

COMPANY REPORT ON VODAFONE GROUP PLC

CONTENTS

	TOPIC	PG.NO.
	Executive Summary	1
1	Introduction to Vodafone Group PLC	2
2	Key Financials and Financial Health Analysis	4
2.1	Revenue	4
2.2	Profitability	4
2.3	Return on Equity	5
2.4	Cashflow	6
2.5	Share Price	6
3	Industry and Competitor Analysis	8
3.1	Overview of the Industry	8
3.2	Competitor Analysis	9
	3.2.1 Market Competition Analysis	9
	3.2.2 Liquidity Ratio Comparison	10
4	Key Issues affecting the company at present	11
4.1.	Recent Activities	11
4.2.	SWOT Analysis	12
5	Consumer Market Analysis	13
5.1.	Brand Awareness and Usage	13
5.2.	Consumer Satisfaction	14
6	Conclusion and Recommendation	15
	References	16

EXECUTIVE SUMMARY

Key Financial Information: Overcoming an initial decline in the revenue from 2018 to 2019, Vodafone managed to improve its fiscal performance by 2022 by generating a revenue of £39.16 billion. Its gross profit has consistently crossed the £11 million mark from 2018 to 2022, demonstrating stable economic performance. However, its current share price, £75.51, indicates a poor performance in the stock market.

Industry and Competitor Analysis: After EE and O2, Vodafone is the third most commonly used mobile carrier in the UK. Despite its low ranking, Vodafone's turnover constantly surpassed those of its two main competitors, O2 and EE.

Key issues affecting the company at present time: Vodafone's global presence, strong brand recognition, and investment in new technologies encompass its strengths. However, the effect of socio-political events and regulatory scrutiny are a few challenges that Vodafone has to overcome to maintain its market status. Potential opportunities for Vodafone entail revenue generation via technological improvements, IoT applications, and competitive pricing. The consistent drop in its share price proves to be threat for Vodafone's future in the investment sector.

Consumer Market Analysis: Vodafone is ranked fifth in terms of awareness and consumption, indicating a potential for further growth. Customer satisfaction is poor, and consumers looking for cheaper alternatives pose as an obstacle. To retain sales, Vodafone has to close the gap between product offers and consumer demands while also addressing cost preferences.

Recommendation: In summary, depending on current market dynamics, consumer preferences and Vodafone's unsatisfactory financial performance, my advice is **NOT TO INVEST** in Vodafone Group PLC.

1. INTRODUCTION TO VODAFONE GROUP PLC

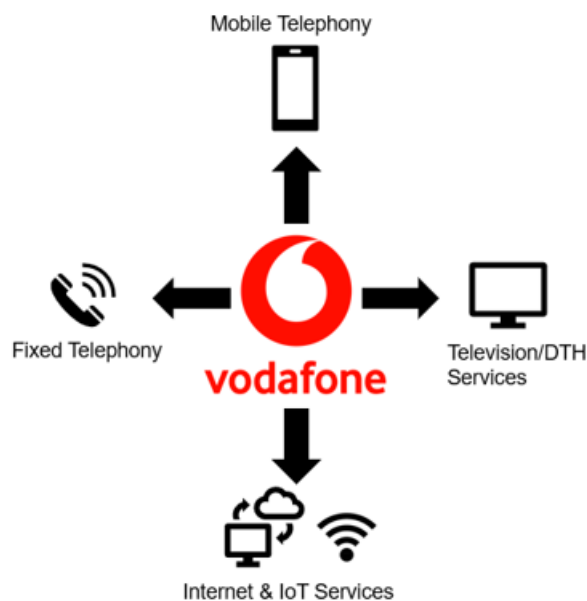


Figure 1: Vodafone product and service portfolio.

Source: (*Consumer products and services*, <https://www.vodafone.com/about-vodafone/what-we-do/consumer-products-and-services>).

Vodafone is a telecommunications corporation based in Newbury, England. It was established on September 16, 1991 by Ernest Harrison & Gerry Whent, and is highly recognised today for its numerous telecommunications services. Vodafone has a global market presence in 21 countries and has partnerships with various networks in 46 other countries (*Where we operate*, <https://www.vodafone.com/about-vodafone/where-we-operate>).

Vodafone's product and service portfolio consists of individual and corporate mobile phone and online services, enterprise-grade fixed-line services to corporate off+6-ices, and IoT services to organisations globally. Vodafone also offers cloud and hosting services, including public, private, and hybrid cloud solutions, as well as digital security services like as threat monitoring, risk assessment, and compliance management (*Consumer products and services*, <https://www.vodafone.com/about-vodafone/what-we-do/consumer-products-and-services>).

Vodafone has an established market presence in the UK, Germany, Italy, Spain, India, and South Africa. As of March 2022, it has 450 million retail customers and a turnover of €45.58 billion. Vodafone UK has a market cap of £20.38 billion and is a leader in cutting-edge developments such as the 5G network, multi-access edge computing (MEC), IoT, AI, and private networks (Vodafone Group PLC.,2023).

2. KEY FINANCIALS AND FINANCIAL HEALTH ANALYSIS

2.1. Revenue

Vodafone Group PLC is listed on the London Stock Exchange as code “VOD” with ISIN GB00BH4HKS39.

