UNIBO FINTECH SOCIETY

IB DIVISION — VALUATION DESK — EQUITY RESEARCH

Fintech Society
Università di Bologna

Vodafone Group plc

VOD

London Stock Exchange (LSE) · Communication Services · Telecom Services

Rating	**BUY**	**Price Target**	**€2,16**
Current Price	€1,38	**Upside**	**+56,5%**
Market Cap	€36.000 Mn	**Currency**	EUR
52W Range	0,64 – 1,57	**FY End**	31 March

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Desk	Valuation Desk		

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Preamble & Disclaimers

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Nature of the Report

This equity research report covers **Vodafone Group plc** (LSE: VOD), a multinational telecommunications company headquartered in Newbury, United Kingdom. The report has been produced solely for educational and academic purposes by the UFS Investment Banking Division — Valuation Desk. The company analysed is a real, publicly listed entity; however, all forward-looking statements, projections, estimates, and conclusions are the result of a student exercise and have not been reviewed, approved, or endorsed by Vodafone Group plc or any affiliated entity.

Forward-Looking Statements

Certain statements in this report are forward-looking in nature and involve known and unknown risks, uncertainties, and other factors that may cause actual results, performance, or achievements of Vodafone Group plc to differ materially from any future results, performances, or achievements expressed or implied by such statements. Such forward-looking statements are based on numerous assumptions regarding the company's present and future business strategies and the environment in which it will operate in the future. Past performance is not a reliable indicator of future performance. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this report.

Conflicts of Interest

The authors of this report are student members of UFS and have no financial interest, direct or indirect, in Vodafone Group plc. No compensation has been received or will be received in connection with the preparation of this report. The UFS Valuation Team is not a regulated financial services entity.

Data Sources

Financial data, market data, and other information used in this report have been sourced from publicly available information including Vodafone Group plc's annual reports, regulatory filings, company presentations, and reputable third-party financial data providers. While reasonable care has been taken to ensure the accuracy of such data, the authors make no representations or warranties as to the accuracy, completeness, or fitness for any purpose of such information.

1. Executive Summary

Investment Thesis

BUY | Price Target €2,16 | Current Price €1,38 | Upside +56,5%

We initiate coverage of Vodafone Group plc with a **BUY** rating and a 12-month price target of **€2,16 per share**, about **+56,5%** above the current price of €1,38. The target is the 50/50 average of a DCF perpetuity valuation and an EV/EBITDA multiple valuation, both run on our Base Case. In our view the market underprices Vodafone's portfolio simplification and its progress on deleveraging. European trading remains difficult, but the narrower asset base and the exposure to faster-growing African operations leave the risk-reward favourable at the current price.

Rating

BUY

PT: €2,16
Upside: +56,5%

Investment Highlights

- **Portfolio simplification:** After selling its Spanish and Italian operations, Vodafone has narrowed its portfolio to Germany, the UK, and Africa. The disposals (Italy to Swisscom, Spain to Zegona Communications) remove low-return markets and free management to accelerate deleveraging.
- **Deleveraging:** Net debt was €22.397 billion at FY2025A. Management targets Net Debt/EBITDA of about 2,5x by FY2027, funded by disposal proceeds and better free cash flow conversion.
- **Margin recovery:** The EBITDA margin rose from 29,1% in FY2024A to 29,2% in FY2025A. We expect further expansion over the forecast period from network-sharing deals, cost programmes, lower energy prices, and restructuring synergies.
- **Africa optionality:** Vodacom keeps growing revenue at double digits on mobile data adoption and M-Pesa. Population growth supports the segment, and we think the market undervalues it.
- **Dividend reset:** Management cut the dividend to a sustainable €0,09 per share, a level current cash flow covers. We read the cut as prioritising balance-sheet repair over near-term income, which we consider prudent.
- **Network cost deflation:** The Microsoft partnership and the Open RAN investment should lower network operating costs over the medium term.

Key Financial Snapshot

EUR millions	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	FY2029E
Revenue	36.717	37.448	38.350	39.236	39.866	40.465
EBITDA	10.677	10.932	11.955	12.370	12.646	12.881
EBITDA Margin	29,1%	29,2%	31,2%	31,5%	31,7%	31,8%
EBIT	7.481	7.480	7.181	7.229	7.123	6.975
Net Income	3.578	3.673	3.832	3.867	3.790	3.682
EPS (€)	0,14	0,15	0,15	0,15	0,15	0,15
CapEx	6.331	6.862	6.875	6.922	6.907	6.917

Source: Vodafone Group plc Annual Reports FY2024–FY2025; UFS Valuation Team estimates for FY2026E–FY2029E (Base Case). All figures in EUR millions unless noted.

Valuation Summary

Our Base Case blended price target of **€2,16** is derived as follows:

Method	**Enterprise Value (EUR Mn)**	**Equity Value (EUR Mn)**	**Per Share (€)**
DCF — Perpetuity Growth	74.045	51.648	2,07
EV/EBITDA Multiple	78.457	56.060	2,25
Blended (50/50)	**76.251**	**53.854**	**2,16**
Price Target (rounded)	—	—	**2,16**

Source: UFS Valuation Team analysis. Net Debt of €22.397M deducted from EV to derive equity value. Shares outstanding: 24.965M (fully diluted).

