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Certain information contained in this document constitutes "forward-looking statements", which can be identified by the use of terms such as "may", "will", "should", "expect", "anticipate", "project", "estimate", "intend", "continue", "target" or "believe" (or the negatives thereof) or other variations thereon or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Such statements express the intentions, opinions, or current expectations of the parties with respect to possible future events and are based on current plans, estimates and forecasts, which the parties have made to the best of their respective knowledge, concerning, among other things, the respective business, results of operations, financial position, prospects, growth and strategies of Liberty Global and Vodafone, statements regarding the transaction and the anticipated consequences and benefits of the transaction, the future growth prospects of the JV, the targeted closing date of the transaction, and the intended financing for the JV, including the intended leverage. Due to various risks and uncertainties, actual events or results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements.

Such risks and uncertainties include, but are not limited to regulatory approvals that may require acceptance of conditions with potential adverse impacts; risk involving the parties’ respective ability to realize expected benefits associated with the transaction; the impact of legal or other proceedings; and continued growth in the market for broadband communications and mobile services and general economic conditions in the relevant market(s).

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- under “Forward-looking statements” and “Principal risk factors and uncertainties” in the Vodafone Group Plc’s annual report for the year ended March 31, 2015;
- under "Other Information – Forward-Looking Statements" in Vodafone Group Plc's Half-Year Financial Report for the six months ended September 30, 2015; and
- in Liberty Global’s filings with the U.S. Securities and Exchange Commission, including its most recently filed Form 10-K and Forms 10-Q.

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Operator
Hello, ladies and gentlemen, and welcome to the Vodafone Group Analyst and Investor Conference Call regarding the announcement of today’s Dutch merger with Liberty Global. Throughout this call all participants will be in listen-only mode, and after the presentation there will be a question and answer session. And just to remind you, this call is being recorded. Today I’m pleased to present Vittorio Colao, Chief Executive, and Chief Financial Officer Nick Read. Gentlemen, over to you.

Liberty Global and Vodafone to merge their Dutch operations

Introduction

Vittorio Colao
Group Chief Executive, Vodafone Group Plc

Vittorio Colao
Thank you, Hugh. Good morning everyone, thank you for joining the call at short notice. I am pleased that we are announcing today another important development in our convergence strategy with the creation of a joint venture in the Netherlands. This is entirely consistent with our other moves to date – KDG, Ono, Hellas Online – as well as the fibre investment in Portugal, Italy, Spain and Ireland. So, step by step, market by market, we are building a strong, unified communication capability across our European footprint.

I will just make a few introductory remarks now to take you through the highlights of the transaction, and then open to Q&A with Nick. By the way, I’m here in the Netherlands with the Dutch team and Nick is in Paddington, so please excuse us if the handovers will not be perfect.

So, Vodafone and Liberty have agreed to combine their businesses in the Netherlands into a joint venture, owned 50:50. This is strategically significant for both of us. We’re highly complementary: Vodafone is very strong in mobile and enterprise, but it’s reliant on wholesale access for fibre; Ziggo has a nationwide cable and fibre network. They have scale in high-speed broadband and leadership in TV, but they are reliant on wholesale MVNO access on Vodafone’s networks. Together, we create a leading integrated communications provider – number two in mobile, joint leader in fixed broadband and number one in TV – with a combined revenue of €4.4 billion. Importantly, we also have the scale to make significant ongoing investments in digital infrastructure and services for consumer and business customers, and to compete on a more level playing field with incumbents.

This is also compelling as a deal financially for both of us; as you all know, there are valuable synergies in combining mobile and cable assets. We estimate cost and CAPEX synergies with a run rate of around €280 million by year five, and an NPV of €2.5 billion. And in addition, we see revenue synergies with a value of around €1 billion.

From a Vodafone perspective, the true-up payment of €1 billion reflects the difference in scale of the two businesses, and gives us access to an equal share of the combined business, with roughly three times the EBITDA at a fair price. From a funding perspective, the joint venture will be recapitalised after completion, and we fully expect that our share of the dividends paid out to the respective owners will leave this transaction cash neutral for us. It is also accretive to our equity free cash flow per share, from the second full year after completion, and the impact on our leverage metrics will be minimal. On timing and regulatory clearance, the transaction is conditional on clearance by the European Commission, with completion expected around the end of the calendar year.

