



Suggestion: Buy

Target: 1.32

Risk: Medium

STOCK DATA		ORD		
Price in £ (as of 2 Dec 2025)		0.94		
Bloomberg Code		VOD:LN		
Market Cap (£ mn)		22,308		
Free Float		76%		
Shares Out (mn)		23,840		
52 week Range		£0.62 - £0.96		
30D Avg Daily Vol		75,672,914		
Performance (%)	1M	3M	1Y	
Absolute	3.15	8.64	34.05	
Rel to FTSE 100	3.25	3.04	18.11	
MAIN METRICS		2025	2026E	2027E
Revenue	31,515	35,703	36,635	
EBITDA	12,723	10,105	10,546	
EBIT	3,631	3,777	4,192	
Net income	(3,490)	1,897	2,052	
EPS (Diluted)	(0.13)	0.07	0.08	
DPS	0.04	0.04	0.04	
MULTIPLES		2025	2026E	2027E
P/E		-	12.41	11.17
EV/EBITDA		2.65	4.20	4.02
EV/EBIT		9.28	11.23	10.12

SECTOR & STRATEGY ANALYSIS

COMPANY AND INDUSTRY OVERVIEW

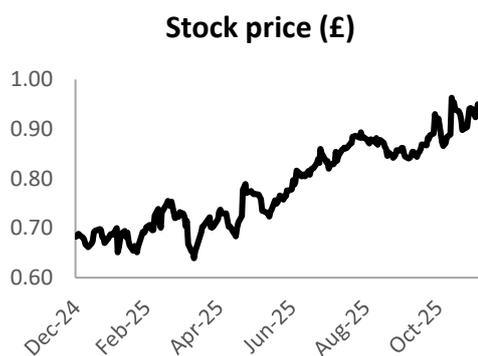
Vodafone Group Plc is a multinational telecommunications company that provides a wide range of communication and digital services to consumers, businesses, and governments. Founded in the United Kingdom in 1984, the company is listed on the London Stock Exchange (VOD) and is a constituent of the FTSE 100 Index, with a market capitalisation of approximately £22.3 billion (December 2025). The company delivers mobile voice and data services, fixed-line broadband, cloud and Internet of Things (IoT) solutions, adapting its business model to the evolving demands of the digital era, investing heavily in 5G networks, fibre infrastructure, and emerging technologies to ensure an updated service.

Geographically, the Vodafone's core markets include the United Kingdom, Germany, Italy, Spain, and South Africa. Through its African subsidiary, Vodacom, and a range of collaborative initiatives with technology and infrastructure providers and joint venture with local companies, Vodafone serves indirectly different countries around the world.

The global telecommunications industry is one of the largest and most capital-intensive sectors. It provides mobile connectivity, broadband, data transmission, and digital services to both individuals and businesses. In 2024, the global telecom market was estimated at around USD 1.9 trillion, with Europe accounting for roughly 35-40% of the total, valued at USD 730 billion in 2023.

The European telecom industry recorded an average annual growth rate (CAGR) of 6-7% between 2018 and 2023, reflecting a steady recovery in the years following the pandemic. This explosion in data demand during COVID-19 lockdowns, with remote work, home schooling and intense use of streaming services, is one of the main causes of this period of strong demand. Governments and companies invested heavily in 5G networks and fibre infrastructure, while the contemporary shift toward digitalization and cloud-based business services created new sources of revenue.

However, year-over-year (YoY) growth has sharply slowed since 2023, falling from around 6% to 3% in 2024. This sudden change reflects a high degree of market saturation, enhanced by strong



competition and limited price flexibility due to strict regulation. Highlighting the European market, we can further notice that almost everyone (mobile penetration rates exceed 120% in most European countries) already has access to broadband and mobile services. Since there are just few new customers to acquire, companies must focus on retaining users, cross-selling services and raising ARPU. This situation contrasts with emerging markets (like Africa and part of Asia) where telecom sector is still increasing, and opportunities remain higher. As previously said, competition in Europe remains fierce. The market is dominated by a few large multinational groups- Vodafone, Deutsche Telekom, Orange, Telefónica, and BTGroup- which compete across borders, along with smaller national operators and low-cost MVNOs such as Lycamobile and Gicgac. The high degree of competition is the main reason for constant price wars and decreasing profit margins. After several years of significant capital expenditure on 5G and fibre networks, telecom companies are now facing rising costs, higher interest and slower return on their investment. Consumers, more careful with their expenses due to inflation, are increasingly price-sensitive, limiting revenue growth. Looking ahead, growth in Europe is expected to remain stable, with a projected CAGR of 3-4% for 2024-2028. The sector's prospects depend on companies' ability to monetize 5G, exploit new digital business model, possibly benefit from a new wave of market consolidation and taking advantage of growing opportunities in emerging regions such as Africa.

CLIENTS

Vodafone's customer base reflects the dynamics of a mature yet competitive industry. The company's ability to segment and adapt its offerings to diverse demographic and behavioural profiles is central to sustaining growth and maintaining market share in both established and emerging markets.

In developed economies such as the United Kingdom, Germany and Italy, Vodafone's customers tend to be middle-high income individuals who value reliability, data speed, and customer service. In contrast, in emerging markets, the customer base includes a higher proportion of price-sensitive users seeking affordable prepaid plans and basic connectivity.

Reflecting broader global trends in digital consumption and the expansion of 4G and 5G networks, Vodafone customers show an increasing dependence on mobile data services rather than traditional voice or SMS. Consumers prefer bundled services that integrate mobile, broadband, and entertainment options, showing an inclination toward convenience and cost efficiency.