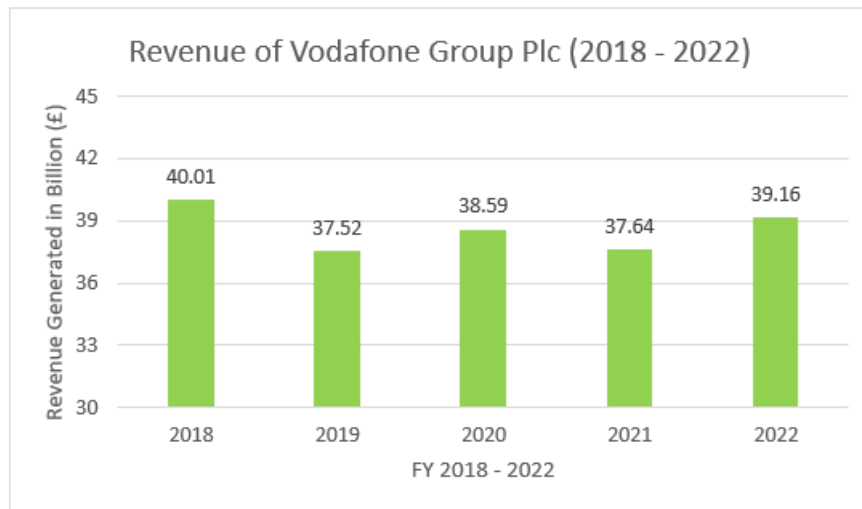


Figure 2: Revenue of Vodafone Group for the last 5 financial years.

Source: Statista (2023a)

Following the implementation of new accounting strategies (Dyer, 2019), Vodafone's revenue fell 6.2% from 2018 to 2019. Despite the Covid-19 outbreak, their economic activity recovered modestly in 2020, earning £38.59 billion. Revenue fell by 2.46% in 2021 as a result of a decline in roaming charges. Since then, Vodafone has improved its fiscal performance in 2022, producing revenue of £39.16 billion by expanding its roaming service sales (Sweeney, 2021). This suggests that Vodafone is making a steady but promising fiscal growth.

2.2. Profitability

Vodafone's gross profit has consistently crossed the £11 million mark from 2018 to 2022, exhibiting steady economic performance. Vodafone's recent gross profit as of 2023, and its profit before and after tax, demonstrate a significant improvement as compared to the losses it had to bear in the year 2019 and 2020.

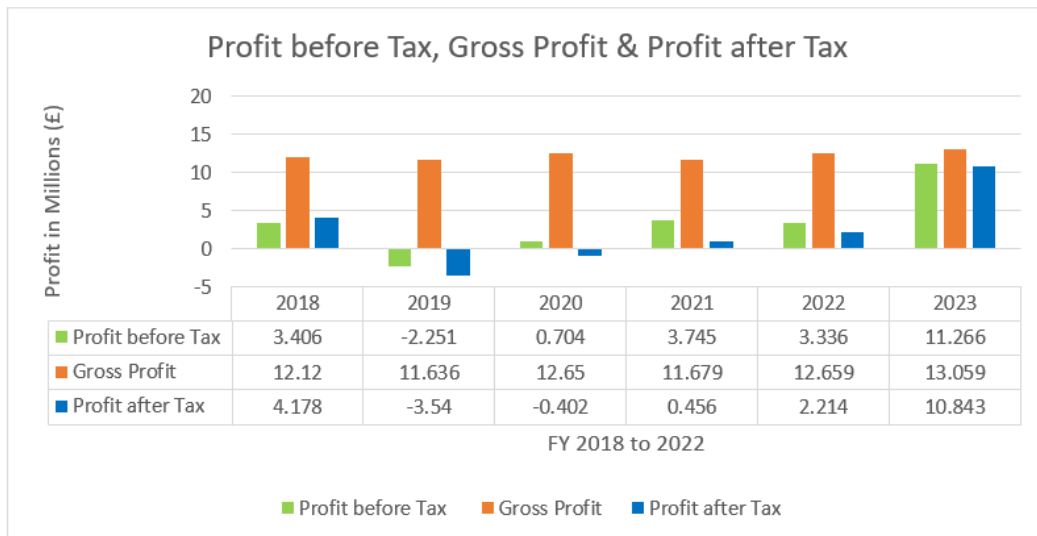


Figure 3: Profitability. Source: FAME (2023b)

From 2018 through 2023, Vodafone's net income has shown a constant upward trajectory, demonstrating strong financial performance and the potential to increase profitability in a fiercely competitive industry. The company's excellent growth of £6.65 billion (2018-2023) demonstrates its capacity to create more earnings, strengthen its market position, and maintain sustainable operations.

2.3. Return on Equity

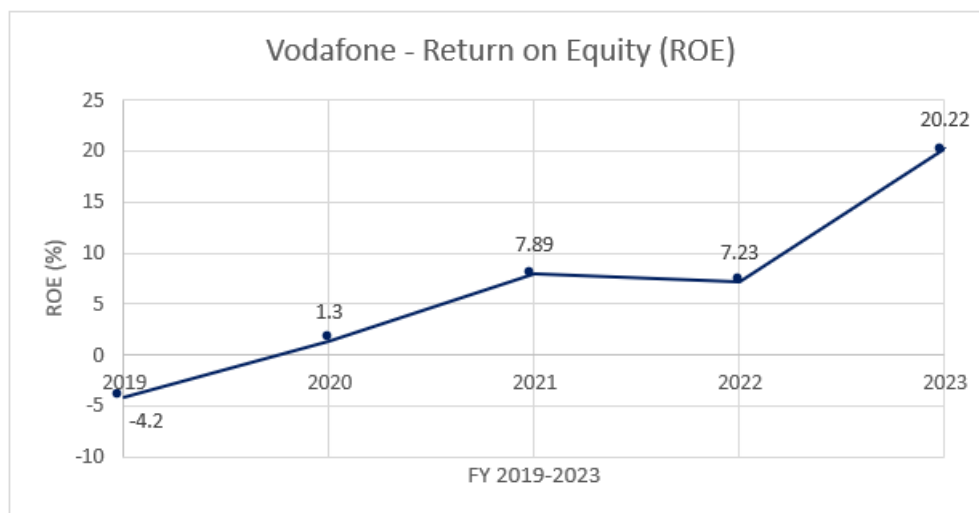


Figure 4: Vodafone - Return on Shareholders' Funds (Return on Equity). Source: FAME (2023c)