No doubt you’ll have plenty of questions, so I would stop here and leave it open to questions with Nick.
Operator: Thank you. Ladies and gentlemen, if you wish to ask a question could you please press 0 and then 1 on your phone keypad now in order to enter the queue, and then after I announce you, simply ask that question. If you find that question has been answered before it’s your turn to speak, just press 0 and then 2 if you wish to cancel. And there’ll be a brief pause while questions are being registered.

Questions and Answers

Operator

We’re now over to the line of Akhil Dattani at JP Morgan. Please do go ahead sir, your line is open.

Akhil Dattani

Thank you. A couple of quick questions please, firstly on the valuation. So you mentioned the €1 billion payment that you’ll be making to equalise the asset values. I just wondered if you could talk through just how you thought about this? The specific multiples you focused on in determining that number, so just some broad concepts there.

Secondly, on the synergy targets you set: the €280 million of OPEX and CAPEX is about 8% of the combined cost base of the merged entity, which is quite a bit higher than what we saw when you announced the deals for Kabel Deutschland and Ono. Obviously this is a national asset, the others weren’t, but I just wondered more broadly if that reflects outside of that point more optimistic views around synergies, given some of your experiences at Kabel Deutschland and Ono? I’ll leave it there, thanks.

Vittorio Colao

Good morning, Akhil. Let me get maybe the first part, and then Nick you can take the synergies detail. As always in these cases, we have to take a number of metrics to look at the business. I would say that, if you take – I suppose we mostly looked at operating free cash flow, which is the appropriate measure for this type of transaction. If you look at our respective groups’ trading multiples, you will get more or less €6.1 billion and €3.9 billion equity evaluations for the two businesses, which leaves a delta of €2 billion, which halved is €1 billion. You can take a number of other metrics, but essentially we feel that this true-up is fair, because it gives us access to 50% of synergies of the company, which is essentially three times the size of what we have today. Nick, you want to comment on synergies?

Nick Read

Yes, morning, Akhil. If I was going to say why does it look like it comes out slightly higher than other acquisitions – I mean, I think you’re right to point out the fact that we’ve now got plenty of experience, so we know all the key levers and drivers now. But what I would really draw out is three things. First of all, on an IT platform perspective we’ve been going through a replatforming onto an Amdocs solution called Unify, so therefore we’ve been having our legacy costs plus the new cost. And at the same time, Liberty or Ziggo’s been going through a combination themselves, running two platforms. So if you like, the IT cost of the two businesses is abnormally high at this stage, and ultimately by 2018 we’re going to move onto the Amdocs solution going forward, and decommission the other platforms.

I’d say the second thing is around the fibre network. So obviously, they have national coverage; that gives us a lot more opportunity to drive synergies nationally for us, and on our mobile business. And the third thing I would say is both companies were expanding into new areas. So Ziggo were expanding into mobile and enterprise, and we were expanding into fixed, and therefore we were running higher share of voice marketing spends, and therefore will normalise back to the right rate for the combined business. The rest of the synergies I would say, like SG&A etc., are more in line with our other transactions.
Akhil Dattani
Thanks a lot.

Operator
We're now over to the line of Nick Delfas at Redburn. Please go ahead, your line is open.

Nick Delfas
Thanks very much. Just two questions, first of all one on the Netherlands. You've talked about revenue synergies: can you talk a little bit more about where you see those coming from?

And secondly, you're obviously in conversation with Liberty; you may have talked about other things, but I'm particularly interested in whether you think that you will team up in the Bundesliga rights auction? Thanks.

Vittorio Colao
Yes, Nick, the revenue synergies are the usual mix of, if you want, mobile cross-sell, fees migration, churn reduction, other elements of easier access to joint revenues that the two companies would otherwise have to pay more, if they had to achieve them independently. And that's why this is stronger than other cases, because, you know, both Ziggo had mobile plans and Vodafone had fixed plans, and together we can achieve them at a higher – with a higher chance. So I am there.

On the football thing, I would like not to comment too much, because this premier content right is becoming a country-by-country thing. It will be for the management of this company to propose what they think is the right thing, and we are seeing very different angles and very different situations in different countries. So I would prefer to wait to give you an answer.

Nick Delfas
Okay. Thanks very much.

