VEON Ltd

2027 management targets: Faster growth, more free cashflow, better value generation

- Rising digital revenues will enable LCY revenue growth to rise to 16-19% pa. Equity FCF is targeted at US$0.9-1.0bn by 2027
- Minority stake sales will showcase the multiple value-generating assets in the portfolio. Tower/ network sharing will release cash
- Our new forecasts are at the conservative end of management guidance. Our ADR fair value estimate rises to US$45

VEON

Following management's presentation of VEON's medium-term strategy and key 2027 targets, we have revised our forecasts to account for the growing weight of fast-growing digital assets. The multiplay strategy is helping to differentiate the firm's offering, improving its ability to push through price increases. Meanwhile asset disposals will continue to generate cash and reduce the future capex load. Reduced gearing will lower interest expenses, allowing equity free cashflow to rise.

Our new forecasts are at the lower end of management guidance. We see VEON delivering c8% pa top-line growth to 2027 (in US$), with EBITDA rising by c10% pa. Our new fair value estimate for the ADRs is US$45. The shares are trading at 2.6x 2024 EV/ EBITDA, a 40% discount to peers. Upside risks include the delivery of revenue growth towards the top end of management guidance. Downside risks include the possibility that the company cannot pass on inflationary cost increases to its customers.

Please see Important Information towards the end of this document.

Report highlights

- We have lifted our revenue forecasts for the company reflecting management's assertion that its digital strategy is helping it to push through inflationary price increases
- Our top-line estimates are at the lower end of management guidance. And our equity free cashflow forecast is below the company's 2027 target. Effective strategy execution could therefore deliver positive surprises relative to our expectations.
- Our new ADR fair value estimate is US$45, a 25% increase. At this level, the ADRs would be at a 20% discount to peers, reflecting conservative valuation model assumptions
- Our financial model assumes cash distributions to shareholders resume from 2025 onwards; we factor in a US$1.58 dividend this year ie a c6% yield on the current price.
- VEON's digital assets portfolio will be a key driver of value. For example, Turkish fintech Papara's recent acquisition of Pakistani payment platform Sadapay implies a US$500mn valuation for JazzCash, equivalent to roughly 25% of VEON's current market cap.

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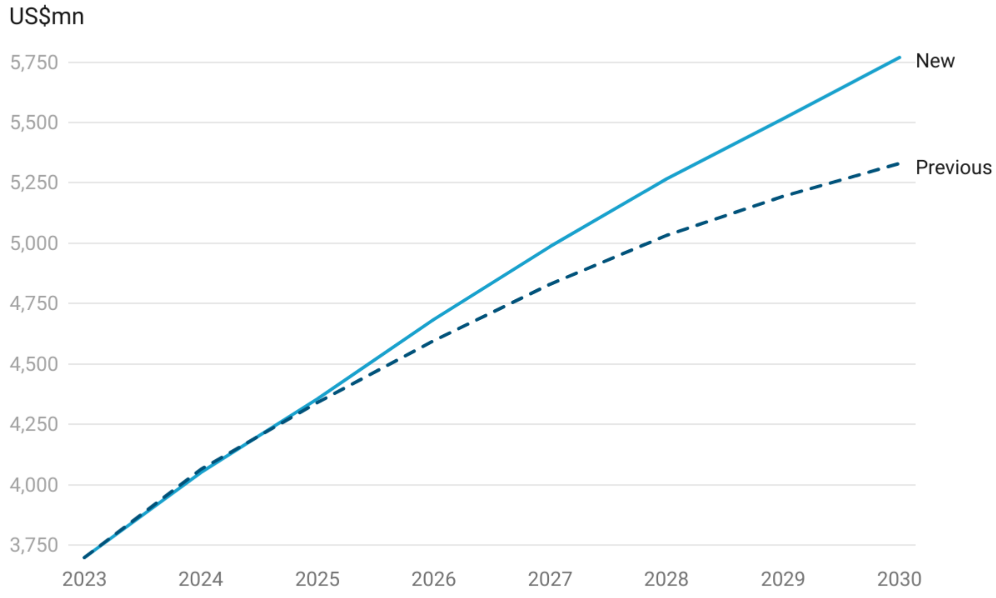
Top-line forecast increases driven by positive Kazakhstan and Uzbekistan guidance

Taking on board management's new guidance to 2027, our top-line forecasts show a more robust growth trajectory than we had previously modelled. Our revisions in Kazakhstan and Uzbekistan are major reasons for this more resilient growth.