2. Company Overview

Corporate History & Profile

Established

1984

HQ: Newbury, UK

Employees: ∼95.000

Vodafone Group plc is one of the world's largest telecommunications companies, with a presence across Europe, Africa, Asia, and Oceania. The group traces its origins to Racal Telecom, a subsidiary of Racal Electronics plc, which made the first mobile call in the United Kingdom on 1 January 1985. The company was demerged from Racal and listed on the London Stock Exchange in 1991 under the name Vodafone Group plc. Over the subsequent three decades, Vodafone pursued an aggressive international expansion strategy, becoming at various points the world's largest mobile operator by subscribers.

The company is incorporated in England and Wales and is headquartered in Newbury, Berkshire. Its shares are listed on the London Stock Exchange under the ticker symbol **VOD** and also trade in the form of American Depositary Receipts (ADRs) on NASDAQ. The group's fiscal year ends on 31 March.

Business Segments

Vodafone organises its operations into the following principal business divisions:

- **Europe:** Vodafone's European operations comprise its core markets including Germany, the United Kingdom (via Vodafone UK), and a number of smaller markets across Central and Eastern Europe. Germany is the single largest market by revenue. The European segment faces structural headwinds from regulatory pressure on roaming revenues, intense competition in consumer mobile and broadband, and legacy infrastructure costs. However, network convergence (fixed-mobile convergence, or FMC), cloud and IoT enterprise services, and network sharing agreements provide meaningful efficiency levers.
- **Africa (Vodacom):** Vodafone holds a controlling interest in Vodacom Group Ltd, listed on the Johannesburg Stock Exchange. Vodacom operates in South Africa, Tanzania, Mozambique, Lesotho, and the Democratic Republic of the Congo, and holds a substantial stake in Safaricom (Kenya). The M-Pesa mobile financial services platform processes billions of dollars of transactions annually. It is a high-growth, high-margin line, supported by demand for financial inclusion across Sub-Saharan Africa.
- **Other Markets:** Vodafone retains minority interests and joint ventures in a number of markets including Indus Towers (India) and interests in the Middle East. The strategic direction has been to monetise non-core assets to fund deleveraging and shareholder returns.

Recent Strategic Developments

- **Italy divestiture (2024):** Vodafone agreed to sell its Italian operations to Swisscom AG for approximately €8 billion. The transaction, completed in 2024, removed a structurally challenged and highly competitive market from the portfolio and generated significant deleveraging proceeds.
- **Spain divestiture (2024):** Vodafone reached an agreement to sell its Spanish operations to Zegona Communications for approximately €5 billion. Spain had been a persistent drag on group margins due to price competition and high spectrum costs.
- **Three UK merger:** Vodafone and CK Hutchison's Three UK obtained regulatory approval for a merger, creating the largest mobile operator in the UK with a combined subscriber base exceeding 27 million customers. The merged entity is subject to network investment undertakings but is expected to generate significant synergies over the medium term.

- **Microsoft partnership:** Vodafone signed a ten-year partnership with Microsoft valued at $1,5 billion, covering cloud services, AI, and IoT solutions for enterprise customers. This partnership is expected to accelerate the transition to a software-defined networking and platform-based revenue model.

Management

Vodafone has been led by **Margherita Della Valle** as Group Chief Executive Officer since March 2023. Since then she has rationalised the portfolio, tightened operating costs, and reset the capital allocation framework. The Chief Financial Officer is **Luka Mucic**, formerly of SAP SE.

3. Industry & Competitive Landscape

Key Risks

Regulation
Competition
Net Debt
FX Exposure

Global Telecommunications Sector

The global telecommunications industry has high capital intensity, heavy regulatory oversight, and fairly predictable recurring revenue. Three trends are reshaping it: the roll-out of 5G, the convergence of fixed and mobile services, and the migration of enterprise workloads to the cloud. These forces are at once cost burdens (spectrum auctions, network densification) and revenue opportunities (enterprise services, the Internet of Things, mobile financial services).

European telecommunications markets are mature, with slow top-line growth in traditional connectivity. EU regulation has historically held returns down through mandated wholesale access pricing and limits on consolidation. That stance has recently softened, shown by the approval of the Vodafone-Three UK merger and the CK Hutchison-Vodafone Italy negotiations.

Competitive Positioning

Vodafone operates in highly competitive markets, facing scaled incumbents and challengers across its footprint: **Deutsche Telekom** and **Telefónica** (pan-European / global), **Orange** (Europe / Africa), and **BT Group** and **Telecom Italia** in the United Kingdom and Italy respectively. Vodafone's ∼29% EBITDA margin sits below the higher-margin incumbents (notably Deutsche Telekom at ∼36%), a gap we attribute to portfolio mix and a heavier European cost base. A detailed trading-multiples and operational-KPI comparison against this peer set is provided in Section 9 (Peer Comparison).

