The Inquiry Group – nexfibre / Substantial merger inquiry
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Competition and Markets Authority
By email: nexfibre.substantial@cma.gov.uk

17 October 2026

nexfibre / Substantial merger inquiry – Response to the Interim Report of 2 October 2026

Dear Members of the Inquiry Group,

We write in response to the Interim Report of 2 October 2026 (the "Interim Report") on the anticipated acquisition by Liberty Global, Telefónica and InfraVia, through their joint venture nexfibre, of Substantial (including Netomnia, Brsk, Brsk ISP and YouFibre) (the "Transaction") and the CMA's invitation of 5 October 2026 to interested parties to make representations on its provisional findings.[1] We do so on behalf of Community Fibre Holdings Guernsey Limited and Community Fibre Limited (together with their group companies, "Community Fibre"): Olaf Swantee as Chairman, Graeme Oxby as Chief Executive Officer, and Max Fowinkel as Non-Executive Director of Community Fibre and Managing Director & Partner at Warburg Pincus Deutschland GmbH ("Warburg Pincus"), representing Community Fibre's majority shareholder. This letter builds on Warburg Pincus' call with members of the Inquiry Group on 21 July 2026 (the "July Call").[2]

Community Fibre is not a party to the Transaction, but it has an interest in its outcome. Like other alternative fibre network operators ("AltNets") that have built their networks backed by private capital, Community Fibre's ability to fund further investment depends on investors' and lenders' confidence that there is a credible path to consolidation in the sector. In our view, a prohibition of the Transaction would materially undermine that confidence, with adverse consequences for AltNets, for future investment in UK full-fibre infrastructure and, ultimately, for consumers (see section 5 below).

In the following paragraphs, we share our perspectives and arguments based on our experience as operators and investors in the UK fibre market.

1. The provisional SLC finding stands or falls with the unlikely CityFibre counterfactual

The provisional finding of a substantial lessening of competition ("SLC") rests on the counterfactual that, absent the Transaction, CityFibre would most likely have acquired Substantial, wholesaled its network to ISPs and sold its retail businesses to a third party (IR 19-24, 30). That premise is decisive. As the Interim Report records, Substantial does not currently have any wholesale customers (IR 19). If the appropriate counterfactual is instead that Substantial would have continued on a standalone basis – an option the Interim Report accepts was viable (IR 21) – the Transaction would not remove an existing wholesale

[1] References in this letter to "IR" are to the numbered paragraphs of the Summary of the Interim Report published by the CMA on 2 October 2026.
[2] CMA, minutes of discussion with Warburg Pincus, 21 July 2026 (the "Call Note"), as corrected by Warburg Pincus' response of 1 September 2026.

competitor from the market, and the loss of three-way wholesale rivalry described at IR 34-37, which depends on CityFibre's presence on the Substantial network, would not arise.

Nor, in our experience, would a standalone Substantial become an effective wholesale competitor within the next two years, which we understand to be the timeframe relevant to the CMA's assessment. Large ISPs integrate a new wholesale network only where its footprint justifies the cost, and the process is lengthy. Even under CityFibre ownership, Substantial's network would have had to be integrated technically and commercially before ISPs could use it at scale.

In total, the CMA's interim SLC conclusion relies on a series of significant assumptions – all of which need to be considered likely occur in order for there to be any basis for the CMA's concerns. First, a hypothetical transaction (the acquisition of Substantial by CityFibre) must be considered the most likely outcome – which we consider to be unlikely. Second, not just one but two parties – Substantial (under CityFibre's hypothetical ownership) and VMO2 (without having acquired Substantial) – must each enter FTTP wholesaling and become effective competitors. While we consider VMO2 does have an interest in entering wholesaling, its ability to do so relies on a very capital-intensive and time-consuming conversion of its existing network to FTTP in circumstances where it will have been prevented from achieving a scale it consider to be necessary via the Transaction – see our comments further below. This compound series of assumptions presents multiple sources of likely failure.

