Vodafone Investor Update Q&A

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Margherita Della Valle

Group Chief Executive, Vodafone

Agenda

Good morning and thank you for joining us. Today we have reached the final step of our portfolio right sizing announced in May last year. We have agreed a full sale of Vodafone Italy for €8 billion in upfront cash proceeds. Alongside the sale of Spain and our merger in the UK, we have reshaped our European footprint, enabling us to focus on growing markets with strong positions and good local scale.

Today we are also announcing a new capital allocation framework, which includes rebasing our dividend to 4.50 cents from FY25 onwards, and a four billion buyback program. Luka will outline this in more details shortly. In May last year, when I became CEO, I set out a new strategic roadmap to transform Vodafone. A key component of this roadmap was to right size our portfolio so we can focus our time, effort, and resources in growing markets where we can win and create value. We have now agreed transactions in all three markets where we needed to act, and we have reshaped our European footprint.

We will operate in nine markets in Europe and in eight in Africa, serving around 300 million connectivity customers and 75 million FinTech users. Our joint ventures in telco markets, digital infrastructure and innovation will be managed within a new unit, Vodafone Investments. All our markets, joint ventures and telco partners will be able to access our shared operations across areas such as procurement, roaming, networks, B2B platforms, and digital services. We have reshaped our footprint to ensure we hold strong positions with good local scale in growing markets.

Following the sale of Italy and Spain, plus the UK merger, we will be operating in markets that are consistently experiencing overall telco growth and are typically three player markets, allowing operators to reach sufficient infrastructure scale. And we look forward to delivering strong performance in all of these growing markets as we progress our operational excellence transformation. In particular, we expect a good acceleration of our underlying growth in Germany, setting aside the one-off impact of the housing association transition. Importantly, our reshaped footprint will also give us the opportunity to generate good returns with an immediate return on capital step up of over one percentage point when the Italian and Spanish transactions complete.

But we are not only changing our shape by geography, we are also stepping up our B2B focus. The B2B opportunity for us is both large and growing. Over the last few quarters, we have been increasing our market share gains, with B2B service revenue growth of 5% in the last quarter, and digital services growing well over 20%. To further accelerate, I am prioritizing dedicated investments and strategic partnerships such as recently announced with Microsoft, strengthening our range of platforms and capabilities. Luka will now summarize the impact of the sale of Vodafone Italy and our capital allocation update.

Luka Mucic

Group Chief Financial Officer, Vodafone

Sale of Vodafone

Yeah, thank you very much, Margherita. Very happy to do so. To start off with the sale of Vodafone Italy, it clearly provides us with a strong mix of value creation, upfront cash proceeds and transaction certainty. The valuation multiples that we have achieved demonstrate the strength of our position in Italy and ensure our shareholders participate in the synergies from the combination with Swisscom. As part of the sale, we have agreed multi-year service agreements with Swisscom, which Vodafone Group will continue to provide services to Vodafone Italy.

We will also be exploring a closer partnership with Swisscom beyond Italy in areas such as IoT, other business platforms, procurement, and operational shared services. And we are targeting completion of the transaction in the first half of 2025. Now, with this final step in right sizing our portfolio agreed, we have also completed a broad capital allocation review. Let me give you the key results.

Capital Allocation Update

First and foremost, we will continue a disciplined approach to capital investment, and we will broadly maintain today's country level capital intensity. This will allow for appropriate ongoing investment in our network infrastructure and in growth opportunities such as B2B. As you have heard me say a couple of times now, I have been comfortable all along with our leverage position at around 2.5 times given our long maturity debt, our low fixed cost, and relatively limited near term refinancing needs.

Going forward, we will adopt a new leverage range of 2.25 to 2.75 times accordingly, and we will target to remain in the lower half of this range. With the reshaped footprint, the cashflow profile of the group, we will change from FY25 onwards. Hence, we intend to maintain the dividend at its existing level of 9 cents for FY24, but we will then rebase the dividend to 4.50 cents in FY25. Clearly, with an ambition to grow this over time. And then having established the right investment profile, an appropriate leverage range, and the rebase dividend, we can return surplus capital to shareholders. This will begin soon with a €2 billion buyback program when the sale of Spain completes, to be followed by a further €2 billion buyback when the sale of Italy completes. Plus, at that point, we will also assess the potential for further capital returns. And with that, back to you, Margherita.

