, question 7.

¹⁷⁶ Fund raising was under [X] which raised £[X] and [X] which raised the balance of £[X]. P1-RFI5-Substantial, question 8.

¹⁷⁷ See [X] See also Substantial annex to FMN which models rollout to [X] million and [X] million premises. In its response to P1-RFI5, Substantial stated that its business plan to reach [X] million in [X] was its most recent Board-approved long-term business plan, however this was prepared for [X] which was later abandoned. P1-RFI5-Substantial, question 7.

¹⁷⁸ See Substantial's submission, '[X]', 17 April 2026 (resubmitted as annex 1.008 to FMN), paragraph 68 and Substantial annex to FMN.

¹⁷⁹ Substantial annex to FMN.

¹⁸⁰ P1-RFI5-Substantial, question 8.

¹⁸¹ See for example Substantial annex to P1-s109(01)-Substantial.

¹⁸² Substantial annex to FMN.

¹⁸³ Eg Substantial annex to P1-s109(02)-Substantial.

¹⁸⁴ Eg Substantial annex to P1-s109(01)-Substantial. Substantial annex to P1-s109(01)-Substantial annex to FMN: and Substantial annex to P1-s109(01)-Substantial.

business plans in [REDACTED] and [REDACTED].¹⁸⁵ It pursued a strategy of [REDACTED].¹⁸⁶ Negotiations reached an advanced stage with [REDACTED] and relatively advanced stage with [REDACTED] prior to the Transaction.¹⁸⁷ Other ISPs also told us that Substantial's network was of a sufficient size to be of interest,¹⁸⁸ and Substantial had some engagement with [REDACTED] regarding a wholesale deal (including initial commercial proposals).¹⁸⁹ Substantial had not reached any agreements with ISPs by the time the Transaction was agreed.

- 5.43 Substantial's internal documents do not provide evidence that winning wholesale contracts was expected to have a material positive impact on its profitability (such that this would affect the attractiveness of remaining standalone as compared to a sale). On the contrary, in the short term, we note that wholesaling would incur certain costs that would not apply in a retail-only model.¹⁹⁰ Substantial has submitted that on this basis, a mixed retail-wholesale model would have a [REDACTED],¹⁹¹ and would likely result in [REDACTED].¹⁹²
- 5.44 As set out above, the evidence does not suggest that any wholesale prospects would materially improve Substantial's financial outlook in the standalone scenario, at least in the short term. Substantial had not reached any agreements with ISPs by the time the Transaction was agreed. Given our task is to assess whether the standalone scenario or CityFibre acquisition scenario is the most likely counterfactual, it has not been necessary to conclude on the extent to which Substantial would operate in wholesale in the standalone scenario. In any event, even if Substantial did not pursue wholesale opportunities proactively in the standalone scenario, it would retain capabilities to respond to wholesale opportunities, including that it would continue to operate the network that currently services its retail business.

Provisional conclusion

- 5.45 We consider that remaining a standalone operator remained a viable option to Substantial. However, we also consider that Substantial's outlook as a standalone operator has been deteriorating, and that this is relevant when considering the attractiveness of the standalone scenario in comparison to the CityFibre

¹⁸⁵ Substantial annex to FMN; Substantial annex to FMN.

¹⁸⁶ [REDACTED]. Substantial annex to P1-s109(02)-Substantial.

¹⁸⁷ In the engagement we have seen between [REDACTED] and Substantial in [REDACTED], [REDACTED] language shifted to being around closing down final points in the contract negotiations (eg Substantial annex to Parties' response dated 10 August 2026 to the CMA's RFI dated 4 August 2026 (**P2-RFI3-Parties**)). See also internal wholesale update [REDACTED]. (Substantial annex to P1-s109(02)-Substantial. For [REDACTED], a Substantial document titled [REDACTED] estimated that Substantial [REDACTED] (Substantial annex to P1-s109(02)-Substantial.

¹⁸⁸ Third-party call note; Third-party submission: [REDACTED]; Third-party call note.

¹⁸⁹ P1-RFI3-Parties, question 14(a)-(b).

¹⁹⁰ For example, initial integration costs with ISPs and additional capex costs to connect new wholesale customers.

¹⁹¹ Substantial's submission.

¹⁹² Substantial's submission.

acquisition scenario. We assess which would be the most likely once we have considered the alternative counterfactual below.

Alternative acquisition of Substantial by CityFibre

Substantial's submissions

- 5.46 Substantial submitted that it was not plausible that the most likely counterfactual involved a merger with CityFibre.¹⁹³
- 5.47 Substantial submitted that a key factor in the decision-making process that led to the Transaction was the lack of funding by CityFibre, meaning that CityFibre could not deliver on its offer. It added that [REDACTED].¹⁹⁴
- 5.48 Substantial submitted that CityFibre's financial statements for the year ended 31 December 2024 stated that a material uncertainty existed which may cast significant doubt on its ability to continue as a going concern.¹⁹⁵ Against the backdrop of CityFibre's latest refinancing, which was approved via a scheme of arrangement, Substantial submitted that the offer was not viewed as credible.¹⁹⁶
- 5.49 Substantial further submitted that throughout the [REDACTED] engagement with CityFibre [REDACTED], CityFibre was unable at any point to provide committed equity or debt funding for its proposals, despite exploring a wide range of transaction structures.¹⁹⁷
- 5.50 Substantial submitted that it ultimately selected nexfibre and its investors as the successful bidder due to bid certainty and lack of certain funding on the CityFibre bid. It submitted that, whilst CityFibre's valuation in its final offer was [REDACTED], it was not supported by committed funds.¹⁹⁸
- 5.51 In addition, Substantial submitted that the CityFibre offer required [REDACTED].¹⁹⁹

CityFibre's submissions

- 5.52 CityFibre submitted that the most likely conditions of competition absent the Transaction would involve CityFibre acquiring Substantial,²⁰⁰ given that its bid for Substantial was a genuine, well-progressed alternative to the Transaction.²⁰¹

¹⁹³ [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 71.

¹⁹⁴ [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 70.

¹⁹⁵ [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 69.

¹⁹⁶ Parties, FMN, paragraph 127. See also Substantial's submission, '[REDACTED]', 17 April 2026 (resubmitted as annex 1.008 to FMN), paragraphs 115-118.

¹⁹⁷ P2-RFI5-Parties, question 6. [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 68.

¹⁹⁸ Parties, FMN, paragraph 127.

¹⁹⁹ Parties, FMN, Table II. CityFibre's transaction was structured so that [REDACTED].

²⁰⁰ [CityFibre response to the Areas of focus](#), 4 August 2026, paragraph 2.1.

²⁰¹ CityFibre submission.

CityFibre also submitted that at the time the Transaction was announced, CityFibre was on track to obtain the necessary funding.²⁰²

- 5.53 CityFibre submitted that it was committed to the acquisition as it presented an opportunity to significantly expand CityFibre's network reach within a short timeframe, in line with its core business strategy to become a sustainable scale competitor of Openreach and VMO2.²⁰³ CityFibre submitted that [REDACTED].²⁰⁴
- 5.54 CityFibre told us that at around the beginning of 2026, it became clear that the nexfibre Consortium had created a financing mechanism for the Transaction and Substantial had become more confident that a deal could happen.²⁰⁵ It added that negotiations then appeared to accelerate between Substantial and the nexfibre Consortium and Substantial also accelerated negotiations with CityFibre.²⁰⁶
- 5.55 In relation to funding progress, CityFibre submitted that its proposed funding package for the acquisition was realistic and achievable, and specifically that:
- (a) CityFibre's existing shareholders were highly supportive of the acquisition and [REDACTED];²⁰⁷ [REDACTED].²⁰⁸
 - (b) CityFibre expected to raise [REDACTED].²⁰⁹
 - (c) In view of the timing urgency, [REDACTED].²¹⁰ [REDACTED].²¹¹ [REDACTED].²¹² [REDACTED].²¹³
 - (d) CityFibre was confident that [REDACTED].²¹⁴ CityFibre also [REDACTED].²¹⁵ Although CityFibre expected [REDACTED].²¹⁶
- 5.56 In relation to its draft financial accounts for the year ended 31 December 2025, CityFibre submitted that [REDACTED].²¹⁷
- 5.57 CityFibre also submitted that Substantial had a clear interest in a deal with CityFibre,²¹⁸ with Substantial having been closely engaged in a sales process with

²⁰² CityFibre submission.

²⁰³ CityFibre submission.

²⁰⁴ CityFibre submission.

²⁰⁵ Third-party call transcript.

²⁰⁶ Third-party call transcript.

²⁰⁷ CityFibre submission. CityFibre told us that [REDACTED]. CityFibre response dated 11 September 2026 to the CMA's RFI dated 8 September 2026 (**P2-RFI4-CityFibre**), question 3.

²⁰⁸ CityFibre submission.

²⁰⁹ CityFibre submission.

²¹⁰ CityFibre submission.

²¹¹ CityFibre submission.

²¹² CityFibre submission.

²¹³ CityFibre submission. P2-RFI4-CityFibre, question 4.

²¹⁴ CityFibre submission.

²¹⁵ CityFibre submission.

²¹⁶ Third-party call transcript.

²¹⁷ P2-RFI4-CityFibre, question 7.

²¹⁸ CityFibre submission.

CityFibre and advancing to detailed negotiation points,²¹⁹ and making proposals to CityFibre such as [X].²²⁰

Our assessment

- 5.58 As set out above, Substantial selected the nexfibre Consortium's bid over CityFibre's following a competitive process. The evidence relevant to our assessment of the counterfactual is influenced by Substantial's parallel negotiations with the nexfibre Consortium. This includes negotiations around specific terms, including the price and structure of the deal and the deadline imposed by Substantial for committed funds. Given that our task is to assess what would most likely have happened but for the Transaction, we have factored into our assessment whether and how the Transaction could have influenced relevant events and sought to consider, to the extent practicable, how events would have evolved absent the Transaction.
- 5.59 In assessing the likelihood of the scenario where Substantial acquires CityFibre, we have considered the following factors:
- (a) Substantial's shareholders' incentives to reach a deal with CityFibre;
 - (b) CityFibre's incentives to reach a deal with Substantial; and
 - (c) CityFibre's ability to raise the required financing.

Substantial's shareholders' incentives to reach a deal with CityFibre

- 5.60 In the section above we have considered Substantial's prospects as a standalone operator. The evidence shows that Substantial's financial outlook has been deteriorating, with limited prospects for further network build, at least in the foreseeable future. This is consistent with evidence from internal documents and financial analysis, as well as submissions from Substantial regarding its financial position and strategic options.
- 5.61 Our provisional view is therefore that Substantial's shareholders had a strong incentive to agree a sale at an acceptable valuation.

CityFibre's incentives to reach a deal with Substantial

- 5.62 Consistent with CityFibre's submissions, we consider that CityFibre's continued negotiations with Substantial as well as CityFibre and its shareholders' efforts to secure funding, which are demonstrated by contemporaneous evidence, show that

²¹⁹ CityFibre submission.

²²⁰ CityFibre submission. In our assessment in paragraph 5.85 below we have considered CityFibre's financial accounts for both 2024 and 2025.

it was highly motivated to achieve a deal. For example, CityFibre's emails with its shareholders, Substantial, and external funding providers indicate that it was urgently working towards securing funding before the Transaction was signed.²²¹

5.63 Further, evidence from CityFibre's three largest shareholders (Antin Infrastructure Partners (**Antin**), West Street Infrastructure Partners (**GS**) and Mubadala Investment Company (**Mubadala**))²²² shows that CityFibre had strong shareholder backing to reach a deal:

- (a) [X] told us that, for the last [X] years, it has had conviction in CityFibre's strategy of becoming a leading wholesale competitor to Openreach, including through M&A,²²³ and it was therefore a very serious and engaged bidder for Substantial.²²⁴ Consistent with this, slides produced for [X] Investment Committee meeting in December 2025 indicate that an investment of [X] was considered once [X] became aware that funding from CityFibre's shareholders would be required. As discussed below, [X] subsequently received support in principle for an investment of [X].²²⁵
- (b) [X] told us that its aim was for CityFibre to increase its footprint as soon as possible, which would enable CityFibre to benefit from economies of scale.²²⁶ It explained that Substantial was a critical part of its strategy [X].²²⁷ Following CityFibre's failure to reach a deal with Substantial, [X] told us it was willing to increase its contribution to £[X] million (subject to completing due diligence and finalising deal terms) in support of CityFibre's new target equity raise of £[X].²²⁸ [X] told us that [X].²²⁹
- (c) [X] explained that, [X], it had conviction in CityFibre's [X] strategy and was [X].²³⁰ [X] explained that CityFibre's strategy [X] CityFibre could create value would be by applying its current business model and relationships with ISPs to a larger footprint.²³¹

²²¹ See eg P2-s109(01)-CityFibre, question 3, Annexes.

²²² Annex to CityFibre response dated 1 September 2026 to the CMA's RFI dated 26 August 2026 (**P2-RFI2-CityFibre**), paragraph 2

²²³ Third-party call transcript: [X].

²²⁴ Third-party call transcript: [X].

²²⁵ [X] response dated 14 September 2026 to the CMA's RFI dated 8 September 2026, question 1, including [X].

²²⁶ Third-party call transcript: [X].

²²⁷ Third-party call transcript: [X].

²²⁸ [X] response dated 14 September 2026 to the CMA's RFI dated 8 September 2026, questions 1 and 2.

²²⁹ Third-party call transcript: [X].

²³⁰ Third-party call transcript: [X]. Specifically, in relation to funding, [X]. Third-party call transcript: [X]. [X]. Third-party call note: [X].

²³¹ Third-party call transcript: [X].

5.64 CityFibre's contracts with ISPs indicate that growing its network through M&A would also be in line with the expectations of its customers. For example, CityFibre's contract with [REDACTED].²³² [REDACTED].²³³

5.65 Taken together, the evidence consistently indicates that CityFibre was highly motivated to reach a deal to acquire Substantial.

CityFibre's ability to raise the required funding

5.66 As explained in more detail below, CityFibre's financial offer and the deadlines Substantial imposed were a result of the competitive bidding process. Therefore, the fact that CityFibre had not secured the funding by mid-February 2026 for its Final Offer is not determinative as to whether CityFibre could have raised the required funding for an offer that would have been accepted by Substantial absent the Transaction in the counterfactual.

5.67 To inform our view of whether CityFibre could have raised the required funding for an offer acceptable to Substantial in the counterfactual, we set out below our assessment of:

- (a) the bid value Substantial would likely have accepted;
- (b) Substantial's motivations for imposing a deadline for committed funds;
- (c) Substantial's internal documents setting out its contemporaneous views on CityFibre's ability to secure the required funding;
- (d) CityFibre's previous fundraising;
- (e) CityFibre's progress in relation to raising financing for its Final Offer by February 2026; and
- (f) developments in CityFibre's ability to fund M&A since February 2026.

The bid value Substantial would likely have accepted

5.68 In this section, we consider whether there is evidence identifying a minimum value that Substantial would likely have accepted for a sale, below which it may have preferred to remain a standalone operator.

5.69 Given we are considering what would have happened absent the Transaction, the prices that were actually offered by the nexfibre Consortium and CityFibre are,

²³² CityFibre response dated 7 September 2026 to the CMA's RFI dated 27 August 2026 (P2-RFI3-CityFibre), question 3. [REDACTED] response dated 25 June 2026 to the CMA's s109 notice dated 16 June 2026 (P1-s109(01)- [REDACTED]), [REDACTED].

²³³ P2-RFI3-CityFibre, question 3.

while informative, not determinative. In [REDACTED], the nexfibre Consortium and CityFibre [REDACTED].²³⁴ Following subsequent bids from each of the nexfibre Consortium and CityFibre, Substantial ultimately accepted an offer from the nexfibre Consortium of approximately £2 billion. However, these offers (and Substantial's assessment of them) were in the context of a bidding process between the nexfibre Consortium and CityFibre which drove up the price and which need to be seen in that context.

- 5.70 Valuations undertaken by, or for, Substantial's shareholders [REDACTED] suggest they valued Substantial at around £[REDACTED].²³⁵ However, given the time period of the data used, they would not have reflected the more recent reductions in Substantial's planned rollout or expected revenues in its existing footprint, which are two key drivers of valuation.²³⁶
- 5.71 [REDACTED].²³⁷ Evidence submitted by Substantial shows that its financial outlook has deteriorated further since then.²³⁸
- 5.72 The Transaction shows that Substantial's shareholders were prepared to accept an offer of around £2 billion. However, this offer was in the context of a competitive bidding process between the nexfibre Consortium and CityFibre, which may have driven up the figure that Substantial's shareholders would have achieved or accepted. Further, our analysis of Substantial's financial situation above shows that its standalone outlook has deteriorated in recent years, and has continued to do so since January/February 2026. These factors suggest that Substantial's shareholders may have accepted a lower amount than £2 billion in the counterfactual, although it is not possible to determine with precision or certainty what an amount acceptable to Substantial's shareholders would have been absent the Transaction.

Substantial's motivations for imposing a deadline for committed funds

- 5.73 Substantial set and communicated a deadline of [REDACTED] to CityFibre for it to come up with a bid with committed funds.²³⁹ In this section we consider whether Substantial's decision to impose this deadline was driven by the competitive process with the nexfibre Consortium, or whether there were other factors in play meaning that, even absent the Transaction, Substantial would have imposed a similar deadline, the failure to meet which would result in Substantial being less likely to agree to a sale.

²³⁴ Parties, FMN, Table II.

²³⁵ [REDACTED], question 1 [REDACTED], slides 9, 29 and 37 [REDACTED], question 1, [REDACTED] slides 3 and 4 [REDACTED].

²³⁶ For example, [REDACTED]. See discussion of the Gemini model in section above on Substantial's standalone financial position.

²³⁷ See section above on Substantial's financial position as a standalone operator.

²³⁸ Substantial's submission, '[REDACTED]', 28 August 2026, paragraphs 9-13.

²³⁹ See eg email from [REDACTED], P2-s109(01)-CityFibre, question 1, [REDACTED].

- 5.74 Substantial submitted that the imposition of a deadline for CityFibre to secure committed funds was a function of [REDACTED]. Substantial identified [REDACTED] as the target date for signing with [REDACTED], given that negotiations with [REDACTED]. In addition, Substantial submitted that [REDACTED], which created a [REDACTED] impetus to conclude the Transaction by that date.²⁴⁰ Substantial's internal documents support these submissions.²⁴¹
- 5.75 Substantial communicated these reasons for the deadline to CityFibre, which impacted the urgency with which CityFibre sought funding. For example, an email [REDACTED].²⁴²
- 5.76 The Parties also submitted that, while the nexfibre Consortium did not expressly state that it would refuse to transact after a certain date, the practical reality was that the nexfibre Consortium deal had reached an advanced stage and extending beyond 18 February 2026 would have introduced execution risk to a transaction that had been fully negotiated and was ready for signing.²⁴³
- 5.77 The evidence therefore shows that the [REDACTED] deadline was a function of the competitive process involving the nexfibre Consortium bid, and more generally, a function of the nexfibre Consortium's [REDACTED]. We therefore consider that absent the Transaction, that deadline would not have applied and Substantial would likely have given CityFibre longer to negotiate with Substantial and obtain funding commitments.

Substantial's contemporaneous views on CityFibre's ability to secure the required funding

- 5.78 Substantial submitted that in the context of the doubt around CityFibre's ability to continue as a going concern and its latest refinancing, [REDACTED], CityFibre's offer was not viewed as credible.²⁴⁴ We have therefore assessed whether Substantial's documentary evidence suggests that it considered a funded offer from CityFibre to be unlikely, and was therefore continuing to negotiate with CityFibre for other reasons (eg to maintain competitive pressure on the nexfibre Consortium to enhance its bid).
- 5.79 As a preliminary point, we note that Substantial itself submitted that its conduct throughout the process, including affording CityFibre repeated extensions, engaging with successive iterations of its proposal, and [REDACTED], is consistent with genuine consideration of both offers from the nexfibre Consortium and CityFibre throughout the sales process.²⁴⁵

²⁴⁰ P2-RFI5-Parties, question 6(b).

²⁴¹ [REDACTED] (Substantial annex to P2-s109(01)-Substantial: [REDACTED]) (Substantial annex to P2-s109(01)-Substantial: [REDACTED])

²⁴² P2-s109(01)-CityFibre, question 3, [REDACTED]. [REDACTED].

²⁴³ P2-RFI5-Parties, question 6(c).

²⁴⁴ Parties, FMN, paragraph 127.

²⁴⁵ P2-RFI5-Parties, question 5(c).

- 5.80 Substantial's internal documents suggest that funding certainty ranked highly among the key issues when comparing between the nexfibre Consortium and CityFibre offers and that Substantial had communicated the importance of having committed funding to CityFibre.²⁴⁶ Nevertheless, the evidence indicates that Substantial took the CityFibre offers seriously. For example:
- (a) On [REDACTED] advised Substantial [REDACTED].²⁴⁷
 - (b) On [REDACTED], in Q&A preparation for internal use, [REDACTED] suggested [REDACTED].²⁴⁸
 - (c) On [REDACTED], in an email to [REDACTED], Substantial stated that [REDACTED].²⁴⁹
 - (d) In early February 2026, Substantial put forward [REDACTED]. An email chain between CityFibre and its shareholders outlines a proposal from [REDACTED] whereby CityFibre would [REDACTED].²⁵⁰ This email chain indicates that CityFibre was not keen to progress this [REDACTED] further.
- 5.81 One contemporaneous document from a Substantial shareholder states that '[CityFibre] have [REDACTED], but we do not view this as [REDACTED] as they would need to [REDACTED]. This will be challenging given the [REDACTED].²⁵¹ However, this is a memorandum prepared for the Investment Committee that agreed to execute the Transaction on [REDACTED]. We therefore consider this document needs to be viewed in light of its purpose, which was to agree on the Transaction. Further, this note was produced before [REDACTED].²⁵²
- 5.82 We consider that, overall, Substantial's internal documents (as well as its negotiations with CityFibre in relation to specific terms of the deal, such as [REDACTED] discussed below) are consistent with genuine consideration of the CityFibre offer. Although the nexfibre Consortium offer provided more certainty of funding at the time its bid was accepted (which is why Substantial ultimately accepted the nexfibre Consortium offer), Substantial engaged with CityFibre during the negotiations to obtain that certainty. Accordingly, we do not consider the evidence supports Substantial's submission that CityFibre's offer was not viewed as credible due to its funding position. Rather, the evidence indicates that Substantial was seriously negotiating with CityFibre up until the point the Transaction was agreed. This included Substantial suggesting alternative arrangements which might be more workable, which indicates that it considered it at least feasible that CityFibre would be able to fund a deal to be worth this engagement.

²⁴⁶ For example, Substantial annex to P2-s109(01)-Substantial [REDACTED] page 1, Substantial annex to P2-s109(01)-Substantial: [REDACTED] slide 8.

²⁴⁷ Substantial annex to P2-s109(01)-Substantial: [REDACTED]

²⁴⁸ Substantial annex to P2-s109(01)-Substantial: [REDACTED]

²⁴⁹ Substantial annex to P2-s109(01)-Substantial: [REDACTED]

²⁵⁰ P2-s109(01)-CityFibre, [REDACTED].

²⁵¹ Substantial annex to P2-s109(01)-Substantial: [REDACTED]

²⁵² P2-RF14-[REDACTED], question 3.

CityFibre's previous fundraising

- 5.83 CityFibre submitted that its fundraising demonstrated the willingness of CityFibre's shareholders, who were all major international asset managers with decades of experience, to make continued equity commitments in pursuit of building scale:²⁵³
- (a) Since its establishment in 2011, CityFibre has raised around £6.8 billion in total investment from multiple fundraising rounds. In July 2025, CityFibre announced its latest capital raise,²⁵⁴ when it raised £527.2 million of equity and £960 million in debt. We note that [REDACTED].²⁵⁵
 - (b) Both Antin and GS have been CityFibre shareholders since 2018 when the business was taken private, with Mubadala becoming a shareholder in 2021.²⁵⁶
 - (c) In addition to the £960 million debt raised in 2025, CityFibre submitted that [REDACTED]. [REDACTED].²⁵⁷
 - (d) CityFibre submitted that since the capital raise in 2025, it had been in discussions with its shareholders and lenders to secure further funding for its expansion plans, including in relation to the potential acquisition of Substantial in late 2025 and early 2026. It added that the primary rationale for its capital raise in 2025 and discussions in 2026 was: [REDACTED].²⁵⁸ In this regard, we note that a letter dated 15 July 2026 from CityFibre's three largest shareholders to CityFibre's Board, discussing a proposal on how the shareholders could support CityFibre going forward, stated: 'we are long-term investors in CityFibre and we have supported (and continue to support) the [CityFibre] Group, including by providing new funding as part of the last refinancing in 2025. We have seen and continue to see real value in the business and its future growth'.²⁵⁹
- 5.84 In relation to CityFibre's ability to raise equity and debt financing for M&A, we consider that the capital raise in 2025, including [REDACTED], indicates both shareholder and lender appetite to finance M&A opportunities.
- 5.85 We have also seen CityFibre's signed full consolidated 2025 financial accounts, including its auditors' reports.²⁶⁰ These accounts were signed and shared with CityFibre's shareholders and lenders in April 2026.²⁶¹ The auditor's report stated

²⁵³ CityFibre response dated 3 August 2026 to the CMA's RFI dated 23 July 2026 (**P2-RFI1-CityFibre**), CityFibre P2-RFI1, question 1.

²⁵⁴ [CityFibre agrees £2.3bn in new financing round, in major... | CityFibre](#), last accessed 24 September 2026.

²⁵⁵ P2-RFI1-CityFibre, question 1.

²⁵⁶ CityFibre submission, [REDACTED].

²⁵⁷ P2-RFI1-CityFibre, question 1.

²⁵⁸ P2-RFI1-CityFibre, question 1.

²⁵⁹ Annex to P2-RFI2-CityFibre: [REDACTED], paragraph 9.

²⁶⁰ P2-RFI4-CityFibre, question 7, Annex 1.

²⁶¹ P2-RFI4-CityFibre, question 7.

‘[REDACTED]’.²⁶² We note that CityFibre [REDACTED]²⁶³ and that its shareholders and lenders were still willing to support CityFibre in general and in its M&A activities, eg as evidenced by its 2025 capital raise. As we set out in more detail later, more recent evidence indicates that CityFibre’s shareholders are prepared to inject significant additional equity to support the business in 2026.²⁶⁴ We therefore consider this support would extend to [REDACTED].

Evidence on CityFibre’s progress in relation to raising financing by February 2026

- 5.86 CityFibre’s latest offer to acquire Substantial (before the SPA with the nexfibre Consortium was signed on 18 February 2026) was presented to Substantial on [REDACTED]. [REDACTED].²⁶⁵
- 5.87 Key elements of financing that offer were as follows:²⁶⁶
- (a) £[REDACTED] million from existing CityFibre shareholders;
 - (b) £[REDACTED] million from the sale of the Substantial ISPs to one of CityFibre’s ISP customers;
 - (c) [REDACTED]; and
 - (d) rollover of Substantial senior and junior debt of £[REDACTED].
- 5.88 Below we consider where CityFibre got to on each of these financing elements by around 18 February 2026, when the SPA for the Transaction between Substantial and the nexfibre Consortium was signed. We then consider the evidence on further developments since February 2026, which are relevant to our consideration of whether CityFibre could have raised the financing necessary to acquire Substantial absent the Transaction. As these events after February 2026 took place after the SPA for the Transaction had been signed, we have carefully considered the extent to which these developments can be taken into account in our assessment of the counterfactual.

Funding from existing shareholders

- 5.89 [REDACTED].²⁶⁷ [REDACTED].²⁶⁸

²⁶² P2-RFI4-CityFibre, question 7, Annex 1.

²⁶³ See CityFibre Limited report and Financial Statements for the year ended 31 December 2024, company number 09759465.

²⁶⁴ See the discussion on developments in CityFibre’s ability to fund M&A since February 2026 later in this chapter.

²⁶⁵ See section above on events leading up to the Transaction.

²⁶⁶ Third-party submission: [REDACTED].

²⁶⁷ See earlier discussion on CityFibre’s shareholders’ incentives.

²⁶⁸ Third-party call transcript: [REDACTED]

- 5.90 By 4 February 2026, CityFibre’s shareholders had agreed to provide £[REDACTED] in equity funding, as confirmed in an email from CityFibre’s CEO to its shareholders that day,²⁶⁹ and further communicated to Substantial on 6 February 2026.²⁷⁰ In relation to the level of approval the relevant CityFibre shareholders had obtained at this stage from their respective Investment Committees:
- (a) At [REDACTED] Executive Committee meeting on 3 February 2026, the Executive Committee²⁷¹ provided support in principle for the proposed investment of £[REDACTED] million. [REDACTED] explained that an Investment Committee meeting was then scheduled for 18 February 2026 to brief the Investment Committee on the latest deal developments and discuss again its proposed investment of £[REDACTED] million. [REDACTED] submitted that this scheduled meeting was, however, cancelled on 17 February 2026 as the [REDACTED] CityFibre deal team suspected (correctly as it turned out) that Substantial was close to announcing a deal with the nexfibre Consortium.²⁷²
 - (b) [REDACTED].²⁷³ [REDACTED] told us that it had been waiting for agreement from Substantial on the deal before getting formal approval from its Investment Committee, [REDACTED].²⁷⁴
- 5.91 We therefore consider that in February 2026, CityFibre’s shareholders were prepared to invest £[REDACTED] in new equity to fund an acquisition of Substantial, although formal sign-off would have been contingent on the terms of any deal to acquire Substantial.
- 5.92 We note that CityFibre had relatively limited time to obtain funding from its existing shareholders [REDACTED]. As mentioned above, we consider that absent the Transaction, CityFibre would have been given more time to raise the required funding. Therefore, we consider that absent the Transaction, and with additional time, Substantial’s shareholders could have been prepared to invest more. We consider this possibility further later in this chapter when we discuss funding developments after February 2026.

Sale of Substantial ISPs

- 5.93 CityFibre’s Final Offer included proceeds from the sale of Substantial’s ISPs of [REDACTED].

²⁶⁹ P2-s109(01)-CityFibre, question 3

²⁷⁰ P2-RFI4-CityFibre, question 3.

²⁷¹ [REDACTED] explained that the Executive Committee included the most senior members of its Investment Committee, including the CEO and both Co-Chief Investment Officers, and that minutes were not prepared for this meeting. [REDACTED] response dated 14 September 2026 to the CMA’s RFI dated 8 September 2026, question 1.

²⁷² [REDACTED] response dated 14 September 2026 to the CMA’s RFI dated 8 September 2026, question 1.

²⁷³ Third-party call transcript: [REDACTED].

²⁷⁴ Third-party call transcript: [REDACTED].

- 5.94 By 6 February 2026, CityFibre had received non-binding offers from [REDACTED] for [REDACTED]:
- (a) [REDACTED].²⁷⁵
 - (b) On 6 February 2026, [REDACTED].²⁷⁶ [REDACTED].²⁷⁷
- 5.95 [REDACTED]:
- (a) CityFibre told us that [REDACTED].²⁷⁸ CityFibre's view was that [REDACTED].²⁷⁹ However, we note that an email from CityFibre to its shareholders sent on 3 February 2026 stated that [REDACTED].²⁸⁰
 - (b) The same 3 February 2026 email [REDACTED] noted that [REDACTED].²⁸¹ CityFibre told us that [REDACTED].^{282, 283}
- 5.96 CityFibre told us that the £[REDACTED] in its Final Offer reflected Substantial's valuation of its retail arm, which assumed [REDACTED], and which CityFibre considered to be 'unrealistic'.²⁸⁴ CityFibre also submitted that [REDACTED].²⁸⁵
- 5.97 In relation to whether Substantial would have been prepared to accept a lower total bid value as a result of [REDACTED], an email [REDACTED].²⁸⁶ It is clear, however, that this assessment by [REDACTED] was influenced by the nexfibre Consortium's parallel bid and it cannot be excluded that Substantial may have been prepared to agree to a price reduction in the absence of the nexfibre Consortium's bid.
- 5.98 We therefore consider that CityFibre would likely have obtained [REDACTED] for the sale of Substantial's ISPs to [REDACTED].²⁸⁷ It is unclear whether, absent the parallel bid from the nexfibre Consortium, a lower transaction value would have been acceptable to Substantial as a result. In our provisional conclusion below we consider all of the evidence in the round in relation to whether CityFibre could have funded a bid for Substantial.

²⁷⁵ P2-s109(01)-CityFibre, questions 2 and 3, Annex [REDACTED]. CityFibre submission dated 5 August 2026, paragraph 3.6.

²⁷⁶ CityFibre response dated 24 July 2026 to the CMA's s109 notice dated 16 July 2026 (**P2-s109(01)-CityFibre**), Annex '[REDACTED]'.

²⁷⁷ See [REDACTED] attached to email sent to CityFibre on 13 February 2026. P2-s109(01)-CityFibre, questions 2 and 3. See also CityFibre response. CityFibre submission dated 5 August 2026, paragraph 3.6.

²⁷⁸ Third-party call transcript: [REDACTED].

²⁷⁹ Third-party call transcript: [REDACTED].

²⁸⁰ P2-s109(01)-CityFibre, Annex '[REDACTED]'.

²⁸¹ P2-s109(01)-CityFibre, Annex '[REDACTED]'.

²⁸² Third-party call transcript: [REDACTED].

²⁸³ [REDACTED]. Annex to [REDACTED] response dated 7 August 2026 to the CMA's RFI dated 29 July 2026: [REDACTED].

²⁸⁴ Third-party call transcript: [REDACTED].

²⁸⁵ CityFibre submission.

²⁸⁶ P2-s109(01)-CityFibre, Annex '[REDACTED]'.

²⁸⁷ Given that discussions did not progress following Substantial's acceptance of the nexfibre Consortium's offer, it is unclear which of [REDACTED] would have been the purchaser of Substantial's retail base, although for the reasons set out in Appendix D, we do not consider it necessary to conclude on this point.

Third-party equity

- 5.99 CityFibre told us that in September 2025, it had received a fresh equity injection and revised its debt financing arrangements with its bank lenders.²⁸⁸ Shortly after this, CityFibre approached a number of investors active in the infrastructure space.²⁸⁹ It told us that the purpose of this approach was to seek funding for possible M&A more generally, rather than for the acquisition of Substantial specifically, and that this was because the shape of a deal with Substantial remained unclear at that point.²⁹⁰
- 5.100 CityFibre told us that it re-approached those investors it considered would be more likely to be interested in December 2025 and January 2026 when it had a clearer idea of what a deal with Substantial might look like.²⁹¹ However, CityFibre told us that, [REDACTED].²⁹²
- 5.101 CityFibre and [REDACTED] told us that, among the prospective investors that were contacted, discussions with [REDACTED] were particularly encouraging.²⁹³ CityFibre's emails show that, [REDACTED],²⁹⁴ discussions remained ongoing with some prospective investors. For example, emails between CityFibre and its shareholders on 16 February 2026 indicate that [REDACTED] was still engaged in the process.²⁹⁵
- 5.102 The evidence therefore indicates that CityFibre remained at a relatively early stage in its discussions with [REDACTED] potential new shareholders, [REDACTED]. It is unclear how these discussions would have progressed absent the Transaction. In any event, we do not consider it necessary to conclude definitively on how likely the injection of third-party equity would be. This is because, as we set out below, CityFibre also had other funding options, including [REDACTED], and there have been developments in CityFibre's financing situation after February 2026, whose relevance for our assessment we consider later in this chapter.

[REDACTED]

- 5.103 CityFibre submitted that, [REDACTED], its Final Offer also included [REDACTED] in light of the timing urgency.²⁹⁶ CityFibre proposed [REDACTED]. CityFibre's offer letter suggests this is a response to [REDACTED].²⁹⁷

²⁸⁸ Third-party call transcript: [REDACTED].

