Vodafone FY21 Full Year Results Live Q&A

Tuesday, 18th May 2021

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FY21 Full Year Results

Nick Read

Chief Executive, Vodafone

Welcome

Good morning and welcome to our results presentation. You will see on our website that you have the full detailed presentation and now we will go into Q&A but before we do, I thought I would take a couple of minutes to go through the key highlights.

Key Highlights

I am pleased with our resilient performance in FY21 despite a very challenging period for everyone. We met all of our guidance, generated €5 billion of free cash flow pre-spectrum and confirmed a stable dividend of €9 cents. We have delivered ten consecutive quarters of lower churn and added over 1.4 million NGN fixed broadband customers this year, exiting this year with growth. We also continue to drive efficiencies and achieved our €1.2 billion net opex savings target we established three years ago. We are ahead of our plan on integrating Liberty assets and have successfully IPOed Vantage Towers. I would say a strong delivery across our strategic priorities.

However, the world has changed around us in many, many ways, positively and negatively but for us I think this is a really unique moment in time. The pandemic has affectively accelerated digitalisation by five years and in addition to that you have the EU recovery funds that are going directly to digital, further accelerating these trends. I feel the hard work and the focus that we have had as a management team over the last three years has really positioned us to grab that opportunity and advance to the next phase of our strategy to ensure that we capture that demand. Our focus is being a new generation connectivity and digital services provider.

Today for the first time we have provided our mid-term ambition targets with a clear strategic focus on growth. That is growth in service revenue, importantly in Europe as well as Africa, growth in EBITDA and free cash flow and growth in return on capital, ultimately above WACC over the medium-term. We have a window of opportunity to deliver this growth and we are choosing to invest more. Whilst our incremental investment in 5G will continue to be funded through internal efficiencies, we do plan to step up investment in high return opportunities, particularly Vodafone Business and Vantage Towers. Underpinning all of this is a firm commitment to our dividend. With that, Margherita in Vodafone red colours and myself will take your questions.

Q&A

Jakob Bluestone (Credit Suisse): Thanks for taking the question. Maybe if I could pick up on that final point around capex and investments. I guess the capex is the main reason today that the free cash flow guidance is a bit below consensus. If we include the Vantage growth investments, the capex would be around 5% above consensus for FY22. I was hoping you could maybe expand a little bit on the capex. Where is it going? If we look at FY21 in particular you had a quarter increase in network coverage and capacity. Is that where the money is going? If you can explain a bit, what is it that gives you the confidence that this will

drive top line growth? Is this the peak of capex or will you see it continuing to rise from here? Thank you.

Margherita Della Valle (Chief Financial Officer, Vodafone): Jakob, I will for simplicity bridge the capex between the pre-pandemic world of FY20 and where we are planning to go post-pandemic. You have seen in my presentation a slide that was effectively doing the bridge to FY22. If you look at the increase between pre-pandemic and post-pandemic, the capex are going essentially into two different areas. The first one, which you mentioned, is network performance. It is connectivity. We have seen our customers' behaviours changing significantly this year and it is a change that we now see as structural in a number of areas. I mentioned earlier in the presentation that fixed traffic is growing at a rate which is 50% higher today than it was before. We are spending more to service our network performance, which in turn will support our commercial momentum at a point in time in which customers have never been as focused, I would say, on quality as they are today.

If you look at the increase in capex, I would say about a third goes into this network performance investment. The remaining two-thirds are going into new growth areas. The first third is going to be focused on digital platforms and services because we believe we have some really strong business cases to grow in those areas, as Nick mentioned, with the support of the European recovery funds in the background. Mostly this is areas such as Vodafone Business where Vinod explained at the Capital Markets Day that we have recently had what type of opportunities we believe we have. The second growth area, the final third of the spend, is going into Vantage growth capex. Again, another area that as a business is going to give us returns in excess of our cost of capital and therefore support our target to deliver returns above WACC in the mid-term.

You also asked where we are spending in the networks and whether it is capacity. You have seen a step-up in FY21. As we move into FY22 the capacity investment will go back down but also we will have an acceleration of the 5G investment that will compensate for that. That is why also in the mid-term I see this third additional capex going to network performance.

Nick Read: Maybe building on the growth and confidence in growth, I think it is really important to understand we are exiting in growth and actually excluding roaming quarter four is a 1.7% growth rate which of course will come through as we move into quarter one and start lapping the roaming impact. We have momentum. We are growing. This is not capex to create growth. It is capex to accelerate our growth profile. I look at it in three ways. First of all Vodafone Business is 30% of the Group. Vodafone Business excluding roaming is growing at around 2% and accelerating. I really think Vinod highlighted that we have a very unique position. It is really important to understand that there is only two players in the Business segment in each of the markets, us and the incumbent, and we are taking market share. We are taking market share because we have a unique scale. We have a unique scale in terms of footprint, in terms of platforms and in terms of strategic partnerships. We address all of the segments from public, corporate, SME and SOHO. Now you are going to get the EU recovery funds being very targeted into SME digitalisation and we are the SME champion. I think that is a natural growth area. Plus public investments into e-government initiatives, smart cities and various others such as e-health and therefore we can also play a significant role in that.