Margherita Della Valle

Group Chief Executive, Vodafone

Thank you, Luka. Today marks an important final step in right sizing our portfolio for growth. As a result of the sale of Italy and Spain, together with the UK merger, we will be operating in growing markets going forward. We have strong positions with good local scale in each of these markets. This will ensure we can deliver sustainable and predictable growth and a step up in returns. This change in our footprint is being matched with a shift to further strengthen our platforms and capabilities in B2B where we have a significant opportunity to accelerate the market share gains we are already delivering. We are changing the shape of Vodafone, and we are now happy to take your questions.

Q&A

Andrew Lee (Goldman Sachs): Good morning, everyone. So I just had a question on what you're assuming for free cash flow coverage of the rebase dividend. We do not have the full information to do the math, but it does look like the new €1.1 billion dividend assumed for FY25 represents about 50% payout of your post Spain and Italy adjusted free cash flow or around a 75% payout of all in free cash flow when your account for integration costs and restructuring and smooth spectrum. So to us, that looks like a reassuring ratio since it suggests that your free cash flow outlook isn't that different from ours and consensus, it seems to use a Goldilocks analogy that you set the dividend just right.

So key question really is are we correct with all that? Are you broadly happy where consensus is for free cash flow? And do you think you set the new dividend with enough of a cushion or buffer to remove those sustainability concerns that have dogged Vodafone for the last couple of years, but not too much of a cut to imply the need for consensus free cash flow cuts on an underlying basis? Thank you.

Margherita Della Valle: Thank you, Andrew. And I will hand over all these maths to Luka. But first of all, let me say that, as you have heard me say just now in my introduction. For me, it is really important that we have now executed the three steps of the portfolio reshaping in Europe precisely because it will give predictability, visibility to cash flow growth given the markets in which we will be operating going forward and our strong position in those markets. But with that, Luka on cover.

Luka Mucic: Yeah, so first of all, I think your assessment is spot on. Obviously, one of our primary aims was to ensure we have a truly sustainable dividend that has good cashflow coverage, and at the same time through the focus on operational excellence, that we can now target at healthy markets with strong positions to allow us to really do the customer simplicity and growth focus in a very, very focused fashion to have also a good opportunity to grow the dividend over time.

I think those are two, from my perspective, key concerns that our previous dividend policy was not able to answer because there was concern in the fact that the dividend would not have a growth fantasy. At the same time, also, the concerns around the coverage, both of those very clearly are resolved now from my perspective and even under conservative assumptions, we have good cover. So this is I think a very positive step from the CFO's perspective for sure.

Andrew Lee (Goldman Sachs): Thank you.

Georgios Ierodiaconou (Citigroup): Yes. Good morning and thank you for taking my question. It is more on the balance in your decision to opt for a complete sale to Swisscom. I am just curious if you can describe to us a journey. I know for Spain, maybe a JV was the initial option and ended up with an exit, whether there was a similar journey in Italy? Why opt for Swisscom, given that reportedly you had higher offers on the table? And perhaps if you can give us indications from the outside whether the arrangements around common functions were similar between the different options you had available? Thank you.

Margherita Della Valle: Sure Georgios, as you know, we have been engaged for some time in Italy with several parties and across a full range of options. The sale to Swisscom was the transaction that, from the Vodafone perspective, is giving us the best combination between value creation, of course upfront cash proceeds, and also importantly, transaction certainty. If I take these three in turn, on the value creation front, you know that we have executed a sale with the highest multiple of any market transaction that Vodafone has done, whether sale or acquisition, in at least the last 10 years. And I need to say this goes very much to the credit also for Italian team and the strength of the business they have built. Clearly, all very simply done with upfront cash proceeds of €8 billion.