²⁸⁹ Third-party call transcript: [REDACTED].

²⁹⁰ Third-party call transcript: [REDACTED].

²⁹¹ Third-party call transcript: [REDACTED].

²⁹² P2-RFI4-CityFibre, question 4.

²⁹³ P2-RFI2-CityFibre, question 5.

²⁹⁴ For example, P2-s109(01)-CityFibre, question 3, Annex [REDACTED] states: '[REDACTED]'.

²⁹⁵ [REDACTED] response dated 14 September 2026 to the CMA's RFI dated 8 September 2026.

²⁹⁶ CityFibre submission.

²⁹⁷ Substantial annex to P2-s109(01)-Substantial: [REDACTED] See also P2-RFI4-CityFibre, question 5. The terms of Substantial's proposal on [REDACTED] are set out P2-s109(01)-CityFibre, question 1, Annex-[REDACTED].

- 5.104 CityFibre submitted that Substantial had first [REDACTED] in mid-2025, before the nexfibre Consortium had entered the process. Specifically, [REDACTED] proposed [REDACTED] during a call on 9 June 2025, which was then circulated to CityFibre in its ‘Strawman Transaction Structure’.²⁹⁸ This document suggests that [REDACTED].
- 5.105 Evidence from Substantial suggests that Substantial’s shareholders would have accepted [REDACTED]:
- (a) [REDACTED].
 - (b) An earlier draft term sheet sent from [REDACTED] to Substantial and its shareholders on [REDACTED] proposed [REDACTED].²⁹⁹
- 5.106 Documents produced by CityFibre or its shareholders suggest that, [REDACTED], CityFibre was of the view that [REDACTED]. For example:
- (a) An email on 20 January 2026, reporting on a call between CityFibre and [REDACTED], states that [REDACTED].³⁰⁰
 - (b) An email on 3 February 2026, reporting on a call between [REDACTED] and [REDACTED], states ‘[REDACTED]’.³⁰¹
 - (c) A later email reporting on a call between [REDACTED] and [REDACTED], on 10 February 2026, states ‘[REDACTED]’.³⁰²
 - (d) An email on 12 February [REDACTED].³⁰³
- 5.107 It is not possible to conclude on the precise terms Substantial would have offered (and as explained below, we do not consider this necessary), for example because these terms were being negotiated, [REDACTED], and the total funding requirement would likely have been lower in the counterfactual.
- 5.108 However, the evidence above indicates that when considering an acquisition by CityFibre, Substantial’s shareholders would [REDACTED]. [REDACTED], although Substantial’s advisers indicated that Substantial could have accepted [REDACTED].

Substantial debt rollover

- 5.109 CityFibre’s bid proposed the full rollover of Substantial’s senior and junior debt (which its offer letter estimated at around £[REDACTED]), which CityFibre told us would

²⁹⁸ See P2-s109(01)-CityFibre, question 1, Annex [REDACTED], attachment to email P2-s109(01)-CityFibre, question 1, Annex [REDACTED] and P2-RFI4-CityFibre, question 6.

²⁹⁹ Substantial annex to P2-s109(01)-Substantial: [REDACTED].

³⁰⁰ P2-s109(01)-CityFibre, question 3, Annex [REDACTED].

³⁰¹ P2-s109(01)-CityFibre, question 3, Annex [REDACTED].

³⁰² P2-s109(01)-CityFibre, question 3, Annex [REDACTED].

³⁰³ [REDACTED] response dated 14 September 2026 to the CMA’s RFI dated 8 September 2026; and Annex 2 of that response.

have needed 'change of control' waivers from Substantial's banks.³⁰⁴ CityFibre also told us that it [REDACTED].³⁰⁵

5.110 CityFibre submitted that when the Transaction was announced on 18 February 2026, [REDACTED].³⁰⁶ CityFibre's internal documents indicate that [REDACTED].³⁰⁷

5.111 CityFibre told us that [REDACTED].³⁰⁸

5.112 Documentary evidence from CityFibre aligns with its submissions that [REDACTED]. [REDACTED]:

(a) An email between CityFibre and its advisers suggests that [REDACTED]. This email dated 28 January 2026 states [REDACTED].³⁰⁹

(b) CityFibre told us that it believed that [REDACTED].³¹⁰

(c) An email from [REDACTED] to CityFibre's CEO dated 9 February 2026 suggests that [REDACTED]. In this email, [REDACTED] stated '[REDACTED]'.³¹¹

5.113 The evidence on the overlap between CityFibre's and Substantial's senior and junior lenders suggests the [REDACTED]. Based on data [REDACTED] (as at December 2025), there were: (a) [REDACTED] lenders accounting for £[REDACTED] million of Substantial's £[REDACTED] ([REDACTED] %); and (b) [REDACTED] lender accounting for £[REDACTED] million of Substantial's £[REDACTED] million junior debt ([REDACTED] %).³¹²

5.114 While it is uncertain what the level of debt rollover may have been under a hypothetical acquisition of Substantial by CityFibre, there is evidence to suggest that [REDACTED] Substantial's lenders would have rolled over, with up to around £[REDACTED] of Substantial's £[REDACTED] debt not rolling over:

(a) CityFibre told us that it had received some views from lenders, and that [REDACTED].³¹³

(b) CityFibre submitted that it was informed by Substantial's advisers that, of the Substantial group lenders, [REDACTED].³¹⁴

³⁰⁴ Third-party call transcript: [REDACTED].

³⁰⁵ Third-party call transcript: [REDACTED].

³⁰⁶ CityFibre submission.

³⁰⁷ P2-s109(01)-CityFibre, question 3, Annex '[REDACTED]'. See also P2-s109(01)-CityFibre, question 3: Annexes '[REDACTED]' and '[REDACTED]' and P2-s109(01)-CityFibre, question 1, Annex '[REDACTED]', slide 4.

³⁰⁸ Third-party call transcript.

³⁰⁹ P2-s109(01)-CityFibre, question 3, Annex.

³¹⁰ Third-party call transcript.

³¹¹ P2-s109(01)-CityFibre, question 3, Annex.

³¹² P2-RFI4-CityFibre, question 9, Annex 2.

³¹³ Third-party call transcript.

³¹⁴ [REDACTED]

- (c) An email from [REDACTED] dated [REDACTED] setting out the notes of a conversation between Substantial's CEO and CityFibre's CEO, stated that Substantial's CEO [REDACTED].³¹⁵
- (d) We note that under the Transaction, the amount of Substantial's debt that would not roll over was around £[REDACTED] (although [REDACTED] – see footnote).³¹⁶

5.115 CityFibre was also exploring options to backstop any shortfall in the Substantial debt rollover:

- (a) In an email to [REDACTED].³¹⁷
- (b) CityFibre's Revised Final Offer Update letter of [REDACTED] also explained that [REDACTED].³¹⁸ [REDACTED] told us [REDACTED].³¹⁹ We have not seen evidence to suggest how far these discussions had advanced before the Transaction SPA was signed on 18 February 2026.
- (c) In relation to potentially funding any debt rollover backstop from [REDACTED]:
 - (i) Emails between [REDACTED].³²⁰
 - (ii) However, CityFibre submitted that [REDACTED].³²¹ [REDACTED].³²²
- (d) On [REDACTED] 2026, Substantial's shareholders made an [REDACTED], whereby Substantial's shareholders would [REDACTED].³²³ CityFibre declined this proposal, stating in its revised Final Offer that [REDACTED]. CityFibre's Final Offer therefore did not make use of a [REDACTED].³²⁴

5.116 Given that [REDACTED] there is uncertainty in relation to whether Substantial's lenders would have agreed to roll over their debt facilities and the extent of any shortfall.

5.117 A CityFibre internal document shows that in around February 2026, CityFibre was considering [REDACTED].^{325, 326} We note that this [REDACTED] was also mentioned in CityFibre's offer letter dated [REDACTED] in the context of CityFibre's proposal for [REDACTED].³²⁷

³¹⁵ Substantial annex to P2-RFI5-Parties: [REDACTED]

³¹⁶ [REDACTED]. Substantial annex to P1-s109(01)-Substantial, slide 20: [REDACTED] However, InfraVia's presentation to the CMA on 29 July 2026 stated that under the Transaction, Substantial senior debt of £[REDACTED] would roll over, and Substantial junior debt of £[REDACTED] would be repaid (based on an assumption that the Transaction closes in September 2026). InfraVia, Presentation of S&U and Business Plan), 29 July 2026, slide 9.

³¹⁷ P2-s109(01)-CityFibre, question 3, Annex

³¹⁸ Substantial annex to P2-s109(01)-Substantial: [REDACTED]

³¹⁹ Third-party call transcript: [REDACTED]

³²⁰ P2-s109(01)-CityFibre, question 3, Annex

³²¹ [REDACTED]

³²² P2-RFI2-CityFibre, question 2.

³²³ Substantial annex to P2-s109(01)-Substantial: [REDACTED]

³²⁴ Substantial annex to P2-s109(01)-Substantial: [REDACTED]

³²⁵ P2-RFI2-CityFibre, question 6 and slide 2 of attachment

³²⁶ P2-RFI4-CityFibre, question 2.

³²⁷ Substantial annex to P2-s109(01)-Substantial: [REDACTED]

- 5.118 CityFibre submitted that the proposed [X] would improve the prospects of achieving [X] by [X] and, if required, to facilitate [X].³²⁸
- (a) CityFibre submitted that [X] enabling the operational and commercial integration of the CityFibre and Substantial networks. It added that one of the benefits of [X]; and benefit from exposure to a wholesale business supported by the selling power of multiple ISPs and improved prospects for fuller network utilisation.³²⁹
 - (b) CityFibre also submitted that [X] would inevitably change upon the acquisition, given the transition of the business from a vertically integrated business to a wholesale business with access to the selling power of all the UK's major independent ISPs. CityFibre added that [X].³³⁰
- 5.119 In this regard, as we set out below, there is some evidence that suggests that [X]:
- (a) CityFibre's presentation [X], states that [X].³³¹ CityFibre also provided us with the underlying financial model underpinning the ongoing funding requirement under the [X] set out in this [X] presentation. Based on this financial model, [X].³³² We compared this to Substantial's forecast leverage multiple for the end of [X] under its Gemini model.
 - (b) As mentioned above under the section on the financial position of a standalone Substantial, Substantial's standalone [X] at the end of [X] as indicated by the Gemini model (updated for [X] trading) was forecast to be [X] if Substantial were to follow [X], and [X].³³³
- 5.120 We note that the debt rollover for the Transaction assumed that only Substantial's senior debt would roll over, ie the majority of Substantial's lenders would roll over under the Transaction. We note that Substantial lenders willing to roll over under the nexfibre Consortium deal may not have been equally as prepared to roll over to CityFibre. However, other than the £[X] of Substantial's debt which was unlikely to roll over, we consider that there are factors that could have increased the likelihood of Substantial's other lenders rolling over, for example:
- (a) Substantial's CEO's view communicated to CityFibre's CEO on [X] that it was [X].³³⁴
 - (b) As discussed above, [X].

³²⁸ P2-RFI4-CityFibre, question 2.

³²⁹ P2-RFI4-CityFibre, question 2.

³³⁰ P2-RFI4-CityFibre, question 2.

³³¹ P2-RFI4-CityFibre, question 2.

³³² P2-RFI4-CityFibre, question 1, and follow-up submission of CityFibre's financial model.

³³³ Substantial's submission, '[X]', 12 June 2026 (resubmitted as annex 1.009 to FMN), paragraph 35.

³³⁴ Substantial annex to P2-RFI5-Parties.

(c) We also note that CityFibre's bid had the [REDACTED]. We consider that this could have been a further factor for both debt and equity providers backing the business case for CityFibre's acquisition of Substantial. In this regard, CityFibre told us that it was having ongoing commercial discussions with its ISPs and [REDACTED]:³³⁵

(i) [REDACTED].³³⁶

(ii) [REDACTED].³³⁷

(iii) On 12 February 2026, [REDACTED].³³⁸ [REDACTED].³³⁹

5.121 Based on the above, we consider that by February 2026, the requirement to meet the change of control consents contained in Substantial's loan facilities would partially have been met through rollover of the majority of Substantial's debt. In relation to any remaining debt that would not roll over, we consider in the next section a number of developments since February 2026 in relation to CityFibre's ability to raise additional financing.

Developments in CityFibre's ability to fund M&A since February 2026

5.122 As set out above, our task is to assess the most likely situation but for the Transaction. CityFibre's negotiations with Substantial, as well as the steps CityFibre took to secure the required funding, were likely to have been influenced by the nexfibre Consortium's fully funded offer leading up to the Transaction and the timing constraints it imposed. We must factor this into our assessment and consider, to the extent practicable, how CityFibre's negotiations with Substantial would have evolved absent the Transaction. Thus, while we can and should take into account any evidence post-dating the signing of the Transaction in February 2026 that indicates what would have happened absent the Transaction, we must interpret this evidence with caution insofar as it may have been influenced by the Transaction itself.

5.123 In this section, we set out developments in CityFibre's ability to fund M&A since February 2026. This evidence on CityFibre's ability to obtain additional funding since February 2026 could, properly weighed, inform whether that funding would have been available to CityFibre to reach a deal with Substantial absent the Transaction and the timing constraints it imposed.

³³⁵ Third-party call transcript: [REDACTED]

³³⁶ P2-s109(01)-CityFibre, question 1 Annex.

³³⁷ P2-s109(01)-CityFibre, questions 2 and 3, Annex.

³³⁸ P2-s109(01)-CityFibre, question 3, Annex.

³³⁹ P2-s109(01)-CityFibre, question 3, Annex.

- 5.124 In [REDACTED], CityFibre's three largest shareholders (Mubadala, Antin and GS) [REDACTED].³⁴⁰ A letter dated 15 July 2026 from the three shareholders to CityFibre's Board reiterated their support for CityFibre, including support for M&A activity, and stated: [REDACTED]. In this letter, the shareholders also set out their intention to [REDACTED].³⁴¹ We understand that this proposal relates to CityFibre's current and ongoing discussions in relation to its [REDACTED] which we describe below.
- 5.125 The letter also stated that [REDACTED].³⁴² [REDACTED] explained that [REDACTED].³⁴³
- 5.126 CityFibre submitted that its shareholders have now indicated that £[REDACTED] to support future M&A,³⁴⁴ [REDACTED].³⁴⁵ PJT told us that [REDACTED].³⁴⁶ It explained that the decision of CityFibre's shareholders [REDACTED].³⁴⁷
- 5.127 CityFibre also told us that [REDACTED].³⁴⁸ CityFibre also explained that [REDACTED].³⁴⁹ PJT confirmed [REDACTED], its shareholders [REDACTED] should it become available.³⁵⁰
- 5.128 Consistent with the above, [REDACTED] told us it was willing to increase its contribution so that the combined equity contribution from CityFibre's existing shareholders would reach £[REDACTED] subject to completing due diligence and finalising deal terms.³⁵¹ Further, [REDACTED] told us that, in respect of the acquisition of Substantial, it would have been ready to increase its contribution if that would have enabled the deal to be reached.³⁵²
- 5.129 PJT also told us CityFibre's [REDACTED] minority shareholders, [REDACTED]. Specifically, PJT told us that [REDACTED].³⁵³
- 5.130 PJT told us that in its view, [REDACTED].³⁵⁴
- 5.131 CityFibre submitted that [REDACTED].³⁵⁵ PJT told us that CityFibre was [REDACTED].³⁵⁶
- 5.132 CityFibre confirmed that [REDACTED].³⁵⁷ PJT told us that [REDACTED].³⁵⁸

³⁴⁰ Third-party call note.

³⁴¹ Annex to P2-RFI2-CityFibre, paragraphs 9 and 11.

³⁴² Annex to P2-RFI2-CityFibre, paragraph 8.

³⁴³ Third-party call note.

³⁴⁴ CityFibre response. CityFibre submission dated 5 August 2026, paragraph 3.4.

³⁴⁵ Third-party call transcript: [REDACTED].

³⁴⁶ Third-party call note.

³⁴⁷ Third-party call note.

³⁴⁸ Third-party call transcript: [REDACTED].

³⁴⁹ Third-party call transcript: [REDACTED].

³⁵⁰ Third-party call note.

³⁵¹ See the discussion on CityFibre's shareholders' incentives above.

³⁵² Third-party call transcript: [REDACTED].

³⁵³ Third-party call note.

³⁵⁴ Third-party call note.

³⁵⁵ P2-RFI1-CityFibre, question 1.

³⁵⁶ Third-party call note.

³⁵⁷ P2-RFI4-CityFibre, question 8.

³⁵⁸ Third-party call note.

5.133 With more time to obtain funding and in the absence of a nexfibre Consortium bid, a deal structure offered by CityFibre could have looked different. In particular, evidence indicates that: the investment from existing shareholders could have increased to at least £[REDACTED] within a reasonable timeframe (given the amount shareholders are prepared to invest has since increased to £[REDACTED] and [REDACTED]); CityFibre [REDACTED]; [REDACTED]; and [REDACTED]. Clearly, there is uncertainty around these developments, but we consider that the evidence gathered on recent developments shows that there would likely have been other sources of funding available to CityFibre absent the Transaction.

Our assessment of CityFibre's ability to raise the required funding

5.134 By [REDACTED], CityFibre had obtained agreement from its investors to provide £[REDACTED] in equity to support its acquisition of Substantial, and [REDACTED] independent ISPs had expressed interest in buying Substantial's ISPs. Although other sources of funding were not committed at that stage, CityFibre [REDACTED] (with Substantial being willing to [REDACTED]), [REDACTED] Substantial's lenders were expected to roll over their debt and CityFibre had [REDACTED] cover around £[REDACTED] of Substantial debt that would not roll over. It therefore had feasible routes to achieving this funding.

5.135 Further, the terms CityFibre offered to Substantial in [REDACTED], and its progress on funding at that point, were a result of having to work quickly once the nexfibre Consortium had committed funds. [REDACTED] it then had limited time to secure agreement on the remaining financing given the deadline Substantial imposed of [REDACTED], with the deadline being a function of the nexfibre Consortium's [REDACTED]. In addition, Substantial may have had less incentive to agree on terms, particularly once the deal with the nexfibre Consortium became more definite and it had obtained approval to execute the Transaction.

5.136 Absent the Transaction and with more time to obtain funding, a deal structure offered by CityFibre could have looked different. For example, since February 2026, CityFibre has obtained significant additional funding commitments from its shareholders; [REDACTED]; and it is [REDACTED].

5.137 For the reasons set out above, given the number of variables at play as well as the difficulty of isolating any influence the Transaction may have had on the relevant events, it is not possible to determine the precise amount that CityFibre would have been able to raise.

5.138 In addition, absent the Transaction, Substantial would have been more incentivised to reach agreement on terms. Substantial's shareholders were willing to accept the Transaction at a level of around £2 billion in the context of a competitive bidding process. In addition, Substantial's financial outlook has continued to deteriorate and it would be [REDACTED] in the counterfactual. These factors suggest that Substantial may have accepted a lower amount than £2 billion in the

counterfactual although it is not possible to determine with precision or certainty what an amount acceptable to Substantial would have been absent the Transaction.

- 5.139 Our task is to assess what would most likely have happened but for the Transaction, including whether CityFibre could have raised funding for an amount that would have been acceptable to Substantial's shareholders. Taking the totality of the evidence in the round and our analysis above, we provisionally conclude that CityFibre is likely to have obtained the necessary funding absent the Transaction.

Provisional conclusion on the counterfactual for Substantial

- 5.140 Having set out our assessment of the options available to Substantial, we set out below our overall provisional conclusion as to the counterfactual for Substantial.

- 5.141 Overall, we consider that:

- (a) Substantial had been experiencing a deteriorating standalone position: market conditions had worsened, [REDACTED], its network build plans had materially reduced, acquiring other altnets was no longer an option and any wholesale prospects not would materially improve its financial outlook at least in the short term.
- (b) Substantial's standalone position had provided it with a strong incentive to sell. This incentive is evidenced by the agreement of a sale to the nexfibre Consortium at [REDACTED], which Substantial told us was 'materially' more attractive than remaining standalone, as well as the flexibility shown by Substantial's shareholders when negotiating with CityFibre (eg [REDACTED] [REDACTED]).
- (c) CityFibre and its shareholders were highly motivated to acquire Substantial, as evidenced by their willingness to fund the deal, efforts to secure funding from third parties and strategy to pursue growth and achieve further scale.
- (d) Although the precise terms of any deal are uncertain, we consider Substantial would have accepted an offer of around £2 billion and may have accepted an amount lower than £2 billion, given the incentives on both sides and absent a competing bidder to drive the price up.
- (e) CityFibre would have likely been able to raise the required funding for a deal price that was acceptable to both sides: its shareholders were prepared to invest a significant amount of equity into the deal (which has since the Transaction was agreed increased to £[REDACTED]); [REDACTED] independent and credible ISPs were interested in buying Substantial's ISPs (for around £[REDACTED]); absent the Transaction Substantial's shareholders would be highly motivated to reach terms [REDACTED]; and the requirement to meet the change of control

consents contained in Substantial's loan facilities could have been met through a combination of rollover by Substantial's lenders and [REDACTED].

(f) In relation to the [REDACTED].

(g) We note that CityFibre is currently [REDACTED]. We consider it possible that under the counterfactual, CityFibre could have [REDACTED]. For the purpose of the counterfactual, it is not necessary to reach a conclusion on what precise route or decision CityFibre would have taken. However, we note that options to [REDACTED] may have been available to CityFibre absent the Transaction.

5.142 As explained above, establishing the appropriate counterfactual is an inherently uncertain exercise, but uncertainty will not in itself lead the CMA to assume the pre-merger situation to be the appropriate counterfactual. Our provisional view is that, while there is some uncertainty about the exact commercial terms that would have been agreed and the amount and timing of funding sources that would ultimately have been used, the appropriate counterfactual is an acquisition of Substantial by CityFibre. In reaching this view, we have formed an overall judgment, taking into account the totality of the evidence and weighing carefully its provenance, nature and place in the timeline, that such a sale would be the most likely scenario compared with other possible outcomes absent the Transaction.

Counterfactual for VMO2/nexfibre

Introduction

5.143 The Parties' counterfactual submissions for nexfibre and VMO2 primarily focused on their financial situation and the implications of this on network rollout.³⁵⁹ We therefore consider this first, presenting the Parties' submissions and our assessment of the evidence.

5.144 We then move on to consider the second, separate question regarding the extent to which VMO2/nexfibre would compete in the wholesale supply of fixed broadband absent the Transaction.

³⁵⁹ See here: Parties, FMN, paragraphs 259-262 and 265-271; Parties' submission, [REDACTED], 10 June 2026 (resubmitted as annex 1.006 to FMN); Parties' annex to FMN; Parties' annex to FMN; [Parties' response to the Areas of focus](#), 20 July 2026, paragraphs 83-107.

VMO2/nexfibre's financial positions and implications for network rollout

Parties' submissions

- 5.145 The Parties submitted that, prior to the Transaction being approved, nexfibre was in a position [REDACTED].³⁶⁰ The Parties told us that nexfibre had reached a position according to which its funding was [REDACTED] and [REDACTED].³⁶¹
- 5.146 The Parties submitted that the Transaction is therefore [REDACTED] for nexfibre from the [REDACTED]. The Parties told us that, absent the Transaction, there is an extremely high likelihood that nexfibre would, at the very least, see [REDACTED], meaning that it would not progress its FTTP footprint beyond [REDACTED].³⁶² Further, the Parties told us that, unless VMO2/nexfibre manage to generate significant wholesale business (as is intended via the Transaction), there is no guarantee that [REDACTED].³⁶³
- 5.147 For VMO2, the Parties' submissions focused primarily on VMO2's fibre upgrade programme (**Fibre Up**), under which it has been upgrading its existing HFC network to FTTP.³⁶⁴ As of March 2026, VMO2 had upgraded around [REDACTED] million premises under Fibre Up (out of a total target footprint of approximately [REDACTED] million premises).³⁶⁵
- 5.148 The Parties' submissions cover three possible Fibre Up scenarios in the counterfactual:
- (a) **[Build Scenario A]:** VMO2's last Board-approved strategy, per its Plan of Record (**POR**) of October 2025, planned to [REDACTED] its Fibre Up build from 2026 onwards [REDACTED].³⁶⁶ The October POR projected that this would result in the upgrade of [REDACTED] of VMO2's HFC footprint ([REDACTED] premises, [REDACTED]) by [REDACTED], and all [REDACTED] premises by [REDACTED].³⁶⁷ As of [REDACTED], this was the last Fibre Up strategy to be approved by VMO2's Board.³⁶⁸
 - (b) **[Build Scenario B]:** The Parties told us in their earlier submissions (ie as of June 2026) that [REDACTED] since October 2025 and therefore that, as part of its

³⁶⁰ Parties' annex to FMN.

³⁶¹ Parties' submission, [REDACTED] 10 June 2026 (resubmitted as annex 1.006 to FMN), paragraph 28.

³⁶² Parties' submission, [REDACTED] 10 June 2026 (resubmitted as annex 1.006 to FMN), paragraphs 26-29 and 31.

³⁶³ Parties' submission, [REDACTED] 10 June 2026 (resubmitted as annex 1.006 to FMN), paragraph 27.

³⁶⁴ See here: Parties, FMN, paragraphs 265-271; Parties' submission, [REDACTED], 10 June 2026 (resubmitted as annex 1.006 to FMN), paragraphs 37-65; Parties' annex to FMN: [REDACTED]; and Parties' submission, [REDACTED], 2 September 2026.

³⁶⁵ Parties, FMN, paragraph 334. in relation to [REDACTED] million premises upgraded as of March 2026. For VMO2's total Fibre Up target footprint, see Parties' submission, [REDACTED], 10 June 2026 (resubmitted as annex 1.006 to FMN), paragraphs 57-58.

³⁶⁶ The Parties submitted that [Build Scenario A] is VMO2's last standalone pre-Transaction business plan (Parties' submission, [REDACTED], 20 May 2026 (resubmitted as annex 1.011 to FMN), section 3, page 12). The Parties told us that, while VMO2 management has more recently considered changes to this plan, as of September 2026, '[REDACTED]' regarding these. Parties' submission, [REDACTED], 2 September 2026.

For the targets within this, see for example, VMO2 annex to P2-s109(01)-VMO2, page 58. These are reiterated consistently in later documents as VMO2's existing strategy.

³⁶⁷ VMO2 annex to P2-s109(01)-VMO2, pages 58 and 85.

³⁶⁸ As of September 2026, the Parties stated that [REDACTED] regarding recent proposed changes to VMO2's Fibre Up strategy. Parties' submission, '[REDACTED]', 2 September 2026.

2026 POR update, [REDACTED] its Fibre Up strategy.³⁶⁹ As a result, the Parties submitted that, in the counterfactual, VMO2 would be likely to [REDACTED] [Build Scenario A] and instead [REDACTED] a build pace of around [REDACTED] premises per year.³⁷⁰ This would result in completion of between [REDACTED] premises by [REDACTED] and the entirety of VMO2's HFC network by [REDACTED] or shortly thereafter.³⁷¹

- (c) **[Build Scenario C]:** The Parties' latest submissions (of September 2026) stated that VMO2's finances [REDACTED] since its earlier submissions.³⁷² As a result, VMO2 is [REDACTED] and therefore in the most likely counterfactual would [REDACTED]. This would result in a network end state (reached in [REDACTED]) of approximately [REDACTED] FTTP premises (including [REDACTED] nexfibre premises).³⁷³

5.149 These scenarios are set out by the Parties as follows:

Figure 5.1: Parties' submitted scenarios for the evolution of VMO2/nexfibre's FTTP footprint in the counterfactual

[REDACTED]

Source: Parties' submission, '[REDACTED]', 20 May 2026 (resubmitted as annex 1.011 to FMN), page 7, Figure 2).

Note: We note here that [Build Scenario B] is modelled according to the Parties' initial [REDACTED] forecast and that these scenarios also include [REDACTED] nexfibre premises, as well as VMO2 Fibre Up build.

5.150 The Parties further submitted as evidence that Fibre Up would most likely be [REDACTED];³⁷⁴ [REDACTED].³⁷⁵

5.151 The Parties submitted that VMO2 has also implemented [REDACTED] away from areas [REDACTED], ie it has [REDACTED] upgrading premises in areas with [REDACTED].³⁷⁶ As a result, the Parties told us that, to the extent that VMO2 [REDACTED] with further upgrades in the counterfactual, it would have prioritised areas [REDACTED].³⁷⁷

³⁶⁹ Parties' submission, [REDACTED], 10 June 2026 (resubmitted as annex 1.006 to FMN), paragraphs 54-65.

³⁷⁰ VMO2's earlier submissions to our investigation (ie as of June 2026) submitted that build was likely to continue at around [REDACTED] premises per annum under [REDACTED]. See for example, Parties' submission, [REDACTED], 10 June 2026 (resubmitted as annex 1.006 to FMN), paragraphs 54-65; Parties' submission, [REDACTED], 20 May 2026 (resubmitted as annex 1.011 to FMN), section 2.1, pages 5-7. VMO2's later submissions stated that this was an [REDACTED] counterfactual would entail (ie to c. [REDACTED], rather than [REDACTED] premises per annum) – see Parties' submission, [REDACTED], 2 September 2026, section 2, page 4 and P2-RFI5-Parties, question 1(a).

³⁷¹ Per P2-RFI5-Parties, question 1(b), a [REDACTED] per annum build rate would result in [REDACTED] premises by [REDACTED]. As set out in Figure 5.2 below, we estimate that build under a [REDACTED] per annum build rate would result in [REDACTED] premises by [REDACTED].

³⁷² Parties' submission, '[REDACTED]', 2 September 2026, section 2, pages 3-5.

³⁷³ Based on a predicted 2026 footprint of [REDACTED] premises ([REDACTED] VMO2; [REDACTED] nexfibre – see P2-RFI5-Parties, question 1(b), Figure 1) plus additional [REDACTED] build of [REDACTED] premises, based on the Parties' statements that [REDACTED] – see Parties' submission, '[REDACTED]', 20 May 2026 (resubmitted as annex 1.011 to FMN), footnote 15).

³⁷⁴ See Parties' annex to FMN, paragraph 15, as well as Parties' submission, '[REDACTED]', 10 June 2026 (resubmitted as annex 1.006 to FMN), paragraphs 37-39.

³⁷⁵ Parties' submission, '[REDACTED]', 10 June 2026 (resubmitted as annex 1.006 to FMN), paragraphs 43-44 and Parties' submission, '[REDACTED]', 2 September 2026, section 2, page 4.

³⁷⁶ Parties' submission, '[REDACTED]', 10 June 2026 (resubmitted as annex 1.006 to FMN), paragraphs 66-72.

³⁷⁷ Parties' submission, '[REDACTED]', 10 June 2026 (resubmitted as annex 1.006 to FMN), paragraphs 73-77.

Our assessment

nexfibre

- 5.152 nexfibre's Board documents indicate that it implemented a [REDACTED] future greenfield [REDACTED] from around [REDACTED], whilst its management [REDACTED] to [REDACTED].³⁷⁸ These documents indicate that the nexfibre Board did not consider that a [REDACTED] and that shareholders were [REDACTED].³⁷⁹ Internal documents indicate that the nexfibre Board considered various strategic options around this time, with the Transaction ultimately emerging from this period.³⁸⁰
- 5.153 The Parties submitted that nexfibre's [REDACTED] would [REDACTED] continue absent the Transaction, [REDACTED].³⁸¹ However, the Parties have not submitted that nexfibre would [REDACTED] absent the Transaction and instead indicated that [REDACTED].³⁸² This is consistent with the evidence that we have received:
- (a) [REDACTED].³⁸³
 - (b) [REDACTED].³⁸⁴
 - (c) [REDACTED].³⁸⁵
- 5.154 Further, [REDACTED] in the counterfactual, we consider that its existing FTTP network would remain available for wholesale, [REDACTED].
- 5.155 Based on the evidence we have received so far, we therefore provisionally consider that nexfibre is unlikely to [REDACTED], but that there is no evidence to indicate that it would [REDACTED] from the combined VMO2/nexfibre wholesale proposition.

³⁷⁸ Parties' annex to FMN, paragraph 6.7-6.13. See also Parties' annex to FMN, paragraphs 4.5-4.7 and Parties' annex to FMN regarding the [REDACTED].

³⁷⁹ See above documents, as well as: Parties' annex to FMN, paragraphs 6.8, 7.4-7.9 and 10.1-10.4; Parties' annex to FMN, paragraph 6.7; Parties' annex to FMN, paragraphs 4.1-4.6; Parties' annex to FMN, paragraphs 4.8-4.9. nexfibre and InfraVia documents discussing the Transaction also commented on the benefits of transitioning from a [REDACTED], again indicating that this is considered more attractive to investors than [REDACTED]. For example, nexfibre annex to P2-RFI3-Parties, pages 82 and 86; Annex 1.03 to Parties' submission, '[REDACTED]', 10 June 2026 (resubmitted as annex 1.006 to FMN).

³⁸⁰ For example, VMO2 and nexfibre documents discuss a standalone form of the [REDACTED] contemporaneous arrangements, under which [REDACTED], and indicate that the Parties considered [REDACTED] ([REDACTED]), under which [REDACTED]. On [REDACTED], see nexfibre annex to P2-s109(01)-nexfibre, paragraph 6.10 (based on nexfibre's wider Board document set, we understand here that the '[REDACTED]' refers to [REDACTED]) and nexfibre annex to P2-s109(01)-nexfibre, page 11. On potential inclusion of nexfibre within the [REDACTED] project, see for example, P2-s109(01)-VMO2, pages 2 and 38-39. See Parties, FMN, paragraph 204 and Parties' updated consolidated response dated 21 May 2026 to the CMA's RFI dated 12 May 2026 (**P1-RFI2-Parties**), question 10 for an explanation of these projects. [REDACTED]. A more detailed discussion of the evidence here is provided in the countervailing factors chapter.

³⁸¹ Parties' submission, '[REDACTED]', 10 June 2026 (resubmitted as annex 1.006 to FMN), paragraphs 26-27.

³⁸² See for example, Parties Initial Substantive Meeting (**ISM transcript**) transcript, 28 July 2026. Page 18, lines 1-4.

³⁸³ P2-RFI3-Parties, question 1.

³⁸⁴ P2-RFI3-Parties, question 2.

³⁸⁵ For example, Parties annex to FMN states that directors had '[REDACTED]' and that '[REDACTED]'. See also the documents referenced above regarding alternative [REDACTED] considered by nexfibre [REDACTED], including in relation to [REDACTED] and [REDACTED].

VMO2

- 5.156 VMO2's most recently Board-approved Fibre Up plan, per its October 2025 POR, is the [Build Scenario A] strategy. In line with this, documents indicate that VMO2 [REDACTED] its Fibre Up investment in 2026 from its 2025 spend in order to [REDACTED] its build pace from [REDACTED] premises passed in 2025 to [REDACTED] forecasted for 2026.³⁸⁶
- 5.157 VMO2's more recent internal documents indicate that it has been [REDACTED] this strategy as part of its 2026 POR update. These documents (for example, POR analysis and update presentations prepared for VMO2 senior management) indicate that VMO2 management have considered multiple options in this refresh, including continuing with [Build Scenario A], [REDACTED] a scenario similar to [Build Scenario B], or [REDACTED] under [Build Scenario C].³⁸⁷ These documents indicate that the [Build Scenario B] scenario was, as of [REDACTED], VMO2 management's preferred strategy for recommendation to the VMO2 Board, with a [REDACTED] per annum in the event that [REDACTED].³⁸⁸
- 5.158 However, this strategy has not yet been approved by VMO2's Board and VMO2's most recent documents note that, [REDACTED] [Build Scenario A] [REDACTED].³⁸⁹ Further, these documents were produced after Transaction contemplation had become more serious (including after the Transaction was signed and after the CMA's merger inquiry commenced).
- 5.159 As set out above, the Parties have more recently submitted (as of September 2026) that VMO2's finances have [REDACTED] since July this year and therefore that, in the most likely counterfactual, VMO2 would [REDACTED] [Build Scenario B], albeit that no formal decision had yet been taken on this as of September 2026.³⁹⁰
- 5.160 We consider that this would be a material change from the plans and incentives set out in VMO2's internal documents, which indicate that VMO2 has consistently considered that [REDACTED]. This includes:
- (a) [REDACTED];³⁹¹
 - (b) [REDACTED];³⁹²

³⁸⁶ VMO2 annex to P2-s109(01)-VMO2.

