

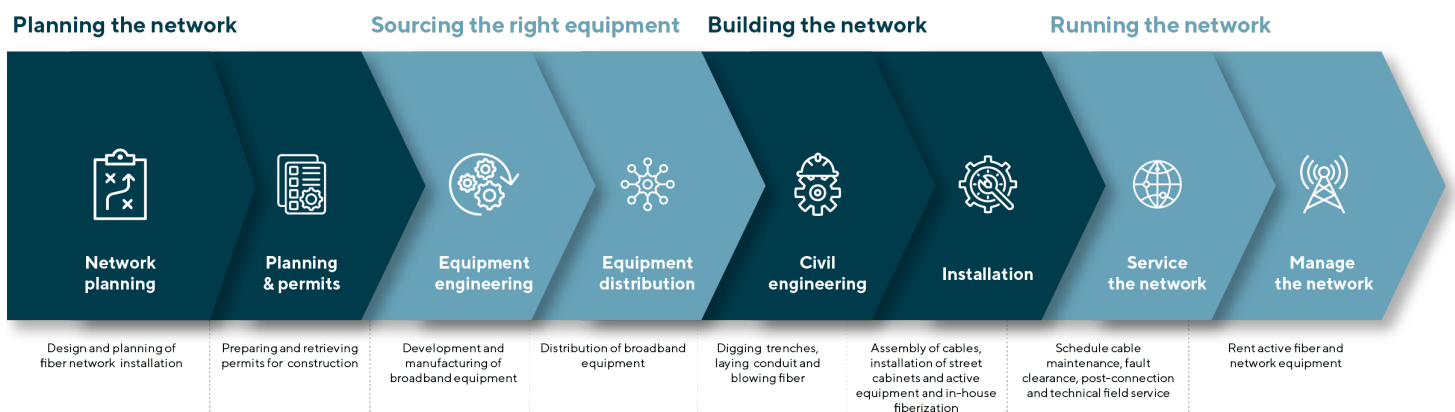
German Broadband Infrastructure Market Set for Further Consolidation

It is no longer a surprise that access to high-speed internet is a necessity for individuals, businesses and governments worldwide. In Germany, the **federal government** has recognized this and set ambitious goals to provide reliable and equitable broadband access to the entire nation.

To achieve these goals, the German government announced various strategies that prioritize digital infrastructure, including the Digital Strategy in 2022 and the Gigabit Strategy in 2017. These strategies aim to provide nationwide fiber access as well as access to the latest mobile communication technologies by 2030.

As a result, significant efforts have been, and still need to be, undertaken to upgrade the region's infrastructure, fueling demand for services and products across the full broadband value chain. Upgrading the legacy hybrid fiber coax (HFC) and replacing copper networks with new fiber networks is key to enabling the faster delivery of data. 5G also depends on fiber to connect the towers that transmit wireless signals.

The Broadband Infrastructure Value Chain



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Lincoln Perspective

Fiber roll-out activity and broadband network upgrades are progressing. Many industry participants along the entire broadband infrastructure value chain currently enjoy high demand, leading to strong growth and profitability.

Over the years to come, fiber roll-out activity will peak and consequently, at some point, companies will need to reposition themselves and adapt their business model.

Current topics in the sector include:

Building of Platforms: The fragmentation of the market offers significant roll-up potential along the entire broadband infrastructure value chain. Examples of companies that have followed a successful buy-and-build strategy include Vitronet, Netzkontor and [BTV Multimedia](#) (all backed by DBAG), Netceed (backed by Cinven and Carlyle) or Amadys (backed by Equistone). Early 2023, BTV Multimedia and Amadys were acquired by Netceed.

End-market Diversification: As the sector evolves, companies are required to look into new end markets (e.g., energy, EV charging stations, district heating) to counterbalance the potential future decline in fiber roll-out activity. Given demand for fiber services and equipment is currently strong, there is limited desire nor capacity to organically venture into new end markets. Add-on mergers and acquisitions (M&A) therefore is a key tool to bring new competencies in-house next to customer relationships.

Acquisition Hires: Engineering, planning and construction companies' growth is limited by a lack of qualified personnel. Certain tasks, such as splicing, also require specialized personnel. Acquisitions are a key enabler to scaling capabilities in a timely fashion while demand is strong.

Succession Issues: Many smaller, owner-led firms are looking to become part of a larger organization in order to secure the future of the business and monetize the value of the company they built.

Consolidation in Fiber Networks: The rise of interest and construction costs, supply issues, insolvencies and fiber overbuild, among others, have impacted the fiber sector in Germany. In addition to continued organic fiber rollouts, we expect a wave of consolidation in the fiber network sector.

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