

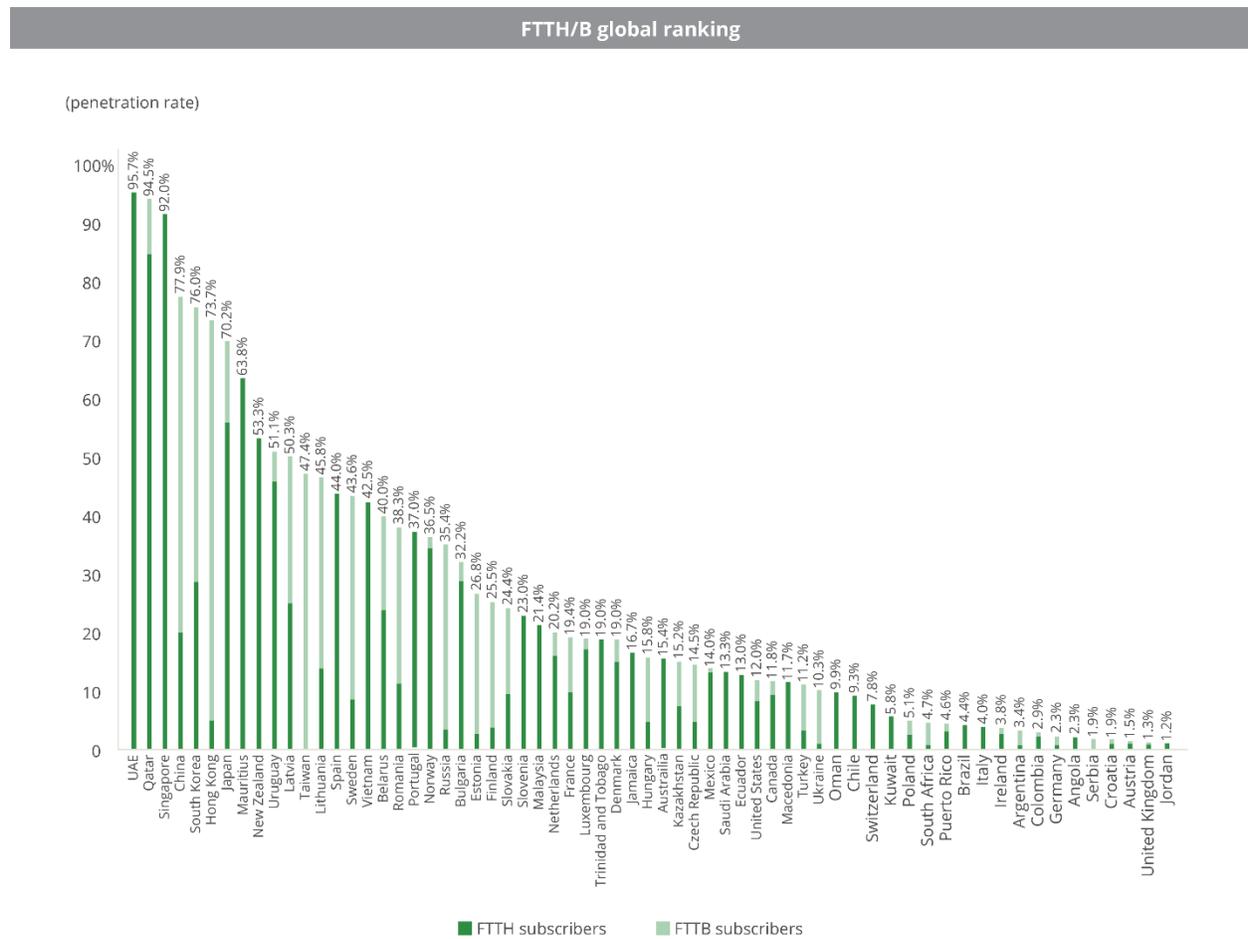
## The 5G roads ahead for fibre networks as infrastructure funds make footprints in sector

14 April, 2020

Fibre networks are making investments in their networks as infrastructure funds acquire major stakes in these companies in anticipation of the ultrafast speeds of 5G connectivity.

Brisk activity characterises fibre as deployment of networks accelerates. They are being developed as incumbent telcos increasingly redirect their strategies to other sectors of the connectivity ecosystem. The opportunity is global, though mostly countries in Asia have taken the lead in building out their fibre-to-the-premise (FTTP) networks.

It is an intoxicating business opportunity, but the timeline for fibre networks is likely to be a long one among other challenges. “The dream of 5G will take a while,” Brett Lindsey, CEO of US fibre network company **Everstream**, told Connectivity Business.