Customer loyalty is influenced by several factors, including perceived service quality, network reliability, and pricing strategy. The company invests heavily in customer retention through reward programs, data-sharing plans, and personalized offers based on usage analytics. Customers under 35 years old exhibit higher brand-switching tendencies often driven by promotional offers and perceived value for money. Older consumers, by contrast, tend to maintain longer relationships with the brand, prioritizing stability and network coverage. However, competitive pressure remains high in the telecommunications sector due to the high level of fixed costs.

SUPPLIERS

Vodafone relies on a broad international supply network for its telecom equipment, software and digital services. Among the most relevant suppliers we observe Ericsson and Nokia that provide mobile networks and 5G infrastructure. Another relevant company is Huawei, but now, because of EU restrictions, its role has been limited. The big tech companies like Microsoft, Google and Amazon web services provide cloud computing and digital services. While the biggest hardware and enterprise tech supplier is Cisco Systems.

Most of these are based in Europe, North America, and Asia, making Vodafone a highly interconnected company. This wide supplier's base reduces dependence on a specific region or firm. The major risks that the firm's supply networks may challenge are mostly related to the geopolitical tensions (regarding Chinese suppliers) and component shortages (like semiconductors).



COMPETITORS

Vodafone operates in a highly competitive European telecommunications landscape, where several large incumbent operators and more agile challengers vie for market share across mobile, fixed-line, broadband, and converged services. Among Vodafone's principal competitors are a handful of major pan-European telecom groups, as well as national champions and budget players.



First, at the top of the competitive hierarchy sits Deutsche Telekom AG. With a very extensive presence across multiple European countries and a diversified business including mobile, fixed, and enterprise services, Deutsche Telekom often competes head-to-head with Vodafone in markets such as Germany. Their broad geographic footprint and financial strength make them among Vodafone's fiercest rivals.



Next, Orange S.A., the French telecom giant, and Telefónica S.A., the Spanish multinational, are also key competitors. Both operators hold leading positions in multiple European markets and consistently feature among the largest telecom operators in Europe alongside Vodafone and Deutsche Telekom. Their comprehensive service offerings and scale give them competitive parity with Vodafone in fixed-line, mobile, broadband and converged offers.

In addition to these, national and smaller-scale operators play a crucial role at the country level. For example, in Italy (historically a core market for Vodafone via Vodafone Italia), major competitors have included TIM (Telecom Italia), WindTre, and Iliad Italia. These national players differentiate on pricing, coverage, and sometimes simpler or more aggressive plans, putting pressure on Vodafone's market share, especially among price-sensitive customers.

Beyond purely European operators, Vodafone also faces competition (especially for business and global services) from large global telecom or telecommunications-services firms and diversified communications providers around the world. This competitive set includes big global players from outside Europe, though the intensity and relevance of this competition vary significantly by region and service type.

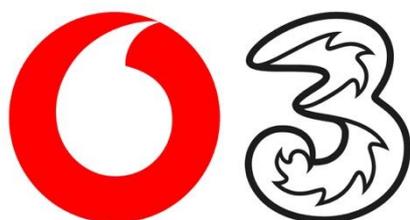
The result of this multi-layered competitive environment is that Vodafone must continuously adapt: deploying next-generation networks (5G, fiber), offering converged packages (mobile + fixed broadband + value-added services), and responding to aggressive pricing or value propositions from both large incumbents and nimble challengers. For example, in many European markets Vodafone appears in the “top 5” telecom operators along with Deutsche Telekom, Orange, Telefónica, and BT, which underscores how tight and consolidated the competitive field is.

In conclusion, Vodafone’s competitive landscape is shaped by:

- i. a small number of very large, diversified pan-European incumbents (Deutsche Telekom, Orange, Telefónica);
- ii. national operators with strong local positioning (e.g., TIM, WindTre, Iliad in Italy);
- iii. global or international telecom firms that compete in certain segments. Navigating this competitive field successfully requires Vodafone to leverage scale, network investments, and diversified service offerings to retain and grow its customer base across multiple European markets.

CORPORATE STRATEGY AND GROWTH

Vodafone is now, after several years of internal restructuring, consolidating its position in the telecom market. Recently, growth has been modest but stable. The main drivers for this are the expansion of 5G coverage and the rollout of fibre networks around the European and African continents. The latter helps the company attract enterprise clients and meet the growing data demand. After having changed its portfolio selling the non-core operations in Italy and Spain, the focus is now on high-margin and strategic markets, especially in Northern Europe. A future growth possibility for strengthening the competitive position and reducing operating costs is the merger with Three UK, part of the consolidation process that the company is pursuing.



DISTRIBUTION AND MARKETING

Vodafone’s distribution and marketing strategy is built on a combination of physical reach, digital channels, wholesale partnerships and a strong, technology-focused brand identity. The

company distributes its services through directly operated stores, franchise outlets, online platforms, mobile apps and enterprise sales teams. In recent years, Vodafone has modernised its retail footprint by transforming traditional shops into more experiential spaces aimed at improving customer interaction and cross-selling. Franchise arrangements in markets such as the United Kingdom extend Vodafone's reach, although they have occasionally created operational challenges.

Digital channels now play a central role. Vodafone increasingly prioritises online sales, app-based service management and digital onboarding, including eSIM activation. This shift reflects the group's strategic focus on customer simplicity and growth. For small and medium-sized businesses, Vodafone provides specialised digital portals that showcase its IoT, cloud and security solutions, allowing the company to market and distribute these services more efficiently.

Another important component of Vodafone's distribution model is wholesale access. The company supplies network services to mobile virtual network operators, enabling them to offer Vodafone-powered connectivity under their own brands. Emerging partnerships with eSIM and technology providers have created "MVNO-in-a-box" solutions, allowing companies outside the telecom sector to integrate mobile services into their own customer offerings.