And from a transaction certainty perspective, it is a transaction that effectively brings together two very complimentary businesses. It will be reviewed, which is faster by the Italian competition authorities, and also there are no reduction in numbers of networks and other potential concerns. So positive on value and positive on execution certainty.

In terms of the JV, the potential of JVs alternatives, I would say compared to these transactions, two question marks on JV alternatives would have been; the potential for remedies, particularly in different types of combinations with more overlap between the two businesses, and also the maintenance of an exposure to the market with a highly levered joint venture structure, which obviously would not have really been a simplification for us as we look at our group.

But the most important point for me, and I am sorry if I am repeating myself, is rather than looking backwards, is looking forwards. And it is the new shape of Vodafone in Europe. You have seen on the slide the type of markets in which we are operating going forward, all telco growth markets; all markets in which we have good market share and good growth potential. And this, for me, was the most important point when I said at the beginning of this journey last May, that there were three markets that require the action, and that is why we have landed where we are today.

Georgios Ierodiaconou (Citigroup): Yeah. Thank you.

Jakob Bluestone (Exane): Hi, good morning. Thanks for taking the question. Congrats on the deal as well. I had a question in terms of the use of proceeds. You have obviously announced a new leverage target. You have announced the cash returns. One thing you haven't sort of announced is any reinvestment into the business itself, and I would be interested in understanding a little bit more, whether that is something we could see. I appreciate you haven't raised capex, but maybe investing more into opex to perhaps drive a bit more growth in Germany?

Margherita Della Valle: A general observation, and then I will let Luka comment on capex. There are definitely two areas of our business in which standing back from capex and just thinking of financial resources, we have made shifts starting in the last year. And these two areas are B2B, which is our most significant growth opportunity, we are already gaining share pretty much wherever we are operating, and clearly, it is a very significant growth market. And the second, as you heard me say before, is customer experience, really doing the basics well for our customers. And you have seen the results in the last announcement in terms of improvement in NPS and the like. So these are really the two areas of focus for resources reprioritization that cut across the whole of Vodafone, but maybe, Luka, more specifically on the future.

Luka Mucic: Yeah, absolutely. So first of all, when it comes to the B2B side of the house, and in investments, it is important to note, as you hinted at as well, that most of those investments are actually more on the opex side of the house. So, we are investing into sales coverage into demand generation, into the buildup of the product portfolio. So, most of that is actually more opex. The B2B has a very nice feature to it that, especially the fastest growing parts of the portfolio; cloud, IoT, the beyond connectivity solutions, they actually have a very low capital intensity. Therefore, they are very attractive from a returns perspective, but obviously in order to maximize our opportunity there, we are appropriately investing.

Having said that, that is all considered also in the expectation that we have voiced on the last earnings calls and that we continue to have that on an organic EBITDA basis. We will see next year Vodafone in the new shape returning clearly to growth. So that is built into the planning here.

And then on the capex front, I have read obviously some of the early commentary around the unchanged shape of our capital intensity. And let me be very clear, I think what we currently have as investment buckets in the countries is quite appropriate in order to give us a very good balance of sufficient investment capacity but also then the potential in particular with the improvement in operational excellence to drive for increasing returns. Why is that? Well, again, it has to do with the change of the growth profile against our classic connectivity business and B2B. This business is growing at the moment, well in the twenties, has a low capital intensity so we can continue to invest appropriately in our connectivity business and benefit from the step up in growth that we are getting from this business at much lower capital intensity. And that is why I am super confident that, that aspect of the capital allocation policy is just right for us to continue to show increases in predictable growth as we are expecting from the chain in the parameters as well.

Jakob Bluestone (Exane): Thank you.

David Wright (Bank of America Merrill Lynch): Hello guys. I hope you can hear me well. A question just on the profile of the leverage, I guess perhaps for yourself Luka. I have got the numbers in front of me. We obviously, in our pro forma, we were looking at this dynamic and putting in your new dividend and buyback. Obviously the leverage will drift down over time, that is a function of your payout ratio. But then you do have this kind of year four, year three, year four put and call situation with Hutch, which is going to bring a lot of debt back onto the balance sheet.