From 2019 to 2023, Vodafone's Return on Shareholders' Funds has gradually risen. The ROE % increased from -4.2% in 2019 to 7.89% in 2021, demonstrating that shareholders

earned reasonable returns on their investments despite slightly lower gross profits in 2021 than in 2020.

2.4. Cashflow

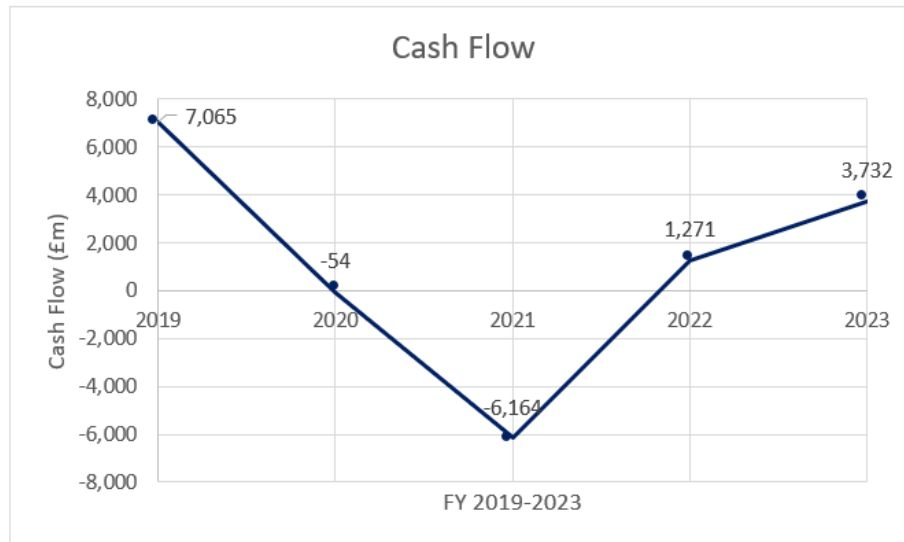


Figure 5: Vodafone – Increase (Decrease) Cash & Equiv. Source: FAME (2023d)

Vodafone's positive cashflow fell significantly in 2020 and 2021 (-£54 million and -£6164 million, respectively), implying that Vodafone's outbound cash exceeded its inbound cash. Vodafone increased its cashflow by turning it positive and expanding it progressively to £3732 million in 2023. This suggests that Vodafone has sufficient liquid cash funds to settle its debts while also investing, making it a low-medium risk corporation.

2.5. Share Price

According to Figure 6, the share prices of Vodafone have been consistently declining from 2018 to 2023. The current share price is £75.51 which is a £111.97 drop in 5 years. This indicates a substantial underperformance by one of the market giants in the telecommunications industry.

Price Ed (GBX)

75.63 ▼ -0.66% **VOD** ORD USD0.20 20/21

39 more instruments

Open / Last close

76.27 / 75.63

High / Low

77.54 / 74.15

Bid / Offer

75.80 / 75.83

Special Condition: -

Trading Status: Market Close

FTSE 100

As at 04.06.23 22:35:34 BST - All data delayed at least 15 minutes



Figure 6: Vodafone current share price and share price history 2018-2023.

Source: <https://www.londonstockexchange.com/stock/VOD/vodafone-group-plc/company-page>

This share price decline indicates the presence of a downward price risk specifically for a long-term capital gain (> 5 years).

3. INDUSTRY AND COMPETITOR ANALYSIS

3.1. Overview of the Industry

The British telecommunications business links around 68 million people to each other and the world (Taylor, 2023a). Despite declines in 2016, 2019, and 2020, it generated more than £31 billion in sales. In recent years, the total average revenue per user for mobile service users has declined, resulting in a decrease in the industry's overall income (Taylor, 2023b). However, new forecasts indicate a drop in income creation in the next years, followed by stagnation.

