



VODAFONE GROUP PLC

Common Shares; Recommendation: Buy, target \$13.00

Vodafone Group plc (VOD) is a well-known multinational telecom that operates networks in 21 countries, primarily in Europe and Africa, and is usually considered the 2nd or 3rd largest telecom in the world by subscriber count. The 2023 Fiscal year (ending March 31, 2023) so far is characterized as sluggish to disappointing with a slight 2% increase in group revenue and a 4% contraction in EBITDA against the backdrop of inflation and European economic concern, although producing higher operating profit and EPS. We consider VOD to have pricing power in Europe, but we are not sure of the magnitude of the positive effect in calendar 2023. The company has guided to low single digit revenue increases.

The second half of 23 looks better for the company with an expected €5 billion + in pre dividend cash flow and two deleveraging transactions on the horizon. Vodafone's publicly traded [Vantage Towers](#) subsidiary is currently valued at over 16 billion Euros (26 X EBITDA) with VOD owning 82%. The company is participating in a JV transaction that is projected to produce between €3.2 and 7.1 billion in cash proceeds. Vodafone has also entered into a transaction to sell its' Hungarian operations for €1.8 billion. Future possibilities include the monetization of Vodacom's African fintech business.

2022 annual report: "Since 2007 Vodafone's financial services businesses in Africa – have collectively grown to be the leading FinTech in Africa, transacting €24.8 billion per month. We have completed the legal separation of our FinTech business supporting a pathway of monetization over time."

Notably, Vodafone also holds €3 billion in [Safaricom](#) shares (40%). Safaricom is not consolidated on the Vodafone income statement.

So, we consider Vodafone's current financial position to be good with over 10 billion Euro in cash and cash flow and possibly over 15 billion considering the above planned actions. We consider the company to have a lower sensitivity to rising rates due to its ability to fund the near and medium term debt maturities internally. The shares declined considerably from the 2018, 2019 highs and we consider them a good purchase based on the dividend yield, low enterprise value to EBITDA and near and longer term deleveraging prospects.

COMPANY STATS	
Shares Out (In U.S. ADRs)	2.814 B
Equity Market Cap	€31.01B
VOD Reported Net Debt (borrowings only)	€45.50 B
VOD 2023 Projected EBITDA (ADJ) mid-range	€15.10 B
Enterprise Value / EBITDA	5.1 X
VOD Projected 2023 Cash Flow	€5.1 B
Equity Dividend Yield (€.9)	8.41%

VODAFONE COMPANIES	EQUITY VAL
Vodacom (Consolidated)	€11.1 B
Vodafone %	65.1%
Vantage Towers (Consolidated)	€ 16.3 B
Vodafone %	82%
Safaricom (Not Consolidated)	€6.8 B
Vodafone %	40.0%

REVENUE BY SEGMENT €	2022 F YR
Germany	13,128
Italy	5,022
UK	6,589
Spain	4,180
Other Europe	5,653
Vodacom (Africa)	5,993
Other Markets	3,830
Vantage Towers	1.414
Eliminations	-1,481
Group Revenue Total	45,580
Group EBITDAal Total (ADJ)*	15,208

[First half 2023 presentation](#)

[Company Overview](#)

BROXTON CAPITAL ADVISORS Vodaphone as of 9/30/2022

Monday, January 30, 2023

share price \$11.61

PROJECTIONS IN MM fiscal yr € 2023 2024 2025

Income Statement

Revenue	46,036	47,877	49,792
Gross Profit	14,731	15,560	16,183
Operating Income	5,427	6,029	6,355
Pre-Tax Income	400	400	400
Net Income	2,039	2,401	2,636
EPS	€ 0.71	€ 0.83	€ 0.91
Revenue growth		4%	4%
EBITDA (adj)	15,102	15,704	16,030
Interest	-2,300	-2,400	-2,400
Capitalized Expense	8,000	8,000	8,000
Cash Flow	5,014	5,176	5,411
Equity Dividends	2,533	2,533	2,533
Cash Flow Dividend Coverage	198%	204%	214%
Retained Cash Flow	2,482	2,644	2,878
Retained Cash Flow Sum	2,482	5,125	8,003