Porter's Five Forces Assessment

- **Threat of new entrants (Low):** The telecommunications industry has extremely high barriers to entry including spectrum licensing requirements, network build-out costs (typically billions of euros), regulatory requirements, and established customer relationships with high switching costs.
- **Bargaining power of buyers (Medium):** Retail consumers have moderate power, particularly in markets with four or more competing mobile network operators. However, convergence bundling (mobile + fixed + TV) increases switching costs and reduces churn. Enterprise customers have higher bargaining power but represent longer contract cycles.
- **Bargaining power of suppliers (Medium):** Key suppliers include network equipment vendors (Ericsson, Nokia, Samsung), cloud platform providers (Microsoft, AWS), and spectrum regulators (effectively governments). The shift to Open RAN is intended to reduce dependence on individual equipment vendors.
- **Threat of substitutes (Medium):** Over-the-top (OTT) communication services (WhatsApp, FaceTime, Teams) substitute for traditional voice and SMS revenues. However, connectivity itself remains a non-substitutable service provided by network operators.
- **Competitive rivalry (High):** European mobile markets are intensely competitive. Price competition is persistent in consumer markets, particularly in Germany and the UK. Post-consolidation, rivalry in the UK may moderate.

SWOT Analysis

Strengths	**Weaknesses**
Leading market positions in Germany, UK (post-Three merger), and South Africa	Elevated net debt (€22,4 billion) constrains financial flexibility
M-Pesa / Vodacom: growing mobile financial services platform	Historically low returns on capital relative to peers
Microsoft strategic partnership; strong enterprise services pipeline	Legacy IT infrastructure and high cost base in European operations
Active portfolio rationalisation reducing complexity and generating cash	Execution risk in Three UK integration
Opportunities	**Threats**
5G monetisation through enterprise IoT, network slicing, and private networks	Regulatory headwinds in Germany (cable regulation, wholesale access)
Fixed-mobile convergence (FMC) reducing churn and increasing ARPU	Macroeconomic slowdown could dampen consumer and enterprise spending
African demographic growth driving mobile data and fintech demand	Foreign exchange volatility (ZAR, TZS, EGP) impacting consolidated results
AI-driven network automation reducing opex and improving network quality	Spectrum auction costs remain elevated in key European markets

4. Historical Financial Analysis

Income Statement

The following table presents Vodafone Group's audited income statement for the two most recently completed fiscal years.

FY2025A

Rev: €37.448M
EBITDA: €10.932M
Margin: 29,2%
Net Debt: €22.397M

EUR millions	FY2024A	Margin	FY2025A	Margin
Revenue	36.717	100,0%	37.448	100,0%
Cost of Goods Sold	(22.030)	(60,0%)	(22.469)	(60,0%)
Gross Profit	**14.687**	**40,0%**	**14.979**	**40,0%**
EBITDA	10.677	29,1%	10.932	29,2%
Depreciation & Amortisation	(3.196)	—	(3.452)	—
EBIT	**7.481**	**20,4%**	**7.480**	**20,0%**
Interest Expense	(2.580)	—	(2.449)	—
EBT	**4.901**	**13,3%**	**5.031**	**13,4%**
Income Tax	(1.323)	—	(1.358)	—
Net Income	**3.578**	**9,7%**	**3.673**	**9,8%**
EPS (€)	0,14	—	0,15	—

Source: Vodafone Group plc Annual Report & Accounts FY2024 and FY2025. Figures in EUR millions. COGS estimated as residual; EBITDA as reported by management.

Balance Sheet & Capital Structure

EUR millions	FY2025A
Property, Plant & Equipment (net)	64.382
Total Debt	25.900
Cash & Equivalents	3.503
Net Debt	**22.397**
Net Debt / EBITDA (x)	2,05x

Source: Vodafone Group plc Annual Report & Accounts FY2025; UFS Valuation Team model. A comparable FY2024A balance sheet is not presented: comparability is limited by the divestiture of the Italian and Spanish operations completed during FY2025, and the model carries only the continuing-operations portfolio from FY2025A onwards.

Revenue & EBITDA Trend

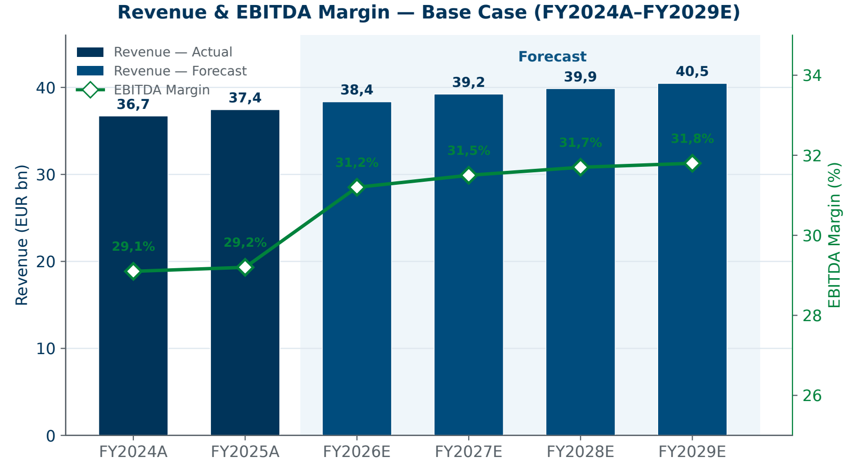

Figure 1. Vodafone Group — Historical Revenue and EBITDA (FY2024A–FY2025A) with Forecast Bridge to FY2029E (Base Case). Source: Company filings; UFS Valuation Team estimates.