We therefore respectfully submit that the CMA's provisional counterfactual warrants the closest scrutiny, and that the evidence summarised below does not support a CityFibre acquisition as the most likely outcome.

2. Willingness to invest is not the ability to finance a c.£2 billion acquisition

The Interim Report concludes that CityFibre would likely have raised the necessary funding at a valuation acceptable to Substantial's shareholders, pointing to the willingness of CityFibre's shareholders to invest equity, third-party interest in Substantial's ISPs and the motivation of Substantial's shareholders (IR 22-23). From an investor's perspective, these factors establish willingness, not financing capacity. In particular:

(a) *The 2025 process.* In the 2025 sale process, having received bids from both nexfibre and CityFibre, Substantial's board chose nexfibre (IR 19). Had CityFibre been able to offer comparable value with materially lower regulatory risk, we would have expected a rational board to pursue it. It has been publicly reported that CityFibre's chief executive wished to offer more but did not obtain the backing of CityFibre's investors,[3] and independent analysts have questioned whether CityFibre could have raised sufficient financing to match nexfibre's offer. For the reasons set out in paragraph 2(d) below, we do not think it is likely that CityFibre would have been able to submit an offer at a price which would be acceptable to Substantial's shareholders.[4]

[3] I. Morris, "Nexfibre CEO slams 'counter fantasy' of CityFibre buying Netomnia", *Light Reading*, 5 October 2026, https://www.lightreading.com/fttx/nexfibre-ceo-slams-counter-fantasy-of-cityfibre-buying-netomnia.

[4] New Street Research, J. Ratzer, "VMO2/nexfibre CMA ruling: More wholesale competition still on the way", 2 October 2026, page 4; see also New Street Research, J. Ratzer and B. Rickett, "VMO2 – Still too many risks to be attractive", 9 October 2026, page 5 ("Cityfibre's financing is not yet guaranteed").

(b) *Leverage and lender negotiations.* CityFibre's debt has been reported at nearly £4 billion, with its 2025 refinancing reported to provide funding only until mid-2027.[5] CityFibre itself stated on 6 October 2026 that its "capital structure needs to evolve to support our acquisition drive" and that "discussions with lenders are ongoing to provide further support".[6] As the CMA is likely already aware, recent press has publicly reported that CityFibre is preparing to ask its lenders to participate in a debt-for-equity swap and to inject further debt or preferred equity, in return for new equity from its existing shareholders.[7] Independent analysts value CityFibre's business below its net debt, consider that it would need to restructure its balance sheet before it could participate in consolidation, and note that its loans have traded at around 45p in the pound.[8]

(c) *Retrenchment.* CityFibre's build has slowed markedly: after adding c.800,000 premises in 2024, its footprint grew by fewer than 600,000 premises over the following 18 months, and premises passed stood at 4.8 million on 30 September 2026, compared with 4.7 million a year earlier.[9] It has also been publicly reported that c.450 roles were cut in early 2026 and a further c.200 placed at risk of redundancy in July 2026.[10]

(d) *Scale and nature of the equity commitment.* The £900 million equity commitment from CityFibre's shareholders post-dates the 2025 process in which CityFibre was outbid. Even taking that commitment into account, the balance of any acquisition of Substantial at a c.£2 billion headline value would have required substantial further debt on top of CityFibre's existing leverage, or the agreement of its existing lenders to a restructuring. Even if part of that value had been met by assuming Substantial's existing debt, this would have required the consent of Substantial's lenders and added further to the combined group's leverage. In addition, CityFibre is now positioning the equity commitment as being intended to fund consolidation across a number of potential targets and only as one element of a package that also depends on further lender support.[11] By contrast, nexfibre's offer is supported by committed financing: its shareholders signed a new £1.4 billion equity commitment alongside the Transaction, and its lenders consented to extend its term facilities, in each case conditional on completion.[12]

(e) *Conditionality and timing.* A CityFibre acquisition would have depended cumulatively on concluding a capital-structure negotiation with existing lenders, raising new acquisition finance and selling Substantial's retail businesses to a third party (IR 24). Third-party interest in those businesses (IR 23) is not a committed source of funds. Each

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[5] J. Warrington, "Debt-laden Cityfibre raises £900m to sweep up rivals", *The Telegraph*, 30 July 2026 (syndicated at https://finance.yahoo.com/technology/articles/debt-laden-cityfibre-raises-900m-140116780.html).