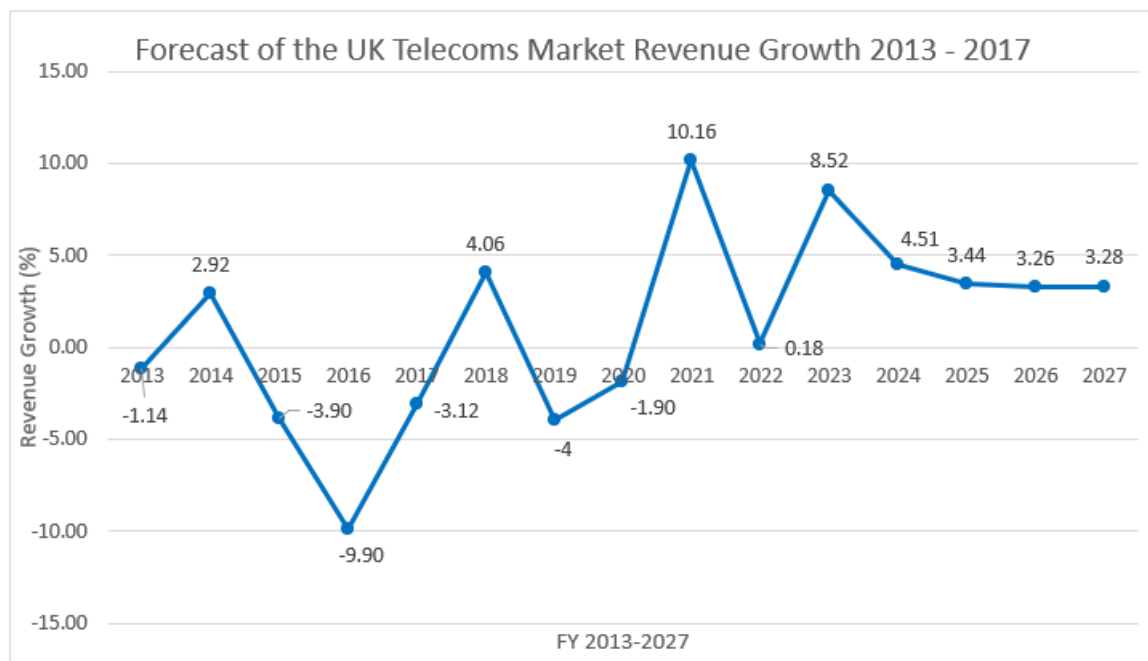


Figure 7: Forecast of the UK Telecoms Market Revenue Growth 2013 – 2017.
Source: Statista (2023c)

During the Covid-19 epidemic, the 'Work from Home' trend raised the demand for internet and telecommunication services, resulting in an enormous spike in the UK telecommunications business. The increased reliance on remote communication and networking boosted telecommunication product sales (Chomentauskas, 2022).

3.2. Competitor Analysis

3.2.1. Market Competition Analysis

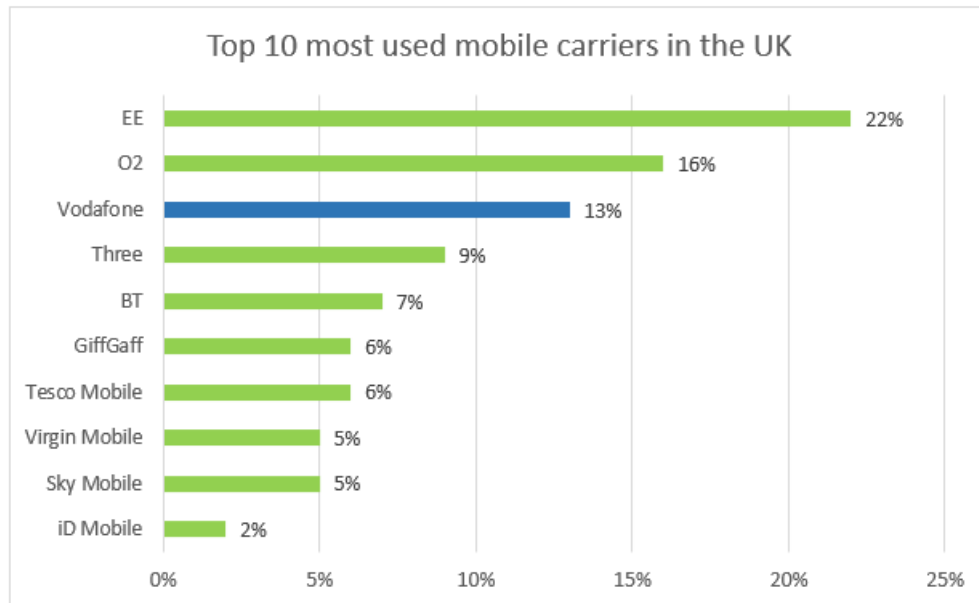


Figure 8: Top 10 most used mobile carriers in the UK. Source: Statista (2023d)

Vodafone is the third most popular mobile network in the UK, following EE and O2. However, it has outperformed two of its main competitors, Three and BT (Refer Figure 7). Regardless of market penetration by Vodafone's competitors, Vodafone's turnover consistently exceeds the turnover of O2 and EE by a substantial margin, given to its magnitude of operations and global reach (Refer Table 1).

Year	Vodafone	O2	EE
2018	40902	5742	6747
2019	37620	5976	7149
2020	39807	5718	7264
2021	37284	5485	6971
2022	38451	-	6856
2023	40178	-	-

Table 1: Turnover in millions (£), FAME (2023a,2023e,2023f)

*Note: Financial information of EE and O2 for years 2022 and 2023 was not published at the time of writing this report.

3.2.2. Liquidity Ratio Comparison

Company Name	Financial Year					
	2018	2019	2020	2021	2022	2023
Vodafone	0.96	1.52	1.00	0.96	0.82	0.86
O2	0.76	0.68	0.68	0.84	-	-
EE	0.47	0.71	0.90	1.33	1.53	-

Table 2: Liquidity Ratios. Source: FAME (2023a,2023e,2023f)

*Note: Financial information of EE and O2 for years 2022 and 2023 was not published at the time of writing this report.

According to Table 2, from 2018 to 2023, Vodafone's liquidity ratio has constantly been close to or more than one when compared to O2 and EE. This indicates that Vodafone maintains sufficient liquid cash to cover its short-term debts, making it a low-medium risk firm to invest in. This study aligns with the previous cash flow analysis, which implies the same outcome given its positive cash flow trend.

4. KEY ISSUES AFFECTING THE COMPANY AT PRESENT TIME

4.1. Recent activities

The following are some of the latest challenges that Vodafone Group PLC has experienced, as well as some of the developments that Vodafone has introduced in order to broaden the spectrum of its company operations and strengthen their market position.