³⁸⁷ See for example, Annex 1.01 to Parties' submission, '[REDACTED]', 10 June 2026 (resubmitted as annex 1.006 to FMN); VMO2 annex to P2-s109(01)-VMO2.

³⁸⁸ VMO2 annex to P2-s109(01)-VMO2; VMO2 annex to P2-s109(01)-VMO2. We understand these to be early draft versions of the 2026 POR. The Parties submitted that, as of [REDACTED] these documents had not yet been presented to, or formally or informally approved by, VMO2's Board. P2-RF15-Parties, question 2.

³⁸⁹ VMO2 annex to P2-s109(01)-VMO2.

³⁹⁰ Parties' submission, '[REDACTED]', 2 September 2026, section 2, pages 3-5.

³⁹¹ For example, ordinary course of business documents produced for VMO2's Board and senior management indicate that, as the HFC network ages, [REDACTED]. Further, these documents indicate that [REDACTED]. See Parties annex to FMN; VMO2 annex to P2-s109(01)-VMO2; VMO2 annex to P2-s109(01)-VMO2, page 26; VMO2 annex to P2-s109(01)-VMO2; Parties annex to FMN. [REDACTED].

³⁹² These documents generally suggest that VMO2 considers that [REDACTED]. For example, Parties annex to FMN; Parties annex to FMN; Parties annex to FMN; VMO2 annex to P2-s109(01)-VMO2; VMO2 annex to P2-s109(01)-VMO2.

(c) [REDACTED],³⁹³ and

(d) [REDACTED].³⁹⁴

- 5.161 These incentives are consistently displayed across VMO2's internal documents, including the analysis and updates prepared for and by VMO2 management as part of its 2026 POR refresh.³⁹⁵ These documents indicate that VMO2 management continued to consider that, as of at least [REDACTED], it remained [REDACTED]. These documents also indicate that VMO2 management has considered multiple options for [REDACTED] as a result of [REDACTED] since [REDACTED], including through [REDACTED]. However, as of [REDACTED], VMO2 management considered that [REDACTED], and therefore instead proposed [Build Scenario B] for Board recommendation (as set out above).³⁹⁶
- 5.162 Ofcom told us that HFC currently remains a viable gigabit-capable technology and does not have a predetermined retirement date, but the expansion of rival FTTP networks means that HFC no longer provides VMO2 with a product advantage.³⁹⁷ Further, the evidence provided to Ofcom prior to the Transaction suggested that VMO2 has a longer-term incentive to upgrade its HFC network to FTTP to remain competitive with rival FTTP networks, and Ofcom considers that previous VMO2 Fibre Up delays are likely (at least in part) to reflect the limited benefits of upgrading in the short-term, rather than any more fundamental change in its long-term incentives.³⁹⁸ Ofcom expects VMO2 to continue to have longer term incentives to upgrade its network to remain competitive.³⁹⁹
- 5.163 We do not consider that the Parties have provided evidence to indicate that these long-term incentives have significantly changed in the intervening period since the above POR documents were prepared, [REDACTED].⁴⁰⁰
- 5.164 We therefore provisionally consider that VMO2 would continue its Fibre Up programme in the counterfactual, in line with the incentives consistently set out in its internal documents. Further, we note that even under the more conservative [Build Scenario B] scenario, VMO2 would continue to upgrade at a material rate, as set out in the following chart:

³⁹³ For example, VMO2 annex to P2-s109(01)-VMO2; Parties annex to FMN; Parties annex to FMN; VMO2 annex to P2-s109(01)-VMO2; VMO2 annex to P2-s109(01)-VMO2.

³⁹⁴ For example, Parties annex to FMN; VMO2 annex to P2-s109(01)-VMO2.

³⁹⁵ See most recent VMO2 management documents cited above, such as VMO2 annex to P2-s109(01)-VMO2.

³⁹⁶ See documents cited above, such as Annex 1.01 to Parties' submission, '[REDACTED]', 10 June 2026 (resubmitted as annex 1.006 to FMN); VMO2 annex to P2-s109(01)-VMO2.

³⁹⁷ Ofcom response dated 18 September 2026 to the CMA's RFI dated 15 September 2026, question 3.

³⁹⁸ Ofcom response dated 18 September 2026 to the CMA's RFI dated 15 September 2026, question 3.

³⁹⁹ Ofcom response dated 18 September 2026 to the CMA's RFI dated 15 September 2026, question 3.

⁴⁰⁰ See here Parties' submission, '[REDACTED]', 2 September 2026.

Figure 5.2: Chart showing VMO2 Fibre Up scenarios in the counterfactual

[REDACTED]

Source: Chart displays estimated build rates, based on VMO2's internal documents and submissions (albeit noting that there are some minor variations across these documents, potentially as a result of rounding across years). For [Build Scenario A], see VMO2 annex to P2-s109(01)-VMO2, as well as later Board documents which restate these targets (for example from VMO2's 2026 POR update). For [Build Scenario B], see for example VMO2 annex to P2-s109(01)-VMO2.

Note: The chart models [Build Scenario B] at [REDACTED] premises passed per annum. As set out above in our discussion of the Parties' submissions on Fibre Up, the [REDACTED] build rate originally submitted by the Parties would produce a [REDACTED] Build Scenario B scenario, resulting in [REDACTED] premises passed by [REDACTED] and Fibre Up completion by [REDACTED].

5.165 Under both of the [Build Scenario A] or [Build Scenario B] scenarios, VMO2 would upgrade the [REDACTED] of its HFC network over (approximately) the next [REDACTED], and the entirety of its network over the next [REDACTED], or shortly thereafter. We consider that competitive conditions would not differ materially across these two scenarios and, as a result, that it is not necessary for us to choose between them for the purposes of the counterfactual assessment. Without prejudice to the above, we note here that even in a [Build Scenario C] scenario, VMO2/nexfibre would continue to build to and operate a footprint of [REDACTED] premises (including [REDACTED] nexfibre premises).⁴⁰¹ We consider this to be of sufficient scale to attract third-party ISP customers, as demonstrated by the progress made by VMO2/nexfibre and [REDACTED] and feedback from ISPs.⁴⁰²

5.166 Finally, we consider that documents indicate that VMO2's future upgrades would be likely to [REDACTED] areas of [REDACTED] to later in the Fibre Up timeframe.⁴⁰³ However, as per our analysis above, we consider that VMO2 would ultimately upgrade its entire HFC network (ie including altnet overbuild premises) and that the majority of these premises [REDACTED] would be upgraded by at least [REDACTED].

5.167 Based on the evidence received to date, we therefore provisionally consider that VMO2 would continue to upgrade the entirety of its HFC network to FTTP in the counterfactual, with its build pace likely to fall somewhere between the [REDACTED] [Build Scenario B] and [REDACTED] [Build Scenario A] scenarios. Given that both of these scenarios involve material build continuing, we do not consider that competitive conditions would differ significantly across these such as to require us to choose between them.

⁴⁰¹ See Parties' submissions regarding [Build Scenario C], as set out above.

⁴⁰² See here our discussion of VMO2/nexfibre's wholesale position absent the Transaction, as set out below, and the documentary evidence set out in Appendix B.

⁴⁰³ VMO2's internal documents indicate that it first began a strategy of reprioritising its build locations so as to defer [REDACTED] areas to later in the Fibre Up timeline in around [REDACTED] (for example, Parties annex to FMN: '[REDACTED] Documents indicate that this continues to inform VMO2's build strategy, with documents from VMO2's 2026 POR update indicating that it was considering implementing a new strategy for better [REDACTED] (for example, Annex 1.01 to Parties' submission, [REDACTED], 10 June 2026 (resubmitted as annex 1.006 to FMN): [REDACTED]

VMO2/nexfibre's wholesale position absent the Transaction

Parties' submissions

- 5.168 This section considers whether VMO2/nexfibre would be active in wholesale in the counterfactual.
- 5.169 The Parties submitted that, absent the Transaction, VMO2/nexfibre could not have credibly achieved the requisite scale and financial position to make them sufficiently attractive to ISPs to deliver effective and financially sustainable competition to Openreach.⁴⁰⁴ While VMO2/nexfibre have been jointly marketing their FTTP footprints as a combined proposition, the Parties submitted that they have not yet been successful in securing third-party ISP customers.⁴⁰⁵ In particular, the Parties told us that, prior to the Transaction, [REDACTED].⁴⁰⁶
- 5.170 The Parties submitted that, based on previous unsuccessful discussions, FTTP network scale is a key factor in ISPs' decision making, and that [REDACTED] in particular (alongside [REDACTED]) has required evidence of VMO2/nexfibre's commitment to becoming a scaled wholesaler ([REDACTED]) prior to agreeing a wholesale contract.⁴⁰⁷ The Parties therefore submitted that, absent the Transaction and the increased scale which the Parties submitted would arise as a result of this, VMO2/nexfibre would have been unlikely to secure key wholesale contracts in the counterfactual.⁴⁰⁸ Specifically, the Parties submitted that [REDACTED] (and potentially also [REDACTED]) [REDACTED] would not be expected to join.⁴⁰⁹
- 5.171 The Parties further submitted that additional scale is important to enable nexfibre to secure wholesale contracts with third parties at rates which are financially sustainable for nexfibre.⁴¹⁰ The Parties told us that a larger footprint is more attractive to retail ISPs (as it better justified the integration costs), and therefore that increased scale would better enable nexfibre to reach a deal with ISPs at rates which are financially sustainable for nexfibre's business model.⁴¹¹

Our assessment

- 5.172 VMO2/nexfibre's internal documents clearly indicate that securing third-party wholesale customers had been a strategic priority for both nexfibre and VMO2 prior to the Transaction. Pursuant to this, documents indicate that nexfibre and

⁴⁰⁴ Parties' submission, [REDACTED], 10 June 2026 (resubmitted as annex 1.006 to FMN), paragraphs 20-25.

⁴⁰⁵ Parties, FMN, paragraphs 963 and 972-975.

⁴⁰⁶ Parties' consolidated response dated 4 June 2026 to the CMA's RFI dated 26 May 2026 (**P1-RFI3-Parties**), question 13.

⁴⁰⁷ Parties' submission, [REDACTED], 10 June 2026 (resubmitted as annex 1.006 to FMN), paragraph 24.

⁴⁰⁸ Parties' submission, [REDACTED], 20 May 2026 (resubmitted as annex 1.011 to FMN), section 2.2, page 8.

⁴⁰⁹ Parties' submission, [REDACTED], 20 May 2026 (resubmitted as annex 1.011 to FMN), section 2.2, page 9.

⁴¹⁰ Parties, Initial Substantive Meeting (**ISM transcript**) transcript, 28 July 2026. Page 17, lines 2-23.

⁴¹¹ Parties, Initial Substantive Meeting (**ISM transcript**) transcript, 28 July 2026. Page 17, lines 2-23.

VMO2 had engaged in discussions with a number of ISPs prior to the Transaction. Details on these internal documents and discussions are provided in Appendix B.

- 5.173 These discussions were [redacted] in relation to [redacted], with whom VMO2/nexfibre had [redacted].⁴¹² [redacted], these discussions [redacted]. Documents from this period indicate that [redacted], with documents from [redacted] indicating that the [redacted].⁴¹³
- 5.174 VMO2/nexfibre told us that [redacted] were [redacted].⁴¹⁴ [redacted] told us that there has been [redacted], but that contractual negotiations have not [redacted] which remains [redacted].⁴¹⁵ According to the latest draft contract that we have received, terms between VMO2/nexfibre and [redacted] do not include [redacted] (see Appendix B for details).
- 5.175 As set out in Appendix B, documents indicate that VMO2/nexfibre also engaged in discussions with other ISPs, prior to the Transaction, including [redacted] and [redacted]. The evidence indicates that these negotiations were [redacted] negotiations with [redacted] and [redacted]. We therefore consider that VMO2/nexfibre would have continued to pursue further ISP contracts in the counterfactual.
- 5.176 Based on the evidence that we have considered so far, our provisional view is therefore that VMO2/nexfibre would continue to compete in wholesale in the counterfactual. Specifically, we consider that they would continue to market their FTTP footprints in a combined wholesale proposition and would likely [redacted] from at least [redacted] in the short-term (ie [redacted]), and potentially also [redacted] in the medium-term.

Provisional conclusions on the appropriate counterfactual

- 5.177 Based on our assessment above, we provisionally conclude that absent the Transaction, the appropriate counterfactual is that:
- (a) CityFibre would acquire Substantial, wholesale the Netomnia network to retail ISPs and sell Substantial's retail business (YouFibre) to a third-party ISP;
 - (b) VMO2 and nexfibre would continue to be active in the wholesale supply of fixed broadband to ISPs:
 - (i) VMO2's FTTP footprint would continue to increase as it continued to upgrade its HFC network via its Fibre Upgrade programme, with a pace of upgrade likely to fall somewhere within the bounds of [redacted] [Build Scenario A] and [redacted] [Build Scenario B];
 - (ii) nexfibre would not undertake further [redacted].

⁴¹² Parties, FMN, paragraph 564(a); as well as paragraph B.12 of Appendix B.

⁴¹³ Parties, FMN, paragraph 564(a).

⁴¹⁴ VMO2/nexfibre internal document, attachment to VMO2/nexfibre's email to the CMA dated 15 September 2026 [redacted]

⁴¹⁵ Third-party submission: [redacted].

5.178 We have assessed the effects of the Transaction against this counterfactual.

6. COMPETITIVE ASSESSMENT

Introduction

- 6.1 As set out in the counterfactual chapter, we provisionally consider that, absent the Transaction, the most likely counterfactual is that: (i) CityFibre would acquire Substantial; (ii) CityFibre would wholesale Substantial's network to retail ISPs; and (iii) CityFibre would sell Substantial's retail business (YouFibre) to a third-party ISP. Our competitive assessment therefore proceeds on that basis.
- 6.2 CityFibre is active in the wholesale supply of fixed broadband to ISPs. We have also found that VMO2/nexfibre would continue to be active, absent the Transaction, in the wholesale supply of fixed broadband to ISPs. We have therefore investigated a horizontal unilateral effects theory of harm (**TOH**) in the wholesale supply of fixed broadband to ISPs.
- 6.3 Our Areas of focus document stated that we also planned to consider whether the Transaction gives rise to horizontal unilateral effects in the retail supply of fixed broadband. However, CityFibre is a wholesale-only provider, and, as set out above, intended to sell Substantial's retail business to a third-party ISP. In light of this, our competitive assessment focuses on the impact of the Transaction at the wholesale level of the supply chain. In the final section of this chapter, we consider the implications of our analysis and findings for the retail level of the supply chain.
- 6.4 Our Areas of focus document also stated that we were not minded to focus on the impact of the Transaction on leased line access (**LLA**) services, and we invited submissions on this point.⁴¹⁶ Based on the evidence received, including responses to the Areas of focus, this continues to be the case and we have not considered this further below.
- 6.5 In the remainder of this section, we first consider some of the sources of evidence we have gathered and some aspects of our approach in assessing that evidence. We then consider the relevant product and geographic markets in the wholesale supply of fixed broadband services, before conducting our assessment of horizontal unilateral effects.

Treatment of evidence

- 6.6 In assessing the impact of the Transaction, we have looked at a wide range of evidence that we have considered in the round in reaching our provisional conclusions. We have considered the context in which the evidence was

⁴¹⁶ CMA, [Areas of focus](#), 7 July 2026.

produced, and its consistency with other evidence, when deciding how much weight to place on it.

- 6.7 In the introduction chapter we summarised the evidence we have gathered as part of our investigation. Below we set out some of the factors relevant to our assessment of particular types of evidence.
- 6.8 *Internal documents:* Internal documents can be a useful source of information in merger investigations. In response to targeted information requests, we have received a large volume of documents from the Parties,⁴¹⁷ and a material volume of documents from third parties.⁴¹⁸ Documents produced in the ordinary course of business provide evidence on the perspectives of market participants beyond their direct submissions to the CMA.
- 6.9 We have interpreted internal documents in their context. In deciding what weight to attach to them we considered information such as the identity and role of the person that prepared, sent or received them. In line with our guidance,⁴¹⁹ where internal documents support claims being made by merger firms or third parties, we considered whether those documents were generated prior to the period in which the Parties were contemplating the Transaction, and the period in which third parties were aware of the merger.
- 6.10 On this point, we note that the combination between nexfibre and Substantial was in contemplation for a significant period of time prior to the announcement of the Transaction in February 2026, with many contemporaneous internal documents having been generated during that period. This may impact the overall evidentiary weight that we are able to attach to such documents as we consider that, particularly for those generated at the Board and senior management level, the contemplation of a combination between nexfibre and Substantial may have affected both the content and the way these were drafted.
- 6.11 *Evidence from other market participants and other third parties:* Views of market participants and other third parties are an important source of evidence in CMA merger investigations, and we have spoken to and gathered evidence from a range of third parties including network operators and ISPs. That said, the outcomes of a merger investigation can have a direct financial or strategic impact on market participants and therefore – as with internal documents – we considered the interests and incentives of market participants (including customers and competitors) that oppose the Transaction (or support it) and other third parties, as

⁴¹⁷ Including financial data and modelling, business plans, strategy documents, board documents, email communications among senior staff, documents related to the negotiations to sell Substantial to CityFibre and documents related to the negotiations with potential wholesale customers.

⁴¹⁸ In particular from network operators and ISPs, including documents from CityFibre regarding its negotiations to purchase Substantial and documents from potential wholesale customers of the Parties regarding their negotiations on potential contract terms.

⁴¹⁹ [Mergers Assessment Guidelines \(CMA129\)](#), 18 March 2021, paragraph 2.29.

well as the extent to which any claims made by market participants are consistent with other evidence when assessing what weight to attach to those views.

- 6.12 *Evidence from Ofcom*: as set out in the introduction chapter, we have worked closely with Ofcom given its industry expertise as the sectoral regulator overseeing communications services, including broadband services. While we have carefully considered Ofcom's evidence, it is ultimately for the inquiry group to reach conclusions on the statutory questions, including whether the Transaction gives rise to an SLC.

Market definition

Framework

- 6.13 Where the CMA makes an SLC finding, this must be 'within any market or markets in the United Kingdom for goods or services'.⁴²⁰ An SLC can affect the whole or part of a market or markets.⁴²¹
- 6.14 Market definition provides a framework for assessing the competitive effects of a merger. The assessment of the relevant market is an analytical tool that forms part of the analysis of the competitive effects of the merger and should not be viewed as a separate exercise.⁴²² The boundaries of the market do not determine the outcome of our analysis of the competitive effects of the merger in a mechanistic way. We may, for example, take into account constraints outside the relevant market, segmentations within the market, or other ways in which some constraints are more important than others.⁴²³
- 6.15 When defining product and geographic markets, there are three main factors that the CMA considers. First, the CMA will typically pay particular regard to demand-side factors when identifying what other significant competitive alternatives should be included in the relevant market.⁴²⁴ Second, in certain circumstances the CMA may aggregate several narrow markets based on supply-side factors.⁴²⁵ Third, where markets cannot be aggregated on the basis of demand-side or supply-side considerations, the CMA may aggregate them if the main parameters of competition are set uniformly across those markets.⁴²⁶

⁴²⁰ [Section 36\(1\)\(b\)](#) of the Act. See also [CMA129](#), paragraph 9.1.

⁴²¹ [CMA129](#), paragraph 9.1.

⁴²² [CMA129](#), paragraph 9.1.

⁴²³ [CMA129](#), paragraph 9.4.

⁴²⁴ [CMA129](#), paragraphs 9.6 and 9.13.

⁴²⁵ [CMA129](#), paragraphs 9.8 and 9.14.

⁴²⁶ [CMA129](#), paragraphs 9.11 and 9.16.

Wholesale fixed broadband services

Product market

Parties' submissions

- 6.16 The Parties submitted that the relevant market concerns the supply of wholesale broadband to downstream ISPs. The Parties further submitted that, regardless of the precise market definition adopted, there is no third-party wholesale demand for HFC services in the UK.⁴²⁷

Our assessment

- 6.17 We consider the wholesale supply of FTTP broadband to be the appropriate starting point for our assessment, as this is the technology on which both Parties' wholesale offerings are based.⁴²⁸
- 6.18 In our assessment, we analyse evidence on demand- and supply-side factors to assess whether the relevant market should be wider than FTTP.⁴²⁹ This includes assessing if the relevant market should include VMO2's HFC and RFOG technologies, and Openreach's legacy copper-based technologies (ADSL and FTTC).
- 6.19 Our provisional view is that the relevant wholesale market includes fixed broadband services⁴³⁰ that are supplied downstream to both residential and business customers,⁴³¹ excluding LLA services.⁴³² This view is supported by Ofcom's evidence that wholesale services supplied downstream to both residential and business customers are provided over the same underlying wholesale network. Any differences between residential and business offerings primarily arise at the retail level, such as through extended customer support hours or wrap-

⁴²⁷ [Parties' response to the Areas of focus](#), 20 July 2026, paragraphs 109 & 111.

⁴²⁸ [CMA129](#), paragraph 9.6.

⁴²⁹ [CMA129](#), paragraph 9.6.

⁴³⁰ In referring to the wholesale supply of fixed broadband services, we include both: (1) wholesale local access (WLA) services in which connections are handed over to ISPs with their own backhaul network at local exchange points; and (2) WLA services provided in combination with other services such as backhaul connectivity, in which connections are handed over at national or regional exchanges to ISPs that require (or request) these additional services. Our understanding is that providers of WLA services are also able to provide wholesale broadband access (WBA) services which rely on the same underlying access network.

⁴³¹ Ofcom, [Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 2: Market definition and SMP assessment](#), 17 March 2026, paragraph 4.7.

⁴³² LLA services include fibre-based Ethernet and Wavelength Division Multiplexing services, dark fibre used to supply leased line services and leased line-equivalent services (which includes services with features such as uncontended capacity, symmetric download and upload speeds, and quality of service parameters similar to point-to-point leased line services). Ofcom, [Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 2: Market definition and SMP assessment](#), 17 March 2026, paragraph 5.6.

around services, rather than from differences in the underlying network infrastructure.⁴³³

Other gigabit-capable technologies: HFC and RFOG

- 6.20 On the demand side, evidence from VMO2/nexfibre and third parties indicates that there is currently no demand for HFC and RFOG at the wholesale level.
- 6.21 First, despite VMO2 historically engaging with a number of Tier 1 ISPs in relation to its HFC and RFOG network, these discussions have not led to the successful launch of a wholesale access offering.^{434,435} In addition, an internal VMO2 document indicates that demand for HFC/RFOG-based wholesale services has been limited [redacted].⁴³⁶
- 6.22 Second, third-party evidence broadly supports the Parties' submissions that Tier 1 ISPs have limited demand for HFC/RFOG-based wholesale services.⁴³⁷ For example, [redacted] submitted that its procurement strategy is focused on FTTP-based wholesale products,⁴³⁸ and [redacted] indicated that whilst it would be willing to procure HFC-based wholesale access, its recent commercial engagement and negotiations [redacted] have been focused only on FTTP products.⁴³⁹
- 6.23 On the supply side, the evidence shows that VMO2/nexfibre's current plans are not focused on wholesaling its HFC and RFOG products even if that is technically possible. As noted above, VMO2's internal documents show that the wholesale demand for HFC and RFOG networks is limited, and VMO2 further submitted that, while technically feasible,⁴⁴⁰ the business case for HFC/RFOG-based wholesale has [redacted].⁴⁴¹
- 6.24 This is consistent with VMO2/nexfibre's forward-looking wholesale proposition, which is now solely focused on FTTP services.⁴⁴² Indeed, evidence from VMO2's internal documents indicates that VMO2 intends to upgrade its HFC network to FTTP over time, with wholesale provision being a key consideration to support those upgrade plans.⁴⁴³

⁴³³ Ofcom, [Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 2: Market definition and SMP assessment](#), 17 March 2026, paragraph 4.22.

⁴³⁴ VMO2 is the only HFC/RFOG network operator in the UK and has never wholesaled access to third-party UK ISPs. In addition, neither VMO2 nor nexfibre has, to date, secured any third-party ISP wholesale customers on its FTTP network.

⁴³⁵ Parties, FMN, paragraph 403 and 404.

⁴³⁶ For example, more recently see VMO2 annex to P1-RFI1-Parties, slide 2. Parties, FMN, Figure 8.

⁴³⁷ Tier 2 ISPs have not had any opportunities to access HFC/RFOG as wholesale customers, given VMO2/nexfibre's focus on Tier 1 ISPs. Parties, FMN, paragraph 975.

⁴³⁸ Third-party call note.

⁴³⁹ Third-party call note.

⁴⁴⁰ VMO2 submitted that no fundamental technical constraints prevent HFC/RFOG services from being wholesaled, although certain upgrades would be required to support wholesale access. Parties, FMN, paragraph 403.

⁴⁴¹ Parties, FMN, paragraph 405.

⁴⁴² Parties, FMN, paragraph 408. Third-party call note.

⁴⁴³ See the counterfactual chapter for analysis of VMO2's upgrade plans.

- 6.25 Given the lack of ISP demand for HFC/RFOG-based wholesale and the lack of plans from VMO2 to wholesale its HFC/RFOG network, our provisional view is that it is not appropriate to widen the product market to include HFC and RFOG.⁴⁴⁴ However, while VMO2's HFC/RFOG network is not part of the relevant product market, our competitive assessment is forward looking such that premises currently covered by VMO2's HFC/RFOG would become part of the market when upgraded to FTTP (see the counterfactual chapter for analysis of VMO2's upgrade plans).
- 6.26 We note that our provisional view differs from the market defined by Ofcom for the purposes of TAR26, which included HFC and RFOG.⁴⁴⁵ We also note that two ISPs told us that HFC is a demand-side substitute to FTTP,⁴⁴⁶ and two network operators explicitly stated that HFC should be included in the wholesale product market.⁴⁴⁷
- 6.27 However, Ofcom's market definition in the TAR26 was conducted for a different purpose and using a different analytical framework,⁴⁴⁸ and such differences in outcome are envisaged by our guidelines.⁴⁴⁹ Further, third parties did not provide any further evidence to support the view that HFC and RFOG should be included within the market.
- 6.28 Finally, to the extent that VMO2 uses its HFC/RFOG networks to compete at the retail level⁴⁵⁰ then its HFC/RFOG networks may also impose an indirect competitive constraint on other wholesale providers. In particular, VMO2 competes directly for retail customers, which in turn constrains the prices, service quality and commercial terms that wholesale access providers can offer to their ISP customers. This is because wholesale providers must enable downstream ISPs to compete effectively with VMO2 at the retail level and therefore face competitive

⁴⁴⁴ As noted by the Parties, in BT/EE, the CMA defined the product market to be the market for fixed wholesale broadband access services, which does not include mobile, wireless and satellite networks. This appears to have included VMO2's HFC network. However, this decision was in 2016 and as set out above evidence suggests that there is no longer demand for VMO2's HFC network (CMA, [A report on the anticipated acquisition by BT Group plc of EE Limited](#), 15 January 2016, paragraph 18.21). [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 110.

⁴⁴⁵ Ofcom's product market definition was referenced by Parties and some third parties. For example, Grain submitted that it generally supported Ofcom's product market definition ([Grain Connect response to the Areas of focus](#), 17 July 2026, Section - Market definitions, page 4). In addition, [X] further submitted that a number of stakeholders, including VMO2 and nexfibre, supported Ofcom's approach to WLA product market definition in the TAR26 (Third-party submission. [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 110. Third-party submission. Third-party submission).

⁴⁴⁶ [X] submitted that, from a demand-side perspective, gigabit-capable technologies, including VMO2's HFC network, constitute alternatives for ISPs such as [X] (Third-party submission: [X]). When discussing WLA market definition, [X] said that there is material demand-side substitutability between different technology types/speeds as, for example, from a consumer perspective, the difference between HFC and FTTP is currently of limited relevance as both are 'gigabit capable' (Third-party submission).

⁴⁴⁷ Third-party submission. [BT response to the Areas of focus](#), 20 July 2026, paragraph 18.

⁴⁴⁸ For example, Ofcom's TAR came to a view on the relevant product market based on supply-side considerations, and found that it was not necessary to come to a view on demand-side considerations separately given these supply-side considerations. Ofcom, [Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 2: Market definition and SMP assessment](#), 17 March 2026, paragraph 4.21. By contrast, the CMA's assessment of product markets is typically conducted primarily by reference to demand-side substitution: [CMA129](#), paragraph 9.7.

⁴⁴⁹ See [CMA129](#), footnote 154.

⁴⁵⁰ See Appendix D.

discipline arising from VMO2's retail activities.⁴⁵¹ We take into account this vertical integration within our competitive assessment.

Openreach legacy technologies (eg ADSL, FTTC)

- 6.29 On the demand side, evidence shows that ISPs continue to demand wholesale broadband over Openreach's legacy copper networks. In particular, Openreach's legacy networks currently serve around [X] premises in the Substantial network footprint and over [X] premises in the nexfibre/VMO2 footprint and as such continue to represent an important source of wholesale supply in the UK.⁴⁵²
- 6.30 Our provisional view is therefore that the relevant wholesale product market should include Openreach's legacy copper networks. However, we recognise that ISP demand for legacy technologies is likely to decline over time, given the limitations of copper-based services relative to FTTP. To manage this, as set out above, Openreach told us that it plans to reach 25 million premises passed with FTTP by December 2026, and approximately 30 million premises [X].⁴⁵³ We take these factors into account in our forward-looking competitive assessment.

Our provisional conclusion on product market definition

- 6.31 On the basis of the evidence set out above, we provisionally conclude that the relevant wholesale product market comprises all FTTP networks and Openreach's legacy networks. This market encompasses the supply of wholesale services to both residential and business customers.

Geographic market

Parties' submissions

- 6.32 The Parties submitted⁴⁵⁴ that the relevant geographic scope of the WLA market is national for the following reasons:⁴⁵⁵
- (a) Openreach is the closest constraint on all altnets (including the Parties) and is a national operator. As such, altnets do not experience any material

⁴⁵¹ Ofcom, [Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 2: Market definition and SMP assessment](#), 17 March 2026, paragraph 4.119. We note that Ofcom also recognises the indirect competitive constraint posed by VMO2's network in its TAR26 Statement.

⁴⁵² CMA analysis of Ofcom's Connected Nations January 2026 fixed broadband networks data.

⁴⁵³ Third-party call note.

⁴⁵⁴ The Parties also submitted that three of the features of competition they identified in support of a national WLA market are broadly consistent with the CMA's approach when the CMA defined a national market in Cellnex/CK Hutchison. [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 120.

⁴⁵⁵ [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 112. Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, Section 1, pages 2-3.

geographic variation in competitive conditions across their footprints with each altnet competing with uniform terms against the national incumbent;⁴⁵⁶

- (b) WLA contracts are typically negotiated on a footprint-wide basis, with major national retail ISPs constituting the principal customers;⁴⁵⁷
- (c) the extent of network footprint is itself an important parameter of competition;⁴⁵⁸ and
- (d) the key parameters of wholesale competition are determined at the national level and are applied consistently across all geographic areas, this includes Openreach which is prohibited from geographic price discrimination with Ofcom consent.⁴⁵⁹

6.33 The Parties also submitted that ISPs incur upfront and ongoing integration costs which mean that:

- (a) Altnets must offer a discount relative to Openreach to attract ISPs onto their network – this discount is compensation for the absence of national reach,⁴⁶⁰ and its magnitude is a function of network scale rather than quality or the presence of a particular competitor.⁴⁶¹
- (b) ISPs would only consider a limited number of providers, such that providers with non-overlapping networks are considered substitutes from the ISPs' perspective despite not servicing the same consumers.⁴⁶²

6.34 The Parties submitted that a geographic market definition that instead comprises each Party's FTTP footprint is implausible and unduly narrow. This is because it ignores the nature and strength of the constraint from the national incumbent (Openreach) and that competitors constrain each other in national negotiations even when their networks do not overlap.⁴⁶³

6.35 The Parties also submitted that their internal documents support the view that altnets outside of the Parties' networks act as a constraint. For example, Substantial's internal documents show that ✂ and ✂ both benchmarked

⁴⁵⁶ Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, Section 1, page 5.

⁴⁵⁷ The Parties noted that central teams conduct procurement and negotiations without reference to geography. [Parties' response to the Areas of focus](#), 20 July 2026, paragraphs 113 and 114.

⁴⁵⁸ [Parties' response to the Areas of focus](#), 20 July 2026, paragraphs 115 to 117.

⁴⁵⁹ [Parties' response to the Areas of focus](#), 20 July 2026, paragraphs 118 to 119.

⁴⁶⁰ The Parties submitted this is needed due to the reduced number of premises; over which the integration costs can be spread on a smaller network.

⁴⁶¹ Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, Section 1, page 5.

⁴⁶² Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, Section 1, footnote 5.

⁴⁶³ Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, Section 1, page 5.

Substantial's network against CityFibre's network despite the negligible overlap.⁴⁶⁴ Similarly it is stated in a submission from the Parties that [X] compared VMO2/nexfibre's proposal to those of other WLA providers.⁴⁶⁵

Our assessment

- 6.36 Market definition involves identifying the most significant competitive alternatives available to customers of the merger firms and includes the sources of competition to the merger firms that are the immediate determinants of the effects of the merger.⁴⁶⁶ This means that the starting point is based on the offerings of the Parties and that the focus is on the principal constraints on the Parties.
- 6.37 As such, our assessment of the geographic market uses the Parties' network footprints as the starting point. We have then considered, consistent with our guidelines,⁴⁶⁷ whether it is appropriate to define a wider market based on demand-side substitution, supply-side factors or parameter flexing.

Demand-side substitution

- 6.38 Geographic demand-side substitution considers if customers would switch their purchases from one geographic area to another geographic area. In this case, there is limited scope for direct geographic demand-side substitution. In order to serve a retail customer at a particular premises, an ISP can only procure wholesale local access services from operators whose networks are available at that premise. This means non-overlapping networks are not direct demand-side substitutes.
- 6.39 For the market to be widened to include networks that do not overlap with the Parties, we would need to believe that non-overlapping networks are significant competitive alternatives available to ISPs.⁴⁶⁸ The Parties have submitted that this is the case and that non-overlapping networks can still be demand-side substitutes. This is because ISPs will only consider a limited number of providers due to upfront and ongoing integration costs. The Parties submitted that this is reflected in internal documents as set out above.
- 6.40 Evidence from providers indicates that the focus of competition is overlapping networks. For example, when asked to identify and rate current and potential competitors:

⁴⁶⁴ Substantial annex to FMN, Substantial annex to FMN, Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, Section 1, page 5.

⁴⁶⁵ Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, Section 1, page 6. Third-party internal document.

⁴⁶⁶ [CMA129](#), paragraph 9.2.

⁴⁶⁷ [CMA129](#), paragraphs 9.13-9.16.

⁴⁶⁸ [CMA129](#), paragraph 9.2.