Commentary

Revenue grew modestly from €36.717 million in FY2024A to €37.448 million in FY2025A, an organic gain of about 2,0%. ARPU improvements in Germany and the UK drove the increase, offset by further erosion of legacy voice and SMS revenue and by the deconsolidation of the divested businesses. The EBITDA margin held near 29%: cost savings from the "Fit for Growth" programme roughly matched inflation in energy and labour.

Net debt fell on disposal proceeds and free cash flow. Leverage of €22.397 billion remains a focus for investors, but the deleveraging programme and the simpler post-divestiture portfolio support it. Continued balance-sheet repair would add to financial flexibility.

5. Forecast Assumptions & Scenarios

Scenarios

Best Case
Base Case
Worst Case

We project Vodafone's financial performance over the period FY2026E–FY2029E under three scenarios: Best Case, Base Case, and Worst Case. All scenarios are built on a consistent set of revenue driver assumptions, with differentiated assumptions for volume growth, ARPU/pricing, gross margin, and capital expenditure.

Revenue Driver Assumptions

Driver	Scenario	FY2026E	FY2027E	FY2028E	FY2029E
Customer/Volume Growth (%)	Best	1,0	0,8	0,7	0,5
	Base	0,6	0,6	0,4	0,3
	Worst	(0,5)	(0,3)	0,0	0,0
ARPU/Pricing Growth (%)	Best	2,3	2,1	1,9	1,7
	Base	1,8	1,7	1,6	1,5
	Worst	0,8	0,8	0,7	0,5
Inflation (%)	All	2,4	2,2	2,0	2,0

Source: UFS Valuation Team assumptions. Volume and ARPU growth are forecast drivers shown across the full forecast horizon FY2026E–FY2029E (not applicable to historical actuals); inflation is common to all scenarios.

Capital Expenditure Assumptions

CapEx (EUR Mn)	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	FY2029E
Best Case	6.331	6.862	6.727	6.754	6.794	6.825
Base Case	6.331	6.862	6.875	6.922	6.907	6.917
Worst Case	6.331	6.862	7.061	7.127	7.222	7.189

Source: UFS Valuation Team estimates. CapEx modelled as a function of PP&E intensity and network investment plans.

Working Capital Assumptions (Days)

Driver (Days)	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	FY2029E
Trade Receivables	28	32	31	31	31	31
Inventory	8	9	9	9	9	9
Trade Payables	206	201	130	115	100	90

Source: UFS Valuation Team assumptions. Trade payable days normalise downward as Italy/Spain supply chain exits from the consolidated group.

Base Case Forecast (P&L)

EUR millions	**FY2026E**	**FY2027E**	**FY2028E**	**FY2029E**
Revenue	38.350	39.236	39.866	40.465
Gross Profit	15.917	16.419	16.776	17.093
GP Margin	41,5%	41,8%	42,1%	42,2%
EBITDA	11.955	12.370	12.646	12.881
EBITDA Margin	31,2%	31,5%	31,7%	31,8%
D&A	(4.775)	(5.141)	(5.523)	(5.906)
EBIT	7.181	7.229	7.123	6.975
Interest Expense	(1.931)	(1.931)	(1.931)	(1.931)
EBT	5.250	5.298	5.192	5.044
Income Tax	(1.417)	(1.430)	(1.402)	(1.362)
Net Income	3.832	3.867	3.790	3.682
EPS (€)	0,15	0,15	0,15	0,15

Source: UFS Valuation Team Base Case estimates. Revenue CAGR FY2025A–FY2029E: 2,0%.

Scenario Summary

Scenario	**Rev CAGR FY25–29**	**EBITDA Margin FY29E**	**EV (EUR Mn)**	**Equity / Share (€)**
Perpetuity Method (g=1,0%, WACC=6,67%)				
Best Case	2,5%	33,0%	84.451	2,49
Base Case	2,0%	31,8%	74.045	2,07
Worst Case	0,5%	28,4%	44.453	0,88
EV/EBITDA Multiple Method (6,5x, WACC=6,67%)				
Best Case	2,5%	33,0%	84.370	2,48
Base Case	2,0%	31,8%	78.457	2,25
Worst Case	0,5%	28,4%	62.010	1,59
Blended Base Case (50/50): ***€2,16/share*** *→ Price Target* ***€2,16***				

Source: UFS Valuation Team DCF and multiple analysis. Net Debt of €22.397M deducted from EV; 24.965M fully diluted shares.

6. Valuation: DCF Analysis

Methodology

We apply a discounted cash flow (DCF) analysis using Unlevered Free Cash Flow (UFCF) as the core cash flow metric, discounted at the Weighted Average Cost of Capital (WACC). Terminal value is estimated under both a perpetuity growth model (Gordon Growth Model) and an exit EV/EBITDA multiple method. The two terminal value approaches are averaged to derive a blended enterprise value.