Operator
We are now over to the line of Polo Tang at UBS. Please go ahead, your line is open.

Polo Tang
Yeah, thanks for taking the question. My question is actually quite broad in terms of – look, I know we're talking about the Netherlands today, but how you feel the Group is positioned in terms of convergence in other markets. But also specifically, if you look at Liberty Global and Vodafone, you obviously overlap in multiple countries, notably the UK and Germany. Therefore, can you maybe just give us some colour in terms of why you've just announced a deal in the Netherlands today, and can we maybe expect – you know, does this preclude something broader at a later stage?

Vittorio Colao
Yes, Polo, we talk about the Netherlands today because that's what we have today. So as we've said many times, convergence is a market-by-market thing. You have different assets, you have different alternatives, sometimes you even have different regulations. We have either acquired or invested in different markets depending on those conditions, and therefore, as I said many times, we operate in a business that is heavily infrastructural; necessarily, strategies have to be flexible to incorporate whatever is possible in each market.
So we’re very happy that we have this solution in the Netherlands, because of course it puts us in a clear leadership position with an incumbent. In other markets, we have to implement slightly different things. This is not precluding anything. This time we just discuss about the Netherlands. We’ll see whether there will be other developments, commercial or non-commercial, in other countries; with Liberty, but also with others. So as I said many times, it’s a buy-versus-build type of alternative that we resolve locally, essentially.

Polo Tang
Thanks.

Operator
We are now over to the line of Simon Weeden at Citigroup. Please go ahead, your line is open.

Simon Weeden
Yes, I’ve got a couple of questions, if I may. The first is whether you see there being any room to kind of export some of the TV technology out of the Netherlands and share it with other Vodafone assets elsewhere, given that there’s at least going to be a degree of competitiveness between the two of you in some of the other markets; whether or not this will place the Netherlands outside the Vodafone Group TV footprint, or firmly in it, or halfway? That would be interesting to know.

The other thing is tax implications: when, broadly speaking, would you expect the JV to be paying tax, and whether that’s materially different to the timeframe in which Vodafone Netherlands would’ve been paying tax as a – you know, if it carried on in its current form? Thank you.

Vittorio Colao
Yes, Simon, I don’t know why but I prefer to pass the second question to Nick, and answer the one on the TV technology. So on the TV thing: first of all, the beauty of this is that in the Netherlands the joint venture will have all the choices – and you refer to TV, but it’s not just TV: also enterprise solutions, also other platforms – coming from both groups. And this is going to be a very healthy thing for both groups, because we will see practically which one of our different platforms and solutions is more competitive, and it’s going to be a good learning moment.

Now, could that lead also to export into other markets? To be honest, of course, yes. In the past we had some discussion with Liberty about Horizon, their TV platform; for different reasons we chose other platforms, but for sure this will make it easier to also contemplate and grow the technology or service exchanges. Nick, on tax?

Nick Read
Yes, what I would say is that clearly, Simon, we don’t give projections on tax paid by country, but I think probably the best way to look at it is that tax wasn’t a value driver in this particular transaction. So it wasn’t a significant consideration.

Simon Weeden
Okay, thanks very much.

Operator
We are now over to the line of Maurice Patrick at Barclays. Please do go ahead, your line is open.
Maurice Patrick

Thanks very much indeed. Yes, it’s Maurice from Barclays. So just a question on philosophy of high leverage. So this business will obviously run at 4.5 to five times net debt to EBITDA. That’s obviously higher than a Vodafone historical-style multiple, and much has been made of differences between yourselves and Liberty Global around leverage. Has this changed your thinking about this? I guess, why agree to this high leverage? Has your thinking at a Group level changed because of it? Thank you.

Vittorio Colao

Nick, go ahead, yes.

Nick Read

Yes, Maurice, what I would say is that, as Vittorio’s been saying, this is a country-specific arrangement and deal, and our view on leverage was the same. So I wouldn’t do any read-across in terms of change of leverage position for the Group. This particular transaction had no net cash invested, given that the recapitalisation offsets the cash out from the true up, and on a deconsolidation basis there was only a very, very minor 0.1 times adjustment on the Group level. So, no read-across, no change of position at the Group level. It was just specific to the right formula for this particular transaction.

