

VODAFONE GROUP PUBLIC LTD CO
Form 6-K
November 18, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

**Pursuant to Rules 13a-16 or 15d-16 under
the Securities Exchange Act of 1934**

Dated November 18, 2016

Commission File Number: 001-10086

VODAFONE GROUP
PUBLIC LIMITED COMPANY

(Translation of registrant's name into English)

VODAFONE HOUSE, THE CONNECTION, NEWBURY, BERKSHIRE, RG14 2FN, ENGLAND

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN EACH OF THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-81825) AND THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-149634) OF VODAFONE GROUP PUBLIC LIMITED COMPANY AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

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This report on form 6-K contains the following items:

- (a) Chief Executive's statement;
- (b) Business review; and
- (c) Half-year condensed consolidated financial statements of Vodafone Group Plc.

Certain information listed above is taken from the previously published results announcement of Vodafone Group Plc for the six months ended 30 September 2016 (the half-year financial report). This report on Form 6-K does not update or restate any of the financial information set forth in the half-year financial report.

This report on Form 6-K should be read in conjunction with the Group's annual report on Form 20-F for the year ended 31 March 2016, in particular the following sections:

- the information contained under Chief Financial Officer's review on pages 14 and 15;
- the information contained under Key performance indicators on pages 16 to 17;
- the information contained under Operating results on pages 30 to 37;
- the consolidated financial statements on pages 87 to 162.
- the information contained under Prior year operating results on pages 163 to 167;

The terms Vodafone, the Group, we, our and us refer to Vodafone Group Plc (the Company), and as applicable, its subsidiaries and/or its interest in joint ventures and/or associates.

Exhibit 7

- Computation of ratio of earnings to fixed charges

CHIEF EXECUTIVE'S STATEMENT

Financial review of the half year

Group

Group revenue for the first half of the year fell 3.9% to 27.1 billion primarily due to foreign exchange movements, with Group organic service revenue growing 2.3%* to 24.8 billion (or 2.5%* excluding the impact of regulated mobile termination rate (MTR) cuts. Quarterly service revenue trends continued to improve driven by an acceleration in Europe (Q1: 0.3%*, Q2: 1.0%*) and sustained growth in AMAP (Q1: 7.7%*, Q2: 7.1%*).

Group adjusted EBITDA declined 1.7% to 7.9 billion primarily due to foreign exchange rate movements, with organic adjusted EBITDA growing at 4.3%*, a faster pace than revenue. This was supported by strong cost control despite incremental drags from roaming, increased content costs and a higher operating cost base post-Project Spring. The Group adjusted EBITDA margin improved by 0.6 percentage points to 29.2%, and grew 0.7* percentage points on an organic basis. Both Europe and AMAP delivered margin improvements, supported by better top line trends and strong cost control.

Adjusted operating profit grew 0.1%, with organic adjusted operating profit increasing by 11.4%*, driven by organic adjusted EBITDA growth, lower depreciation and amortisation charges (reflecting the treatment of the Netherlands as an asset held for sale during the period), and an increased contribution from joint ventures.

We recorded a non-cash impairment of 5.0 billion, net of tax, in the period relating to our Indian business. This was driven by lower projected cash flows within our business plan as a result of increased competition in the market.

The effective tax rate for the six months ended 30 September 2016 was 7% compared to 1,673% for the same period during the last financial year, primarily due to the tax consequences of the 6.4 billion impairment charge recorded in respect of the Group's investment in India and the recognition of associated deferred tax assets, movements in deferred tax assets in Luxembourg and the ongoing impact of the re-organisation of our Indian business which took place during the year ended 31 March 2016.

Adjusted earnings per share of 3.08 eurocents fell 12.0% year-on-year, as lower taxation was offset by higher adjusted financing costs and a higher number of shares following last year's mandatory convertible bonds issue which is classified as equity after taking into account the cost of future coupon payments.

Breakeven free cash flow (2015: - 0.8 billion) reflected lower capital additions, seasonal working capital outflows, and a year-on-year capital creditor outflow of 0.7 billion mainly relating to the final payments for Project Spring.