WACC

6,67%

CoE: 8,70%
CoD: 4,56%
E/V: 51%
D/V: 49%

WACC Derivation

Cost of Equity — CAPM

Component	Value	Note
Risk-Free Rate (r_f)	2,40%	German 10Y Bund yield
Market Risk Premium (MRP)	6,00%	Damodaran (Europe)
Re-levered Beta (β_L)	0,717	Derived from peer unlevered beta
Equity Risk Premium ($\beta_L\times$ MRP)	4,30%	Beta-adjusted MRP
Country Risk Premium (CRP)	2,00%	Blended UK/EU/Africa exposure
Cost of Equity (CAPM)	**8,70%**	$r_f + \beta_L \times \text{MRP} + \text{CRP}$

Peer Beta Analysis — Unlevering

Company	Region	Debt (EUR Mn)	Equity (EUR Mn)	Tax Rate	Levered β	Unlevered β
Deutsche Telekom	Europe	132.500	132.880	28,0%	0,65	0,378
Orange S.A.	Europe	22.500	47.150	32,5%	0,55	0,416
Telefónica	Europe	34.744	21.890	28,0%	0,70	0,327
BT Group	Europe	19.800	18.040	25,0%	0,65	0,357
Telecom Italia	Europe	6.850	11.100	30,0%	0,90	0,628
Average				**28,7%**	**0,690**	**0,421**

Source: Bloomberg, company filings; UFS Valuation Team calculations. Unlevered beta computed as $\beta_U = \beta_L/(1 + (1 - t) \times D/E)$.

Capital Structure & WACC

Component	EUR millions	Weight	Rate	Contribution
Market Capitalisation (Equity)	26.810	51,0%	8,70%	4,44%
Total Debt	25.900	49,0%	4,56%	2,23%
Total Capital	52.710	100,0%	—	—
D/E Ratio	0,97x	—	—	—
WACC	—	—	—	**6,67%**

Source: UFS Valuation Team. Pre-tax cost of debt 6,25%; tax rate 27,0%; after-tax cost of debt 4,56%. Re-levered beta 0,717 based on peer median unlevered beta 0,421 and Vodafone's target capital structure.

Unlevered Free Cash Flow Projections

EUR millions	FY2026E	FY2027E	FY2028E	FY2029E	Terminal
UFCF (Base Case)	4.603	2.504	3.269	3.608	4.427

Source: UFS Valuation Team DCF model (Base Case). Terminal year UFCF used as basis for perpetuity and exit multiple terminal value calculation.

DCF Output — Base Case (Perpetuity Method)

Component	EUR millions	Per Share (€)
PV of Forecast Period FCFs (FY2026E–FY2029E)	15.698	0,63
PV of Terminal Value (Gordon Growth, g=1,0%)	58.347	2,34
Enterprise Value	**74.045**	**2,97**
Less: Net Debt	(22.397)	(0,90)
Equity Value	**51.648**	**2,07**
Current Price	—	1,38
Implied Upside	—	**+49,9%**

Source: UFS Valuation Team. WACC=6,67%, g=1,0%, Shares FD=24.965M. Net Debt as at FY2025A.

DCF Output — Base Case (EV/EBITDA Multiple Method)

Component	EUR millions	Per Share (€)
PV of Forecast Period FCFs (FY2026E–FY2029E)	18.801	0,75
PV of Terminal Value (Exit Multiple, 6,5x EV/EBITDA)	59.656	2,39
Enterprise Value	**78.457**	**3,14**
Less: Net Debt	(22.397)	(0,90)
Equity Value	**56.060**	**2,25**
Current Price	—	1,38
Implied Upside	—	**+62,7%**

Source: UFS Valuation Team. Exit multiple of 6,5x applied to FY2029E (terminal) EBITDA and discounted to present at WACC=6,67%; Shares FD=24.965M. Net Debt as at FY2025A. The two methods are averaged 50/50 to set the price target.

Sensitivity Analysis — Base Case (Perpetuity), Equity Value per Share (€)

Sensitivity

Rows: WACC
Cols: terminal growth rate *g*

WACC \ g	0,0%	0,5%	1,0%	1,5%	2,0%
4,67%	2,85	3,22	3,69	4,31	5,16
5,67%	2,18	2,42	2,71	3,06	3,51
6,67%	1,72	1,88	**2,07**	2,29	2,57
7,67%	1,37	1,49	1,62	1,78	1,96
8,67%	1,11	1,20	1,29	1,40	1,53

Source: UFS Valuation Team. Highlighted row/column corresponds to Base Case assumptions (WACC=6,67%, g=1,0%). All values in EUR per share.

Sensitivity Analysis — Base Case, Multiple Method (Equity Value per Share, €)

WACC \ EV/EBITDA	5,5x	6,0x	6,5x	7,0x	7,5x
4,67%	2,16	2,37	2,58	2,78	2,99
5,67%	2,02	2,21	2,41	2,60	2,79
6,67%	1,88	2,06	**2,25**	2,43	2,61
7,67%	1,75	1,92	2,10	2,27	2,44
8,67%	1,63	1,79	1,95	2,12	2,28

Source: UFS Valuation Team. Highlighted row/column corresponds to Base Case assumptions. All values in EUR per share.