So, before we get too carried away with potential additional cash returns, you have obviously announced a lot today, but we are always looking for more. Should we assume that on a sort of two, three, four view, that you actually run the leverage to the very lower end of the range so that when you do the Hutch transaction, it pops back into, into sort of the middle? Is that the way we should be thinking about this?

Luka Mucic: So first of all, I would say we have now a very sustainable leverage range and we definitely will gravitate to the lower half as we have as we have said which is also good. Honestly speaking, next year does not have a lot of scheduled debt repayments, but the two years afterwards, it starts to step up a little bit, so it is a nice opportunity to also manage overall our exposure to interest expenses in a suitable fashion. The whole merger with Hutchison and the buyback of the additional shareholdings, that is obviously a couple of years out, talking FY29 in that respect.

In terms of the actual kind of consolidation, of course, of the subsidiary and the 49% shareholding that you have, you are right. But we have of course calculated this through the entire term, and it leaves us in a comfortable territory. Also because we have now with the other elements very suitable and sustainable baseline that we have set. So you should not expect that the merger and the integration will expose us to a risk in this respect.

Margherita Della Valle: Just specifically, David, as you mentioned, the puts and calls, these are triggered, just as a reference for everyone, three full years after completion, so still some time away.

David Wright (Bank of America Merrill Lynch): And when we are modeling the cash flows, should we just assume an ongoing 50/50 interim final on the dividend? I do not think you have formally announced that today unless I have missed that.

Luka Mucic: Oh, the structure of the dividend itself is not expected to change in terms of how it will be paid out.

David Wright (Bank of America Merrill Lynch): Very good, thank you.

Polo Tang (UBS): Yeah. Hi. Thanks for taking the question. Can you maybe comment on why Philippe Rogge in Germany has left? And I know this is a call about the divestment of Italy and capital allocation, but can you give any update on whether German broadband trends in Germany are improving, and can you comment on retention rates you're seeing in terms of the basic cable TV side? Thanks.

Margherita Della Valle: Sorry, Polo, I could not hear the last bit. The retention rate?

Polo Tang (UBS): In terms of basic cable TV.

Margherita Della Valle: Okay. Yes, sure. So, let me take those in turn. So first of all, the management changes. We have taken the opportunity of the reshaping of the European footprint to also simplify our ExCo structure and set the team that will carry this forward in the future in the new shape. Philippe and his team have done a good job to bring Germany back to growth and establish all the building blocks for the turnaround. But in this new simpler structure, we are moving to a different setup and Marcel, who you may know, our consumer director in Germany, will become the CEO. Marcel and his team are really going to be the best place to drive Germany into the next phase, which for me is really all about relentless execution and strong commercial focus.

We have good momentum in Germany, I will come to that in a second, but it is really important that we build on where we are now and continue to accelerate our commercial performance. And Marcel has been a key architect in bringing Germany, and you will have seen it in the consumer numbers back to growth. So, I think we have the right team in place for the future.

I was mentioning the good momentum, you were asking for more information on Germany. I need to say some of that, we will have to wait for May, but if I can give you the headlines. Back in the Q3 call, I already said that from now on, we expect acceleration of our underlying growth in Germany. And by that I mean set aside the MDU transition, underlying we have, we are going to see acceleration and of course are really working to maximize the speed of this acceleration. From a commercial perspective, you have seen that our volumes in mobile have improved significantly in Q3, so that will support our growth rate.

And on broadband, we are now in March, so we have firmly put behind us the churn that was driven by the price increases, and therefore, we look forward to share with you how we can take our fair share of the fixed broadband market in Germany.

On the MDU transition, I am afraid there is nothing to add to what I said in February. It still is very early days. What we see continues to confirm, as we said in February, that we are well within the range that we had anticipated, the process execution, the channels, everything is working well, no new news. But by the time we see each other, I think in May, we will be in a much better position then, because we will have seen already, a sufficient share of the transition happening and we will have a good sense. So, looking forward to share this with you in May, together with, for everybody's benefit, the full guidance of the year.