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Net debt as at 30 September 2016 rose to 40.7 billion compared to 36.9 billion as at 31 March 2016, primarily reflecting payment of the final dividend. Net debt includes liabilities of 5.5 billion (2015: 5.1 billion) relating to acquisitions or renewals of spectrum in India and 1.9 billion (2015: 1.8 billion) of liabilities relating to minority holdings in KDG. It does not include the 2.7 billion of Indian spectrum purchased in October 2016, which will be fully recognised in the second half of the financial year.

Net debt excludes £2.8 billion of mandatory convertible bonds issued in February 2016, which are classified as equity after taking into account the cost of future coupon payments. The Group also holds \$5.0 billion of Verizon loan notes (also not included within net debt), and has the potential to utilise the proceeds from these notes to repurchase the shares issued to satisfy the mandatory convertible bonds.

The Board is recommending an interim dividend per share of 4.74 eurocents, up 1.9% year-on-year (based on the 31 March 2016 year-end £: conversion rate of 1.2647), consistent with the Board's intention to grow the full year dividend per share annually.

Europe

Organic service revenue in Europe grew 0.6%* with an acceleration in quarterly performance (Q1: 0.3%*, Q2: 1.0%*). This was driven by improving trends in both Consumer and Enterprise segments, despite an incremental drag from EU roaming regulation. Excluding MTR cuts Europe grew 0.8%*.

Consumer service revenue grew 0.9%*, a 2.6 percentage point improvement year-on-year. In mobile, this was supported by stabilising ARPU with the introduction of more-for-more mobile propositions and continued growth in our contract customer base. In fixed line, we continued to achieve strong broadband customer growth, particularly in fibre and cable services.

Enterprise service revenue growth was flat at 0.0%* in the first half of the year (returning to growth in Q2: 0.6%*), reflecting healthy mobile customer base growth and a moderating pace of ARPU decline. Fixed line service revenue continued to grow strongly led by ongoing demand for unified communications solutions, and we maintained our leading market position in the fast growing Internet of Things (IoT) segment.

In total, our 4G customer base is now 39.3 million (an increase of 15.0 million year-on-year) and broadband net additions for the first half of the year were 0.5 million, taking the European base to 12.9 million (of which 7.0 million are NGN customers).

Organic adjusted EBITDA grew 3.1%* and adjusted EBITDA margins improved by 0.9 percentage points to 30.2%, reflecting revenue growth and strong cost control.

AMAP

Organic service revenue in AMAP grew 7.4%* (Q1: 7.7%*, Q2: 7.1%*), driven by growth in all of our major markets. Our Consumer and Enterprise segments grew service revenue by 7.9%* and 13.1%* respectively.

CHIEF EXECUTIVE'S STATEMENT

The region continues to see strong mobile customer growth, with 7.2 million more customers added in the first half of this financial year. An increasing number of our customers are now using data, with 6.2 million active data users added. Customer usage continues to grow throughout the region, with voice and data volumes up 6.3% and 61% respectively. Fixed line customer growth remains strong, with 150,000 broadband net additions during the first half of the year, taking the regional base to 1.2 million.

Organic adjusted EBITDA grew 9.2%*, and adjusted EBITDA margins improved 0.7 percentage points reflecting strong revenue growth and good cost discipline.

Strategic progress

Customer eXperience eXcellence (CXX)

The Group's customer experience excellence programme is our core marketing strategy for brand and service differentiation. With CXX we aim to deliver an outstanding and differentiated experience for our customers, building on the significantly improved network quality delivered by Project Spring. Given the strategic importance of the programme, CXX performance indicators (primarily Net Promoter Scores and brand consideration) represent up to 40% of the annual bonus award for employees across the Group.