Vittorio Colao

Yeah, and let me also add that you need also to consider the specifics of the country. This is one of the countries where you have already something like 92% coverage of homes from the cable perspective and probably 98% of 4G, and it’s also a pretty flat country if I may. So also from a capital deployment point of view, it’s very predictable and I would say fully covered already. Other countries are different because of their nature or because of the state of development of the technology. This is why we feel comfortable in this situation.

Maurice Patrick

Great, thank you.

Operator

We are now over to the line of David Wright at Bank of America. Please do go ahead.

David Wright

Yeah, hi guys. A couple of questions. I guess following up on Akhil’s question earlier on, on the higher synergy run rate; it’s also actually a longer synergy realisation rate versus, I think, Ono and Kabel Deutschland where they were sort of three to four years’ realisation of the full benefits. This is five. Is there a reason for that? I might have thought that, especially given the problems with the fixed migration in Kabel, you wouldn’t maybe have those delays, etc. Is there a reason for five rather than four?

And then I guess, just trying to sort of frame this question, but you know the asset swap discussions obviously broke down, but we’ve had approval of this JV and you’ve obviously flagged that operating free cash flow is your focus, and the multiples look reasonable I guess for both businesses. So, is there a reason that those multiples weren’t reasonable or discussed in the asset swap? I guess if you could just give us any colour on ultimately why the asset swap discussions maybe didn’t work but the JV discussions have worked? Thanks.

Nick Read

David, if I take the first one.
Vittorio Colao
Yeah, correct.

Nick Read
So yes, you’re right, the period is effectively a year longer than what we were discussing in KDG and Ono integrations. And it primarily comes back to the point I was covering around IT integration. So we’ve been going through a very complex IT upgrade onto the new Amdocs platform. They are going through an integration themselves. And then we want to move to the one platform by 2018, and then obviously drive the synergies and the decommission of platforms off the back of that. And those programmes take a good five years to execute all the way through, including the decommissioning aspect of it, to realise the cost synergies.

Vittorio Colao
Yeah, David on the second question, on the asset swap: let me say first of all, the broader discussions terminated on different views on valuations. This specific discussion on the Netherlands was clearly triggered by the beginning of the T-Mobile, the German disposal. Again, I don’t want to bore you with valuations and so on. At the end of the day, it’s relative valuations that are important. You can take the one that I referred to, you can take others.

The essence is, if I can use a metaphor, is that we had like – you know, they had Messi, we had Cristiano Ronaldo and by putting together the two, we can each own 50% of a dream team. And therefore, you need to understand what is the delta that is required to make that dream team work. And if you excuse this metaphor, it is exactly, literally, what has happened. So we really said, ‘We can build something together which is great, which is good, which is leading: 2.6 million fixed customers, 3.2 million broadband, 4.2 million TV, 5.3 million mobile; complete competitor to KPN. It’s a dream team, let’s do it.’ And so, it was more of a, ‘What is the true up necessary?’ rather than a broader valuation discussion.

David Wright
Okay, that’s very clear. Maybe just one quick follow-up to Nick’s question. Nick, does that sort of change as well? You’ve got the slightly longer profile. Does it change the sort of curvature of synergy realisation, or should we be thinking about a reasonably straight line from a modelling perspective?

Nick Read
Well, I don’t think I can say by year what you should put in, but what I would say is that the major buckets were SG&A, which you would expect us to execute at a reasonable pace; marketing spend, which you’d expect us to harmonise at a reasonable pace; then there was a number of things around network, which tends to take two, three years to execute through. There’s some aspects of the transmission backhaul which are our long-term KPN, Eurofiber contracts, and then IT is the more complex task. So I would take those buckets.

Operator
Okay, we are now over to the line of San Dhillon at RBC. Please go ahead, your line is open.

San Dhillon
Hey guys, a couple of questions if I may. Firstly, you mentioned the trigger for this deal was DT’s seeming willingness to sell its Dutch business. Can we infer that, were an O2–Three deal to fail, you may reassess your strategy as a wholesaler of fixed line in the UK?

And more broadly, following this deal and the other cable acquisitions you’ve done, would you be happy enough with your portfolio of fixed-line assets as it is today, and your ability to organically build where necessary? Thank you.
Vittorio Colao
San, I couldn't really hear the second part of the question because the line was a bit noisy. Can you repeat? I got the O2–Three, but I couldn’t really understand the second one.