- (a) One provider specifically did not identify or rate providers that did not overlap its network.⁴⁶⁹
- (b) One provider identified CityFibre as very weak, as its footprint does not overlap ([REDACTED]) and nexfibre as weak due to its very limited overlap ([REDACTED]).⁴⁷⁰
- (c) One provider identified three competitors and explained its rating of each based on the extent of network overlaps.⁴⁷¹
- (d) One provider identified Openreach as a very strong competitor, but said other altnets are 'no immediate threat' due to the lack of overlap ([REDACTED]).⁴⁷²

6.41 Further in relation to the evidence submitted by the Parties:

- (a) While there is evidence that Substantial's wholesale proposals were being compared to [REDACTED],⁴⁷³ there is also evidence that in communications with [REDACTED], Substantial was pushing back on benchmarking commercial terms against [REDACTED] on the basis that [REDACTED].⁴⁷⁴
- (b) The example provided by VMO2/nexfibre does not refer to specific alternative providers and our understanding is that VMO2 overlaps with all providers with current wholesale customers anyway (eg Openreach, CityFibre and Community Fibre). As such it is not clear that this example provides evidence of non-overlapping networks constraining VMO2/nexfibre.

6.42 While indirect demand-side substitution on the basis outlined by the Parties is plausible, in the short term,⁴⁷⁵ we do not consider that there is evidence that this will continue to be the case as the market develops.

⁴⁶⁹ Third-party response to the CMA's phase 2 third-party questionnaire, question 12. Appendix D Annex A contains a list of third-party responses to the CMA's phase 2 third-party questionnaire.

⁴⁷⁰ Third-party response to the CMA's phase 2 third-party questionnaire, question 12.

⁴⁷¹ Third-party response to the CMA's phase 2 third-party questionnaire, question 12.

⁴⁷² Third-party response to the CMA's phase 2 third-party questionnaire, question 12.

⁴⁷³ Based on Substantial documents shared with potential wholesale customers. Substantial annex to P1-s109(01)-Substantial, and Substantial annex to P1-s109(01)-Substantial.

⁴⁷⁴ Substantial annex to P1-s109(02)-Substantial and Substantial annex to P1-s109(02)-Substantial. In addition, Substantial cited an example offer to [REDACTED], however, the version cited was a draft and the final version of the [REDACTED] proposal only compares Substantial's offer to BT's Equinox 2 prices. Substantial annex to FMN.

⁴⁷⁵ We recognise that, to some extent, retail ISPs would choose to prioritise negotiations with a limited number of providers in the short term due to resource constraints (which prevent those ISPs from engaging with additional providers at the same time). However, any such effect is likely to be over a relatively limited period (around 12 to 18 months) as the evidence indicates. For example: (i) [REDACTED] estimated a [REDACTED]-month timeline for commercial negotiations in the case of a direct deal with Substantial (see [REDACTED] response dated 25 June 2026 to the CMA's s109 notice dated 16 June 2026 (**P1-s109(01)-[REDACTED]**), Annex '[REDACTED]', page 7); (ii) pre-Transaction VMO2/nexfibre and [REDACTED] were forecast to [REDACTED] end of [REDACTED] (see [REDACTED] response dated 25 June 2026 to the CMA's s109 notice dated 15 June 2026 (**P1-s109(01)-[REDACTED]**), Annex [REDACTED], page 7), following the signing of [REDACTED] (see nexfibre annex to P2-RF12-Parties); and (iii) pre-Transaction Substantial and [REDACTED] were forecast to go live [REDACTED] (eg Substantial annex to P1-s109(02)-Substantial), following the signing of Heads of Terms in [REDACTED] (see Parties' consolidated response dated 4 June 2026 to the CMA's RFI dated 26 May 2026 (**P1-RF13-Parties**), question 14(c); Substantial annex to P2-RF13-Parties. In addition, there is evidence that ISPs may be able to run some negotiations concurrently – for example, while it was still finalising terms and doing integration work with VMO2/nexfibre (see Appendix B), [REDACTED] met with Substantial in [REDACTED], agreed to further discussions in [REDACTED] and a Substantial internal [REDACTED] noted that Substantial was [REDACTED] a [REDACTED] wholesale agreement with [REDACTED] in [REDACTED]. Parties'

6.43 Therefore, we provisionally consider that it is not appropriate to widen the market beyond directly overlapping networks based on the indirect demand-side substitution put forward by the Parties.⁴⁷⁶ Rather, to the extent relevant, we capture the out-of-market constraint from any non-overlapping providers in the competitive assessment.⁴⁷⁷

Supply-side factors

6.44 Where there is limited demand-side substitution, it may still be appropriate to aggregate several narrow markets when: (a) firms routinely use their existing production assets to supply a range of different products and shift their existing capacity between these different products and (b) the same firms compete to supply these different products and the conditions of competition between the firms are the same for each product.⁴⁷⁸

6.45 In this case, it may be appropriate to aggregate narrow markets where the same networks are available to ISPs. For example, it may be appropriate to aggregate areas where CityFibre, VMO2/nexfibre and Openreach are all available as those same providers would be using the same production assets to supply ISPs across all those areas such that conditions of competition are likely to be the same.

6.46 Therefore, it may be appropriate to define geographic markets based on locations where the same set of networks are available.⁴⁷⁹

6.47 However, our provisional view is that it is not appropriate to aggregate geographic markets, based on supply-side factors, beyond this. For example, while Openreach's national coverage may mean it places a competitive constraint on all network operators,⁴⁸⁰ this is not sufficient to meet the conditions for aggregation set out above. In particular, all other network operators are sub-national in scale and this includes network operators such as CityFibre who serve many ISPs' customers but only in specific areas. This means different providers are active in different areas using different assets, so the conditions of competition differ between these areas.

consolidated response dated 4 June 2026 to the CMA's RFI dated 26 May 2026 (**P1-RFI3-Parties**), question 14(c), [§], paragraph 67(f); Substantial annex to P1-RFI3-Parties; Substantial annex to P1-s109(02)-Substantial.

⁴⁷⁶ We note that, in any event, based on the evidence we received, all substantive networks with wholesale ambitions overlap with VMO2/nexfibre's network and are thus considered in our assessment below.

⁴⁷⁷ [§] did not propose a specific geographic market definition, but submitted that there are both local and national dimensions to competition such that both local markets (ie where Substantial is present or has plans to build) and national markets are relevant to the CMA's competitive assessment. This is because ISPs consider both the overall national scale of suppliers as well as the incremental ability of suppliers to provide connections in specific local areas (Third-party submission). We consider our approach to the competitive assessment is consistent with capturing both more local elements of competition through the market we have provisionally defined and any other national elements through considering any out-of-market constraints.

⁴⁷⁸ [CMA129](#), paragraphs 9.8 and 9.14.

⁴⁷⁹ Sky submitted that the appropriate starting point is the areas in which the Parties' networks overlap. Sky further submitted [§]. [§] ([Sky response to the Areas of focus](#), 20 July 2026, paragraphs 26-27.

⁴⁸⁰ See Parties submissions above.

Parameter flexing

- 6.48 We have considered if it is appropriate to aggregate markets further based on the way in which parameters of competition are flexed. Specifically, our guidance states that where multiple geographic markets cannot be aggregated on the basis of demand-side or supply-side considerations, the CMA may aggregate them if the main parameters of competition are set uniformly across those markets.⁴⁸¹
- 6.49 Evidence from the Parties and third parties shows that most competitive parameters are set, and supply contracts are agreed, at the network-footprint level. For example:
- (a) VMO2/nexfibre's offer to [redacted] network footprints.⁴⁸²
 - (b) Substantial's offer to [redacted] involved no geographic pricing.⁴⁸³
 - (c) Openreach's current rental pricing is national, albeit it sets lower connection fees in Ofcom Area 2 than Ofcom Area 3 and is seeking approval from Ofcom to allow it to differentiate prices,⁴⁸⁴ see below.
 - (d) A Tier 1 ISP told us that its wholesale arrangements generally involve a single price across a supplier's footprint.⁴⁸⁵
- 6.50 However, there is some evidence that at least some providers are testing or engaging in time-limited differentiation between different areas within their network footprint, albeit this seems limited in scale at present. For example:
- (a) [redacted].⁴⁸⁶
 - (b) A Tier 1 ISP told us that some providers undertake temporary promotional activity, for example in newly built areas to stimulate take-up and accelerate returns on network investment. However, the ISP said these were not 'enduring' geographic price differences.⁴⁸⁷
 - (c) A provider gave examples of pricing incentives which could lead to wholesale pricing varying within its network footprint, [redacted].⁴⁸⁸

⁴⁸¹ [CMA129](#), paragraph 9.16.

⁴⁸² The agreement agreed as a concept an 'area 1' pricing floor, but ensured consistent terms across nexfibre and VMO2 footprints. nexfibre annex to FMN. Third-party call note.

⁴⁸³ P1-RF11-Parties, question 6(a); Substantial annex to FMN.

⁴⁸⁴ Third-party call note. See footnote below for an explanation of Ofcom's Area 2 and Area 3.

⁴⁸⁵ Third-party call note.

⁴⁸⁶ P1-RF11-Parties, question 5; nexfibre annex to FMN.

⁴⁸⁷ Third-party call note: [redacted].

⁴⁸⁸ Third-party call transcript: [redacted].

- (d) Openreach has applied to Ofcom to offer a discount in relation to new to Openreach customers in areas where VMO2 is present.⁴⁸⁹ Ofcom provisionally concluded that these geographically targeted discounts are not unduly discriminatory and such that Ofcom would therefore be content for Openreach to implement the offer on 1 October 2026.⁴⁹⁰

6.51 While the examples seen so far are limited in scale, Ofcom submitted that it is likely that wholesale pricing will become more geographically differentiated if network competition continues to develop.⁴⁹¹ This is because:

- (a) Ofcom submitted that [REDACTED]. For example, [REDACTED].⁴⁹²
- (b) Ofcom submitted that, while current regulation restricts Openreach's ability to introduce discriminatory geographically targeted discounts without prior consent,⁴⁹³ these restrictions are only intended to be time-limited rather than permanent. This is because Ofcom's regulatory framework is designed to be responsive to evolving market conditions, such that if network competition continues to develop during the review period, Ofcom would expect there to be circumstances in which a less restrictive approach to geographically differentiated pricing is appropriate even under the current regulations.⁴⁹⁴
- (c) Ofcom submitted that there is some uncertainty about how other network operators may respond to geographic pricing from Openreach, and this is likely to depend at least in part on the extent to which Openreach pricing, and competitive conditions more generally, vary within their footprint. However, we expect they could, in principle, respond to a geographic change in competitive conditions by varying their own wholesale pricing and/or their own retail arms' pricing (for vertically integrated operators).⁴⁹⁵

6.52 Overall, the evidence indicates that contracts cover a network footprint and currently most competitive parameters are set by the Parties and other network operators at the network-footprint level. As such, the Parties will determine their competitive offering based on competitive constraints across their entire footprints.⁴⁹⁶ This indicates that the geographic market is at the level of the Parties' network footprints. This market is sub-national, as the Parties' network footprints (and thus their parameter setting and contracts) are not national in

⁴⁸⁹ See [Openreach ACCN: OR1109](#) and Ofcom, [Consultation - Openreach's proposed commercial offers](#), paragraph 2.25.

⁴⁹⁰ Ofcom. July 2026. [Consultation on Openreach's proposed commercial offers](#), page 4.

⁴⁹¹ Ofcom response dated 18 September 2026 to the CMA's RFI dated 15 September 2026, page 3.

⁴⁹² Ofcom response dated 18 September 2026 to the CMA's RFI dated 15 September 2026, page 4.

⁴⁹³ This is in order to protect the development of sustainable network competition.

⁴⁹⁴ Ofcom response dated 18 September 2026 to the CMA's RFI dated 15 September 2026, page 3.

⁴⁹⁵ Ofcom response dated 18 September 2026 to the CMA's RFI dated 15 September 2026, page 4.

⁴⁹⁶ We note that build plans are inherently local and that, as set out in the counterfactual chapter, we expect VMO2 to continue its Fibre Up programme over time. We have taken this into account in our competitive assessment considering both the geographic market based on current FTTP networks and the geographic market based on future FTTP networks.

scope. We note that there is some evidence that pricing may become more localised in the future, including based on trials by nexfibre and submissions from Ofcom, and we consider this further in our competitive assessment.

- 6.53 We note that the proposed geographic market is narrower than Ofcom's Area 2⁴⁹⁷ which includes, but is wider than, the Parties' network footprints.⁴⁹⁸ However, this market definition was conducted for a different purpose with a different starting point. Specifically, Ofcom conducted its market definition in the context of its market review process under the Communications Act 2003, assessing whether any communications provider holds 'significant market power' in the relevant market(s) and, having found that Openreach does so in a number of them (including Area 2 for WLA),⁴⁹⁹ imposing regulatory conditions on Openreach to address the competition concerns arising from such significant market power.⁵⁰⁰ In contrast, market definition in merger investigations seeks to identify the most significant competitive alternatives available to customers of the merger firms and includes the sources of competition to the merger firms that are the immediate determinants of the effects of the merger.⁵⁰¹
- 6.54 Therefore, the starting point and purpose of our market definition differ to that of Ofcom's.⁵⁰² In such situations, our guidance envisages that different market definitions may arise. In particular, our guidance states that the outcome of any market definition exercise will depend on the starting point, ie the overlapping products of the merger firms. Therefore, there is no one market definition that can be expected to apply across all cases in a similar area.⁵⁰³

⁴⁹⁷ Three third parties referred to Ofcom's Area 2 in submissions to the CMA. Grain submitted that it broadly supports Ofcom's approach to geographic market definition. ([Grain Connect response to the Areas of focus](#), 17 July 2026, Market Definition section - page 4). [X] did not comment on the appropriateness of this market definition, but did use it for the basis of its submission to the CMA (Third-party submission: [X]). BT Group submitted that the CMA's geographic market definition should reflect differences in actual and potential competitive intensity across areas. BT Group submitted that competitive dynamics vary materially between local areas depending on the competitors present, with differences arising not only from the number of competitors but also from the degree of competitive constraint exerted by individual providers. In doing this BT Group cited evidence it provided Ofcom including a report commissioned by NERA which BT Group submitted supports a view that there are significant differences in competitive conditions which should lead to different geographies identified and more localised geographic markets than Ofcom's wide Area 2 ([BT response to the Areas of focus](#), 20 July 2026, paragraphs 19 and 22).

⁴⁹⁸ Ofcom defined Area 2 covers postcode sectors in which there is, or there is likely to be potential for, material and sustainable competition to BT in the commercial deployment of competing networks, representing approximately 86% of UK premises. Ofcom separately defined Area 3 comprises postcode sectors where such competition is absent and unlikely to emerge (Ofcom, [Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 2: Market definition and SMP assessment](#), 17 March 2026, paragraphs 4.250 and 4.279).

⁴⁹⁹ TAR 2026, [Volume 1](#), paragraph 2.102.

⁵⁰⁰ See Appendix A for more information.

⁵⁰¹ [CMA129](#), paragraph 9.2.

⁵⁰² This is consistent with a submission from BT Group who submitted that the nature of the analysis to be carried out by the CMA differs from the exercise carried out by Ofcom. In addition, BT Group submitted there are differences in the role of market definition in the CMA's assessment compared to Ofcom's as well as differences in timeframes being considered and uncertainty involved in each assessment ([BT response to the Areas of focus](#), 20 July 2026, paragraph 21).

⁵⁰³ [CMA129](#), footnote 154.

Our provisional conclusion on geographic market definition

- 6.55 Based on the above, our provisional view is that the appropriate geographic market definition is the Parties' combined FTTP network footprints.⁵⁰⁴ This reflects the fact that at present contracts and parameters are mostly set at the level of network footprints, rather than at a more granular level, and that the only direct competition they face is from firms that also have networks in these areas.

Provisional conclusion on market definition

- 6.56 On the basis of the evidence set out above, we provisionally conclude that the relevant wholesale market comprises all FTTP wholesale networks and Openreach's legacy network within the Parties' combined FTTP network footprints. We refer to this in the rest of the Interim Report as the **wholesale fixed broadband market**.

Theory of harm: Horizontal unilateral effects in the wholesale supply of fixed broadband services

Introduction

- 6.57 This section sets out our assessment of horizontal unilateral effects in the supply of wholesale fixed broadband in the UK. We first outline the Parties' main submissions, then present our assessment and provisional conclusions based on the evidence we have gathered to date.
- 6.58 This analysis is based on our provisional view, as set out in the counterfactual chapter, that absent the Transaction, the most likely counterfactual is that:
- (a) CityFibre would acquire Substantial, wholesale Substantial's network to retail ISPs and sell Substantial's retail business (YouFibre) to a third-party ISP.
 - (b) VMO2/nexfibre would continue to be active in the wholesale supply of fixed broadband to ISPs, and VMO2 would continue upgrading its legacy network to FTTP via its Fibre Up programme.
- 6.59 In light of this, our competitive assessment focuses on the impact of the Transaction at the wholesale level of the supply chain where CityFibre (including Substantial's network) and VMO2/nexfibre would be active in the counterfactual. In

⁵⁰⁴ In the BT/EE merger investigation, the CMA found that the competition in the supply of fixed wholesale broadband access to WLA products was national in scope (excluding the Hull area) (see CMA, [A report on the anticipated acquisition by BT Group plc of EE Limited](#), 15 January 2016, paragraph 18.22). However, that decision was written in 2016, prior to Ofcom's [Wholesale Fixed Telecoms Market Review 2021-26](#), which introduced access regulation relating to Openreach's physical infrastructure, and before the widespread rollout of FTTP networks by alternative providers.

the final section of this chapter, we consider the implications of our analysis and findings for the retail level of the supply chain.

Parties' submissions

6.60 The Parties submitted that the Transaction does not give rise to an SLC on any plausible basis in relation to wholesale fixed broadband for the following key reasons.⁵⁰⁵

- (a) First, absent the Transaction, there would be no meaningful wholesale competition between Substantial and nexfibre, as neither Party has a credible and timely route to achieving the scale needed to attract ISPs through organic growth.⁵⁰⁶ The Parties have no current third-party wholesale customers.⁵⁰⁷ Including the Parties' own self-supply, their combined share of the national wholesale market is modest at [20-30]%, with the acquisition of Substantial increasing this share by only [0-5]%.⁵⁰⁸ There is also no evidence of pre-existing competition between the Parties in wholesale negotiations.⁵⁰⁹
- (b) Second, Openreach would remain the principal competitive constraint on the Parties. Its unmatched duct and pole infrastructure, national coverage, and established ISP relationships mean it is a ubiquitous and incumbent player in the market with unparalleled scale advantages and market dominance. Openreach's pricing provides the principal benchmark for wholesale negotiations and its continued presence would ensure the Parties continue to have strong incentives to offer substantial discounts to attract ISPs.⁵¹⁰
- (c) Third, nexfibre's proposed wholesale pricing reflects its own commercial and financing requirements, rather than any hypothetical desire to protect VMO2's retail business from cannibalisation.⁵¹¹ Any [X]% is unlikely to be [X].⁵¹²

⁵⁰⁵ [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 14.

⁵⁰⁶ [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 15. See also: Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, section 1, page 2.

⁵⁰⁷ [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 17(ii); See also: Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, section 1, page 2.

⁵⁰⁸ [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 17(ii); See also: Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, section 1, page 2.

⁵⁰⁹ Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, section 3, page 8.

⁵¹⁰ Parties' letter to the CMA, 2 September 2026, page 4 see also: [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 17(i), and: Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, section 3, page 6.

⁵¹¹ Parties' letter to the CMA, 2 September 2026, page 2.; see also: Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, section 4, page 9.

⁵¹² Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, section 4, pages 9-10; see also: Parties' letter to the CMA, 2 September 2026, pages 2-3.

- (d) Fourth, the Transaction would not prevent other altnets from gaining scale, as the Parties would account for only a moderate share in the wholesale market.⁵¹³
- (e) Finally, under the geographic market definition proposed by the CMA, based on each Party's wholesale-capable footprint, the Parties would not be considered close competitors.⁵¹⁴ The Parties' FTTP networks overlap only to a limited extent: Substantial covers approximately [10-20]% of VMO2/nexfibre's FTTP footprint, while VMO2/nexfibre's FTTP footprint covers approximately [20-30]% of Substantial's.⁵¹⁵ These overlaps are also unlikely to increase materially given the Parties' financial constraints and build plans, including [X].⁵¹⁶

Our assessment

- 6.61 Horizontal unilateral effects may arise in a horizontal merger when one firm merges with a competitor that would otherwise provide a competitive constraint, allowing the merged entity profitably to raise prices or degrade non-price aspects of its competitive offering (such as quality, range, service and innovation) on its own and without needing to coordinate with its rivals.⁵¹⁷
- 6.62 In differentiated markets, horizontal unilateral effects are more likely where the merger firms are close competitors or where their products are close substitutes. The merger firms need not, however, be each other's closest competitors for unilateral effects to arise. It is sufficient that the merger firms compete closely and that the remaining competitive constraints are not sufficient to offset the loss of competition between them resulting from the merger.⁵¹⁸
- 6.63 The CMA will consider the overall closeness of competition between the merger firms in the context of other constraints that would remain post-merger. Where the CMA finds evidence that competition mainly takes place among few firms, any two would normally be sufficiently close competitors that the elimination of competition between them would raise competition concerns, subject to evidence to the contrary.⁵¹⁹

⁵¹³ [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 17(iii).

⁵¹⁴ Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, section 3, pages 6-7.

⁵¹⁵ Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, section 3, page 7.

⁵¹⁶ Parties' letter to the CMA, 2 September 2026, page 3; see also: Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, section 3, pages 7-8, including footnote 18.

⁵¹⁷ [CMA129](#), paragraph 4.1.

⁵¹⁸ [CMA129](#), paragraph 4.8.

⁵¹⁹ [CMA129](#), paragraph 4.10.

- 6.64 We have provisionally found that in the counterfactual: (i) CityFibre would acquire Substantial and wholesale the Netomnia network; (ii) VMO2 and nexfibre would wholesale a combined FTTP footprint; and (iii) VMO2's FTTP footprint would continue to increase as it continued its Fibre Up upgrade programme. This means that the counterfactual does not reflect prevailing conditions of competition and we take this into account below. Specifically:
- (a) We consider the closeness of competition that would exist in the counterfactual between VMO2/nexfibre and a Substantial footprint that is owned and wholesaled by CityFibre. This includes considering the current constraint from the Substantial footprint and how that might change under CityFibre ownership given, for example, CityFibre's existing contracts with ISPs.
 - (b) In assessing closeness of competition and competitive constraints we take into account that in the long-run VMO2's FTTP footprint would expand. Where relevant we also consider evidence on the extent to which other networks might expand in the future.
- 6.65 We note that the Parties' submissions on whether the Transaction gives rise to an SLC on any plausible basis in relation to wholesale fixed broadband (see above) were made in the context of Substantial remaining a standalone competitor. Therefore, the Parties' submissions do not primarily address the counterfactual that we are considering. Nevertheless, we take these submissions into account where relevant throughout our assessment.
- 6.66 Therefore, to assess whether the Transaction is likely to result in horizontal unilateral effects in the wholesale supply of fixed broadband, we consider the following evidence:
- (a) Market structure – we consider the extent to which network overlaps inform closeness of competition and set out the degree of those network overlaps between the Parties and their rivals.
 - (b) Closeness of competition – we consider how closely the Parties would compete absent the Transaction, and compare the competitive dynamics that would result from the Transaction.
 - (c) Competitive constraints – we consider evidence on whether there would be sufficient remaining alternatives to the Merged Entity that customers could switch to post-Transaction.

Market structure

- 6.67 This section considers the market structure in the relevant geographic market, ie the Parties' network footprints (see our market definition assessment above). In

particular, we focus our analysis on how important network overlaps are in indicating closeness of competition in this market; our understanding of the extent to which the Parties' networks overlap each other and the extent to which they are overlapped by other providers.

Parties' submissions

6.68 The Parties have submitted that network overlaps are not informative of closeness of competition between wholesale providers. Specifically, the Parties submitted that:⁵²⁰

- (a) Openreach represents the closest constraint on all altnets (including the Parties) and is effectively a national operator, with the result that altnets do not experience any material geographic variation in competitive conditions across their footprints.⁵²¹ Instead, wholesale providers compete to attract ISPs to connect to their network in addition to Openreach: nexfibre's negotiations with ISPs, pricing terms and service level offer are all determined primarily with reference to Openreach's national offer. Scale is a key feature in those discussions, but never location.⁵²²
- (b) There is not, and will not be moving forward, competition between altnets for specific connections in a particular geographic area. Instead, the Parties' experience is of ISPs leveraging the footprint-wide deals they have achieved with other altnets (notably CityFibre) to negotiate better deals overall, making no distinction between overlap and non-overlap areas.⁵²³
- (c) Significant upfront and ongoing network integration costs mean that ISPs will only ever consider a limited number of wholesale suppliers nationally. They will compare those suppliers based on the scale and price they can offer on a national basis, rather than confining their comparison to suppliers that overlap geographically.⁵²⁴

6.69 The Parties also submitted that in any event the Parties' network overlaps are not material, with Substantial only overlapping with around [10-20]% of VMO2/nexfibre's existing FTTP network and VMO2/nexfibre's FTTP only

⁵²⁰ The Parties also submitted that their areas of local overlap are geographically dispersed across over 90 local authorities in the UK, and Substantial's coverage density is relatively low even within these areas of overlap. They submitted that this disparate geographic coverage reduces the strength of constraint that Substantial could hypothetically impose even in these areas (noting that ISPs typically seek comprehensive coverage within wholesale operators' footprints). Source: [Parties' response to the Areas of focus](#), 20 July 2026, paragraphs 154-155. However, we note that as discussed in the nature of competition chapter above, third-party evidence, including from customers, indicates that 'network density' is not a key parameter of competition in the supply of wholesale fixed broadband.

⁵²¹ Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, page 5.

⁵²² Parties' letter to the CMA, 2 September 2026, page 4.

⁵²³ Parties' letter to the CMA, 2 September 2026, page 4.

⁵²⁴ Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, page 5.

overlapping with around [20-30]% of Substantial's network. The Parties submitted that in a plausible scenario in which VMO2 completes all commenced build but ceases any new build, VMO2/nexfibre's overlap with Substantial would increase only modestly from [20-30]% to [30-40]%.⁵²⁵

Our assessment

- 6.70 In this section, we first consider the importance of network overlaps. We then consider the extent of current and future overlaps based on the Parties' footprints.

Importance of network overlaps

- 6.71 In 2018, Ofcom adopted a major strategic shift to encourage large-scale investment in full-fibre networks in order to promote competition.⁵²⁶ This has led to a significant increase in the number of premises with access to multiple networks across the UK,⁵²⁷ with different networks overlapping each other to different extents as set out below.
- 6.72 Where network providers are active as wholesalers, network overlaps lead to direct competition for retail ISPs. For example, retail ISPs can either have agreements with both providers and shift volumes between different networks, or choose which wholesaler to contract with in response to more competitive offerings. This is consistent with observed behaviour and evidence from third parties.
- (a) Multiple ISPs use both Openreach and alternative wholesale providers such as CityFibre and Community Fibre. In doing so, they seek to use alternative wholesale providers in areas where they are available due to the discounts they provide relative to Openreach.⁵²⁸
 - (b) Views from ISPs reflect that there is competition between overlapping network providers.
 - (i) Tier 1 ISPs: One Tier 1 ISP submitted that competition in wholesale services is driven by altnet entry and expansion and that Substantial

⁵²⁵ Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, page 7.

⁵²⁶ Ofcom took two measures to encourage competitive network investment: (1) reducing the cost and making it quicker for competing providers and to build their own networks, and (2) ensuring competing providers have appropriate incentives to build their own networks rather than buying wholesale services from Openreach. See: Ofcom, [Wholesale Local Access Market Review: 2018 Statement – Volume 1](#), paragraphs 1.5 and 1.6.

⁵²⁷ By early 2026, 75% of UK premises had at least one alternative to Openreach, and 29% had two or more. Ofcom, [Wholesale Local Access Market Review: 2026 Statement – Volume 1](#), paragraph 2.29.

⁵²⁸ A document from one of Substantial's shareholders ([REDACTED]) from February 2025 states that it is unclear to what extent lower wholesale pricing will influence larger ISPs to shift volumes from Openreach to MergeCo later in the build-cycle (Substantial annex to FMN, page 33 and 64: '[REDACTED]'). As set out, this appears to be inconsistent with evidence of CityFibre successfully winning ISP customers and volumes.

competes with VMO2/nexfibre in areas where their networks overlap.⁵²⁹ Another Tier 1 ISP submitted that the availability of competing networks in an area determines whether ISPs can switch volumes and exert meaningful bargaining pressure on wholesale suppliers. The ISP said the impact went beyond those specific areas given negotiations are typically agreed on a national basis.⁵³⁰ Another Tier 1 ISP said that it expected switching between FTTP providers to become a more significant feature of competition as fibre penetration increases and the market develops, albeit it said the principal opportunity is switching customers from FTTC onto FTTP.⁵³¹

- (ii) Tier 2 ISPs: One Tier 2 ISP noted that the Transaction reduces the number of competing infrastructure providers in overlap areas and commented on the potential for the Transaction to affect current levels of local competition.⁵³² Another Tier 2 ISP said that potential access to Substantial's footprint represented an important prospective source of network competition and wholesale innovation of independent ISPs.⁵³³
- (c) Evidence from wholesale providers indicates that the presence of overlapping networks drives competition between them. In particular, as set out in our assessment of market definition, one provider specifically did not identify or rate providers that did not overlap its network.⁵³⁴ Another provider identified CityFibre as very weak, as its footprint does not overlap ([REDACTED]) and nexfibre as weak due to its very limited overlap ([REDACTED]).⁵³⁵
- (d) The Parties' internal documents show that network overlaps (ie overbuild) is a key metric monitored (see the discussion below). In addition, there is evidence that in communications with [REDACTED], Substantial was pushing back on benchmarking commercial terms against CityFibre on the basis that its network does not overbuild CityFibre's network.⁵³⁶ The evidence also shows that, while [REDACTED] was negotiating a contract with VMO2/nexfibre, it was recognised by [REDACTED] and VMO2/nexfibre that this would be on the basis that [REDACTED].⁵³⁷

⁵²⁹ Third-party submission: [REDACTED].

⁵³⁰ Third-party submission: [REDACTED].

⁵³¹ Third-party call note: [REDACTED].

⁵³² The ISP stated that there is a question of how to best balance any reduction in local infrastructure competition against the potential benefits of creating stronger national competitors. Third-party call note: [REDACTED].

⁵³³ Third-party submission: [REDACTED].

⁵³⁴ Third party response to the CMA's phase 2 third-party questionnaire, question 12: [REDACTED].

⁵³⁵ Third party response to the CMA's phase 2 third-party questionnaire, question 12: [REDACTED].

⁵³⁶ Substantial annex to P1-s109(02)-Substantial. Substantial annex to P1-s109(02)-Substantial:

⁵³⁷ See also Appendix B.

- 6.73 Therefore, network overlaps are important due to the direct competition they facilitate.⁵³⁸ Further, most competitive parameters are currently set, and supply contracts are agreed, at the network-footprint level. This means that the Parties (and competitors) will determine their competitive offering based on competitive constraints across their entire footprints. That is, the overall competitive constraint within the footprint will be based on the aggregation of competitive constraints across the footprint.
- 6.74 This means that the size of the network overlap, in terms of premises covered, between two networks matters – for example, the more that Network A overlaps the footprint of Network B, the greater the direct constraint that Network A will provide on Network B.
- 6.75 We also note that while most competitive parameters are currently set by the Parties and other network operators at the network-footprint level, there is some evidence that this may change in the future (see market definition). If this were to be the case, we would expect this to lead to an increase in the incentives to respond to competition based on network overlaps. For example:
- (a) Ofcom has provisionally accepted Openreach’s proposal to introduce a targeted offer in VMO2 areas.⁵³⁹ In addition, Ofcom also submitted that it is likely that wholesale pricing will become more geographically differentiated if network competition continues to develop. This is because Ofcom’s regulations are designed to be responsive to evolving market conditions.⁵⁴⁰
 - (b) nexfibre has trialled localised pricing, as set out in the market definition section above.
- 6.76 Finally, we consider that network overlaps closely inform the degree of *indirect* constraint that wholesalers impose on vertically integrated providers, and vice versa. As set out in the sections below on indirect retail constraints and the impact of wholesale competition on retail competition for retail customers, in CityFibre areas ISPs have had access to lower wholesale rates and have largely passed these onto end-consumers.⁵⁴¹ We therefore consider that VMO2/nexfibre’s vertically integrated offer to downstream customers is likely to be appreciably constrained by indirect competition from CityFibre, and vice versa. This is

⁵³⁸ This is also consistent with Ofcom’s submission that consolidation of network providers is more likely to be pro-competitive where there is no material overlap between the networks of the merging firms (Ofcom response dated 18 September 2026 to the CMA’s RFI dated 15 September 2026, page 9).

⁵³⁹ Ofcom, [Consultation - Openreach’s proposed commercial offers](#), page 4.

⁵⁴⁰ Ofcom response dated 18 September 2026 to the CMA’s RFI dated 15 September 2026, page 3.

⁵⁴¹ The evidence indicates these providers have seen greater switching to their networks as a result. As set out in the nature of competition chapter, Ofcom’s view is that the benefits of developing competition are already being felt in the form of attractive pricing offers for consumers, innovation in terms of the adoption of new technologies, and a greater choice of services (Ofcom response dated 18 September 2026 to the CMA’s RFI dated 15 September 2026, page 1). This is consistent with a third-party view that having an additional full-fibre network in an area available to ISPs leads to more wholesale competition to Openreach, which is then likely to result in lower costs for ISPs. (Third-party call note: [X].)

important because, as set out in the nature of competition chapter above, evidence indicates that ISPs often differentiate retail prices to individual end customers, including in response to local competition.⁵⁴² This means that, for example, VMO2/nexfibre could respond locally to wholesale competition from CityFibre via VMO2's retail offer.⁵⁴³

Current and future network overlaps

- 6.77 Our analysis of network overlaps focuses on the Parties' network footprints. We consider the extent to which other networks overbuild VMO2/nexfibre's current and future FTTP network (including its HFC/RFOG footprint, which we expect to be upgraded to FTTP in the future) and the extent to which other networks overbuild Substantial's network. Below we set out the results of that analysis, comparing the situation in the counterfactual, where the Substantial network would be owned by CityFibre, to the situation post-Transaction, where the Substantial network would be owned by VMO2/nexfibre. More detail on the data used and results of this analysis are set out in Appendix C.
- 6.78 The analysis set out below shows that:
- (a) The market for wholesale broadband services is highly concentrated, both currently and in the future, with only three substantive providers within the Parties' network footprint post-Transaction (the Merged Entity,⁵⁴⁴ Openreach and CityFibre) and in the counterfactual (VMO2/nexfibre, Openreach and CityFibre/Substantial).
 - (b) The Transaction, when compared to the counterfactual, would increase that concentration, and thus reduce competition, by significantly reducing the extent of overlap the Merged Entity faces on its network footprint. This occurs due to the 'transfer' of the Substantial footprint from CityFibre in the counterfactual to VMO2/nexfibre post-Transaction.
- 6.79 This is consistent with Ofcom's submission that it expects the Transaction to have an impact on competitive conditions as:⁵⁴⁵

⁵⁴² For example, [§]. P1-RFI3-Parties, question 3, Schedule 2 paragraph 2 and Schedule 4 paragraph 3.

⁵⁴³ In this regard, Ofcom submitted that competitive conditions may vary in response to indirect constraints from retail competition, and that even if VMO2/nexfibre's potential wholesale pricing were to be relatively uniform within its footprint, it likely faces variations in the strength of the indirect constraint from retail ISPs that use different networks across its footprint. Ofcom submitted that it could respond to this at the retail level through its approach to price, retention strategies and wider service offering (Ofcom response dated 18 September 2026 to the CMA's RFI dated 15 September 2026, page 11).