The programme focuses on four key aspects of our customers' experience with Vodafone, summarised by the acronym CARE. As the initiatives described below illustrate, we made progress in each of these areas during the first half of the financial year:

- Connectivity that is reliable and secure : We now have Network guarantee pledges in 17 markets, promising customers their money back if the network fails to live up to their expectations (typically, during the first 30 days for new customers). Our 4G roaming footprint now covers over 100 countries, twice as many as our best local competitor in the majority of our markets.
- Always in control : More than half of our European mobile customers (and almost two-thirds of our contract customers) take advantage of our European worry-free roaming offers, with roaming either included in their tariff or available at a modest daily rate. Penetration of the My Vodafone app on smartphones reached 39% across the Group, and is as high as 65% in Italy. The app is now available across 21 markets, with customers able to monitor their usage in real time in 13 of these markets.

- Reward Loyalty : 17 markets have now implemented tailored reward programmes for specific customer segments, aiming to delight and surprise loyal customers. This has contributed to a 1.2 percentage points year-on-year improvement in overall consumer contract churn to 17.0% by the end of the period.
- Easy Access : We now provide convenient support to our customers through a 24/7 Live chat platform in 14 markets. The first contact resolution rate in several of these markets is now over 80%, compared to 66% for the overall Group.

The success of the variety of CXX initiatives is apparent with 18 out of 21 operating companies achieving a market leading or co-leading position in consumer NPS and an average gap to the third placed operator of 13 points, representing a 1 point improvement year-on-year. Our NPS performance was impacted by price plan changes in several markets during the first half of the year combined with customer service challenges in the UK arising from a billing system migration. We have implemented a variety of new initiatives which are expected to drive improvement during the second half. Our Enterprise position is even stronger, reflected in an average gap to our nearest competitor of 9 points as at the end of the period.

Data

Customer demand for data continues to grow very quickly, stimulated by the increasing availability of great TV, sport and video on smartphones and tablets, the improving reliability and speed of mobile networks, the increasing size and quality of smartphone screens and the continued deflation in unitary data pricing.

Data traffic in the first half of the financial year grew strongly at 61% (Europe: +62%, AMAP: +61%). We continued to grow our 4G customer base year-on-year to 58.9 million across the 22 countries where we offer 4G, with 12 million customers added in the period. Although take-up continues to be rapid, only 32% of our European customer base is taking a 4G service, providing us with a very substantial opportunity for future growth. Customers who move to 4G typically buy bigger data packages and see their data consumption double; average usage per smartphone customer in Europe is up 48% year-on-year to 1.4GB per month, and over half of the data traffic in Europe is now on 4G. This growth in data, combined with more-for-more propositions, has helped drive a stabilisation in mobile ARPU trends across Europe.

CHIEF EXECUTIVE S STATEMENT

In our emerging markets, data adoption is also rapid, supported by our significant network investment and the relative scarcity of fixed line internet access. The 3G/4G mobile data customer base is 112 million, up 56% year-on-year. The potential for future data growth is also substantial with only 34% of AMAP customers on 2G/3G and 4% on 4G. In South Africa we have grown our market leading 4G network outdoor population coverage to 69% (up 22 percentage points year-on-year). In India, following the Indian spectrum auction in October in which we increased our total spectrum holding by 62%, we now have a strong position to support our future 4G needs. We plan to extend our 4G footprint from 9 to 17 circles by the end of the current financial year, covering around 91% of service revenues and 94% of our data revenues.

Unified communications

We are becoming an integrated operator for both households and businesses in our main markets. We market high speed broadband services to 82 million households across Europe, and through organic investment and acquisition, 31 million of these households are on-net serviced by our own fibre or cable infrastructure.

We continue to achieve strong customer growth across our footprint. We now have 14.0 million broadband customers, with 675,000 new broadband customers added in the first half. In Europe, we added 525,000 new broadband customers of which 78% were on-net. This brings the total European on-net customer base to 5.9 million, representing on-net penetration of just 19% which leaves significant opportunity for future profitable growth. In TV, we have grown our customer base by 0.2 million in the first half of the financial year to 9.8 million customers.

28% of our broadband customer base are now on converged offers. Churn rates for converged customers are typically half that of customers who purchase a single product.