In marketing, Vodafone presents itself as an innovative and optimistic brand centred on the idea of enabling a better digital future. Its well-known brand platform promotes technology as a positive force and supports this message through broad advertising campaigns, sponsorships and targeted communications. Vodafone uses a classic segmentation and positioning approach, aiming to serve both high-value, data-heavy consumers and businesses seeking integrated digital solutions. Marketing for enterprise clients highlights reliability, global reach and tailored support.

Vodafone increasingly relies on data and analytics to refine its marketing strategy. Brand-tracking tools allow the company to evaluate campaign effectiveness and monitor customer perceptions. The broader shift toward omnichannel experiences ensures that customers receive consistent, seamless interactions across online platforms and physical stores. Overall, Vodafone's distribution and marketing approach integrates physical presence

with strong digital capabilities and data-driven brand management, supporting its competitive position in mature European telecom markets.

PARTNERSHIPS



Partnerships are a core part of Vodafone's business model, making it able to innovate and expand services not just in a quantitative way but also geographically. They also enable the company to access new technologies and enter new markets with a reduced investment cost. Vodafone works closely with big tech companies such as Microsoft, Google Cloud and Amazon Web Services to develop cloud computing, data analytics, and AI-driven services. All of this is making the firm not just a traditional telecom operator, but a more complete digital services provider able to offer integrated solutions for business clients. For its infrastructure, Vodafone relies on long-term deals with Vantage Towers and other tower firms to share mobile sites. Doing this, the company reduces its costs and can roll out 5G and fibre faster and cheaper. It also shares parts of its network with operators like Telefónica O2 in the UK and Orange in Spain to improve coverage and keep expenses low.

In Africa, Vodafone works with local banks, fintechs, and public institutions through Vodacom to expand M-Pesa, its mobile payment service. These collaborations have helped the company improve financial access and have turned M-Pesa into one of the continent's largest digital payment systems. In this way, Vodafone manages to stay competitive, encourage innovation, and maintain stable growth across developed and developing regions.

OWNERSHIP AND MANAGEMENT

Vodafone is a publicly listed company with a widely dispersed shareholder base. Most of its shares are held by large institutional investors such as pension funds, asset managers and long-term investment firms, alongside a significant number of individual shareholders. This broad ownership structure reflects Vodafone's position as a major European telecommunications group and contributes to a high level of liquidity in its shares.

The company is overseen by a Board of Directors that is responsible for defining Vodafone's purpose, supervising strategic

decisions and ensuring strong standards of governance. The Board is supported by several committees that focus on specific areas including audit, risk management, executive remuneration, appointments, governance and sustainability. These committees help ensure that financial reporting, regulatory compliance and strategic oversight are carried out with discipline and transparency.

Day to day leadership is provided by the Executive Committee, led by the Group Chief Executive and the Group Chief Financial Officer. This management team includes senior leaders responsible for commercial operations, technology, legal affairs, external relations and other core functions across all markets where Vodafone operates. The Executive Committee is in charge of implementing the strategy approved by the Board and ensuring that operations across Europe and other regions run efficiently and consistently.

Vodafone applies a clear governance framework that sets rules, responsibilities and decision-making authority for all its subsidiaries. This structure allows the company to maintain uniform standards in areas such as risk control, regulatory obligations, ethical conduct and stakeholder engagement, while still giving local operating companies the flexibility to adjust to their national markets.

The company has also made changes to its portfolio in recent years. One example is the divestment of its Italian business, which reflects a broader strategy of simplifying the group and focusing on markets where Vodafone can strengthen its competitive position.

Overall, Vodafone's ownership and management structure combines dispersed public ownership, strong oversight from an experienced Board and a professional executive team capable of managing a complex international telecommunications group.

CAPITAL STRUCTURE

Vodafone has a heavy capital structure, a normal feature for a telecom company. The main reason for this is the constant need to invest in networks, spectrum and new technologies. In recent years, the group has tried to simplify things by selling some of its non-core operations, like the businesses in Spain and Italy. This

decreased debt and let the company focus on the areas where it is strongest. Even with these moves, Vodafone still has a considerable amount of long-term borrowings. Despite this, the sale of part of its tower infrastructure has helped reduce net debt slightly. Its leverage ratio is around 2.5 to 3 times EBITDA. It seems to be high, but, given the stability of subscription revenues, it is similar to the industry's average levels.

The company generates good operating cash flow, but a large share of it (15-20%) goes into CAPEX. Most of this spending goes into rolling out 5G, improving fiber networks and upgrading IT systems. Cash reserves and access to large credit facilities are the main source of liquidity. A significant percentage of the company's debt is on fixed rates. This helps limit the impact of rising interest costs. Nevertheless, the company faces financial pressure from its high level of leverage, slow revenue growth in Europe, and some currency volatility in African markets. In the next few years, Vodafone's aim is to gradually strengthen its balance sheet by improving cash generation, making the most of the planned merger with Three UK, and relying on the faster growth of its African operations to balance weaker European performance.

ESG COMMITMENT

Vodafone Group presents its ESG commitments as integral to its purpose "to connect for a better future," aligning environmental action, social inclusion and strong governance with the Group's strategy to enable an inclusive and sustainable digital society across Europe and Africa.



On climate, Vodafone has a science-based pathway to net-zero, validated by the SBTi, and a region-specific timetable for its own operations: net-zero Scope 1 and 2 by 2028 in Europe and by 2035 in Africa, with full value-chain (Scope 3) net-zero by 2040. The company also commits to help customers avoid a cumulative 350 million tonnes of CO₂ between 2020 and 2030 through connectivity-enabled solutions. Recent disclosures highlight progress such as a 59% reduction in Scope 1 and 2 emissions since 2020, alongside plans detailed in the Group's Climate Transition Plan for FY2025–FY2027 to drive further decarbonisation and build resilience.