According to Baldock (2023), Vodafone and Google recently announced a partnership that will offer consumers with an enhanced messaging experience via Google Jibe Cloud, introduce Pixel 7 devices, and employ Android TV for the Vodafone TV platform. Google will additionally be able to use Vodafone's 5G and fibre-optic networks as a result of the partnership. The collaboration seeks to provide clients across Europe with engaging experiences and innovative services (Baldock, 2023).

Vodafone UK displayed impressive commercial success as a result of recent price hikes and rise in inflation. Revenue in the UK grew by 5.3% to €1.8 billion. On the contrary, Vodafone reported a 1.8% fall in services income across Europe, particularly in Germany (Vodafone's largest market), compared to the previous quarter, which produced €3.35 billion, indicating Vodafone's underperformance outside of the UK (Gross, 2023a).

According to Gross (2023b), Vodafone has two major challenges: 1) Complex commercial operations across many legal jurisdictions ranging from the Democratic Republic of the Congo to Romania. 2) Four or more telecommunications businesses fighting against Vodafone in terms of cheaper pricing strategy, resulting in intense market competition and the inability to produce additional income streams or increase current returns. (Gross, 2023b).

Active investors are pressurising Vodafone to adjust its business strategy and increase shareholder returns (Gross, 2022a). Vodafone's shareholders' dissatisfaction regarding its market poor performance was evident following a consistent decline in its share prices since the past few years (Refer to Figure 6). To expand the scope of its existing business and develop new products and services which can promise supplementary revenue streams Vodafone and Three UK are planning on a merger amidst a fierce competition from other telecommunication giants (Gross, 2022b).

4.2. SWOT Analysis

Internal	
<p>Strength</p> <ul style="list-style-type: none"> - Vodafone has a global presence in 21 countries as an operational network and a partner market in 46 countries (<i>Where we operate</i> 2023b), enabling it to generate multiple revenue streams. - Vodafone is widely recognised as a global leader in telecommunications. It launched “Vodafone Business” in 2018 (Meijer, 2019), which not only added more value to the brand but also aided in enhancing the company's competitive position in the global market. - Vodafone is an active investor in new technologies and is continually making progress in new innovations in 5G, IoT, AI technologies. 	<p>Weakness</p> <ul style="list-style-type: none"> - Socio-political events have had a significant impact on Vodafone's product/service sales in Europe, owing to Vodafone's lack of a flexible strategy to deal with interruptions. For example, as a result of the Russia-Ukraine war, Vodafone reported an 8% loss in service revenue since Russian military activity primarily destroyed property, equipment, and infrastructure required by network providers (Wieland, 2022). - Being among UK's top 4 telecommunication providers, Vodafone has constantly come under scrutiny from legal regulators and has undergone investigations regarding their product sales strategy. This has altered and often obstructed their progress regarding telecommunication sales policies (Seal, 2021).
<p>Opportunities</p> <ul style="list-style-type: none"> - Vodafone is generating revenue streams by introducing new technical advancements like, providing 5G coverage at five major airports in the UK (Boyadzhieva, 2022). Similarly, they can implement this new revenue generation strategy across other countries. - Vodafone's IoT advancement EoT, which is a derived application of IoT will enable international trade amongst consumers generating new revenue streams and potential market expansions (<i>3.3 billion devices will be trading with each other by 2030 according to New Report</i> 2023). - Vodafone's recent price undercutting makes it the cheapest available broadband social tariff which can be considered as a great opportunity to enhance its consumer base (Lee, 2023). 	<p>Threats</p> <ul style="list-style-type: none"> - Due to recent price hikes/rise in living costs, smaller mobile service providers gained preference over the traditional big 4 companies which includes Vodafone and hence Vodafone witnessed a drop in mobile services sales (Wise, 2023). - Vodafone has experienced a drop in share prices by 7% due to its recent layoff plan to cut down 11,000 jobs over three years (Kharpal, 2023a). - High competition in Germany, Italy and other key markets in Europe has impeded Vodafone's market capture progress which has resulted in dissatisfied investors (Kharpal, 2023b).
External	

