Lisbon School of Economics & Management
Universidade de Lisboa

MASTERS IN
FINANCE

MASTERS FINAL WORK
PROJECT

EQUITY RESEARCH:

VODAFONE GROUP PLC

GONÇALO COSTA COIMBRA BORGES RAYAGRA
54707

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SUPERVISOR:
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Abstract

This report is produced with the goal of providing an Investment Recommendation about Vodafone Group PLC (VOD.L).

This is an analytical report that contains a comprehensive and extensive analysis of Vodafone Group PLC, a leading technology communications company, comprising several metrics of the Group's financial performance, competitive positioning, and strategic business plan, in order to assess its investment appeal. A HOLD recommendation is issued based on Sum-of-the-Parts model, forecasting a price target of £83.84 per share by year-end 2025, reflecting an upside potential of 6.94% from the current price of £78.40 per share, as of 16-September-2024. Our expected target price reflects an annualised return of c. 5.34%, with a Medium-Risk classification yielding a balanced risk-reward profile.

The recommendation considers improved free cash flow visibility backed by Vodafone's portfolio reshaping with the sales of Spanish and Italian operations, backed by the new share buyback programme and the re-set sustainable and sufficiently attractive dividend. Nonetheless, the main driver of the Group's shares is the fundamentals of the business, noting particular concerns around fiscal year 2025 performance as it looks uninspiring with weak earnings momentum, coupled with the higher relevance of the German market with unclear long-term growth trajectory, therefore expecting Vodafone to grow slower that its peers.

The valuation process comprises the Sum-of-the-Parts model, supported with Free Cash Flow to the Firm, Dividend Discount Model, and Multiples Valuation. A sensitivity analysis and Monte Carlo simulation were conducted to assess subjacent risks to this valuation, highlight that increase in regulatory requirements and cyber security threats can significantly impact the company's performance.

JEL Classification: G10; G32; G34

Keywords: Equity Research, Valuation; Telecommunications Industry; Vodafone Group PLC.

Resumo

Este relatório é elaborado com o objetivo de apresentar uma recomendação de investimento sobre a Vodafone Group PLC (VOD.L).

Trata-se de um relatório analítico que compreende uma vasta e abrangente análise ao grupo Vodafone PLC, uma empresa líder de comunicações tecnológicas, incluindo várias métricas do desempenho financeiro do grupo, posicionamento competitivo e plano de negócios estratégico, a fim de avaliar o seu apelo ao investimento. Uma recomendação de “MANTER” é emitida com base no modelo *Sum-of-the-Parts*, prevendo uma cotação alvo de £83,84 por ação até ao final do ano 2025, refletindo um potencial ascendente de 6,94% da atual cotação de £78,40 libras por ação, datado em 16-setembro-2024. O preço indicativo esperado reflete um rendimento anualizado de cerca de 5,34%, com uma classificação de risco médio que proporciona um perfil de risco equilibrado.

A recomendação considera a melhoria da visibilidade do fluxo de caixa após encargos, apoiada pela reformulação do portfolio da Vodafone, com a venda de operações espanholas e italianas, apoiada pelo novo programa de recompra de ações e pelo restabelecimento de dividendos sustentáveis e suficientemente atrativos. No entanto, o principal condutor das ações do grupo são os fundamentais do negócio, notando preocupações específicas em torno do desempenho do ano fiscal de 2025, parecendo pouco inspirador com um ímpeto fraco de ganhos, juntamente com a maior relevância do mercado alemão que acarreta uma trajetória de crescimento a longo prazo incerta, portanto esperando-se que a Vodafone cresça mais lentamente que os seus comparativos.

O processo de avaliação engloba o modelo *Sum-of-the-Parts*, apoiado *por Free Cash Flow to the Firm*, *Dividend Discount Model* e *Multiples Valuation*. Uma análise de sensibilidade e simulação Monte Carlo foram realizadas para avaliar riscos subjacentes a esta avaliação, destacando que o aumento dos requisitos regulamentares e ameaças de cyber segurança podem ter um impacto significativo no desempenho da empresa.

Classificação JEL: G10; G32; G34

Palavras-Chave: Equity Research, Avaliação de Empresas; Indústria das Telecomunicações; Vodafone Group PLC

Acknowledgements

My first word of sincere acknowledgement and appreciation goes to my mother and my father for their invaluable support throughout my whole journey, particularly regarding my studies. Without your guidance and your encouragement this would not be possible.

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To Madalena, a word of deepest recognition, for your tolerance, patience, love, and humility. Thank you for always believing in me and being by my side in every challenge.

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My heartfelt esteem to my colleague António for your understanding and sacrifices. This journey was smoother and more meaningful thanks to you.

My sincere thanks all for being part of this important journey.

List of Abbreviations

3G – Third generation
4G – Fourth generation
5G – Fifth generation
AI – Artificial intelligence
ARPU – Average revenue per user
ASPU – Average spending per user
AWS – Amazon Web Services
Bn – Billion
c. – Circa
CAGR – Compounded annual growth rate.
CKHGT – CK Hutchison Group Telecom Holdings Limited
CRP – Country risk premium
CSAT – Customer satisfaction
DCF – Discounted cash flow
DDM – Dividend discount model
EBITDAaL – Earnings before interests, taxes, depreciation, after leases
ESG – Environmental, Social, Governance
ETNO – European Telecommunications Network Operator
EU – European Union
EV – Enterprise value
FCFF – Free cash flow to the firm
FTTH – Fibre-to-the-home
FTTH/B – Fibre-to-the-building
GDPR – General Data Protection Regulation
GEC – General Electric Company
GHG – Greenhouse gases
ICT – Information and communication technology
IMF – International Monetary Fund
Inc. – Incorporation
IoT – Internet of things
IT – Information technology
KPI – Key performance indicator
Ltd – Limited
M – Million
MEC – Multi-access edge computing
MNO – Mobile network operator
NPS – Net Promoter Score
PLC – Public Limited Company
SMEs – Small and medium enterprises
SotP – Sum-of-the-Parts
U.K. – United Kingdom
U.S. – United States of America
VOD – Vodafone Group PLC
WACC – Weighted average cost of capital
WE – Western Europe
YoY – Year-over-year

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Table 1: Risk Assessment

Risk Level		
Low	Medium	High

Source: *Company's Reports*

Table 2: Market Data

Company Overview		
Market Data		
Shares O/S (m)		27 010
Market Cap (€m)		19 382
DPS (€)		0.08
Dividend Yield		10.35%
Beta		0.77
52-Week L/H	62.59	79.50

Source: *Own Estimates, Bloomberg*

Table 3: Price Target

Company Overview	
Price Target	
Ticker	VOD.L
Current Price (£)	78.40
Target Price (£)	83.84
Target Period	2025YE
TP Upside	6.94%
ARR	5.34%

Source: *Own Estimates*

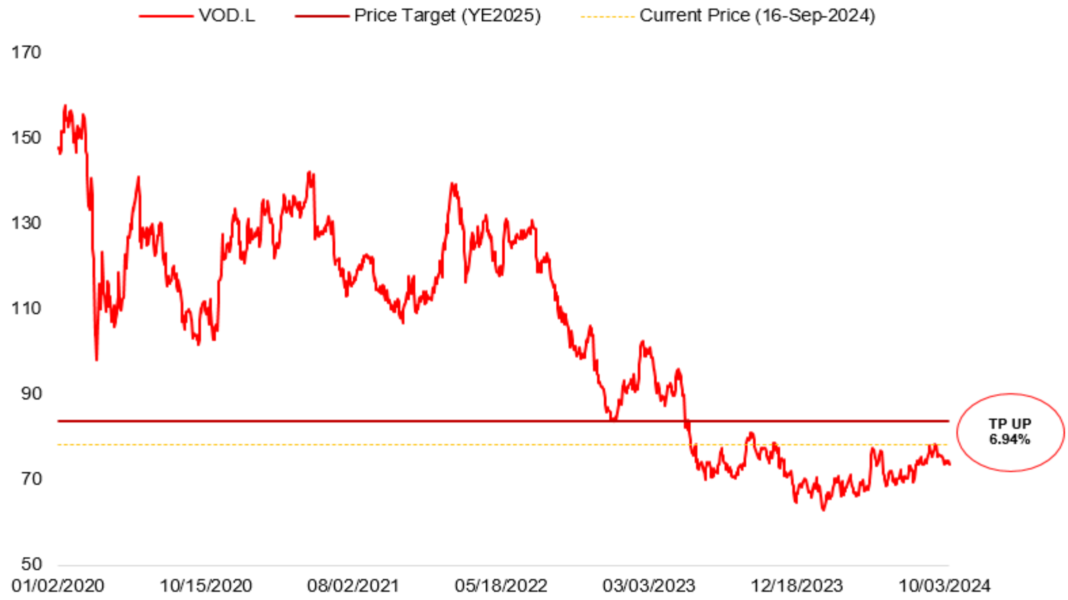
Table 4: Key Financial Information

Key Financials	2024	2025E	2026E
Revenue	36 717	36 541	37 052
Revenue growth	*(2.5%)*	*(0.5%)*	*1.4%*
EBITDA	14 079	15 136	15 389
EBITDA margin	*(43.0%)*	*7.5%*	*1.7%*
Net Income	1 505	2 528	2 664
Net Profit margin	*7.8%*	*5.1%*	*5.0%*
EPS	0.06	0.09	0.10
NWC/Sales	1.8%	(2.2%)	(0.1%)
Net Debt	50 804	48 035	45 985
Net Debt/EBITDA	3.6x	3.2x	3.0x
Int Coverage	1.4x	2.3x	2.5x
ROE	2.4%	4.1%	4.2%
ROIC	0.9%	2.4%	2.6%
ROCE	1.2%	2.1%	2.3%
FCFF / IC	3.6%	4.4%	3.8%
FCFF / Sales	10.9%	13.2%	11.2%
Capitalisation Ratio	41.5%	43.7%	44.2%

Source: *Own Estimates*

Research Snapshot

The issued recommendation for Vodafone Group Public Limited Company (VOD.L) is a **HOLD** with a 2025YE price target of £86.84 per share using a DCF model, implying a 6.94% upside potential from the 16th of September 2024 closing price of £78.4 per share (table 3). The sensitivity analysis and Monte Carlo simulation points to a medium-risk (table 1), yielding a valuation of balanced risk-reward profile. Vodafone is a leading telecommunication provider offering a wide range of fixed and mobile connectivity services.



Highlights

Vodafone Group PLC has a market cap of €19.38bn as of 16-Sep-2024 with 27.01 billion shares outstanding (table 2), exclusively comprised by ordinary shares, whilst treasury shares are applied for share buyback programmes and capital optimisation. The Group's leading position in the most markets where it operates provides resilience, offset by the complex structure and recent portfolio reshaping with cloudy projections.

Recommendation | In a nutshell, this recommendation reflects a stable growth outlook whilst laggings its peers, yielding a HOLD recommendation until further clarity is given on Germany's operating challenges and progress of asset disposals.

Reshaped Portfolio | Disposal of Spanish and Italian operations comprise part of the Group's core structure to focus on expanding markets with leading positions, being able to generate growth above the Group's cost of capital. While providing visibility on cash flow generation, this is offset by the high complex structure and raised concerns regarding increased currency/emerging-market exposure, coupled with de-synergies and oversized central functions.

New Capital Allocation | The new share buyback programme and re-set sustainable and attractive dividend are supportive of the share price performance, enhancing Vodafone's financial headroom.

Deleverage | Divestments procedures will be used to repay debt and continue the deleveraging process, with the Group aiming to be within the target range of 2.25x-2.75, providing share price support (table 4) (appendix 1). However, this is dependent on completion of asset sales and further timing clarity is needed.

Sluggish growth in Germany | The recent German improvement was supported by past price increases noting the absence of NPS improvements. No further price hikes are projected as Vodafone loses pricing power, coupled with expectations of customer losses in a market showing signs of fixed-broadband maturity.

Business Description

Vodafone Group PLC (VOD, Reuters: VOD.L) is a multinational telecommunications provider of mobile and fixed services, operating in 15 countries and with stakes in 7 countries through J&Vs and associates (figure 1), whilst also partnering with mobile networks in 43 countries outside the Group's footprint. VOD retail and service operations are split across three broad business lines: Vodafone Business (c. 27.6% of total sales), Europe Consumer (figure 2: c. 55.2% of sales), and Africa Consumer (Figure 3; c. 17.2% of sales), comprising infrastructure assets, shared operations, growth platforms, and retail and service operations. From a geographical standpoint, VOD is mostly present in Europe (primarily Germany and UK), Africa, and Turkey (figure 1) (figure 2), noting that the Group is reshaping its portfolio and focusing on markets with fundamental growth opportunities and with returns in excess of VOD's cost of capital. The final step of the Group's portfolio right-sizing took place throughout FY24 (year-end 31-Mar-2024), evidenced by the sale of Vodafone Spain (for c. €8bn) and Vodafone Italy (c. €5bn), coupled with the merger of Vodafone UK and Three UK.

History

Vodafone was officially incorporated in Jan-1985 under the name of Racal-Vodafone (Holdings) Ltd, when Racal Electronics signed a strategic partnership with U.K. General Electric Company (GEC) to access GEC's battlefield radio technology. The Group is headquartered in Newbury, Berkshire.

Vodafone Group PLC (herewith "Vodafone", "the company", "the Group") was established as an independent company in Jan-1991, following the sale of Racal Electronics' interest in Racal Vodafone. The Group was publicly listed in the London Stock Exchange in 1991, following the merger of AirTouch and the UK-based telecommunications company, Racal Telecom.

Key M&A Events | In 1999, Vodafone merged with a U.S. wireless operator, AirTouch Communications Inc, creating one of the world's leading mobile telecommunications groups. The combined company was called Vodafone AirTouch PLC and the deal was valued at c. $56bn. In 2000, Vodafone roughly doubled in size by acquiring the German industrial conglomerate Mannesmann AG, in an historical deal that reshaped the mobile telecom marketplace. The hostile bid was the largest merger in history, valued at a consideration over $190bn. In a nutshell, Vodafone started has a small subsidiary of Racal Electronics, becoming one of the largest telecommunication companies worldwide, partly driven by significant acquisitions that target global expansion (figure 4).

Technological Advances | The Group has been at the forefront of technological innovations (figure 5), evidenced by the development of the first cellular telephone network in the U.K., release of mobile money transfer services, and expansion of 5G network. In 2007, Vodafone became the first mobile operator to provide a mobile money transfer service (M-PESA), in Kenya. In 2020, the company deployed its 5G network across multiple countries, further improving its position as a leading telecommunications provider. Currently, Vodafone has the world's largest IoT platform, operates the largest 5G network in Europe, and is the first European company to provide IT services using Multi-Access Edge Computing ('MEC'), in partnership with Amazon Web Services.

Products and Services

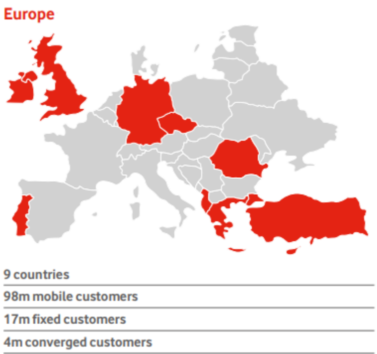
Vodafone provides a broad range of leading technologies and digital products and services across its markets, whilst noting that the Group's business model is centered around providing telecom services and digital connectivity solutions to both individual consumers and businesses. The company generates revenue through a combination of mobile services, fixed broadband, IoT, digital transformation services, and enterprise solutions.

The Group has a portfolio of local markets supported by corporate services and shared operations, benefitting from scale and standardisation with core connectivity products and services in fixed & mobile segments, noting complementary high return growth areas such as IoT and financial services. The group market and sell through digital and physical channels.

Figure 1: VOD Global Footprint

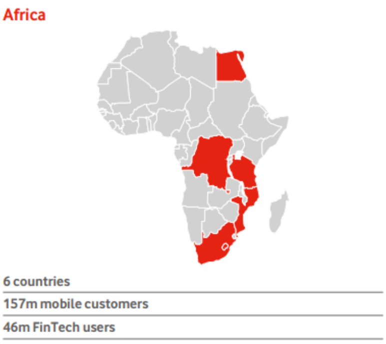
Source: *Company's Reports*

Figure 2: VOD European presence



Source: Company's Reports

Figure 3: VOD African presence



Source: *Company's Reports*

Figure 4: Key M&A Timeline

Key M&A Timeline	€bn	Year
Merger with US-based AirTouch Communications	51.2	1999
Acquisition of conglomerate Mannesmann AG	173.7	2000
Acquisition of interest in Hutchison Essar (India)	10.2	2007
Acquisition of Spanish cable operator Ono	7.2	2014
Acquisition of Italian cable operator Fastweb	8.0	2014
Acquisition of Liberty Global's operations (Europe)	18.4	2018

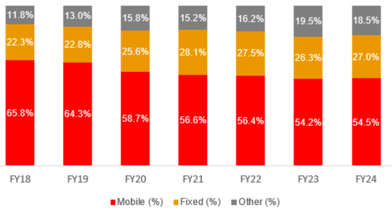
Source: *Vodafone Website*

Figure 5: Key Technological Advances

Key Technological Advances	Year
First mobile phone call in the UK	1985
First text messaging service in the UK	1994
First 3G network in the UK	2002
First mobile money transfer service: M-Pesa	2007
World's largest IoT platform release	2010
Launch of 5G network in multiple countries	2020
Provide IT services using distributed MEC with AWS	2021

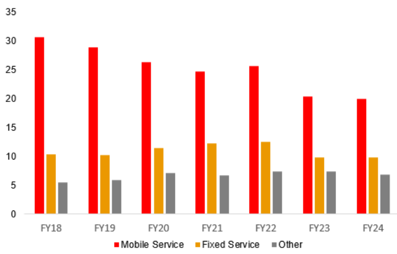
Source: *Vodafone Website*

Figure 6: Segmental Revenue (% of total revenue)



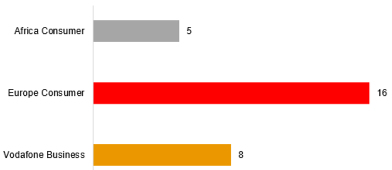
***Source**: Own Estimates*

Figure 7: Segmental Revenue (€bn)



***Source**: Own Estimates*

Figure 8: Business Segment Revenue (€bn, FY24)



***Source:** VOD Annual Report*

Mobile services account for the majority of the Group's revenue (c. 54.5% as of FY24), followed by fixed broadband services (c. 27% of total revenue as of FY24) and other revenue (c. 18.5% as of FY24). It is worthy to note that fixed broadband revenue and other revenue have gained increased share in total revenue (figure 6), driven by 1) fixed broadband revenue growth, backed by increased customer base (appendix 14, appendix 15)) particularly in Europe, bundled services, and network expansion, 2) other revenue growth, supported by strong demand for digital services as IoT, cloud, and security services, coupled with public sector contracts and strategic partnerships (e.g. partnership between Vodafone and Microsoft).

Mobile Services | This is the backbone of the Group's business model (figure 7), with Vodafone offering voice and messaging services, including prepaid and subscription (postpaid) plans, coupled with high-speed mobile internet with 4G and 5G connectivity. The company also provides roaming and add-on services like entertainment bundles, which have seen increasing popularity in regions like Germany in recent years, as it provides additional value to customers. This is deemed as an extremely competitive market as customers are very sensitive to price changes, coupled with the fact that substitution costs are relatively low.

Fixed-line and Broadband | This segment provides high-speed fixed broadband, fiber optics, and TV services to residential and business customers. It is worthy to highlight that similarly to mobile services, revenue is generated through subscription and is very sensitive to price changes.

IoT | These services are designed to support business transformations by connecting devices and collecting critical data, comprising a vast range of services such as smart connectivity (creating Wi-Fi hotspots in remote locations), fleet analysis (real-time feedback), and city vision (crowd control). VOD Business IoT operates in over 180 countries, using over 570 networks through strategic partnerships. B2C are related with smart homes (smart lights, security systems), wearables (fitness trackers, smartwatches), and connected cars (internet connectivity for navigation, entertainment, and diagnostics.

Digital Transformation Services | These comprise a broad range of services as cloud services (cloud infrastructure, applications, security, and migration), artificial intelligence (network optimisation, strategic partnership with Google), and augmented and virtual reality (applications, Nreal light glasses through strategic partnership).

Enterprise Solutions | The Group provides connectivity service to private and public sector customers through Vodafone Business, as this segment offers tailored B2C solutions such as the aforementioned IoT and Digital Transformation Services. This arm of the business often has long-term contracts with large organisations, providing stable cash flows and being one of the critical focuses of the Group. VOD is the leading platform for business, backed by its unique strategic partnerships.

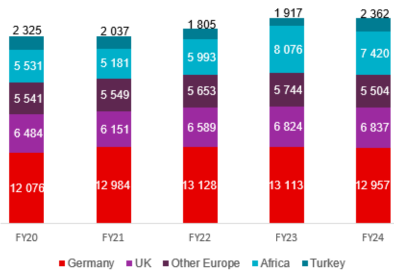
Business Segments

Vodafone has four main businesses: Infrastructure Assets, Shared Operations, Growth Platforms, and Retail and Service Operations, with the latter split across the below Group's three broad business lines (figure 8).

Europe Consumer | The Group provides a range of market leading mobile and fixed line connectivity services in European markets, accounting for c. 55% of the total revenues in FY24. These offerings are combined in Vodafone's converged plans, providing simplicity and better value for customers.

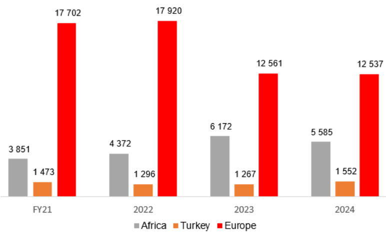
Vodafone Business | The company provides a broad range of connectivity services on a B2B basis, supported by its dedicated global network. The segment comprises c. 28% of total revenues in FY24, and benefit from unique scale and capabilities, with the Group expanding its portfolio into growth areas such as unified communications, cloud & security, and IoT.

Figure 9: Sales per region (€m, FY24)



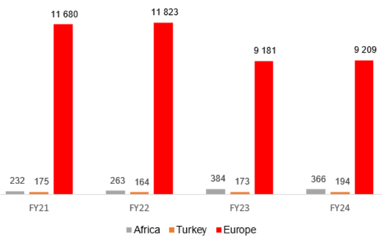
Source: *Own Estimates*

Figure 10: Mobile Service Revenue (€bn)



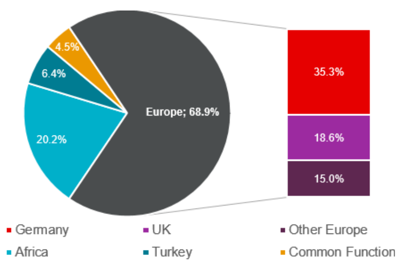
Source: *Own Estimates*

Figure 11: Fixed Service Revenue (€bn)



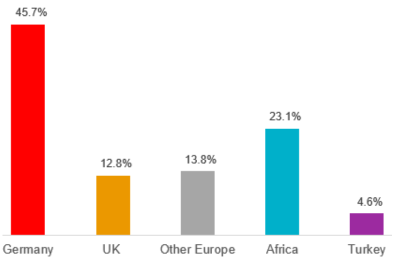
Source: *Own Estimates*

Figure 12: Sales per region (FY24)



Source: *Own Estimates*

Figure 13: Adjusted EBITDAaL per region (% of total EBITDAaL, FY24)



Source: *Own Estimates*

Africa Consumer | Vodafone provides a vast range of mobile services, including Vodacom's VodaPay super-app and the M-PESA payments platform. The segment accounts for c. 17% of the total revenues in FY24, noting that the company is the leading provider of financial and business merchant services in Africa.