Asian countries lead the globe in optical fibre connected to the home (FTTH) or to the building (FTTB).  
Source: Fiber Optic Social Network

Infrastructure funds are making big bets in fibre networks, including private asset investor **CapMan** (HEL:CAPMAN). In early April, its portfolio company and fibre-to-the-home provider **Valokuitunen Oy** announced it would invest up to €300m (US\$329.5m) in fibre networks in Finland. About the same time German insurance company **Talanx Group** announced it is investing €200m (US\$219.6m) in fibre-optic networks in France, bringing its total infrastructure investments to €3bn (US\$3.29bn). And Canada-based asset manager **Cordiant Capital** in late January said it is looking to raise US\$350m for a telecom infrastructure equity fund. For itself Everstream announced in April that it has secured US\$342.5m in debt financing from nine banks, with *Webster Bank* as lead arranger, as the company aims for the enterprise market. This comes atop Australian investment manager **AMP Capital** recapitalising the company in September 2018 for an undisclosed amount.

This trend represents a shift in the fibre sector, Lindsey said, as traditional private equity firms were the most active investors in the space as recently as two years ago. He added that he was one of five speakers on a panel of US fibre network executives, four of which were controlled by foreign infrastructure funds.

“Every infrastructure fund is getting into the [fibre] space,” he added. The [US\\$14.3bn acquisition](#) of fibre provider **Zayo** by **EQT** and **Digital Colony** and **Antin Infrastructure Partners’** buy of fibre network company **FirstLight** are among the most prominent deals.

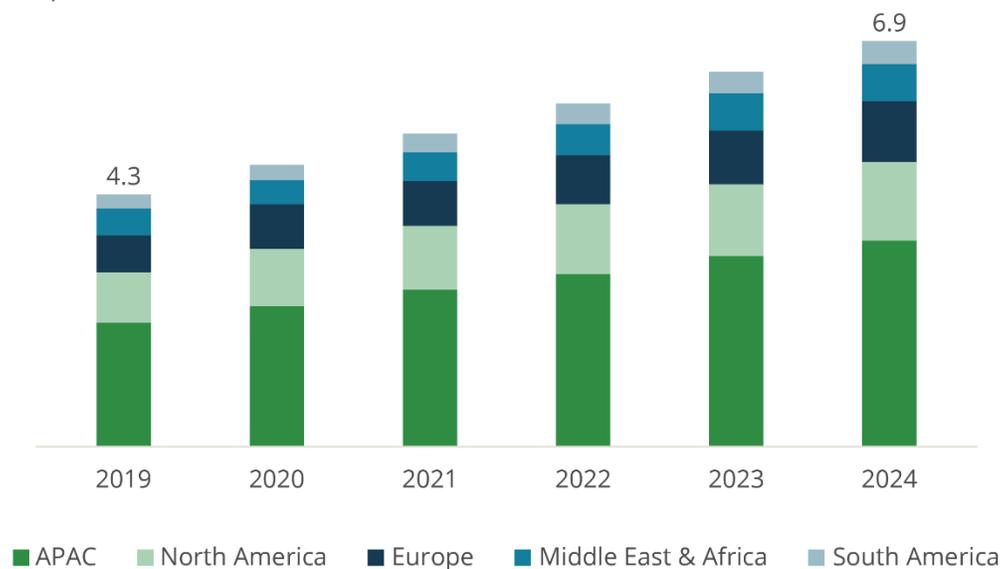
### **Aggressive fibre plan**

Everstream is being aggressive, as the company has cobbled together a strategy that draws from inorganic and organic growth.

The company is opportunistic about acquisitions and is “absolutely” seeking more buys, Lindsey said, adding that he could not estimate when he might pull the trigger. It has used investment bankers to coordinate past deals. In February, Everstream made two acquisitions in the Midwest for undisclosed amounts: Rocket Fiber to enter the Detroit market and LightBound Fiber to debut in Indianapolis.

## Fibre-optic market, 2019-24

(US\$bn)



The fibre-optic market is expected to have seen 10% CAGR between 2019-24, driven in part by demand for internet connectivity in developed and developing markets.

Source: MarketsandMarkets Research

**Finance**  
INFORMATION GROUP

Everstream also sees opportunity for organic growth as **AT&T** (NYSE:T), **Comcast** (NASDAQ:CMCSA), **Spectrum** and other incumbents are increasingly focusing on other sectors, including wireless and OTT connectivity. And the company aims to provide the business customer with quality service, with 90% of its customers directly connected to its network. Other services include point-to-multipoint service to connect three or more geographically dispersed sites, “dark fibre” service for secure connections and data centre services. Everstream provides 50% of the connectivity to the wholesale market and the other half to FTTP market. It is about to shift this in the near-term, with plans to provide 75% of its business to the wholesale market, as the tower market grows, but it will swing back to a 50-50 mix further on. The move to wholesale is being made in part because wireless providers need robust fibre networks. A tower company recently asked Everstream for connectivity, estimating that it needed one to 10 gigabits/second of speed. Turns out, it is using near the high end of that estimate, about eight gigabits/second, because the demand for bandwidth is so heavy.