Polo Tang (UBS): Thanks.

Ottavio Adorisio (Société Générale): Good morning. A very straightforward question from me. It is basically on the fees that Swisscom has committed to pay. You disclosed the amount in the first year, €350 million, but that will reduce over time. So if you can tell us the pace reduction and the length that a time that fee will be paid. And a very quick one on the accounting. You disclosed also that you had booked a hundred million of capital gain into the EBITDA of Vodafone Italy. Do you have any capital gain booked in anywhere else across the footprint? Thanks.

Margherita Della Valle: Thank you. I will let Luka to comment on the accounting point and just give the broad view on the services that we will provide to Swisscom going forward. These services range across all the operations that we have put in place across our markets, they range from anywhere from procurement, IT networks, platforms in B2B, such as IoT. We start at €350 million per year. The contracts in place have time set of up to five years, and obviously, it will be for Swisscom also to decide going forward beyond the contract’s duration, how they want to manage this. Importantly for us, this is the setup for Italy, but as you have heard in our press releases this morning, we are exploring with Swisscom a broader collaboration beyond Italy because a range of these services and platforms that we have built over the years could be of use also beyond Italy, and we could combine effectively our scale in Europe on a number of areas. Again, if I think to give you a tangible example about our IoT platform, it may be of interest also for Switzerland to come on board on the same platform where we have a strong leadership. Equally, if I take the example of procurement, we are currently running what's set to be the largest tender ever outside China on networks. e& has been joining us on this. All these things will be open for access to partners. I said back, if I go back to May or even slightly before then, that we were commercializing all our shared operations. That over the years we have built a lot of advantages for Vodafone, a lot of efficiencies in creating those shared operations.

They are now fully commercialised, or we are completing the commercialisation to be completely clear from 1st of April. We will have effectively MSAs in place for all the Vodafone markets with volume pricing, and this will be open to other telco partners such as Swisscom and Zegona. But also, beyond that, partner markets and third parties more broadly. And with the full commercial model that we have put in place, we will be able to scale also our service to this demand, up or down as necessary, depending on what the demand is going to be going forward. Luka on the accounting.

Luka Mucic: Yeah. So these €97 million, that is the exact number of accounting gains, they relate to the disposal of the Towers business from Vodafone Italy to INWIT. And it is a non-cash gain, that is why we have spelled it out. Across the Group, there is one similar arrangement of that nature and that is actually in the same kind of business. That is the

Vantage Towers gain relating to the carve out and disposal of Vantage Towers. It is of the same nature and also of similar size. That is essentially it.

Ottavio Adorisio (Société Générale): Can I ask which geography. So, which of the - is Germany, UK, whereabout is that?

Luka Mucic: Yeah, it is mainly in Germany, but across the markets where Vantage Towers is present.

Margherita Della Valle: Ottavia, you can find more details in our ARA on this point, or of course, engage with IR. They will be happy to give you the full list.

Ottavio Adorisio (Société Générale): Thank you.

Robert Grindle (Deutsche Numis): Good morning. Thank you. I was just about to ask that shared service center question, so thanks for the answers, Margherita. But just to check, will Italy be a partner market? And separately, just to tilt to the UK, what is the latest on that deal, please? Particularly with regard, not the CMA investigation, but with regard the process for the foreign interest investigation? Thank you.

Margherita Della Valle: Okay. The NSIA process that is reviewing the UK merger from a security perspective that you are referring to is ongoing. As we had the opportunity to discuss in I think previous conversation, it is a very thorough process addressing a very simple question, which is we are bringing together two telecom operators that were already operating in the market, and that were already subject to the telecom security regulation and all sorts of data protection rules, which applied on both sides. Also, you know what our intent is, we are moving these two existing operators in the UK market into a JV of which Vodafone will have control. So no concerns there.

In terms of partner markets, yes, we are looking for a broad range of partners. So, it can be those who are currently called partner markets. It can be new telco operators wanting to "join the club." You may have noticed today that there is another organizational change in the structure. We are organizing Vodafone across five units, Germany, European markets, Africa, from a geographical perspective, but also Vodafone Business and Vodafone Investments, from a business perspective.