Geographical Presence

Vodafone reports on a geographical basis (figure 9), with revenue split between service (mobile and fixed) and other revenue (equipment sales and digital services). Europe remains the main market within mobile and fixed services, as well as for other revenue, whilst noting a downwards trend in mobile and other revenue segments (figure 10, figure 11, appendix 8). Following the binding agreements regarding the sale of Spain and Italy operations, Vodafone have updated its financial reporting to recognize Vodafone Spain and Vodafone Italy as discontinued operations. The segmental reporting is divided into five main geographies:

Germany | This is the Group's largest market, accounting for 35.3% of the total revenue (figure 12) and 45.7% of Vodafone's adjusted EBITDAaL (figure 13). Vodafone Germany provides a broad range of market-leading mobile and fixed-line connectivity services, including mobile communications, broadband internet, and enterprise solutions.

United Kingdom | The U.K. is the first market where Vodafone started to operate and accounts for 18.6% of the Group's total revenue, coupled with 12.8% of the total adjusted EBITDAaL. The company provides mobile and fixed services, including the digital prepaid sub-brand VOXI (within mobile segment) and strategic partnerships with fibre network companies (within fixed segment), coupled with equipment sales and digital services.

Other Europe | This segment comprises Vodafone operations in Ireland, Portugal, Romania, Greece, Czech Republic, and Albania, comprising 15% of the Group's total revenue and accounting for 13.8% of the total adjusted EBITDAaL. Vodafone provides market-leading mobile connectivity services in all European markets, coupled with fixed broadband services (largest FTTH provider in Ireland), equipment sales and digital services.

Africa | Africa is a key market for the Group representing c. 20.2% of total revenues and 23.1% of total adjusted EBITDAaL. Vodafone operates through Vodacom and other subsidiaries, providing a wide range of mobile services and digital financial services. The Group is the leading provider of financial services in Africa through the M-PESA payment platform, coupled with Vodacom's VodaPay super-app.

Turkey | Vodafone is the second-largest mobile communication company is Turkey, despite significant headwinds due to high inflationary pressures. The segment accounts for 6.4% of total revenues and for 4.6% of total adjusted EBITDAaL. The Group provides mobile and fixed connectivity services, coupled with equipment sales and digital services.

Strategy

Portfolio Right-sizing & Simplified Structure | Vodafone and CK Hutchison Group announced in Jun-2023 an agreement to combine their UK operations, with Vodafone scheduled to own 51% of the combined business, noting no financial consideration will be paid as the two entities will have call and put options, that if exercised would result in Vodafone acquiring CKHGT's shareholding. The merger would allow the Group to become the market leader in the UK mobile segment, ahead of BT Group PLC, whilst providing estimated £700m cost efficiencies and capital spending savings. The CMA has raised concerns about the proposed merger, citing potential price increases, which Vodafone contested. The regulator is to set the tone in Dec-2024. It is worthy to highlight that the acquisition of Three UK was not considered for the purpose of this valuation.

Figure 14: Portfolio Reshaping

Source: *VOD Annual Report*

Vodafone completed, in Mar-2024 the reshaping of its portfolio with the sale of VOD Italy and VOD Spain for upfront cash considerations of €8bn and €4.1bn (figure 14), respectively, noting that the sale of Spain operations comprises €0.9bn in the form of redeemable preference shares. Furthermore, the company announced in Jun-2024 the sale of Indus Towers' stake for a consideration of €1.7bn, coupled with the sale of a further 10% stake in Vantage Towers (through Oak Holdings) for €1.3bn cash considerations, in Jul-2024, achieving the targeted 50-50 joint ownership structure.

The Group has a reshaped European footprint and is now focused on its operations in European growing markets, where the Group hold a strong position with good local scale, in order to target organic growth rates above its cost of capital. Notwithstanding, the sale of Spain and Italy operations will lead to a reduction in scale, becoming more sensitive to currency movement and emerging markets.

Figure 15: Strategic Priorities performance

Customers	2024
Consumer NPS	
Germany	↔
UK	↑
Other Europe	↔
South Africa	↔
Detractors	
Germany	↑
UK	↑
Other Europe	↑
South Africa	↑
Revenue market share	
Germany	↔
UK	↑
Other Europe	↑
South Africa	↔

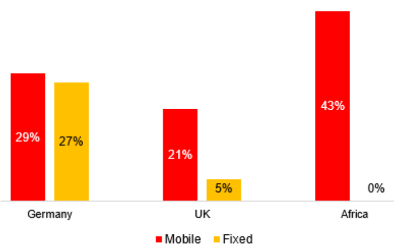
Key: ↑ Improved ↓ Deteriorated ↔ Stable

Source: *VOD Annual Report*

Vodafone will establish Vodafone Investments, a holding company for minority interest and JV interests, as it aims to simplify the existing complex structure (with presence in 9 European countries and 8 African countries) due to relative weight of JVs and minority interests.

Turnaround of Germany business and African expansion | The Group is focused in becoming the most customer-friendly and most straightforward Telco provider in Germany, by 2027, as it aims to recover recent sluggish growth and MDU impacts. Vodafone is well positioned within the Germany market being the second market leader behind Deutsche Telekom and with a broadly flat market share in FY24 (figure 15). Revenue will be boosted by H2'25 drive by the initial phasing of 1&1 roaming revenue. In Africa, Vodafone benefits from strong brand and solid growth prospects in Vodacom, supported by solid positions in its key geographies (figure 16). The company also targets to enhance the commercialization of its shared operations, as showcased by service agreements embedded in M&A transactions with Zegona (VOD Spain) and Swisscom (VOD Italy).

Figure 16: VOD subscriber market share (YE23)

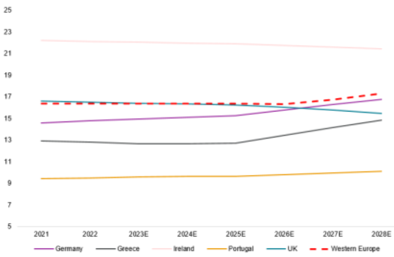


Source: *Moody's*

Expand Business capabilities | Vodafone has a strong growth opportunity within the Business segment, as it is the leading platform for business backed by unique strategic partnerships (Microsoft, Google, Accenture). The Group aims to expand the portfolio of unified communication products, continue to support SMEs, and to leverage its largest European mobile and fixed network, providing reliable connectivity for all-size businesses.

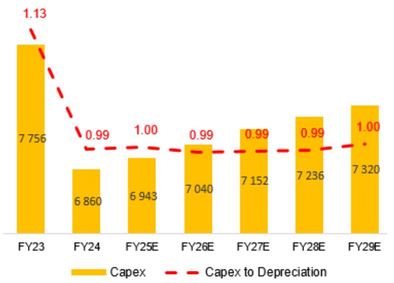
New Capital Allocation | Vodafone announced a new capital allocation policy based on 4 pillars: 1) tightening its reported net leverage target between 2.25x-2.75x from 2.5x-3.0x, with management aiming to be in the low end of this range), 2) lower dividend to 4.5 cents per share, beginning in FY25, from 9 cents per share, reducing total dividend payments to c. €1.1bn in FY26 from €2.4bn in FY24, whilst providing additional sustainability and sufficiently attractive returns, 3) €4bn share buyback programme, €2bn in FY25 and €2bn in FY26 after completion of Spanish and Italian deals, further supporting share price performance, 4) maintaining country-level capital intensity at current levels, coupled with ambition to retain solid investment-grade ratings

Figure 17: Mobile ARPU (€/month)



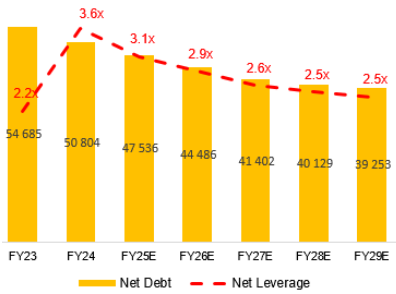
Source: *Analysys Mason*

Figure 18: Capex Overview (€bn)



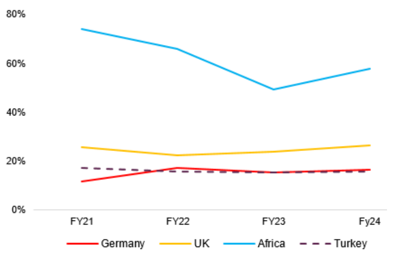
Source: *Own Estimates*

Figure 19: Net Debt and Net Leverage



Source: *Own Estimates*

Figure 20: Mobile Churn Rates



Source: *Own Estimates*

Key Profitability Drivers

Revenue Growth | Vodafone's core mobile and fixed services continue to drive revenue growth and provide recurring profitability (3-year average of £5.54bn). Vodafone remains well positioned due to its market-leading connectivity services, with an expected 5Y CAGR of 1.44% within mobile service revenue (appendix 9), mainly driven by the U.K., Africa, and Turkey markets. Fixed broadband services are forecasted at 0.7% 5Y CAGR, led by strong penetration in the British market with net churn addition of c. 145k customers per year, being one of the fastest growing broadband providers in the U.K. This is offset by the continued negative impact from the unbundling of TV offers in Germany. It is worthy to note that Vodafone's digital services are experiencing double-digit revenue growth.

ARPU and ASPU | These are key metrics within the Telco industry, providing valuable insights into pricing actions and customer behavior. Mobile ARPU is expected at a 5Y CAGR of 1.15% in Western Europe (figure 17, appendix 12), driven by the Group's leading market positioning in several markets, pricing actions to offset inflationary pressures, and by the transition to unlimited 5G contracts plans in order to monetise 5G. Broadband ASPU is expected to grow at 2.7% 5Y CAGR, backed by accelerated transition to fibre as FTTP/B connections will account for 70% of all broadband connections in WE by 2028, noting that these are typically higher-priced than copper cable connections. Moreover, Vodafone decided to move away from inflation-linked pricing adjustments in the U.K., deciding to increase prices by a fixed amount for new and re-contracting customers, which will support pricing actions and revenue growth.

Capex | Due to the high infrastructure requirements for Vodafone's businesses, the company is operating within a capex-intensive industry. Vodafone's capex is expected to grow at a 5Y CAGR of 1.3%, as the company remains disciplined whilst developing key expansion and maintenance projects. The Group benefits from a competitive advantage by having high-quality network infrastructure, providing services with superior quality. Furthermore, Vodafone continues to invest in network infrastructure and quality, evidenced by deployment of 5G and fibre-optic network, coupled with digital transformation investments particularly in cloud infrastructure and automation. Capex-to-depreciation remains at acceptable levels within the 1.00x threshold (figure 18), indicating that the company is maintaining its current asset base.

Lower Leverage | Vodafone is focused on debt repayment, and it is committed to maintain its net leverage between the 2.25x-2.75x threshold, following the disposal of VOD Spain and VOD Italy, coupled with the sale of Vantage Towers for €1.3bn, which proceeds are expected to be used to repay debt. In line with an investment-intensive industry that requires funding, Vodafone will be able to normalize its borrowing costs and benefit from a stable cost of debt. It is worthy to highlight that full clarity is needed regarding the two deals' cash proceeds, coupled with the timing and amount of debt repayment upon successful completion. It is expected that Vodafone's debt repayment will be front-loaded in to FY25 and FY26, progressively decreasing across the forecasted period, whilst maintaining net leverage within reasonable boundaries and in the mid-target of management's commitment (figure 19). It is also relevant to flag that the successful completion of the merger with Three UK might result in higher leverage than the currently forecasted, albeit noting that there is flexible financial headroom.

Churn Rate | Strong customer support is critical within the Telco industry, as high-quality customer services reduce churn rates and ensure stable revenue streams, whilst enhancing upselling and cross-selling opportunities. In the UK, Vodafone is the joint lowest complained about mobile operator and is a consumer NPS co-leader, whilst started the first phase of commercializing shared operations through strategic partnership with Accenture, forecasting continuous convergent customer base increases. The Group invested c. €140m in FY24 in customer support initiatives. Vodafone benefits from competitive advantages due to its strong brand awareness, offset by the highly competitive industry where it operates and by mature markets (e.g., Germany). Mobile churn rates showcase slight improvement trends (figure 20, albeit noting that it remains behind several competitors.

Regulatory Environment | The Telco industry is heavily regulated particularly in five areas 1) general telecommunications framework, 2) competition policy, 3) interconnection and price regulation, 4) licensing and universal access, and 5) services. Vodafone adheres to EU's GDPR, anti-bribery laws, competition framework, and consumer requirements, whilst having a competitive advantage due to strategic partnerships with Microsoft and Google, leveraging the Group's regulatory support for innovation and digital transformation. Nonetheless, changes in Germany's regulatory framework significantly impacted Vodafone's MDU units and c. 4 million customers are expected to be loss.

Ownership Structure

Vodafone has a fragmented ownership structure with several institutional and individual investors, noting significant stakes are mainly held by major shareholders and substantial free float. Minority interests represent c. 1.69% of the Group's total equity as of FY24, which is not deemed excessive and provides additional capital contributions and enhanced governance, whilst noting reporting transparency. Vodafone maintains a significant amount of treasury shares (c. €7.65bn as of FY24) to support the recently announced share buyback programme and optimise the company's capital structure.

Figure 21: Ownership Structure

Owners	% of VOD
Emirates Investment Authority (e&)	15.07%
Liberty Global Holdings	5.11%
Norges Bank Investment	3.07%
The Vanguard Group	3.06%
BlackRock Fund Advisors	2.60%
BlackRock Investment Management	2.23%
Clearstream Banking S.A.	1.83%
Legal & General Investment Management	1.31%
UBS Asset Management	1.11%
Schroder Investment Management	1.02%
Others	63.61%

Source: *Bloomberg*

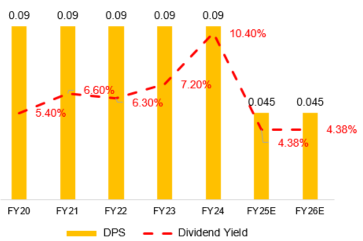
As of Mar-2024, the top ten shareholders of Vodafone held c. 36% of the Group's total outstanding shares, totalling 9.52bn shares. The top shareholder is e& (Emirates Telecommunications Group) with significant c. 15% of the total outstanding shares (figure 21), reflecting the strategic relationship between the two companies across several business areas. Vodafone and e& will jointly offer cross-border digital services to MNCs and public sector organisations, coupled with leverage of the operational scale of both companies with complementary geographical footprints. The remaining top shareholders are comprising by Liberty Global (British-Dutch-American multinational telecommunications company), with a 5.11% stake, noting that it is also a strategic partner of Vodafone, followed by Norges Bank (Norway's central bank) with a 3.07% stake, and BlackRock (world's largest asset manager) with a combined stake of 4.83% across their Fund Advisors and Investment Management entities.

It is worthy to note that the top 25 shareholders collectively hold less than 50% of Vodafone's shares, reflecting a widely disseminated ownership profile.

Dividend Policy

Vodafone updated its dividend policy with re-based dividend of 4.5 cents per share beginning in FY25, from 9 cents per share in FY24. This is deemed as a more sustainable dividend per share and sufficiently attractive compared to its main peers, with a dividend yield of 4.38% in FY25E and FY26E. Furthermore, the Group stated an ambition to grow it over time, coupled with the fact that the recently announced share buyback programme will support shareholder remuneration and it is deemed more appropriate considering the Group's depressed share price (approximately at -4.92% return YTD). It is worthy to highlight that Vodafone has a strong track-record of robust and stable dividend payments, evidenced by the growing dividend yield between FY20-FY24 (figure 22).

Figure 22: Historical and Estimated DPS and Dividend Yield (€ cents)



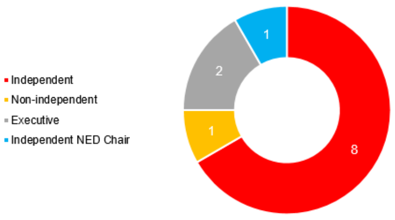
Source: *Own Estimates*

The Group expects to support share price performance with the implementation of a €4bn share buyback programme, targeting to implement €2bn share buybacks in FY25 and €2bn share buybacks in FY26, after the completion of the disposal of Spain and Italian operations, respectively (figure 22).

In 15-May-2024, the sale of VOD Spain was authorised, and the Group started the first phase of its buyback programme, comprising a first tranche of €0.5bn). In Aug-2024, the Group started the second phase with a €0.5bn tranche, as part of the wider overall €2bn share buyback programme to return proceeds from the sale of Spain operations. The start of the second wider €2bn buyback programme is still pending completion of the sale of Italy operations.

Management & ESG

Figure 23: Board Independence



Source: *VOD Annual Report*

Vodafone corporate governance model is aligned with the typical model in the U.K., following Anglo-Saxon corporate governance framework (appendix 10). The Group's structure is characterised by strong emphasis on shareholder rights and transparency, coupled with a high degree of capital dispersion and shareholder structure. The U.K. is deemed as a special presence in Europe, since most countries follow a Continental-European model, due to the importance of the financial market in London, where Vodafone is listed. This model is also influenced by external capital markets, through merger and acquisitions (typical in Vodafone's operations), coupled with tight regulation profile (UK Corporate Governance Code).

Whilst Vodafone follows primarily an Anglo-Saxon corporate governance mode, it is worthy to note that the company operates in multiple countries, including those in Continental Europe. Consequently, the Group navigates and complies with local governance practices and regulations of these markets. It is noted that the company exceptionally follows two-tier system in its Continental-Europe operations, despite mainly following a single-tier Board system.

Vodafone's Board is designed to ensure independence and effective governance, with over half of the Board being comprised by independent non-executive directors and assuring no dominance over the Board's decision-making process (figure 23), coupled by the establishment of several committees (Audit & Risk, Remuneration, ESG, and Technology) chaired by independent non-executive directors and with formal terms of reference approved by the Board. Board members are nominated by the general meeting of shareholders, being supervised by the Nominations and Governance Committee (also chaired by independent non-executive director).

Figure 24: Board Compensation

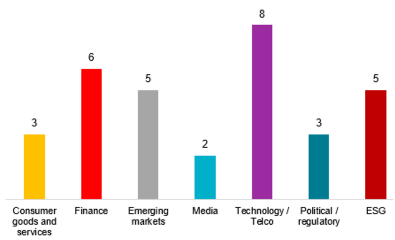
Board of Directors Remuneration (€)	FY24
Chair of the Board	
Jean-François van Boxmeer	689 000
Group's CEO and CFO	
Margherita Della Valle	4 380 000
Luka Mucic	1 233 000
Other Board members	
Stephen A. Carter CBE	118 000
Michel Demaré	125 000
Christine Ramon	130 000
Delphine Ernotte Cunci	120 000
Maria Ampharo Martinez	168 000
Simon Segars	153 000
Deborah Kerr	132 000
David Nish	117 000
Hatem Dowidar (not remunerated)	-

Source: *VOD Annual Report*

Board of Directors | Consists of 12 members elected by the general meeting of shareholders and aims to provide entrepreneurial leadership of Vodafone within a framework of effective controls which enable risk to be assessed and managed. Directors are initially appointed by the Board and subsequently elected by shareholders at the AGM, whilst noting that there is no fixed office term for directors, the annual re-election provides an opportunity for the shareholders to review directors' services. To assure efficient operations, the Board established five committees (appendix 11) which provides valuable insights on the Board's composition, performance, and succession planning.

Executive Committee | Responsible for the implementation and delivery of Vodafone's strategy as agreed by the Board, this committee is comprised by twelve executives (appendix 11). The committee is led by the Group's CEO Margherita Della Valle since Jan-2023, noting that it benefits from a vast experience in the company, being the previous Group's CFO between 2018-2023, and being with Vodafone since 1994 (Omnitel Pronto Italia, which later became VOD Italy).

Figure 25: Skills of Non-executive Directors (FY24)



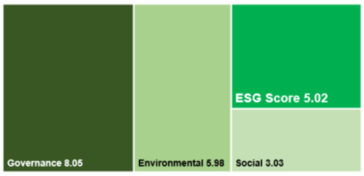
Source: *VOD Annual Report*

Remuneration Policy | The Group has a comprehensive remuneration policy, targeting to attract and retain high-calibre executives and employees, governed by Vodafone's Fair Play Principles (transversal to all company's employees) and ensuring transparency. The Group's Remuneration Committee is responsible for assessing and recommending policies for executive remuneration and reward packages, which is subject to shareholder approval in the AGM.

Executive remuneration comprises an annually reviewed base-salary, coupled with an annual bonus, long-term incentive plan, and benefits. The Group's CEO benefitted from a fixed salary of €1.4m and a variable remuneration of €2.98m, reflecting a c. 29% YoY increase (figure 24).

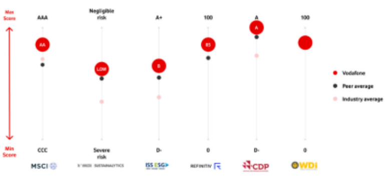
Non-executive remuneration consists of periodically reviewed fees, reflecting the time commitment and responsibilities of each role, noting the absence of performance-related compensation. Strong diversity of background with several skills and expertise areas (figure 25).

Figure 26: ESG Score per Pillar



Source: *Bloomberg*

Figure 27: ESG Rating Graph



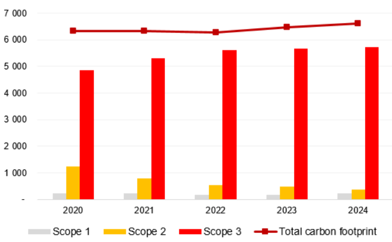
Source: *Vodafone Website*

Figure 28: Environmental Targets

2025-2040 Environmental Goals	Target
Match 100% of the grid electricity we use globally with electricity added to the grid from renewable sources	2025
Reuse, resell or recycle 100% of our network waste	2025
Net zero GHG emissions from our operations (Scope 1 and 2) in Europe	2028
Reduce GHG emissions from our operations (Scope 1 and 2) by at least 90%	2030
Halve GHG emissions from our value chain (Scope 3)	2030
Enable 350 million tonnes of carbon emissions to be avoided through green digital solutions	2030
Net zero GHG emissions from our operations (Scope 1 and 2) in Africa	2035
Net zero GHG emissions across our full value chain (Scope 1, 2 and 3)	2040

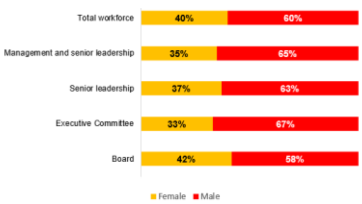
Source: *Vodafone 2025-2027 Climate Transition Plan*

Figure 29: Vodafone's Carbon Footprint (tCO2e)



Source: *Vodafone ESG Addendum*

Figure 30: Gender diversity (FY24)



Source: *VOD Annual Report*

ESG Profile

Vodafone has a strong commitment to sustainability, being committed to its purpose of connecting for a better future. The Group has addressed ESG commitments as part of its critical strategic planning for the future, with the goal of enabling an inclusive, sustainable, and trusted digital society. Vodafone is well-positioned in ESG terms, with an overall ESG score of 5.02 (figure 26), reflecting a leading position when compared to its peers (figure 27).