San Dhillon: The second one was: following this deal, would you be happy enough with your fixed-line asset portfolio today? I.e., do you really need to do more M&A? Are you happy with your ability to organically build where necessary?

Vittorio Colao
Got it. So I think O2–Three is a completely different story. As I said, it’s market by market, it’s relative to the opportunity that you have, and I also think that from a regulatory point of view and from a public policy point of view, this is a completely different thing and should be looked at in a different way.

More in general, are we happy with what we have or what we have not? This is a question I always get. You know, in a technology company there is almost never an end state; you always try to improve your infrastructure, you always try to create better platforms for customers. We are happy with the current situation. I was happy before, because the Netherlands has been performing very well on mobile and had just started a fixed operation which was already the third in terms of acquisition in the country. Now I’m happier because I have a better, stronger company with a partner that is very competent in content and in cable. So we think that we have, market by market, the right strategy. Should conditions change, should the opportunity arise, we will look at them.

San Dhillon
Thank you very much.

Operator
We’re now over to the line of James Ratzer of New Street Research. Please go ahead, your line is open.

James Ratzer
Yes, good morning. Thank you. There are two questions please. The first one was just regarding the regulatory approval process. I believe this will have to go to the European Commission. So I just wanted to kind of get a view on what your lines in the sand were around some of the concessions they might ask for. For example, if they ask for wholesale access onto the cable network, is that something that would be a kind of walk-away for you? And what are the break fees that might be in place on this transaction if you did decide that the regulatory concessions were too onerous?

And secondly, just a quick question on one of the numbers you mentioned, Vittorio. You mentioned an equity value I think of Liberty’s business of €6.1 billion. Can I just check that? Because I think Liberty in their release talk about a €14 billion enterprise value and then €7.3 billion of net debt. So I’d have got to €6.7 billion of equity value. So just wanted to check that, please. Thank you.

Vittorio Colao
Yeah. So, first of all, let me start from the second. And this was a little bit the Cristiano Ronaldo versus Messi thing. You can take whatever value you want, as long as you are consistent in looking at both businesses along the same metrics. So, if you take a value of their EV of €14 billion and you take away the €7.3 billion of debt, you get €6.7 billion, but then that talks to a €4.7 billion on our side. So guess what? The difference is €2 billion. If you take the Group multiples instead, which might or might not be appropriate, you get to lower levels. You get more €6.1 billion for them, €3.9 billion for us, and guess what? You’re again at €2 billion of difference. And that’s why I made the metaphor. I said at the end of the day, it reminds me of when you exchange football players. The important thing is what the smaller one has to pay in order to be a co-owner of the dream team.
On the other answer – and Nick, if you want to give a more technical answer to that, you're welcome after my thing – on the regulatory approval we don't expect significant intervention; we don't expect cable wholesale access to be given, because it has not been given anywhere else. And we also think that this should be seen favourably by the Commission because it creates – again, in a continent where everybody is looking for fewer, stronger, better equipped players, this is exactly what they have been talking about for a lot of time. And no, there are no break fees. Nick, you want to…?

James Ratzer
Great, thank you.

Nick Read
No, that's as technical as you need to get I think.

Vittorio Colao
Okay, good.

Operator
Okay, we're now over to the line of Paul Marsch at Berenberg. Please do go ahead.

Paul Marsch
Thanks very much. I have a few questions, but can I start off with the UK? If Liberty decides to take the UK remedy from O2 and Three, does that derail any prospect of an eventual combination of Vodafone and Liberty in the UK? That's my first question.

Second question is: can you give some guidance on the combined EBITDA of the joint venture from a credit perspective? I.e., what's the EBITDA figure to which the five times net debt to EBITDA target leverage multiple would be applied? Just to enable us to understand the kind of debt capacity of the business.

And then: what would you have said the normalised CAPEX to sales of Vodafone’s Dutch mobile business would be, ex Project Spring?

Vittorio Colao
Nick, do you want to take…?

Nick Read
I would say that just in terms of – I mean, obviously we're not going to guide on the Netherlands business going forward, and we only give guidance on the overall Group. But if you're looking for the rough estimate of the sort of EBITDA – and I know that we use slightly different terminology, but we're talking roughly about €1.9 billion for the sake of calculating potential leverage metrics.