[6] CityFibre, "CityFibre delivering strong underlying performance as it moves to strengthen its capital structure and prepares for acquisition drive", trading update for the nine months to 30 September 2026, 6 October 2026, https://cityfibre.com/news/cityfibre-delivering-strong-underlying-performance-as-it-moves-to-strengthen-its-capital-structure-and-prepares-for-acquisition-drive-2.

[7] New Street Research, J. Ratzer and B. Rickett, "VMO2 – Still too many risks to be attractive", 9 October 2026, page 12, summarising a report in *The Times*.

[8] New Street Research, J. Ratzer and B. Rickett, "VMO2 – Still too many risks to be attractive", 9 October 2026, pages 12, 14 and 15.

[9] Light Reading, 5 October 2026 (n. 4 above); M. Jackson, "CityFibre build UK broadband network to 4.8m premises and prep £900m for consolidation", *ISPreview*, 6 October 2026 (updated 7 October 2026), https://www.ispreview.co.uk/index.php/2026/10/cityfibre-build-uk-broadband-network-to-4-8m-premises-and-prep-900m-for-consolidation.html; CityFibre trading update, 6 October 2026 (n. 7 above).

[10] The Telegraph, 30 July 2026 (n. 6 above).

[11] ISPreview, 6 October 2026 (n. 10 above), reporting that CityFibre has held talks with several alternative network operators; CityFibre trading update, 6 October 2026 (n. 7 above).

[12] New Street Research, J. Ratzer, "VMO2/nexfibre: New 2025 nexfibre accounts published – what we learned", 30 September 2026, pages 1 and 5–6, summarising nexfibre's 2025 statutory accounts.

step carries its own timetable and conditions, and their combination makes the outcome materially less likely than the Interim Report suggests.

(f) *The financing environment.* As we explained on the July Call, debt and equity for UK fibre have become materially harder to obtain since 2022-23, lenders assess individual operators through the lens of the sector as a whole, and consolidation has repeatedly been held back because acquirers themselves face liquidity constraints.[13] The scale of the problem is sector-wide: UK AltNets have raised more than £31 billion, posted aggregate losses of c.£1.5 billion in 2024 and carry more than £9 billion of net debt.[14] This is the market in which CityFibre would have had to raise financing on the scale required.

3. VMO2/nexfibre is the credible second national wholesale provider; the scale efficiency is understated

We do not take issue with the CMA's finding that VMO2/nexfibre intends to compete in the wholesale supply of fixed broadband (IR 28-29). On the contrary, in our view VMO2/nexfibre is the only credible candidate to become a second national wholesale provider alongside Openreach, which analysts estimate today faces AltNet wholesale competition in only around six million premises.[15] Substantial on a standalone basis would not be such a competitor and, for the reasons set out above, we consider the likelihood of Substantial being acquired by CityFibre to be low.

For the same reason, we respectfully consider that the Interim Report understates the Transaction's scale benefit. The Interim Report regards the additional scale as relatively small because VMO2's upgrade of its cable network to FTTP would erode most of it (IR 42). That upgrade is itself uncertain and capital-intensive. The Interim Report acknowledges that its timing is uncertain given recent financial pressures (IR 27), and analysts consider that VMO2 does not currently have the funds for a full FTTP upgrade and assume that it would scale back capital expenditure if the Transaction does not proceed.[16] Notably, the new nexfibre equity commitment referred to above is intended, among other things, to fund the FTTP upgrade of c.2.1 million VMO2 cable premises, and is conditional on completion of the Transaction.[17] To that extent, both the additional footprint and part of the upgrade are merger-specific, and the efficiency is correspondingly larger than IR 42-44 allow.