The Group sustainable profile is based in two key pillars: empowering people and protecting the planet, whilst being directly linked with the aim to maintain trust of customers, employees, suppliers, and the society that Vodafone serves. The company has set ambitious environmental targets to complete between 2025-2040 (figure 28), published in the first climate transaction plans that the company has ever presented, noting that these were validated by the Science Based Targets Initiative. Vodafone's approach to the transitioning planning will be backed by three crucial drivers 1) decarbonising its business, 2) responding to its climate-related risks and opportunities, and 3) contribute to an economy-wide transition.

Environmental

Vodafone has a strong environmental track record, leading the Telco industry in managing its environmental impact. The company is committed to achieve net zero emissions across its full chain by 2040, noting that it forecasts to be net zero operations in Europe and Africa by 2028 and 2035, respectively. This is supported by ambitions to reduce GHG emissions which registered a decrease of 24% Scope 1 and 2 GHG during FY24, leading to a total reduction of 59% (FY23: 52%) from the 2020 baseline (figure 29).

Furthermore, the company is particularly focused in its energy consumption and costs, targeting to match 100% of the grid electricity used globally with electricity added to the grid from renewable sources, by 2025. In FY24, 100% of the electricity used in their European network was derived from renewable sources, noting 84% globally. Lastly, the company is committed in improving energy efficiency, noting €31m investment in onsite renewable projects throughout FY24. Lastly, the company has significant sustainable debt exposure totalling €3.72bn (€2.91bn of SLLs and €0.8bn green debt), reflecting lower cost of debt is dependent on sustainability KPIs through margin adjustment mechanisms.

Social

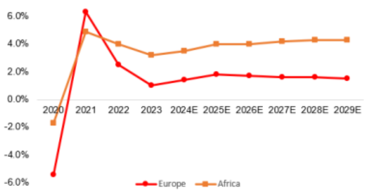
The Group is focused on spreading the benefit of the digital society to a wider range of individuals, regardless of the background and geographical location. Firstly, the company aims to close the digital divide ensuring connectivity, driven by the new technology to roll-out its networks to rural locations, coupled with increased smartphone availability. Secondly, by providing digital services to support people in need and small businesses prosperity, which is evidenced by the role of Vodafone Foundation in several vulnerable groups in society, including the refugee support, as Vodafone provides connectivity to those experiencing abuse or poverty, and after natural disasters.

Vodafone targets gender diversity across all segments of the entity, considering that there is no gender equality when no gender is represented by less than 40%. The company aims to have 40% women in management roles by 2030 (figure 30) and promotes an inclusive workplace culture that values diversity and equality. Furthermore, the Group have global maternity and parental leaves available across its markets, providing 16 weeks of fully paid leave with a phased return to work over the next six months.

Governance

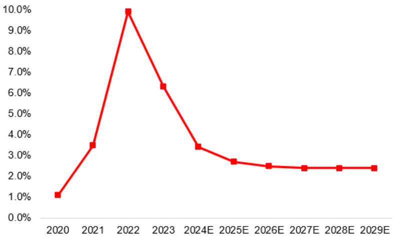
Vodafone is recognised worldwide by having significant high standards of corporate governance, evidenced by the 8.05 rating provided by Bloomberg, being ahead of its peers. This is backed by the Group's strong ethical code and compliance programmes, whilst noting excellent financial reporting transparency and accountability, evidenced particularly by satisfactory executive compensation reporting, enhanced shareholder rights and engagement, and rigorous audit procedures, whilst noting no recent material controversies (aside from Vodafone-Three merger).

Figure 31: Real GDP growth



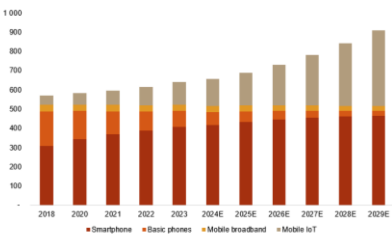
Source: *IMF*

Figure 32: Inflation in Europe



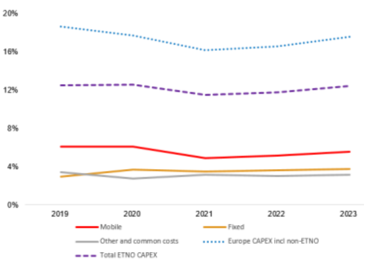
Source: *IMF*

Figure 33: Mobile connections (millions)



Source: *Analysys Mason*

Figure 34: European Capex-to-Revenue



Source: TSDC21, *Analysys Mason*

Macroeconomic Outlook

Following a strong start to the year, the global economy lost momentum in summer 2023. The IMF puts the global growth rate in 2023 at 3.1%, down from 3.5% in 2022. This slowdown is largely related with flagging recovery from the coronavirus pandemic, Russia's war against Ukraine, and tighter monetary policies and financial framework conditions. Furthermore, a further advance factor is the fact that economic development in China is restrained by significant debt concerns within the nation's real estate sector. Lastly, the tighter monetary policy and declining commodity prices dampened buoyancy of consumer prices in the US and the eurozone during the year.

The European economy started 2023 stagnated with a weak outlook, particularly impacted by the industrial sector which suffered from rising interest rates, weak global demand, and diminished price competitiveness caused by the Euro currency appreciation. The construction industry was shrink driven by lower demand for construction services, as a result of worsened financing conditions and increasing construction costs, linked to high inflationary pressured from 2021 onwards (figure 32). Nonetheless, cooling inflation and eased prices on the global energy markets could drive to moderate economic recovery from 2024 onwards, noting that the IMF forecasts that inflation rates are converging to the ECB target of 2%.

Regarding the markets where Vodafone operate, it is noted that Real GDP should not exceed the 2% growth threshold, contrary to the African Real GDP growth that is forecasted to be above the 4% mark (figure 31).

Telco Market Overview

The Telco industry plays a critical role in the modern and emergent economies by enabling seamless global connectivity and digital communications. High demand drives growth and accelerated by the ever-evolving technologies, evidenced by the expected increase in the number of IoT connections to 7.3 billion in 2032 from 2.9 billion in 2022, leading to a constant push for innovation, such as the shift to 5G, requiring significant investment in infrastructure and resources.

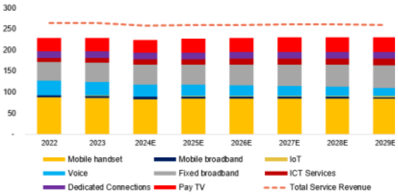
The outlook for the global telecommunications sector remains stable over the next 12-18 months with expected revenue of c. 2.5% in 2024, driven by data traffic growth and price hikes. It is forecasted that investments remain high as 5G has not delivered on its full potential. Moreover, more operators are expected to embrace asset-light business models and potentially adopt more complex structures to unlock financing.

Moreover, Telecoms have been capitalizing on the growth in numbers of connections by IoT devices with a 24.46% CAGR in the last 5Y and an expected CAGR of 23.29% in the next 5Y (figure 33). The most significant advantage for these companies is the existing infrastructure of internet cables and mobile phone towers, which creates new solutions and services based on 5G and IoT technologies. This means that Telcos can maximize this opportunity by developing massive ecosystems for interconnected devices.

European Markets

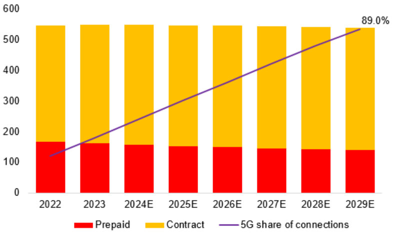
European Telco markets present modest revenue growth of 1.5% throughout 2024, as the market will polarise further between the high-end premium and the low-end value-for-money segments. Market consolidation remains a potential game changer, despite sceptical tolerance for mergers by the regulators (evidenced in Vodafone-Three merger). Capital intensity is expected to remain high, although reductions are expected in several companies to embrace asset-light capital structures (figure 34).

Figure 35: Revenue by type and total service (€bn)



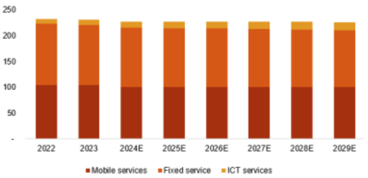
Source: *Analysys Mason*

Figure 36: Mobile connections by plan (millions)



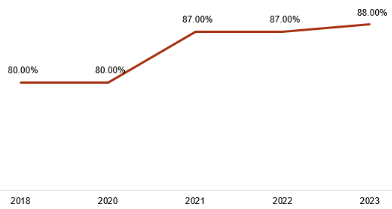
Source: *Analysys Mason*

Figure 37: Telco revenues by type (€bn)



Source: *Analysys Mason*

Figure 38: UK Fixed Broadband Household Penetration



Source: *Statista*

Key driver for growth is price increases, particularly in the high-value premium segment of an increasingly polarised market. Notwithstanding, catalyst for growth are limited as this is likely to be offset by fierce competition prevalent in all European markets, particularly in the value-for-money segment, being forecasted to remain highly exposed to aggressive mobile price promotions. In summary, telecoms revenue from most of the services are expected to increase by 2029, except for dedicated connections, which is expected to remain flat (figure 35).

Mobile service revenue is expected to increase at a 0.9% CAGR between 2022-2029, driven by migration of customers from prepaid plans to contracts in MNOs, coupled with unlimited data plans offering, in order to monetise 5G (figure 36)

Operators are accelerating the transition from copper networks to fibre in an effort to boost broadband revenue. FTTP/B connections are forecasted to account for 70% of all broadband connections in Europe by 2028, coupled with an expected increase in retail revenue from fixed services (0.7% CAGR across the forecasted period) and ICT will significantly increase by 2029 (figure 37).

Moreover, demand for high-speed broadband – over the fixed and mobile networks – remains high and is forecasted to remain so. The average mobile data consumption per user in Europe is expected to rise to 76GB/month in 2030, from 16GB/month in 2023 (D. Little Arthur, 2023). Furthermore, average household data consumption in Europe over the fixed network was 265 GB/month in 2023 and is expected to rise to 912 GB/month by 2030.

Germany | Vodafone had mobile revenue pressures in the German market, driven by fierce competition and market saturation. Nonetheless, the mobile segment has proved to be recession-proof in the past, with slowdowns in subscription addition rates offset by sustainable revenue generation through converged services. Moreover, the German segment has a relatively low adoption of mobile plans with unlimited data, with Vodafone aiming to upgrade subscribers to the higher-value and unlimited plans to boost ASPU. It is also noted that the market lags behind other European markets in terms of FTTH, with Vodafone benefitting from a competitive advantage as it has created a JV with Altice to roll out fibre to c. 7 million homes.

U.K. | The main focus of the UK telecoms markets out to 2030 is on the development of multi-play converged service packages and the networks that can support their delivery. The develop of fibre networks in this market has experienced significant delays in the past two years impacted by supply chain disruptions and a lack of skilled labour, nonetheless FTTP/B share of FBB connections is expected to exceed 80% by 2028, noting strong fixed broadband penetration (figure 38). Vodafone is well positioned within the fixed-broadband segment of the U.K. market, being one of the fastest growing broadbands providers in the UK.

African Markets

The African market carries considerable operational, macro—economic, and industry specific risks, nonetheless remaining attractive to a broad range of investors. Mobile banking and payments, albeit not being a new area of growth, has undergone a resurgence during the pandemic and players like Vodafone offering specialised services are emerging, leveraging the availability of digital infrastructure.

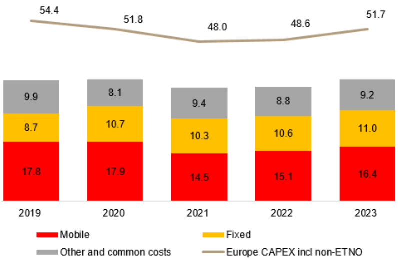
Mobile growth will be driven by the entrance of new players in previously isolated markets, coupled with the proliferation of independent tower ownership across the region, establishing networks in rural areas and increasing smartphone penetration. Broadband usage is forecasted to rise from c. 46m subscriptions to 52.2m by 2033, largely driven by the region's more advance coastal markets.

Vodafone is the market leader in multiple markets across Africa, providing a wide range of mobile services, coupled with financial service offerings through the M-PESA payment platform and Vodacom's VodaPay app, making the Group the leading provider of financial services in the region.

Market Analysis

Market Structure | The Telco industry worldwide is characterised as an oligopoly, as it is observable that a number of large telecommunication companies owns a significant portion of the market share. As these large players tend to have a material presence in most markets and considering that this industry provides critical services to businesses and society, there is also a presence of significant regulation mainly around pricing and mergers/acquisitions. In addition, the industry has high barriers to entry, preventing smaller players from easily enter the market, such as significant capital requirements, regulatory hurdles, and the need for extensive infrastructure. The Telco industry requires initial and ongoing high capital requirements, in order to establish a telecom network and maintaining and upgrading the infrastructure, evidenced by the sizable €51.7bn spent in 2023 in European capex (figure 39).

Figure 39: European Capex by segment for ETNO (€bn, excl. Spectrum)

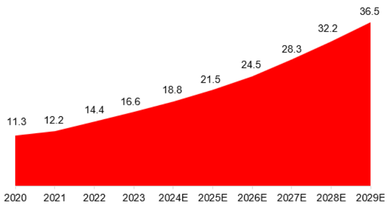


Source: *ETNO*

Market Trends

Device Connectivity | The world is becoming ever more connected, and it is not exclusively driven by smartphones, noting the inclusion of a wide range of new devices across all sector and applications. The number of connections for these devices is forecasted to increase at double digit CAGR, with IoT devices forecasted to amount up to 36.5bn in 2029, from 16.6bn in 2023 (figure 40).

Figure 40: Global IoT devices (bn)



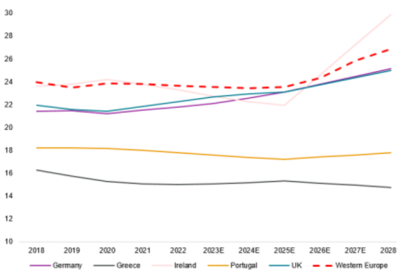
Source: *IoT Analytics*

Adoption of Cloud Technology | Large technology companies have heavily invested in advance centralised data storage and processing capabilities over the past decade. As demand for this technology is increasing, particularly in the SMEs tissue, this presents an opportunity for Vodafone and other network operators, helping their customers to navigate their move to cloud at scale, as they lack the technical expertise. Moreover, customer-side worldwide public spending is projected to reach c. $600bn in 2023, with cloud-specific spending forecasted to grow at more than six times the rate of general IT spending.

Generative AI | Potential applications of AI in the telco industry comprise both customers (such as AI-generated recommendations or hyper-personalised marketing content) and businesses (AI-powered customer support, enabling of predictive management, and optimisation of network performance). Vodafone is well-position to deploy generative AI at industry-leading speed and scale, leverage by the partnerships with Google and Microsoft. The first evidence is Vodafone's ToBi chatbot, providing automated customer support and improving response times and customer satisfaction.

5G Network | As it is the newest, fastest generation of mobile networking, it continues to be a critical trend within the industry, by improving the performance and reliability of all the connected devices. Telco operators are projected to invest $342.1bn in their networks in 2027 alone, as the transition to 5G continues and newer technological standards gain traction. Vodafone has the largest 5G network in Europe with coverage in over 100 locations, being well positioned to leverage its 5G capabilities.

Figure 41: Fixed Broadband ASPU in Western Europe (€/month)



Source: *Analysys Mason*

Key Performance Indicators | Customer service is vital for the telco industry, as it directly impacts customer satisfaction and consequently churn rates and strong brand reputation. Customer metrics comprise net promotor scores and CSAT average customer satisfaction scores, noting that Vodafone is well position in its markets despite material price inflation, with reduced customer detractors across all segments, coupled with co-leading NPS in 5 out of 9 European markets. Consequently, the Group recorded broadly stable overall churn levels in European markets with YoY improvements in both Germany and the UK, driven by improved customer experience, coupled with the maintenance of low churn levels in Africa (within mobile segment).

Mobile ARPU and Fixed ASPU are industry KPIs as these metrics provide key insights on pricing initiatives. Mobile ARPU in WE are expected to increase until 2028 (appendix 12), backed by inflation-linked price rises and offset by reduced spending and competitive dynamics. Fixed ASPU is expected to increase at a 2.70% CAGR between 2023-2028 (figure 41, Appendix 13), mainly driven by improved network performance and fibre migration to high-end fibre lines compared to copper.

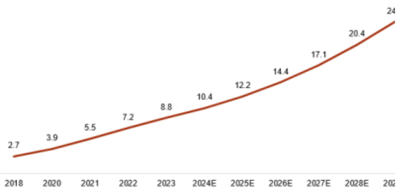
Demand and Supply Drivers

Telco as a utility player includes infrastructure, network provider, and Mobile Virtual Network Operator. Digital players include E-wallet services, content aggregator, digital advertising, data analytics, IoT, ICT services, among others.

Supply | The backbone of the telecom industry is in its network infrastructure, including fibre optics, towers, and data centres. Continuous investments in maintaining and expanding infrastructure is critical to meet growing demand for high-speed internet and connectivity. Secondly, technological advancements such as 5G deployment, fibre, and satellite technology set the tone to the industry's transformation, by providing faster and reliable services, whilst driving demand and revenue growth.

Furthermore, accelerated digitalisation from telco players is a critical supply driver, particularly after the pandemic where a sharp demand for technology was observable, as individuals increasingly rely on connectivity services while working from home. Given lockdown conditions, a huge percentage of people enter digitalization in new ways, and people are going to maintain behavior because it is useful and convenient. U.S. consumers are accelerating the adoption of digital channels, a trend seen across global regions. Digital adoption in Europe jumped from 81 % to 95 % in 2021, due to the COVID-19 crisis The surge in the adoption of online services is no temporary phenomenon: over 70 % of respondents said they expected to continue using digital services with the same frequency as they do now or even more often.

Figure 42: Cellular data traffic per handset connection (GB/month)

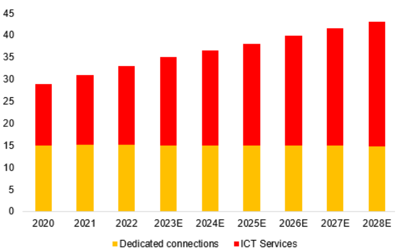


Source: *Analysys Mason*

Demand | Key demand drivers are based on three crucial services:

1) **Mobile IoT**, which leveraged mobile networks to connect devices and enable data exchange. This is a critical technology for application in smart cities, healthcare, transportation, and industrial automation. Mobile IoT allows for real-time monitoring and optimisation of several ecosystems, promoting efficiency and comfortability. Mobile IoT revenue is forecasted to grow at a 11% CAGR between 2022-2028, driven by the global rising of data consumption, with particular focus on increased cellular data traffic (figure 42).
2) **Mobile value-added services**, including mobile banking, location-based services, and multimedia messaging. These services generate additional revenue stream for telco players, whilst enhancing the customers' experience, being driven by technologies such as precise-GPS, big data analytics, and AI applications. Mobile value-added services revenue is expected to grow at a 7.7% CAGR between 2022-2028.
3) **ICT Services**, which encompass a wide range of solutions as cloud computing, cybersecurity, and enterprise mobility. Telco players are increasingly providing these services to the entrepreneurial tissue, as organisations see value in optimising their technology infrastructure. ICT services are forecasted to grow at a 9.2% CAGR between 2022-2028 (figure 43), representing a significant growth opportunity for the industry, particularly as business seek integrated solutions to meet digital transformation needs.

Figure 43: Retail revenue from dedicated connection and ICT services (€m)

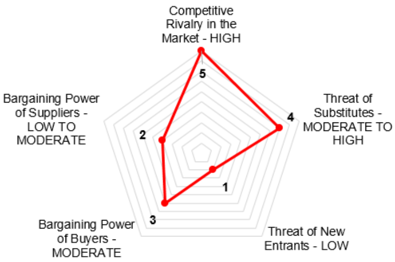


Source: *Analysys Mason*

Porter's Five Forces

This analysis represents a comprehensive overview of the Telco industry. Figure 44 represents a chart of Porter's five forces, where level 1 is attributed to the lowest threat (the threat of new buyers) and level 5 is for the highest threat (competitive rivalry in the market).

Figure 44: Porter's Five Forces



Source: *Analysys Mason*

Competitive Rivalry in the Market – HIGH (5) | The telecommunications industry is constituted by several firms, making the rivalry among competitors high. The existence of these major players results in tougher competition, intense pricing wars, aggressive marketing campaigns, and the need for continuous service improvement. Moreover, rivalry is driven by retaining customers' requirements in a market where switching costs are relatively low.

Market concentration levels in Europe are high, with major players holding significant market shares. The Herfindahl-Hirschman Index averages 3378 and 2704 for the German market within the mobile and broadband segments, respectively (figure 45), and 2807 and 2020 for the German market within the mobile and broadband segments, respectively. Whilst noting that market share data in Africa was not available, it is worthy to note that the African market is more fragmented, with a mix of large MNCs and smaller region players, therefore likely yielding lower HHI values and suggesting competitive markets.

Figure 45: Herfindahl-Hirschman Index, 2023

HHI	Mobile	Broadband
Germany	3 378	2 704
UK	2 807	2 020

Source: *Own Estimates, Bloomberg*

Secondly, the time to take advantage of innovation is key. Once a breakthrough is made in the market, there is not much time until the change is copied, resulting in fierce competition. In addition, the cost to exit this industry is exceptionally high due to the heavy investment, which dissuades firms from leaving, and increases the amount of competition.

Threat of Substitutes – MODERATE TO HIGH (4) | The threat of facing substitutes services is moderate to high because of the dependence on innovation in technology. Nowadays, one of the biggest threats is the VOIP, a technology that allows clients to communicate through phone calls using the Internet instead of the traditional telephone lines. These alternatives provide a more affordable service, with the possibility of unifying telecommunication sources, making the landline obsolete. Nonetheless, the need for reliable high-speed connectivity remains strong.

Threat of New Entrants – LOW (1) | The barriers set to enter are high enough to restrain new firms; thus, the threat of newcomers is low. To penetrate this sector, it is necessary to invest in a high capex and deal with several regulations. Only prospective entrants with resources will attempt to enter the sector and face the exit barriers risks. The main players take advantage of the sunk costs since they already have captured the primary market and recovered the installation expenses. Because of that, these established firms create a hostile environment that does not allure new entrants. Nonetheless, new business models like MVNOs and asset-light structures can still pose a threat.

Bargaining Power of Buyers – MODERATE (3) | Considering the homogeneity of the products, the bargaining power of buyers is moderate. Hence, the users seek lower prices from the firms that offer a more valuable and reliable service. Nonetheless, it is important to enhance that, frequently, the clients establish a long-term contract with their operator, and the switching costs associated are considerably high, so the firms do have some pricing power.