Then you go into what is just over 50% which is European consumer. We see that moving into growth. We see it moving into growth because we have effective second brand strategy in the value tier. In the main mid-to-high end with the Vodafone brand we are taking fixed share. We are driving unlimited and driving convergence, adding digital services on top. We are also looking to the UK change which has moved to a CPI/RPI model. We are taking that model and putting that condition into our contracts through Europe to provide us optionality to move towards a more investment-led pricing model going forward.

Then I would take the last just over 15% which is emerging Consumer. Here we are obviously going through a path of upgrading from 2G, 3G, 4G penetration. That moves ARPUs up through higher usage of data. Of course, we have got digital services and financial services combined which is already over 10% of the service revenue of our emerging market and growing in double-digits, which we see as a really differentiated position versus other players in the market. Then of course you have got roaming which we lap and then we will start to contribute to growth. I see that contributing over the next 2-3 years. Then finally wholesale deals like in Italy that we have managed to secure. We have many drivers of that top line growth which gives us confidence.

Jakob Bluestone: Thank you.

David Wright (Bank of America Merrill Lynch): Thank you very much, guys, for taking the call. I might just have to follow a little on from Jakob there. If we think about those moving parts, the Vantage growth capex on the BTS there is obviously a hump to that. You have got the build of the towers, maybe coming through full-year 2023-2024, but then that should slow. The question is then whether the digital services and platforms investment is a little more accelerated upfront. Ultimately the answer I am trying to find is whether this €8 billion capex that seems to be broadly baked into the mid-term guidance is now the level to run forward or whether there is a little bit of upfront investment in that, that we could see that capex level dipping beyond there. The obvious follow-on on your comment on the fixed line capex, that then is surely quite focused in Spain and I am still struggling to understand how Spain looks like it is going to meet your return on capital framework. Obviously, any comments on what may or may not have happened with MasMovil would be super-interesting. Thank you.

Margherita Della Valle: In terms of capital intensity and how we see this unfolding over time, as you have seen we have been very specific on the expectation, as you mentioned, for FY22. As we look to the mid-term we have been giving you two important reference points, our expectation of EBITDA growth of mid-single digit and free cash flow growth also mid-single digit. We have not guided to a specific mid-term number of capital intensity or capex as such because we think it is important to retain a degree of flexibility in this equation. This is very much linked to the part of the capex that we are investing into growth. Growth capex for Vantage which of course will be lumpy by nature, and also the growth opportunities in the digital services which in turn will depend on our business cases. However, if you want to work out a little bit the financial equation in all this, if you look at the midpoint of mid-single digit EBITDA growth and you bridge it to the free cash flow growth, you will realise that once you take into account tax of course, and then also the gradual unwind of the working capital support that we have had in the year just gone, actually the variability is quite limited.

I think you also asked whether we expect then capex to decrease after the ambition period of the mid-term. I think this gets us a long way away, I would say. Maybe what we can call out today is, yes, there could be scenarios going in this direction, I would say mainly for two reasons. One is again the business cases of the growth. We will invest for as long as we see this significant opportunity; and as Nick mentioned, this is a really important point in time for that. We will have to see in the long-term what happens. Also, in terms of technology cycles I suppose at some point we will move over the 5G cycle and we will need to see what is the next technology there. However, again it is a bit of a long way away and it is worth noting that we have been for the first time detailing quite clearly what our overall mid-term ambition is. This gives you some pretty clear goalposts overall.

Nick Read: David, turning to Spain, I am not going to engage in a narrative around market speculation. I do not think you would expect us to. What I would say is that we have made it very clear that we are always open to market consolidation that adds value for our shareholders. We actively engage with players throughout the whole of Europe and our markets. What I would say is that obviously MasMovil has gone for a very logical, very safe option in terms of consolidation with another value player. I see that having moderate impacts on the marketplace. For us personally we are very much focused on our organic strategy. To your point about market WACC in Spain, we work very hard with the team in terms of always going through the local plan. What I would say is it is a number of elements.