4. Competitive pressure from Openreach

We agree that Openreach is an important competitor and recognise that regulation constrains aspects of its conduct (IR 38). Our concern is that the Interim Report gives insufficient weight to the competitive constraint exercised by Openreach. Regulation moderates Openreach's conduct precisely because of the significant incumbency advantages it enjoys – it does not remove those advantages, which in practice make Openreach the default choice for the large ISPs. Community Fibre's experience, which we described on the July Call, is that Openreach exerts strong competitive pressure in practice: Community Fibre's network is substantially

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[13] Call Note, paragraphs 2–4 and 22.
[14] *Financial Times*, report on the CMA's provisional findings, 2 October 2026, https://www.ft.com/content/e46df108-025d-4326-9774-010ab84f2c9b, citing estimates by Enders Analysis.
[15] New Street Research, J. Ratzer and B. Rickett, "VMO2 – Still too many risks to be attractive", 9 October 2026, page 12.
[16] New Street Research, J. Ratzer and B. Rickett, "VMO2 – Still too many risks to be attractive", 9 October 2026, page 7; New Street Research, J. Ratzer, "VMO2/nexfibre CMA ruling: More wholesale competition still on the way", 2 October 2026, page 3.
[17] See n. 13 above.

overbuilt by Openreach. Openreach has recently responded with more aggressive pricing, and the large ISPs prefer to deal with a limited number of infrastructure providers and procure on a national basis – characteristics that favour Openreach as the default supplier.[18] As a result, Openreach constrains AltNets without needing to match their prices. To win volumes, AltNets must price below Openreach and pay ISPs incentive fees for each line connected, and even so the large ISPs continue to place most of their lines on Openreach's network. The lower AltNet prices noted in the Interim Report (IR 38) are therefore evidence of the competitive pressure Openreach exerts, not of its weakness.[19] In our experience, the central dynamic of wholesale competition is AltNets seeking to win volumes from Openreach. A larger VMO2/nexfibre which is able to deploy Substantial's FTTP network footprint as part of its offer would intensify, not weaken, that competition.

5. Investment and consolidation

We note the CMA's statement that its findings concern the Transaction only and do not reflect a view on consolidation in the wider sector (IR 48). Investors and lenders will nonetheless draw conclusions from the outcome, and the provisional findings have already been reported as likely to delay consolidation in a highly fragmented sector.[20] UK full-fibre build has been funded largely by private capital on the basis of a credible route to consolidation, and by 2030 the UK is expected to have c.2.4 gigabit networks per household against a European average of c.1.9.[21] A prohibition would, in practice, remove one of very few well-capitalised acquirers wherever there is material overlap with VMO2's footprint, leaving CityFibre, which faces the various capital challenges noted above, as the principal consolidator. For Community Fibre, which plans to extend its London footprint from c.1.35 million to close to 2 million premises over the coming years, requiring significant investment,[22] [23] access to funding depends directly on that confidence. A prohibition imposed by the CMA on the Transaction would therefore have significant negative effect on expected growth in the sector.

6. Remedies

Should the Inquiry Group retain concerns, we would encourage it to give careful consideration to remedies rather than prohibition. We understand that the Parties are due to submit their Phase 2 Remedies Form by 16 October 2026 and that the CMA will then consult separately on remedies (IR 51). We expect to comment specifically at that stage.

We would be pleased to discuss any of these points further. Preserving a credible path to consolidation is, in our view, essential to the development and growth of a healthy, sustainable, and competitive fibre market in the UK.

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[18] Call Note, paragraphs 23–25.

[19] New Street Research, J. Ratzer, "VMO2/nexfibre CMA ruling: More wholesale competition still on the way", 2 October 2026, page 6 (incentive fees of c.£250 per customer); New Street Research, J. Ratzer and B. Rickett, "VMO2 – Still too many risks to be attractive", 9 October 2026, page 10 (c.6 million Sky and Vodafone wholesale subscribers on Openreach).

[20] *Financial Times*, 2 October 2026 (n. 15 above).

