Vodafone Upbeat as Revenue Rises
Second Quarter Sales Up 6.2% to $17.3 Billion

By
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LONDON— Vodafone Group PLC Friday said some of its key European markets are showing signs of stabilization, even as it recorded lower-than-expected growth in quarterly revenue.

The world's second-largest mobile operator by subscribers after China Mobile Ltd. 0941.HK -1.41% said revenue for the three months ended June 30 rose 6.2% year-over-year to £10.2 billion ($17.3 billion), lower than market consensus expectations of £10.35 billion.

Its first quarter revenue excluding handset sales and excluding mergers and acquisitions—a key metric—worsened, falling 4.2%, compared with a 4% decline in the fourth quarter and a 3.5% decline in the same period last year.

On the same basis, Europe revenue dipped 7.9%. Africa, Middle East and Asia Pacific revenue, including India—a key Vodafone market—rose 4.7%, as the operator shifts resources to fast-growing telecom economies.

The company didn't disclose earnings figures.

Chief Executive Vittorio Colao said performance in several European markets are beginning to stabilize on a quarterly basis.

Newbury, England-based Vodafone has seen results stung by its high exposure to Europe's anemic wireless markets; a region where it makes the lion share of its sales. Two months ago, it wrote down the value of its European operations by over $11 billion.

It is spending billions of dollars gathered from the sale of its 45% stake in Verizon Wireless, a U.S. mobile joint venture, to improve network quality and speed across the world. In Europe, it sees the upgrade central to a turnaround of the region's fortunes.

Vodafone has also focused on deal-making across Europe's scattered telecom and media sectors as operators pursue fixed-line assets and exclusive content to shore up stagnating wireless businesses. It has spent $20 billion on cable operators in Germany and Spain over the past year to bolster its position.

Vodafone shares closed Thursday at 197.9 pence, valuing the company at £52.32 billion. The stock has fallen 19% in the year to date.
Berenberg analysts say Vodafone shares will find outperformance difficult through the next few quarters as the impact of network spending on profit margins and cash flow becomes more visible.

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