⁵⁴⁴ This includes VMO2/nexfibre/Substantial's current FTTP footprint, as well as VMO2's HFC/RFOG footprint, which we consider would be upgraded to FTTP in the future with or without the Transaction.

⁵⁴⁵ Ofcom also expected Substantial's footprint to provide an indirect constraint and we consider this further below (see section on indirect retail constraints). Ofcom response dated 18 September 2026 to the CMA's RFI dated 15 September 2026, page 11.

- (a) In roughly [X] of VMO2/nexfibre's full network (including its HFC/RFOG footprint), it only faces competition from Openreach.
- (b) In the other [X], VMO2/nexfibre faces Openreach and at least one more competitor. Ofcom submitted that these areas may have a disproportionate impact on VMO2/nexfibre's pricing and wider competitive strategy as there is greater scope for VMO2 to lose volumes and revenues to rivals in these areas if it does not offer competitive prices and quality of service.
- (c) The Substantial footprint accounts for a high share ([X]%) of the footprint where VMO2/nexfibre faces Openreach and at least one more competitor.
- (d) This means the Transaction directly and significantly reduces the areas in which there is a third provider competing head-to-head with Openreach and VMO2/nexfibre.

6.80 In Table 6.1 below, we compare the extent to which other providers overlap with: (i) VMO2/nexfibre's FTTP footprint in *the counterfactual* where CityFibre acquires Substantial (left hand column); and (ii) the Merged Entity's FTTP footprint *post-Transaction* where Substantial is under nexfibre ownership. This is based only on VMO2/nexfibre's current FTTP network and as such indicates the current extent of overlaps in the counterfactual and post-Transaction.

Table 6.1: Current % FTTP network overlaps (based on VMO2/nexfibre's existing FTTP footprint)

(%)

Provider	Counterfactual – VMO2/nexfibre FTTP footprint	Post-Transaction – Merged Entity FTTP footprint
Substantial	12.8	N/A
CityFibre	18.9	14.2
Combined CityFibre/Substantial	31.7	N/A
Openreach – total	100	100
Openreach – FTTP	80.0	81.0
Openreach – legacy	19.9	18.9
Community Fibre	[0-5]	[0-5]

Source: CMA analysis of Ofcom's Connected Nations January 2026 fixed broadband networks data and VMO2 data on Fibre Up build.

6.81 Based on this current picture:

- (a) in the counterfactual, CityFibre/Substantial has a 31.7% overlap with VMO2/nexfibre's FTTP footprint. This is more than twice its 14.2% overlap with the Merged Entity's FTTP footprint post-Transaction. This is due to the loss of the incremental Substantial footprint due to the Transaction.⁵⁴⁶

⁵⁴⁶ Specifically, this is because of two mechanisms. First, Substantial's footprint overlaps with 12.8% of VMO2/nexfibre's FTTP footprint – this leads to a direct reduction in the overlap due to the Transaction (see Appendix C, Table C.1). Second, the existing CityFibre footprint also overlaps less as a proportion of the Merged Entity's footprint because the Merged Entity's footprint includes the Substantial footprint, which does not materially overlap with CityFibre's network.

- (b) Openreach fully overlaps VMO2/nexfibre's FTTP footprint in the counterfactual and the Merged Entity's FTTP footprint post-Transaction with most of this overlap being FTTP.
- (c) Community Fibre is the only other altnet substantively active in wholesaling with a very small overlap with VMO2/nexfibre's FTTP footprint in the counterfactual ([0-5]%) and an even smaller overlap with the Merged Entity's FTTP footprint post-Transaction ([0-5]%).⁵⁴⁷

6.82 Table 6.2 below makes the same comparison but based on VMO2/nexfibre's full network, and as such indicates the extent of *future* FTTP overlaps in the counterfactual and post-Transaction. This is because we consider that VMO2/nexfibre would upgrade its HFC/RFOG footprint to FTTP in the future with or without the Transaction. To estimate future network overlaps, we have also taken into account that Openreach is likely to complete upgrading its legacy network to FTTP (see nature of competition chapter). Beyond that, we use current network sizes, as CityFibre may engage in further expansion (via M&A⁵⁴⁸ or new build),⁵⁴⁹ but this is uncertain, and there is limited evidence from altnets of substantive future build plans that overlap with the Parties.⁵⁵⁰

Table 6.2: Future % FTTP network overlaps (based on VMO2/nexfibre's full footprint)

(%)

Provider	Counterfactual – VMO2/nexfibre footprint	Post-Transaction – Merged Entity footprint
Substantial	13.6	N/A
CityFibre	18.2	17.7
Combined CityFibre/Substantial	31.9	N/A
Openreach FTTP	100	100
Community Fibre	[5-10]	[5-10]

Source: CMA analysis of Ofcom's Connected Nations January 2026 fixed broadband networks data.

Note: For Openreach we have assumed that all of its network would be updated to FTTP in the long run.

6.83 Based on this future picture:

⁵⁴⁷ As with CityFibre, this reduction occurs because the Merged Entity's footprint includes the portion of Substantial's footprint which overlaps with neither VMO2/nexfibre's FTTP footprint nor Community Fibre's network.

⁵⁴⁸ CityFibre submitted that [REDACTED] regarding future financing for M&A and that [REDACTED]. Third party responses to the CMA's phase 2 third-party questionnaire, questions 14 and 15: [REDACTED].

⁵⁴⁹ CityFibre submitted that it plans for its network to cover at least 8 million premises in the medium term, with a target of up to [REDACTED] million premises. CityFibre plans to achieve this expansion mainly by acquiring other altnets whose network coverage complements its own but also through some new network build through the Building Digital UK (BDUK) programme. CityFibre also submitted that [REDACTED]. Third party response to the CMA's phase 2 third-party questionnaire: [REDACTED].

⁵⁵⁰ While almost all other altnets that responded to our questionnaire told us they had some pre-existing plans to expand, these plans are generally limited in nature, have some uncertainty (eg as the altnet is seeking funding), do not overlap with the Parties' footprints and/or involve expansion by an altnet that is not active in wholesale. In particular: (i) [REDACTED] is active in wholesale and seeking to expand its network to [REDACTED] million homes in [REDACTED] which it anticipates will overbuild VMO2's network, albeit it is engaging with have offered a larger to secure funding; (ii) [REDACTED] has funding to add c.170k homes with some overbuild with VMO2 and Substantial, however, it is not active in wholesale; (iii) [REDACTED] is planning to do some limited build (total of c 24,000 premises) via the BDUK contract, but does not plan to overbuild the Parties; and (iv) [REDACTED] is planning a very small amount of build via BDUK (c4k premises) with none of it overlapping the Parties footprints. See: Third party responses to the CMA's phase 2 third-party questionnaire question 14: [REDACTED].

- (a) in the counterfactual, CityFibre/Substantial has a 31.9% overlap with VMO2/nexfibre's future FTTP footprint. This is significantly larger than CityFibre's 17.7% overlap with the Merged Entity's future FTTP footprint post-Transaction. This is due to the loss of the incremental Substantial footprint due to the Transaction.⁵⁵¹
- (b) Openreach's FTTP network fully overlaps VMO2/nexfibre in the counterfactual and the Merged Entity post-Transaction.
- (c) Community Fibre has a small overlap of [5-10]% with VMO2/nexfibre in the counterfactual and [5-10]% with the Merged Entity post-Transaction.⁵⁵²

6.84 In Appendix C, we also set out our analysis of the extent of network overlaps based on the Substantial footprint. This shows the extent to which VMO2/nexfibre would place a constraint on a Substantial footprint owned by CityFibre in the counterfactual. Our analysis shows that in the counterfactual, VMO2/nexfibre would place a significant and increasing constraint over time on a Substantial footprint owned by CityFibre. In particular:

- (a) Based on *current* FTTP overlaps, Substantial's network is 26.0% overbuilt by VMO2/nexfibre's current FTTP footprint.⁵⁵³
- (b) Based on *future* FTTP overlaps incorporating VMO2's likely upgrades to its HFC/RFOG network, Substantial's network would be 81.9% overbuilt by VMO2/nexfibre future FTTP footprint.⁵⁵⁴

Provisional conclusion on market structure

6.85 Our provisional view is that network overlaps are an important feature of competition between wholesale providers because of the direct competition they facilitate. In addition, there is some evidence that on a forward-looking basis, competitive parameters could vary within network footprints, which would increase providers' incentives to respond to direct competition in overlap areas. Network overlaps also closely inform the indirect constraint between wholesalers and

⁵⁵¹ As above, this is because of two mechanisms. First, Substantial's footprint overlaps with 13.6% of VMO2/nexfibre's full footprint – this leads to a direct reduction in the overlap due to the Transaction (see Appendix C, Table C.2). Second, the existing CityFibre footprint also overlaps less as a proportion of the Merged Entity's footprint because the Merged Entity's footprint includes Substantial's footprint, which does not materially overlap with CityFibre's network (see Appendix C, Table C.3). Compared to our analysis of current overlaps, the impact of this second mechanism on future FTTP overlaps is relatively smaller, because the non-overlapping Substantial footprint is small in comparison to VMO2/nexfibre's future FTTP footprint.

⁵⁵² As with CityFibre, this reduction occurs because the Merged Entity's footprint includes the portion of Substantial's footprint which overlaps with neither VMO2/nexfibre's FTTP footprint nor Community Fibre's network.

⁵⁵³ See Appendix C, Table C.3. This includes 19.4% overbuild by VMO2 Fibre Up premises and 6.6% overbuild by nexfibre premises. Substantial's network is fully overbuilt by Openreach, with 85.5% of that being Openreach FTTP. Substantial's network is not overbuilt by any altnet substantively active in wholesaling.

⁵⁵⁴ See Annex C, Table C.3. It would also be fully overbuilt by Openreach FTTP.

vertically integrated providers, as localised retail pricing allows providers such as VMO2 to respond locally to competition in overlap areas.

- 6.86 On that basis, we have assessed network overlaps within the Parties' combined footprint. Our provisional view is that competition in this geographic market is highly concentrated, with only three substantive providers. The Transaction would increase that concentration by moving the Substantial footprint – which accounts for around a 14% overlap with VMO2/nexfibre's future FTTP footprint – from CityFibre to VMO2/nexfibre. This would significantly reduce the extent of overlap between CityFibre and VMO2/nexfibre, from around 32% to around 18%.⁵⁵⁵

Closeness of competition

- 6.87 In this section, we consider closeness of competition between VMO2/nexfibre and Substantial, when owned by CityFibre (our counterfactual scenario); and compare this against the Transaction scenario, in which VMO2/nexfibre owns Substantial.
- 6.88 As a starting point, we consider that the evidence set out above shows that in the counterfactual, Substantial's footprint would directly compete with VMO2/nexfibre in wholesale. Moreover, our analysis of network overlaps above shows that (i) the market for wholesale broadband services is highly concentrated, both currently and in the future, and (ii) the Transaction, when compared to the counterfactual, would increase that concentration by significantly reducing the extent of overlap, and thus the constraint, VMO2/nexfibre would face on its network footprint.
- 6.89 Our assessment is from this starting point, and we note that where we find evidence that competition mainly takes place among few firms, any two would normally be sufficiently close competitors that the elimination of competition between them would raise competition concerns, subject to evidence to the contrary.⁵⁵⁶
- 6.90 In the sections below, we consider other evidence on closeness of competition. First, we set out the Parties' submissions, which relate to closeness of competition as between VMO2/nexfibre and a standalone Substantial. We then consider evidence on the comparative offerings of VMO2/nexfibre and Substantial and assess the subsequent effect on competition as between the Transaction scenario and the counterfactual scenario in which CityFibre owns Substantial by reference to internal documents and third-party evidence. Next, we consider the implications of links between the wholesale and retail levels of the supply chain, both in terms of constraints that may arise at the retail level and VMO2/nexfibre's incentives

⁵⁵⁵ In the counterfactual, this is around 32% of the VMO2/nexfibre's future FTTP footprint excluding Substantial. Post-Transaction, this is around 18% of the Merged Entity's future FTTP footprint including Substantial.

⁵⁵⁶ [CMA129](#), paragraph 4.10.

given VMO2's current retail offering. Finally, we make our provisional conclusions on closeness of competition.

Parties' submissions

- 6.91 The Parties submitted that VMO2/nexfibre and Substantial do not compete in wholesale, because Substantial's only wholesale customers are within its own corporate group and nexfibre currently supplies only to VMO2.⁵⁵⁷ They submitted that there is no meaningful competition between the Parties as each of nexfibre and Substantial lacks the requisite scale to provide effective and sustainable competition to Openreach in a timely way (or at all).⁵⁵⁸
- 6.92 The Parties submitted that, in any case, the primary competitive dynamic is competition with Openreach, which is the default provider on account of its near-ubiquitous market presence and incumbency advantage. The Parties referenced their internal documents and pricing strategies, which they submitted indicate that VMO2/nexfibre does not consider Substantial to be a particularly close competitor for wholesale local access (and vice versa).⁵⁵⁹
- 6.93 The Parties also submitted that the Transaction will not prevent other altnets, including CityFibre, from achieving scale either organically or inorganically. They submitted that Substantial is only a small part (circa 20%) of the overall footprint provided by the altnets, and that a significant altnet footprint will remain in the market post-Transaction.⁵⁶⁰

Comparison of VMO2/nexfibre and CityFibre wholesale offers

- 6.94 In this section, we consider evidence on the relative competitiveness of the wholesale offers of VMO2/nexfibre and CityFibre. This is because CityFibre would own Substantial in the counterfactual, and therefore its current wholesale offer is indicative of the constraint that would be posed by Substantial in the counterfactual.
- 6.95 Evidence set out in this section shows that VMO2/nexfibre and CityFibre are targeting the same ISP customers, and that CityFibre is a vigorous competitor as shown by its current offering. We therefore consider that Substantial would place a stronger constraint in VMO2/nexfibre's footprint in the counterfactual when owned by CityFibre. In addition, relative to the counterfactual, the Transaction would lead

⁵⁵⁷ Our main assessment of these issues is set out above in the counterfactual chapter. [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 121.

⁵⁵⁸ [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 122.

⁵⁵⁹ [Parties' response to the Areas of focus](#), 20 July 2026, paragraphs 136-139.

⁵⁶⁰ [Parties' response to the Areas of focus](#), 20 July 2026, paragraphs 140-144.

to a direct worsening in the terms on which ISPs could access wholesale fixed broadband within the Substantial footprint.

6.96 First, while both VMO2/nexfibre and CityFibre offer discounts [REDACTED] pricing in order to attract customers, CityFibre has historically competed vigorously for ISP contracts offering larger discounts to Tier 1 ISPs than those so far agreed or proposed by VMO2/nexfibre.⁵⁶¹ For example:

- (a) CityFibre offers ISPs [REDACTED]⁵⁶² a [REDACTED]% discount to Openreach Equinox 2 [REDACTED]. This increases to a discount of [REDACTED]% for [REDACTED].⁵⁶³
- (b) In contrast, VMO2/nexfibre has historically offered Tier 1 ISPs [REDACTED],⁵⁶⁴ albeit nexfibre noted in an internal document that [REDACTED],⁵⁶⁵ and [REDACTED].⁵⁶⁶

6.97 There is also evidence that generally CityFibre offers better quality service to ISPs on some parameters than VMO2/nexfibre. Evidence indicates that in negotiations and agreements with ISPs, CityFibre has aimed to exceed Openreach's service levels, while VMO2/nexfibre has (to date) sought to match Openreach's service levels. For example:

- (a) A Tier 1 ISP provided us with a comparison of the terms [REDACTED] to those of CityFibre, Community Fibre and Openreach. In this comparison it was stated that on 'service levels / credits' CityFibre's terms were '[REDACTED]' whereas [REDACTED] offer was the '[REDACTED]'.⁵⁶⁷ The Tier 1 ISP also said that the service quality and commitment to customer experience offered by CityFibre was '[REDACTED]' to those offered by [REDACTED] and Openreach.⁵⁶⁸ The Tier 1 ISP listed [REDACTED], [REDACTED] and [REDACTED] as examples of how better wholesale service can be fundamental to customers' overall experience.⁵⁶⁹
- (b) Another Tier 1 ISP said that the products and service level agreements from CityFibre are better than from Openreach.⁵⁷⁰ The Tier 1 ISP also provided

⁵⁶¹ There are some other terms where CityFibre/Substantial's offer may be more attractive or at least comparable to VMO2/nexfibre's offer, eg [REDACTED]. For example, CityFibre response dated 7 September 2026 to the CMA's RFI dated 27 August 2026 (**P2-RFI3-CityFibre**), question 3(d), and Parties' annex to P2-RFI1-Parties pages 9-10; nexfibre annex to P1-s109(02)-nexfibre page 6; nexfibre annex to P1-s109(02)-nexfibre: page 17).

⁵⁶² CityFibre's [REDACTED]. [REDACTED] (P2-RFI3-CityFibre, questions 2 and 3).

⁵⁶³ CMA analysis of: P2-RFI3-CityFibre, question 3. CityFibre remarked that its prices are not expressly calculated as discount from Openreach prices, ie the level of price differential may vary from time to time as Openreach shifts its own prices. Analysis is rounded and ranged for different network speeds; the analysis uses equivalent download speeds taken from Openreach's February 2026 Equinox 2 pricing (CityFibre response dated 7 September 2026 to the CMA's RFI dated 27 August 2026).

⁵⁶⁴ VMO2 annex to P1-RFI2-Parties; see also: nexfibre annex to P1-S109(02)-nexfibre, page 17; and: Third-party submission: [REDACTED]; Third-party submission: [REDACTED]; and: [Sky response to the Areas of focus](#), 20 July 2026, paragraph 45. We note that VMO2/nexfibre's [REDACTED]. The [REDACTED]% discount range takes into account that some offers ([REDACTED]) included volume thresholds which would see the discount increase once met.

⁵⁶⁵ Parties annex to the FMN, page 7.

⁵⁶⁶ Attachment to Parties' email to the CMA dated 15 September 2026.

⁵⁶⁷ Third-party submission: [REDACTED].

⁵⁶⁸ Third-party call note: [REDACTED].

⁵⁶⁹ Third-party call note: [REDACTED].

⁵⁷⁰ Third-party call note: [REDACTED].

[REDACTED] from VMO2/nexfibre where [REDACTED] service quality was benchmarked to (ie on par rather than exceeding) Openreach's published performance.⁵⁷¹

- (c) [REDACTED] explained that network installation times are an important quality of service parameter which make [REDACTED] offering attractive to ISPs. In particular, it can install networks quickly and [REDACTED].⁵⁷²

6.98 Second, CityFibre's agreements with ISPs also provide more certainty as they last for [REDACTED],⁵⁷³ while VMO2/nexfibre's offers to Tier 1 ISPs have been for [REDACTED] years.⁵⁷⁴ A [REDACTED] internal document from July 2026 suggests that, while [REDACTED] considered a [REDACTED]-year contract too short, [REDACTED] considered a contract longer than [REDACTED] years too much risk [REDACTED].⁵⁷⁵

6.99 In addition, while they are both targeting Tier 1 ISPs, CityFibre has existing contracts with [REDACTED] ISPs [REDACTED],⁵⁷⁶ whereas VMO2/nexfibre would need to secure relevant contracts beyond its likely agreement [REDACTED].⁵⁷⁷ CityFibre is also used by many [REDACTED] ISPs⁵⁷⁸ whereas VMO2/nexfibre has no substantive plans to supply Tier 2 ISPs in the short term.⁵⁷⁹ This means that in the counterfactual, VMO2/nexfibre would be competing against Substantial, as owned by CityFibre, when trying to agree new contracts with Tier 1 or Tier 2 ISPs.

6.100 We provisionally consider this means that:

- (a) Substantial, owned by Cityfibre, would closely compete with VMO2/nexfibre in the counterfactual given its highly competitive offer and material overlap with VMO2/nexfibre.
- (b) Relative to the counterfactual, within the Substantial footprint the Transaction would likely lead to a direct worsening in the terms on which ISPs could access the Substantial footprint. This is because the terms (including pricing and service quality) that the Merged Entity would offer post-Transaction are likely to be worse for ISPs compared to those they would receive from a Substantial owned by CityFibre. As set out below, this would also have a direct impact on outcomes at the retail level of the supply chain, including the prices charged to end consumers.

6.101 We note that the Parties submitted that (i) a comparison of VMO2/nexfibre discounts with alternative offers is not like-for-like because it does not consider

⁵⁷¹ Third-party internal document, [REDACTED].

⁵⁷² Third-party call transcript: [REDACTED].

⁵⁷³ P2-RFI3-[REDACTED], question 3(c).

⁵⁷⁴ nexfibre annex to P1-RFI2-Parties; [REDACTED] response dated 25 June 2026 to the CMA's s109 notice dated 16 June 2026 (P1-s109(01)-[REDACTED]), Annex 38); nexfibre annex to P1-s109(02)-nexfibre.

⁵⁷⁵ Third-party internal document, [REDACTED].

⁵⁷⁶ P2-RFI3-CityFibre, question 1. Third-party call note: [REDACTED]. See also: Third-party submission: [REDACTED].

⁵⁷⁷ See counterfactual chapter, section on VMO2/nexfibre's wholesale position absent the Transaction.

⁵⁷⁸ Third-party call note: [REDACTED]. See also: Third-party submission: [REDACTED].

⁵⁷⁹ As set out in Appendix B (VMO2/nexfibre's pre-Transaction wholesale plans section).

scale;⁵⁸⁰ and (ii) any [X] to Openreach's Equinox 2 pricing would be unlikely to be [X].⁵⁸¹

- 6.102 The offerings of different suppliers in any market often differ on a number of bases and customers will tend to make trade-offs based on those differences. Therefore, as part of its assessment in merger investigations the CMA will tend to consider the similarities and differences between different competitors and the implications of those differences for competition. Consistent with this, we have considered a range of factors to understand the relative competitive constraint that would be posed by Substantial (as part of CityFibre) on VMO2/nexfibre as compared to other market participants.
- 6.103 However, we do not agree with the Parties' submission that it is inappropriate to compare the offerings of CityFibre and VMO2/nexfibre in the current context. While scale may influence [X] VMO2/nexfibre is willing to offer, ISPs can actively choose between overlapping network providers. For example, the evidence shows that, [X].⁵⁸²
- 6.104 Further, in relation to the Parties' second point (that [X]), the Parties did not provide strong evidence to support this submission.⁵⁸³ In addition, as set out above, there is some evidence that VMO2/nexfibre may have offered [X]. We have also not received evidence to support [X]. For example, as explained in the counterfactual chapter, CityFibre successfully raised debt financing in 2025, is [X]⁵⁸⁴ and shareholders remain behind CityFibre's overall strategy, as evidenced by their willingness to invest £[X] into future acquisitions.⁵⁸⁵

⁵⁸⁰ The Parties submitted that ISPs would get access to VMO2/nexfibre's discount at significantly more premises. VMO2/nexfibre's greater network scale allows ISPs to spread integration and operating costs across more premises which should be considered when comparing its discounts with those offered by other altnets. Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, section 4, page 9, including footnotes 24-25.

⁵⁸¹ The Parties submitted that while some altnets do currently offer lower price points, this is loss-leading pricing which is not financially sustainable over the long-run and that this view is widely shared by market analysts. Nexfibre also provided a supporting model to indicate the financial unsustainability of a significant discount to Openreach's pricing. Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, section 4, pages 9-10. Parties' letter to the CMA, 2 September 2026, page 3.

⁵⁸² As discussed in the internal documents section below (subsection on constraint from Substantial, as owned by CityFibre, on VMO2/nexfibre).

⁵⁸³ We note that nexfibre's analysis was produced for the purposes of supporting a submission by its economic advisers rather than for internal decision-making in the ordinary course of business (Parties' email dated 2 September 2026). Further, nexfibre's assumptions are either not evidenced or not consistent with actual market structure. For example, nexfibre assumes £[X] capex per premises passed (CPP) for operator C that offers a [X]% discount to Openreach (see Annex to Parties' submission, 'Economic comments on the CMA's emerging view regarding the wholesale local access market', 31 August 2026, page 5. This appears to be a high estimate, eg based on an internal document from VMO2 (see Parties annex to the FMN and more generally, we consider that it would be difficult for the Parties to accurately estimate other providers' underlying financials).

⁵⁸⁴ See section on developments in CityFibre's ability to fund M&A since February 2026.

⁵⁸⁵ See section on CityFibre's incentives to reach a deal with Substantial.

Internal documents

- 6.105 In this section, we assess the Parties' internal documents and what these indicate about closeness of competition between the Parties, and the effect of this on competition as between the Transaction scenario and the counterfactual scenario in which CityFibre owns Substantial. Certain factors in this case affect the weight we are able to place on internal document evidence in our assessment, and mean we have to take particular care to interpret this evidence with regard to its specific context. In particular:
- (a) Because neither VMO2/nexfibre nor Substantial currently supplies wholesale services to third parties, we consider it unsurprising that there are relatively few internal documents from the Parties that monitor each other's wholesale offer or directly assess wholesale competition between each other. As such, while internal documents provide some evidence of how the Parties monitor each other more generally, we consider they are unlikely to reflect the state of future competition between VMO2/nexfibre and Substantial (as owned by CityFibre) as their wholesale activities expand.
 - (b) We also note that because both VMO2/nexfibre and Substantial are vertically integrated, there is some ambiguity regarding whether internal documents that monitor overbuild reflect competition at the wholesale and/or retail levels of the supply chain.
- 6.106 Despite these limitations, we nevertheless consider that the internal document evidence provides some indication of closeness of competition, and in general indicates that VMO2/nexfibre and Substantial (as owned by CityFibre) would be close competitors in the counterfactual.

VMO2/nexfibre's constraint on Substantial

- 6.107 Overall, internal documents indicate to us that VMO2/nexfibre would impose a significant constraint on Substantial (as owned by CityFibre), reflecting its scale, network overlap and growing FTTP footprint that could be wholesaled to ISPs in the counterfactual.
- 6.108 Substantial's internal documents track the proportion of its network that is overbuilt by VMO2/nexfibre. A document from September 2024 forecasted that [X]% of its footprint would be overbuilt by VMO2 (including its HFC network) at the end of

2024, rising to [REDACTED]% by the end of 2028.⁵⁸⁶ An overbuild analysis of Substantial's shareholder [REDACTED] from February 2025 also noted that [REDACTED].⁵⁸⁷

- 6.109 More generally, Substantial's internal documents identify VMO2/nexfibre as a scaled player, considering it to be one of the few providers that have national scale.⁵⁸⁸ Consistent with this, VMO2/nexfibre's internal documents identify scale as a competitive strength of VMO2/nexfibre. For example, a VMO2 wholesale brand strategy document from October 2025 described the proposed brand as '[REDACTED]'.⁵⁸⁹ The wholesale value proposition that VMO2/nexfibre present to potential customers is also centred on reach and scale.⁵⁹⁰

Constraint from Substantial, as owned by CityFibre, on VMO2/nexfibre

- 6.110 Overall, internal documents indicate that: (a) VMO2/nexfibre closely monitor network overbuild and potential consolidation from Substantial, and (b) VMO2/nexfibre's internal documents recognise the strong constraint exerted by CityFibre in overlap areas, which would also be exerted by Substantial under CityFibre ownership in the counterfactual.
- 6.111 First, regarding network overbuild, VMO2/nexfibre internal documents indicate that they closely monitor network overbuild and potential consolidation from Substantial, and that Substantial derives competitive strength from its build plans and footprint size.
- (a) nexfibre's internal documents closely track Substantial's network overbuild, [REDACTED], including in comparison to other altnets.⁵⁹¹ In most cases [REDACTED].⁵⁹²
- (b) More generally, VMO2/nexfibre's internal documents suggest that Substantial derives competitive strength from its build plans and footprint size. In particular, [REDACTED].⁵⁹³ nexfibre has also been tracking the footprint and 'fibre build' of Substantial [REDACTED] since at least [REDACTED].⁵⁹⁴ In recent network and wholesale competitor intelligence, VMO2 further noted that the [REDACTED] and that [REDACTED].⁵⁹⁵ Consistent with this, a Substantial CEO update from July 2024 notes that Substantial's increased scale due to the Brsk merger 'solidifies

⁵⁸⁶ Substantial annex to FMN page 2. See also: overbuild analysis in Substantial annex to FMN pages 2-3, which monitors the overbuild with [REDACTED] Substantial annex to FMN 34, noting that the existing overbuild on Substantial's future footprint is primarily caused by [REDACTED].

⁵⁸⁷ Substantial annex to FMN, page 10.

⁵⁸⁸ Substantial annex to FMN, page 12; Substantial annex to FMN, page 1; Substantial annex to FMN, page 3.

⁵⁸⁹ Parties annex to FMN page 2. See also: recent discussions with [REDACTED], nexfibre annex to P1-s109(02)-nexfibre, in which VMO2/nexfibre noted that [REDACTED].

⁵⁹⁰ nexfibre annex to P1-s109(02)-nexfibre page 5 nexfibre annex to P1-s109(02)-nexfibre page 5.

⁵⁹¹ Parties annex to FMN page 16; Parties annex to FMN, page 18; Parties annex to FMN pages 10, 12 and 14.

⁵⁹² nexfibre annex to P1-s109(01)-nexfibre, nexfibre annex to P1-s109(01)-nexfibre:

⁵⁹³ Parties annex to FMN, Parties annex to FMN, Parties annex to FMN.

⁵⁹⁴ See nexfibre documents with [REDACTED] Parties annex to FMN annex to FMN. See also: Parties annex to FMN.

⁵⁹⁵ VMO2 annex to P1-s109(02)-VMO2. See also an older VMO2 document which noted that (VMO2 annex to P1-s109(01)-VMO2.

Substantial's position as one of the biggest threats to CityFibre, VMO2 and BT'.⁵⁹⁶

- (c) In addition, a couple of nexfibre board documents make reference to Substantial (alongside [REDACTED]) in the context of 'national consolidation', noting that '[REDACTED]' and '[REDACTED]'.⁵⁹⁷ This is consistent with a Gemini lender presentation from September 2025, in which Substantial included itself and [REDACTED] as key national players who are 'potential consolidators'.⁵⁹⁸ Related to this, a Liberty Global document from September 2024 noted that [REDACTED] would be '[REDACTED]' and '[REDACTED]'.⁵⁹⁹

6.112 Second, regarding CityFibre's competitive strength in its network footprint, VMO2/nexfibre's internal documents recognise the strong constraint exerted by CityFibre in overlap areas in the context of wholesale negotiations.⁶⁰⁰

- (a) When nexfibre modelled [REDACTED].⁶⁰¹ Similarly, VMO2's internal modelling [REDACTED],⁶⁰² noting that [REDACTED],⁶⁰³ and VMO2's [REDACTED] business plan assumed that '[REDACTED]'.⁶⁰⁴ Relatedly, nexfibre's January 2025 draft business plan modelled [REDACTED], noting that '[REDACTED]'.⁶⁰⁵ nexfibre's draft business plan also noted [REDACTED]. As a result, [REDACTED].⁶⁰⁶ A further VMO2 document from May 2025 notes that [REDACTED].⁶⁰⁷
- (b) VMO2's pre-Transaction wholesale activities were focused on its negotiations with [REDACTED]. Our review of [REDACTED] internal documents indicates that VMO2/nexfibre negotiated with [REDACTED] on the basis that [REDACTED]:
- (i) [REDACTED] internally benchmarked [REDACTED] against its existing wholesale [REDACTED], as well as against the Openreach wholesale offer.⁶⁰⁸
- (ii) The [REDACTED] business case [REDACTED] premises, where [REDACTED] was assumed to overlap with '[REDACTED]'.⁶⁰⁹

⁵⁹⁶ Substantial annex to FMN.

⁵⁹⁷ Parties annex to FMN page 60; nexfibre annex to P1-s109(02)-nexfibre page 35.

⁵⁹⁸ Substantial annex to FMN.

⁵⁹⁹ Liberty Global annex to P1-s109(02)-Liberty Global. See also: nexfibre annex to **P2-s109(01)-nexfibre**: which noted a '[REDACTED]'.⁶⁰⁰

⁶⁰⁰ There is limited commentary in VMO2/nexfibre's internal documents on Substantial being referenced in wholesale negotiations with ISPs. However, this is to be expected given that Substantial does not have any wholesale deals and detail of its negotiations with ISPs are confidential.

⁶⁰¹ VMO2 annex to P1-s109(02)-VMO2. nexfibre also [REDACTED] (Parties annex to FMN page 59; Parties annex to FMN page 12.

⁶⁰² VMO2 annex to P1-s109(02)-VMO2 page 16. See also: VMO2 annex to P1-s109(02)-VMO2; annex to P1-s109(02)-VMO2; VMO2 annex to P1-s109(02)-VMO2 page 5; and VMO2 annex to P1-s109(02)-VMO2.

⁶⁰³ VMO2 annex to P1-s109(02)-VMO2.

⁶⁰⁴ VMO2 annex to P1-s109(02)-VMO2.

⁶⁰⁵ Parties annex to FMN. See also an earlier nexfibre business plan from 2024 which modelled [REDACTED] (Parties annex to FMN.

⁶⁰⁶ Parties annex to FMN.

⁶⁰⁷ VMO2 annex to P1-s109(01)-VMO2.

⁶⁰⁸ [REDACTED] response dated 25 June 2026 to the CMA's s109 notice dated 15 June 2026 (**P1-s109(01)-[REDACTED]**), question 1, Annex 7, page 6.

⁶⁰⁹ P1-s109(01)-[REDACTED], question 1, Annex 7, page 9.

(iii) [REDACTED] stated that it would still prefer to use [REDACTED] where available '[REDACTED]'.⁶¹⁰

Provisional conclusion on internal documents

6.113 Overall, our view is that while certain factors⁶¹¹ in this case affect the weight we are able to place on internal document evidence in our assessment, we nevertheless consider that the internal document evidence provides some indication of closeness of competition, and in general indicates that VMO2/nexfibre and Substantial (owned by CityFibre) would be close competitors in the counterfactual.

Third-party views

6.114 We asked third parties about their views on the position of VMO2/nexfibre, Substantial and CityFibre in the supply of wholesale fixed broadband. We asked this both in terms of their overall offering and specifically in relation to price, scale and speed and reliability of technology.

6.115 As with internal document evidence, certain factors affect the weight we are able to place on third-party views and mean we have to interpret them with regard to their specific context. In particular:

- (a) Neither VMO2/nexfibre nor Substantial currently has wholesale sales to third-party customers, and third parties are therefore providing views as potential customers, based on their negotiations with the Parties and/or their knowledge of the Parties' networks.
- (b) Third parties provided views on CityFibre and Substantial's standalone wholesale offers separately. Our provisional view is that Substantial as owned by CityFibre would have a stronger wholesale proposition than standalone Substantial, given CityFibre's existing wholesale agreements with ISPs on competitive terms (as discussed above).

6.116 Despite these limitations, we nevertheless consider that third-party views on VMO2/nexfibre, CityFibre and Substantial provide some indication of the closeness of competition between VMO2/nexfibre and Substantial as owned by CityFibre in the counterfactual. We consider these views below.

VMO2/nexfibre

6.117 Overall, our view is that customer and competitor evidence indicates that VMO2/nexfibre is viewed as a potentially significant wholesale provider, albeit one

⁶¹⁰ P1-s109(01)-[REDACTED], question 1, Annex 7, page 7.

⁶¹¹ That is, neither VMO2/nexfibre nor Substantial currently supplies wholesale services to third parties and both are vertically integrated, as set out in the introduction to this section on internal documents.

whose proposition is generally considered less developed and less competitive than those of established wholesale operators.

