# Vodafone warns on profits and seeks e1 billion in cost cuts

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ICK Read's bit to transform Vodafone into a simpler, more dynamic business took a hit today as it warned that in some parts of Europe hyperinflation is leading to soaring costs.

Last week the CEO agreed to sell 50% of its mobile phone masts business to private equity, a deal welcomed by investors keen to see the sprawling company consolidate its assets.

Today Vodafone said full year results won't be as good as the City hoped due to rising costs. It is allowing for "hyperinflationary accounting" in Turkery, for example.

Full year profit guidance is cut from e15-15.5 billion to e15-15.2 billion.

The shares took a plunge, down 6p to 98p. They were nearer 230p five years ago.

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Voda is seeking an extra e1 billion in cost savings by 2026 and warned prices could go up for customers.

Matt Britzman at Hargreaves Lansdown said: “It’s certainly not plain sailing at Vodafone right now, warnings that weaker economic conditions and rising costs are set to bring full year results down from previous guidance put a dampener on half year results. A €1bn extension of the existing cost savings programme and further pricing actions are being brought in to try and keep rising costs in check.”

Half year revenue rose 2.0% to c22.9bn, driven by growth in service revenue and higher equipment sales.

Read said: “In the context of a challenging macroeconomic environment, we are delivering a resilient performance this year, alongside making good progress with our operational and portfolio priorities.

“We are taking a number of steps to mitigate the economic backdrop of high energy costs and rising inflation.

The company said it will streamline and simplify its group-wide structure and accelerate the digitalisation of its operations.

Its chief executive said the network will also take “pricing action” across Europe to mitigate against high energy bills and rising inflation.

It comes as the Berkshire-based mobile network said its adjusted earnings dipped by 2.6% in the first half of its financial year, driven by commercial underperformance in its largest market, Germany, and a one-off legal settlement in Italy.

It saw a modest rise in revenues, by 2%, to 22.9 billion euros (£20.1 million), up from 22.5 billion euros (£19.7 million) in the same period last year.

Chris Beauchamp at IG Group said: “Squeezed by energy costs and rising wages, Vodafone’s gloomy outlook for the next six months has resulted in a swift drop on the open, wiping out the bounce from the October lows. The usual round of cost savings predictions have done little to boost confidence in the group, and with further economic weakness expected for Europe next year, we might see Vodafone having to be similarly gloomy about the outlook when full-year results roll around."