Social inclusion is anchored in the "Inclusion for All" agenda, focusing on equitable access to connectivity, affordable devices,

digital skills and relevant services for underserved groups. In Africa, Vodafone (through Vodacom and Safaricom) advances financial inclusion at scale via platforms such as M-Pesa, while the Vodafone Foundation partners with UNHCR to expand Instant Network Schools, aiming to connect hundreds of thousands of refugee and host-community students to digital learning. Vodafone also sets workforce inclusion ambitions (e.g., women in leadership) and links inclusion outcomes to its broader growth strategy.

Governance is formalised through Board-level oversight: the ESG Committee of the Board approves ESG strategy and targets, monitors progress and coordinates with other committees. Vodafone maintains a comprehensive transparency programme—covering ESG reporting, human rights, privacy and law-enforcement assistance—with annual disclosures on government demands and clear principles for handling data requests. This governance architecture is being further strengthened to meet emerging regulatory requirements, including CSRD-aligned reporting.

All suppliers must comply with Vodafone’s Code of Ethical Purchasing and related supplier policies, addressing labour standards, human rights, environmental management, and anti-corruption. The Group publishes an annual Modern Slavery Statement and details its due-diligence approach for responsible minerals, with onboarding and contracting designed to make these standards non-negotiable.

PESTEL ANALYSIS

Competitive rivalry in Vodafone’s markets is very high. The telecom sector across Europe is heavily saturated, with strong incumbents such as Deutsche Telekom, Telefónica, BT and Orange, in addition to a growing number of low-cost MVNOs. Because core mobile and fixed services are largely undifferentiated, operators compete primarily on price, promotions, and network quality. This fuels persistent customer churn and compresses margins, while requiring continuous investment in 5G and fiber to sustain competitiveness. As a result, rivalry remains structurally intense and is one of the most significant pressures on Vodafone’s performance.

The threat of new entrants is low due to substantial structural and regulatory barriers. Building and operating a telecommunications network requires massive upfront capital expenditures for spectrum auctions, infrastructure rollout, and maintenance. Regulatory frameworks limit access to spectrum, while economies of scale favor established operators. Although MVNOs can enter more easily by leasing capacity from existing networks, they typically compete only in the low-cost segment and do not pose a full-scale threat to integrated operators like Vodafone. Overall, the market's entry barriers protect incumbents and minimize the risk of meaningful new competitors.

Supplier bargaining power is moderate but gradually increasing. Vodafone depends on a relatively concentrated group of suppliers such as Ericsson and Nokia for network equipment, and on tower companies, particularly after the creation of Vantage Towers and the rise of independent towercos, for access to passive infrastructure. IT and cloud partnerships with global players like AWS or Google also limit Vodafone's leverage in negotiations. While the company's scale allows it to secure long-term contracts and volume advantages, the limited number of alternative suppliers and the strategic importance of network assets give suppliers a meaningful, though not overwhelming, degree of power.

Customers bargaining power is high across most of Vodafone's footprint. Telecom consumers can switch operators easily thanks to number portability and the abundance of comparable alternatives, including MVNOs and bundled converged offers. Price sensitivity is high, especially in mature European markets, and enterprise clients can negotiate substantial discounts for large contracts. These dynamics constrain Vodafone's ability to raise ARPU and require continuous improvements in service quality, pricing, and retention initiatives to maintain customer loyalty.

The threat of substitutes is moderate, driven mainly by the rise of over-the-top (OTT) services that erode traditional revenue streams. Applications such as WhatsApp, Skype, Zoom and

FaceTime have significantly reduced the relevance of voice and SMS, pushing operators to rely increasingly on data revenues. Fixed–mobile substitution is also growing as mobile networks improve in speed and reliability, while emerging technologies, introduce additional, although still limited, alternatives. Despite these pressures, data connectivity remains essential and has no perfect substitute, moderating the overall threat level.

SWOT ANALYSIS

Vodafone has several important strengths that support its position as one of the leading telecommunications companies in Europe. It has a strong brand that is recognized for reliable network quality, widespread presence across Europe and a long history in the mobile and broadband market. Its large customer base gives it scale advantages and significant recurring revenue. Vodafone is also active in growing areas such as digital services, cloud, security and the Internet of Things, which strengthen its relevance for enterprise clients. Ongoing investment in fifth generation technology and fiber networks aims to improve customer experience and future proof the business.

Despite this, Vodafone faces weaknesses that affect profitability and growth. Competition is intense in many of its core markets, where price pressure and similar service offerings make differentiation difficult. Group financial performance has been weighed down by slower revenue growth in Europe, high network investment needs and a complex geographic structure that has required restructuring. Brand perception in some markets has also declined due to customer service challenges and aggressive discount competitors.

Opportunities exist for Vodafone to capture new value in a changing telecommunications landscape. The rollout of fifth generation networks can unlock new consumer and industrial applications and reinforce its leadership in connectivity. Demand for integrated digital solutions for businesses is increasing, allowing Vodafone to expand higher margin services in cloud, security and Internet of Things. Portfolio optimization such as focusing on fewer stronger markets and potential consolidation moves can help improve efficiency and market power. There is also room to accelerate digital channels to improve customer experience and reduce operational costs.

However, several threats could limit Vodafone's progress. Many European regulators keep strong pressure on pricing and market structure to protect consumer interests, which restricts the ability to raise prices. New and low-cost challengers continue to attract customers with aggressive offers, while technology firms are entering adjacent areas of digital communication and entertainment. Macroeconomic uncertainty and inflation increase costs and may reduce consumer spending. Finally, cybersecurity risks and rising energy costs for network infrastructure remain persistent external challenges that require constant investment. data connectivity remains essential and has no perfect substitute, moderating the overall threat level.