5. CONSUMER MARKET ANALYSIS

5.1. Brand Awareness and Usage

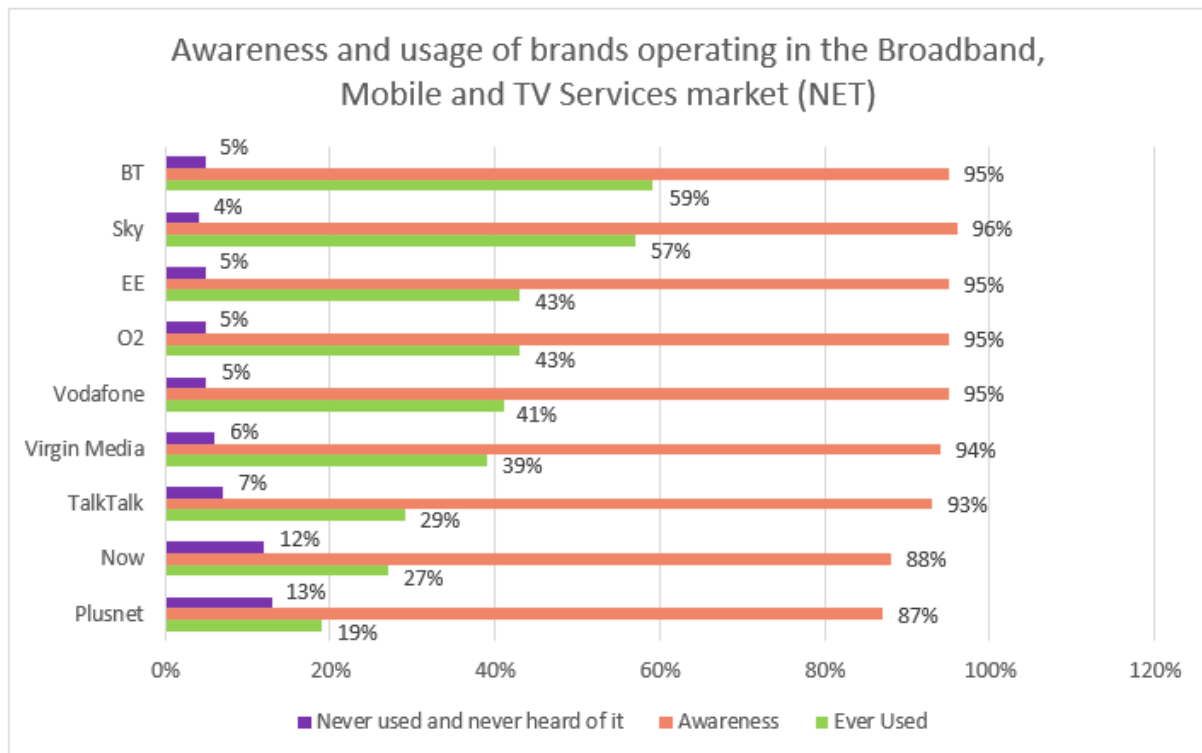


Figure 9: Awareness and usage of brands operating in the Broadband, Mobile and TV Services Market (NET). Source: Mintel (2023a).

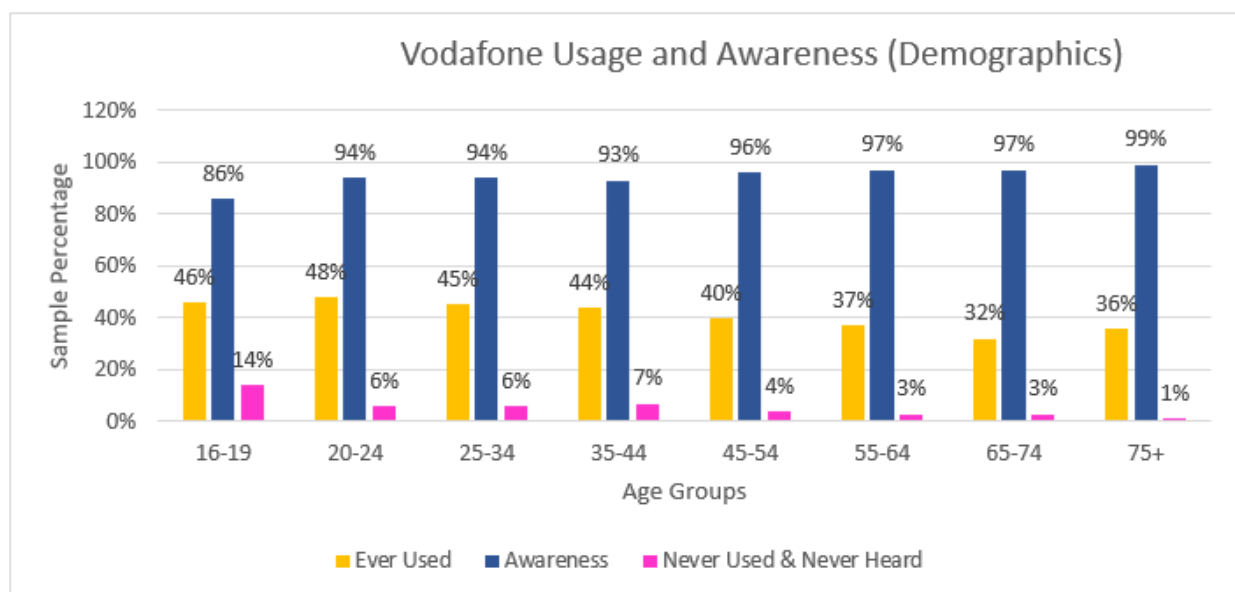


Figure 10: Awareness and usage of brands operating in the Broadband, Mobile and TV Services Market (NET) – Vodafone - Demographics. Source: Mintel (2023b).

According to Figure 8 & 9, Vodafone is placed fifth in terms of awareness and usage, following only O2 and EE. Although 95% of the sample population is aware of Vodafone, just 41% use the company's services. In the actual usage category, Vodafone trails BT and Sky by around 17% - 18%, indicating that Vodafone still has a big market to capture. In the age ranges 16-19 to 75+, 41% of the sample population actually consumes Vodafone services, compared to 95% (average) of the sample size that is aware of them.