VEON: Revenue forecasts raised



Source: Company data, inam • Created with Datawrapper

More details on our new forecasts to 2030 are in Appendix 1 at the end of this report.

Valuation: Fair value estimate increased by 25% to US$45

On the back of these forecast changes, our estimated fair value of the business, based on a discounted cashflow model, increases to US$45 per ADR from US$36 previously.

The valuation multiples at which the shares currently trade are at a roughly 45% discount to the peer group. At our fair value estimate, the shares would still trade at a 20% discount to peers, as presented below.

VEON: Valuation multiples versus peers

	2023			2024			2025		
	EV/ Sales	EV/ EBITDA	PE	EV/ Sales	EV/ EBITDA	PE	EV/ Sales	EV/ EBITDA	PE
VEON US (actual)	1.3	2.9	5.1	1.1	2.6	5.0	1.1	2.3	3.9
Discount to peers	*-39%*	*-45%*	*-54%*	*-36%*	*-40%*	*-51%*	*-37%*	*-42%*	*-54%*
VEON US (fair value)	1.6	3.8	8.8	1.5	3.4	8.6	1.4	3.1	6.7
Discount to peers	*-20%*	*-27%*	*-20%*	*-17%*	*-21%*	*-15%*	*-17%*	*-24%*	*-21%*
Peer group (actual)	2.0	5.2	11.0	1.8	4.3	10.2	1.7	4.0	8.4

Source: Company data, Refinitiv, inam • Created with Datawrapper

Further details on the peer group and these trading multiples are provided in Appendix 2.

Note that our valuation inputs (highlighted below) are unchanged, other than for expected annual currency depreciation, which is now 10% pa, from 9% previously.

VEON: Key valuation model assumptions

	COE	WACC	Terminal growth	Annual currency depreciation
Ukraine	50.0%	39.7%	5.0%	11%
Pakistan	40.0%	29.4%	7.0%	10%
Kazakhstan	20.0%	18.1%	6.0%	11%
Bangladesh	20.0%	16.5%	5.0%	7%
Uzbekistan	20.0%	18.5%	6.0%	10%
Total	**33.5%**	**27.0%**	**5.8%**	**10%**

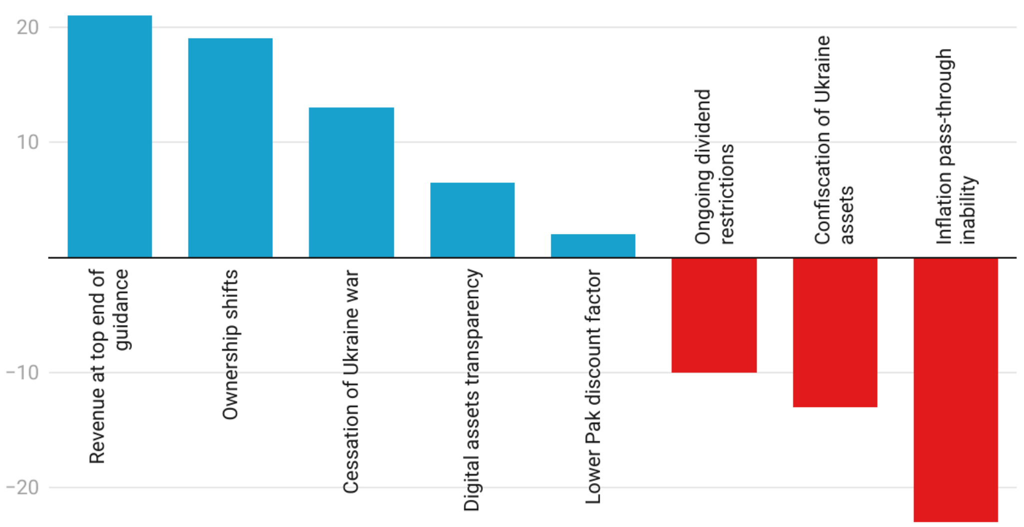
Source: inam • Created with Datawrapper

Risk factors

Investors in VEON are exposed to a wide range of risks, some of which we highlight below.

VEON: Selected risk factors

Potential impact on ADR value (US$)



Source: inam • Created with Datawrapper

Upside risks

Delivery at the top end of management guidance

Our forecasts are consistent with management delivering top-line growth towards the lower end of its targeted range (ie 16% pa in local currency terms). If instead, revenue growth were towards the top end of the targeted range (ie 19% pa), with other model inputs unchanged, our 2027 equity free cashflow forecast would rise to US$1.1bn in 2027 (ie above the US$0.9-1.0bn target) and our ADR fair value estimate would increase by US$21.