Bargaining Power of Suppliers – LOW TO MODERATE (2) | Even though the telecommunications firms are very dependent on telecom equipment suppliers, the fact that there are several local and international manufacturers and suppliers in the market limits their bargaining power. Moreover, the switching costs of the companies with other suppliers are deemed as below, which dilutes the bargaining power.

SWOT Analysis

Strengths

Geographical Diversification | Vodafone operates in more than 25 countries across Europe, Africa, and Asia-Pacific, benefitting from a global footprint and significant size. Furthermore, the company has market leading position in most of its markets, coupled with support of corporate services and shared operations in local markets, which provides access to economies of scale and standardisation.

Strong Brand | Vodafone continues to benefit from a strong brand and therefore solid market position in the markets where it operates, providing margin for price increases.

Innovation | The Group continues to commit a significant portion of its capital to cutting-edge technology investment, such as maintenance of 5G network, fibre-optics technology, and high-quality cable equipment.

Weaknesses

High Debt Burden | Vodafone has significant debt levels, which limit the Group's financial flexibility and ability to maintain capital investment levels. Despite the commitment to repay debt after the sale of operations in Spain and Italy, there is uncertainty surrounding the timing.

Regulatory Challenges | Operating in a heavily regulated sector, Vodafone faces regulatory hurdles in several markets. The loss of TV revenue in Germany due to end of collective TV contracts with housing associations is one recent example.

Dependence on Saturated/Emerging Markets | Following the disposals of the business in both Spain and Italy, the Group is more exposed to its European markets (which present significant saturation levels), where it has not been able to achieve organic growth rates above its cost of capital. Furthermore, higher sensitivity to emerging markets is noted such as Africa (representing c. 27% of service revenues in FY24 vs 22% in FY23).

Opportunities

Reshaped Portfolio | The sale of operations in Italy and Spain provided the Group with enhanced financial flexibility, remaining a strong diversified telco operator with a number of well-positioned, scaled asset anchored around its European and African operations.

Strategic Acquisitions | In an industry with oligopoly structures, strategic partnerships and acquisitions are crucial. With the reshaping of its portfolio, Vodafone benefit from enhanced leverage headroom to target key acquisitions, such as the merger with Three in the U.K., which considerable alter the Group's competitive position in the market, turning the JV into the second-largest company in the U.K. mobile market.

Africa and Vodafone Business | Vodafone benefits from a solid position from its Business segment, noting growth acceleration due to the strengthening of its position as the leading platform for business, with significant partnerships. Furthermore, African operations are leveraged by the Group's leading position on digital payments, backed by increased smartphone penetration.

Threats

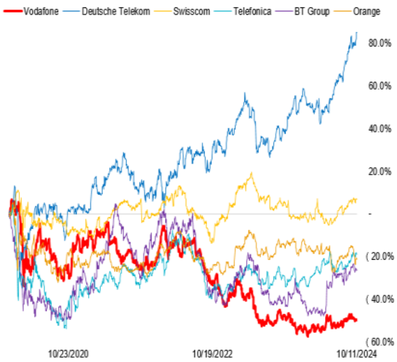
German Operating Challenges | Vodafone reported a 1.5% YoY decline in organic service revenue in its German segment in Q1'25, mainly impacted by the customer base decline following the end of bulk TV contracting in MDU. Furthermore, the Group lacks incumbent position in core markets and relies heavily on wholesale agreements for fixed services.

De-synergies | The Group's portfolio reshaping is deemed positive with improved visibility of FCF and reduced leverage. Nonetheless, the disposal could mean de-synergies such as smaller scale in B2B, lower purchasing power, and oversized centralised shared services.

Complex Structure | Vodafone remains complex despite the reshaped portfolio, with wide geographical presence and reasonable weight of JVs and associates. As such, there is substantial exposure to diverse market conditions and regulatory changes.

Investment Summary

Figure 46: Stock Returns (Index)



Source: *Own Estimates, Yahoo Finance*

We issue a **HOLD** recommendation for Vodafone (VOD.L) with a projected price target of £83.84 per share, in year-end 2025. This represents an upside potential of 6.94% from the current price of £78.40 per share, as of 16-September-2024. Our expected target price reflects an annualised return of c. 5.34%, with a **Medium-Risk** classification yielding a balanced risk-reward profile.

The asset sales provide more free cash flow visibility, and the new capital allocation policy is supportive, backed by the new share buyback programme and the re-set sustainable and sufficiently attractive dividend. However, the main driver of the Group's shares is the fundamentals of the business, noting particular concerns around FY25 performance as it looks uninspiring with weak earnings momentum, coupled with the higher relevance of the German market with unclear long-term growth trajectory, therefore expecting Vodafone to grow slower that its peers.

In a nutshell, our recommendation presents a stable growth outlook whilst lagging its peers (figure 46), advising investors to hold Vodafone shares until further clarity is given on Germany's operating challenges and the progress of asset disposals.

Valuation Methods

Multiple valuation methods were applied when assessing Vodafone's share price performance to the year-end 2025, with price targets ranging from £60.23 to £97.50 per share (figure 47).

Regarding intrinsic valuation methods, the Sum-of-the-Parts model, the Free Cash Flow to the Firm model, and the Dividend Discount Model were conducted. The Sum-of-the-Parts was the preferred model, considering that Vodafone has a wide geographical footprint with several business with distinct drivers. Furthermore, following the disposals of the Italian and Spanish units, Vodafone changed its reporting method with Germany, U.K., Other Europe, Turkey, and Africa being separately disclosed as the Group's business segments. Accordingly, a Sum-of-the-Parts approach was performed for each business segment, then utilising a DCF model with EV in cascade, in order to obtain each segment EV. This method was deemed to the best to capture Vodafone's intrinsic value given the noticeable disparate drivers across each segment.

Figure 47: Valuation Methods

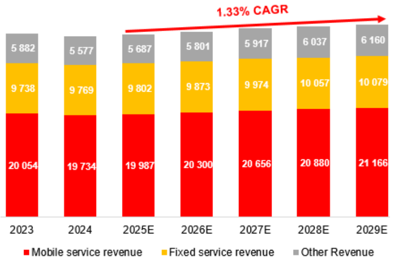
Valuation Methods	Price Target	
Sum-of-the-Parts	£	83.84
Free-cash-flow to the Firm	£	105.13
Dividend Discount Model	£	64.61
Multiple Valuation	£	97.50

Source: *Own Estimates*

The Free Cash Flow to the Firm model yielded the highest price target of £105.13 per share. Nonetheless, this approach has significant limitations such as variations in accounting methods (Vodafone changed its segmental reporting in FY22), coupled with the impact of non-recurring items (having higher relevance now that the Group is in a portfolio disposal process and merging with Three UK).

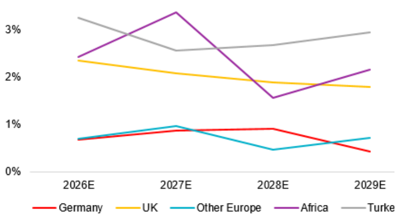
The relative valuation was performed based a multiple valuation method, selecting the comparable peers EV Multiples (EV/Sales, EV/EBITDA) and Price Multiples (P/B, P/E, Price/Sales) to assess Vodafone's share price, according to the industry expansion expectations. It was noted that this valuation method yielded the second highest price target of £97.50 per share. Notwithstanding, this approach is unlikely to capture the distinct dynamics across Vodafone business segments and the fundamentals of the business, particularly in a reshaping portfolio framework. Moreover, fundamental valuations (SoTP and DDM models) showcase lower price targets, which might suggest that the Group is likely to grow behind its peers.

Figure 48: Revenue Forecast



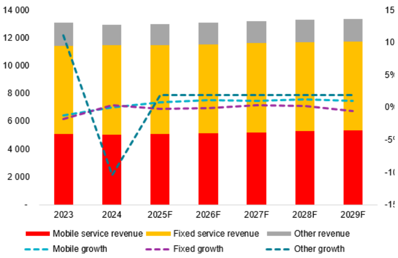
Source: *Own Estimates*

Figure 49: Revenue growth rates per segment



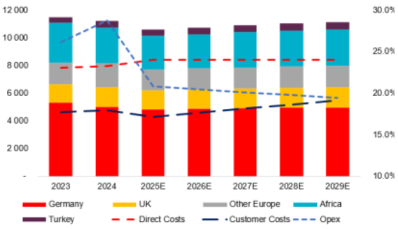
Source: *Own Estimates*

Figure 50: Revenue growth by segment, in Germany (€m)



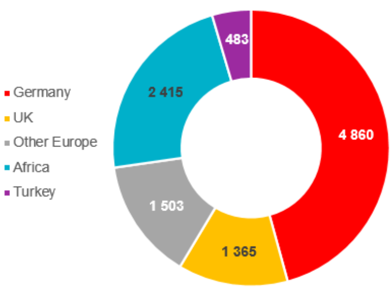
Source: *Own Estimates*

Figure 51: Revenue per segment and operating costs (€m; % revenue)



Source: *Own Estimates*

Figure 52: EBITDA per segment in FY25 (€m)



Source: *Own Estimates*

Valuation

In order to ensure a precise valuation for Vodafone, several forecasts were performed including macroeconomic projections, financial statements forecasts, forecasts of key drivers of profitability such as ARPU, ASPU, and customer growth rates, coupled with key financial ratios, the Group's guidance, and diverse valuation approaches. This comprehensive analysis targets an accurate valuation, properly reflecting Vodafone's financial position and outlook.

Income Statements Forecasts

Revenue | To forecast one of the fundamental growth drivers of the business, mobile and fixed revenue service, a hybrid approach was followed as it considers the main aspects of mobile and fixed service revenue (appendix 2). Other revenue forecasts comprise several factors such within different markets, such as the growth of dedicated connections, ICT services, IoT, and mobile equipment, which were used as a proxy for the different markets. The forecast of the service revenue is based on the previous year turnover, considering a certain change in demand (appendix 14, appendix 15), a certain change in pricing (appendix 12, appendix 13), coupled with a demand factor that aims to incorporate Vodafone's competitive positioning within the different markets where it operates. In detail, the following formulas were utilised:

$Revenue_{(t)} = Revenue_{(Qt-1)} * \Delta Demand * \Delta Price * demand\ factor$, where:
1) $\Delta Demand = Demand_{(t-1)} / Demand_{(t)}$ and 2) $\Delta Price = Price_{(t-1)} / Price_{(t)}$.

Total revenue is forecasted to grow at 1.33% CAGR between 2025E-2029E, noting a 5Y CAGR of 1.2% in service revenue and 5Y CAGR of 2.02% in other revenue (figure 48).

- **Germany:** revenue growth for the German market was forecasted at 0.7% CAGR between 2025E-2029E (figure 49), reflecting sluggish growth across the projected period. Within the mobile service, the market exhibits considerable maturity, whilst noting Vodafone's significant market share of c. 38.5%. Growth will be supported by price increases despite lack of evident progress on NPS, simultaneously impacted by heightened churn rates observable during the past recent years, with Vodafone slight loss of market share. Within the fixed service, there is a significant expected loss of customers during 2025 and 2026, derived from the impact of MDU TV loss due to regulatory changes in the market framework, coupled with early signs of fixed market maturity (figure 50).
- **UK:** revenue growth for the British market was forecasted to grow at 1.8% 5Y CAGR, primarily driven by the strong performance in the fixed market, as Vodafone is gaining fixed broadband market share in the UK, being one of the fastest growing brands. The mobile segment is also expected to contribute growing at 1.5% 5Y CAGR, backed by improvement in NPS and good momentum with the Group gaining market share (c. 20%), noting a deceleration from FY25 onwards as mobile net adds decelerate.
- **Other Europe:** revenue growth for other European markets where Vodafone operates was projected to grow at a 0.6% 5Y CAGR, driven by slight market share gain and offset by a deceleration in revenues in Portugal (largest OE market as of FY24), due to mobile termination rates cuts in FY25 and increased competition (regulator approved the entrance of smaller player (Digi) with more competitive prices, pointing that increasing market share via M&A will be challenging.
- **Africa:** African markets present a revenue growth at a 2.1% 5Y CAGR, mainly driven by mobile segment growth. Market share is projected to be mostly flat in this segment, although customer numbers are expected to increase due to higher smartphone penetration and utilisation of Vodafone's financial services.
- **Turkey:** The Turkish market is forecasted to grow at a 2.6% 5Y CAGR as Vodafone is the second market leader with a market share of c. 27%. The Group has a solid competitive positioning, driven by digitalisation investments, coupled with financial and insurance services.

EBITDA Margin | Profitability was forecasted separately for each segment, with a comprehensive analysis around direct costs, customer costs, and operating expenses, which were projected as a percentage of revenue, according to the Group's history and requirements in each market (figure 51) (figure 52) (appendix 6).

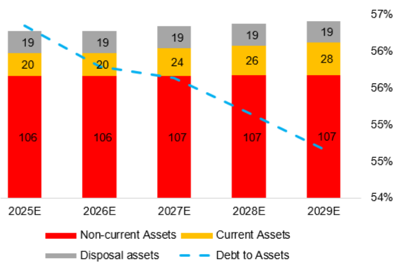
Cash Flow Forecasts

Capex | To estimate Vodafone's business capital requirements, a detailed analysis was conducted on the Group's capex in proportion to its revenue, depreciation, assets, and PP&E, coupled with the consideration of the business purchases of fixed assets and intangible assets (appendix 3). Bottom-line, capex was estimated as 19% of revenue for the forecasted period, in line with historical averages and noting that the accumulated depreciation to depreciation ratio is not increasing (appendix 17).

Capital Allocation | In line with the new capital allocation programme for Vodafone, three main components were estimated: 1) change in capital via share buybacks, 2) debt repayments with proceedings from asset disposals, and 3) change in target dividend per share.

1) **Share buybacks** were assumed to total €2bn in FY25 and FY26, as outlined by the Group in its updated shareholder remuneration schedule. We expect share buybacks to continue supported by a depressed share price and re-set dividend policy, therefore providing adequate return to the shareholders.
2) **Debt repayments** were forecasted to amount to €5bn in FY25 and €2.5bn in FY26, as the proceeds from the sale of Spain and Italy operations are expected to be resolved in the respective fiscal years. Further debt issuances were assumed from FY27 onwards, in order to support Vodafone's growing long-term asset base.
3) **Dividend per share** reduced from 9 cents per share in FY24 to 4.5 cents per share in FY25, as Vodafone aims to have enhanced financial flexibility whilst providing a sustainable and attractive dividend. We assumed slight dividend growth from FY28 onwards, as the company outlooked that surplus cash would be returned to shareholders.

Figure 53: Total Balance Sheet (€bn) and Debt-to-Assets ratio



Source: *Own Estimates*

Balance Sheet Forecasts

Balance sheets items were forecasted last, as several components are linked with the previous two financial statements and are dependent on future forecasts in many cases (appendix 18, appendix 19). The only exception was the forecasting of net working capital items, which were estimated firstly than cash flow items, in order to reflect net working capital requirements. Key items were forecast as follows:

- PP&E was projected using the following formula: $PP\&E_{(t+1)} = PP\&E_{(t)} - D\&A_{(t+1)} + CAPEX_{(t+1)}$
- Long-term debt was projected in line with the aforementioned debt repayments (figure 53), whilst short-term debt was forecasted to grow in line with target inflation rate, to support short-term funding requirements as current liabilities grow, whilst noting that there are no projected extreme fluctuations in net working capital (appendix 7).
- Assets and Liabilities held for sale were assumed constant throughout the forecasted period (appendix 4), noting that these are directly linked with the disposal of Vodafone's operations in Spain and Italy, however there is no clarity on when its cash conversion will occur, therefore remaining stable in our forecasting model.

Figure 54: Cost of Equity estimation

CAPM Model	
Risk Free Rate	2.21%
Country Risk Premium	0.88%
Beta	0.74
Market Risk Premium	6.00%
Cost of Equity	7.28%

Source: *Own Estimates*

Discount Rate

The discount rate applied on Vodafone was the Weighted Average Cost of Capital, as it represents the company's average after-tax cost of capital from all sources, including common stock, preferred stock, and all forms of debt. To arrive at the WACC, first we calculated the cost of equity and cost of debt.

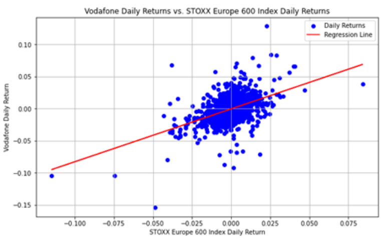
The cost of equity was calculated in line with the CAPM model, noting the addition of a specific country risk premium (figure 54).

Figure 55: Cost of Debt estimation

Cost of Debt	
Cost of Debt	4.59%
Tax Rate	20%
After-tax Cost of Debt	3.67%

Source: *Own Estimates*

Figure 56: Regression analysis



Source: *Own Estimates*

Figure 57: WACC estimation

WACC	
Weight of Debt	56.3%
Weight of Equity	43.7%
Pre-tax WACC	6.36%
WACC	5.25%

Source: *Own Estimates*

The cost of debt was determined b) performing a weighted average of Vodafone's outstanding debt instruments and assuming that maturing debt is not refinanced. Moreover, since the interest paid on debt is treated favourably by tax codes, tax deductions are applicable to outstanding debt instruments, which lower the effective cost of debt paid by Vodafone (figure 55).

Risk-free rate | The Germany 10-year bund yield was selected as proxy for the risk-free rate, considering it is the benchmark bond within the Eurozone, as it reflects high credit quality and is indicative of a very low default risk, coupled with the fact that this bond is widely used as a benchmark for other European government bonds. As of 16-Sep-2024, the yield was of 2.21%.

Country Risk Premium | The U.K. country risk premium was selected, accounting for the additional risk associated with investing in a U.K.-based company, such as Vodafone. The selected CRP was of 0.88%, in line with Damodaran's Country Default Spreads and Risk Premiums database (Damodaran, 2024)

Beta | The Group's Beta was assessed through a regression analysis on the 5-year daily Vodafone's stock return against the 5-year daily returns of the STOXX Europe 600 Index (figure 56, appendix 20). The selected index was used as it reflects a resilient benchmark for Vodafone's market dynamics. The Beta yielded a slope coefficient of 0.82 from the linear regression, providing key insights of Vodafone's systematic risks and volatility in comparison with the chosen index.

Market Risk Premium | Different market risk premiums were applied as a SotP analysis was conducted and Vodafone operates in a broad range of markets. For the European markets, a market risk premium of 6% was selected, using the Western Europe as a proxy. For the African markets, a market risk premium of 13.97% was applied (Damodaran, 2024).

Lastly, to compute the WACC, the following formula was used: *WACC = Weight of Equity * Cost of Equity + Weight of Debt * Cost of Debt.* The calculated yielded a WACC of 5.25% for year-end 2025 (figure 57) (appendix 23).

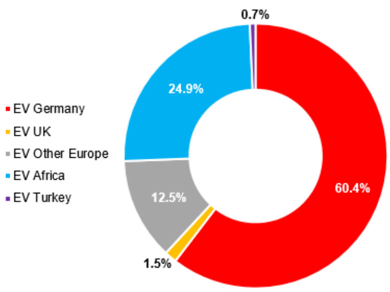
Terminal Value

As DCF models were employed to valuate Vodafone' stock price target, two-stages were considered, being the forecasting period (2025E-2029E) and a perpetuity approach scenario, comprising the perpetual growth rate (g). The PRAT and Reinvestment Rate models were applicated when assessing the Vodafone's long-term growth rate (appendix 21 and appendix 22, respectively), noting that it the latter model an adjusted residual was considered. The Reinvestment Rate model was deemed a better proxy of the Group's perpetual growth, as it caters estimated Capex and D&A which are critical drivers of the Telco industry, yielding 0.3%. We note that the long-term growth rate was higher under the PRAT Model, mainly driven by higher retention rates due to Vodafone's dividend cut, yielding 1.6%. The perpetual growth rate was deemed at 0.2%, reflecting conservativeness compared to models' yield, as we incorporated Vodafone's delicate portfolio transition and complex structure.

Sum-of-the-Parts

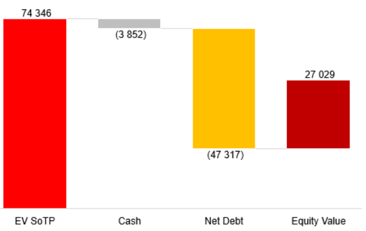
Given Vodafone's wide geographical presence, there are distinct challenges when addressing operations in diverse regions. We deemed that it was accurate to value the Group considering its different and recent business segments, as Vodafone now reports in a geographical basis, noting that this method caters for fundamental and growth differences, transactional reasons, and management reasons (Damodaran, 2018).

Figure 58: EV per segment



Source: *Own Estimates*

Figure 59: Equity Value calculations



Source: *Own Estimates*

Figure 60: SotP Model results

Consolidated EV	74 346
Net Debt	47 317
Equity Value	27 029
Shares outstanding	27 010
Target Price	**0.8384**
Current Price	**0.7840**
Upside	6.94%

Source: *Own Estimates*

Figure 61: FCFF DCF Model (WACC Method)

PV of Terminal Value	61 605	75.9%
PV of DCF	19 581	24.1%
Enterprise Value	81 186	
Net Debt	47 317	
Equity Value	33 869	
Target Price	1.0513	
Upside	34.10%	

Source: *Own Estimates*

Figure 62: Dividend Discount Model (H-Model)

H-Model	
D0	1 349
r	8.00%
H	1
gS	0.00%
gL	2.00%
PT	26 038
PT with discounting	20 830
Target Price	0.77
EUR / GBP	0.84
Target Price	**0.6461**
Current Price	0.78
Downside	(17.58%)

Source: *Own Estimates*

Firstly, a DCF model was employed to each of the different segments (Germany, UK, Other Europe, Africa, and Turkey) in order to calculate the free cash flow to the firm across both the forecasted period and the terminal period. The enterprise value of each segment was assessed through the sum of FCFFs and terminal value, using WACC as a discounting factor, noting that each segment has different WACCs due to distinct market risk premiums, despite noting that a number of global inputs was considered (appendix 24).

Secondly, a consolidated enterprise value was calculated by summing all the different enterprise values for each segment, noting a significant dependence on the German segment (60.4% of total EV by YE2025), followed by Africa (24.9%) and Other Europe (12.5%) (figure 58).

Lastly, the equity value was calculated by subtracting the consolidated EV by the consolidated net debt, deriving to an equity value of £27bn (figure 59). This implied a share price of £83.84 per share, yielding a potential upside of 6.94% (figure 60).

Free Cash Flow to the Firm

The DCF model was the starting point for all the other proposed methods estimating free cash flows to the firm on a consolidated basis. The model can be breakdown in two-stages, one comprising the forecasting period between 2025-2029, and the other being the terminal value, where the values of the free cash flow to the firm were discounted (WACC method) to reflect the present value of the terminal value and the EV (appendix 25).

The terminal growth rate was assessed through the aforementioned PRAT and Reinvestment Rate models, whilst WACC was calculated for the business as a whole. The EV was calculated through the sum of the present value of both the terminal value and EV.