Valuations

Cash Flow Yield Vs. Equity	15.3%	15.8%	16.6%
EV/EBITDA	5.3	5.1	5.0
P.E Ratio	16.4	13.9	12.7
Enterprise Value	79,379		
Net Total Debt (Broxtton)	46,708		
Equity Market Cap	32,671	32,671	32,671

Debt Ratios

EBITDA/Interest Coverage ratio	6.6	6.5	6.7
Net Debt/EBITDA	3.1	3.0	2.9

Liquidity Sep. 30 2022

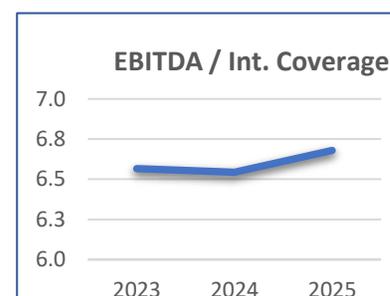
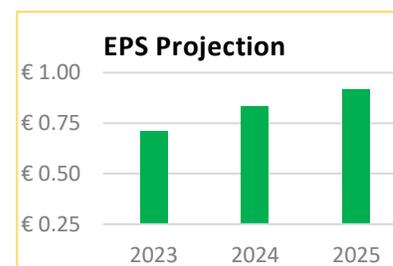
Cash	7,072
Borrowing Availability est.	2,000+
Total Current Assets	27,786
Total Current Liabilities	34,219
Current Ratio	81%

Debt (VOD Reported)

Borrowings	53,780
Borrowings Net	45,523

NOTES:

Debt amortization schedule (right): 2027 or later = 43.1 billion. Projections do not include the planned sale of Vodafone's Hungarian assets or the contemplated Vantage Towers transaction. Debt above includes bonds, bank loans and other borrowings and does not include lease and other liabilities.



Disclosures

Previous reports are available upon request. Smart Yield Fund targets a mix of different security classes that contain the risk of loss. Investors should carefully consider the Fund's investment objectives and risk factors before investing. Investing involves risk, including possible loss of principal. Investors should consider the loss of principle and targeted returns are not guaranteed. Individual investors in Smart Yield are generally required to be accredited investors. Smart Yield is a fund operated through individual accounts creating the composite. Smart Yield Fund is a new product with an inception date of September 30, 2020, and as such does not have historical data. Asset Mix Projections on page 2 and 6, Smart Yield Portfolio Metrics on page 5 are estimated or targets of the fund. Asset class mix and targets may change based on the direction of the managers. Portfolio allocation projected annual return and beta assumption for each asset class on pages 7-10 are estimated. Beta for the fund and each asset class is estimated versus the S&P 500. The average beta for the entire fund is projected to be .32. Beta is a measure of the fund's volatility in relation to S&P 500 Index. This index has a beta of 1.0. The fund targets a total gross return before fees and expenses of 9.24%. The fund projects a blended return based on income securities and capital gains. Smart Yield attempts to continuously improve the value of investment portfolios by investing in corporate bonds, convertible bonds, other types of bonds (investment grade and sub-investment grade, [which may also have limited liquidity]), dividend paying equities, non-dividend paying equities, ETFs, including leveraged ETFs, and other securities. Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. All securities types mentioned in this brochure have the risk of loss. Long term strategies purchase securities which are underpriced according to our appraisal methodologies. Broxton uses regression analysis to obtain an average appraisal value for an individual company and places a priority on the securities of companies with improving financial performance and or additional catalysts that provide for increases in earnings and valuation. We use financial modeling, technical analysis, proprietary and third-party research. Smart Yield does not have any capitalization (market size), sector or industry allocation mandates. Asset class allocation percentages may be changed without notice. Broxton deploys technical analysis and momentum as indicators of movement for shorter term strategies, that may not involve deep fundamental analysis. Shorting (selling and then buying) of securities can be used for hedging and as a long term or short-term strategy. 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SMART YIELD

Income Fund