- 6.118 The four largest ISPs that are reliant on third-party wholesale access each provided views on VMO2/nexfibre's joint wholesale offer or nexfibre's wholesale offer. Our view is that these responses indicate that large ISPs are interested in VMO2/nexfibre's wholesale offer, although some have mixed views on its competitive strength, particularly based on its prices compared to other non-Openreach competitors.
- (a) One ISP rated VMO2/nexfibre's overall offering as strong, referring to them as having the 'best compromise' between scale and price. This customer rated VMO2/nexfibre's scale as strong, its speed and reliability as moderate, and its price as weak, stating that VMO2/nexfibre's prices are the least attractive, except for those of Openreach.⁶¹²
 - (b) Another ISP rated VMO2/nexfibre's overall offering as weak, referring to VMO2/nexfibre's lack of history in supplying wholesale services. This customer rated VMO2/nexfibre's scale as moderate (noting it estimated a post-Transaction footprint of 8 million FTTP premises, but to achieve the full 20 million FTTP footprint would require further investment), its speed and reliability as very strong, and its price as very weak.⁶¹³
 - (c) A third ISP rated nexfibre's overall offering as strong, referring to its scale and product, and rated nexfibre's scale as strong, but did not provide views on pricing or speed and reliability.⁶¹⁴
 - (d) A fourth ISP rated nexfibre's overall offering as very weak, although it stated that this rating reflected the fact that nexfibre does not currently have a wholesale service that it can access. It rated nexfibre's scale as strong (and very strong if including VMO2), and did not know its strength on speed and reliability or price.⁶¹⁵
- 6.119 We also received some specific comments from ISPs regarding VMO2/nexfibre's competitive strength as a wholesale provider, which we consider supports our analysis above that the VMO2/nexfibre offer post-Transaction in the Substantial footprint would be less competitive than the wholesale offer from CityFibre/Substantial in the counterfactual:
- (a) One [REDACTED] ISP noted concerns around VMO2's incentives to protect its high-margin retail back book, operational and technical readiness to wholesale, its

⁶¹² Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁶¹³ Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁶¹⁴ Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁶¹⁵ Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

service equivalence, execution risk and willingness to invest in network upgrades.⁶¹⁶

- (b) One Tier 1 ISP submitted that VMO2 offered worse service quality, commitment to customer experience and commercial terms than [REDACTED].⁶¹⁷ This same customer also stated that VMO2 did not have as much ambition as [REDACTED] to achieve a high standard of customer service.⁶¹⁸ However, the customer also submitted that the scale of nexfibre's footprint made a partnership feasible.⁶¹⁹
- (c) A Tier 2 ISP considered nexfibre's wholesale proposition to be less developed than those of many other altnets and noted that nexfibre trails the rest of the market in developing systems, APIs and operational processes needed to support independent wholesale customers.⁶²⁰

6.120 Two altnets provided views on nexfibre and/or VMO2 as potential customers of VMO2/nexfibre's wholesale offer. Neither of these considered VMO2/nexfibre to have a strong offer,⁶²¹ although we note that they both operate their own network, meaning that their primary business model is not reliant on wholesale supply, and that they would be unlikely to win any significant volumes on the basis of wholesale supply.

6.121 We also heard from four current wholesale providers who rated VMO2 and/or nexfibre's strength as competitors to themselves:

- (a) Two competitors rated VMO2/nexfibre as very strong across all categories (overall offering, network scale, speed and reliability and price), with both of these two competitors referring to the wholesale constraint that VMO2/nexfibre provides due to their position in the retail market.⁶²² One of these stated that it views VMO2 as a formidable competitor with a large network⁶²³ and [REDACTED].⁶²⁴ The other submitted that VMO2's scale gives it material unit cost advantages in delivering broadband services compared to smaller players.⁶²⁵

⁶¹⁶ Third-party call note: [REDACTED].

⁶¹⁷ Third-party call note: [REDACTED].

⁶¹⁸ Third-party call note: [REDACTED].

⁶¹⁹ Third-party call note: [REDACTED].

⁶²⁰ Third-party call note: [REDACTED].

⁶²¹ One of these altnets rated VMO2's overall offering, network scale and speed and reliability as moderate, noting that VMO2 has overbuilt with its own network to some extent. It did not rate VMO2's pricing as it stated FTTP not available as a wholesale product (Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED]). The other rated nexfibre and VMO2's overall wholesale offering as weak and very weak respectively, although it did so on the basis that VMO2 does not supply wholesale and that nexfibre has limited wholesale experience and an insufficient network footprint, despite nexfibre having strong speed and reliability (Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED]).

⁶²² Third party responses to the CMA's phase 2 third-party questionnaire, question 12: [REDACTED].

⁶²³ Third-party call note: [REDACTED].

⁶²⁴ Third-party call note: [REDACTED].

⁶²⁵ Third-party call note: [REDACTED].

- (b) Another competitor rated VMO2's overall offering, network scale, speed and reliability and price as moderate, noting that it shared some network overlap with the respondent.⁶²⁶
- (c) Another competitor rated nexfibre as a weak competitor on the basis that it has very limited network overlap with the respondent.⁶²⁷

Substantial

- 6.122 As noted above, as Substantial currently has no wholesale sales to third-party customers, third parties are providing views as potential customers, based on their negotiations with the Parties and/or their knowledge of the Parties' networks. We take this into account in our assessment.
- 6.123 The four largest ISPs that are reliant on third-party wholesale access each provided views on standalone Substantial's wholesale offer. Our view is that these responses indicate that ISPs were interested in Substantial's wholesale offer, including on the basis of its network footprint.
- (a) One ISP rated Substantial's overall offering as very strong, its speed and reliability as very strong, and its scale and price as strong.⁶²⁸ This customer noted that Substantial presented a particularly attractive wholesale opportunity because of the scale of its network,⁶²⁹ and submitted that Substantial fits in with its altnet strategy.⁶³⁰
 - (b) Two ISPs rated Substantial's overall offering as strong.⁶³¹ One rated Substantial as moderate on scale, but very strong on price and speed and reliability.⁶³² This ISP considered Substantial an important and growing independent network provider with a credible pathway to becoming part of a third scale national network.⁶³³ The other ISP rated Substantial as strong on scale and price, but unknown on speed and reliability.⁶³⁴
 - (c) The fourth ISP rated Substantial's overall offering as moderate, its speed and reliability and price as strong and its scale as moderate.⁶³⁵ This ISP

⁶²⁶ Third party response to the CMA's phase 2 third-party questionnaire, question 12: [REDACTED].

⁶²⁷ This competitor rated VMO2 as very weak across all categories on the basis that it does not currently have a wholesale offer. Third party response to the CMA's phase 2 third-party questionnaire, question 12: [REDACTED].

⁶²⁸ Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁶²⁹ Third-party call note: [REDACTED].

⁶³⁰ Third-party call note: [REDACTED].

⁶³¹ Third party responses to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁶³² Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁶³³ Third-party call note: [REDACTED].

⁶³⁴ Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁶³⁵ Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

considered Substantial to have sufficient scale to consider a partnership with.⁶³⁶

- 6.124 Only one network operator provided views on Substantial in response to our questionnaire, rating it as very strong and saying that it has a strong and growing take-up rate.⁶³⁷ Separately from the questionnaire, another network operator submitted that Substantial's scale renders it an attractive wholesale option, despite its network not being dense nor it having all the appropriate processes required for wholesaling.⁶³⁸

CityFibre

- 6.125 The four largest ISPs that are reliant on third-party wholesale access each provided views on CityFibre's wholesale offer. Our view is that these responses indicate that CityFibre has a strong wholesale offer in its network footprint, which Substantial would benefit from in the counterfactual.⁶³⁹
- (a) Two ISPs rated CityFibre's overall offer as very strong,⁶⁴⁰ one of which stated that CityFibre's offering is strong all-round and that it has proven wholesale capability.⁶⁴¹ Both ISPs rated CityFibre as very strong on price.⁶⁴²
 - (b) The other two ISPs rated CityFibre's overall offering as moderate.⁶⁴³ One ISP rated it very strong on price⁶⁴⁴ and the other rated it as moderate.⁶⁴⁵
- 6.126 One altnet provided views on CityFibre as a potential customer of its wholesale offer. It considered CityFibre to have a weak offer,⁶⁴⁶ although as above, we note that it operates its own network, meaning that its primary business model is not reliant on wholesale supply, and that it would be unlikely to win any significant retail volumes via wholesale supply arrangements.
- 6.127 Only two competitors (ie wholesale network operators) provided views on CityFibre as a competitor. One rated it as very strong overall and on price, referring to it pricing below Openreach and having deals with more than

⁶³⁶ Third-party call note: [REDACTED].

⁶³⁷ The competitor said Substantial has very strong scale and speed and reliability, but did not comment on price. Third party response to the CMA's phase 2 third-party questionnaire, question 12: [REDACTED].

⁶³⁸ Third-party call note: [REDACTED].

⁶³⁹ We summarise third-party views on CityFibre's network scale and its speed and reliability in our analysis of competitive constraints below. This is because the scale, speed and reliability of Substantial as owned by CityFibre in the counterfactual would be primarily informed by Substantial's underlying network, rather than by CityFibre's ownership.

⁶⁴⁰ Third party responses to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁶⁴¹ Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁶⁴² Third party responses to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁶⁴³ Third party responses to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁶⁴⁴ Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁶⁴⁵ Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁶⁴⁶ This altnet rated CityFibre's overall offer as weak, on the basis that it has an uncertain future and a small footprint. It also rated CityFibre as weak on scale, but moderate on price and speed and reliability. Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

40 ISPs.⁶⁴⁷ The other viewed CityFibre as very weak overall, albeit on the basis that their footprints did not overlap.⁶⁴⁸ We consider that this supports our assessment above that network overlaps are an important feature of competition between wholesale providers and that CityFibre is a strong wholesale competitor.

Substantial and CityFibre

- 6.128 Overall, third-party evidence indicates that Substantial (owned by CityFibre) would be a strong wholesale competitor to VMO2/nexfibre in the counterfactual. In general, third parties considered both CityFibre and Substantial's standalone offerings to be competitive (as set out above), and Substantial owned by CityFibre would benefit from CityFibre's existing wholesale agreements with ISPs on competitive terms.
- 6.129 Almost all third parties provided views on each of Substantial and/or CityFibre individually. However, one [REDACTED] ISP proactively provided views on the competitive strength of Substantial owned by CityFibre, which we consider supports this provisional view. The ISP submitted that its own volume of wholesale demand in a CityFibre/Substantial counterfactual would materially improve Substantial's network utilisation, growth prospects and financial position. The ISP further submitted that CityFibre/Substantial, backed by a scaled anchor tenant, would be a stronger competitive constraint on VMO2 than Substantial operating independently. It submitted that a larger, more highly utilised network would likely also benefit from better access to external financing and potentially a lower cost of capital, which in turn would support more rapid and extensive FTTP rollout.⁶⁴⁹

Links between the wholesale and retail levels of the supply chain

- 6.130 In this section, we consider the implications of links between the wholesale and retail levels of the supply chain, focusing on (a) indirect constraints that may arise from the retail level, and (b) VMO2 and nexfibre's incentives to wholesale competitively, given VMO2's current retail offering.

Indirect retail constraints

- 6.131 VMO2/nexfibre's vertically integrated offer to downstream customers may also be constrained by indirect competition from altnet wholesalers such as CityFibre in partnership with their ISP customers, and vice versa. For example, if CityFibre lowers the prices it charges to ISPs and those lower wholesale prices are reflected in those ISPs charging lower retail prices, then this is likely to lead to those ISPs

⁶⁴⁷ Third party response to the CMA's phase 2 third-party questionnaire, question 12: [REDACTED].

⁶⁴⁸ This competitor also rated CityFibre weak on speed and reliability and moderate on price. Third party response to the CMA's phase 2 third-party questionnaire, question 12: [REDACTED].

⁶⁴⁹ Third-party submission: [REDACTED].

winning customers from VMO2 at the retail level. Similarly, if VMO2 lowers its retail prices then it is likely to win customers from ISPs that use CityFibre such that CityFibre loses wholesale volumes.

6.132 This mechanism is recognised by Ofcom and in submissions by third parties who describe how vertically integrated providers compete indirectly with their wholesale offer:

- (a) Ofcom submitted that, as reflected in its market reviews,⁶⁵⁰ rival networks competing in the retail market to win end-users provide an indirect constraint on the wholesale market. That is, if higher wholesale charges from one wholesaler are passed through into retail prices, consumers may switch to services supplied by a rival vertically integrated network, causing that wholesale provider to lose volumes and revenue. Ofcom submitted that indirect constraints can materially influence competition and market outcomes upstream.⁶⁵¹
- (b) One competitor submitted that, while competition from wholesaling network providers can produce a more direct, immediate material impact on its volumes, competitive constraints in the wholesale market also arise from vertically integrated operators active in the retail market.⁶⁵² It submitted that [REDACTED].⁶⁵³
- (c) Another competitor noted that retail pricing is influenced by network competition, with VMO2 offering lower retail prices in local areas that overlap with [REDACTED].⁶⁵⁴ This competitor also stated that, if the Transaction were to go ahead, other retail ISPs would be less likely to be able to use Substantial's network to compete more vigorously.⁶⁵⁵

6.133 The evidence we set out in this section is consistent with this mechanism and shows the scale of such constraint is likely to be appreciable, such that the Transaction, by removing CityFibre's offer to ISPs in the Substantial footprint, would (relative to the counterfactual) reduce indirect competition from CityFibre on VMO2/nexfibre's vertically integrated offering in the Substantial footprint. This is

⁶⁵⁰ Ofcom submitted that, as part of its reviews, it generally takes account of links between retail and wholesale levels of the supply chain when it assesses competition and imposes SMP remedies. For example, Ofcom found that as a retail-focused provider, VMO2 currently poses an indirect constraint on BT at the wholesale level. See: Ofcom, [Telecoms Access Review 2026-31, Volume 2: Market definition and SMP assessment](#), paragraphs 4.119 and 4.225-4.226.

⁶⁵¹ Ofcom submitted that this is the main means by which Substantial and VMO2 have provided competitive pressure in the market for wholesale local access to date (Ofcom response dated 18 September 2026 to the CMA's RFI dated 15 September 2026, pages 2-3).

⁶⁵² Third-party call note: [REDACTED]; Third-party call note: [REDACTED].

⁶⁵³ [REDACTED] explained that [REDACTED]. Third-party call note: [REDACTED].

⁶⁵⁴ Third-party call note: [REDACTED].

⁶⁵⁵ Third-party submission: [REDACTED].

consistent with Ofcom's view that it expects the Transaction to have an impact on competitive conditions, including via a reduction in this indirect constraint.⁶⁵⁶

- 6.134 First, VMO2 and nexfibre documents assess the impact of overbuild by different networks on retail customer losses. These documents indicate that overbuild by CityFibre is associated with material rates of VMO2 customer loss, similar to or greater than overbuild by Openreach, though generally lower than overbuild by other altnets.
- (a) A VMO2 internal document from May 2025 considered the impact of FTTP overbuild based on time since the overbuild occurred. This document indicated VMO2 experienced a [%] decrease in retail customers in areas where it had been overbuilt by [%] for [%] years. The document also states that overall losses are '[%]' primarily by the [%] as they represent the [%] of the overbuild of the VMO2 footprint. Finally, the document highlights the impact of [%] incentives flowing to retail customers in driving losses.⁶⁵⁷
 - (b) A further VMO2 internal document suggested slightly [%] loss rates of [%] after [%] years of overbuild and [%] after [%] years. Losses were similar in areas overbuilt by [%], but lower than in areas overbuilt by most other altnets tracked. The same document compares net additions at the network level, showing [%] and nexfibre attracting customers across each quarter between [%], whilst VMO2 and [%] lost customers. The document indicates that [%] likely [%] ability to attract customers.⁶⁵⁸
 - (c) A nexfibre internal document assesses VMO2's retail performance on its network, considering metrics such as penetration rate. It indicates that a reduction in installs may have been driven by [%] their prices within the [%] footprint, as well as [%] offers.⁶⁵⁹
- 6.135 In the opposite direction, documentary evidence from third parties shows VMO2's vertically integrated offering imposes an indirect constraint on wholesale-only providers.
- (a) An [%] document [%]. The same document [%].⁶⁶⁰ Another [%] document specifically highlights VMO2 as its 'largest competitor with its network covering 18.7m premises'.⁶⁶¹
 - (b) A [%] internal document includes a list of network providers and the key features of them all. The document identifies Openreach and VMO2/nexfibre

⁶⁵⁶ Ofcom response dated 18 September 2026 to the CMA's RFI dated 15 September 2026, page 11.

⁶⁵⁷ Specifically, the document identified that [%]. VMO2 annex to P1-RF11-Parties: [%].

⁶⁵⁸ VMO2 annex '[%]' to FMN, slides 34 and 39 41.

⁶⁵⁹ nexfibre annex to P1-s109(02)-nexfibre: '[%]', page 10.

⁶⁶⁰ We understand these are the rebates that have been considered by Ofcom. See: [%]. [%] annex to P2-s109(01)-[%]: '[%]'.

⁶⁶¹ This figure includes [%] nexfibre premises. [%] annex to P2-s109(01)-[%]: '[%]'.

as its key competitors, albeit recognising at that point that VMO2/nexfibre do not wholesale.⁶⁶² Another [REDACTED] internal document sets out its 'infrastructure competitors' alongside their overbuild, which include VMO2/nexfibre and Openreach.⁶⁶³

6.136 Second, evidence shows that ISPs partnered with CityFibre charge lower prices when using CityFibre and compete more effectively with vertically integrated retailers such as VMO2 in CityFibre areas. For example:

- (a) Substantial submitted that deep wholesale discounts feed retail price pressure with [REDACTED].⁶⁶⁴
- (b) In areas where CityFibre's network is present, Sky told us that it has been able to offer significantly lower regional retail prices than in areas where it relies on Openreach's FTTP network, including an effective [REDACTED]% discount on Gigabit standalone broadband products on CityFibre's network relative to Openreach. [REDACTED]. As of May 2026, [REDACTED]% of Sky's subscribers acquired in CityFibre areas are on Gigabit speeds, compared with [REDACTED]% in Openreach FTTP areas.⁶⁶⁵
- (c) VodafoneThree was able to double the penetration rate of its 'Gigafast' services in areas where it had access to CityFibre's FTTP network compared with other parts of the country.⁶⁶⁶
- (d) VMO2 has previously offered [REDACTED] in CityFibre overlap areas, [REDACTED]⁶⁶⁷ and its [REDACTED] more generally react to the presence of CityFibre (and other measures of network competition).⁶⁶⁸

6.137 Third, evidence from switching data also indicates that ISPs compete more effectively with VMO2 in the CityFibre area, and that this increase is more pronounced for CityFibre's ISP customers. We consider this to be indicative of how rivals' access to CityFibre's wholesale offering may strengthen constraints on VMO2. In particular, our analysis shows that (see Appendix D):

- (a) **Share of VMO2's losses:** CityFibre ISP customers accounted for a higher share of VMO2 customer losses in areas where they relied on CityFibre, compared to areas where the same ISPs relied on Openreach FTTP. Specifically, in areas where VMO2 overlapped with CityFibre, CityFibre ISPs accounted for [REDACTED]% of VMO2 customer losses. Whereas, in areas where the

⁶⁶² Annex to P2-RFI2-[REDACTED]: [REDACTED].

⁶⁶³ P2-s109(01)-[REDACTED], question 3: '[REDACTED]', page 7.

⁶⁶⁴ Parties, Phase 2 Teach-in slides (Substantial session), 15 July 2026, slide 9.

⁶⁶⁵ Third-party submission: [REDACTED].

⁶⁶⁶ [Vodafone anchors CityFibre's nationwide Full Fibre... | CityFibre](#) (last accessed 25 September 2026).

⁶⁶⁷ VMO2 [REDACTED] (VMO2 annex to P2-RFI4-Parties: [REDACTED]).

⁶⁶⁸ VMO2's [REDACTED] and its [REDACTED]. P1-RFI3-Parties, question 3, paragraphs 11; Schedule 1 paragraph 2(a); Schedule 2 paragraph 5(V)(ii); Schedule 4 paragraph 3(g)(i).

same ISPs relied on Openreach FTTP, they accounted for [X]% of VMO2 customer losses. This indicates that VMO2 lost a larger proportion of customers to CityFibre's ISP customers in areas where those ISPs could use CityFibre's network, than where they could not.

- (b) **Ratio of wins to losses:** the net gains from VMO2 were higher among ISPs with a contract with CityFibre in areas where they relied on CityFibre, compared to areas where the same ISPs relied on Openreach FTTP. Specifically, in areas where VMO2 overlapped with CityFibre, CityFibre's ISP customers won [X] customers from VMO2 for every customer they lost to VMO2. Whereas, in areas where the same ISPs relied on Openreach FTTP they only won [X] customers from VMO2 for every customer lost to VMO2.

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VMO2 and nexfibre's incentives to wholesale competitively

- 6.138 We have also considered whether VMO2's presence at the retail level affects VMO2 and nexfibre's incentives to compete effectively at the wholesale level.
- 6.139 As we set out in more detail in Appendix E, our provisional view is that as a result of its vertically integrated offering, VMO2/nexfibre may have weaker incentives to wholesale competitively than wholesale-only competitors (such as a combined CityFibre/Substantial in the counterfactual), and that this is consistent with its observed wholesale offer, which is less competitive than CityFibre's offer.⁶⁷⁰ However, we have not seen internal document evidence directly supporting this concern, and we recognise that VMO2/nexfibre's less competitive terms might be a result of several factors – including the extent of wholesale competition, which would be reduced by the Transaction compared to the counterfactual.
- 6.140 In assessing that VMO2/nexfibre may have weaker incentives to wholesale, we have considered that:
- (a) VMO2 faces few wholesale rivals in its footprint, and wholesale supply is a very important factor in retail competition, making up a significant portion of supplier costs and determining much of the quality and innovation of the retail offer.

⁶⁶⁹ For comparison, we also looked at changes in switching patterns for ISPs which are not customers of CityFibre. As set out in Appendix D, this comparison showed that these ISPs also had higher net gains from VMO2 in areas where CityFibre is present, the difference was smaller. This further suggests ISPs compete more effectively when using the CityFibre network itself.

⁶⁷⁰ Ofcom submitted that it was currently sceptical of VMO2/nexfibre's incentives to wholesale on competitive terms due to the risk of cannibalisation. It also submitted that VMO2/nexfibre had not secured a major third-party ISP customer despite discussing a wholesale proposition with ISPs as far back as 2016 and it remains unclear what tangible, verifiable, merger-specific changes would enable VMO2 to start making wholesale deals (Ofcom response dated 18 September 2026 to the CMA's RFI dated 15 September 2026, pages 11-12).

- (b) VMO2 has a significant retail market share (around [X]%) in VMO2 network areas)⁶⁷¹ that could be won by more competitive retail competitors if VMO2/nexfibre wholesaled on more competitive terms. This is in the context of retail margins being higher than wholesale margins (see Appendix E).⁶⁷²
- (c) VMO2/nexfibre's priority wholesale customers – ie Tier 1 ISPs – are some of VMO2's closest and strongest retail competitors, competing strongly with VMO2 for its retail customers, including bundled customers.
- (d) As described above, Tier 1 ISPs using a more competitive wholesale offering from CityFibre are more effective at winning business from VMO2, compared to when they use Openreach's wholesale offering.
- (e) While we consider that InfraVia has a strong incentive to wholesale competitively and ultimately VMO2/nexfibre would wholesale in the counterfactual, VMO2's shareholders are joint owners of nexfibre and have an even stronger incentive to protect VMO2's retail business because any retail losses would only be replaced with a 50% share of wholesale gains.

Provisional conclusion on closeness of competition

- 6.141 Taking the evidence in the round, our provisional view is that VMO2/nexfibre and Substantial (as owned by CityFibre) would be close competitors in the supply of wholesale fixed broadband in the counterfactual.
- 6.142 First, Substantial's footprint would directly compete with VMO2/nexfibre's wholesale offer. Our analysis of network overlaps shows that the relevant market is highly concentrated, with only three substantive providers.⁶⁷³ The Transaction would increase that concentration by moving the Substantial footprint – which accounts for around a 14% overlap with VMO2/nexfibre's future FTTP footprint – from CityFibre to VMO2/nexfibre. This would significantly reduce the extent of overlap between CityFibre and VMO2/nexfibre (relative to the counterfactual), from around 32% to around 18%.⁶⁷⁴
- 6.143 Second, evidence shows that VMO2/nexfibre and CityFibre are targeting the same ISP customers, and that CityFibre is a vigorous competitor with attractive pricing and other terms. This means that:

⁶⁷¹ CMA analysis of Ofcom's Connected Nations January 2026 fixed broadband networks data.

⁶⁷² A third-party also submitted that analysis of public data and its own data showed that VMO2 has the highest average revenue per user or ARPU out of all retail ISPs. Third-party submission: [X].

⁶⁷³ This is on the basis that Substantial would not be a standalone provider in either the counterfactual (where it would be owned by CityFibre) or post-Transaction (where it would be owned by VMO2/nexfibre).

⁶⁷⁴ In the counterfactual, this is around 32% of the VMO2/nexfibre's future FTTP footprint excluding Substantial. Post-Transaction, this is around 18% of the Merged Entity's future FTTP footprint including Substantial.

- (a) Substantial would place a stronger constraint in VMO2/nexfibre's footprint in the counterfactual when owned by CityFibre.
- (b) Relative to the counterfactual, within the Substantial footprint, the Transaction would lead to a direct worsening in the terms on which ISPs could access wholesale fixed broadband. This is because access to Substantial's footprint would be less certain for some ISPs and on the basis of VMO2/nexfibre's terms post-Transaction rather than on CityFibre's terms.

- 6.144 Third, while certain factors affect the weight we are able to place on internal documents and third-party evidence in this case, our view is that they provide some indication of closeness of competition, and in general indicate that VMO2/nexfibre and Substantial (as owned by CityFibre) would be close competitors in the counterfactual.
- 6.145 Fourth, VMO2/nexfibre's vertically integrated offer to downstream customers may also be constrained by indirect competition from Substantial (as owned by CityFibre) in partnership with CityFibre's ISP customers. Our provisional view is that the scale of such constraint is likely to be appreciable, such that the Transaction, by removing CityFibre's offer in the Substantial footprint, would reduce indirect competition on VMO2/nexfibre's vertically integrated offering. The Substantial network is 26% overlapped by VMO2/nexfibre's FTTP network and would be 82% overlapped if VMO2 were to upgrade its cable network to FTTP. In the counterfactual, there would be competition between Openreach, VMO2/nexfibre and CityFibre in these areas, compared to just Openreach and VMO2/nexfibre following the Transaction.
- 6.146 Finally, our provisional view is that VMO2's vertically integrated business model may weaken VMO2/nexfibre's incentive to compete competitively in wholesale over time, relative to a combined CityFibre/Substantial in the counterfactual.

Competitive constraints

- 6.147 In this section, we consider whether there would be sufficient remaining alternatives to the Merged Entity that customers could switch to in the Parties' combined footprint post-Transaction. In turn, we consider the remaining constraints imposed by Openreach, CityFibre and other altnets.

Openreach

- 6.148 Below, we consider the strength of the constraint imposed by Openreach, considering its geographic coverage and current supply, the impact of regulation by Ofcom, documentary evidence and third-party evidence.

Geographic coverage and current supply

- 6.149 Until recently, Openreach was a regulated monopolist in the supply of wholesale fixed broadband. As set out in Appendix C, it has geographic coverage across 99.9% of UK premises, including across each of the Parties' footprints.
- 6.150 As also set out in Appendix C, Openreach has upgraded its network to FTTP in over 70% of premises in each of the Parties' footprints, including the majority of premises in each of the Parties' footprints. Openreach submitted that its FTTP network will reach 25 million premises in FY27 and that it [REDACTED] ultimately expects to reach a total footprint of 30 million premises. [REDACTED] submission suggests that [REDACTED].⁶⁷⁵
- 6.151 Openreach is required by Ofcom regulation to supply to ISPs on reasonable request and on the same terms and conditions.⁶⁷⁶ Openreach publicly states that it has supply relationships with more than 650 service providers,⁶⁷⁷ though its top 5 customers account for [REDACTED]% of Openreach's wholesale revenues.⁶⁷⁸ Openreach's services are available to all ISPs on a national basis,⁶⁷⁹ and its underlying prices are subject to significant market power (**SMP**) regulation as imposed by Ofcom.⁶⁸⁰ As Openreach is compelled by regulation to supply to ISPs on reasonable request and on the same terms and conditions, discussions tend to focus on integration rather than commercial terms.⁶⁸¹

Openreach's competitive strength as a regulated provider

- 6.152 As set out in the TAR 2026, and as further described in Appendix A, Ofcom concluded that Openreach has SMP across a number of fixed communications markets and imposed remedies to address the competition concerns arising from such SMP, including network access obligations, price controls and requirements not to set discriminatory geographic discounts.⁶⁸² These regulatory conditions constrain how Openreach operates commercially, including the wholesale terms that it is able to offer to ISPs.
- 6.153 Consistent with the above, Openreach pointed us to regulatory constraints on its ability to compete, including that it is not able to offer geographically targeted discounts without Ofcom's consent, cannot offer bundled services, and must notify

⁶⁷⁵ [REDACTED] (Third party response to the CMA's phase 2 third-party questionnaire, questions 14 and 15a: [REDACTED]).

⁶⁷⁶ Third party response to the CMA's phase 2 third-party questionnaire, questions 10: [REDACTED].

⁶⁷⁷ [Our broadband network | Openreach](#) (last accessed on 23 September 2026).

⁶⁷⁸ BT (c.[REDACTED]%), Sky (c.[REDACTED]%), TalkTalk (c.[REDACTED]%), VodafoneThree (c.[REDACTED]%) and Zen (c.[REDACTED]%). See: [REDACTED]; and Third party response to the CMA's phase 2 third-party questionnaire, questions 9: [REDACTED].

⁶⁷⁹ Third party response to the CMA's phase 2 third-party questionnaire, questions 9: [REDACTED].

⁶⁸⁰ Third party response to the CMA's phase 2 third-party questionnaire, questions 11: [REDACTED].

⁶⁸¹ Third party response to the CMA's phase 2 third-party questionnaire, questions 10: [REDACTED].

⁶⁸² In particular, Ofcom was concerned that Openreach has the ability to unfairly undermine the development of network competition in the long term through market-wide low prices, geographically targeted discounts and/or offers that are conditional on the volume and/or range of services purchased (TAR, [Volume 1: Overview, summary and structure](#), paragraph 2.109).

offers publicly ahead of them coming into effect.⁶⁸³ Openreach pointed out that it competes with other providers in the supply of wholesale access, but it does not negotiate in the same way as others in the market.⁶⁸⁴ Openreach further submitted that on the basis of current regulation, it is unable to offer lower prices in areas of greater competitive intensity (including where the Merged Entity would be active) without Ofcom's consent. This would reduce the extent to which the Merged Entity would be incentivised to compete.⁶⁸⁵

Internal documents

- 6.154 Overall, the internal document evidence indicates that the Parties consider Openreach to be a strong competitor with a large FTTP network that overlaps significantly with their own networks.
- 6.155 The Parties' internal documents track Openreach as the incumbent infrastructure and wholesale competitor, with national scale.⁶⁸⁶ The Parties' internal documents also closely monitor Openreach's FTTP overbuild. In particular, Substantial tracks the impact of Openreach FTTP overbuild on [REDACTED],⁶⁸⁷ and expects [REDACTED].⁶⁸⁸ VMO2/nexfibre similarly expect [REDACTED].⁶⁸⁹ Moreover, the Parties [REDACTED].⁶⁹⁰ CityFibre's internal documents are also consistent with this, identifying Openreach as CityFibre's key competitor (alongside VMO2/nexfibre).⁶⁹¹
- 6.156 The documentary evidence as to whether Openreach competes strongly on factors such as price, quality, range and service is mixed. Some internal documents from VMO2/nexfibre suggest that [REDACTED].⁶⁹² On the other hand, some other VMO2/nexfibre internal documents suggest that [REDACTED],⁶⁹³ [REDACTED].⁶⁹⁴ A VMO2 document also includes discussions around [REDACTED].⁶⁹⁵

⁶⁸³ [BT response to the Areas of focus](#), 20 July 2026, paragraph 11.

⁶⁸⁴ Third-party call note: [REDACTED].

⁶⁸⁵ [BT response to the Areas of focus](#), 20 July 2026, paragraph 16.

⁶⁸⁶ Example VMO2/nexfibre documents include: Parties annex to FMN: [REDACTED], page 17; VMO2 annex to P1-s109(01)-VMO2: '[REDACTED]', pages 8 and 10. Example Substantial documents include: Substantial annex to FMN: [REDACTED]; Substantial annex to FMN: [REDACTED]; Substantial annex to FMN: [REDACTED]; Substantial annex to FMN: [REDACTED].

⁶⁸⁷ Substantial annex to FMN: [REDACTED].

⁶⁸⁸ Substantial annex to FMN: [REDACTED].

⁶⁸⁹ Parties annex to FMN: '[REDACTED]', page 83; VMO2 annex to P1-s109(02)-VMO2: [REDACTED].

⁶⁹⁰ VMO2's wholesale offers in negotiation with each [REDACTED] present the wholesale price as a discount relative to Openreach's Equinox 2 (see Appendix B). For Substantial, examples of this benchmarking include: Substantial annex to P1-s109(01)-Substantial: [REDACTED]; and Substantial annex to P1-s109(01)-Substantial: [REDACTED].

⁶⁹¹ Third-party internal document, [REDACTED]; [REDACTED].

⁶⁹² Parties annex to FMN: [REDACTED]; nexfibre annex to P1-s109(01)-nexfibre [REDACTED]; nexfibre annex to P1-s109(02)-nexfibre: '[REDACTED]'; see also Liberty Global annex to P1-s109(02)-Liberty Global: [REDACTED].

⁶⁹³ Parties annex to FMN: [REDACTED]; nexfibre annex to P1-s109(02)-nexfibre: [REDACTED]; nexfibre annex to P1-s109(02)-nexfibre: [REDACTED].

⁶⁹⁴ VMO2 annex to P1-s109(01)-VMO2: [REDACTED].

⁶⁹⁵ The document sets out that this may be the case if [REDACTED]. See: nexfibre annex to P1-s109(02)-nexfibre: [REDACTED].

Third-party views

- 6.157 As discussed above, certain factors in this case affect the weight we are able to place on third-party views and mean we have to interpret them with regard to their specific context. Despite these limitations, we nevertheless consider that third-party views on Openreach provide some indication of its competitive strength, and overall indicate that it is a strong competitor, albeit that it has a less competitive offer in terms of price.
- 6.158 First, in relation to customers (ie ISPs) that responded to our questionnaire:⁶⁹⁶
- (a) Almost all customers that responded to our questionnaire rated Openreach's overall offering as strong or very strong,⁶⁹⁷ with two of these referring to its national scale.⁶⁹⁸
 - (b) One customer rated Openreach's overall offering as moderate, stating that its pricing is materially higher than alternative suppliers and that its innovation and service levels are weaker than those available from alternative suppliers.⁶⁹⁹
- 6.159 Second, Openreach was generally considered by customers as relatively strong or very strong on network scale⁷⁰⁰ and speed and reliability.⁷⁰¹ However, evidence was more mixed on pricing (which is consistent with the documentary evidence set out above). Specifically on price:
- (a) Two customers rated Openreach as strong,⁷⁰² with one of these noting that it is a strong competitor due to its ongoing price discounts.⁷⁰³
 - (b) Two customers rated its price as moderate,⁷⁰⁴ one customer rated it weak⁷⁰⁵ and another rated it very weak.⁷⁰⁶ One of these noted that Openreach prices

⁶⁹⁶ In addition to the above, two customers provided views on BT Wholesale, which is Openreach's WBA offering that includes backhaul services for ISPs that do not operate their own backhaul network. Both customers viewed BT Wholesale's offer as weak. Third party responses to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁶⁹⁷ This includes one altnet ([REDACTED]) that owns its own network in certain areas but also purchases wholesale fixed broadband from Openreach. Third party responses to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED]. Very strong: [REDACTED]. Strong: [REDACTED].