The equity value was computed by subtracting the outstanding net debt in YE2025 from the enterprise value, yielding a price target of £105.13 per share, implying a potential upside of 34.10% and an annualised return of 25.5% (figure 61).

Dividend Discount Model

Vodafone used to have a strong track record of dividend payments, and this was a key metric in valuing the company. Nonetheless, with the re-set dividend, the growth drivers of the business are again based on the company's fundamentals. Notwithstanding, a DDM was implemented to support the Group's valuation, based on the H-Model approach.

As a stable dividend was forecasted between FY25-FY27, we note slight growth expectations from FY28 and expected a terminal dividend growth rate of 2%, as the Group aims to increase its dividend per share back to normalised levels when further financial stability is acquired. As such, the H-Model was selected in order to assume a linear progressive growth rate towards the terminal growth rate.

This approached yielded a target price of £64.61 per share, indicating a downside of 17.6% and an annualised loss of 13.92% (figure 62) (appendix 26), explained by the re-set dividend and highlighting that the drivers of the business are backed by the company's fundamentals, therefore higher relevance was given to the sum-of-the-parts model.

Relative Valuation

To further complement the Group's valuation, a relative valuation was conducted, estimating Vodafone's stock price relative to a comparable peer selection.

The peer selection comprised multiple variables such as company's size, business segment, asset structure, and geographical footprint. The selected peers were Deutsche Telekom AG, Swisscom AG, Orange SA, Telefonica, BT Group PLC, and Telenor SA.

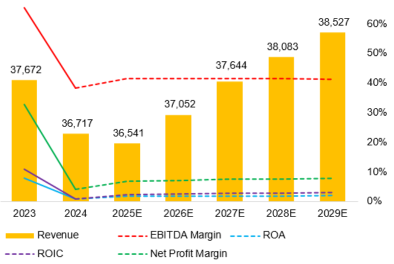
Multiples' selection included EV Multiples (EV/Sales, EV/EBITDA) and Price Multiples (P/E, P/B, Price/Sales), in order to cater for several aspects of the industry such as earnings, book values, revenues, and profitability (appendix 27) (appendix 28).

This assessment yielded a price target for Vodafone of £97.50 per share, implying an upside of 24.36% (appendix 29) and an annualised return of 18.41%.

Financial Analysis

Profitability

Figure 63: Revenue, EBITDA Margin, ROA, and ROIC (€bn)



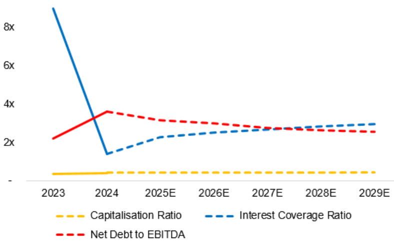
Source: *Own Estimates*

Vodafone presents resilient profitability metrics despite recent margin shrinkage mainly due to portfolio reshaping activities and high inflationary pressures, particularly in energy costs, whilst noting significant contributions from Germany, Africa, and Other Europe.

EBITDA Margin is expected to stabilise at 41.5% across the forecasted period, backed by portfolio optimisation noting that no significant changes are expected across the Group's operating costs (appendix 5). Net profit margin is forecasted to progressively improve throughout the period, fuelled by continuous revenue growth and improved net financial result due to the decrease of interest expenses, as Vodafone is expected to deleverage. ROIC is forecasted to grow from 0.9% in FY21 to 3% in FY29, boosted by expected decrease of interest expenses and decreased invested capital (figure 63).

Solvency

Figure 64: Capitalisation Ratio, Interest Coverage, Net Leverage



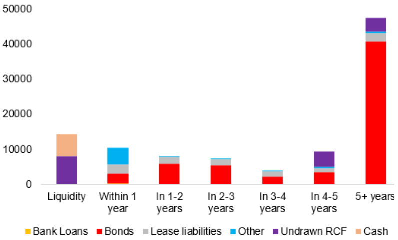
Source: *Own Estimates*

The Group showcases robust solvency metrics, comprising strong and stable capitalisation levels whilst making efforts to promote continuous deleverage in order to maintain an optimal capital structure whilst dealing with the first years after the reshaping of the Group's portfolio. This provides clarity on Vodafone's projected invested capital and enhances financial flexibility.

Capitalisation ratio is forecasted to progressively improve throughout the forecasted period, mainly backed by expected debt reduced levels due to debt repayments from the disposal of assets. Net Leverage is expected to decrease from 3.6x in FY24 to 2.6x in FY29, in line with the company's target of maintaining healthy leverage levels between 2.25x-2.75x. Furthermore, there are projected improvements in interest coverage ratio from 1.4x in FY24 to 3.0x in FY29, consequent from the aforementioned deleverage process, promoting a decreased interest burden (figure 64).

Liquidity

Figure 65: Debt Maturity and Liquidity Profile (€m)



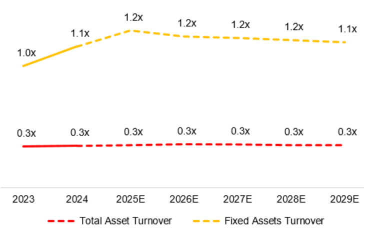
Source: *Own Estimates*

Vodafone exhibits a comfortable liquidity profile, backed by c. €14.4bn available in FY24 under €6.2bn of cash reserves and €8.2bn of undrawn committed facilities, coupled with a well-spread debt maturity profile (figure 65), evidencing strong management and excellent access to capital debt markets with strong banking relationships.

Furthermore, current ratio and quick ratio are forecasted to improve progressively across the forecasted period, mainly driven by projections of higher cash flow generation due to improved free cash flow visibility after the Group's assets disposals. Upon completion of the sale of Spanish and Italian operations, liquidity is expected to further improve and to be sufficient to cover c. €10bn over the next three years. It is noted that Vodafone has c. €0.9bn under cash reserves that are of restricted use, as they are held in countries with restrictions on remittance (consequence of a complex structure), being offset by €3.2bn of highly liquid government and government-backed securities.

Efficiency

Figure 66: Total Asset turnover and Fixed Assets turnover



Source: *Own Estimates*

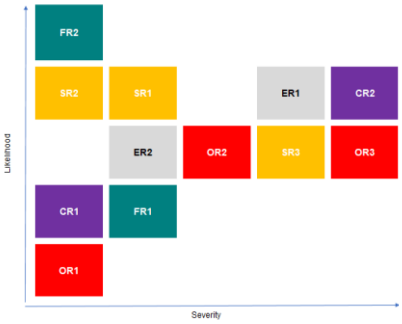
We expect the Group to slightly increase its efficiency metrics, backed by a robust asset base, maintained capital expenditures to ensure fixed asset quality, coupled with strong track record of the management.

Asset turnover is expected to remain stable until 2029, whilst noting slight improvement in fixed assets turnover from 1.1x in FY24 to 1.2x in the majority of the forecasted period, evidencing improved efficiency in Vodafone's management of its fixed assets (figure 66). Regarding the Group's operating cycle, a slight increase is expected mainly driven by higher days of sales outstanding, with comfort taken from the fact that it maintains in line with industry standards.

Investment Risks

The risks subjacent to Vodafone’s stock price volatility is classified into five categories: 1) operational risks (OR), 2) strategic risks (SR), 3) compliance risks (CR), 4) financial risks, and 5) environmental risk (ER) which are plotted based on the different degrees of severity and probability (figure 67).

Figure 67: Risk Matrix



Source: *Own Estimates*

Failure to Improve Network Coverage and Performance Risk (OR1) | The development of Vodafone’s network considering the needs of its customers have risen in tandem with demand, facing pressures from requirements to have continuous improvements in the network and performance.

Supply Chain Disruptions (OR2) | The epidemic's impact has made work-from-home new normalcy, increasing the demand for electronics, coupled with limiting engineers available, contributing to the chipset crunch. The chip shortage, in turn, puts the supply chain of Vodafone’s network and customer premise equipment under unprecedented pressure.

Cyber Security Threats (OR3) | Providing critical infrastructure and connectivity, Vodafone and the telco industry faces a unique set of risks, handling private data and providing connectivity services. If not managed effectively, this could result in substantial customer, financial, reputational and/or regulatory impacts.

Intense Competition (SR1) | Vodafone operates in highly competitive markets with several sizable competitors, facing strong pricing wars and market share competitiveness, requiring continuous marketing investments.

Market Saturation (SR2) | The Group operates in a considerable number of mature markets (Germany, UK), being pressured by limited growth opportunities.

Geopolitical Risk (SR3) | Geopolitical tensions and ongoing conflicts amplify the risk of government intervention. The heightened uncertainty from elections in 2024, US/China tension, and the proliferation of emerging technologies could lead to disruption in operation and supply chain, which lead to increased costs and competition.

High Capital Requirements Risk (FR1) | Historically the telco sector has made significant, generally debt funded, investment in spectrum and capex, which requires ongoing capital requirements. Higher than expected capex hurdles the Group’s free cash flow generation and pressures share price performance.

Currency Fluctuations Risk (FR2) | The Group has a wide geographical presence and have revenue generation in several different currencies (EUR, GBP, TRY, ZAR), as well as outstanding debt facilities (EUR, USD), therefore being substantially exposed to currency fluctuations.

Failure to Cope with Changes in Legislation Risk (CR1) | Vodafone operates under a heavily regulated sector, covering five main areas: the general telecommunications framework, competition policy, interconnection and price regulation, licensing and universal access and services, and any changes to these laws and regulations will affect the growth and profitability of telecoms companies.

Increase in Regulatory Changes Risk (CR2) | Increased regulatory changes in the telco industry are expected to continue as governments respond to the heightened cyber threat landscape, recognising that telecommunications operators provide critical national infrastructure.

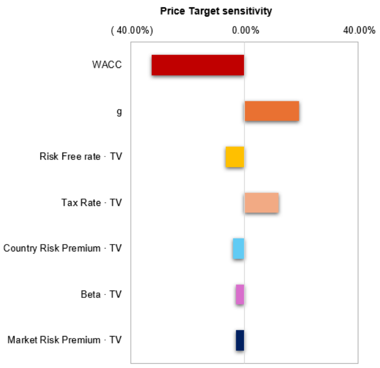
Ambitious Energy Transition Risk (ER1) | The Group has ambitious net-zero emissions targets in place, with the carbon reduction targets approved by the Science Based Targets Initiative, requiring significant investment and commitment, with reputational implications and financial penalties involved under Vodafone’s SLLs and KPI dependent targets.

Ineffective to Response to The Sustainability Agenda (ER2) | Climate assessment is becoming more complex as regulators demand more detailed and comprehensive disclosure. Vodafone faces investors’ pressure to increasingly report on the physical and financial risks of climate change while developing plans to protect their assets as part of the energy transition.

Sensitivity Analysis

Considering the several factors that could impact Vodafone's stock price target in YE25, a sensitivity analysis was conducted. In order to assess the most relevant variables in our model, a tornado analysis was performed comprising 100,000 different scenarios, using *Crystal Ball* software. The variables with the most impact on the model were the terminal growth rate (g), the WACC, the risk-free rate, the tax rate, the country risk premium, the Beta, and the market risk premium, in respective order. The most relevant variables were the WACC and the terminal growth rate (g) (figure 68).

Figure 68: Price target sensitivity



Source: *Own Estimates, Crystal Ball*

Followingly, a sensitivity analysis was conducted utilising Excel's *What-If Analysis* on these particular two variables (figure 69) (figure 70).

Figure 69: Sensitivity Analysis with Price Target

Terminal Growth Rate \ WACC	5.5%	5.6%	5.7%	5.8%	5.9%	6.0%	6.1%
(0.1%)	£ 107.1	£ 102.9	£ 98.8	£ 94.9	£ 91.1	£ 87.4	£ 83.9
0.0%	£ 110.8	£ 106.4	£ 102.2	£ 98.2	£ 94.3	£ 90.5	£ 86.9
0.1%	£ 114.6	£ 110.1	£ 105.8	£ 101.6	£ 97.6	£ 93.7	£ 89.9
0.2%	£ 118.6	£ 113.9	£ 109.4	£ 105.1	£ 101.0	£ 97.0	£ 93.1
0.3%	£ 122.7	£ 117.9	£ 113.3	£ 108.8	£ 104.5	£ 100.3	£ 96.3
0.4%	£ 127.0	£ 122.0	£ 117.2	£ 112.6	£ 108.1	£ 103.9	£ 99.7
0.5%	£ 131.4	£ 126.3	£ 121.3	£ 116.5	£ 111.9	£ 107.5	£ 103.2

Source: *Own Estimates*

Figure 70: Sensitivity Analysis with Upside/Downside potential

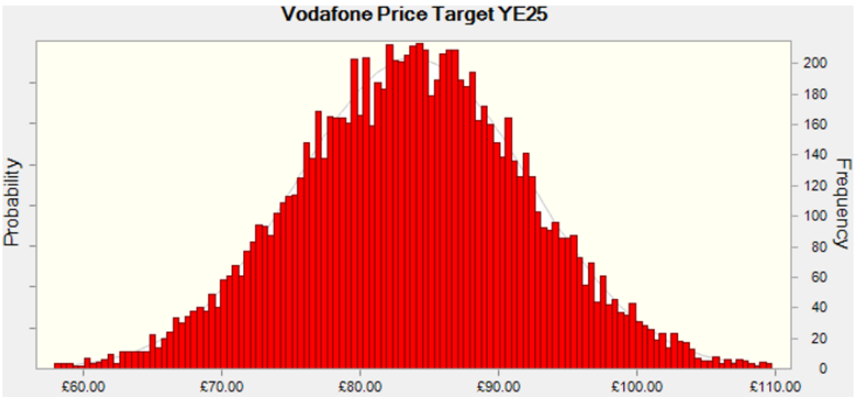
Terminal Growth Rate \ WACC	5.5%	5.6%	5.7%	5.8%	5.9%	6.0%	6.1%
-0.1%	37%	31%	26%	21%	16%	12%	7%
0.0%	41%	36%	30%	25%	20%	15%	11%
0.1%	46%	40%	35%	30%	24%	19%	15%
0.2%	51%	45%	40%	34%	29%	24%	19%
0.3%	56%	50%	44%	39%	33%	28%	23%
0.4%	62%	56%	49%	44%	38%	32%	27%
0.5%	68%	61%	55%	49%	43%	37%	32%

Source: *Own Estimates*

Monte Carlo Simulation

A Monte Carlo simulation was performed to further analyse inherent risk to Vodafone's target price changes, utilising Crystal Ball software with the conduction of 100,000 iterations of the simulation (figure 71). The average price target under the SotP model was £83.84 per share, with median of £83.84 and a standard deviation of £8.38. It is comfortable to affirm that Vodafone's YE25 price target is likely to be between £70.05 and £97.63, at a 95% confidence level and considering a normal distribution for all variables.

Figure 71: Monte Carlo Simulation



Source: *Own Estimates, Crystal Ball*

Appendices

Appendix 1: Dashboard

VOD.L		Recommendation	HOLD	Target	£	83.84	Date:	15/10/2024
Vodafone Group PLC		Level of Risk	Medium	Current	£	78.40	Industry:	Telecommunications

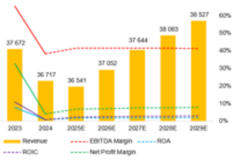
Company Overview

Price		Market Data			Date 2024	VOD.L	Peers	Key Stats	
Ticker	VOD.L	Shares O/S (m)		27 010	ROE	2.4%	1.6%	Employees	84 173
Current Price (£)	78.40	Market Cap (€m)		19 382	D/E	1.37	1.49	Founded	July 1984
Target Price (£)	83.84	DPS (€)		0.08	NPM	4.1%	12.5%	CEO	M. Della Valle
Target Period	2025YE	Dividend Yield		10.35%	P/B	0.6x	1.0x	Headquarters	Newbury, UK
TP Upside	6.9%	Beta		0.77	P/E	15.8x	16.5	Website	vodafone.com
ARR	5.3%	52-Week L/H	62.59	79.50	EV/EBITDA	7.4x	7.5x		

(millions)

Key Financials	2023	2024	2025E	2026E	2027E	2028E	2029E
Revenue	37 672	36 717	36 541	37 052	37 644	38 083	38 527
Revenue growth	*1.8%*	*(2.5%)*	*(0.5%)*	*1.4%*	*1.6%*	*1.2%*	*1.2%*
EBITDA	24 706	14 079	15 136	15 389	15 628	15 799	15 934
EBITDA margin	*5.2%*	*(43.0%)*	*7.5%*	*1.7%*	*1.6%*	*1.1%*	*0.9%*
Net Income	12 335	1 505	2 528	2 664	2 833	2 942	3 032
Net Profit margin	*7.3%*	*7.8%*	*5.1%*	*5.0%*	*5.0%*	*5.0%*	*5.1%*
EPS	0.45	0.06	0.09	0.10	0.10	0.11	0.11
NWC/Sales	4.6%	1.8%	(2.2%)	(0.1%)	(0.2%)	(0.1%)	(0.1%)
Net Debt	54 685	50 804	48 035	45 985	42 900	41 627	40 749
Net Debt/EBITDA	2.2x	3.6x	3.2x	3.0x	2.7x	2.6x	2.6x
Int Coverage	9.0x	1.4x	2.3x	2.5x	2.7x	2.8x	3.0x
ROE	20.3%	2.4%	4.1%	4.2%	4.3%	4.4%	4.4%
ROIC	10.9%	0.9%	2.4%	2.6%	2.8%	2.9%	3.0%
ROCE	10.2%	1.2%	2.1%	2.3%	2.4%	2.4%	2.4%
FCFF / IC	3.8%	3.6%	4.4%	3.8%	3.9%	3.9%	3.9%
FCFF / Sales	11.9%	10.9%	13.2%	11.2%	11.3%	11.2%	11.2%
Capitalisation Ratio	40.8%	41.5%	43.7%	44.2%	44.4%	44.8%	45.3%

Cash Flows	2023	2024	2025E	2026E	2027E	2028E	2029E
EBIT (1-t)	5 418	4 194	4 713	4 779	4 855	4 912	4 969
D&A	(10 255)	(10 414)	(10 423)	(10 611)	(10 773)	(10 887)	(10 965)
ΔNWC	792	114	(821)	(52)	(60)	(44)	(45)
CAPEX	(7 756)	(6 860)	(6 943)	(7 040)	(7 152)	(7 236)	(7 320)
FCFF	4 486	3 986	4 830	4 143	4 239	4 263	4 327



WACC-Variables	2024	2025F	TV
Risk Free Rate (RFR)	2.21%	2.21%	2%
Country Risk Premium (CRP)	0.88%	0.88%	1.00%
Beta (β)	0.77	0.74	0.80
Market Risk Premium (MRP)	6.00%	6.00%	6.50%
Cost of Equity	**7.50%**	**7.28%**	**8.00%**
Spread (Adj. for RFR)	2.38%	2.38%	3.00%
Cost of Debt	4.59%	4.59%	5.00%
Tax Rate	20%	20%	20%
After-tax Cost of Debt	**3.67%**	**3.67%**	**4.00%**
Weight of Debt	57.7%	56.3%	54.7%
Weight of Equity	42.3%	43.7%	45.3%
Pre-tax WACC	5.82%	5.76%	6.36%
WACC	**5.29%**	**5.25%**	**5.81%**
Terminal Growth Rate			0.10%

Appendix 2: Income Statement

Income Statement	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Revenue	43 809	37 010	37 672	36 717	36 541	37 052	37 644	38 083	38 527
Germany	12 984	13 128	13 113	12 957	13 013	13 092	13 195	13 303	13 355
UK	6 151	6 589	6 824	6 837	6 956	7 103	7 235	7 358	7 476
Italy	5 014	-	-	-	-	-	-	-	-
Spain	4 166	-	-	-	-	-	-	-	-
Other Europe	5 549	5 653	5 744	5 504	5 504	5 541	5 576	5 624	5 648
Africa	5 181	7 807	8 076	7 420	7 520	7 684	7 916	8 027	8 182
Turkey	2 037	2 016	2 072	2 362	2 447	2 518	2 576	2 638	2 708
Vantage Towers	-	1 252	1 338	-	-	-	-	-	-
Common functions, eliminations & other	2 727	565	505	1 637	1 064	1 079	1 096	1 109	1 122
Cost of goods sold	(30 086)	(23 948)	(24 359)	(24 459)	(24 177)	(24 515)	(24 907)	(25 197)	(25 491)
Gross profit	**13 723**	**13 062**	**13 313**	**12 258**	**12 364**	**12 537**	**12 737**	**12 886**	**13 036**
Selling & distribution expenses	(3 522)	(2 754)	(2 777)	(2 674)	(2 753)	(2 791)	(2 836)	(2 869)	(2 903)
Administrative expenses	(5 350)	(4 797)	(5 351)	(5 768)	(5 032)	(5 103)	(5 184)	(5 245)	(5 306)
Net credit losses on financial assets	(664)	(404)	(505)	(491)	(483)	(490)	(497)	(503)	(509)
Share of results in associates and J&Vs	374	389	433	(96)	255	259	263	266	269
Impairment reversal/(loss)	-	-	(64)	64	0	0	0	0	0
Other operating income	568	244	9 402	372	362	367	373	377	381
o/w gain on disposal of Vantage Towesrs	-	-	8 729	-	-	-	-	-	-
Total operating expense	(38 680)	(31 270)	(23 221)	(33 052)	(31 828)	(32 273)	(32 788)	(33 171)	(33 558)
EBITDA	**19 230**	**16 157**	**24 706**	**14 079**	**15 136**	**15 389**	**15 628**	**15 799**	**15 934**
Depreciation	(9 680)	(6 992)	(6 875)	(6 899)	(6 962)	(7 101)	(7 207)	(7 279)	(7 316)
Owned assets	(5 766)	(4 274)	(4 142)	(3 882)	(4 128)	(4 211)	(4 274)	(4 317)	(4 338)
Leased assets	(3 914)	(2 718)	(2 733)	(3 017)	(2 833)	(2 890)	(2 933)	(2 963)	(2 977)
Amortization	(4 421)	(3 425)	(3 380)	(3 515)	(3 461)	(3 510)	(3 566)	(3 608)	(3 650)
EBIT	**5 129**	**5 740**	**14 451**	**3 665**	**4 713**	**4 779**	**4 855**	**4 912**	**4 969**
Net Financial Result	(782)	(1 591)	(1 377)	(2 045)	(1 500)	(1 301)	(1 220)	(1 136)	(1 066)
Interest expense	*(1 027)*	*(1 842)*	*(1 609)*	*(2 626)*	*(2 086)*	*(1 894)*	*(1 819)*	*(1 741)*	*(1 676)*
Interest income	*245*	*251*	*232*	*581*	*587*	*593*	*599*	*605*	*611*
EBT	**4 347**	**4 149**	**13 074**	**1 620**	**3 213**	**3 478**	**3 635**	**3 776**	**3 903**
Income tax expense	(3 864)	(1 561)	(492)	(50)	(643)	(696)	(727)	(755)	(781)
Net income - continuing operations	**483**	**2 588**	**12 582**	**1 570**	**2 571**	**2 782**	**2 908**	**3 020**	**3 123**
Discontinued Operations	-	185	(247)	(65)	(42)	(118)	(75)	(79)	(91)
Net income	**483**	**2 773**	**12 335**	**1 505**	**2 528**	**2 664**	**2 833**	**2 942**	**3 032**
Minority Interest	424	536	497	365	466	443	425	444	437
To the Group	59	2 237	11 838	1 140	2 062	2 221	2 408	2 498	2 595