Football Field — Valuation Summary

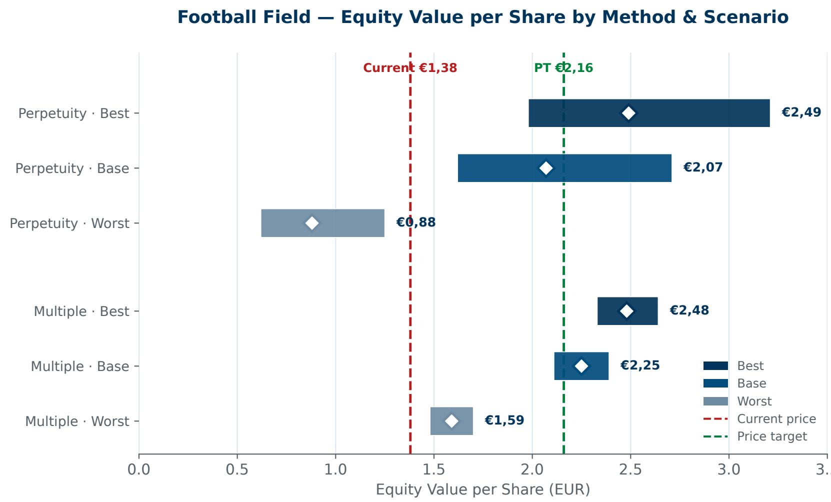

Figure 2. Football Field Chart — Equity Value per Share (€) across Scenarios and Methods. The dashed vertical line represents the current market price of €1,38. Source: UFS Valuation Team.

7. Risk Factors

Risk Rating

Medium–High (relative to sector)

Macroeconomic & Market Risks

- **European macroeconomic slowdown:** A recession or prolonged period of low growth in key European markets (Germany, UK) would reduce consumer and enterprise demand for premium connectivity services, compress ARPU, and increase churn. Germany, which accounts for the largest single share of Vodafone's European revenue, has experienced near-recessionary conditions in recent periods.
- **Foreign exchange risk:** Vodafone consolidates results from a large number of currencies including South African Rand (ZAR), Tanzanian Shilling (TZS), British Pound (GBP), and US Dollar (USD). A strengthening Euro relative to these currencies would reduce the reported EUR value of non-Eurozone earnings and could materially affect consolidated results, particularly given the growing importance of Vodacom.
- **Interest rate risk:** While interest rates in Europe have broadly peaked, elevated rates relative to the post-2008 era increase the carrying cost of Vodafone's €25,9 billion debt stack. Refinancing risk exists to the extent that maturing debt must be renewed at higher coupons.

Operational & Strategic Risks

- **Germany cable regulation:** The German bundling of cable TV and broadband services has been subject to regulatory scrutiny. A change in the regulatory treatment of cable TV bundling (Nebenkostenprivileg) has already impacted wholesale access volumes and could compress German revenues further.
- **Three UK integration risk:** The integration of Three UK is a complex multi-year programme involving network consolidation, IT system migration, and workforce restructuring. Execution risk is elevated, and failure to achieve targeted synergies or network investment undertakings could result in regulatory intervention.
- **Leverage and credit risk:** At 2,05x Net Debt/EBITDA, Vodafone's leverage, while improving, remains above its stated medium-term target. A deterioration in EBITDA due to competitive or macroeconomic factors would push leverage higher and could constrain the dividend or force additional asset disposals.
- **Technology disruption:** The shift toward software-defined networking, Open RAN, and cloud-native infrastructure requires sustained capital investment and introduces execution risk in transitioning legacy network architecture.

Regulatory & Legal Risks

- **EU roaming regulation:** Further tightening of EU roaming regulation or extension of roaming-like pricing to wholesale interconnect could reduce high-margin revenue streams.
- **Spectrum auction risk:** Future spectrum auctions in European markets could require large cash outflows, which would raise leverage and cut near-term free cash flow.
- **M-Pesa regulatory risk:** Mobile financial services platforms such as M-Pesa operate in a complex and evolving regulatory environment across multiple African jurisdictions. Increased regulation of mobile money could impact transaction volumes, margins, or operational structure.

8. ESG Considerations

ESG

Environment
Social
Governance

Environmental

Vodafone has made a series of public commitments on climate and environmental sustainability. The company targets net zero greenhouse gas emissions across its own operations (Scope 1 and 2) by 2030 and across its full value chain (Scope 3) by 2040. Key environmental initiatives include:

- Transition to 100% renewable electricity in its own operations by 2025, supported by direct Power Purchase Agreements (PPAs) and renewable energy certificates;
- Network energy-efficiency programmes that use AI power-management tools to reduce idle capacity consumption;
- Target to reduce energy intensity per unit of data transmitted by at least 50% by 2025 relative to 2020 baseline;
- Circular economy initiatives targeting reduction of electronic waste and extension of device lifecycles.

Energy is a large part of Vodafone's operating costs, so efficiency gains feed directly into EBITDA margins. We include a modest margin benefit from energy efficiency in our forecast.

Social

- **Digital inclusion:** Vodafone's "Connected Women" and "Internet of Good Things" programmes target connectivity access for underserved communities. The M-Pesa platform in Africa provides financial services access to millions of individuals who lack traditional banking relationships.
- **Data privacy:** As a holder of significant personal data, Vodafone faces increasing regulatory obligations under GDPR and equivalent frameworks. Data breaches or privacy failures represent reputational and financial risks.
- **Workforce transition:** The "Fit for Growth" restructuring programme has involved significant headcount reductions across European operations. Carrying out these reductions without losing operational capability is a real social challenge.

Governance

- Vodafone's Board comprises a majority of independent non-executive directors, with experience across telecommunications, finance, and technology.
- Executive remuneration is linked to a combination of financial performance metrics and ESG targets, including employee engagement and carbon reduction.
- The company has adopted a UK Corporate Governance Code-compliant structure and publishes detailed disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD).