PESTEL ANALYSIS

Political

- Regulation & Licensing: Telecom operators are heavily regulated. UK and EU rules concerning roaming charges, competition limits and network security strongly affect Vodafone.
- Geopolitical Tensions: Vodafone is now looking for new suppliers, increasing costs and slowing the pace of network upgrades after recent restrictions on Chinese ones.
- Government Digital Agendas: Big public investments and policies promoting 5G represent opportunities for Vodafone to expand its market in both Europe and Africa.

Economic

- Inflation & Recession Pressure: High inflation reduces consumers' willingness to pay for premium plans, also preventing Vodafone from raising prices in European markets.
- Capital Intensity: Continuous investments in 5G and fiber networks expose Vodafone's cash flow to significant pressure.

Social

- Customer expectations: Vodafone's commercial strategy is shaped by consumer expectations on reliable connectivity, integrated and convenient bundles and transparent pricing.

- Growing Population in Africa: Demographic growth in Africa supports the company's expansion. This stimulates demand for mobile data and services such as M-Pesa.

Technological

- 5G Deployment: 5G rollout is necessary for competitiveness, enabling smart cities and company private networks.
- Cloud & AI Integration: Partnerships with Microsoft, Google Cloud and AWS support the firm's development of cloud services and AI-based networks.
- Cybersecurity Needs: Digitalization exposes the firm to cyber-attacks, requiring increased investment in security technologies.

Environmental

- Energy Consumption: Telecom networks require large amounts of electricity; rising energy costs impact the firm's operating expenses.

Legal

- Spectrum Regulation: Strict governmental control of spectrum licenses impacts the company's cost structure and investment planning.
- Data Protection Laws: Operational complexity increases due to compliance with GDPR in Europe and strict privacy regulations.

FINANCIAL STATEMENT ANALYSIS

Between 2020 and 2025, Vodafone implemented an extensive transformation strategy focused on simplifying its structure and improving efficiency. While revenue growth remained modest, the company's operating performance improved considerably thanks to cost reductions, divestments of non-core assets, and strategic concentration on its most profitable European and African markets. The balance sheet shows steady deleveraging and enhanced liquidity, reflecting the proceeds from asset sales and the disciplined use of cash flows. Overall, Vodafone's financial profile strengthened over the period, with improved margins, a leaner asset base, and better solvency metrics.

INCOME STATEMENT

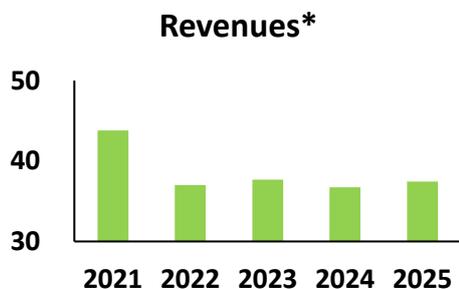
Vodafone's income statement over the period reflects modest revenue growth but clear progress in profitability. Revenue reached €37.4 billion in 2025, broadly stable compared with 2024 (€36.7 billion). The limited top-line expansion reflects lower contributions from divested operations offset by steady service growth in Africa and digital business lines.

Operating profit (as reported by Vodafone) amounted to €3.6 billion in 2024 and fell significantly to a loss of €411 million in 2025. Likewise, the EBITDAaL margin declined slightly from 30.0% to 29.2%. Vodafone's decline in performance is explained mainly by non-recurring restructuring and impairment charges related to the divestment of low-return markets.

Return ratios have shown an important deterioration since 2023: ROA decreased to -3.0% and ROE to -7.3%. However, the sharp decline in performance is the result of a €4.5 billion non-recurrent impairment charge on assets. The five-year average indicates a more optimistic, though still modest, profitability. The ROA stands at 1.4% while ROE at 3.7%. Overall, Vodafone's performance improved modestly due to higher revenues but was negatively impacted by the costs of structural reforms.

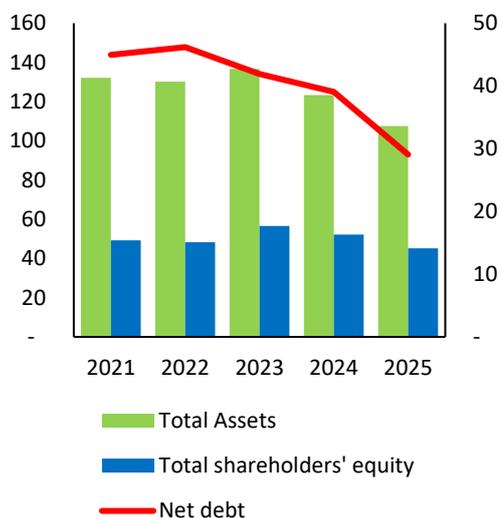
BALANCE SHEET

Vodafone's balance sheet evolution highlights the positive impact of its deleveraging strategy and asset optimization measures. Total assets declined from €144.4 billion in 2024 to €128.5 billion in 2025, driven mainly by the derecognition of assets related to Vantage Towers transactions and the disposal of



*2022-2023 (Vodafone re-presented figures excluding Italy and Spain operations)

Balance sheet items*



*2022-2023 (Vodafone re-presented figures excluding Italy and Spain operations)

discontinued operations in Italy and Spain. The company has shifted towards a more digital and capital-light operating model, consistent with its strategic priorities.