Paul Marsch
So that would suggest the debt capacity of this thing could be as much as €10 billion?
Nick Read
Exactly.

Paul Marsch
Yeah. Okay.

Vittorio Colao
On the O3 remedy UK question it’s a bit of a hypothetical question. I guess you’re referring to MVNO, to an MVNO – whatever, favourable deal that O3 might give to Liberty.

Paul Marsch
Yeah.

Vittorio Colao
I mean my guess is – it’s a question for Liberty, honestly – I think surrounding O3, there are much bigger and much more complicated issues that first have to be sorted out, starting from the network. The ambition that I saw, even in the interview of the local Three CEO, to continue to sit on two networks sharing; I think that is fairly difficult to make, to kind of accept. So I would prefer first to see the deal go through and then we will discuss.

Paul Marsch
And the CAPEX to sales in the Netherlands; what, about 12% on a normalised basis?

Nick Read
Yeah, I mean if you remember from my presentations, I said as a Group generally, our mobile capital intensity would be about 12% and fixed around 18%. So when you’re looking at the Dutch market, you know, 12% as a general rule of thumb. But bear in mind, we’ve completed the 4G roll-out. And maintenance CAPEX tends to be high single digits.

Paul Marsch
Okay, thank you.

Operator
Our next question is over to the line of Mandeep Singh at Redburn. Please do go ahead, your line is open.

Mandeep Singh
Hi. Thank you for taking the question. I have two please. First of all, you’ve been cited in press interviews this morning as saying that this deal is not a blueprint for others. I know you’ve discussed a little bit around that today, but why isn’t it a blueprint for the UK or Germany? Why would they be different, or why should they be looked at differently? That would be the first question.

The second question is: you haven’t really talked much about who’s going to run the operations; the management, the sort of oversight, things like that. Could you talk a little bit about that, and what the JV sort of break-up clause is? Or, you know, is there some sort of shoot-out mechanism: who can buy who, put options, that sort of stuff? So could you talk a little bit about what this could look like in three or four years’ time if one party chose to exit? Thank you.
Vittorio Colao

Yeah, let me take the first part of your question and then Nick will go into the governance and conditions. I said, Mandeep, it’s not a blueprint because I don’t believe in blueprints. As I said – and unfortunately I have to repeat myself – every country is different, and the assets you have are different, the competitors you have are different. In this case we had a great opportunity to create a real co-leader: same size, same strength of incumbent. Other markets are different.

So I don’t believe in blueprints. I just believe in good business decisions, value creating for the shareholders and of mutual interest in every case. And that’s why you will find Vodafone – sometimes we acquire assets, sometimes we join joint ventures, sometimes we accept minority partners even if we are in control. So there’s no such thing as a blueprint that defines. It’s just good business logic and financial value to our shareholders.

On management, I can only say that the company will be managed by a CEO who will be both partners’ CEO. Not chosen yet, because there’s clearly a long period of approvals. And then there will be a board that will oversee the joint venture. Nick, maybe you want to start from there?

Nick Read

Yeah, I mean just in terms of the supervisory board, there will be three reps from each side of the shareholders. There will be two reps that will be appointed by the Works Council and the chairman will be alternated every 12 months between the two parties from one of those three reps either side. I will just say that, from a governance arrangement, I mean it’s pretty standard JV with certain veto rights related to major decisions. So I wouldn’t say there’s anything particularly exceptional.

I’d say in terms of exit provisions, there’s probably three that are just worth noting. The first is, each shareholder has the right to initiate an IPO after the third anniversary of closing. Secondly, we’ve agreed to restrictions on other transfers of interest in the JV until the fourth anniversary of closing. And after that fourth anniversary, each shareholder has the right to initiate the sale of the entire JV to a third party but subject to first offer in favour of the other shareholder.

Mandeep Singh

That’s really helpful. Thanks very much for that clarification.

Operator

We are now over to the line of Adam Fox-Rumley at HSBC. Please do go ahead.

Adam Fox-Rumley

Thanks very much. I just actually wanted to follow up on that management question. You’ve got one other JV in the Group, in Australia, and I wondered if there were any learnings you’d taken from that management structure that you needed to apply to the Netherlands?

And then secondly, could you talk about the plans you have for the brands at the moment? Do you think in principle that the end state needs to be one brand to maximise the opportunity? Thank you.