On valuation, Vodafone's ESG profile is roughly in line with European telecom peers. Its environmental commitments may modestly lower the cost of equity, since ESG-focused investors tend to favour companies with credible net-zero plans.

9. Peer Comparison

Trading Multiples Comparison

Company	EV/EBITDA (LTM)	P/E (NTM)	EV/Revenue	Net Debt/EBITDA	FCF Yield
Deutsche Telekom	6,5x	14x	2,3x	3,2x	5,5%
Orange S.A.	5,5x	12x	1,7x	2,8x	7,2%
Telefónica	5,8x	11x	1,8x	3,1x	6,8%
BT Group	5,0x	10x	1,5x	2,9x	8,1%
Telecom Italia	4,5x	8x	1,3x	4,5x	4,0%
Peer Median	**5,5x**	**11x**	**1,7x**	**3,1x**	**6,8%**
Vodafone (Market)	**5,2x**	**~9x**	**1,5x**	**2,1x**	**~12%**

Source: Bloomberg consensus estimates (approximate); UFS Valuation Team analysis. LTM = Last Twelve Months; NTM = Next Twelve Months. Vodafone figures based on FY2025A EBITDA and market capitalisation at current price.

Operational KPI Comparison

Company	Revenue (EUR Mn)	EBITDA Margin	CapEx/Revenue	Revenue CAGR (3Y)
Deutsche Telekom	~114.000	~36%	~18%	~4%
Orange S.A.	~44.000	~30%	~16%	~1%
Telefónica	~41.000	~31%	~15%	~3%
BT Group	~20.000	~30%	~22%	~1%
Telecom Italia	~14.000	~28%	~19%	(2)%
Vodafone FY2025A	**37.448**	**29,2%**	**18,3%**	**~2%**

Source: Company annual reports; UFS Valuation Team analysis. Approximate figures for peer companies. CAGR is illustrative.

Commentary

Vodafone trades at a discount to the peer median EV/EBITDA multiple of about 5,5x. We attribute the discount to: (i) historically lower margins than peers such as Deutsche Telekom; (ii) investor concern over the Three UK integration; and (iii) regulatory uncertainty in European markets, particularly Germany.

Part of the discount is fair, given those execution and regulatory risks. But the current price, in our view, understates Vodafone's improving margins, its deleveraging, and its African exposure through Vodacom and M-Pesa. Our Base Case uses a 6,5x EV/EBITDA multiple, above the peer median. We justify the premium on better free cash flow, the simpler post-divestiture portfolio, and the scope for margin expansion as restructuring pays off.

Multiple Selection and Methodological Caveat

The use of a 6.5x EV/EBITDA exit multiple should be understood as a judgement-based group-level valuation assumption rather than a mechanical application of the current peer median. Although the selected multiple stands above the observed peer median, we believe this premium is reasonable in light of Vodafone's simplified post-divestiture portfolio, improving free cash flow profile, deleveraging trajectory, expected margin recovery, and embedded exposure to higher-growth African operations through Vodacom and M-Pesa. At the same time, we acknowledge that a single group multiple cannot fully capture the heterogeneity of Vodafone's operating footprint. A more granular valuation would require separate market-level forecasts, local regulatory assumptions, country-specific WACC estimates, tax considerations, capital intensity profiles, competitive dynamics, spectrum obligations, minority interest adjustments, and segment-level trading multiples. Given the academic scope of this report and the limited availability of fully disaggregated data, we deliberately avoid presenting the 6.5x multiple as a precise intrinsic-value input. Instead, it is used as a reasoned approximation of Vodafone's medium-term fair value, cross-checked against the DCF output and intended to provide an indicative valuation range rather than a definitive sum-of-the-parts assessment.

10. Investment Conclusion

Key Catalysts

- **Three UK merger synergies:** First synergy disclosures from the merged entity (expected H2 FY2026) could catalyse a positive market re-rating.
- **German regulatory clarity:** Resolution of the cable-regulation uncertainty would remove a major investor concern and lift the Germany segment.
- **Deleveraging milestones:** Achievement of Net Debt/EBITDA below 2,5x would strengthen the credit profile and potentially support dividend growth.
- **M-Pesa / Vodacom monetisation:** A potential partial IPO or strategic partnership announcement for M-Pesa would crystallise value in the African fintech platform.
- **AI/Microsoft partnership revenue:** The first material enterprise revenue from the Microsoft partnership (IoT, cloud, AI) would be upside not captured in our Base Case.

We initiate coverage of **Vodafone Group plc** with a **BUY** rating and a 12-month price target of **€2,16 per share**.

Our case rests on four points:

1. **Valuation below fair value:** Vodafone trades at an EV/EBITDA multiple below our estimate of fair value. Some of the discount is warranted by execution and regulatory risks, but the market, in our view, gives too little credit to the simpler portfolio, the better operating profile, and the deleveraging.
2. **Margin recovery:** Our Base Case has EBITDA margins expanding over the forecast period on cost programmes, network sharing, and a rising share of higher-margin African and enterprise revenue.
3. **Deleveraging:** Each €1 billion of net-debt reduction transfers directly to equity value. With about €13 billion of disposal proceeds and rising free cash flow, the balance sheet is improving.
4. **Africa optionality:** Vodacom and M-Pesa are a growing business inside a group the market prices as a mature European operator. That embedded growth, in our view, is not reflected in the share price.