5.2. Consumer Satisfaction

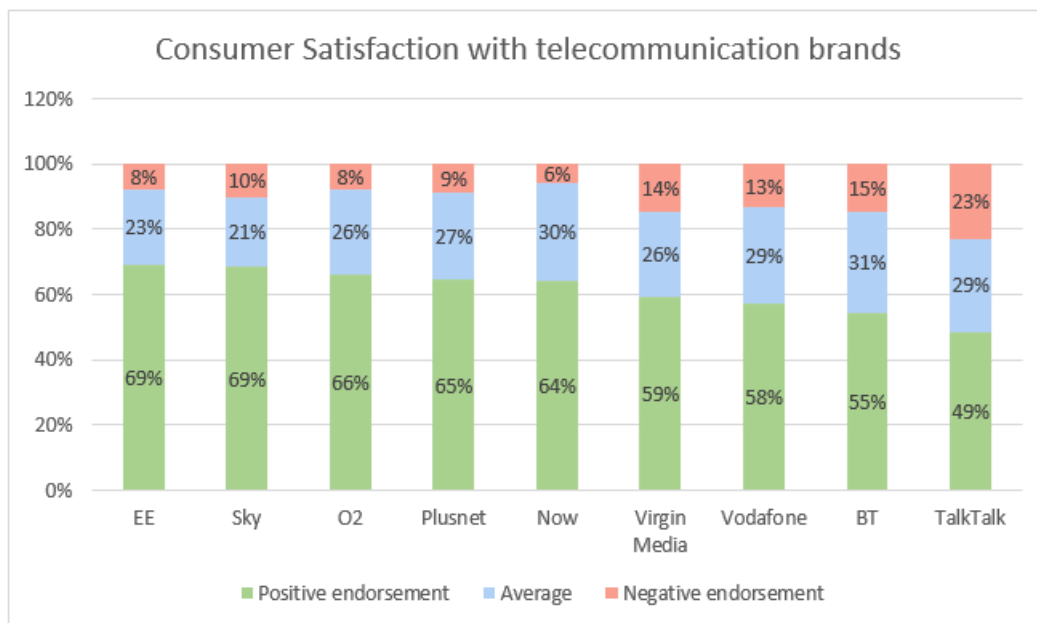


Figure 11: Satisfaction with brands operating in the Broadband, Mobile and TV Services market (NET). Source: Mintel (2023c).

Considering customer satisfaction Vodafone ranks the third lowest, behind only BT and TalkTalk, which implies that Vodafone needs to bridge the gap between what its products offer and the actual consumer needs.

According to Mintel, there is evidence of a potential challenge for Vodafone as a result of consumers' preferences for cheaper alternatives due to growing expenses. This suggests that upgrade cycles for new mobile phones may stall, affecting Vodafone's sales indicating that Vodafone needs to address the consumer pricing preferences (Mintel, 2023d).

6. CONCLUSION AND RECOMMENDATION

Vodafone Group PLC is one of the top four telecommunications tycoons in the UK, with a global market presence. Vodafone's latest initiatives to boost market performance include a prospective merger with Three UK and a collaboration with Google to provide people with better messaging capabilities via their flagship mobile phones.

Despite the disruptions caused by the COVID-19 pandemic after 2020, Vodafone's financial health was deteriorating following a decent economic performance in 2018. Vodafone's net profit and revenue witnessed an increment in 2023, indicating a promising future for its revenue streams and initiatives. However, Vodafone's stock market record contradicts its financial health report, as one of the world's largest telecommunication companies has experienced its share prices fall steadily since 2018, aggravating its key shareholders. Moreover, Vodafone has found it challenging to handle complicated business operations in several other countries while facing intense competition in the UK telecommunications sector from competitors like O2, EE, and Three.

However, due to its global presence, brand value and the ability to generate profits while simultaneously sustaining itself in a highly competitive market indicates that Vodafone can prove its mettle provided optimal and efficient business strategies are designed and implemented as soon as possible.

In conclusion, considering recent market trends, consumer behaviour, preferences, socio-political disruptions, and, most importantly, an extremely underwhelming financial performance by one of the world's largest telecommunications organisations, it is plainly evident that any investment in Vodafone will not guarantee high returns. Therefore, considering all the above metrics my recommendation is **NOT TO INVEST** in Vodafone Group PLC.

REFERENCES

- Baldock, H. (2023, February 21). *Vodafone expands Google partnership in latest push for RCS*. Nexis. Retrieved from <https://advance.lexis.com/document/?pdmfid=1519360&crd=3c974769-7994-4a74-b5b1-0637ea4239e6&pddocfullpath=%2Fshared%2Fdocument%2Fnews%2Furn%3AcontentItem%3A67KX-S341-F03F-K0K1-00000-00&pdcontentcomponentid=279499&pdteaserkey=sr1&pditab=allpods&ecomp=kwm yk&earg=sr1&prid=de75ef2b-1bd5-4ac8-a191-3b84df1f13fe>
- Boyadzhieva, Y. (2022, December 14). *News brief: Vodafone's 5G is landing at five UK airports*. TelecomTV. Retrieved from <https://www.telecomtv.com/content/5g/news-brief-vodafone-s-5g-is-landing-at-five-uk-airports-46213/>
- Chomentauskas, S. (2022, April 21). *Council post: How covid-19 changed the Telco Industry Forever*. Forbes. Retrieved from <https://www.forbes.com/sites/forbestechcouncil/2021/10/11/how-covid-19-changed-the-telco-industry-forever/?sh=675fb144625a>
- Dyer, R. (2019, January 25). *Vodafone expects 2019 earnings to drop as new accounting measures Dent Revenues*. Proactiveinvestors UK. Retrieved from [https://www.proactiveinvestors.co.uk/companies/news/213323/vodafone-expects-2019-earnings-to-drop-as-new-accounting-measures-dent-revenues-213323.html#:~:text=Vodafone%20PLC%20\(LON%3AVOD\),handset%20financing%20from%20the%20numbers](https://www.proactiveinvestors.co.uk/companies/news/213323/vodafone-expects-2019-earnings-to-drop-as-new-accounting-measures-dent-revenues-213323.html#:~:text=Vodafone%20PLC%20(LON%3AVOD),handset%20financing%20from%20the%20numbers)
- FAME. (2023a). Vodafone Group PLC: Company financial data. Retrieved from <https://fame-r1-bvdinfo-com.sheffield.idm.oclc.org/version-20230328-1-3/fame/1/Companies/Report>
- FAME. (2023e). Telefonica UK Limited: Company financial data. Retrieved from <https://fame-r1-bvdinfo-com.sheffield.idm.oclc.org/version-20230328-1-3/fame/1/Companies/Report>
- FAME. (2023f). Telefonica UK Limited: Company financial data. Retrieved from <https://fame-r1-bvdinfo-com.sheffield.idm.oclc.org/version-20230328-1-3/fame/1/Companies/Report>
- Gross, A. (2022, October 3). *Vodafone and three in talks to create UK's biggest mobile operator*. Subscribe to read | Financial Times. Retrieved from <https://www.ft.com/content/b17eff4c-f0ca-4b36-8f1d-c69baf0e1aac>
- Gross, A. (2023a, February 1). *Vodafone "can do better", admits chief*. Subscribe to read | Financial Times. Retrieved from <https://www.ft.com/content/3376da27-56e3-49a3-97a5-8a10a553abda>
- Gross, A. (2023b, May 29). *Can the UK's Telco Giants course correct?* Subscribe to read | Financial Times. Retrieved from <https://www.ft.com/content/d64bec87-83e1-424f-bdfd-ec5e1f60b7d0>