Vittorio Colao

Yeah, let me take that one as I came back over the weekend exactly from Australia and New Zealand. The only thing we have learned is: appoint a very good manager who has the trust of both parties and let him work, or let her work if it’s a she. That’s the real thing. We are happy now – and again, I’m not talking about the Netherlands now – of how things are developing in Australia. We now have a much stronger company there, performance is
up, quality is up and we are restarting the development phase of that thing. But again, the rule that we agreed with Liberty is: strong CEO and trust from both parties, and of course support from the two groups.

In terms of brand, we will keep both brands alive. We are, by the way, doing that in a variety of ways already in other Vodafone opcos. So either at product level or for special segments, in many places we have more than one brand. And so the plan is to leverage on assets that have a value.

Adam Fox-Rumley
Okay, thanks very much.

Operator
Okay, we're now over to the line of – actually, before we go over to the next one, if anyone's got any further questions, if they could please press 0 and then 1 on their phone keypad now to enter the queue.

And we go over to the line of James Britton at Nomura. Please go ahead, your line is open.

James Britton
Thanks very much. The first question is just on whether you have any dividend commitment in place to extract cash from the new JV to support your dividend-paying capacity?

And then secondly, I just want to come back to the multiples if I can. I think you cited €3.9 billion for your asset, which implies about 6.5 times for the mobile business. Liberty cited 11 times for their asset. I appreciate there are differences in the EBITDA and OCF treatment, but the valuation gap does seem quite extreme. So to what extent has a tougher sort of competitive outlook played a part in pulling down the mobile valuation? And given that the growth prospects and the cash conversion of the two assets are fairly comparable, what are the big reasons to explain this valuation gap? Thanks.

Vittorio Colao
Yeah, James, let me clarify again the point I was trying to make, because clearly I was not being clear enough. And then Nick will take the dividend question. If you take – you can take any set of possible metrics. If you take the €14 billion enterprise value for their asset, it's €4.7 billion for us. And if you take away their debt, at €7.3 billion, it gives an equity value of €6.7 billion for them. So €6.7 billion to €4.7 billion, that's €2 billion of difference. The ones I was mentioning, the €3.9 billion/€6.1 billion, is simply if you apply the Group multiples to both assets and you do the same valuation.

So there is no implicit, how do you say, expectation of deterioration or improvement. Simply we tried to apply fair valuations. And as I said, since we are creating a joint company, at the end of the day what is important is that you have a fair assessment of both assets. So, you should not mix the two valuations, otherwise you get the conclusion that one of the two parties – and it could be either one – has got a better deal. But use the same metrics and same logic for both. Nick, dividends?

Nick Read
Yeah, how I would summarise it is the JV’s going to target a leverage ratio of 4.5–5 times the EBITDA going forward. So what that means is we intend to distribute 100% of the equity free cash flow to both shareholders on an equal basis by periodically recapitalising the business back to that leveraged level. So it's our intention to flow the cash, the surplus cash of the business, 100% back to the parent companies.
Operator
Okay, well we are now over to the line of Robert Grindle at Deutsche Bank. Please go ahead, your line is open.

Robert Grindle
Yeah, good morning. You say the deal is free cash flow accretive: is that based on what you thought you might be spending in the Dutch market with a fixed strategy, or is that on a stand-alone, mobile sort of status quo basis?

And then with regard the 50:50; I mean, it seems very logical that you should do a 50:50. Was it ever considered that you didn’t do a true up and just stuck with 60:40 or something like that? After all, you don’t consolidate the asset anyway. Was 50:50 really important, or was it just the share of the synergies you were aiming for there?

Vittorio Colao
Let me answer the second part of the question. We never discussed anything different than 50:50. It’s just, you know, we get 50% of the synergies that we both create, and it sounded like the right thing to do for this market. So not a lot of speculation on that to be honest. Nick?

Nick Read
Just on the free cash flow accretive: yes, you’re right. I mean, we have a mobile business but also we were expanding into fixed, so that is our default stand-alone long-range plan. And that was the basis on which we made the decision in terms of whether it was going to be accretive or not. So from the second year it should be accretive, with the flow back of the cash.

Robert Grindle
Thank you.

Operator
We are now over to the line of Ottavio Adorisio of Société Générale. Please go ahead, your line is open.