Appendix 3: Cash-Flow Statement

Cash Flow Statement	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
EBIT	4 657	5 831	5 418	4 194	4 713	4 779	4 855	4 912	4 969
D&A	(14 101)	(10 417)	(10 255)	(10 414)	(10 423)	(10 611)	(10 773)	(10 887)	(10 965)
Income Tax	(3 864)	(1 561)	(492)	(50)	(457)	(451)	(460)	(462)	(477)
Δ NWC	(216)	(219)	792	114	(821)	(52)	(60)	(44)	(45)
Accounts Receivable	*10 036*	*10 147*	*9 870*	*7 994*	*9 260*	*9 390*	*9 540*	*9 651*	*9 763*
Inventories	*676*	*836*	*956*	*568*	*603*	*611*	*621*	*628*	*636*
Prepaid Expenses	*1 082*	*872*	*835*	*600*	*793*	*804*	*817*	*826*	*836*
Taxation Recoverable	*239*	*296*	*279*	*76*	*209*	*212*	*216*	*218*	*221*
Accounts Payable	*6 775*	*7 327*	*7 599*	*5 613*	*6 529*	*6 620*	*6 726*	*6 804*	*6 884*
Accrued Expenses	*6 884*	*6 991*	*4 814*	*4 037*	*5 333*	*5 407*	*5 494*	*5 558*	*5 623*
Income Tax Payable	*769*	*1 114*	*1 013*	*887*	*902*	*914*	*929*	*940*	*951*
Customer advances	*1 971*	*1 991*	*2 043*	*1 565*	*1 787*	*1 812*	*1 841*	*1 863*	*1 884*
Non-cash adjustments	2 105	3 175	3 665	2 113	1 739	1 402	1 571	(14)	28
Cashflows from discontinued operations	-	3 487	3 464	3 296	3 416	3 416	3 416	2 178	2 384
Operating Activities	**17 215**	**18 081**	**18 054**	**16 557**	**17 240**	**16 392**	**16 798**	**15 367**	**15 531**
CAPEX	(8 640)	(6 922)	(7 756)	(6 860)	(6 943)	(7 040)	(7 152)	(7 236)	(7 320)
Other Investing Items	2 952	4 379	9 330	2 821	2 821	2 821	2 821	2 821	2 821
Purchase of interest in associates and JVs	(149)	(445)	(78)	(75)	(199)	(199)	(199)	(199)	(199)
Purchase of investments	(3 726)	(2 007)	(766)	(1 233)	(1 270)	(1 308)	(1 347)	(1 388)	(1 429)
Interest income	301	246	321	542	547	553	558	564	570
Outflow from discontinued operations	-	(2 119)	(1 430)	(1 317)	(1 622)	(1 622)	(1 622)	(1 622)	(1 622)
Investment Activities	**(9 262)**	**(6 868)**	**(379)**	**(6 122)**	**(6 666)**	**(6 795)**	**(6 942)**	**(7 060)**	**(7 180)**
Interest Paid	(2 152)	(1 726)	(1 815)	(2 227)	(2 086)	(1 894)	(1 617)	(1 741)	(1 676)
Change in capital	(57)	(2 087)	(1 857)	3	(2 000)	(2 000)	(1 500)	(1 500)	(2 000)
Dividends paid	(2 818)	(3 013)	(2 884)	(2 690)	(1 216)	(1 215)	(1 215)	(1 349)	(1 349)
Δ Debt	(10 669)	(1 383)	(3 259)	(9 073)	(5 000)	(2 500)	500	500	1 000
Other financing items	500	(104)	(443)	(365)	(304)	(304)	(304)	(304)	(304)
Outflow from discontinued operations	-	(1 393)	(3 172)	(1 503)	(2 023)	(2 023)	(2 023)	(2 023)	(2 023)
Financing Activities	**(15 196)**	**(9 706)**	**(13 430)**	**(15 855)**	**(12 630)**	**(9 936)**	**(6 158)**	**(6 416)**	**(6 352)**
Foreign Exchange Effects	(255)	74	12	(94)	(3)	(3)	(3)	(3)	(3)
Beggining Cash	13 288	5 790	7 371	11 628	6 114	4 125	3 852	7 617	9 574
Change in Cash	**(7 498)**	**1 581**	**4 257**	**(5 514)**	**(2 058)**	**(342)**	**3 696**	**1 888**	**1 996**
Ending Cash	5 790	7 371	11 628	6 114	4 056	3 783	7 548	9 505	11 570
Bank overdraft	(31)	(125)	(77)	(111)	(111)	(111)	(111)	(111)	(111)
Cash from discontinued operations	-	-	-	42	42	42	42	42	42
Ending cash (Balance Sheet)	5 821	7 496	11 705	6 183	4 125	3 852	7 617	9 574	11 639

Appendix 4: Balance Sheet

Balance Sheet	FY21	FY22	FY23	FY24	2025E	2026E	2027E	2028E	2029E
Assets									
PP&E	28 670	28 788	25 894	19 399	20 046	20 727	21 415	22 103	22 771
Right-of-Use Assets	12 573	12 016	12 098	9 100	10 786	10 936	11 111	11 241	11 372
Goodwill	31 731	31 884	27 615	24 956	24 956	24 956	24 956	24 956	24 956
Intangibles	21 818	21 360	19 592	13 896	13 946	13 995	14 045	14 095	14 146
LT Investments	5 595	6 396	12 172	11 038	11 038	11 038	11 038	11 038	11 038
Receivables	4 777	6 383	7 843	5 967	5 785	5 866	5 959	6 029	6 099
Deferred Tax Assets	21 569	19 089	19 316	20 177	19 370	18 595	17 851	17 137	16 452
Post Employment Benefits	60	555	329	257	300	300	300	300	300
Total Non-current Assets	**126 793**	**126 471**	**124 859**	**104 790**	**106 226**	**106 413**	**106 675**	**106 899**	**107 133**
Taxation Recoverable	239	296	279	76	78	79	81	82	84
Prepaid Expense	1 082	872	835	600	770	780	793	802	811
Inventories	676	836	956	568	603	611	621	628	636
Receivables	10 036	10 147	9 870	7 994	9 260	9 390	9 540	9 651	9 763
Cash & Equivalents	5 821	7 496	11 705	6 183	4 125	3 852	7 617	9 574	11 639
ST Investments	9 159	7 931	7 017	5 092	5 143	5 194	5 246	5 299	5 352
Total Current Assets	**27 013**	**27 578**	**30 662**	**20 513**	**19 978**	**19 906**	**23 897**	**26 036**	**28 285**
Assets Held for Sale	1 257	-	-	19 047	19 047	19 047	19 047	19 047	19 047
Total Assets	**155 063**	**154 049**	**155 521**	**144 350**	**145 251**	**145 366**	**149 619**	**151 982**	**154 465**
Equity									
Common Stock	4 797	4 797	4 797	4 797	4 797	4 797	4 797	4 797	4 797
Paid-in Capital	150 812	149 018	149 145	149 253	149 436	149 530	150 745	151 098	151 809
Retained Earnings	(121 587)	(122 022)	(113 086)	(114 640)	(113 794)	(112 788)	(111 594)	(110 446)	(109 199)
Treasury Stock	(6 172)	(7 278)	(7 719)	(7 645)	(7 645)	(7 645)	(7 645)	(7 645)	(7 645)
Other Equity	27 954	30 268	30 262	28 201	29 577	29 347	29 042	29 322	29 237
Minority Interest	2 012	2 290	1 084	1 032	1 032	1 032	1 032	1 032	1 032
Total Equity	**57 816**	**57 073**	**64 483**	**60 998**	**63 403**	**64 273**	**66 376**	**68 158**	**70 030**
Liabilities									
LT Debt	59 272	58 131	51 669	48 328	43 328	40 828	41 328	41 828	42 828
Deferred Income Tax	2 095	520	771	699	926	939	954	965	976
Other Liab	7 169	4 678	4 014	4 124	3 896	3 974	4 201	3 950	3 441
Total non-current Liabilities	**68 536**	**63 329**	**56 454**	**53 151**	**48 151**	**45 741**	**46 483**	**46 743**	**47 245**
Payables	6 775	7 327	7 599	5 613	6 529	6 620	6 726	6 804	6 884
Accrued Expenses	6 884	6 991	4 814	4 037	5 333	5 407	5 494	5 558	5 623
Borrowings	8 488	11 961	14 721	8 659	8 832	9 009	9 189	9 373	9 560
Other Current Liabilities	6 564	7 368	7 450	4 974	6 086	7 398	8 433	8 428	8 205
Total current liabilities	**28 711**	**33 647**	**34 584**	**23 283**	**26 780**	**28 434**	**29 841**	**30 163**	**30 272**
Liabilities held for sale	-	-	-	6 918	6 918	6 918	6 918	6 918	6 918
Total Liabilities	**97 247**	**96 976**	**91 038**	**83 352**	**81 848**	**81 094**	**83 242**	**83 824**	**84 435**
Total Liabilities & Equity	**155 063**	**154 049**	**155 521**	**144 350**	**145 251**	**145 366**	**149 619**	**151 982**	**154 465**

Appendix 5: Key Financial Ratios

Key Financial Ratios	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E
Efficiency Ratios									
Total Asset Turnover	0.4x	0.3x	0.3x	0.3x	0.3x	0.3x	0.3x	0.3x	0.3x
Fixed Assets Turnover	1.1x	0.9x	1.0x	1.1x	1.2x	1.2x	1.2x	1.2x	1.1x
Receivables Turnover	4.3x	3.7x	3.8x	4.1x	4.2x	4.0x	4.0x	4.0x	4.0x
Payables Turnover	4.4x	3.4x	3.3x	3.7x	4.0x	3.7x	3.7x	3.7x	3.7x
Inventory Turnover	32.1x	21.9x	18.5x	19.7x	27.8x	27.0x	27.0x	26.9x	26.9x
Days of Sales Outstanding (DSO)	84.7	99.5	97.0	88.8	86.2	91.9	91.8	92.0	92.0
Days of Inventory Outstanding (DIO)	7.7	11.5	13.4	11.4	8.8	9.0	9.0	9.0	9.0
Days Payables Outstanding (DPO)	82.0	107.5	111.8	98.6	91.7	97.9	97.8	98.0	98.0
Cash Conversion Cycle (CCC)	10.4	3.6	(1.4)	1.6	3.4	3.0	3.0	3.0	3.0
Operating Cycle	92.4	111.0	110.4	100.2	95.0	100.9	100.8	101.0	101.0
Profitability Ratios									
Gross Margin	31.3%	35.3%	35.3%	33.4%	33.8%	33.8%	33.8%	33.8%	33.8%
EBITDA Margin	43.9%	43.7%	65.6%	38.3%	41.4%	41.5%	41.5%	41.5%	41.4%
EBITDAaL Margin	32.8%	41.1%	33.0%	30.0%	41.4%	41.5%	41.5%	41.5%	41.4%
EBITDAaL Germany	43.4%	43.2%	40.6%	38.7%	37.3%	37.3%	37.3%	37.3%	37.3%
EBITDAaL UK	22.2%	21.2%	19.8%	20.6%	19.6%	19.6%	19.6%	19.6%	19.6%
EBITDAaL Other Europe	31.7%	28.4%	28.4%	27.5%	27.3%	27.3%	27.3%	27.3%	27.3%
EBITDAaL Africa	36.2%	35.5%	35.7%	34.2%	32.1%	32.1%	32.1%	32.1%	32.1%
EBITDAaL Turkey	26.7%	27.2%	20.9%	21.6%	19.7%	19.7%	19.7%	19.7%	19.7%
EBIT Margin	11.7%	15.5%	38.4%	10.0%	12.9%	12.9%	12.9%	12.9%	12.9%
Net Profit Margin	1.1%	7.5%	32.7%	4.1%	6.9%	7.2%	7.5%	7.7%	7.9%
ROA	0.3%	1.8%	8.0%	1.0%	1.7%	1.8%	1.9%	2.0%	2.0%
ROE	0.8%	4.8%	20.3%	2.4%	4.1%	4.2%	4.3%	4.4%	4.4%
ROCE	0.4%	2.3%	10.2%	1.2%	2.1%	2.3%	2.4%	2.4%	2.4%
ROIC	3.5%	3.3%	10.9%	0.9%	2.4%	2.6%	2.8%	2.9%	3.0%
CFO/Sales	39.3%	48.9%	47.9%	45.1%	47.2%	44.2%	44.6%	40.4%	40.3%
FCF/Sales	13.2%	25.6%	42.1%	22.4%	13.2%	11.2%	11.3%	11.2%	11.2%
SG&A/Sales	8.0%	7.4%	7.4%	7.3%	7.5%	7.5%	7.5%	7.5%	7.5%
Liquidity Ratios									
Current Ratio	0.9x	0.8x	0.9x	0.9x	0.7x	0.7x	0.8x	0.9x	0.9x
Quick Ratio	0.9x	0.8x	0.8x	0.8x	0.7x	0.6x	0.8x	0.8x	0.9x
Cash Ratio	0.2x	0.2x	0.3x	0.3x	0.2x	0.1x	0.3x	0.3x	0.4x
NWC/Sales	(18.7%)	(2.4%)	4.6%	1.8%	(2.2%)	(0.1%)	(0.2%)	(0.1%)	(0.1%)
Solvency Ratios									
Total Debt to Total Book Value of Equity	1.2x	1.3x	1.0x	1.0x	0.8x	0.8x	0.8x	0.8x	0.8x
Total Debt to Total Capital	0.5x	0.6x	0.5x	0.5x	0.5x	0.6x	0.6x	0.6x	0.5x
Total Debt to Total Assets	0.4x	0.5x	0.4x	0.4x	0.4x	0.3x	0.3x	0.3x	0.3x
Long-term Debt to Total Book Value of Equity	1.1x	1.1x	0.8x	0.8x	0.7x	0.6x	0.6x	0.6x	0.6x
Long-term Debt to Total Capital	0.5x	0.5x	0.4x	0.4x	0.4x	0.4x	0.4x	0.4x	0.4x
Long-term Debt to Total Assets	0.4x	0.4x	0.3x	0.3x	0.3x	0.3x	0.3x	0.3x	0.3x
Equity Multiplier	2.8x	2.8x	2.5x	2.4x	2.3x	2.3x	2.3x	2.3x	2.2x
Capitalisation Ratio	0.4x	0.4x	0.4x	0.4x	0.4x	0.4x	0.4x	0.4x	0.5x
Interest Coverage Ratio	5.0x	3.1x	9.0x	1.4x	2.3x	2.5x	2.7x	2.8x	3.0x
Net Debt to EBITDA	3.2x	3.9x	2.2x	3.6x	3.2x	3.0x	2.7x	2.6x	2.6x

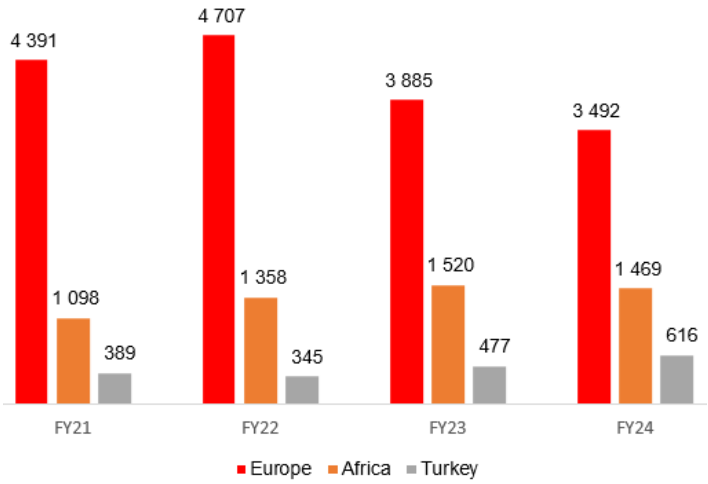
Appendix 6: Common Size Income Statement

Common Size Income Statement	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Germany	*29.6%*	*35.5%*	*34.8%*	*35.3%*	*35.6%*	*35.3%*	*35.1%*	*34.9%*	*34.7%*
UK	*14.0%*	*17.8%*	*18.1%*	*18.6%*	*19.0%*	*19.2%*	*19.2%*	*19.3%*	*19.4%*
Italy	*11.4%*	-	-	-	-	-	-	-	-
Spain	*9.5%*	-	-	-	-	-	-	-	-
Other Europe	*12.7%*	*15.3%*	*15.2%*	*15.0%*	*15.1%*	*15.0%*	*14.8%*	*14.8%*	*14.7%*
Africa	*11.8%*	*21.1%*	*21.4%*	*20.2%*	*20.6%*	*20.7%*	*21.0%*	*21.1%*	*21.2%*
Turkey	*4.6%*	*5.4%*	*5.5%*	*6.4%*	*6.7%*	*6.8%*	*6.8%*	*6.9%*	*7.0%*
Vantage Towers	-	*3.4%*	*3.6%*	-	-	-	-	-	-
Common functions, eliminations & other	*6.2%*	*1.5%*	*1.3%*	*4.5%*	*2.9%*	*2.9%*	*2.9%*	*2.9%*	*2.9%*
Cost of goods sold	(68.7%)	(64.7%)	(64.7%)	(66.6%)	(66.2%)	(66.2%)	(66.2%)	(66.2%)	(66.2%)
Gross profit	**31.3%**	**35.3%**	**35.3%**	**33.4%**	**33.8%**	**33.8%**	**33.8%**	**33.8%**	**33.8%**
Selling & distribution expenses	(8.0%)	(7.4%)	(7.4%)	(7.3%)	(7.5%)	(7.5%)	(7.5%)	(7.5%)	(7.5%)
Administrative expenses	(12.2%)	(13.0%)	(14.2%)	(15.7%)	(13.8%)	(13.8%)	(13.8%)	(13.8%)	(13.8%)
Net credit losses on financial assets	(1.5%)	(1.1%)	(1.3%)	(1.3%)	(1.3%)	(1.3%)	(1.3%)	(1.3%)	(1.3%)
Share of results in associates and J&Vs	0.9%	1.1%	1.1%	(0.3%)	0.7%	0.7%	0.7%	0.7%	0.7%
Impairment reversal/(loss)	-	-	(0.2%)	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating income	1.3%	0.7%	25.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
o/w gain on disposal of Vantage Towesrs	-	-	23.2%	-	-	-	-	-	-
Wages & salaries	(9.7%)	(10.6%)	(11.6%)	(12.7%)	-	-	-	-	-
Total operating expense	*(88.3%)*	*(84.5%)*	*(61.6%)*	*(90.0%)*	*(87.1%)*	*(87.1%)*	*(87.1%)*	*(87.1%)*	*(87.1%)*
EBITDA	**43.9%**	**43.7%**	**65.6%**	**38.3%**	**41.4%**	**41.5%**	**41.5%**	**41.5%**	**41.4%**
Depreciation	(22.1%)	(18.9%)	(18.2%)	(18.8%)	(19.1%)	(19.2%)	(19.1%)	(19.1%)	(19.0%)
Owned assets	*(13.2%)*	*(11.5%)*	*(11.0%)*	*(10.6%)*	*(11.3%)*	*(11.4%)*	*(11.4%)*	*(11.3%)*	*(11.3%)*
Leased assets	*(8.9%)*	*(7.3%)*	*(7.3%)*	*(8.2%)*	*(7.8%)*	*(7.8%)*	*(7.8%)*	*(7.8%)*	*(7.7%)*
Amortization	(10.1%)	(9.3%)	(9.0%)	(9.6%)	(9.5%)	(9.5%)	(9.5%)	(9.5%)	(9.5%)
EBIT	**11.7%**	**15.5%**	**38.4%**	**10.0%**	**12.9%**	**12.9%**	**12.9%**	**12.9%**	**12.9%**
Net Financial Result	(1.8%)	(4.3%)	(3.7%)	(5.6%)	(4.1%)	(3.5%)	(3.2%)	(3.0%)	(2.8%)
Interest expense	*(2.3%)*	*(5.0%)*	*(4.3%)*	*(7.2%)*	*(5.7%)*	*(5.1%)*	*(4.8%)*	*(4.6%)*	*(4.4%)*
Interest income	*0.6%*	*0.7%*	*0.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*
EBT	**9.9%**	**11.2%**	**34.7%**	**4.4%**	**8.8%**	**9.4%**	**9.7%**	**9.9%**	**10.1%**
Income tax expense	(8.8%)	(4.2%)	(1.3%)	(0.1%)	(1.8%)	(1.9%)	(1.9%)	(2.0%)	(2.0%)
Net income - continuing operations	**1.1%**	**7.0%**	**33.4%**	**4.3%**	**7.0%**	**7.5%**	**7.7%**	**7.9%**	**8.1%**
Discontinued Operations	-	*0.5%*	*(0.7%)*	*(0.2%)*	*(0.1%)*	*(0.3%)*	*(0.2%)*	*(0.2%)*	*(0.2%)*
Net income	**1.1%**	**7.5%**	**32.7%**	**4.1%**	**6.9%**	**7.2%**	**7.5%**	**7.7%**	**7.9%**
Minority Interest	1.0%	1.4%	1.3%	1.0%	1.3%	1.2%	1.1%	1.2%	1.1%
To the Group	0.1%	6.0%	31.4%	3.1%	5.6%	6.0%	6.4%	6.6%	6.7%