Total equity attributable to shareholders stood at €52.7 billion in 2025, down from €60.0 billion in 2024, reflecting the net loss of the year, partially offset by strong cash generation from operations. On the liability side, Vodafone significantly improved its capital structure through debt reduction. Total debt decreased to around €53.1 billion, lowering the Debt-to-Equity ratio to 99%. The current ratio increased to 1.26x in 2025 and the quick ratio rose to 1.23x, reflecting stronger cash reserves. Cash and cash equivalents reached €11.0 billion, up from €6.2 billion in 2024, underscoring the group's stronger liquidity position. Overall, Vodafone's balance sheet shows enhanced flexibility, a healthier capital mix, and lower financial risk.

CASH FLOWS

Vodafone's financial data from 2021 to 2025 reveals a company in the midst of a costly and aggressive restructuring, evidenced by the contrasting severity of movement in EBITDA and FCFF. The EBITDA figures show a sharp but expected structural contraction, dropping significantly from a stable £15.5 billion baseline (2021-2023) to a new, lower base of around £11.8 billion (2024-2025). This ~22% decline marks the anticipated earnings loss following major strategic divestitures (e.g., Spain and Italy), establishing a smaller, streamlined operational footprint. In stark contrast, the FCFF figures highlight a severe cash flow shock in the transitional year of 2024: after generating robust cash flows averaging over £9 billion (2021-2023), FCFF collapsed to £-1.1 billion in 2024. This negative reading, meaning the company's operating cash was insufficient to cover its capital expenditures, indicates that the structural shrinking of the business coincided with a temporary but intense operational or investment drain. However FCFF rebounded to £4.7 billion in 2025 mainly due to lower variance in Non-cash items. Nonetheless, the fact that the stabilized FCFF base is less than half the historical average confirms that both profitability and cash generation capacity are permanently lower following the strategic divestitures.

RATIO ANALYSIS

The following ratio analysis assesses Vodafone's performance across profitability, liquidity, solvency, and efficiency dimensions, benchmarking it against Deutsche Telekom, Orange S.A., and BT Group for the most recent year.

PROFITABILITY

Vodafone's profitability showed a mixed evolution over the past five years, driven by ongoing cost-control measures and divestments of low-return European assets. The EBITDAaL margin declined from 32.8% in FY21 to 29.2% in FY25. The operating margin followed an irregular path. After peaking at 38.4% in 2023, it declined sharply to -1.1% by 2025, indicating recent challenges despite ongoing cost control and restructuring efforts.

Fiscal Year	EBITDAaL Margin	Operating Margin	ROA (%)	ROE (%)
FY21	32.8	11.7	0.3	0.8
FY22	33.4	15.5	1.8	4.9
FY23	33.0	38.4	7.9	19.1
FY24	30.0	10.0	1.0	2.5
FY25	29.2	-1.1	-2.9	-7.0

ROA declined from 7.9% in 2023 to -2.9% in 2025, indicating reduced efficiency. ROE deteriorated turning negative in 2025 (-7.0%), showing declining shareholder returns. Overall, Vodafone's profitability metrics show that although Vodafone achieved notable progress in previous years, it now faces substantial obstacles that have partially undone those gains.

Vodafone's EBITDAaL margin (29.2%) is slightly below Deutsche Telekom (33.1%) but above Orange S.A. (27.5%) and BT Group (25.4%), suggesting competitive operational efficiency within the European telecom sector.

LIQUIDITY

Vodafone maintained a stable liquidity position throughout the period, reflecting effective working capital management. The Current Ratio increased from 0.94 in 2021 to 1.26 in 2025, indicating adequate short-term solvency, while the Quick Ratio rose from 0.92 to 1.23, consistent with higher cash holdings following asset sales. Liquidity remained in line with the industry average. Vodafone's liquidity ratios are broadly in line with Orange S.A. (0.97) and BT Group (0.90), and even exceeded Deutsche Telekom (1.02), consistent with reduced leveraged after portfolio optimization efforts.

Fiscal Year	Current Ratio	Quick Ratio
FY21	0.94	0.92
FY22	0.82	0.79
FY23	0.89	0.86
FY24	0.88	0.86
FY25	1.26	1.23

EFFICIENCY

Operational efficiency has improved modestly as the company simplified its footprint and invested in higher-yield regions. The Total Asset Turnover rose from 0.27x in 2020 to 0.34x in 2025, reflecting better utilization of assets after divestments and efficiency-driven network investments. Vodafone's asset turnover ratio (0.34x) is comparable to Orange S.A. (0.33x) and BT Group (0.32x), though still below Deutsche Telekom (0.37x), suggesting room for further optimization.

SOLVENCY

Vodafone's solvency position has improved significantly over the period, following debt reduction initiatives funded by divestment proceeds. The Debt-to-Equity ratio declined from 117% in 2021 to 99% in 2025, and the Net Debt-to-Equity ratio fell from 107% to 78%, confirming deleveraging progress. The Debt/EBITDAaL ratio improved from 3.2x to 2.4x, demonstrating enhanced debt servicing capacity.

Fiscal Year	Debt/Equity (%) [□]	Net Debt/Equity (%) [□]	Debt/EBITDAaL (Times) [□]
FY21	117 [□]	107 [□]	3.0 [□]
FY22	123 [□]	110 [□]	2.8 [□]
FY23	103 [□]	85 [□]	2.6 [□]
FY24	93 [□]	83 [□]	2.5 [□]
FY25	99 [□]	78 [□]	2.4 [□]

COMPANY VALUATION

Fiscal Year	Revenues (€B)	Growth rate
FY22	47.1	–
FY23	47.3	0.44%
FY24	36.9	(21.84%)
FY25	37.6	1.88%
FY26E	40.6	7.85%
FY27E	41.6	2.70%
FY28E	42.5	1.94%
FY29E	43.9	3.42%
FY30E	44.5	1.28%

REVENUES

To determine the appropriate revenue growth assumptions for Vodafone's forecast, historical performance, strategic developments, and analysts' estimates were analyzed.