⁶⁹⁸ Third party responses to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁶⁹⁹ Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁷⁰⁰ All customers rated Openreach's network scale as very strong. This includes one altnet ([REDACTED]) that owns its own network in certain areas but also purchases wholesale fixed broadband from Openreach. Third party responses to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁷⁰¹ Four customers rated it as very strong or strong, while the remaining two respondents ranked it as moderate or weak based on its use of FTTP GPON rather than FTTP XGP-PON. This includes one altnet ([REDACTED]) that owns its own network in certain areas but also purchases wholesale fixed broadband from Openreach. Very strong: [REDACTED]. Strong: [REDACTED]. Moderate or weak: [REDACTED]. Third party responses to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁷⁰² Third party responses to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED]. This includes one altnet ([REDACTED]) that owns its own network in certain areas but also purchases wholesale fixed broadband from Openreach.

⁷⁰³ This comment came from an altnet that owns its own network in certain areas but also purchases wholesale fixed broadband from Openreach (Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED]).

⁷⁰⁴ Third party responses to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁷⁰⁵ Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁷⁰⁶ Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

are higher than those of other wholesalers and that regulation limits further price reductions,⁷⁰⁷ while another noted that Openreach prices act as a cap.⁷⁰⁸

- 6.160 In a separate submission, one customer also stated that Openreach offered worse service quality, commitment to customer experience and commercial terms than [REDACTED].⁷⁰⁹
- 6.161 Third, all of the current wholesale competitors that responded to our questionnaire rated Openreach's overall offering as very strong,⁷¹⁰ with competitors' explanations of their rating referring to Openreach's incumbency,⁷¹¹ scale⁷¹² and 'market dominance'.⁷¹³ All the competitors that provided views on other factors rated Openreach's network scale and price as very strong,⁷¹⁴ while on speed and reliability two rated it as very strong⁷¹⁵ and one rated it moderate.⁷¹⁶

Provisional conclusion on the competitive constraint from Openreach

- 6.162 Overall, the evidence set out above indicates that Openreach would act as an important competitive constraint on the Merged Entity post-Transaction, driven by its national scale and FTTP expansion plans, as well as its overlap with the Merged Entity (which each of the Parties monitors closely). However, evidence indicates that Ofcom regulation may limit Openreach's ability to compete effectively on price and other factors, particularly in certain geographic areas.

CityFibre

- 6.163 As discussed above, our provisional view on the most likely counterfactual means that the result of the Transaction would be to move the Substantial network from CityFibre to the Merged Entity. As also discussed above, our provisional view is that this would (a) remove a wholesale option for ISPs in the Substantial footprint, and (b) significantly weaken CityFibre's constraint on the Merged Entity by significantly reducing the degree of its network overbuild. On this second point, we note that as a result of the Transaction, CityFibre may have more immediate funding to pursue alternative consolidation options compared to the counterfactual. However, we consider that the competitive impact of these alternative options is likely to be more limited than its acquisition of Substantial in the counterfactual,

⁷⁰⁷ Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁷⁰⁸ Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁷⁰⁹ Third-party call note: [REDACTED].

⁷¹⁰ Third party responses to the CMA's phase 2 third-party questionnaire, question 12: [REDACTED].

⁷¹¹ Third party responses to the CMA's phase 2 third-party questionnaire, question 12: [REDACTED].

⁷¹² Third party response to the CMA's phase 2 third-party questionnaire, question 12: [REDACTED].

⁷¹³ Third party responses to the CMA's phase 2 third-party questionnaire, question 12: [REDACTED].

⁷¹⁴ Third party responses to the CMA's phase 2 third-party questionnaire, question 12: [REDACTED].

⁷¹⁵ Third party responses to the CMA's phase 2 third-party questionnaire, question 12: [REDACTED].

⁷¹⁶ Third party response to the CMA's phase 2 third-party questionnaire, question 12: [REDACTED].

and we consider that in the longer term, remaining altnet consolidation prospects would be similar with or without the Transaction.

- 6.164 In this section, we consider the strength of the remaining constraint from CityFibre post-Transaction. In doing so, we consider CityFibre's remaining network overlaps with the Merged Entity, CityFibre's alternative consolidation prospects, and evidence covered in sections above (including documentary and third-party evidence, and evidence on the strength of CityFibre's current wholesale offer).

Network overlaps

- 6.165 As discussed in detail above, CityFibre's network overbuild with the Merged Entity's footprint would be significantly reduced post-Transaction (compared to the counterfactual), which we consider is important because network overlaps are likely to lead to direct competition between providers. Post-Transaction, CityFibre would overbuild 14.2% of the Merged Entity's current FTTP footprint,⁷¹⁷ and 17.7% of the Merged Entity's full footprint including its HFC/RFOG network (which we consider will be upgraded post-Transaction).⁷¹⁸
- 6.166 Our provisional view is that CityFibre's remaining network overbuild indicates that it would remain a moderately strong competitor to the Merged Entity post-Transaction, albeit significantly weaker when compared to the counterfactual.
- 6.167 In relation to the degree of *indirect* competition between CityFibre and VMO2/nexfibre's vertically integrated offer, we do not consider that CityFibre would constrain the Merged Entity's vertically integrated offer in the Substantial footprint post-Transaction. This is because CityFibre's network is almost entirely non-overlapping with the Substantial footprint,⁷¹⁹ and because evidence indicates that ISPs such as VMO2 often differentiate retail prices to individual end customers, including in response to local competition.⁷²⁰ This supports our provisional assessment above that within the Substantial footprint, the Transaction would lead to a direct worsening in the terms on which ISPs could access wholesale fixed broadband.

Alternative consolidation prospects

- 6.168 The Parties submitted that Substantial accounts for a small portion of the altnet footprint, and has a similar profile to other altnets across several dimensions including penetration rates and network build strategy. On this basis, the Parties submitted that a significant altnet footprint will remain in the market post-

⁷¹⁷ See Appendix C, Table C.4.

⁷¹⁸ See Appendix C, Table C.5.

⁷¹⁹ See Appendix C, Table C.3.

⁷²⁰ For example, [X]. P1-RFI3-Parties, question 3, Schedule 2 paragraph 2 and Schedule 4 paragraph 3.

Transaction, such that the Transaction will not preclude the ability of other altnets to consolidate to form scaled, more competitive players.⁷²¹

- 6.169 We have therefore considered whether CityFibre could become a stronger competitor to the Merged Entity by consolidating with the altnet tail. Our provisional view is that alternative consolidation prospects could strengthen CityFibre's competitive constraint on the Merged Entity over time, but a number of factors would limit the competitive impact of these alternative consolidation prospects, such that they would not prevent the loss of competition arising from the Transaction. In coming to this provisional view, we have considered the following points.
- 6.170 First, our view is that in total, the footprint of the altnet tail is significant – it would overbuild the Merged Entity in a further 18.8% of its full footprint, in addition to CityFibre's 17.7% overbuild.⁷²² However, the altnet tail is highly fragmented.⁷²³
- 6.171 Second, we consider that CityFibre would likely have opportunities to consolidate with some of the larger altnets in the near term. As discussed in the counterfactual chapter, since February 2026, CityFibre has obtained significant additional funding from its shareholders, [§] and [§]. CityFibre also told us that [§].⁷²⁴ On the basis of these first two points, our provisional view is that alternative consolidation prospects could strengthen CityFibre's competitive constraint on the Merged Entity over time.
- 6.172 However, we consider that certain factors would limit the competitive impact of CityFibre's alternative consolidation prospects. In particular:
- (a) The competitive impacts of alternative consolidation would depend on the specifics of the altnet being acquired. CityFibre, Substantial and nexfibre are the largest altnets by some distance, with only Community Fibre and Hyperoptic having a network greater than 1 million premises passed (see the nature of competition chapter). Further, Community Fibre is already a wholesaler (including to VodafoneThree),⁷²⁵ and some smaller altnets wholesale to other ISPs. Alternative consolidation prospects would therefore likely have a much smaller competitive impact on VMO2/nexfibre than CityFibre's acquisition of Substantial in the counterfactual.
 - (b) Relative to its acquisition of Substantial in the counterfactual, it would take time for CityFibre to materially increase its network overbuild with the Merged Entity via alternative consolidation, including because alternative

⁷²¹ [Parties' response to the Areas of focus](#), 20 July 2026, paragraphs 140-143.

⁷²² Appendix C, Table C.5.

⁷²³ The largest altnets by overbuild rate with the Merged Entity are Community Fibre at [5-10]%, Hyperoptic at [0-5]%, Full Fibre at [0-5]%, Toob at [0-5]% and Grain at [0-5]%. See Appendix C, Table C.5.

⁷²⁴ Third-party call transcript: [§].

⁷²⁵ [Community Fibre announces new wholesale agreement](#).

consolidation would necessarily be uncertain and could involve competition with other potential consolidators, including the Merged Entity itself. The Parties have described market consolidation as a ‘messy, long process driven by different financial investors that are in different stages’ that would take ‘lots of years to figure out’,⁷²⁶ including because ‘everyone’s network is slightly different, [and] their IT systems are different’.⁷²⁷ Consistent with this, a CityFibre internal document set out an M&A strategy [REDACTED], and indicated that consolidation would happen in phases, noting that [REDACTED].⁷²⁸

- (c) It would also be costly for CityFibre to materially increase its network overbuild with the Merged Entity via alternative consolidation, relative to its acquisition of Substantial in the counterfactual. The Parties submitted that integrating a single network can involve costs in the tens of millions of pounds,⁷²⁹ while a CityFibre internal document [REDACTED].⁷³⁰ By contrast, CityFibre submitted that integrating Substantial’s network would be relatively quick due to the interoperability of the networks and would [REDACTED].⁷³¹

6.173 Finally, we consider that, particularly in the longer term, remaining altnet consolidation prospects would be similar with or without the Transaction. [REDACTED].⁷³² [REDACTED]. Altnet consolidation could also be led by a different consolidator. In this regard, Ofcom submitted that it expects consolidation to be a feature of this market for some years, and that it does not think future consolidation is contingent on this Transaction.⁷³³

6.174 Given our provisional view (set out below) that significant greenfield altnet expansion appears unlikely, this means that the impact of the Transaction would simply be to remove the Substantial footprint from the pool of altnet premises that are available for consolidation. The Transaction would therefore limit the total overbuild that CityFibre or an alternative consolidator could reach with the Merged Entity in the long-term, from around 50% (plus any greenfield build) in the counterfactual,⁷³⁴ to around 37% (plus any greenfield build) post-Transaction.⁷³⁵

Current wholesale offer, internal documents and third-party evidence

6.175 Our provisional view is that the evidence described in the closeness of competition section above (regarding CityFibre’s current wholesale offer, internal document

⁷²⁶ Parties, ISM transcript, pages 42, lines 9-10 and line 15.

⁷²⁷ Parties, ISM transcript, pages 41, lines 9-10.

⁷²⁸ Annex to P2-RFI2-CityFibre: [REDACTED].

⁷²⁹ Parties, ISM transcript, page 41, lines 10-13.

⁷³⁰ Annex to P2-RFI2-CityFibre: [REDACTED].

⁷³¹ Third-party call transcript: [REDACTED].

⁷³² [REDACTED]. Third-party call transcript: [REDACTED].

⁷³³ Ofcom response dated 18 September 2026 to the CMA’s RFI dated 15 September 2026, page 9.

⁷³⁴ Because VMO2/nexfibre’s full footprint overlaps with at least one altnet in 50.0% of premises. Appendix C, Table C.2.

⁷³⁵ Because the Merged Entity’s full footprint overlaps with at least one altnet in 36.5% of premises. Appendix C, Table C.5.

evidence and third-party evidence) indicates that CityFibre would remain a strong wholesale option for ISPs, albeit in a reduced network footprint. We have also considered internal document and third-party evidence on standalone CityFibre's reduced network scale. This indicates to us that while CityFibre's constraint would be significantly reduced compared to the counterfactual, it would remain a moderate competitor to the Merged Entity post-Transaction.

6.176 Regarding internal documents, VMO2/nexfibre internal documents indicate to us that they closely monitor network overbuild [REDACTED], and that [REDACTED].

(a) For example, [REDACTED].⁷³⁶ nexfibre has been tracking the [REDACTED].⁷³⁷

(b) In addition, a couple of nexfibre board documents make reference to [REDACTED], noting that [REDACTED].⁷³⁸ This is consistent with a [REDACTED].^{739, 740}

6.177 Third parties also provided views on CityFibre's network scale, speed and reliability:

(a) The four largest ISPs that are reliant on third-party wholesale access each provided views on CityFibre's scale and its speed and reliability. On scale, one rated it as strong,⁷⁴¹ while the others rated it as moderate.⁷⁴² On speed and reliability, all ISPs rated it strong⁷⁴³ or very strong.⁷⁴⁴

(b) Only two competitors provided views on CityFibre. One referred to it having a footprint second in size only to Openreach and rated it very strong on speed and reliability.⁷⁴⁵ The other viewed CityFibre as a very weak competitor on scale because their footprints do not overlap.⁷⁴⁶

Provisional conclusion on the competitive constraint from CityFibre

6.178 Overall, we provisionally consider that CityFibre would impose a moderate competitive constraint on the Merged Entity post-Transaction. While CityFibre would retain an established wholesale proposition and existing ISP relationships, its degree of network overlap with the Merged Entity would be significantly weaker than it would be in the counterfactual, with an overlap of 17.7% (compared to

⁷³⁶ Parties annex to FMN: [REDACTED]; Parties annex to FMN: [REDACTED].

⁷³⁷ Parties annex to FMN: [REDACTED]; Parties annex to FMN: [REDACTED]

⁷³⁸ nexfibre annex to P1-s109(02)-nexfibre: [REDACTED]; Parties annex to FMN: '[REDACTED]'.

⁷³⁹ Substantial annex to FMN: [REDACTED].

⁷⁴⁰ Related to this, a Liberty Global document from September 2024 noted that [REDACTED] (Liberty Global annex to P1-s109(02)-Liberty Global: '[REDACTED]', page 20). See also July 2025 nexfibre board minutes (nexfibre annex to P2-s109(01)-nexfibre: '[REDACTED]', paragraph 9.4) which noted [REDACTED].

⁷⁴¹ Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁷⁴² Third party responses to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁷⁴³ Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁷⁴⁴ Third party responses to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁷⁴⁵ Third party response to the CMA's phase 2 third-party questionnaire, question 12: [REDACTED].

⁷⁴⁶ This competitor also rated CityFibre weak on speed and reliability and moderate on price. Third party response to the CMA's phase 2 third-party questionnaire, question 12: [REDACTED].

31.9% in the counterfactual), and any material strengthening of its position through further consolidation would likely take significant time and investment.

Altnets

- 6.179 Below, we consider the constraint imposed by altnets other than CityFibre, considering their scale and network overlaps with the Merged Entity, their current wholesale supply arrangements, documentary evidence and third-party evidence.

Network overlaps and scale

- 6.180 Given the importance of network overlaps, we focus on providers that overlap to a material extent with the Parties' combined network. As set out in Appendix C, after Openreach and CityFibre, Community Fibre and Hyperoptic have the largest overlaps with the Merged Entity's future FTTP footprint ([5-10]% and [0-5]% respectively),⁷⁴⁷ and Full Fibre has the largest overlap with the Merged Entity's current FTTP footprint ([0-5]%).⁷⁴⁸ Each of these providers has passed less than [X] million premises (or less than [0-5]% of national premises), and all altnets other than Community Fibre and Hyperoptic have passed fewer than [X] premises (or less than [0-5]% of national premises).⁷⁴⁹ We consider that the small scale of the altnet 'tail' significantly limits their wholesale prospects.
- 6.181 Based on this degree of network overlap and this level of scale, we consider that each of these altnets, as well as each altnet within the long tail of smaller altnets, is individually likely to place very limited competitive constraint on the Merged Entity.
- 6.182 We have also considered whether any of these altnets have significant expansion plans. Our provisional view is that any greenfield expansion plans are limited and that significant expansion appears unlikely.
- (a) As set out in nature of competition, in the TAR 2026, Ofcom stated that it expects further altnet build to be more limited than in previous years, given a changed investment climate.⁷⁵⁰ The Parties and some third parties have also acknowledged this trend.⁷⁵¹
- (b) In response to our question on whether altnets have plans to expand their network in the next five years, responding altnets provided limited evidence of significant future network build, particularly in areas that overlap with the

⁷⁴⁷ Appendix C, Table C.5.

⁷⁴⁸ Appendix C, Table C.4.

⁷⁴⁹ CMA analysis of Ofcom's Connected Nations January 2026 fixed broadband networks data. See also nature of competition chapter, Table 4.1 (2026 network footprints).

⁷⁵⁰ Ofcom, [Volume 1: Overview, summary and structure](#), paragraph 2.28.

⁷⁵¹ For example, Substantial's submission, '[X]', 17 April 2026 (resubmitted as annex 1.008 to FMN), paragraph 14; [INCA – Annual Report 2026](#), March 2026, p.27,

Merged Entity's footprint. While almost all other altnets that responded to our questionnaire told us they had some pre-existing plans to expand, these plans are generally limited in nature, have some uncertainty (eg as the altnet is seeking funding), do not overlap with the Parties' footprints and/or involve expansion by an altnet that is not active in wholesale.⁷⁵² One altnet noted that the sector has shifted from 'build to utilisation', with a much greater emphasis on penetration, customer acquisition and sustainable returns.⁷⁵³

- 6.183 Together, the altnet tail would overbuild the Merged Entity to a relatively significant extent. The Merged Entity would compete with at least one altnet in 36.5% of its full footprint. 17.7% of this overbuild would be with CityFibre, leaving 18.8% of additional premises that would be overbuilt by the altnet tail.⁷⁵⁴ This degree of overbuild is significant in part because altnets have avoided overbuilding each other: the Merged Entity's footprint would compete with at least two altnets in just 3.2% of its footprint.⁷⁵⁵ We have therefore considered whether a consolidated group of altnets could provide greater constraint on the Merged Entity post-Transaction. However, as discussed above, our view on this is that the competitive impact of alternative consolidation is likely to be more limited than CityFibre's acquisition of Substantial in the counterfactual, and we consider that in the longer term, remaining altnet consolidation prospects would be similar with or without the Transaction.

Current wholesale supply arrangements

- 6.184 As discussed above, vertically integrated providers can indirectly constrain wholesale providers. However, the strongest constraint on the Merged Entity's wholesale offer would be from altnets with substantive wholesale businesses or prospects.
- 6.185 Other than CityFibre, Community Fibre is the largest altnet (both in the Merged Entity's footprint and nationally) with active wholesale contracts. Community Fibre currently supplies to VodafoneThree and PXC,⁷⁵⁶ [REDACTED].⁷⁵⁷
- 6.186 The next largest providers in the Merged Entity's footprint with any active wholesale contracts are Full Fibre, which only supplies to smaller Tier 2 ISPs such

⁷⁵² In particular: (i) [REDACTED] is active in wholesale and seeking to expand its network [REDACTED] million homes in [REDACTED] which it anticipates will overbuild VMO2's network, albeit it is engaging with capital markets to secure funding; (ii) [REDACTED] has funding to add c.170k homes with some overbuild with VMO2 and Substantial, however, it is not active in wholesale; (iii) [REDACTED] is planning to do some limited build (total of c 24,000 premises) via the BDUK contract, but does not plan to overbuild the Parties; and (iv) [REDACTED] is planning a very small amount of build via BDUK (c4k premises) with none of it overlapping the Parties footprints. See: Third party responses to the CMA's phase 2 third-party questionnaire question 14: [REDACTED].

Third party responses to the CMA's phase 2 third-party questionnaire, question 14: [REDACTED].

⁷⁵³ Third party response to the CMA's phase 2 third-party questionnaire, question 15: [REDACTED].

⁷⁵⁴ Appendix C, Table C.5.

⁷⁵⁵ CMA analysis of Ofcom's Connected Nations January 2026 fixed broadband networks data.

⁷⁵⁶ Third party response to the CMA's phase 2 third-party questionnaire, question 9: [REDACTED].

⁷⁵⁷ Third-party submission: [REDACTED].

as IDNet⁷⁵⁸ and did not submit that it has negotiated or discussed supplying to any larger ISPs;⁷⁵⁹ Trooli, which supplies to [X] and Zen;⁷⁶⁰ and BUUK, which supplies to Sky.⁷⁶¹ Trooli and BUUK are both very small providers, overlapping with less than [0-5]% of the Merged Entity's full footprint.⁷⁶² All other larger altnets are vertically integrated, and would accordingly provide a weaker constraint on the Merged Entity's wholesale offer.

Internal documents

- 6.187 Overall, our view is that internal documents indicate that altnets other than CityFibre would provide a weak constraint on the Merged Entity.
- 6.188 VMO2/nexfibre's internal documents monitor a number of other network providers besides [X]. In particular, nexfibre's board documents [X]. This includes [X].⁷⁶³ VMO2's '[X]' reports [X].⁷⁶⁴
- 6.189 Substantial's internal documents do not monitor other altinet overbuild in the same way that VMO2/nexfibre do.⁷⁶⁵ However, this is likely due to the fact that the overbuild is limited (as discussed above). This is also recognised in a number of Substantial's internal documents; for example, Substantial forecasts current and future overbuild on its network to be primarily driven by [X] rather than altnets.⁷⁶⁶
- 6.190 While the Parties monitor other network providers besides Openreach and [X], some internal documents group them into 'other', 'top 5' altnets, or just refer to altnets without naming them,⁷⁶⁷ which suggests that the strength of their constraint is more limited. Moreover, a nexfibre internal document recognises that [X].⁷⁶⁸ Finally, we note that some nexfibre internal documents monitor [X].⁷⁶⁹

Third-party views

- 6.191 The three Tier 1 ISPs that are reliant on third-party wholesale access identified Community Fibre as a current or potential supplier of wholesale fixed broadband,⁷⁷⁰ with two of them rating its overall offering as strong or very strong

⁷⁵⁸ Third party response to the CMA's phase 2 third-party questionnaire, question 9: [X].

⁷⁵⁹ Third party response to the CMA's phase 2 third-party questionnaire, question 10: [X].

⁷⁶⁰ Third party responses to the CMA's phase 2 third-party questionnaire, question 2: [X].

⁷⁶¹ Third party response to the CMA's phase 2 third-party questionnaire, question 2: [X].

⁷⁶² CMA analysis of Ofcom's Connected Nations January 2026 fixed broadband networks data.

⁷⁶³ Parties annex to FMN: '[X]', page 6.; nexfibre annex to P1-s109(02)-nexfibre: '[X]', page 54. See also scale rankings that include overbuild statistics: Parties annex to FMN: '[X]', page 10.; Parties annex to FMN: '[X]', page 103. See also: altinet overbuild longtail analysis in Parties annex to FMN: '[X]', page 7; or Parties annex to FMN: '[X]', page 7.

⁷⁶⁴ Eg VMO2 annex to P1-s109(02)-VMO2; Parties annex to FMN: '[X]', page 39; VMO2 annex to P1-s109(02)-VMO2: '[X]', page 39.

⁷⁶⁵ Substantial primarily appears to monitor [X] (eg Substantial annex to FMN: '[X]'; Substantial annex to FMN: '[X]').

⁷⁶⁶ Substantial annex to FMN: '[X]', page 34. See also Substantial annex to FMN: '[X]', page 14.

⁷⁶⁷ Substantial: Substantial annex to FMN: '[X]'; nexfibre: nexfibre annex to P1-s109(02)-nexfibre: '[X]', page 6; nexfibre annex to P1-s109(02)-nexfibre: '[X]', pages 5 and 37.

⁷⁶⁸ Parties annex to FMN, page 1.

⁷⁶⁹ Parties annex to FMN, page 6; Parties annex to FMN, page 1.

⁷⁷⁰ No other respondents identified Community Fibre as a current or potential supplier.

and its network scale as moderate,⁷⁷¹ and the other rating its overall offering as weak due to a 'lack of scale'.⁷⁷² Other altnets were not consistently identified as a wholesale option by customers⁷⁷³ or competitors⁷⁷⁴ in response to our questionnaire.

- 6.192 Customer and competitor views are consistent with Ofcom's submission that the presence of rival networks alone is not necessarily sufficient to deliver material and sustainable competition in the long term, with FTTP take-up being critical for altnets' ability to exert an effective competitive constraint on Openreach and VMO2 in the long run.⁷⁷⁵

Provisional conclusion on the competitive constraint from other altnets

- 6.193 Based on the evidence above, our provisional view is that altnets other than CityFibre would provide a very limited constraint on the Merged Entity post-Transaction.

Provisional conclusion on competitive constraints

- 6.194 Taking the evidence in the round, our provisional view is that Openreach would continue to impose an important competitive constraint on the Merged Entity post-Transaction, although the extent of that constraint may be moderated by its regulation by Ofcom. CityFibre would remain an important competitor, although the extent of its constraint would be limited by its relatively smaller overlap with the Merged Entity's footprint and the time and cost associated for it to undertake further consolidation. We consider that the remaining altnets would provide a very limited constraint given their scale, network coverage and wholesale capabilities.

Third-party views on the impact of the Transaction

- 6.195 We have received third-party views on the impact of the Transaction on calls and in response to our phase 1 invitation to comment, our Areas of Focus paper and our questionnaire to network providers (including altnets) and ISPs. As discussed above, certain factors in this case affect the weight we are able to place on third-

⁷⁷¹ Third party responses to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁷⁷² Third party responses to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁷⁷³ The other altnets identified by one of these Tier 1 ISPs were BUUK, which one Tier 1 ISP ([REDACTED]) rated as strong overall but weak in terms of network scale, and Freedom Fibre, Trooli, MS3 and OFNL, each of which was rated by another Tier 1 ISP ([REDACTED]) as strong overall but moderate in terms of network scale, with this ISP noting that each of these providers had 'smaller scale'. A smaller customer ([REDACTED]) identified a number of altnets as current or potential customers, ranking Trooli and MS3 as very strong, Freedom Fibre and ITS as strong, OFNL and Full Fibre as moderate and Gigaclear as very weak (on the basis that it does not have a wholesale service). Third party response to the CMA's phase 2 third-party questionnaire, question 4: [REDACTED].

⁷⁷⁴ We consider this unsurprising given that altnets do not generally overbuild each other. Only one competitor who responded to our questionnaire ([REDACTED]) identified Community Fibre as a current or potential competitor and rated its overall offering as very strong. Another competitor ([REDACTED]) that noted explicitly that it excluded operators such as Community Fibre given the absence of overlap with its network. Third party response to the CMA's phase 2 third-party questionnaire, question 12: [REDACTED].

⁷⁷⁵ Ofcom response dated 18 September 2026 to the CMA's RFI dated 15 September 2026, page 2.

party views and we have interpreted them with regard to their specific context, including because the outcomes of a merger investigation can have a direct financial or strategic impact on market participants.

6.196 Third-party views on the impact of the Transaction were mixed:

(a) **Network operators (including vertically integrated altnets):**

- (i) A majority of network operators were broadly positive about the Transaction,⁷⁷⁶ with several identifying potential pro-competitive benefits, principally through consolidation creating a larger, more sustainable wholesale competitor to Openreach.
- (ii) Two network operators were broadly neutral⁷⁷⁷ with one noting that the Transaction removes a network operator (ie Substantial) and that the CMA would need to consider whether there is an impact on competition due to the overlap with VMO2/nexfibre.⁷⁷⁸
- (iii) One network operator expressed concerns that the Transaction would reduce wholesale competition in numerous local areas due to the removal of Substantial as a competitor and entrench a national wholesale 'duopoly' by undermining the emergence of a third rival scaled network.⁷⁷⁹

(b) **ISPs:**

- (i) Two Tier 1 ISPs expressed concerns regarding the Transaction. One of these ISPs said that the Transaction removed an active competitor in overlap areas pushing the market towards two players (Openreach and VMO2).⁷⁸⁰ The other ISP said that the Transaction eliminates the competitive pressure in the overlapping area served by Substantial by removing an infrastructure competitor and this is the case both in a standalone Substantial situation or the more likely situation where it is acquired by CityFibre.⁷⁸¹ One smaller ISP also expressed concerns

⁷⁷⁶ Third-party submission: [REDACTED]; [Grain Connect response to the Areas of focus](#), 17 July 2026, section 'Wholesale fixed broadband services to ISPs'; [Hyperoptic response to the Areas of focus](#), 17 July 2026, section 'Concluding Observations'; Third-party submission: [REDACTED]; Third party responses to the CMA's phase 2 third-party questionnaire, question 26: [REDACTED].

⁷⁷⁷ Third-party submission: [REDACTED]; Third-party call note: [REDACTED]; Third party response to the CMA's phase 2 third-party questionnaire, question 26: [REDACTED].

⁷⁷⁸ Third-party call note: [REDACTED]; Third party response to the CMA's phase 2 third-party questionnaire, question 26: [REDACTED].

⁷⁷⁹ [CityFibre response to the Areas of focus](#), 4 August 2026, paragraph 3.2. Also see Third-party submission: [REDACTED]. Third-party call note: [REDACTED].

⁷⁸⁰ The ISP also said that the CMA should consider the Merged Entity's incentives as a vertically integrated operator (this is considered in the section above on links between the wholesale and retail levels of the supply chain). Third party response to the CMA's phase 2 third-party questionnaire, question 26: [REDACTED]. Third-party submission: [REDACTED]; Third-party call note: [REDACTED].

⁷⁸¹ The ISP also set out concerns relating to the wholesale incentives of VMO2 which are considered in the section above on VMO2 and nexfibre's incentives to wholesale competitively. Third-party submission: [REDACTED]. Also see: Third-party

about the Transaction removing a wholesale option and that it had limited confidence that VMO2/nexfibre's wholesale offering would allow it to compete aggressively at the retail level.⁷⁸²

- (ii) Two other Tier 1 ISPs did not express a clear view on the Transaction. One noted that it would depend at least partly on the Merged Entity's wholesale strategy and whether it provided access on attractive, fair and non-discriminatory terms.⁷⁸³ The other noted that the Transaction removes a network operator (ie Substantial) and that there may be an impact on competition due to the overlap with VMO2/nexfibre.⁷⁸⁴
 - (iii) A smaller ISP was broadly supportive of the Transaction as it considered consolidation was needed to create a stronger national competitor to Openreach, but did recognise that there was likely a loss of local competition at the wholesale level and that the sector could end in a 'duopoly' going into the next decade.⁷⁸⁵
- (c) **Altnet investors:**⁷⁸⁶ One third-party investor was broadly positive saying that consolidation was needed and that the Transaction supports the emergence of a larger and more sustainable competitor to Openreach.⁷⁸⁷ Another investor was also broadly positive and said that it did not think the Transaction reduced competition materially, that consolidation was expected as the sector matures and that the Transaction makes the sector healthier and more sustainable.⁷⁸⁸
- (d) **Ofcom:**
- (i) Ofcom submitted that the Transaction presents a risk to its regulatory strategy to promote network competition. This could mean potentially significant benefits to consumers of network competition are not realised in some areas where they could have otherwise occurred, and a greater reliance on regulation to protect consumers (which is a second-best compared to where competition drives outcomes).⁷⁸⁹

call note: [REDACTED]; Third-party submission: [REDACTED]; and Third-party response to the CMA's phase 2 third-party questionnaire, question 26: [REDACTED].

⁷⁸² This ISP competes based partly on its own network and using third-party network. It has been included as an ISP as its views were provided on the basis of its ability to access a wholesale option for its retail business. Third-party submission: [REDACTED].

⁷⁸³ Third-party call note: [REDACTED].

⁷⁸⁴ Third-party call note: [REDACTED]; Third party response to the CMA's phase 2 third-party questionnaire, question 26: [REDACTED].

⁷⁸⁵ Third-party submission: [REDACTED]; Third-party call note: [REDACTED]; Third party response to the CMA's phase 2 third-party questionnaire, question 26: [REDACTED].

⁷⁸⁶ An investor said consolidation was broadly deemed necessary and inevitable and could provide a catalyst to a more functional market structure. Third-party call note: [REDACTED].

⁷⁸⁷ Third-party call note: [REDACTED].

⁷⁸⁸ Third-party call note: [REDACTED].

⁷⁸⁹ Ofcom response dated 18 September 2026 to the CMA's RFI dated 15 September 2026, page 10.

- (ii) Ofcom submitted that the Transaction directly and significantly reduces the areas in which there is a third provider competing head-to-head with Openreach and VMO2. It stated that, given the local nature of competition, the Transaction could result in less rivalry and competitive pressure across the materially-sized area where the merging Parties' networks overlap.⁷⁹⁰
- (e) **Other submissions:** In addition to the evidence gathered from stakeholders within the industry (above), we also received a large number of submissions from members of the public, including Members of Parliament,⁷⁹¹ and three Combined Authorities. Almost all of these submissions expressed concerns regarding the Transaction, primarily due to a reduction in the number of network operators in the respondent's local area and/or the impact on consumer choice.⁷⁹²

Provisional conclusion on horizontal unilateral effects in the supply of wholesale fixed broadband

- 6.197 We consider that VMO2/nexfibre and Substantial (as owned by CityFibre) would be close competitors in the supply of wholesale fixed broadband in the counterfactual, both through direct wholesale competition, where they target the same Tier 1 ISPs, and indirectly through competition between VMO2's retail offer and ISPs using CityFibre/Substantial's network.
- 6.198 The supply of wholesale fixed broadband is highly concentrated, and the Transaction would increase that concentration, relative to the counterfactual, by moving the Substantial footprint – which accounts for around a 14% overlap with VMO2/nexfibre's future FTTP footprint – from CityFibre to VMO2/nexfibre. This would significantly reduce the extent of overlap between CityFibre and VMO2/nexfibre, from around 32% to around 18%.⁷⁹³
- 6.199 Openreach would continue to impose an important constraint, but its wholesale offer is shaped by regulation, and it does not replicate the competitive role that Substantial (as owned by CityFibre) would play as an altnet wholesaler. CityFibre would remain active post-Transaction but would be significantly weaker than in the counterfactual, while other altnets are substantially smaller, more geographically limited and less well placed to offer a comparable wholesale constraint. We therefore provisionally consider that the constraints on the Merged Entity that

⁷⁹⁰ Ofcom response dated 18 September 2026 to the CMA's RFI dated 15 September 2026, page 11.

⁷⁹¹ During pre-notification, phase 1 and phase 2 we received over 80 submissions from members of the public and six submissions from Members of Parliament.

⁷⁹² Third-party submission: [REDACTED]; Third-party submission: [REDACTED]; Third-party submission: [REDACTED].

⁷⁹³ In the counterfactual, this is around 32% of the VMO2/nexfibre's future FTTP footprint excluding Substantial. Post-Transaction, this is around 18% of the Merged Entity's future FTTP footprint including Substantial.

would remain post-Transaction would not be sufficient to offset the loss of competition from the Transaction.

- 6.200 We therefore provisionally conclude that the Transaction may be expected to substantially weaken wholesale competition compared to the counterfactual, by transferring the Substantial footprint from CityFibre to VMO2/nexfibre, substantially reducing the competitive pressure on VMO2/nexfibre to offer attractive wholesale terms and worsening the wholesale offer available to ISPs.
- 6.201 In addition, we provisionally conclude that the Transaction would lead to a direct worsening in the terms on which ISPs could access the Substantial footprint. This is because access would be less certain for some ISPs and on the basis of VMO2/nexfibre's terms post-Transaction rather than on CityFibre's terms. We consider the impact on competitive outcomes at the retail level of the supply chain below.