First of all we will be accelerating Vodafone Business. We see it as a huge opportunity with the EU recovery funds. Actually, Spain will be receiving the largest amount of EU recovery funds. You see that in one of the charts in the presentation, and that plays very much squarely into our advantages as a company. I would say we have got a very effective dual brand strategy in Consumer. Lowi has been very effective at the low-end and what we have done at the higher end with the Vodafone brand is really drive unlimited into the base and in commitment into the base and convergence. We have a very resilient position. I think that is showing in our commercial performance.

I would say the other added extras that we have been working on is engagement with government. I went to see the President, the Economy Minister, very good meeting. They really understand the criticality and importance of our sector and our business. They have been very proactive in terms of coming up with initiatives. You will have heard discussions around extending spectrum from 20 years to 40 years. Also some tax concessions to support the sector. These are really positive moves to improve returns. That was my point to the President. We need to improve returns for the sector, you need our services to be competitive as a country.

Then finally what I would say is network sharing. We have yet to see the benefits of network sharing. We continue to look at ways we can share more and accelerate our digital capabilities so that we drive more efficiencies in channel mix and various other things.

Margherita Della Valle: David, coming back to a point you made, just to reposition. You said we may invest significantly more into Spain on the back of this additional envelope. I think it is important to point out that is not the case. Our capital allocation is clearly a process very much driven forensically by returns and the majority of the additional investment is essentially going to two areas. One is Germany, as it should of course. Then the other for platforms and of course for Vantage is central activities. You will have seen that

we have recently changed our operating model in technology to have a single team driving Europe technology; and we want to make sure that this new development, these new investments are done once for the benefit of all the markets. I wanted to point out it is really Germany and central development.

David Wright: That is super-clear. Maybe Nick just one follow-on on the return on capital profile of Spain. You have been lagging 2-3 years since you really made ROCE a core hurdle for the regions. Do you think Spain is a cost of capital plus business on a two-year view if you are putting a five-year envelope around this kind of return on capital ambition? Is Spain there or does it need some kind of additional restructuring do you think to make the grade?

Nick Read: I think it needs three things. It needed first of all digital acceleration. We are going to get that post-pandemic. We have revised our plans in terms of the pace at which we are moving on digital. It needed network sharing and deeper sharing. We are engaged on that. The third it needed a little bit more support from the government and funding. We are getting both of those things. What I would say is we are tracking well for the plan.

David Wright: Very good, thank you.

James Ratzer (New Street Research): Good morning Nick, good morning Margherita. Two questions please. The first one was regarding your medium-term growth ambition mid-single digit and tying that in with the accelerated investment you are making at the moment. I think your guidance for this year would imply around 3-5% organic EBITDA growth so to hit mid-single digit growth and tying in with the incremental investment you are making, is it fair to assume you are baking in EBITDA growth beyond FY22 going above 5% to start seeing the return from these new investments that you are making?

Then secondly on a point of detail around the Vantage growth capex for this year that you are taking out of the free cash flow guidance. I am thinking that should be around €200 million. Could you give us some steer if you think that is a sensible number for this year? Could you explain to us what is the logic for taking the build-to-suit capex out of the free cash flow guidance given Vantage I think is doing all of its build-to-suit for Vodafone? I would have thought you would have been making that investment anyway whether Vantage had been an independent company or not. I am needing to understand the logic for stripping that out of the official free cash flow guidance. Thank you.

Margherita Della Valle: If we start from maybe the last question and actually thank you for asking about this today because I think it is an important point. It is a change of perimeter on our free cash flow guidance so it is helpful that we have a full discussion. First of all, the reason why we are doing this is because clearly we now have a tower company in our midst and we need to adopt the standards of the sector of the tower companies. As the growth capex are by nature lumpy in the towers world, and we can have new opportunities of build-to-suit or ground lease buy-out programmes, clearly this will vary over time. In that sense it is appropriate to give a guidance before this variability. Now, I am specifying guidance or ambition in this case before Vantage growth capex because clearly as we will publish our results in actuals, you will always find our free cash flow net of everything to the bottom line. Clearly full transparency there, but we want the flexibility for Vantage Towers to invest when the good business cases come up, essentially.

You also asked about why we include build-to-suit in the growth capex given it is mostly dedicated to Vodafone. Again, following industry practice, what is in and what is not in the growth capex. Firstly, what is not is the ongoing maintenance capex of Vantage. Expect those to be fully embedded in our guidance and in our targets. What is out is again project activities and typically it is build-to-suit, ground lease buy-out and lease renegotiations. These are the sort of three big buckets. If you think about it, as I think I already mentioned previously, when Vantage makes its investment choices, it will prioritise areas where Vodafone would have behaved differently. I think it is perfectly clear when we talk about ground lease buy-outs, we would never have prioritised this in our capex envelope. Also when you think about coverage investments and the build that Vantage is now doing for Vodafone, in the pre-Vantage world, we would have chosen a different type of mix on delivery of the coverage expansion which would not be just build new stacks but would also of course include third party sites and leases. I think you have seen us doing that. A very different approach now that Vantage is there and I think you will also see it when you look at FY21 where Vantage started operating but still did not accelerate. The growth capex, the similar definition was effectively immaterial in FY21. However, we see this as clearly positive and we want Vantage to invest because it allows us to take a greater share of industry value going forward. We want to take that opportunity.

