

The Baker McKenzie team shares tips for dealmakers focusing on acquiring AltNet assets.

### Consolidation in the AltNet market

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At present ~100 AltNets are challenging the more established UK internet service providers. However, many are struggling in the current market as a result of interest rate rises and an increase in the price of fibre, making the UK AltNet market ripe for consolidation. In fact, a number of smaller AltNets have recently been acquired by their larger competitors, and we expect to see more acquisition opportunities of this nature in the near future. Consolidation presents the opportunity to create economies of scale and drive efficiencies, which should prompt increased investment in AltNet infrastructure and related research and development, and ultimately lead to improved services and more innovative technologies throughout the AltNet market.

### Public money - risk or opportunity?

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The rollout of fibre broadband is a priority of the UK Government, supported by significant public funding. Notably, Project Gigabit - the UK Government's £5 billion funding programme - has made it commercially viable for AltNets to provide hard-to-reach communities with access to lightning-fast gigabit-capable broadband. Whilst acquiring an asset that benefits from public funding can be an attractive proposition, it can equally pose cause for concern amongst those investing third party capital. In particular, the receipt of public funds may be subject to clawback obligations and/or ultimate beneficial owner disclosure (which could result in reputational risk, or even be a deal breaker, for certain sponsor shareholders).

### Relationship with Openreach

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Any AltNet should be considered in the context of the agreements it has with Openreach, as well as other commercial agreements essential to its network roll out (such as those granting use of poles and ducts). While AltNets benefit from regulations which support their access to such infrastructure, having the correct agreements in place (and a good relationship with Openreach, free from outstanding claims and disputes) is a pre-requisite for their survival. In the absence of these access agreements, AltNets could find themselves unable to deploy their networks or forced to construct new infrastructure (at great time and expense).

### An evolving regulatory landscape

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The body of regulation governing digital services is growing. Some regulation seeks to protect consumers (e.g. the new Ofcom switching rules), while other regulation seeks to protect the security of our digital infrastructure (e.g. the Telecommunications Security Act 2021). Currently on our watchlist are a further Ofcom review into broadband pricing and the UK Government's establishment of a "Digital Markets Unit" to oversee a new regulatory regime. Dealmakers focussing on opportunities to acquire AltNets can keep up to date with industry developments on our [TMT InsightPlus](#) page and [TMT Hub](#).

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**Hannah Luqmani**

Partner, London

+44 20 7919 1893  
[hannah.luqmani@bakermckenzie.com](mailto:hannah.luqmani@bakermckenzie.com)  
[Click for CV](#)



**Nick Rainsford**

Partner, London

+44 20 7919 1665  
[nick.rainsford@bakermckenzie.com](mailto:nick.rainsford@bakermckenzie.com)  
[Click for CV](#)



**Priyanka Usmani**

Partner, London

+44 20 7919 1791  
[priyanka.usmani@bakermckenzie.com](mailto:priyanka.usmani@bakermckenzie.com)  
[Click for CV](#)



**Steve Holmes**

Partner, London

+44 20 7919 1151  
[steve.holmes@bakermckenzie.com](mailto:steve.holmes@bakermckenzie.com)  
[Click for CV](#)



**Ash Tiwari**

Partner, London

+44 20 7919 1063  
[ash.tiwari@bakermckenzie.com](mailto:ash.tiwari@bakermckenzie.com)  
[Click for CV](#)

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