Vodafone sells Italian unit to Swisscom, deal angers Swiss hard-right

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Vodafone plans to return four billion euros to shareholders following the sale of its Italian and Spanish units.

British telecoms giant Vodafone said Friday it has agreed to sell its Italian unit to Swisscom for eight billion euros ($8.7 billion) in a cash deal that was slammed by Switzerland's main political party.

Shares in the two companies jumped following the announcement but the hard-right Swiss People's Party (UDC) said that investing abroad again was "irresponsible in the highest degree" following heavy Swisscom losses in Germany, Hungary and Malaysia.

The UDC said the strategy of the federal government, as Swisscom's main shareholder, should be to "ban foreign adventures".

The government, however, gave its green light for the operation on Friday.

Vodafone, which previously rejected offers from French billionaire Xavier Niel's Iliad group for the unit, has been on a cost-cutting campaign that has included layoffs and the offloading of divisions abroad.

The UK group said it intends to return four billion euros to shareholders following the sales of its Italian and Spanish businesses, which together total 12 billion euros.

Swisscom also said it would reward investors, raising dividends to 26 Swiss francs ($29) payable in 2026, compared to 22 francs in 2023.

Vodafone chief executive Margherita Della Valle said the deal with Swisscom marked the "third and final step in the reshaping of our European operations".

"Going forward, our businesses will be operating in growing telco (telephone company) markets—where we hold strong positions—enabling us to deliver predictable, stronger growth in Europe," she said in a statement.

Swisscom said in a separate statement that it would merge Vodafone Italia with its own Italian subsidiary, Fastweb, which it bought in 2007.

"Swisscom's purchase of Vodafone Italy and to merge it with its Italian subsidiary, Fastweb, creates a strong contender in the most challenging telco market in Europe," said Mark Diethelm, an analyst at Vontobel.

The transaction—which is expected to be completed in the first quarter of 2025—will be paid in cash and financed by debt.

"The industrial logic of this merger is very strong," Swisscom CEO Christoph Aeschlimann said. "Fastweb and Vodafone Italia are an ideal fit to create high added value for all stakeholders."

Shares in Vodafone surged more than six percent in London while Swisscom jumped around five percent on the Swiss stock exchange in late afternoon deals.

Niel rejection

"Vodafone's Italian business has been struggling, so shedding this weight should help the group refocus," said Sophie Lund-Yates, an analyst at Hargreaves Lansdown.

"Attention will now turn to how effectively Vodafone uses its resources to fix wider challenges, including high debts, costs and some increasing competition," she added.

Vodafone and Swisscom had announced last month that they were in advanced talks for the transaction.

Earlier this year, Vodafone rejected a proposal from Iliad to merge their Italian businesses in a deal valuing Vodafone Italy at 10.45 billion euros.

The British mobile phone operator had already rebuffed an 11.25-billion-euro approach by Iliad and private equity group Apax Partners in February 2022.

Niel has since taken a 2.5-percent stake in Vodafone.

A source close to the matter told AFP last month that Vodafone preferred the Swiss group's offer because of its "significant cash element" and a higher degree of certainty that the deal would be approved by Italian regulators.

Della Valle late last year announced the sale of its Spanish division to investment fund Zegona for up to five billion euros.

It followed her decision to axe 11,000 jobs, or more than 10 percent of Vodafone's global workforce, to slash costs.

Britain's competition regulator, meanwhile, is investigating Vodafone's plan to merge its British mobile phone operations with those of Three UK, owned by Hong Kong-based CK Hutchison.

Vodafone also completed the sale of its Hungarian unit last year.

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