I think you said what number should we expect. Here, maybe two reference points. At the Capital Market Day, Vinod I think showed a very clear slide on the plans that he was foreseeing on build-to-suit, GLBO and the like. If you take the numbers in that slide in aggregate you come to a conclusion of around €300 million per year of run rate. Please keep in mind that on top of that, we have given Vantage the ability within its leverage to have another billion of additional investment that can be either dedicated to inorganic such as M&A, but equally could go, if the right opportunities come up, for build-to-suit, for many other operators to go towards organic. Of course, this will be phased over time.

Going back to your previous question then, I think it was around how we read the mid-term mid-single digit EBITDA phasing. On the first year where we have the traditional guidance, actually the growth rates are slightly higher than the one you mentioned. The lower end of the range is 3%, the higher end of the range is around 5.5% if you work out the maths. I would say we are getting clearly into the trajectory. How you read the trajectory is we are not giving annual guidance with this mid-term ambition. We are rather setting the view you should have if you come to mid-term and you look back. You look back at what has been the average over the years there will be some years which will be a little bit higher and some years maybe a little bit lower. We have already given quite a lot of visibility in these numbers around how we see the trajectory unfolding.

James Ratzer: Given the new investments you are making you would have high levels of confidence we could hopefully get up towards the higher end of that range over the medium-term?

Margherita Della Valle: I think actually you are right, I was not completing your question. In terms of phasing, you were right when you were explaining how you imagine it in terms of sequence. In the sense that we are growing to invest to grow in our plan. We have high confidence on the short-term growth because it is happening now on the back of the execution of the strategy. We will use some of this growth to invest, as we have just

described, and in turn these investments will drive further growth which of course will come in two-three years' time depending on the type of business cases.

James Ratzer: That is clear. Thank you very much.

Sam McHugh (Exane): Two questions, sorry, one is very short. On tax, I do not know if you are planning to make use of these goodwill amortisation schemes in Italy and what you are assuming for cash tax in FY22 and then maybe next year as well. Then secondly, big picture on Vantage. Now the IPO is done, I think investors generally do not like free cash flow definitions ex-this and ex-that. People are a bit sceptical about looking through the growth capex. How do you feel about being the majority owner still of Vantage? It does feel like de-consolidating it, it could be more levered and you would not have to recognise the growth capex. Have your views changed at all in the last six months around that? Thanks very much.

Margherita Della Valle: In terms of Italy, yes, there is an opportunity to effectively, for tax reasons, restart the depreciation of assets which have been fully amortised already and we are looking into it. The only thing I would say at this stage is in the context of the Group tax bill, we do not see this as very material as an opportunity. I think the best way to look at our tax projection is you start from this year and you have seen €1 billion of cash tax in our free cash flow. See this as growing over time together with our EBITDA growth. We have been quite specific in the press release in terms of our expectation on effective tax rates. We see these in the high 20s going forward so I think you can easily do the maths from there.

Nick Read: Vantage Towers, it is a short answer really. Whether it is control or co-control like we have down in Italy or what we have done in Spain, we see the towers and Vantage Towers as being an important strategic asset for us, mainly because of two things, I would say this is still a fairly immature market in terms of towers, mainly owned by other operators; of course, that will change over time. The second thing is obviously technology visibility past 5G, we would like a little bit of clarity; again, that is a matter of time. So what I would say is, look, we are focused on ensuring we do not miss any growth opportunities for Vantage Towers. We are firmly behind them. I do not think we are constraining at all and, therefore, I think we have the right balance.

Margherita Della Valle: It is because we see the opportunity of these business cases, which will deliver good returns, that we are doing what we are doing in terms of guidance and mid-term ambition.

Sam McHugh: That is all very clear, thank you, guys.

Robert Grindle (Deutsche Bank): Good morning, both. In your presentation, Nick mentioned that shareholder returns are a key focus on your next strategy phase. Are you thinking about the bottom of your leverage range to be when to start talking about raising the dividend?

The second question is, Airtel Mobile Commerce did an interesting deal with Mastercard which put a big value on their African payments business. Could you look at doing something similar with M-Pesa? Thank you.