- Kharpal, A. (2023, May 16). *Vodafone shares drop 7% after record 11,000 jobs cut as CEO says telco “must change.”* CNBC. Retrieved from <https://www.cnbc.com/2023/05/16/vodafone-shares-drop-4percent-after-cutting-a-record-11000-jobs.html>
- Lee, A. (2023, April 24). *Vodafone’s broadband social tariff is the cheapest available.* The Independent. Retrieved from <https://www.independent.co.uk/extras/indybest/gadgets-tech/vodafone-broadband-social-tariff-b2210921.html>
- London Stock Exchange: Vodafone Group PLC.* London Stock Exchange | London Stock Exchange. (2023, June 5). Retrieved from <https://www.londonstockexchange.com/stock/VOD/vodafone-group-plc/company-page>
- Meijer, I. (2019, November 26). *The Power of Brand: One year on from the launch of Vodafone business.* Vodafone. Retrieved from <https://www.vodafone.com/business/news-and-insights/blog/gigabit-thinking/the-power-of-brand-one-year-on-from-the-launch-of-vodafone-business>
- Mintel. (2023). *Broadband, Mobile and TV Services - UK – 2023.* Retrieved from Mintel Acader database.
- Seal, T. (2021, June 18). *U.K. told mobile operator price hikes may be uncompetitive.* Bloomberg.com. Retrieved from <https://www.bloomberg.com/news/articles/2021-06-18/u-k-told-mobile-operator-price-hikes-may-be-uncompetitive#xj4y7vzkq>
- Statista. (2023d, March). *Mobile carriers: Vodafone customers in the United Kingdom.* Statista. Retrieved from <https://www-statista-com.sheffield.idm.oclc.org/study/93960/mobile-carriers-vodafone-customers-in-the-united-kingdom/>
- Sweney, M. (2021, May 18). *Vodafone shares sink after revenues slump.* The Guardian. Retrieved from <https://www.theguardian.com/business/2021/may/18/vodafone-shares-sink-after-profits-and-revenue-fall>
- Taylor, P. (2023a, January 18). *Vodafone Group Revenue 2008-2022.* Statista. Retrieved from <https://www.statista.com/statistics/241610/revenue-of-vodafone-since-2008/>
- Taylor, P. (2023b, May 26). *Topic: Telecoms in the UK.* Statista. Retrieved from <https://www.statista.com/topics/7198/telecommunications-industry-in-the-united-kingdom/#topicOverview>
- Taylor, P. (2023c, June 1). *Forecast of the telecommunications market revenue growth in the United Kingdom (UK) from 2013 to 2027.* Statista. Retrieved from <https://www-statista-com.sheffield.idm.oclc.org/forecasts/1331924/telecommunications-market-revenue-growth-united-kingdom>
- Vodafone. (2023a). *Where we operate.* Vodafone.com. Retrieved from <https://www.vodafone.com/about-vodafone/where-we-operate>

Vodafone. (2023b, June 1). *3.3 billion devices will be trading with each other by 2030 according to New Report*. Vodafone.com. Retrieved from <https://www.vodafone.com/news/technology/3-3-billion-devices-trading-2030-report>

Vodafone. (2023c). *Consumer products and services*. Vodafone.com. Retrieved from <https://www.vodafone.com/about-vodafone/what-we-do/consumer-products-and-services>

Vodafone Group PLC. (2023). *2023 annual report of Vodafone Group PLC*. Retrieved from <http://documentslibrary.bvdep.com.sheffield.idm.oclc.org/MapperFamePdf/hhifceleanfndpadhjbeegohmglpbgldgaodgbfgnbgppcioeabdkgnjckdajeconlfkajcgb.pdf>

Wieland, K. (2022, September 2). *Vodafone Ukraine counts cost of war*. TelcoTitans.com. Retrieved from <https://www.telcotitans.com/vodafonewatch/vodafone-ukraine-counts-cost-of-war/5338.article>

Wise, A. (2023, April 22). *“Shocking” price hikes push biggest mobile providers down customer rankings*. The Independent. Retrieved from <https://www.independent.co.uk/money/shocking-price-hikes-push-biggest-mobile-providers-down-customer-rankings-b2324632.html>