Summary Recommendation: BUY Price Target: **€2,16** Current: €1,38 Upside: **+56,5%**
The main risks are a weaker German market, a failed Three UK integration, a sharp European downturn, and adverse currency moves on African earnings. We suggest sizing positions with those risks in mind and watching quarterly KPIs in Germany and Vodacom.

Extended Financial Statements

A.1 Best Case — Full P&L (FY2024A–FY2029E)

EUR millions	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	FY2029E
Revenue	36.717	37.448	38.692	39.821	40.580	41.272
COGS	(22.030)	(22.469)	(22.474)	(22.881)	(23.158)	(23.447)
Gross Profit	14.687	14.979	16.218	16.939	17.422	17.825
GP Margin	40,0%	40,0%	41,9%	42,5%	42,9%	43,2%
EBITDA	10.677	10.932	12.256	12.890	13.292	13.612
EBITDA Margin	29,1%	29,2%	31,7%	32,4%	32,8%	33,0%
D&A	(3.196)	(3.452)	(4.775)	(5.141)	(5.519)	(5.893)
EBIT	7.481	7.480	7.481	7.749	7.773	7.719
Interest	(2.580)	(2.449)	(1.931)	(1.931)	(1.931)	(1.931)
EBT	4.901	5.031	5.550	5.818	5.842	5.788
Tax	(1.323)	(1.358)	(1.499)	(1.571)	(1.577)	(1.563)
Net Income	3.578	3.673	4.052	4.247	4.265	4.225
EPS (€)	0,14	0,15	0,16	0,17	0,17	0,17
CapEx	(6.331)	(6.862)	(6.727)	(6.754)	(6.794)	(6.825)
UFCF	—	—	4.810	2.864	3.875	4.293

Source: Vodafone Group plc Annual Reports FY2024–FY2025 (actuals); UFS Valuation Team Best Case estimates for FY2026E–FY2029E. Forecast interest held at €1.931M; tax at 27%. Actual-year COGS shown on the disclosed 60/40 cost-of-sales presentation.

A.2 Base Case — Full P&L (FY2024A–FY2029E)

EUR millions	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	FY2029E
Revenue	36.717	37.448	38.350	39.236	39.866	40.465
COGS	(22.030)	(22.469)	(22.433)	(22.817)	(23.090)	(23.372)
Gross Profit	14.687	14.979	15.917	16.419	16.776	17.093
GP Margin	40,0%	40,0%	41,5%	41,8%	42,1%	42,2%
EBITDA	10.677	10.932	11.955	12.370	12.646	12.881
EBITDA Margin	29,1%	29,2%	31,2%	31,5%	31,7%	31,8%
D&A	(3.196)	(3.452)	(4.775)	(5.141)	(5.523)	(5.906)
EBIT	7.481	7.480	7.181	7.229	7.123	6.975
Interest	(2.580)	(2.449)	(1.931)	(1.931)	(1.931)	(1.931)
EBT	4.901	5.031	5.250	5.298	5.192	5.044
Tax	(1.323)	(1.358)	(1.417)	(1.430)	(1.402)	(1.362)
Net Income	3.578	3.673	3.832	3.867	3.790	3.682
EPS (€)	0,14	0,15	0,15	0,15	0,15	0,15
CapEx	(6.331)	(6.862)	(6.875)	(6.922)	(6.907)	(6.917)
UFCF	—	—	4.603	2.504	3.269	3.608

Source: Vodafone Group plc Annual Reports FY2024–FY2025 (actuals); UFS Valuation Team Base Case estimates for FY2026E–FY2029E. This is the scenario underlying the perpetuity DCF output in Section 6. Forecast interest held at €1.931M; tax at 27%.

A.3 Worst Case — Full P&L (FY2024A–FY2029E)

EUR millions	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	FY2029E
Revenue	36.717	37.448	37.558	37.745	38.010	38.200
COGS	(22.030)	(22.469)	(22.320)	(22.606)	(22.871)	(23.141)
Gross Profit	14.687	14.979	15.239	15.139	15.139	15.059
GP Margin	40,0%	40,0%	40,6%	40,1%	39,8%	39,4%
EBITDA	10.677	10.932	11.277	11.090	11.009	10.846
EBITDA Margin	29,1%	29,2%	30,0%	29,4%	29,0%	28,4%
D&A	(3.196)	(3.452)	(4.775)	(5.141)	(5.528)	(5.922)
EBIT	7.481	7.480	6.503	5.949	5.481	4.924
Interest	(2.580)	(2.449)	(1.931)	(1.931)	(1.931)	(1.931)
EBT	4.901	5.031	4.572	4.018	3.550	2.993
Tax	(1.323)	(1.358)	(1.234)	(1.085)	(959)	(808)
Net Income	3.578	3.673	3.337	2.933	2.592	2.185
EPS (€)	0,14	0,15	0,13	0,12	0,10	0,09
CapEx	(6.331)	(6.862)	(7.061)	(7.127)	(7.222)	(7.189)
UFCF	—	—	4.131	1.617	1.925	1.968

Source: Vodafone Group plc Annual Reports FY2024–FY2025 (actuals); UFS Valuation Team Worst Case estimates for FY2026E–FY2029E. Forecast interest held at €1.931M; tax at 27%.

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