Margherita Della Valle: In terms of relationship between leverage and dividend, I would look first at the near term and, in the near term, you will see us very focused on

deleveraging. As you know, it is one of our three capital allocation priorities. And the ambition we have illustrated today supports this evolution through growth. You have seen us maintaining leverage stable at 2.8 times net debt to EBITDA in FY21. Clearly, we have had the Covid drag and the currency drag from Covid affecting our EBITDA, but we have been able to maintain the leverage ratio stable. Looking forward, we see opportunities to deleverage through growth as we deliver on the mid-single-digit EBITDA growth ambition. This will be the near-term priority in terms of dividend distribution, so you should expect it as nine cents in the near term. As we move beyond this phase and, to your point, we progress on the deleveraging, then of course we will reconsider our dividend distribution, again in the context of our capital allocation priorities; invest in infrastructure, deleverage and deliver attractive returns to shareholders.

Nick Read: In terms of mobile money or fintech in Africa, you are right to point out it is a huge opportunity. We have believed in this for, now, a good 10-plus years and we are a clear number one in the African market. We have a base, if you include all of our markets on mobile money, of over 60 million active customers, so we are about three times the size of Airtel. What I would say is that we are absolutely focusing on investment in the M-Pesa platform, but how the M-Pesa platform evolves from what I would say is a feature phone world into a smartphone world. What that is going to involve is mini apps. A mini app would deal with, for instance, loans or insurance, in other words, how do we build additional financial services. You are going to see from Vodacom the launch of VodaPay as a brand in South Africa and, ultimately, we want to evolve a super-app strategy and I will leave Shameel to talk about that a little bit more. It is a scaled priority investment, unconstrained at the moment. We are separating those assets out into separate legal entities because we think that the business will grow at a significant pace. However, at this point in time we are funding that expansion of the business. Clearly, there is intrinsic benefits between the fintech and the telecom business because of things like distribution, churn, etc., but let us see how it evolves over the coming years. It is a super-exciting space.

Robert Grindle: Thank you.

Carl Murdock-Smith (Berenberg Bank): Good morning. I just wanted to give you a bit more chance to talk again about the social contract, particularly with regards to the UK spectrum auction, which yielded a very good result, largely due to your decision that you were comfortable with Three gaining 1 GHz spectrum. Can you talk through your approach to that auction and the spectrum more broadly and the thought process that caused you to take your foot off the gas so early within the auction process? Thanks.

Nick Read: If you do not mind, I would explain it slightly differently from that strategy, because you have to back up what was nearly 18 months, two years of a process. Originally, when that auction was designed, it was going to be bundles of spectrum, so you were going to have the low band bundled with the higher bands, so the 700 with the 3.5, and it would have come with coverage obligations. For us, that was an artificial construct that would have driven up the auction pricing and the capital commitment for us and was not optimal for the industry. Therefore, what we did was we showed leadership here and we went to the rest of the industry and said, 'Look, really what we want is the bands to be auctioned separately, but we understand what the government want, from a policy perspective, which is coverage. So why do we not come together and offer proactively coverage? If we offer the coverage, what

we are asking in return is to separate the bands out and drop the coverage obligations against the bands.'

We engaged with Ofcom on that basis and the industry and everyone was supportive. That is what I think the perfect social contract is, where you are saying, 'I understand, as a sector, you, government, your policies, but I think this is a way of achieving the goal in a more efficient way for the industry and allowing us to optimise and improve our returns.' As a result of that, they were de-aggregated and we could bid on individual bands. We already had a lot of low band between 800 and 900. We did not need the 700. If it had been combined together, we would have had to have bid for the 700, which would have been suboptimal. Really what we did was we optimised our ability to go into auction and get exactly what we wanted. Therefore, now we have the second largest spectrum holding in the country, both high and low band. We launch 5G on 900 very effectively and, at the same time, it meant that the auction did not get overheated. I think that is a really good outcome.

I could also say Greece has been a really great outcome, Netherlands has been a good outcome, Hungary has been a good outcome. There is only one country, this year, that I have been unhappy with and that is Portugal. We are around 515 or whatever it is. Of course, it is still about half of the European benchmark on pricing, but frankly, I have not been happy with the construct. I have expressed that before. Generally, though, every other European country is heading in a good direction in its conversation with the industry.

Carl Murdock-Smith: That is great, thank you.

Nick Delfas (Redburn): Thanks very much. Two questions, please. The first one is on net promoter scores and customer engagement. You have not been publishing those recently and obviously the KPIs in Q4 were a little bit on the weak side. Could you talk to us a bit about how you are seeing customers and how they look at the Vodafone brand?

The second question I have is, thinking about other ways for you to spend capex, what about out of area spending in Germany to extend your network into new areas? Is that something you have been thinking about or something you might do with a partner? Thanks very much.