Ottavio Adorisio
Hi, good morning gentlemen. Thanks for taking the questions. It’s a follow-up of a previous question. First one, is on potential future M&A. I know it’s difficult to speculate, but previously when you mentioned about the possibility of doing deals, you mentioned three possibilities: acquiring a cable business, as you’ve done before; a JV, as you’ve done today; and the possibility of accept minorities. You haven’t mentioned the fourth: would you be prepared to basically merge and be a minority partner in any new combined entity?

And the second one is basically on the debt: could you confirm whether there is no recourse, either on Liberty or on Vodafone, on the debt that you will raise at the Dutch subsidiary?

And the third, it’s basically – I know today we talk about Netherlands, but most of the questions are basically looking at Germany and the UK. Now, in the UK you’re very unhappy about the wholesale deal with BT, and on the other side you’re not building extensively. It doesn’t look that you have, at least at the moment, any deal close with Liberty, so what will be the medium- to long-term solutions you can see for your bundle strategy in the UK? Thank you.
Vittorio Colao

Yeah, let me take both the kind of strategic M&A and the UK questions, and then maybe Nick you can comment on debt.

First of all, the broader thing: as I said, we need to consider solutions market by market. Of course there are core markets where we would not go in a minority, but there are places like – you know, in emerging markets there’s a couple of places where we are in a minority; maybe we have management rights but we are in a minority. So, in principle in core markets, we do not like to lose control. In less core markets or less relevant markets for our strategy, we might do it. Now, of course they tend to more peripheral, smaller or less core, like – I don’t know, Kenya or Qatar.

In terms of strategy: actually, I said – I didn’t mention the minority but I mentioned another one, which is actually buy services from an incumbent and have a converged strategy which is less capital intensive, less asset intensive, but still a valid one. And in the UK, the current strategy is exactly that one. So it is to host bundle services and wholesale from BT, but of course it requires good economic and operating conditions from BT, hence the level of tension that has been created with BT recently. It’s a less profitable strategy but also much smaller amount of capital to deploy. And don’t forget, the UK for Vodafone is 50% enterprise, so the majority of our margin actually comes from another segment. Nick?

Nick Read

Just in terms of the debt, yes it’s non-recourse debt so no parental guarantees from the groups.

Operator

Our final question today is from the line of Luis Prota at Morgan Stanley. Please go ahead, your line is open.

Luis Prota

Yes, thank you. My question is on the competitive dynamics in the Netherlands. And the way I see this deal is having a strategic angle for both parties of becoming fully integrated players, plus obviously generating synergies. In terms of the competitive dynamics in the Netherlands, do you expect any big change following this transaction, or rather the market is just moving further towards convergence with no particular reasons to change pricing strategies or big moves in market share? Thank you.

Vittorio Colao

It’s very hard. You know, when you talk about the competitive dynamics you should know what the reactions of your competitors are, and we never do. But, you know, what I expect is higher quality services, more kind of two players with high quality – us and KPN – competing at the full service range. And then other players more focused on specific segments either playing a niche service game or a price game. Which is more or less what you’re seeing for example in Germany, where you have Vodafone and Deutsche kind of playing that kind of strategy but you have plenty of other players like United or O2 Deutschland – or Telefónica Deutschland or other players playing more focused but still legitimate strategies.

Being one of the top two, and full service, is clearly the aspiration of Vodafone, you know, almost everywhere in our key markets. How to get there? As we said in my answers to earlier questions, in some markets it’s easier, in other markets it will take longer.

Luis Prota

Okay, thank you.
Vittorio Colao
Today, we made an important step in one of these key markets.

Operator
Okay, I’m afraid that is all the questions we have time for, so gentlemen, may I please pass it back to you for any closing comments.

Vittorio Colao
Yeah, thank you first of all for your questions as always. And just to summarise: again, another important step forward in our convergence strategy in one of our core, significant European markets. We will be joint owners of a large-scale integrated communication provider on terms that, as we discussed in this call, we think are fair to both sides. Both companies will benefit from the material synergy opportunities, and most importantly customers – enterprise, consumers and public sector – will benefit from increased choice and investment in services. Thank you all, thank you operator. Looking forward to meeting you, I guess in May at this point.

Operator
This now concludes today's call. Thank you all very much for attending, and you can now disconnect your lines.