The table presents Vodafone's historical and projected revenues over the 2022–2030 period. Vodafone's total revenue base has remained broadly stable since FY22, reflecting modest organic growth in core European markets offset by currency headwinds and portfolio rationalisation. The recent divestments of Vodafone Spain and Italy, completed in FY24 and FY25 respectively, have temporarily reduced reported revenues but were key to refocusing the Group on markets with higher returns and growth potential. Following this portfolio reshaping, revenue growth is expected to resume at a steady pace, supported by structural tailwinds in digital connectivity and enterprise demand. In the short term (FY26–FY27), Group revenues are projected to expand moderately, driven by strong performance in Africa and Türkiye and by integration benefits from the Vodafone–Three UK merger. The consensus for FY26 implies total revenues of €40.4 billion, rising to over €42 billion by FY28. Over the medium term, growth is forecast to stabilize around 1.5% annually, consistent with Vodafone's focus on recurring service revenue, efficiency gains, and gradual recovery in its German operations.

WACC

COST OF EQUITY

The cost of equity is calculated using the **Capital Asset Pricing Model (CAPM)**. A **risk-free rate of 4.48%** was selected, based on the average yield to maturity of the UK Gilt 10Y over the past three months. A 3-year equity **beta of 1.10** was used in the model, multiplied by a market risk premium of 7.11%. The latter value calculated by NYU Professor Aswath Damodaran. Using the values computed above, we arrived at a conclusive **cost of equity of 12.28%**.

Cost of equity	
Risk free rate	4.48%
Equity Risk Premium	7.11%
Beta (3Y weekly)	1.1
Ke	12.28%

Cost of debt

Risk free rate	4.48%
Corporate rating	BBB
Default spread	1.20%
Kd (if and default spread)	5.68%
Kd (using effective interest rate)	5.59%
Tax rate	25.00%

COST OF DEBT

We initiate the computation of the cost of debt using the **same risk-free rate** assumed for the cost of equity (4.48%). We added to this value the **credit spread**, based on a Corporate rating of BBB. With this method we came up with a credit spread of 1.20%. Consequently, a pre-tax **cost of debt of 5.68%** is established. We considered the marginal UK tax shield equal to 25% and therefore we computed an after-tax cost of debt of 4.26%.

WACC

The Weighted Average Cost of Capital (WACC) is computed by weighing the cost of debt and the cost of equity according to their perspective proportions in the capital structure.

As of January 6, 2026, Vodafone has a **market cap** of around £23,959 million (45.19%) and £29,055 million of **net debt** (54.81%). This computation yields a **WACC of 7.89%**.

The following tables display a comprehensive list of all the data points that were used in the computation of the Weighted Average Cost of Capital (WACC).

WACC

MV of equity	£ 23,959 mn
MV of net debt	£ 29,055 mn
Total capital (D+E)	£ 53,014 mn
Tax rate	25.00%
E/(D+E)	45.19%
D/(D+E)	54.81%
WACC	7.89%

DISCOUNTED CASH FLOW MODEL

In the discounted cash flow (DCF) model, we estimate Vodafone's intrinsic value based on a single scenario that incorporates the company's expected operating performance, capital structure and long-term growth assumptions. Revenue growth, margin evolution, and cost dynamics are fully aligned with the explicit forecasts embedded in the valuation file, while operating costs, working capital movements and capital expenditures follow the patterns historically observed in the business and reflected in the model. The projections generate increasing levels of NOPAT and stable gross cash flows, with depreciation remaining significantly above maintenance capex, thereby supporting solid free cash flow generation throughout the forecast horizon.

After adjusting for changes in net working capital, non-cash items and recurring capital expenditures, the model yields free cash flows to the firm (FCFF) ranging from £3.4 billion in 2026E to £4.2 billion in 2030E, reflecting the normalisation of operating performance and the progressive stabilisation of margins. These FCFFs are discounted using the WACC assumption provided in the key data section, resulting in a present value of explicit-period

cash flows of approximately £3.4 billion and a present value of the terminal value of roughly £45.4 billion. Based on these results, the enterprise value implied by the DCF amounts to £61.3 billion. After deducting net debt of £29.1 billion, the equity value stands at £31.4 billion, corresponding to an intrinsic share price of £1.32. Compared with the current share price of £0.95, this represents an upside of 39%, leading to a BUY recommendation. A more detailed overview of the DCF and the underlying assumptions can be found in the appendix.

SENSITIVITY ANALYSIS

Although our valuation is based on a single base-case DCF scenario, we use the sensitivity analysis to extract an indicative positive and negative scenario. The sensitivity matrix modifies the WACC and the perpetual growth rate, which are the two parameters with the highest impact on the valuation.

A positive scenario can be derived by combining a lower WACC (6.89%), reflecting reduced perceived risk, with a higher perpetual growth rate (2%). Under these assumptions, the implied share price increases to £2.05, significantly above the base-case intrinsic value of £1.32.