Everstream will use the new financing to accelerate its 2020 growth, which includes expanding to five new markets, including Chicago, and densifying existing markets in the Midwest with high-capacity fibre connectivity. The company plans to expend about US\$350m in capex, including the build-out of its dense fibre network.

It is on track to grow its total fibre count to more than 15,000 route miles throughout the Midwest by the end of 2020. In 2019, Everstream grew total route miles by 30%, to a total of more than 13,000.

Based in Cleveland, the company is comfortable at home in the Midwest in part as other regions such as the Northeast and Mid-Atlantic attract a lot of attention. Everstream already has 7% of the Ohio market and 5% of the Michigan market, Lindsey said. It projects revenue in 2021 to increase 30% over 2020.

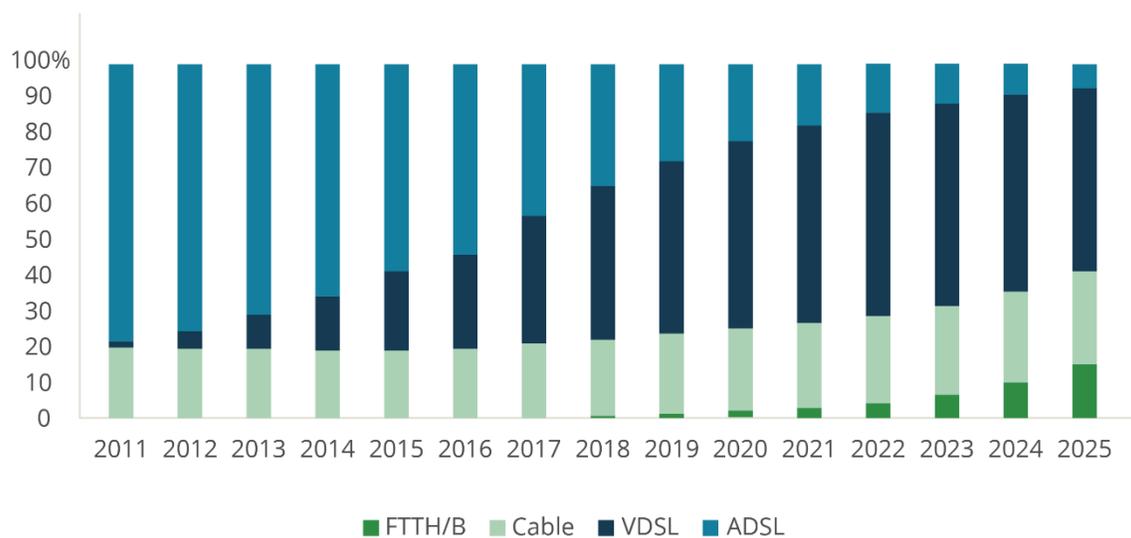
There are also challenges, as tower construction for telecom service is relatively straightforward. However, the regulations that govern the small cells within radios for 5G connectivity are different.

### FTTP connectivity around globe

Opportunities beckon globally in FTTP connectivity, with Asia in the lead, researcher the **Fiber Optic Social Network** found: Eight of the 10 leading countries are in East Asia or the Middle East. Though most of them are geographically small, they include China (77.9%) and Japan (70.2%).

## Evolution of technology shares in UK

(% of market penetration)



FTTP take-up in the UK is forecast in an intermediate scenario to expand at a rate of 50% per year, reaching 15% of all broadband connections in 2025.

Source: Ofcom



In contrast, economic powerhouses such as the US (12%), Germany (2.3%) and the UK (1.9%) have catching up to do in FTTP.

UK regulator Ofcom noted in a 2018 study that FTTP is the most “future-proof” technology offering upgrade potential significantly beyond one gigabits/second speed. It added that cable standard DOCSIS 3.1 will enable cable connectivity providers to deliver the same speed downstream.

The demand will be high. In 2016, the average UK consumer used 50 gigabytes of internet data, with video accounting for 68% of that traffic. Video traffic is expected to increase as the quality of video rises

and as broadband connections are increasingly used to deliver video to large-screen TVs. In addition, cloud traffic and gaming are also expected to grow significantly, adding to demand for upstream connectivity.

Projections vary on the overall growth of the fibre market, as analytics provider MarketsandMarkets forecasts 10% CAGR between 2019-24, driven in part by demand for internet connectivity in developed and developing markets. A bit less bullish, Research and Markets [suggested a 4.6% CAGR](#) globally.