And I am mentioning this because Vodafone investments will have two key roles going forward. The first is to manage the non-controlled assets of Vodafone. It was really important to me to separate what is controlled, day-to-day operations of markets like Germany or the like, with non-controlled, and by non-controlled, we have a range, as you know, of investments and joint ventures. They go from the well-known VodafoneZiggo in the telco space, to Vantage in infrastructure to the much less known investments we have made in things like satellites, in innovation.

All these investments will be now receiving adapt management because they need a different governance, a different way to handle the stakeholders than the controlled businesses. And we will have a very small team, agile, I would say maybe PE like financial specialist, operational specialist, focus on driving the best value creation opportunities out of this portfolio. But in the same space, we will have our partner markets management and the account management, if you want, of this broader telco relationship will also be run through Vodafone Investments.

Steve Malcolm (Redburn): Yeah, thanks for letting me ask the question. A quick couple if I can. Just on the buyback mechanics, can you just let us know what the proposed mechanism is, or is it open market purchase? Are you proposing a tender offer and is there any share price above which you would consider pulling back? It seems like a strange question to ask given the recent share price performance, but just keen to know your thoughts on capital discipline there and overpaying for shares.

And then just on sort of further proceeds, I am sure you are going to give a very guarded answer here, but potentially you have proceeds coming in for Towers still and for Vodafone in Spain and Microsoft prospect/investment in your IT business. How should we think about those proceeds if they come, and is there any reason that they would not be returned to shareholders? Thank you.

Luka Mucic: Yeah, perhaps I can cover those. So first of all, in terms of the buyback mechanism, it is going to be straight on market purchases. We are not contemplating a tender offer. And of course, we have looked at the full range of options. Special dividend would not have made, from our perspective, a lot of sense. First of all, because it would have been a one size fits all approach that all shareholders would have had to buy into whether they wanted or not. The share buyback is more flexible in that respect. And it is a very efficient mechanism as well. And we can get started with it quite swiftly once the proceeds from Spain have come in. So therefore, it is really straightforward share buyback.

In terms of the use of proceeds, to be very clear, we see beyond the €4 billion of share buybacks, of course, scope to consider further returns to shareholders, but that depends on various factors. We have now a variety of parameters set. We are strongly confident in our momentum in the business, in the continued rewards of our operational excellence focus. Yes, you are right. There are also investments like the one of Microsoft and that are going to happen, but of course, it is mainly driven by the big proceeds that we are getting from the main disposals. So all in all, we feel very confident that we have now very good choices at hand that we can decide on as we move forward. But let's first get the proceeds in place and then I think we will certainly be confident in our return approach.

Steve Malcolm (Redburn): Is it fair to assume that if you meet your internal targets financially, that those extra top up proceeds, should they arrive, would be most likely distributed shareholders?

Margherita Della Valle: I think we will have to assess what our overall position will be at that point. I think for today, we have been very clear on what we plan to do. There is opportunity for more, but we need to wait overtime and see how the overall situation develops. We will make the decision when it will be appropriate.

Steve Malcolm (Redburn): Thank you.

Akhil Dattani (JP Morgan): Hi, morning. Thanks for taking the questions. I have got two please. One is just on the portfolio as a whole. Obviously, you have now done deals in Spain, Italy, and the UK. I wonder if you could comment on the border portfolio. Are there other markets or areas that you are evaluating doing potential transactions in, or do you think they are now right sized as a group?

The second one was just a philosophical question on this whole topic that everyone has been asking around on shareholder returns. If we look back at the sector, the history of this industry, returning capital and creating value has not been particularly strong. And there is always this debate around whether companies should be investing more instead. And I appreciate Luka's point that capital intensity feels right, and obviously that may well be the case, but this industry has not done particularly well in investing in adjacencies to drive growth. And not to make the question too long, but we had, when Vodafone sold Verizon, money was returned, then a lot later you realized you needed to invest into adjacencies and fixed. So, can you just talk us through what makes you feel it is the right thing to return capital rather than maybe think more holistically around what could create more value and drive growth? Thanks a lot.