Appendix 7: Common Size Balance Sheet

Balance Sheet	FY21	FY22	FY23	FY24	2025E	2026E	2027E	2028E	2029E
Assets									
PP&E	18.5%	18.7%	16.6%	13.4%	13.8%	14.3%	14.3%	14.5%	14.7%
Right-of-Use Assets	8.1%	7.8%	7.8%	6.3%	7.4%	7.5%	7.4%	7.4%	7.4%
Goodwill	20.5%	20.7%	17.8%	17.3%	17.2%	17.2%	16.7%	16.4%	16.2%
Intangibles	14.1%	13.9%	12.6%	9.6%	9.6%	9.6%	9.4%	9.3%	9.2%
LT Investments	3.6%	4.2%	7.8%	7.6%	7.6%	7.6%	7.4%	7.3%	7.1%
Receivables	3.1%	4.1%	5.0%	4.1%	4.0%	4.0%	4.0%	4.0%	3.9%
Deferred Tax Assets	13.9%	12.4%	12.4%	14.0%	13.3%	12.8%	11.9%	11.3%	10.7%
Post Employment Benefits	0.0%	0.4%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Total Non-current Assets	**81.8%**	**82.1%**	**80.3%**	**72.6%**	**73.1%**	**73.2%**	**71.3%**	**70.3%**	**69.4%**
Taxation Recoverable	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Prepaid Expense	0.7%	0.6%	0.5%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%
Inventories	0.4%	0.5%	0.6%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Receivables	6.5%	6.6%	6.3%	5.5%	6.4%	6.5%	6.4%	6.4%	6.3%
Cash & Equivalents	3.8%	4.9%	7.5%	4.3%	2.8%	2.6%	5.1%	6.3%	7.5%
ST Investments	5.9%	5.1%	4.5%	3.5%	3.5%	3.6%	3.5%	3.5%	3.5%
Total Current Assets	**17.4%**	**17.9%**	**19.7%**	**14.2%**	**13.8%**	**13.7%**	**16.0%**	**17.1%**	**18.3%**
Assets Held for Sale	0.8%	-	-	13.2%	13.1%	13.1%	12.7%	12.5%	12.3%
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Equity									
Common Stock	3%	3%	3%	3%	3%	3%	3%	3%	3%
Paid-in Capital	97%	97%	96%	103%	103%	103%	101%	99%	98%
Retained Earnings	(78%)	(79%)	(73%)	(79%)	(78%)	(78%)	(75%)	(73%)	(71%)
Treasury Stock	(4%)	(5%)	(5%)	(5%)	(5%)	(5%)	(5%)	(5%)	(5%)
Other Equity	18%	20%	19%	20%	20%	20%	19%	19%	19%
Minority Interest	1%	1%	1%	1%	1%	1%	1%	1%	1%
Total Equity	**37.3%**	**37.0%**	**41.5%**	**42.3%**	**43.7%**	**44.2%**	**44.4%**	**44.8%**	**45.3%**
Liabilities									
LT Debt	38%	38%	33%	33%	30%	28%	28%	28%	28%
Deferred Income Tax	1%	0%	0%	0%	1%	1%	1%	1%	1%
Other Liab	5%	3%	3%	3%	3%	3%	3%	3%	2%
Total non-current Liabilities	**44.2%**	**41.1%**	**36.3%**	**36.8%**	**33.2%**	**31.5%**	**31.1%**	**30.8%**	**30.6%**
Payables	4%	5%	5%	4%	4%	5%	4%	4%	4%
Accrued Expenses	4%	5%	3%	3%	4%	4%	4%	4%	4%
Borrowings	5%	8%	9%	6%	6%	6%	6%	6%	6%
Other Current Liabilities	4%	5%	5%	3%	4%	5%	6%	6%	5%
Total current liabilities	**18.5%**	**21.8%**	**22.2%**	**16.1%**	**18.4%**	**19.6%**	**19.9%**	**19.8%**	**19.6%**
Liabilities held for sale	-	-	-	5%	5%	5%	5%	5%	4%
Total Liabilities	**62.7%**	**63.0%**	**58.5%**	**57.7%**	**56.3%**	**55.8%**	**55.6%**	**55.2%**	**54.7%**
Total Liabilities & Equity	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

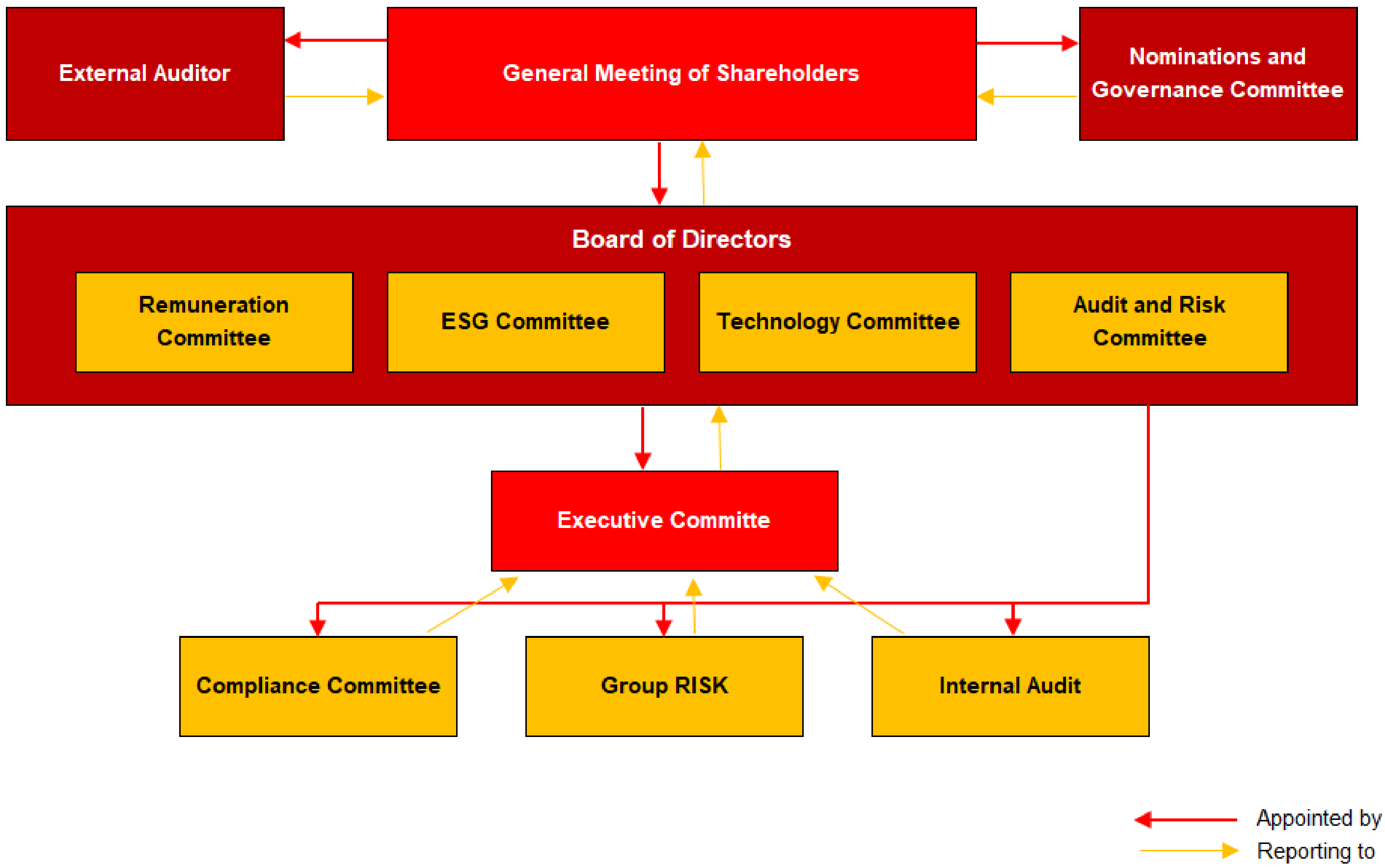
Appendix 8 : Other Equipment Revenue (€bn)



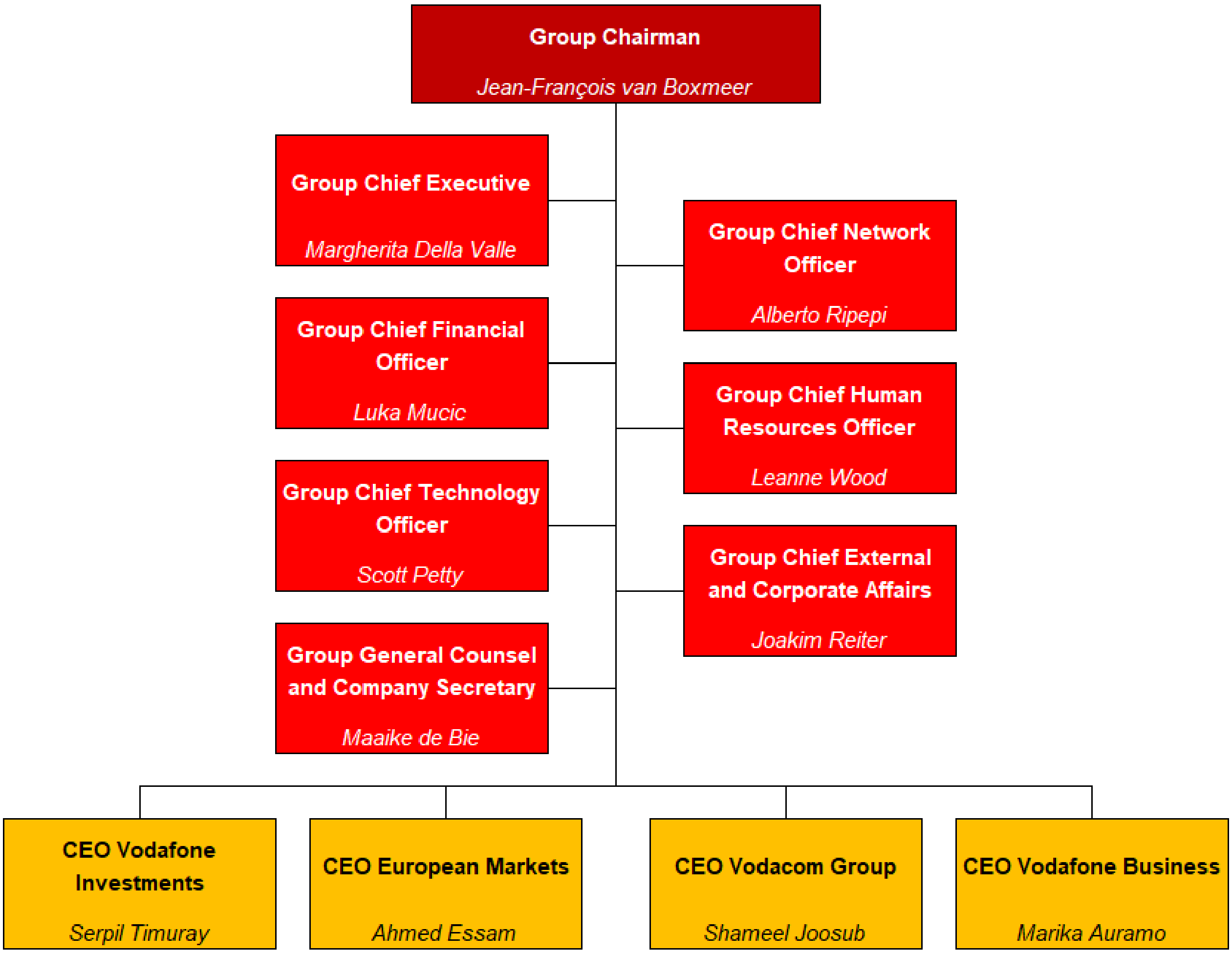
Appendix 9: Revenue Breakdown (€m)

Revenue Breakdown	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	5Y CAGR
Mobile service revenue	17 353	18 123	20 054	19 734	19 987	20 300	20 656	20 880	21 166	1.44%
growth										
Fixed service revenue	9 605	9 743	9 738	9 769	9 802	9 873	9 974	10 057	10 079	0.70%
growth										
Service Revenue	**26 958**	**27 866**	**29 792**	**29 503**	**29 790**	**30 172**	**30 630**	**30 937**	**31 245**	**1.20%**
Other Revenue	4 944	5 302	5 882	5 577	5 687	5 801	5 917	6 037	6 160	2.02%
growth										
Revenue	**31 902**	**33 168**	**35 674**	**35 080**	**35 477**	**35 973**	**36 547**	**36 974**	**37 405**	**1.33%**
Common functions	11 907	3 842	1 998	1 637	1 064	1 079	1 096	1 109	1 122	1.33%
Group Revenue	**43 809**	**37 010**	**37 672**	**36 717**	**36 541**	**37 052**	**37 644**	**38 083**	**38 527**	**1.33%**

Appendix 10: Corporate Governance structure



Appendix 11: Group Organisational Structure



Appendix 12: Mobile ARPU in Western Europe

Mobile Total ARPU (EUR/month, excluding IoT SIMs)												CAGR	
Country	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	18-22	23-28
Austria	15.80	15.65	14.94	15.56	15.71	15.75	15.75	15.73	16.29	16.84	17.37	(0.14%)	1.98%
Belgium	21.02	20.22	18.75	18.96	18.92	18.70	18.50	18.28	18.42	18.56	18.67	(2.60%)	(0.03%)
Denmark	17.18	16.95	15.92	16.16	16.29	16.30	16.35	16.43	16.32	16.20	16.09	(1.32%)	(0.26%)
Finland	17.69	18.07	17.51	17.90	18.11	18.27	18.36	18.40	20.03	21.67	23.25	0.59%	4.94%
France	20.54	20.65	20.34	20.27	20.10	20.02	19.98	19.94	19.96	19.98	19.98	(0.54%)	(0.04%)
Germany	14.32	14.58	14.48	14.60	14.77	14.93	15.09	15.24	15.76	16.28	16.76	0.78%	2.34%
Greece	11.04	12.15	12.62	12.91	12.79	12.67	12.64	12.68	13.42	14.16	14.86	3.75%	3.24%
Ireland	24.16	23.66	21.76	22.22	22.10	22.04	21.98	21.92	21.75	21.57	21.44	(2.20%)	(0.55%)
Italy	12.68	12.15	11.37	11.02	10.72	10.43	10.20	10.03	10.05	10.08	10.09	(4.11%)	(0.66%)
Netherlands	15.97	15.47	15.16	15.16	15.22	15.32	15.43	15.36	16.01	16.65	17.27	(1.20%)	2.43%
Norway	31.51	32.20	29.56	30.97	30.99	30.87	30.79	30.72	30.73	30.75	30.76	(0.42%)	(0.07%)
Portugal	9.18	9.14	9.27	9.41	9.49	9.58	9.62	9.63	9.79	9.94	10.08	0.83%	1.02%
Spain	16.52	16.00	15.19	15.84	15.99	15.98	15.74	15.48	15.02	14.56	14.09	(0.81%)	(2.49%)
Sweden	20.40	20.29	19.34	19.94	20.65	20.83	20.90	20.91	20.67	20.42	20.18	0.30%	(0.63%)
Switzerland	37.43	36.03	33.13	32.52	32.48	32.36	32.17	31.93	32.86	33.80	34.73	(3.48%)	1.42%
UK	17.76	17.51	16.36	16.58	16.49	16.41	16.34	16.26	16.01	15.75	15.46	(1.84%)	(1.19%)
Western Europe	**17.44**	**17.23**	**16.14**	**16.37**	**16.39**	**16.36**	**16.35**	**16.35**	**16.30**	**16.75**	**17.32**	**(1.53%)**	**1.15%**

Appendix 13: Fixed ASPU in Western Europe

Country	Fixed broadband ASPU (EUR/month)											CAGR	
	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	18-22	23-28
Austria	25.11	25.86	26.05	27.42	27.90	27.80	27.48	27.03	27.34	27.64	27.95	2.67%	0.11%
Belgium	30.23	30.96	30.78	31.02	31.05	31.12	31.21	31.29	32.48	33.67	34.86	0.67%	2.30%
Denmark	29.34	30.41	30.64	30.60	30.55	30.51	30.50	30.50	31.45	32.41	33.36	1.02%	1.80%
Finland	16.27	15.18	14.43	13.98	13.80	13.73	13.67	13.58	13.28	12.97	12.67	(4.03%)	(1.59%)
France	21.40	21.35	21.57	21.45	21.28	21.18	21.09	21.00	22.59	24.18	25.77	(0.14%)	4.00%
Germany	21.39	21.47	21.18	21.53	21.77	22.09	22.56	23.09	23.78	24.46	25.15	0.44%	2.63%
Greece	16.29	15.75	15.29	15.08	15.02	15.06	15.17	15.32	15.13	14.95	14.76	(2.01%)	(0.40%)
Ireland	23.60	23.80	24.18	23.79	23.29	22.75	22.27	21.93	24.58	27.22	29.87	(0.33%)	5.60%
Italy	22.73	23.08	23.02	23.78	23.86	23.94	23.97	23.96	24.10	24.24	24.38	1.22%	0.36%
Netherlands	25.31	26.02	25.69	25.60	25.41	25.30	25.31	25.34	27.75	30.16	32.57	0.10%	5.18%
Norway	38.62	40.06	39.28	39.37	38.62	37.87	37.32	36.98	38.41	39.85	41.28	-	1.74%
Portugal	18.24	18.24	18.16	17.99	17.80	17.60	17.39	17.20	17.40	17.61	17.81	(0.61%)	0.24%
Spain	24.32	23.16	23.53	23.58	23.38	23.09	22.77	22.42	22.62	22.83	23.03	(0.98%)	(0.05%)
Sweden	24.91	26.53	26.88	26.18	25.35	24.79	24.41	24.10	25.65	27.21	28.76	0.44%	3.02%
Switzerland	51.01	50.65	51.71	52.62	52.88	52.85	52.82	52.93	53.63	54.33	55.03	0.90%	0.81%
UK	21.94	21.58	21.44	21.86	22.28	22.67	22.92	23.09	23.71	24.34	24.96	0.39%	1.94%
Western Europe	**23.96**	**23.48**	**23.86**	**23.79**	**23.62**	**23.52**	**23.45**	**23.53**	**24.34**	**25.84**	**26.86**	**(0.36%)**	**2.70%**

Appendix 14: Mobile customers forecasts

Mobile Customers (k)	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	Comments
Europe													
Germany	30 528	29 693	29 776	30 564	31180	31156	30156	30 096	30 035	29 975	29 915	29 856	*Negative CAGR between 21-24 evidences the mature market that Germany is, albeit noting that VOD has an optimised sales channel. Marginal customer loss is expected*
growth		*(2.7%)*	*0.3%*	*2.6%*				*(0.2%)*	*(0.2%)*	*(0.2%)*	*(0.2%)*	*(0.2%)*	
UK	17 617	17 218	17 806	17 253	17 107	17 920	18 638	18 731	18 825	18 919	19 014	19 109	*VOD is the joint lowest complained about mobile operator and a Consumer NPS co-leader, reflecting improvements in customer experience. Its digital prepaid sub-brand 'VOXI' has a good growth momentum. Growth is expected due to VOD's strong customer experience. Merger with Three UK (subject to approval by end-2024) will increase the customer base to c.27m*
growth		*(2.3%)*	*3.4%*	*(3.1%)*	*(0.8%)*	*4.8%*	*4.0%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*	
Other Europe	29 662	29 432	29 422	28 320	25 891	25 917	24 288	24 409	24 531	24 654	24 777	24 901	*VOD is gaining market share in Other Europe. The negative CAGR 21-24 was driven by the reshaping of the group's portfolio. Market share is expected to slightly increase, impacted by increased competition in Portugal*
growth		*(0.8%)*	*(0.0%)*	*(3.7%)*	*(8.6%)*	*0.1%*	*(6.3%)*	*1%*	*1%*	*1%*	*1%*	*1%*	
Europe	**114 681**	**111 761**	**110 470**	**108 121**	**74 178**	**74 993**	**73 082**	**104 301**	**103 565**	**102 858**	**102 178**	**101 525**	
growth		*(2.5%)*	*(1.2%)*	*(2.1%)*	*(31.4%)*	*1.1%*	*(2.5%)*	*42.7%*	*(0.7%)*	*(0.7%)*	*(0.7%)*	*(0.6%)*	
Rest of the World													
Africa	81 395	86 994	85 487	138 133	134 337	143 976	156 665	164 498	171 078	177 921	185 038	190 589	*Increasing smartphone penetration and higher share of digital payments, with VOD benefitting from a market leader position. Growth of VOD M-Pesa. Big data led customer value management capabilities with personalised bundle offers. Growth on data services (VodaPay) as VOD is the leading provider of financial services.*
growth		*6.9%*	*(1.7%)*	*61.6%*	*(2.7%)*	*7.2%*	*8.8%*	*5%*	*4%*	*4%*	*4%*	*3%*	
Turkey	23 126	23 543	23 695	23 716	24 444	24 760	25 296	25 549	25 804	26 062	26 323	26 586	*Good commercial momentum is expected to be maintained, noting migations of prepaid customers. Strong Business demand for cloud and IoT services*
growth		*1.8%*	*0.6%*	*0.1%*	*3.1%*	*1.3%*	*2.2%*	*1%*	*1%*	*1%*	*1%*	*1%*	
Group	**273 272**	**274 702**	**269 458**	**319 294**	**232 959**	**243 729**	**255 043**	**294 348**	**300 448**	**306 842**	**313 539**	**318 701**	
growth		*0.5%*	*(1.9%)*	*18.5%*	*(27.0%)*	*4.6%*	*4.6%*	*15.4%*	*2.1%*	*2.1%*	*2.2%*	*1.6%*	

Appendix 15: Fixed Broadband customers forecasts

Fixed Broadband customers (k)	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	Comments
Europe													
Germany	6 493	6 773	9 755	10 943	10 836	10 630	10 220	9 402	9 120	8 984	8 849	8 716	*Rational and mature market structure. Very competitive market and VOD has been losing fixed customers between FY21-FY24 with CAGR at -2.3%. Changes to German TV laws (effective from Jul-2024) and change the practice of bulk TV contracting in MDUs will force VOD to migrate end-users to new contracts at scale. VOD expects to retain c. 50% of customer base (8.5m MDU TV households in total)*
growth		*4.3%*	*44.0%*	*12.2%*	*(1.0%)*	*(1.9%)*	*(3.9%)*	*(8.0%)*	*(3.0%)*	*(1.5%)*	*(1.5%)*	*(1.5%)*	
UK	305	504	678	911	1 050	1 223	1 383	1 521	1 673	1 807	1 952	2 108	*Partnerships with CityFibre and Openreach Vodafone are expected to continue to add broadband customers. First phase of commercialising shared operations through a strategic partnership with Accenture forecasts continuous convergent customer base increases. VOD is one of the fastest growing broadband providers in the UK*
growth		*64.9%*	*34.6%*	*34.4%*	*15.3%*	*16.5%*	*13.1%*	*10.0%*	*10.0%*	*8.0%*	*8.0%*	*8.0%*	
Other Europe	1 575	1 867	3 445	4 196	3 589	3 650	3 688	3 725	3 762	3 800	3 838	3 876	*Expected growth of 1% per year, based on strong commercial momentum in Portugal with recurring fixed broadband customers added during the last few years. Broadly flat growth rates in Ireland, Romania, Greece, and Czech Republic, albeit noting that VOD has good broadband coverage in these*
growth		*18.5%*	*84.5%*	*21.8%*	*(14.5%)*	*1.7%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	
Africa	9	23	985	1 047	1 075	1 235	1 336	1 376	1 417	1 460	1 504	1 549	*Stable growth projected, driven by new network deployments, efforts to improve affordability, and increasing demand for broadband services*
growth		*157.1%*	*4 278.9%*	*6.3%*	*2.7%*	*14.9%*	*8.2%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	
Turkey	642	811	626	1 230	1 350	1 382	1 407	1 456	1 507	1 560	1 615	1 671	*Growth supported by VOD 2nd market leading positioning and expected increase of fixed services in the Turkish market. VoIP (voice over internet protocol) lines are expected to grow at a CAGR of 13.6% between 23-28*
growth		*26.2%*	*(22.8%)*	*96.6%*	*9.8%*	*2.4%*	*1.8%*	*3.5%*	*3.5%*	*3.5%*	*3.5%*	*3.5%*	
Total	**14 697**	**15 880**	**21 513**	**24 502**	**17 900**	**18 120**	**18 034**	**19 314**	**19 082**	**18 998**	**18 918**	**18 843**	