Nick Read: Thanks, Nick. What I would say is, in terms of NPS, NPS has become a lot more sophisticated now. There is relationship NPS for large corporates. We are doing journey NPS, which I am really excited about. Therefore, NPS can be a moment in time or a point in time questionnaire, whereas now journey NPS is measuring the end-to-end journey of a customer. So I would say the reason why we do not report is, because we have lots of definitions that we are trying to target different outcomes.

If I was aggregating a picture, what I would say is Vodafone Business NPS, really good performance, strong across the board. I think people have seen us really help in the pandemic. We were proactive, supportive and available, with great product, so really good.

I would say our second brand NPSs are really competing very strongly across the board. The Vodafone NPS for consumer, I would say stepped up on the pandemic, has been a bit flattish over the rest of the year. Obviously, we continue to work. I would not say it is either positive or negative, I would just say it is in a solid position.

The one thing I would point to is we are also doing now reputational indexes to understand how the wider stakeholder community view Vodafone. That has positively lifted throughout

the year because of the way we dealt with the crisis and the way we have lent into our social contract with society. I would say a positive trajectory on the brand and of course we did Together We Can. You see it here. Again, resonated well tonality-wise with the mood of people.

In terms of Germany and capex, we are looking off footprint at various opportunities, whether that is, as I said before, consortiums is something that we look at across the board generally, can we join consortiums that are doing fibre builds. Obviously that can either be as a strong anchor customer or it can be as an investor and we are very open to those different models and are having various discussions.

Nick Delfas: Okay. Thanks very much indeed.

Georgios Ierodiaconou (Citigroup): Good morning. Thank you for taking my question, which is on Germany. There are a lot of developments in the market with some changes and also ramping up of fibre deployment. My question has two parts. The first one is, there will be some headwinds from these changes, so if you could talk us through what are the things and actions you are taking to offset those in the coming years.

The second element is, you are the only player that is both an infrastructure owner and, occasionally, a reseller of Deutsche Telekom's fibre. I would be interested to hear your views about the commitment model that Deutsche Telekom has put forward and whether you believe it balances the protections to infrastructure ownership in the way the wholesale rates are designed. Thank you.

Nick Read: Just standing back in terms of the actions we are taking. Clearly the priority for us was always to turbocharge our network. We now have gigabit network to 22 million households, over 90% of our footprint. It is really important to understand that, that is fibre; it is like a hybrid fibre network. It is getting closer and closer in terms of fibre build as we do node-splitting within the network. So I would say increase in performance. We also have a development roadmap. The next step for us is high-split DOCSIS3.1. High split delivers a one-gig upload speed, three-gig down, so we have a good path to that; and of course then you have DOCSIS4.0 after that. I would say we have a really strong roadmap in terms of increasing speeds on what is already a very differentiated network. As I said to Nick's question, outside our cable footprint we are open to consortiums either as a customer or as an investor, to accelerate fibre builds.

On top of that, we are also working on strengthening our TV proposition. You know we inherited Unity's premium TV proposition, which was a bit weak. We have now harmonised our proposition, we have launched Apple TV, we have launched Vodafone TV. We have a good roadmap for the rest of the year coming through in terms of what we can offer on the TV front, and of course we continue to offer a lead in mobile.

When you bring it all together, again, great rational market, best economy in Europe, increasingly government funding and support in the industry and we have a really differentiated business.

Margherita Della Valle: On the contingent model Georgios, I would not say this is a particular area of focus. I think it is the model we are familiar with and which was fully expected from a wholesale perspective. Clearly, our focus today is in penetrating our own

infrastructure. We have added one percentage point of penetration of cable in the last year, and we are eagerly waiting for the lockdown to ease in Germany to accelerate our growth there, as you know we had put in place a number of measures; specifically in terms of integration of the Unitymedia footprint as we could not see the impact of because of the lockdown.

However, we look forward to an acceleration in penetration; together with something I am really happy about, which is the value we are getting. It is not just about volume, it is really about value. You may have noticed in our results today that our ARPU growth in cable in Germany has hit 4.5% in Q4, and this is really driven by our approach to drive the mix of value in terms of speed tiering. We have been very successful in doing so. We have half of the base already today, which is at 250 megabit per second or above, and we have just hit actually 1 million customer on gigabit speed, and this is what is the mix that is driving our ARPU. So the story for us of fixed broadband in Germany is really penetration of our own infrastructure with the best possible value mix.

Polo Tang (UBS): Yeah, hi, thanks for taking the question. I have actually got two quick ones. First one is, can you remind us what the key triggers are for your LTIP going forward, and have they been changed given that you have got new medium-term guidance?