Enterprise

Services to business customers comprised 28% of our Group service revenue, and 32% in Europe during the first half of this financial year. Our relationships with business customers are expanding from traditional mobile voice and data services to embrace total communications, IoT, Cloud & Hosting and IP-VPN provision. These new areas offer both market growth and market share opportunities for us.

Overall, Enterprise maintained its strong momentum during the first half of the financial year with service revenue growth of 2.9%*, with an improved quarterly trend (Q1: 2.5%*, Q2: 3.3%*). This was driven by growth in both mobile (2.3%*) and fixed line (4.6%*). Vodafone Global Enterprise (VGE), which provides services to our biggest international customers, achieved revenue growth of 4.3%*, driven by our unmatched geographical presence and the increasing trend among multinational corporations to retain a single provider of services across borders. Our total IoT connections increased by 39% year-on-year to 45.4 million, with revenue growing 17.2%*. In September 2016, we successfully completed the first ever narrowband IoT trial on a live network, paving the way for billions of devices to be connected at low cost with extremely low power requirements.

Fit for Growth

In order to enhance operational leverage and drive margin expansion across the Group we launched our Fit for Growth programme in September 2014. Fit for Growth is a comprehensive cost efficiency programme, with several Group-wide initiatives and a broad list of local market initiatives. The initiatives are monitored centrally in order to share best practice between operating companies.

During the first half of this financial year we have continued to make good progress, with areas of significant cost saving including procurement, improved sales channel efficiency and standardised network design. This cost focus is reflected in our improved margin performance across both Europe and AMAP, with 19 markets out of 26 growing adjusted EBITDA faster than revenue, driving a 0.7* percentage point improvement in organic Group adjusted EBITDA margin.

The Group recently conducted an external benchmarking analysis of its cost structure. This validated the progress that has been made, while still indicating continued scope for future savings. The Fit for Growth programme has subsequently been refreshed and new internal three-year margin targets have been set across the Group.

Outlook and guidance¹

The overall performance of the Group in the first half of the current financial year has been modestly ahead of our expectations. Europe is performing ahead of plan, however competitive intensity in India has increased.

We now expect organic adjusted EBITDA growth of 3-6%, equivalent to 15.7 - 16.1 billion of adjusted EBITDA at guidance foreign exchange rates, slightly narrower than the 15.7 - 16.2 billion range originally envisaged. We continue to expect free cash flow at guidance foreign exchange rates of at least 4.0 billion, after all capex, before M&A, spectrum payments and restructuring costs.

Notes:

* All amounts in this document marked with an * represent organic growth which presents performance on a comparable basis, both in terms of merger and acquisition activity and movements in foreign exchange rates. Change at constant exchange rates presents performance on a comparable basis in terms of foreign exchange rates only. Organic growth and change at constant exchange rates are non-GAAP performance measures. See Use of non-GAAP financial information on page 43 for further details and reconciliations to the respective closest equivalent GAAP measure.

1. See Guidance on page 7.

GROUP FINANCIAL HIGHLIGHTS

		Six months ended 30 September			
	Page	2016 m	Restated 2015 m	Reported %	Growth Organic* %
Group revenue	28	27,054	28,151	(3.9)	
Operating (loss)/profit ¹	28	(4,702)	1,115	n/a	
(Loss)/profit before taxation ¹	28	(5,387)	149	n/a	
Loss for the financial period ¹	28	(5,003)	(2,344)	n/a	
Basic loss per share ¹	28	(18.38) ^c	(9.43) ^c	n/a	
Net cash flow from operating activities	31, 37	5,820	5,735	1.5	
Net debt	19, 20	(40,668)	(39,143)	3.9	
Non-GAAP financial information²					
Group service revenue	8	24,805	25,601	(3.1)	2.3
Adjusted EBITDA	8	7,906	8,039	(1.7)	4.3
Adjusted EBITDA margin	8	29.2%	28.6%	0.6pp	0.7pp
Adjusted operating profit	8	2,283	2,281	0.1	11.4