CFO interview:

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Zayo Europe is a pan-European business-to-business (B2B) fibre infrastructure provider, serving hyperscalers, data centre operators and enterprise customers with high-capacity, resilient connectivity across metro and long-haul routes. Analysys Mason Principal Daniel Ponte Fernández spoke with CFO Jennifer Smith about what differentiates B2B fibre from fibre to the home (FTTH), how Zayo Europe approaches success-based and expansionary capex, and why partnership models may become increasingly important as AI accelerates demand.

The following are edited highlights from their conversation.

Daniel Ponte Fernández:
To set the scene, Zayo Europe is expanding its network across Europe. I'd like to explore what that means for capex discipline and value creation, and why B2B fibre looks different from FTTH from a lender's perspective.

When you discuss the European fibre landscape with lenders, what are the key differences between B2B fibre networks such as Zayo Europe and FTTH roll-outs in terms of structure, cash-flow visibility and downside protection?

Jennifer Smith:
I think of the fibre industry as a barbell. At one end, FTTH serves a large volume of consumer and small-business customers, which influences how networks are built and how contracts are structured. It is typically a volume model: build the network and then drive take-up with a relatively standardised service.

At the other end are fewer, highly sophisticated buyers with very high bandwidth demand. These customers underpin the internet: hyperscalers and data centre operators, plus demanding enterprise customers. Their requirements are often bespoke, so commercial terms are different.

For Zayo Europe, two core themes that we focus on are resiliency and diversity: multiple routes between endpoints that the customer wants, high uptime and clear service levels we give to customers. All of these are bespoke, solutions-oriented conversations that naturally lead to longer-term, "stickier" contracts (often 20 years or more for the highest-bandwidth customers).

It also changes the capex profile. This is not a "build it and they will come" model. We typically define the requirement, sign the contract, and then deploy the capex to deliver the solution. Individual negotiations can be complex, but the decision to spend is much more directly tied to contracted revenue, which supports cash-flow visibility and downside protection.

Daniel Ponte Fernández:

Zayo Europe is investing to expand its network through new routes and partnerships. How do you think about capex: what is contract-led versus discretionary investment, and how does that translate into cash-flow visibility and value creation?

Jennifer Smith:

We look at three types of capex. First is maintenance capex: non-discretionary "keep the lights on" spend.

Second, and by far the largest, is success-based capex. This is capital we deploy after we have already signed a customer contract, based on the bespoke solution we have designed. It is "good capex" as long as it meets our return thresholds. We measure capital efficiency through payback, typically 10–20 months for that type of spend.

The third type is expansion capex, which is fully discretionary but still anchored in customer demand. An anchor customer may want access to a new region or a specific data centre, and we build a broader business case around how that investment expands our addressable market.

Since Zayo Europe carved out of Zayo Group in mid-2024, we have been refining a strategy focused on European customers and a European network. A key element is leaning into partnerships, so we can take smaller bets across multiple markets and share expansionary capex with partners while staying close to demand.

Daniel Ponte Fernández:

How is AI changing demand from your customer base, and what might that mean for capex intensity and the balance between metro and long-haul investment?

Jennifer Smith:

I'm bullish on AI, but it is not the only driver of demand. Cloud migration continues to fuel growth, and enterprise customers are becoming more sophisticated in how they manage and control their networks, which supports more complex solutions and a broader buyer pool.

AI is increasing the scale of projects: gigafactory-style data centres and "AI growth zones" can require significant capital. That pushes us back to a portfolio mindset. Rather than concentrating all investment in one project, partnerships can help us participate in multiple opportunities across the geographies we serve.

It also means debt markets will need to become more flexible in funding projects delivered through consortia, joint ventures or strategic partnerships, because that level of collaboration may be necessary as investment requirements rise. We see this as a structural shift driven by the scale of AI infrastructure projects.

On metro versus long-haul, we see a positive impact in both directions. Training may happen in specific locations, but data still has to move back through the backbone to end users. That increases demand for long-haul capacity and for resilient, diverse metro connectivity between data centres.

Daniel Ponte Fernández:

Europe's B2B fibre market remains fragmented, with regional, national and pan-European players. Do you expect the sector to move further towards partnership models?

Jennifer Smith:

The landscape is still fragmented, partly because of how the industry evolved: consumer FTTH developed alongside a separate ecosystem built to serve high-bandwidth, bespoke enterprise needs. As a result, the market can sustain regional, national and pan-European players (as well as global operators).