Luka Mucic: I think Margherita is best suited to start the answer, but I will give you also one from my past experiences coming from another industry. Margherita?

Margherita Della Valle: Sure. Let's start with the portfolio. Of course, the Board will always evaluate options that can create value for our shareholders. But I was very clear, I think in May, that what we needed to do, where we needed to take action was the three markets; Italy, Spain, and UK. And we have now done exactly that within a year. What we are going to manage going forward, as you have heard before, is a European footprint which is set for growth. Growth markets, strong position, and therefore we are happy with where we are now. So that is, in a nutshell, the M&A story.

On returns, Luka is all roaring to go by giving the comparison with big tech but let me just say a word around my priorities on this field. I think you are right on overall the track record. I think the most important track record that needs to shift is the ability of telcos, in particular in Europe, to deliver returns in excess of cost of capital. And the reasons of the right sizing of the portfolio that I announced in May was precisely that, operating first and foremost in markets that allow us to deliver returns in excess of the cost of capital and in which we will manage investments, how can I say, with the appropriate balance to ensure we have well invested networks, we are driving growth and the like.

If I think about, you mentioned the word diversification, I am not sure it is necessarily the right word for what I am going to say. But my main focus, our main focus is to make sure we are well invested to capture the growth opportunity that we have in B2B, particularly given that the demand of digital services is growing very fast in Europe. Vodafone is considered a very, very strong player in this world. You have seen to trust our customers have on us in helping them digitize. You have seen the market share gains we are having, and therefore on the back of what Luka was describing a little bit earlier is not necessarily capex, opex, and the like. Within Vodafone, you will see increasing resources dedicated to B2B.

Luka Mucic: Yeah, and now you triggered me with one word that you used and that was adjacencies. I think it is a very dangerous word, honestly speaking. And from my outside-in perspective, actually, the industry has been particularly bad at trying to win in adjacencies. So for me, I think whenever I think about incremental investments and I am all in to invest appropriately in great opportunities, it has to do with having a very clear and honest view on do you have a right to win? And do you have a moat that you can bring to bear? I have seen too many technology platform players who've tried to become business process and application players in my old industry and vice versa to know that this can be very difficult.

So where we are choosing to play is actually not neglecting the DNA of the company and where it has come from, but actually extending it in a readily kind of value accretive fashion for our customers. And this is particularly the case in B2B, and this is why this is for me, such an exciting opportunity because you can actually, with very targeted interventions that you can readily fund as well within the envelopes that we have by shifting, actually create and crystallize much more value than if you would take, I would say a single-handed focus on going astray and entering a new category.

And the beauty of it is that it has a relatively low risk profile. It actually delivers a nice step up in growth, because you are wrapping services around, that you anyway have already, some new portfolio categories that we are now able to drive with our partnerships. And with that, at the end of the day, you are amplifying growth at very attractive returns. I think this is how to think about the opportunity to step up investments and the fact that we do not need to blow up our capital intensity as a result of that should actually be very, not only comforting, but very positive to all observers.

Margherita Della Valle: I cannot resist but adding that there is also a big unexploited opportunity, I think for the industry of partnering to broaden the reach of services to our customers. It is something that for me is really important. Telcos used to think in terms of either we, I do not know, develop a new product, try a new adjacency or we will not be successful. I genuinely believe that in the current world where we are part of a much broader ecosystem of players in what we call the industrial internet, also bringing partnerships to the table makes a big difference. And you will have seen the announcement of our partnership with Microsoft, which is all about taking the best of their product development, the best of our customer relationship for a win-win in terms of growth. And I think we need to think much more in these terms as opposed of just either you put the capex or nothing.

Akhil Dattani (JP Morgan): Great. Thank you very much.

Margherita Della Valle: Just thank you very much for everyone. We know you made the time at short notice today, so thank you for joining us and look forward to see you again in May where we will have a much broader time available to also talk about the strategy going forward. Thank you.

Luka Mucic: Thank you very much.

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