And the second question is, when you are looking your portfolio, what are your latest thoughts on your 50% stake in VodafoneZiggo, and do you think you have sufficient scale in Ireland?

Nick Read: Two fast answers to your two fast questions. First of all, in terms of our LTIP, essentially, it is the same component, same construct, so cumulative free cash flow over the three-year period and TSR measures. So you would not see any change in the construct or weighting.

Secondly, in terms of portfolio, VodafoneZiggo, really good market, really good business. I think that their performance relative to others in the marketplace continues to do well. We are really pleased as they advance the upgrade of the network, they are about 40% through DOCSIS 3.1 on the network. They will complete that by 2022. High convergence mix and importantly stable leverage and then bring in dividends, excess cash back to shareholders. We really love the business. We think it is a good partnership with Liberty and a good financial model for us.

Polo Tang: And in Ireland?

Nick Read: Ireland?

Polo Tang: Yeah, as I know you have sufficient scale in Ireland.

Nick Read: We are number one operator in Ireland. On revenue market share, we are number one. Of course, SIRO is something we have been building out on fixed and we have to look at whether we want to extend that. There is also wholesale opportunities on fixed as well, so we are engaged with the various players. My view is we have got real momentum. I mean, Ireland had a challenging period with second brands been launched into the market. We launched our second brand, and immediately the response was pricing moved up on second brands, which is a healthy development.

Polo Tang: Thanks.

Andrew Lee (Goldman Sachs): Yeah, hi, morning. Good morning to you guys. I have two questions. The first, we obviously got the capex outlook as a context, but you are also guiding to revenue growth in Europe for the first time that I can remember. I just wonder if you could talk a bit more about the opportunity from network investment-linked pricing with a note maybe to or nod to link to the inflation-linked pricing in the UK and whether there's scope for that elsewhere.

Then the second question just had a bit of from certainly the investors that have been around for a while today on capex. It is basically about your outlook or confidence in your outlook on capex or visibility. I know there is some success base element to the capex in your forecast, but how much confidence can you give investors that covered you through the spring investment cycle that the risk of having to pay more capex to achieve the same growth outlook is limited? Thank you.

Nick Read: I think just on pricing, I think the important thing here is it goes a little bit back to the social contracts. We are engaging with governments to say, 'Look, you want to accelerate connectivity and high-speed connectivity in the country, you understand why it is so critical, given the pandemic and everything that went on that it is core to the competitiveness of the country going forward. If you need that and you need more investment like we are trying to do, then we need the right policies, and part of that is to say that we need to be able to charge appropriate pricing as an industry.' So this is really us taking a step and I think the UK, when the incumbent steps forward like they did in the UK to say, 'Look, we want to invest, but we need to earn the right returns that we can start to have a conversation with policymakers and regulators to say this is a constructive way to move forward.'

I think it is landed well in the UK. I think customers have also appreciated it. They want high quality connectivity. They understand now that pricing in our industry has been deflationary for so long, it is good pricing, you get a lot of value for money compared to any other industry.

I think it is about the service that is been provided now going forward. What we have said is okay, given that, why do not we go through all of our contracts throughout the rest of Europe and put that provision in the contracts, which then provides us the optionality to go that route. Obviously, it depends on the competitive environment and responses, but we think that the industry really should reflect on this moment as an opportunity to go in this direction.

Margherita Della Valle: And on the capex point, let me say that this is really very, very different from Spring. We are not talking about an exceptional programme to establish a different positioning in terms of network leadership. We are very, very happy about our current position as one of the quality networks in Europe. The reason why we are investing more as I was saying in the beginning is to respond to the changes that we have seen in our environments, and to take the opportunities that we have from that. You have heard me say that two-thirds of the extra spend is all about opportunities around business cases that deliver strong returns, and therefore as such, clearly, we also have optionality.

It is again the equation of we grow, we invest part of this growth in order to accelerate future growth. We clearly have optionality around that and are firmly positioned around the capital allocation framework that we discussed already a year ago, which is, invest in our

infrastructure, delever, and deliver attractive returns for shareholders. Therefore, you will always see us taking the opportunities of growth as the option to accelerate growth; very, very different set of circumstances.

Andrew Lee: Okay, thank you.

Maurice Patrick (Barclays): Yeah, hi guys, and thanks for taking the question. It is a question on just maximising returns from your existing assets in Germany. If I am not wrong, you have one of the lower in-footprint market shares in cable in Europe and Germany. And looking at the numbers, it seems like operational momentum is slowing such as if you look at broadband net adds on cable ex-migration at mid-half, in the last 12 months. I mean, Deutsche's talked a bit about improved momentum because of the IP migration. And maybe some thoughts and tell us why that ex-migration momentum is slowing. And does that impact your thoughts towards wholesale platform? I know you got a wholesale deal with Telefonica. What is your attitude towards wholesale shifting? Thanks.