Appendix 16: Income Statement forecast assumptions

Income Statement	2025E	2026E	2027E	2028E	2029E	Assumptions
Mobile Segment Revenue						*Calculated for each segment*
Fixed Segment Revenue						*Calculated for each segment*
Other Revenue						*Calculated for each segment*
Revenue						*Sum of total segmental revenue*
Direct Costs	24.1%	24.1%	24.1%	24.1%	24.1%	*Calculated for each segment*
Customer Costs	17.16%	17.66%	18.16%	18.66%	19.16%	*Calculated for each segment*
Operating Expense	20.82%	20.47%	20.07%	19.78%	19.49%	*Calculated for each segment*
EBITDA						*Calculated for each segment*
D&A	2.0%	2.0%	1.5%	1.0%	0.5%	*Slight increase in 2025 and 2026 due to Germany's accelerated depreciation, noting that VOD gas no need to depreciate as Acc.Deprec/YearDeprec ratio is not getting higher - the company is depreciating its assets*
Interest paid	4.0%	3.8%	3.6%	3.4%	3.2%	*Based on VOD's historical interest rates (FY24: 4.6%), adjusted for the global decreasing interest rate environment, as central banks start to decrease interest rates due to the ease of inflationary pressures*
Discontinued operations						*3-year moving average*
Minority interest						*3-year moving average*
Tax Rate	20%	20%	20%	20%	20%	*In line with Vodafone's expectations and effective tax rate data*

Appendix 17: Cash Flow forecast assumptions

Cash Flow Statement	2025E	2026E	2027E	2028E	2029E	Assumptions
Δ NWC	(821)	(52)	(60)	(44)	(45)	*See Net Working Capital calculations*
CAPEX	19.00%	19.00%	19.00%	19.00%	19.00%	*CAPEX is expected to be 19% of Revenues,based on the 18-24 average (18.6%) and 21-24 average (19.4%). Increase in CAPEX is not expected as the Accumulated Depreciation/Depreciation ratio of the years is not increasing.*
Other investments						*Expected to remain stable, assuming the last reported value*
Inflows/Outflows from discounted operations						*3-year average assumed, as VOD will continue to have inflow/outflow from discontinued operations as it completes the sale of VOD Italy and VOD Spain*
Purchase of interests/investments	3%	3%	3%	3%	3%	*Assumed to increase over the period due to the proceedings that VOD will have from the sale of operations in Spain and Italy*
Interest Income	1%	1%	1%	1%	1%	*Assumed to grow by 1pps/year, driven by increased surplus cash from Spain and Italy operations, whilst noting interest rate cuts driven by inflation easing*
Interest paid	4.0%	3.8%	3.2%	3.4%	3.2%	*Average company's cost of debt - all other items (dividend to non-controller shareholders, CF from discontinued operations and net movement in derivatives are expected to be 0*
Change in Capital (share buybacks)	(2 000)	(2 000)	(1 500)	(1 500)	(2 000)	*VOD launched a €4bn share buyback programme - plans to return €2bn over the next 12 months - assumed constant SBB from FY26 onwards to provide*
Dividends paid						*Formula = Target Dividend * Shares outstanding*
Δ Debt	(5 000)	(2 500)	500	500	1 000	*Proceeds from the sale of VOD Spain and VOD Italy are expected to be used to repay debt in FY25 and FY26, as the company aims to decrease its leverage, progressively increasing driven by short-term funding requirements*
Target Dividend per share (€)	0.05	0.05	0.05	0.05	0.05	*Target dividend per share was reduced to 4.5 cents per share from 9 cents. We expect slow growth as surplus cash will be returned to shareholders via share buybacks.*
Other financing items						*Expected to remain stable, assuming the 3-year average (FY21 was an outlier)*
Bank Overdrafts						*Expected to remain constant, assuming the last reported value*
Foreign Exchange effects	(255)	(255)	(255)	(255)	(255)	*Expected to remain constant, assuming 3-year average (FY21 was an outlier)*

Appendix 18: NWC estimates

NWC Estimates	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Working Capital	(4 366)	(5 272)	(3 529)	(2 864)	(3 685)	(3 737)	(3 797)	(3 841)	(3 886)
Accounts Receivable	10 036	10147	9870	7994	9 260	9 390	9 540	9 651	9 763
Inventories	676	836	956	568	603	611	621	628	636
Prepaid Expenses	1082	872	835	600	793	804	817	826	836
Taxation Recoverable	239	296	279	76	209	212	216	218	221
Accounts Payable	6 775	7327	7599	5613	6 529	6 620	6 726	6 804	6 884
Accrued Expenses	6 884	6991	4814	4037	5 333	5 407	5 494	5 558	5 623
Income Tax Payable	769	1 114	1 013	887	902	914	929	940	951
Customer advances	1 971	1 991	2 043	1 565	1 787	1 812	1 841	1 863	1 884
Δ NWC		**(906)**	**1 743**	**665**	**(821)**	**(52)**	**(60)**	**(44)**	**(45)**

Appendix 19: Balance Sheet forecast assumptions

Balance Sheet	2025E	2026E	2027E	2028E	2029E	Assumptions
Assets						
Assets Held for Sale	-	-	-	-	-	*Assumed to be in line with FY24 - referrent to VOD Spain and VOD Italy - considered discontinued operations due to portfolio reshaping*
Non-current assets						
Goodwill	-	-	-	-	-	*Assumed to be constant after the reshaped portfolio, noting that TMT is a intensive merger industry and Vodafone is expected to keep acquiring companies (e.g. Three UK).*
Intangibles	0.4%	0.4%	0.4%	0.4%	0.4%	*Purchase of intangibles is expected to remain in line in the past - CAGR (17-24) of 0.02%*
LT Receivables	16%	16%	16%	16%	16%	*Long-term receivables represent c. 16% of the Revenue, in line with the 4-year historical average*
Deferred Tax Charges	-4%	-4%	-4%	-4%	-4%	*Expected to decrease at a constant 4% rate, driven by group's expectation on recoverable tax in Luxembourg, coupled with utilisation estimations (c. 20% of deferred tax asset to be used within the next 10 years)*
LT Investments	-	-	-	-	-	*Long-term Investments are forecasted to remain steady*
PP&E	-	-	-	-	-	*Formula: PP&E(t+1) = PP&E(t) - D&A(t+1) + CAPEX(t+1)*
Right of use Assets	29.5%	29.5%	29.5%	29.5%	29.5%	*Leases are forecasted to grow in line with revenue, as VOD leases buildings for its retail stores, offices, and data centres*
Post employment benefits	300	300	300	300	300	*In line with 4-year historical average*
Current assets						
Other current assets & current liabilities	2%	2%	2%	2%	2%	*In line with the target inflation rate*
Inventories	603	611	621	628	636	*Forecasted using the 4-year average inventory turnover rate and combining it with the expected COGS*
ST Receivables	9 260	9 390	9 540	9 651	9 763	*Based on 3-year average of days sales oustanding and forecasted revenue*
ST Investments	1.0%	1.0%	1.0%	1.0%	1.0%	*Expected to grow by 1pps/year, driven by surplus cash from the sale of VOD Spain and VOD Italy. The Group invests surplus cash across a portfolio of short-term investments to manage liquidity and credit risk.*
Prepaid expense	2.2%	2.2%	2.2%	2.2%	2.2%	*Based on 4-year historical average, prepaid expense is forecasted to represent 2.2% of total revenue*
Liabilities						
Non-current liabilities						
LT Debt	(5 000)	(2 500)	500	500	1 000	*Proceeds from the sale of VOD Spain and VOD Italy are expected to be used to repay debt in FY25 and FY26, as the company aims to decrease its leverage. Further debt increases expected to support topline growth*
Deferred Tax Income	2.5%	2.5%	2.5%	2.5%	2.5%	*Deferred Tax Income is expected to represent 2.5% of the Revenues*
Current liabilities						
Accrued Expenses	20.3%	20.3%	20.3%	20.3%	20.3%	*22.3% of the total COGS*
Payables						*Calculated based on an average payable turnover rate, considering forecasted COGS*
ST Borrowings	2.0%	2.0%	2.0%	2.0%	2.0%	*ST Borrowings are expected to increase at target inflation rate, to support short-term funding requirements. Noted that there are no extreme fluctuations expected to NWC*
Equity						
Shares Outstanding	27 033	27 010	26 993	26 975	26 975	*Shares outstanding are expected to change in line with VOD's share buyback programme. Calculations assumed current EUR/GBP rate and current VOD stock price*
Common Stock	4 797	4 797	4 797	4 797	4 797	*Not expected to change*
Paid In Capital	0.1%	0.1%	0.8%	0.2%	0.5%	*Assumed to be constant at the last reported value*
Retained Earnings						*RE(t+1) = RE(t) + Net Income (Group share) - Cash Dividends*
Treasury Stock	(7 645)	(7 645)	(7 645)	(7 645)	(7 645)	*Last Reported value*
Other Equity	25 000	25 000	25 000	25 000	25 000	*3-year moving average*
Minority Interest	2 012	2 012	2 012	2 012	2 012	*Expected to remain stable*

Appendix 20: Summarised regression metrics

Regression Summary					
Regression Statistics					
Multiple R	0.47332				
R-squared	0.22404				
Adjusted R-squared	0.22340				
Standard Error	0.01728				
Observations	1 228				
Analysis of Variance (ANOVA)	**df**	**SS**	**MS**	**F**	**Significance**
Regression	1	0.1056	0.1056	353.9710	-
Residual	1 226	0.3659	0.0003		
Total	1 227	0.4715	0.1059		
Slope (beta)					
Beta	0.8249				
Intercept	(0.0002)				
T-stat	47.7519				
P-value	-				
Lower 95%	0.7911				
Upper 95%	0.8588				

Appendix 21: PRAT Model

PRAT Model	2021	2022	2023	2024	2025E	2026EF	2027E	2028E	2029E	25E-29E
Profit Margin (P)	8%	4%	10%	10%	5%	5%	5%	5%	5%	5%
Retention Rate (R)	(398.9%)	8.4%	79.8%	(61.5%)	51.9%	54.4%	57.1%	54.2%	55.5%	55%
Asset Turnover (A)	26.7%	28.3%	29.6%	24.2%	25.4%	24.4%	24.7%	24.4%	24.3%	25%
Financial Leverage (T)	2.69	2.68	2.70	2.41	2.37	2.29	2.26	2.25	2.23	2.28
g (SGR)	**(22.3%)**	**0.3%**	**6.5%**	**(3.6%)**	**1.6%**	**1.5%**	**1.6%**	**1.5%**	**1.5%**	**1.6%**

Appendix 22: Reinvestment Rate Model

Reinvestment Rate	2021	2022	2023	2024	2025E	2026EF	2027E	2028E	2029E	25E-29E	Residual (Adjusted)
CAPEX	7 605	8 640	6 922	7 756	6 860	6 943	7 040	7 152	7 236	7 046	7 075
D&A	10 085	9 729	9 377	7 006	6 825	6 962	7 101	7 207	7 279	7 075	7 075
Δ NWC	(216)	(219)	792	114	821	52	60	44	45	204	204
EBIT (1-t)	4 796	4 657	5 831	5 418	4 194	2 283	2 256	2 301	2 311	2 669	2 669
Reinvestment Rate	**(56.2%)**	**(28.1%)**	**(28.5%)**	**15.9%**	**20.4%**	**1.4%**	**(0.1%)**	**(0.5%)**	**0.1%**	**4.3%**	**7.7%**
ROE	5.3%	5.9%	3.4%	6.0%	6.1%	2.9%	2.8%	2.8%	2.7%	3.4%	3.4%
g	-	-	-	1.0%	1.2%	0.0%	-	-	0.0%	0.1%	0.3%

Appendix 23: WACC estimation across the forecasted period and perpetual period (German segment)

WACC-Variables	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	TV
Risk Free Rate (RFR)	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2%
Country Risk Premium (CRP)	0.88%	0.88%	0.88%	0.88%	0.88%	0.88%	0.88%	0.88%	1.00%
Beta (β)	0.82	0.85	0.77	0.74	0.70	0.68	0.68	0.67	0.80
Market Risk Premium (MRP)	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.50%
Cost of Equity	**7.89%**	**8.04%**	**7.50%**	**7.28%**	**7.02%**	**6.90%**	**6.87%**	**6.85%**	**8.00%**
Spread (Adj. for RFR)	2.38%	2.38%	2.38%	2.38%	2.41%	2.70%	2.75%	2.81%	3.00%
Cost of Debt	4.59%	4.59%	4.59%	4.59%	4.62%	4.91%	4.96%	5.02%	5.00%
Tax Rate	20%	20%	20%	20%	20%	20%	20%	20%	20%
After-tax Cost of Debt	**3.67%**	**3.67%**	**3.67%**	**3.67%**	**3.70%**	**3.93%**	**3.97%**	**4.02%**	**4.00%**
Weight of Debt	63.0%	58.5%	57.7%	56.3%	55.8%	55.6%	55.2%	54.7%	54.7%
Weight of Equity	37.0%	41.5%	42.3%	43.7%	44.2%	44.4%	44.8%	45.3%	45.3%
Pre-tax WACC	5.81%	6.02%	5.82%	5.76%	5.68%	5.79%	5.81%	5.85%	6.36%
WACC	**5.23%**	**5.48%**	**5.29%**	**5.25%**	**5.16%**	**5.25%**	**5.27%**	**5.30%**	**5.81%**
Terminal Growth Rate									0.10%

Appendix 24: Global Sum-of-the-Parts inputs

Global Inputs	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	TV
Tax Rate	20%	20%	20%	20%	20%	20%	20%	20%	20%
Risk Free rate	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2%
Spread (adj for RFR)	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%
Country Risk Premium	0.88%	0.88%	0.88%	0.88%	0.88%	0.88%	0.88%	0.88%	1.00%
Market Risk Premium	5.48%	5.48%	5.48%	5.48%	5.48%	5.48%	5.48%	5.48%	6.00%
Growth Rate Germany		(0.11%)	(1.19%)	0.43%	0.61%	0.79%	0.82%	0.39%	0.10%
Growth rate UK		3.57%	0.19%	1.74%	2.11%	1.86%	1.69%	1.60%	0.50%
Growth rate OE		1.87%	1.61%	(4.18%)	0.67%	0.63%	0.87%	0.42%	0.10%
Growth rate Africa		34.76%	(8.12%)	1.35%	2.17%	3.02%	1.40%	1.93%	0.50%
Growth rate Turkey		6.20%	23.21%	3.59%	2.92%	2.30%	2.40%	2.64%	0.50%
Debt to Equity VOD	1.21x	1.28x	1.05x	0.95x	0.84x	0.79x	0.77x	0.76x	0.85x
Weight of Debt	63.0%	58.5%	57.7%	56.3%	55.8%	55.6%	55.2%	54.7%	54.7%
Weight of Equity	37.0%	41.5%	42.3%	43.7%	44.2%	44.4%	44.8%	45.3%	45.3%
Beta	0.82	0.85	0.77	0.74	0.70	0.68	0.68	0.67	0.70
Unlevered Beta	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42
Cost of Debt	4.59%	4.59%	4.59%	4.59%	4.62%	4.91%	4.96%	5.02%	5.00%

Appendix 25: DCF Model (WACC Method)

Assumptions		Methodology
WACC	5.81%	
g	0.2%	
g (PRAT Model)	*1.6%*	Prat Model
g (Reinvest Rate - Adjusted)	*0.3%*	Reinvestment Rate
Shares Outstanding	27 010	

DCF (WACC Method)	2021	2022	2023	2024	2025E	2026EF	2027E	2028E	2029E
Revenue	43 809	37 010	37 672	36 717	36 541	37 052	37 644	38 083	38 527
growth		*(15.5%)*	*1.8%*	*(2.5%)*	*(0.5%)*	*1.4%*	*1.6%*	*1.2%*	*1.2%*
Costs	(29 423)	(30 372)	(25 248)	(25 698)	(26 233)	(26 616)	(27 039)	(27 383)	(27 706)
Costs/Revenue	*(67.2%)*	*(82.1%)*	*(67.0%)*	*(70.0%)*	*(71.8%)*	*(71.8%)*	*(71.8%)*	*(71.9%)*	*(71.9%)*
EBITDA	14 386	6 638	12 424	11 019	10 309	10 436	10 604	10 699	10 821
EBITDA Margin	*32.8%*	*17.9%*	*33.0%*	*30.0%*	*28.2%*	*28.2%*	*28.2%*	*28.1%*	*28.1%*
D&A	9 729	9 377	7 006	6 825	6 962	7 101	7 207	7 279	7 316
D&A/Revenue	*22.2%*	*25.3%*	*18.6%*	*18.6%*	*19.1%*	*19.2%*	*19.1%*	*19.1%*	*19.0%*
EBIT	4 657	(2 739)	5 418	4 194	3 347	3 336	3 397	3 420	3 506
EBIT Margin	*10.6%*	*(7.4%)*	*14.4%*	*11.4%*	*9.2%*	*9.0%*	*9.0%*	*9.0%*	*9.1%*
Taxation	(1 250)	(3 864)	(1 561)	(492)	(643)	(696)	(727)	(755)	(781)
Tax Rate	*26.8%*	*(141.1%)*	*28.8%*	*11.7%*	*19.2%*	*20.9%*	*21.4%*	*22.1%*	*22.3%*
NOPAT	5 907	1 125	6 979	4 686	3 990	4 031	4 124	4 175	4 286
CAPEX	8 640	6 922	7 756	6 860	6 943	7 040	7 152	7 236	7 320
CAPEX/Revenue	*19.7%*	*18.7%*	*20.6%*	*18.7%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*
WCR	(4 366)	(5 272)	(3 529)	(2 864)	(3 685)	(3 737)	(3 797)	(3 841)	(3 886)
WCR/Revenue	*10.0%*	*14.2%*	*9.4%*	*7.8%*	*10.1%*	*10.1%*	*10.1%*	*10.1%*	*10.1%*
Change in WCR		(906)	1 743	665	(821)	(52)	(60)	(44)	(45)
Free Cash Flow to the Firm	**6 996**	**4 486**	**4 486**	**3 986**	**4 830**	**4 143**	**4 239**	**4 263**	**4 327**
									TV
									77 229
Discounted FCFF	**-**	**-**	**-**	**-**	**4 830**	**3 916**	**3 786**	**3 598**	**3 451**
PV of Terminal Value	61 605								
PV of DCF	19 581								

Appendix 26: Dividend Discount Model

Dividend Discount Model	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	TV
Dividends Paid	(3 013)	(2 884)	(2 690)	(1 216)	(1 215)	(1 215)	(1 349)	(1 349)	
o/w to VOD Shareho	(2 474)	(2 484)	(2 430)	(1 099)	(1 098)	(1 097)	(1 218)	(1 218)	
Cost of Equity	7.89%	8.04%	7.50%	7.28%	7.02%	6.90%	6.87%	6.85%	8.00%
PV				1 099	1 023	953	987	920	
DCF	4 983								
Dividends Paid	2 474	2 484	2 430	1 099	1 098	1 097	1 218	1 218	20 307
Sum		30 952	28 468	26 038	24 939	23 841	22 743	21 525	
PV per year		28 649	26 481	24 271	23 304	22 301	21 281	20 146	

H-Model	
D0	1 349
r	8.00%
H	1
gS	0.00%
gL	2.00%
PT	24 271
PT with discounting	19 417
Target Price	0.72
EUR / GBP	0.84
Target Price	**0.6023**
Current Price	0.78
Downside	(23.18%)

Appendix 27: EV Multiples

EV Multiples					
EV/Sales	2024	2025E	EV/EBITDA	2024	2025E
Vodafone	1.7x	1.6x	Vodafone	7.4x	5.4x
Deutsche Telekom	2.4x	2.6x	Deutsche Telekom	7.5x	6.6x
Swisscom AG	3.2x	3.2x	Swisscom AG	9.3x	7.9x
Orange SA	1.2x	1.4x	Orange SA	4.1x	4.4x
Telefonica SA	1.5x	1.5x	Telefonica SA	7.7x	4.6x
BT Group PLC	1.7x	1.7x	BT Group PLC	5.4x	4.2x
Telenor ASA	2.7x	2.6x	Telenor ASA	8.3x	5.9x
Max	3.2x	3.2x	Max	9.3x	7.9x
Min	1.2x	1.4x	Min	4.1x	4.2x
Median	1.7x	1.6x	Median	7.5x	5.0x
Sales	36 717	36 541	EBITDA	14 079	15 136
EV	62 052	59 380	EV	105 593	75 680
Net Debt	50 804	47 317	Net Debt	50 804	47 317
Equity Value	11 248	12 062	Equity Value	54 789	28 363
Outstanding Shares	27 010	27 033	Outstanding Shares	27 010	27 033
Target Price	**0.4975**	**0.3735**	**Target Price**	**2.4235**	**0.8782**

Appendix 28: Price Multiples

Price Multiples								
Price/Book	2024	2025	Price/Earnings	2024	2025E	Price/Sales	2024	2025E
Vodafone	0.6x	0.5x	Vodafone	15.8x	9.9x	Vodafone	0.6x	0.6x
Deutsche Telekom	1.9x	2.0x	Deutsche Telekom	23.5x	12.0x	Deutsche Telekom	1.1x	1.1x
Swisscom AG	2.5x	2.4x	Swisscom AG	16.5x	16.1x	Swisscom AG	2.3x	2.3x
Orange SA	0.8x	0.9x	Orange SA	14.4x	9.9x	Orange SA	2.6x	2.6x
Telefonica SA	0.9x	1.3x	Telefonica SA	18.4x	11.5x	Telefonica SA	0.6x	0.6x
BT Group PLC	1.1x	1.1x	BT Group PLC	14.4x	8.5x	BT Group PLC	0.7x	0.7x
Telenor ASA	6.1x	3.0x	Telenor ASA	19.7x	14.5x	Telenor ASA	2.3x	2.2x
Max	6.1x	3.0x	Max	23.5x	16.1x	Max	2.6x	2.6x
Min	0.6x	0.5x	Min	14.4x	8.5x	Min	0.6x	0.6x
Median	1.0x	1.2x	Median	16.5x	11.5x	Median	1.1x	0.7x
Book Value	59 966	62 370	Net Income	1505	2528.38	Revenue	36 717	36 541
			Equity Value	24 833	29 076	Equity Value	40 389	25 579
Outstanding Shares	27 010	27 033	Outstanding Shares	27 010	27 033	Outstanding Shares	27 010	27 033
Target Price	**2.653**	**1.931**	**Target Price**	**1.098**	**0.900**	**Target Price**	**1.787**	**0.792**

Appendix 29: Multiple Valuation

Price Multiples	YE25
Price Multiples Average	1.208
Current Price	0.7840
Upside	54.05%

EV Multiples	YE25
EV Multiples Average	0.6258
Current Price	0.784
Downside	(20.18%)

Multiple Valuation	YE25
Multiples Average	0.9750
Current Price	0.784
Upside	24.36%

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Recommendation System:

Level of Risk	SELL	REDUCE	HOLD/NEUTRAL	BUY	STRONG BUY
High Risk	0%≤	>0% & ≤10%	>10% & ≤20%	>20% & ≤45%	>45%
Medium Risk	-5%≤	>-5% & ≤5%	>5% & ≤15%	>15% & ≤30%	>30%
Low Risk	-10%≤	>-10% & ≤0%	>0% & ≤10%	>10% & ≤20%	>20%

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11th December 2024