[21] New Street Research, J. Ratzer, "VMO2/nexfibre CMA ruling: More wholesale competition still on the way", 2 October 2026, page 5. The figure counts the VMO2 and nexfibre networks separately; the comparable figures cited are Portugal (c.3.2) and Spain (c.2.7).

[22] M. Jackson, "CommunityFibre may restart UK FTTP rollout", *ISPreview*, 5 May 2026, https://www.ispreview.co.uk/index.php/2026/05/full-fibre-broadband-network-communityfibre-may-restart-uk-fttp-rollout.html, reporting the *Financial Times*.

[23] Call Note, paragraphs 5–6.

Yours faithfully,

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Olaf Swantee
Chairman, Community Fibre Limited

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Graeme Oxby
Chief Executive Officer, Community Fibre Limited

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Max Fowinkel
Non-Executive Director, Community Fibre Holdings Guernsey Limited and Community Fibre Limited
Managing Director & Partner, Warburg Pincus Deutschland GmbH

Annex 1 – Background to Community Fibre

Community Fibre is London's best quality broadband, providing fast, affordable, sustainable connections for everyone. It has passed 1.4 million homes across and around the capital, with more than 185,000 London-based businesses within 200 metres of Community Fibre's network footprint. Using the UK's best broadband technology, it is bringing Gigafast broadband at unbeatable speeds and prices to the capital, helping Londoners do more and be more. Community Fibre also operates in parts of Surrey and Sussex under its own brand, where, prior to May 2024, it was operating as Box Broadband. Community Fibre also provides free 1 Gbps full fibre broadband to more than 700 community spaces in the city, helping to facilitate better access to online resources, connections among family and friends, and unlock pathways to education and employment for residents.

Commanding more than 78,000 Trustpilot 5-star reviews (May 2026), Community Fibre offers speeds of up to 5 Gbps for consumers – up to 72x faster than the UK average download speed and 272x faster than the UK average upload speed, as well as broadband packages of up to 10 Gbps for businesses.

Community Fibre has been recognised as a top-value provider by Which? for two consecutive years. It was named the UK's Greatest of Great Value Broadband Provider in March 2025 and again recognised as a 'London's Great Value Provider' in March 2026. Community Fibre was also awarded in 2025 by Uswitch with its first-ever 'Broadband Excellence Accreditation'. In November 2025, Community Fibre was recognised at the Internet Service Provider Association (ISPA) Awards as the UK's Best Consumer ISP in its category for the sixth consecutive year, and the UK's Best Business ISP for the second time. Most recently, it was named London's most reliable broadband experience with the highest rating for Consistent Quality, Upload & Download Speed, Reliability Experience and (joint top) Video Experience from independent experts, Opensignal.

Annex 2 – Background to Warburg Pincus and Warburg Pincus Activities in the UK

Warburg Pincus is the pioneer of global growth investing. A private partnership since 1966, the firm has the flexibility and experience to focus on helping investors and management teams achieve enduring success across market cycles. Today, the firm has more than $110 billion in assets under management, and more than 225 companies in its active portfolio, diversified across stages, sectors, and geographies. Warburg Pincus has invested in more than 1,100 companies across its private equity, real estate, and capital solutions strategies. The firm is headquartered in New York with more than 15 offices globally

Warburg Pincus made its first investment in the United Kingdom ("UK") in 1986 and has had an office in London since 1987. Since 1986, Warburg Pincus has invested more than £5.5 billion in over 60 UK headquartered companies, including the AA, Reiss, Nectar (Loyalty Management Group), Quantexa, Premier Foods, Once For All (formerly known as Fortius and Constructionline), Evelyn Partners (recently acquired by NatWest), McGill and Partners, Specialist Risk Group, PTSG, Health Partners, and many others. The communication and media sectors have always been and still are a key investment thesis area of Warburg Pincus. In the UK, Warburg Pincus has invested in more than 10 companies in the sector, including Inmarsat, NTL (later rebranded to Virgin Media), Channel 5, London Weekend Television (now ITV; backing Sir Christopher Bland, later Chairman of British Telecommunications), Aegis Group, Centaur Communications (now Centaur Media), and others.