Nick Read: Maurice, I think the simple answer is that we have had a bit of an exceptional year with the pandemic and very exceptional lockdown situation. Of course, we are the challenger in the market, and therefore, we need retail presence to keep the engine of growth going. Therefore, we are very much looking for retail opening back up again in Germany and regaining the momentum and numbers we were doing before.

Clearly, lockdowns and shut retail, favours incumbents as a more natural thing, and I think you have seen that from other players in Germany as well. I would say in terms of wholesale provision, we just launched TEF. They have yet to really get going because of the lockdown, so we look forward to them contributing. Clearly, this is always something that is open to us and clearly, we will always assess the opportunity.

Maurice Patrick: Great, thank you.

Akhil Dattani (JP Morgan): Yeah, hi good morning. Thanks for taking the question. Two please for me as well.

First is on return on capital. If you could maybe just disclose for us what the return on capital within the financial year just concluded was? And I guess that the question more broadly to add is given the construct what you were talking about, which is mid-single digit EBITDA growth but spending a bit more on capex, how do we think about your ability to get return on capital above WACC, which is obviously, ultimately, what you are guiding to? If you can maybe talk us through those levers? I am sure there is some P&L versus cash flow elements to that as well.

And then the second piece is just you talked, Nick, earlier about potentially being interested in buying stakes or partnerships with incumbents on infrastructure or even other partners. Can you just help us understand what the merits of that might be, because in a lot of cases, that does not give you preferential wholesale term? It could create a lot of long-term value on infrastructure assets, but it would not necessarily change the wholesale economics. If you could maybe just talk to us a little about what the thought process is to what you might want to do those deals, that would be interesting as well.

Nick Read: Yeah Akhil, maybe I just cover the last one first and then you cover. The reason why you would entertain them is, number one, these consortiums, there is a lot of

conversations, but are they getting traction, are they getting build? We act as a huge brand to actually get penetration behind these builds. So what it does is it gives confidence to investors to say this particular consortium is likely to earn the right type of returns, is likely to be successful. Therefore, that is why I talk about an anchor tenant or an anchor customer. We do not have to invest in this. If there is enough infra funds coming in and they just want us as an anchor customer to drive the penetration, we are very happy to do that because we want penetration outside of our cable footprint, obviously, to get higher performance connectivity.

So I agree with you if we can go that route, we will go that route. We did CityFibre on that basis as an example in the UK. I am just saying there may be examples where people would like us to invest "something"; and we would be happy to do that if it meant that a consortium got off the ground. I would say, do this is an anchor customer first and then potential to invest if it got consortiums off the ground.

Margherita Della Valle: On return on capital. First of all on actuals, the results we've published today have pre-tax controlled return on capital of 5.5% and post-tax at 3.9%, so clearly, obviously, still very much below cost of capital.

In terms of dynamics in the last year, if I take the pre-tax control, we went down around 80 basis points; 6.3 to 5.5. And essentially what has happened is pandemic, no growth in EBIT, and, therefore, changes of perimeter really affecting us, and this was the first 12 months in which we consolidated Liberty in full, as well as, we moved some assets into INWIT, which is obviously not in the controlled perimeter, so that explains the trend.

Looking forward, our mid-term ambition has really been built around return on capital and the need and the possibility now to deliver return on capital above WACC, and we see really significant opportunities ahead of us. I think we see the opportunity of really material step changes in this year-on-year trend.

I would say for four reasons. First of all, service revenue growth, clearly in Europe as well as in Africa. Accompanied, number two, by continued to work on our digital transformation and cost efficiency. And you can see clearly from our mid-term ambition that we are talking about margin expansion on the back of that. So these are the first two points.

However, importantly third point is really this new investment profile. We are really obsessed internally in finding opportunities of business cases that give us a leg up in terms of returns, and this is where the two-third of new capex investment we are talking about are coming from, so really support from the capital allocation.

Finally, a bit more technically maybe, we are also replacing in our financials the old 3G amortisation with the new 5G license amortisation, and we will get a little bit of benefit from that. However, really significant opportunity, plan built around returns and not just at total level, but as usual, you will hear us saying this a lot, also at individual markets level with a lot of focus by market and by initiatives to drive that. This is really our key objective.

Nick Read: And on that, can I say thanks very much, always thoughtful questions. Thank you for taking the time invested in us to understand our direction as we are really reinforcing; "We are growing", we are taking the opportunity on that growth to invest to grow faster. I

look forward along with Margherita to seeing all our investors over the next couple of weeks. Take care. Bye.

Margherita Della Valle: Thank you.

[END OF TRANSCRIPT]