In my view, the practical question for operators is how to make the most of that fragmentation. Customers increasingly want to be in many locations at once, and no single regional network can meet every requirement. That is why partnership models matter: traditional commercial arrangements and more strategic partnerships can help the industry come together to serve multi-location demand. I expect those discussions to accelerate over the next 5 years as new customer types and new projects increase in scale.

Daniel Ponte Fernández:

In a more volatile macro environment, what makes a business like Zayo Europe resilient compared to other digital infrastructure models?

Jennifer Smith:

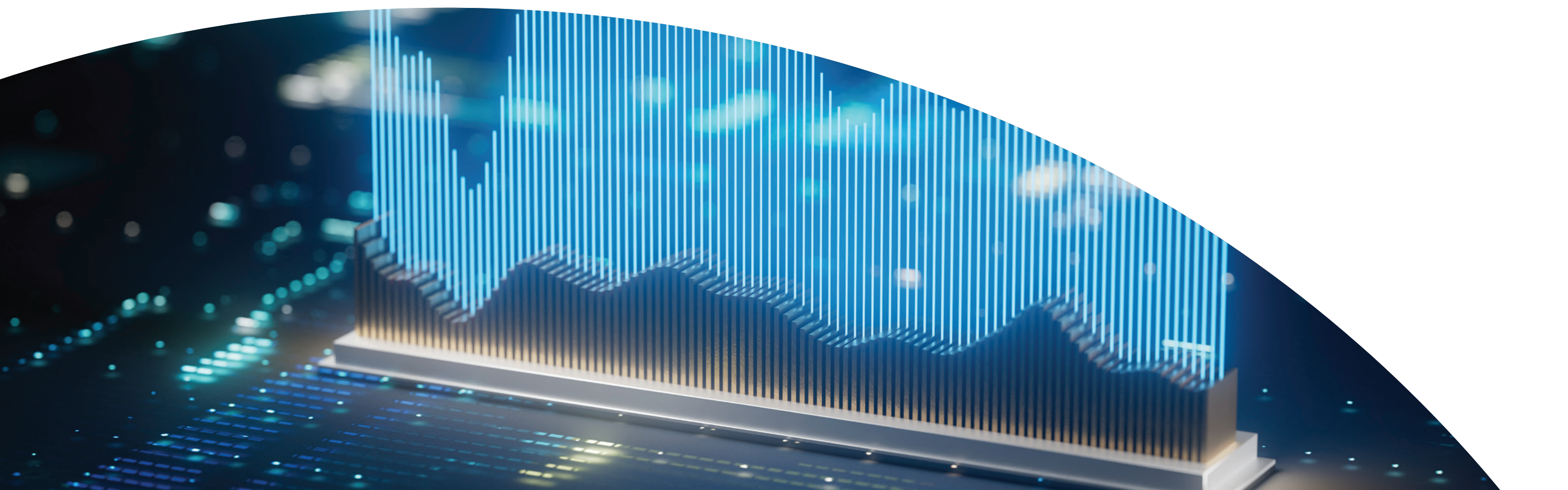
Many of the fundamentals look like classic infrastructure. First, our services are critical to the digital economy, and customers increasingly prioritise resiliency and control of the network. They are not buying a single route between two points; they want multiple routes and high service levels.

Second, this is long-lived, tangible infrastructure: real assets in the ground that can support long-term financing.

And thirdly, many contracts are index-linked, which can help offset inflation and interest-rate volatility.

Finally, and most importantly for me, we have a high level of capital clarity. The majority of our capex is deployed after we have signed the customer contract, so we can directly link capex to contracted revenue. Expansion and partnership-led capex is discretionary and can be dialled up or down based on strategy and macro conditions. That combination provides meaningful downside protection.

> "As AI increases the scale of infrastructure projects, partnerships are becoming essential to stay close to demand while managing capital risk."
>
> Jennifer Smith, CFO, Zayo Europe.



Jennifer Smith has over two decades of financial leadership experience in telecoms and technology.

During her early career, she was instrumental to NDS Limited's IPO and USD5 billion sale to Cisco, then held CFO roles at Wildstone, Dark Cubed and euNetworks before joining Zayo Europe as CFO in September 2024.

Daniel Ponte Fernandez is a Principal at Analysys Mason's Madrid office, specialising in transaction support.

He joined the business in 2014 and focuses predominantly on due diligence assessments for financial investors and lenders across fibre networks, data centres and digital infrastructure. He holds an EMP MBA and an MSc in Telecommunications Engineering from Deusto Bilbao, and has lived and worked across Latin America and Europe.

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