How would competitive effects in wholesale affect retail consumers?

- 6.202 We considered how this provisional conclusion on the impact of the Transaction on competition at the wholesale level of the supply chain may have an impact at the retail level of the supply chain.⁷⁹⁴
- 6.203 The evidence shows that lower wholesale costs have a material impact on retail prices. To the extent that the Transaction increases wholesale prices, we would therefore expect retail prices of ISPs dependent on third-party wholesale access to become materially less competitive compared to the counterfactual.⁷⁹⁵
- (a) Providers such as CityFibre offer fees materially below Openreach, who would be the only significant competitor to the Merged Entity post-Transaction in the Substantial network area (see the section above comparing VMO2/nexfibre and CityFibre's wholesale offers).⁷⁹⁶
 - (b) A high proportion of wholesale price changes are reflected in retail prices. Whilst precise pass-through rates will always be subject to uncertainty, the Parties' analysis based on VMO2 internal documents indicates that, on average, around [X] of wholesale cost changes are reflected in retail prices.⁷⁹⁷

⁷⁹⁴ CMA129 explains that unilateral effects giving rise to an SLC can occur in relation to customers at any level of a supply chain, including at a wholesale level (paragraph 4.1). Our assessment of wholesale competition does not depend on demonstrating any particular degree of downstream pass-through. Rather, our considerations in this section provide context responsive to the concerns we have heard (as discussed in the section on Third-party views on the impact of the transaction) about the Transaction's impact on retail competition and end-consumers.

⁷⁹⁵ VMO2 is vertically integrated, as was Substantial pre-merger. Other competitors in Substantial's network area largely depend on wholesale access.

⁷⁹⁶ As set out in that section, CityFibre offers [X]. [X].

⁷⁹⁷ Parties' submission, 'Quantification of pro-competitive efficiencies', 20 May 2026 (resubmitted as annex 1.011 to FMN), paragraph section 2.4.

- (c) Because wholesale fees make up a significant proportion of retail ISPs' cost base where they do not own their own networks,⁷⁹⁸ the overall impact on retail prices is material. [REDACTED].⁷⁹⁹ Consistent with this, Substantial submitted that deep wholesale discounts feed retail price pressure, [REDACTED].⁸⁰⁰
- (d) The resulting price impacts can materially affect retail providers' strengths, where they rely on wholesale access. As set out in nature of competition, price is the main retail parameter of competition. This is also consistent with our analysis of switching evidence set out above and some third-party evidence. For example, Sky said wholesale discounts had driven [REDACTED].⁸⁰¹

6.204 As well as these price impacts, the evidence set out above shows that: (i) quality of service is an important parameter of competition at the retail level;⁸⁰² and (ii) generally CityFibre offers better-quality service to ISPs on some parameters than VMO2/nexfibre. This includes better service on factors such as installations, which will directly impact the customer experience and retail competition. For example:

- (a) A Tier 1 ISP said that the service quality and commitment to customer experience offered by CityFibre was '[REDACTED]' to those offered by VMO2 and Openreach.⁸⁰³ The Tier 1 ISP listed [REDACTED], [REDACTED] and [REDACTED] as examples of how better wholesale service can be fundamental to customers' overall experience.⁸⁰⁴
- (b) Another Tier 1 ISP said that the products and service level agreements from CityFibre are better than from Openreach.⁸⁰⁵ The ISP said that when it has access to independent wholesalers, competition is stronger and consumers benefit because it allows it to offer better quality service as well as lower prices and superior products.⁸⁰⁶

6.205 In the counterfactual, Substantial's network would be wholesaled by CityFibre to ISPs including Sky, VodafoneThree and PXC. Therefore, in the counterfactual these retail ISPs would benefit from CityFibre's competitive wholesale offering (both in terms of price and service quality, such as repair times and installation performances) in the Substantial network area, enabling those retail ISPs to have a more competitive retail offering in those areas. As a consequence, these retail

⁷⁹⁸ [REDACTED]. Substantial's submission, '[REDACTED]', 12 June 2026 (resubmitted as annex 1.009 to FMN), paragraph 36. Similarly, a third party provided information on its entry retail prices and wholesale fees when supplied by CityFibre and Openreach, respectively, which suggests wholesale fees are over 50% of that third party's entry level retail prices. [REDACTED].

⁷⁹⁹ [Sky response to the Areas of focus](#), 20 July 2026, paragraph 21.

⁸⁰⁰ Parties, Phase 2 Teach-in slides (Substantial session), 15 July 2026, slide 9

⁸⁰¹ Third-party call note: [REDACTED].

⁸⁰² See the nature of competition chapter.

⁸⁰³ Third-party call note: [REDACTED].

⁸⁰⁴ Third-party call note: [REDACTED].

⁸⁰⁵ Third-party call note: [REDACTED].

⁸⁰⁶ Third-party call note: [REDACTED].

ISPs would place a greater constraint on VMO2's retail offering in the Substantial network area in the counterfactual.⁸⁰⁷

- 6.206 We have also considered whether there could be any further impact of the Transaction at the retail level from a loss of direct competition between VMO2 and the eventual purchaser of YouFibre in the counterfactual.
- 6.207 As set out in our analysis of the counterfactual, we consider that the most likely eventual purchaser of Substantial's retail ISP (YouFibre) would have been [X]. Under the counterfactual, [X] would have access to CityFibre's network on the Substantial footprint, and this would make the purchaser a strong retail competitor to VMO2. The Transaction prevents this source of additional constraint from arising, and absent such network access neither would be amongst the closest competitors of the Parties. This mechanism is assessed in detail in our competitive assessment above, and so we have not considered this further here (see Appendix D for a more detailed assessment).

⁸⁰⁷ As set out in Appendix C, Table C.3, only around 1% of Substantial's network is overbuilt by CityFibre. In contrast, around 82% of Substantial's network overlaps with VMO2/nexfibre's full footprint. Under the counterfactual, competing ISPs would be granted access to Substantial's network (including this significant area of overlap with VMO2) on CityFibre terms, therefore increasing the constraint on VMO2 significantly.

7. COUNTERVAILING FACTORS

- 7.1 In this section we consider whether there are any countervailing factors which could mitigate the initial effect of the Transaction on the supply of wholesale fixed broadband in the UK.
- 7.2 As stated in CMA129, there are two main ways in which this could happen: (i) through merger efficiencies, or (ii) through the entry and/or expansion of third parties in reaction to the effects of a merger.⁸⁰⁸ We consider each of these in turn.

Efficiencies

Introduction

- 7.3 CMA129 states that, whilst mergers can harm competition, they can also give rise to efficiencies.⁸⁰⁹ Efficiencies arising from a merger may enhance rivalry, with the result that the merger does not give rise to an SLC.⁸¹⁰
- 7.4 The CMA's framework for assessing efficiencies, as set out in CMA129, distinguishes between two types of efficiencies:⁸¹¹
- (a) Rivalry-enhancing efficiencies (**REEs**): efficiencies that change the incentives of merger firms and induce them to act as stronger competitors to their rivals – for example, by reducing their marginal costs giving them the incentive to provide lower prices or a better quality, range or service. REEs may prevent an SLC by offsetting any anticompetitive effect.
 - (b) Relevant customer benefits (**RCBs**): benefits to UK customers resulting from a merger, other than through improved competition in the market related to the SLC finding – for example, greater levels of innovation resulting from the combination of unique assets of the merger firms applying to products other than those where the firms compete. RCBs do not prevent an SLC, but 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 realised.
- 7.5 In this section, we assess whether the efficiencies submitted by the Parties are REEs, following the CMA's framework. CMA129 states that in order for us to take REEs into account, they must:

⁸⁰⁸ [CMA129](#), paragraph 8.1.

⁸⁰⁹ [CMA129](#), paragraph 8.1.

⁸¹⁰ [CMA129](#), paragraph 8.4.

⁸¹¹ [CMA129](#), paragraphs 8.3-8.5.

- (a) enhance rivalry in the supply of those products where an SLC may otherwise arise;
- (b) be timely, likely and sufficient to prevent an SLC from arising;
- (c) be merger-specific; and
- (d) benefit customers in the UK.⁸¹²

7.6 Most of the information relating to efficiencies, such as synergies and cost reductions relating to a merger, is held by the merger firms.⁸¹³ Accordingly, CMA129 states that it is for the merger firms to demonstrate that the merger will result in efficiencies.⁸¹⁴ Merger firms who wish to make efficiency claims are encouraged to provide verifiable evidence to support their claims in line with the CMA's framework.⁸¹⁵

Efficiencies submitted by the Parties

7.7 The Parties submitted that the Transaction is pro-competitive, unlocking £3.5 billion of investment in the UK and delivering significant REEs.⁸¹⁶ The Parties' submissions include two key quantified channels which deliver these efficiencies:

- (a) **Creation of a scaled wholesale competitor to Openreach:** The Parties submitted that the Transaction creates a scaled wholesale competitor to Openreach, unlocking wholesale competition in the UK for the first time.⁸¹⁷ The Parties submitted that this will result in benefits to ISPs through lower wholesale rates over a larger footprint, and enhanced dynamic competition through the creation of a scaled wholesale rival to Openreach.⁸¹⁸ This is the Parties' 'primary' efficiency and drives the large majority of their quantified benefits.⁸¹⁹
- (b) **Faster HFC to FTTP migration:** The Parties submitted that the Transaction incentivises VMO2 to migrate customers from HFC to FTTP sooner than it otherwise would.⁸²⁰ The Parties submitted that FTTP is a superior technology offering improved reliability, faster speeds and lower energy consumption and thereby delivering benefits to consumers.⁸²¹

⁸¹² [CMA129](#), paragraph 8.8.

⁸¹³ [CMA129](#), paragraph 8.7.

⁸¹⁴ [CMA129](#), paragraph 8.15.

⁸¹⁵ [CMA129](#), paragraph 8.7.

⁸¹⁶ [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 2.

⁸¹⁷

Parties' submission, 20 May 2026 (resubmitted as annex 1.011 to FMN), section 5.

⁸¹⁸ Parties' submission, [REDACTED], 20 May 2026 (resubmitted as annex 1.011 to FMN), sections 3 and 5.

⁸¹⁹ Parties' response dated 31 July 2026 to the CMA's RFI dated 10 July 2026 (**P2-RFI2-Parties**), question 1.

⁸²⁰ Parties' submission, [REDACTED], 20 May 2026 (resubmitted as annex 1.011 to FMN), section 2.6.

⁸²¹ [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 12.

- 7.8 The Parties submitted that the magnitude of these efficiencies is substantial, with the wholesale price reductions alone delivering directly quantifiable savings of up to £[100-200] million by Year 5 and £[500-600] million by Year 10 post-Transaction.⁸²²
- 7.9 The Parties submitted that the Transaction will also give rise to further unquantified benefits, as a result of:⁸²³
- (a) VMO2 benefitting from Substantial's expertise in cost-efficient fibre deployment, customer connections, and broader network operation; and
 - (b) economies of scope from extending VMO2's leased line services onto the Substantial footprint.
- 7.10 The Parties submitted evidence in support of their contention that each of these claimed efficiencies is timely, likely, and merger-specific. They also submitted that the combined benefits would be sufficiently large to offset any putative adverse effects of the Transaction and will, conversely, increase competition.⁸²⁴
- 7.11 In the following section we consider each of the efficiencies submitted by the Parties.

Creation of a scaled wholesale competitor to Openreach (primary efficiency)

Parties' submissions

- 7.12 The Parties submitted that the Transaction will result in a scaled wholesale competitor to Openreach as a result of three mechanisms:⁸²⁵
- (a) **Combining existing footprints:** The Transaction combines the VMO2/nexfibre (6.7 million premises) and Substantial (2.4 million non-overlapping) FTTP footprints to create a total FTTP footprint of 9.1 million premises.⁸²⁶
 - (b) **Targeted upgrades of 2.1 million VMO2 HFC premises ([§]):** The Transaction secures funding for nexfibre to upgrade 2.1 million VMO2 HFC premises to FTTP. The Parties submitted that these premises have been selected strategically to infill gaps in the existing Substantial footprint, meaning that each additional premise upgraded here contributes

⁸²² [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 38.

⁸²³ Parties' response dated 31 July 2026 to the CMA's RFI dated 10 July 2026 (**P2-RFI2-Parties**), question 1

⁸²⁴ P2-RFI2-Parties, question 2.

⁸²⁵ P2-RFI2-Parties, question 1.

⁸²⁶ FMN, paragraphs 16, 595 and 932; P2-RFI2-Parties, question 1; and [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 34.

disproportionately to network density and therefore the commercial attractiveness of VMO2/nexfibre's network to ISPs.⁸²⁷

- (c) **Remaining Fibre Up:** The Transaction derisks and accelerates the upgrade of up to 8.5 million remaining VMO2 HFC premises to FTTP.⁸²⁸ The Parties submitted that the [X] (ie the [Build Scenario C] scenario).⁸²⁹

- 7.13 The Parties submitted that the increased network scale (as a result of the three mechanisms above) increases the likelihood of the Merged Entity securing wholesale deals with ISPs, while absent the Transaction, [X] and therefore would be [X].⁸³⁰ The Parties submitted as evidence [X].⁸³¹
- 7.14 Further, for any ISPs who may have joined the VMO2 network anyway in the short term in the counterfactual (such as [X]), the Parties submitted that the Transaction provides a larger network to join, resulting in wholesale rate savings across a larger footprint.⁸³²

Our assessment

- 7.15 As set out above, there are two aspects to the Parties' primary efficiency claim: (i) that the Transaction increases VMO2/nexfibre's scale, and (ii) that this delivers benefits for ISPs, who are more likely to wholesale from VMO2/nexfibre as a result of the increased scale.
- 7.16 We assess these two aspects in turn below, and then present our provisional conclusion.

Increasing VMO2/nexfibre's scale

Combining the VMO2/nexfibre and Substantial FTTP footprints

- 7.17 We recognise that the Transaction results in a direct short-term increase in VMO2/nexfibre's FTTP scale through adding an extra 2.4 million non-overlapping FTTP premises to their footprint. However, as set out in chapter 5, we provisionally consider that VMO2 would continue to upgrade its network to FTTP in the counterfactual and that, although the exact timing and extent of this is uncertain, it would likely complete [X] within the next five years and [X] HFC footprint over the next ten years (or shortly thereafter). As VMO2 completes these upgrades, the incremental scale resulting from the Transaction would decline. If VMO2 were to upgrade its entire HFC network to FTTP, the incremental FTTP footprint from the

⁸²⁷ [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 34(ii).

⁸²⁸ P2-RF12-Parties, question 1.

⁸²⁹ For more detail on this, see the discussion in chapter 5 on the counterfactual.

⁸³⁰ Parties' submission, [X], 10 June 2026 (resubmitted as annex 1.006 to FMN), paragraph 20.

⁸³¹ P2-RF12-Parties, question 2.

⁸³² Parties' submission, [X], 20 May 2026 (resubmitted as annex 1.011 to FMN), section 2.2-2.3.

addition of the Substantial network would be just 0.6 million premises.⁸³³ We therefore provisionally consider that the additional scale arising from combining the Parties' footprints is relatively limited and would not be sufficient to prevent an SLC from arising. Further, we consider that VMO2/nexfibre are already of a sufficient scale to compete in wholesale, regardless of future network expansion, as set out in more detail below and in chapter 5.

- 7.18 Finally, we have provisionally found that Substantial would have been acquired by CityFibre in the counterfactual. Therefore, we consider that premises in the Substantial footprint would have been available for wholesale absent the Transaction and that the Parties have not provided evidence to show that there would be a clear benefit in this footprint being wholesaled by VMO2/nexfibre rather than CityFibre. Our provisional conclusion is therefore that the benefit of wholesaling the Substantial network is not merger-specific.

2.1 million Transaction-specific ([X]) upgrades

- 7.19 The incremental footprint scale arising from the [X] upgrades depends on the extent to which VMO2 would continue to upgrade its network in the counterfactual. In line with the analysis set out above, we provisionally consider that all of the [X] premises would have been upgraded, regardless of the Transaction, and therefore that the additional scale arising from the [X] premises is not merger-specific.
- 7.20 Further, VMO2's internal documents indicate that [X] would not result in a [X],⁸³⁴ [X].⁸³⁵ The Parties also told us here that around [X]% of the [X] premises [X], with [X]% [X].⁸³⁶
- 7.21 We have also considered whether VMO2 and nexfibre could have reached agreement on a similar arrangement to [X] (whereby nexfibre upgrades VMO2 HFC premises in return for wholesale fees), absent the Transaction. The Parties told us that VMO2 and nexfibre had previously considered similar standalone arrangements to the [X] upgrades, but that these discussions were put on hold given that (i) [X].⁸³⁷
- 7.22 The Parties provided contemporaneous analysis to support their submission that these alternative arrangements would not have [X].⁸³⁸ The Parties stated that

⁸³³ Parties' submission, [X], 20 May 2026 (resubmitted as annex 1.011 to FMN), section 2.1.

⁸³⁴ [X] (for example, VMO2 annex to P2-s109(01)-VMO2, page 9; VMO2 annex to P2-s109(01)-VMO2, page 8; and VMO2 annex to P2-s109(01)-VMO2, page 3). [X] ('[X]', page 2).

⁸³⁵ See here VMO2 annex to P2-s109(01)-VMO2, page 2; VMO2 annex to P2-s109(01)-VMO2, page 11; and VMO2 annex to P2-s109(01)-VMO2. We understand that references to [X] in these documents relate to the [X] under [X] as part of the Transaction). See Parties' response dated 31 July 2026 to the CMA's RFI dated 10 July 2026 (**P2-RFI2-Parties**), question 3.

⁸³⁶ Parties' response dated 10 August 2026 to the CMA's RFI dated 4 August 2026 (**P2-RFI3-Parties**), question 10.

⁸³⁷ Parties' updated consolidated response dated 21 May 2026 to the CMA's RFI dated 12 May 2026 (**P1-RFI2-Parties**), question 10).

⁸³⁸ nexfibre annexes to P2-RFI2-Parties

relevant discussions therefore only recommenced in the context of the Transaction, which provides a compelling strategic rationale for [REDACTED] and delivers nexfibre a [REDACTED],⁸³⁹ and that, absent the Transaction, [REDACTED].⁸⁴⁰

- 7.23 However, we do not consider that the evidence provided by the Parties sufficiently substantiates their submissions that VMO2/nexfibre would be unlikely to reach agreement on an arrangement similar to [REDACTED], absent the Transaction. Instead, VMO2/nexfibre's internal documents indicate that they previously engaged in discussions regarding a standalone [REDACTED] over a number of months⁸⁴¹ and [REDACTED].⁸⁴² These documents indicate that [REDACTED] had been put on pause by July 2025, alongside [REDACTED], but do not contain evidence to indicate that this was due to [REDACTED].⁸⁴³ We also note that the Parties told us for context here that [REDACTED].⁸⁴⁴
- 7.24 Further, as set out in our discussion of the VMO2/nexfibre counterfactual in chapter 5, we provisionally consider that nexfibre would have remained an active network operator in the counterfactual, that VMO2 would have continued to be incentivised to upgrade its HFC network to FTTP, and that nexfibre Board and investor documents produced in the context of the Transaction indicate that they consider a brownfield upgrade model to be a commercially attractive proposition. We therefore consider that, taken in the round, the evidence indicates that VMO2 and nexfibre would be likely to reach agreement in relation to some form of nexfibre-funded HFC upgrades, absent the Transaction.
- 7.25 We therefore do not consider that the Parties have provided sufficient evidence at this stage to demonstrate that these arrangements (and the resulting scale) are merger-specific, because (i) the evidence indicates that these premises would likely have been upgraded in any event, absent the Transaction, and (ii) the

⁸³⁹ Parties' updated consolidated response dated 21 May 2026 to the CMA's RFI dated 12 May 2026 (**P1-RFI2-Parties**), question 10).

⁸⁴⁰ In particular, the Parties commented here on the [REDACTED], absent the Transaction. See Parties' submission.

⁸⁴¹ For example, nexfibre Board documents from December 2024 and January 2025 indicate that [REDACTED] was being considered at around this time, see nexfibre annex to P2-s109(01)-nexfibre, paragraph 6.10 (based on nexfibre's wider Board document set, we understand here that the 'brownfield proposal' refers to [REDACTED]); and nexfibre annex to P2-s109(01)-nexfibre, page 11. This is also reflected in VMO2 Board documents from around the same time: VMO2 annex to P2-s109(01)-VMO2, pages 3-4; and VMO2 annex to P2-s109(01)-VMO2, pages 35-40.

⁸⁴² For example, a document produced for VMO2's Executive Committee in March 2025 indicates that [REDACTED]. The document categorises [REDACTED] with an amber 'RAG' rating, states that the parties were targeting a go/no go decision by the end of May and were working through commercial discussions of a number of points with '16 of 18 "priority" items completed since last update' (page 3). P2-s109(01)-VMO2, pages 3, 5, 20, 22. We note that this document appears to post-date the sensitivity analysis provided by the Parties.

⁸⁴³ VMO2 documents from prior to the Transaction frame [REDACTED] as being paused, rather than permanently stopped. For example, a VMO2 Board document from July 2025 describes [REDACTED] as paused, alongside [REDACTED] (VMO2's NetCo project). P2-s109(01)-VMO2, page 54. [REDACTED] (and [REDACTED]) continue to appear as on pause in VMO2 documents following this (see P2-s109(01)-VMO2, page 16), with documents indicating that it was only removed in around November 2025 (P2-s109(01)-VMO2, page 16). VMO2 documents indicate that its Board had already begun considering the Transaction at this point, with [REDACTED] appearing in Board documents from at least September 2025 (ie prior to this; see P2-s109(01)-VMO2, page 13).

⁸⁴⁴ Parties' updated consolidated response dated 21 May 2026 to the CMA's RFI dated 12 May 2026 (**P1-RFI2-Parties**), question 10.

Parties have not provided sufficient evidence that a similar arrangement between nexfibre and VMO2 would not have been reached absent the Transaction.

Remaining VMO2 Fibre Up

- 7.26 We consider that the Parties have not, at this stage, provided clear or substantiated evidence to support their claims that the Transaction derisks or accelerates Fibre Up, including in the face of increased financial challenges.
- 7.27 In particular, we consider that, while the Transaction would generate cash for VMO2 (as a result of the £1.1 billion payment from VMO2 to nexfibre),⁸⁴⁵ VMO2's internal documents do not contain any evidence to indicate that this would materially accelerate or otherwise derisk VMO2's remaining Fibre Up programme. In fact, VMO2's internal documents indicate that it has been considering a [X].⁸⁴⁶ Further, documents include commentary regarding the [X].⁸⁴⁷
- 7.28 We therefore consider that the Parties have not provided sufficient evidence that this claimed efficiency is timely or likely. We have also provisionally found that most or all of these upgrades would occur absent the Transaction, such that this benefit is not merger-specific.

ISPs will benefit from discounted wholesale rates across the expanded post-Transaction footprint

- 7.29 The Parties submitted that, as a result of this increased scale, key ISPs would be more likely to join the VMO2/nexfibre network and would therefore benefit from discounted rates (in comparison to Openreach) across a larger footprint, delivering rivalry enhancing savings.⁸⁴⁸
- 7.30 As set out above, we consider that the evidence does not indicate that the Transaction would materially increase VMO2/nexfibre's network scale in the medium to long-term, given that VMO2 would likely continue with its network upgrades in the counterfactual, resulting in a merger-specific increment of only 0.6 million non-overlapping premises. In any event, we do not consider that the Parties have provided evidence to indicate that ISPs would be more likely to join the VMO2/nexfibre network with the Transaction.
- 7.31 In fact, evidence received by the CMA indicates that VMO2/nexfibre were already in [X] prior to the Transaction being made public.⁸⁴⁹ Further, both [X] have

⁸⁴⁵ For more detail on the Transaction structure and relevant payments, see chapter 2 on the Parties, Transaction and rationale.

⁸⁴⁶ See here VMO2 annex to P2-s109(01)-VMO2, page 17; P2-s109(01)-VMO2: page 14 and 17; and P2-s109(01)-VMO2, pages 31 and 34, which notes that [X], as well as documents referenced above regarding VMO2's build pace.

⁸⁴⁷ See for example, P2-s109(01)-VMO2, pages 3-4; P2-s109(01)-VMO2, pages 11 and 19; P2-s109(01)-VMO2, pages 155-157; and P2-s109(01)-VMO2, pages 14-17.

⁸⁴⁸ [Parties' response to the Areas of focus](#), 20 July 2026, paragraphs 38-39.

⁸⁴⁹ See Appendix B.

already agreed wholesale deals with network operators of a smaller or similar size than VMO2/nexfibre,⁸⁵⁰ and ISPs told us that they consider that VMO2/nexfibre is already of sufficient scale and that their interest in a wholesale deal is not materially affected by the Transaction.⁸⁵¹ The evidence also indicates that network density is not a central factor in the attractiveness of a wholesale offering to ISPs.⁸⁵²

Our provisional conclusion on the Parties' primary efficiency

7.32 Based on the assessment above, our provisional conclusion is that the Parties' primary efficiency does not meet the criteria set out in CMA129. In particular:

- (a) **Increased scale:** The evidence does not indicate that this would be timely, likely or merger-specific. In particular, the Parties have provided very limited evidence to indicate that the Transaction materially accelerates or derisks VMO2's Fibre Up programme. Instead, we consider that VMO2 would continue to upgrade its network at a relatively similar pace in the counterfactual. Any incremental scale is therefore largely limited to the c.0.6 million non-overlapping Substantial premises, which would in any event be wholesaled by CityFibre in the counterfactual.
- (b) **Increased likelihood of agreeing wholesale deal:** As set out above, we consider that there is very limited evidence to demonstrate that the Transaction would result in a material increase in VMO2/nexfibre's network scale in the medium to long-term or in their appeal to ISPs (noting here, as set out above, that we consider that VMO2/nexfibre are already of a sufficient scale for wholesale purposes). We therefore do not consider that the Transaction is likely to result in more ISPs joining or benefiting from the network. This is consistent with evidence from ISPs and their past behaviour.

7.33 We therefore do not consider that the Parties have provided verifiable evidence to demonstrate that the Transaction materially increases the competitive strength of VMO2/nexfibre as a wholesale provider such as to offset the loss of competition in the supply of wholesale fixed broadband resulting from the Transaction.

⁸⁵⁰ [REDACTED] which has a footprint of [REDACTED]. (Third-party call note:) and with [REDACTED] which has a footprint [REDACTED]. (Third-party call transcript). [REDACTED] has a partnership with CityFibre (Third-party call transcript).

⁸⁵¹ Third-party call note: [REDACTED]; and Third-party call note: [REDACTED].

⁸⁵² See here the more detailed discussion on wholesale negotiations and parameters of competition in chapter 4 on the nature of competition).

Faster HFC to FTTP migration for VMO2 customers (second quantified efficiency)

Parties' submissions

- 7.34 The Parties submitted that the Transaction incentivises VMO2 to migrate customers from HFC to FTTP.⁸⁵³ This is a result of the synthetic wholesale availability fee included within the Transaction Agreement which effectively means that VMO2 pays a wholesale fee even where its customers are not actually using nexfibre fibre.⁸⁵⁴
- 7.35 The Parties submitted that this accelerated migration of VMO2's customers to FTTP would enhance rivalry through increasing the competitive pressure posed on other retail ISPs.⁸⁵⁵

Our assessment

- 7.36 We consider that this claimed efficiency is primarily relevant to retail competition, and would not materially impact the strength of the Parties' wholesale offering (noting that the HFC to FTTP upgrade itself is covered by the Parties' primary efficiency above) We therefore do not consider that this channel would prevent an SLC in the supply of wholesale fixed broadband to ISPs.⁸⁵⁶
- 7.37 In any event, we consider that these primarily appear to be RCBs, rather than REEs, given that the benefits submitted by the Parties relate to increased speed and reliability for customers (the latter of which makes up the entirety of the Parties' quantified benefits in relation to this channel),⁸⁵⁷ as well as wider environmental benefits. The Parties commented that this would place competitive pressure on other ISPs as a result,⁸⁵⁸ but have not provided any evidence on this, including regarding why it is timely, likely or sufficient.⁸⁵⁹
- 7.38 We therefore provisionally consider that these efficiencies do not meet the criteria set out in CMA129 such as to prevent an SLC in the supply of wholesale fixed broadband.

⁸⁵³ [Parties' response to the Areas of focus](#), 20 July 2026, paragraph 41.

⁸⁵⁴ Parties' submission, 20 May 2026 (resubmitted as annex 1.011 to FMN), section 2.6.

⁸⁵⁵ Parties' submission, 20 May 2026 (resubmitted as annex 1.011 to FMN), section 7.4.

⁸⁵⁶ As stated in CMA129, REEs must enhance rivalry in the supply of those products where an SLC may otherwise arise. [CMA129](#), paragraph 8.8.

⁸⁵⁷ ie £17 million estimated benefits to customers as a result of fewer service outages on FTTP in comparison to HFC and therefore reduced customer downtime. Parties' submission, 20 May 2026 (resubmitted as annex 1.011 to FMN), page 2.

⁸⁵⁸ Parties' submission, 20 May 2026 (resubmitted as annex 1.011 to FMN), page 4, Table 1.

⁸⁵⁹ We have not received any evidence to demonstrate that FTTP is materially more attractive to customers than HFC, and indeed the Parties told us here that these technologies belong in the same retail product market ([Parties' response to the Areas of focus](#), 20 July 2026, paragraph 160).

Unquantified efficiencies

- 7.39 The Parties submitted that the Transaction would result in further unquantified efficiencies, including (a) build efficiencies (with VMO2 learning from Substantial's build and connection approach to improve its own approach); and (b) economies of scope (as the Merged Entity would have a strong incentive to extend the availability of leased line services onto Substantial's fibre footprint).⁸⁶⁰
- 7.40 However, we consider that the Parties' supporting evidence for these efficiencies is very limited, particularly regarding the magnitude (and therefore sufficiency) of any impact. For example, on (a) we consider that there may be some best practice learnings or knowledge transfers between the Parties as a result of the Transaction, but that the Parties have not provided any evidence regarding the scale of these benefits, which we consider would likely be limited given the different nature of extensions to the VMO2 and Substantial networks (ie HFC upgrades versus greenfield FTTP build). Meanwhile, the benefits arising from (b) primarily appear to relate to leased line customers. We do not consider that the Parties have provided verifiable evidence here as to how these efficiencies would benefit wholesale customers or what the magnitude of these benefits to wholesale customers would be.
- 7.41 We therefore do not consider that the Parties have provided verifiable evidence to demonstrate that these efficiencies meet the CMA's framework such as to prevent an SLC (including the magnitude of such benefits, and therefore whether they would be sufficient to prevent an SLC from arising).

Provisional conclusions

- 7.42 Based on the evidence that we have received, and the analysis of that evidence presented above, it is our provisional view that the Parties' claimed efficiencies do not meet the criteria set out in the CMA's framework (ie timely, likely, sufficient, and merger-specific).
- 7.43 It is therefore our provisional view that the Parties' claimed efficiencies will not enhance rivalry such that the Transaction does not result in an SLC.

Entry and expansion

- 7.44 In its competitive assessment, the CMA may take into account entry and/or expansion plans of rivals who will enter or expand irrespective of whether the merger proceeds. However, any analysis of a possible SLC includes consideration of the direct responses to the merger by rivals, potential rivals and customers. If effective entry and/or expansion occurs as a result of the merger, the effect of the

⁸⁶⁰ P2-RFI2-Parties, question 1.

merger on competition may be mitigated. In these situations, the CMA might conclude that no SLC arises as a result of the merger.⁸⁶¹

- 7.45 The Parties submitted that the Transaction is not likely to cause any specific entry or expansion in the altnet market.⁸⁶² More broadly, the Parties submitted that the prevailing conditions in the altnet sector are those of market retrenchment, with limited network roll-out and a scale back of existing build programmes.⁸⁶³ However, the Parties have noted that Openreach is continuing to expand its FTTP network, with plans to cover 25 million premises by the end of 2026 and ultimately reaching 30 million premises.⁸⁶⁴
- 7.46 In our competitive assessment, we have assessed the entry and expansion plans of Openreach and altnets. The evidence we have received is consistent with the Parties' submissions: whilst Openreach continues to expand its FTTP network, altnet expansion within the Parties' footprint is expected to be very limited over at least the next five years.⁸⁶⁵ We also asked third parties whether their expansion plans are contingent upon any key factors. There is no indication that altnets' expansion plans are impacted by the Transaction.⁸⁶⁶
- 7.47 We therefore provisionally conclude that any countervailing entry or expansion would not be timely or sufficient to prevent the SLC from arising.

⁸⁶¹ [CMA129](#), paragraph 8.28.

⁸⁶² Parties, FMN, paragraph 916.

⁸⁶³ Parties' response to the Areas of focus, 20 July 2026, paragraph 6.

⁸⁶⁴ Parties' response to the Areas of focus, 20 July 2026, paragraph 49.

⁸⁶⁵ See competitive assessment chapter, section on market structure. While almost all altnets that responded to our questionnaire told us they had some pre-existing plans to expand, these plans are generally limited in nature, have some uncertainty (eg as the altnet is seeking funding), do not overlap with the Parties' footprints and/or involve expansion by an altnet that is not active in wholesale. In particular: (i) [X] may engage in further expansion (via M&A or new build), but this is uncertain (see competitive assessment chapter, section on market structure); (ii) [X] is active in wholesale and seeking to expand its network of [X] which it anticipates will overbuild VMO2's network, albeit it is engaging with capital markets to secure funding; (iii) [X] has funding to add c.170,000 homes with some overbuild with VMO2 and Substantial, however, it is not active in wholesale; (iv) [X] is planning to do some limited build (total of c.24,000 premises) via the BDUK contract, but does not plan to overbuild the Parties; and (v) [X] is planning a very small amount of build via BDUK (c.4,000 premises) with none of it overlapping the Parties footprints. Third party responses to the CMA's phase 2 third-party questionnaire: [X]. Appendix D Annex A contains a list of third-party responses to the CMA's phase 2 third-party questionnaire.

⁸⁶⁶ Third party responses to the CMA's phase 2 third-party questionnaire: [X].

8. PROVISIONAL CONCLUSIONS

- 8.1 As a result of our assessment, and based on the evidence that is set out above and in the appendices to this Interim Report, we have provisionally concluded that:
- (a) the anticipated acquisition of Substantial by nexfibre has resulted in the creation of an RMS; and
 - (b) the creation of that RMS may be expected to result in an SLC in the supply of wholesale fixed broadband services in the Parties' combined FTTP network footprints.

9. NEXT STEPS

- 9.1 This is not our final decision on the statutory questions, and we invite any interested parties to make representations to us on these provisional findings by no later than **5pm on Friday 23 October 2026**. We will consider submissions received in response to this Interim Report, along with any further evidence received following the Interim Report, and whether our provisional assessment should be altered in the light of these.
- 9.2 As a result of the provisional SLC identified, we will consider possible remedies to address the SLC in parallel with considering any submissions received in response to this Interim Report. The Parties are required to confirm to the CMA whether they intend to submit a completed Phase 2 Remedies Form (**Remedies Form**) within three working days of publication of this Interim Report.
- 9.3 In order to propose possible remedies for the Inquiry Group's consideration, the Parties are required to submit a Remedies Form by no later than **5pm on Friday 16 October 2026**. Following submission by the Parties of the Remedies Form (or confirmation by the Parties that they do not intend to submit such a form), the CMA will publish an Invitation to Comment on Remedies in order to consult on possible action to remedy, mitigate or prevent the SLC and the resulting adverse effects provisionally identified. (For more information on the phase 2 remedy process, see chapter 12 of [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2).)