Conversely, a negative scenario is observed by combining a higher WACC (8.89%) with a lower perpetual growth rate (1%). In such a case, the implied share price decreases to £0.86. These two points provide a reasonable downside and upside range around our central estimate, illustrating how changes in long-term assumptions could affect Vodafone’s intrinsic value.

g \ WACC		WACC				
		6.89%	7.39%	7.89%	8.39%	8.89%
g	1.00%	1.58	1.36	1.17	1.00	0.86
	1.25%	1.68	1.44	1.24	1.06	0.91
	1.50%	1.79	1.53	1.32	1.13	0.97
	1.75%	1.92	1.63	1.40	1.20	1.02
	2.00%	2.05	1.74	1.49	1.27	1.09

COMPARABLE COMPANIES ANALYSIS

COMPANY	EV/Sales	EV/EBITDA
Deutsche Telekom	2.15	5.04
Orange	1.51	5.27
Telecom Italia	1.59	5.22
Swisscom	3.04	6.75
Telefonica	1.27	3.75
Median	1.59	5.22

To determine the correct valuation of Vodafone, we also looked at **comparable listed companies** respectively their valuation multiples. We managed to find five wireless telecommunication service companies in the same market cap category. To be precise, the comparable company multiple is based on the following five businesses: Deutsche Telekom (DTE), Orange (ORA), Telecom Italia (TIT), Swisscom (SCMN), Telefonica (TEF).

In order to gain a valid understanding of the proper share price of Vodafone, the revenue multiple, EBITDA multiple, and EBIT multiple were calculated using the median of the five companies – due to some outliers with higher multiples, the median was the more reliable choice. Doing so we estimated the average between the result of **EV/Sales multiple (£0.88)**, **EV/EBITDA (£1.57)** that clearly were the only two multiples indicating a price near the current market price and in line with the findings of our DCF analysis. Doing so with the multiples ratio analysis we estimated a final price of **£1.23** that reflects our positive scenario result.

RECOMMENDATION

Based on the conclusions of our DCF valuation and comparable multiples analysis, Vodafone appears undervalued relative to both its intrinsic fundamentals and sector benchmarks. The DCF model yields an **implied equity value of £1.32** per share, representing a **39% upside** from the **current market price of £0.95**. The comparable companies analysis provides a more conservative valuation of **£1.23 per share**, yet still indicates that Vodafone trades at a discount to its peers. Taken together, these results point to a misalignment between market pricing and the company's underlying cash-flow generation and relative positioning within the European telecom landscape. We therefore issue a **BUY** recommendation, reflecting the upside potential indicated across valuation methodologies.

DCF APPENDIX

BASE SCENARIO

EBIT ESTIMATION

(Data in £ million (GBP))	Historicals		Explicit forecast						
	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Income statement									
Sales	38,757	39,500	31,686	31,515	34,370	35,256	35,901	37,090	37,529
Growth	-0.86%	1.92%	-19.78%	-0.54%	9.06%	2.58%	1.83%	3.31%	1.18%
COGS (excluding D&A)	-16,117	-14,892	-12,121	-11,887	-13,527	-13,723	-13,783	-14,290	-14,480
% of sales	-41.58%	-37.70%	-38.25%	-37.72%	-39.36%	-38.92%	-38.39%	-38.53%	-38.58%
Gross profit	22,640	24,608	19,566	19,628	20,843	21,533	22,118	22,800	23,049
Other expenses	-6,004	-8,158	-6,723	-6,905	-8,764	-8,990	-9,155	-9,458	-9,570
% of sales	-15.49%	-20.65%	-21.22%	-21.91%	-25.50%	-25.50%	-25.50%	-25.50%	-25.50%
EBITDA	16,636	16,450	12,843	12,723	12,078	12,543	12,964	13,342	13,479
Margin	42.92%	41.64%	40.53%	40.37%	35.14%	35.58%	36.11%	35.97%	35.92%
D&A and other items	-11,773	-11,769	-8,987	-9,092	-7,300	-7,300	-7,300	-7,300	-7,300
% of sales	-30.38%	-29.79%	-28.36%	-28.85%	-21.24%	-20.71%	-20.33%	-19.68%	-19.45%
EBIT	4,864	4,681	3,856	3,631	4,778	5,243	5,664	6,042	6,179
Margin	12.55%	11.85%	12.17%	11.52%	13.90%	14.87%	15.78%	16.29%	16.46%

DCF

(Data in £ million (GBP))	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	4,864	4,681	3,856	3,631	4,778	5,243	5,664	6,042	6,179
Operational taxes	-1216	-1170	-964	-908	-1195	-1311	-1416	-1510	-1545
NOPAT	3,648	3,510	2,892	2,723	3,584	3,932	4,248	4,531	4,634
Depreciation	11773	11769	8987	9092	7300	7300	7300	7300	7300
Gross cash flows	15,420	15,279	11,879	11,815	10,884	11,232	11,548	11,831	11,934
NCWC value	-16445	-18313	-11227	-9720	-25	-50	-100	-100	-100
% of sales	-42.43%	-46.36%	-35.43%	-30.84%	-0.07%	-0.14%	-0.28%	-0.27%	-0.27%
Change in noncash WC	-2730	-1868	7085	1507	629	645	657	679	687
% of sales	-7.04%	-4.73%	22.36%	4.78%	1.83%	1.83%	1.83%	1.83%	1.83%
CAPEX	-7,704	-7,962	-5,920	-5,638	-6622	-6760	-6833	-6976	-7068
% of sales	-19.88%	-20.16%	-18.68%	-17.89%	-19.27%	-19.17%	-19.03%	-18.81%	-18.83%
FCFF	10,446	9,185	-1,126	4,670	3,633	3,827	4,057	4,176	4,179
TV cash flow									
Year					1	2	3	4	5
Discount factor					0.927	0.859	0.796	0.738	0.684
PV FCFF					3,368	3,288	3,231	3,083	2,859
Terminal Value									66416.57
PV terminal value									45440.12
Enterprise Value				61,268					
(Net Debt)				29,055					
Equity Value				31,389					
NOSH (millions)				23,840					
Share Price				1.32					
Current Share Price				0.95					
Upside/Downside				39%					
Recommendation				BUY					