Ownership shifts

As we highlight later in this report, management has worked hard to address investors' corporate governance concerns, most notably through the exit of the Russian operations, completed in Q4 2023. One issue outside management's control is the ownership structure, with LetterOne owning 45.5% of the shares directly and a further 7.9% through a charitable foundation (Stichting).

LetterOne has also worked hard in recent years to minimise its Russian links, via Board changes and removal of certain shareholder rights. But for some potential shareholders, this ownership structure still casts a shadow on the VEON investment case.

A way for these concerns could be addressed is if a new investor were to purchase LetterOne's interest in VEON. Given the recently announced target of US$0.9-1.0bn equity free cashflow generation by 2027, plus the ongoing asset disposal programme, and the emergence of valuable digital assets within the portfolio, such a scenario could work in the interests of all parties. LetterOne could exit at a premium to the current market price, while still leaving a lot on the table for the new investor, including scope to partially recoup the investment though dividends/ buybacks.

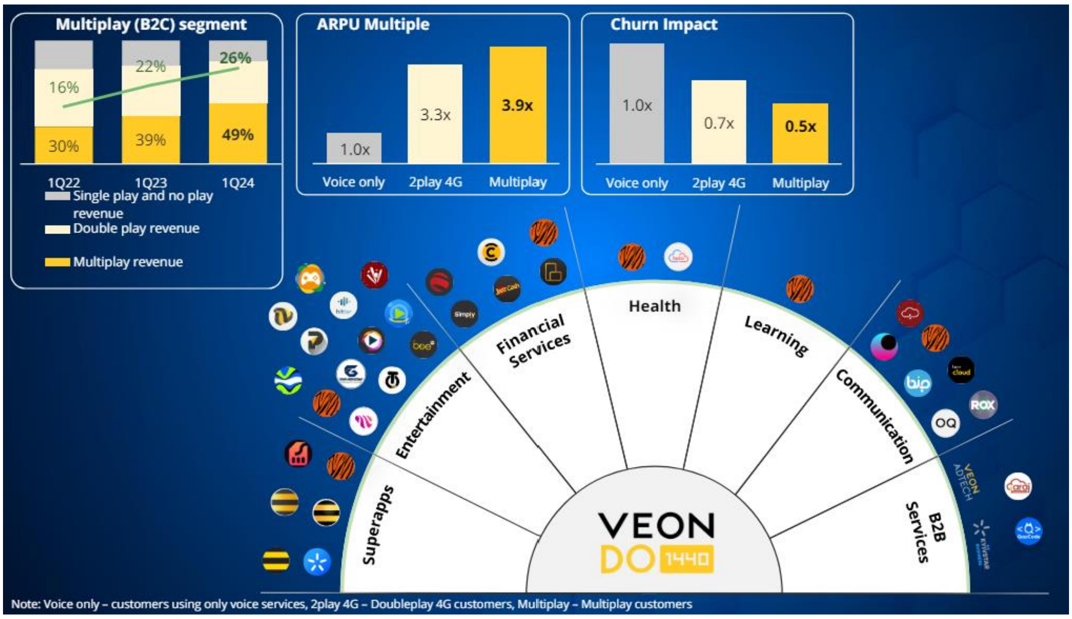
Letter One's exit could open the shareholder register to a much wider range of investors, in turn providing support to the shares and boosting liquidity. If such a scenario allowed the share price to reach our estimated fair value, this would represent a US$19 uplift to the ADR price.

Cessation of hostilities in Ukraine

Russia's invasion of Ukraine in February 2022 has generated significant challenges for VEON. A cessation of hostilities would prove beneficial in many ways, notably via a sharp rebound in Ukraine's population and economic activity, and a likely reduction in financing costs. VEON's shares would appeal to a wider group of investors in such a scenario. We think this could add US$13 to our ADR fair value estimate, based on a 50% reduction in our Ukraine cost of equity/ cost of debt assumptions.

Tangible illustration of the value of VEON's digital assets.

VEON has a stable of over 40 digital assets, covering a range of activities from education, entertainment, financial services and healthcare to self-service telecoms apps. These assets help drive higher ARPU and lower churn for VEON's telco business but also carry significant intrinsic value.



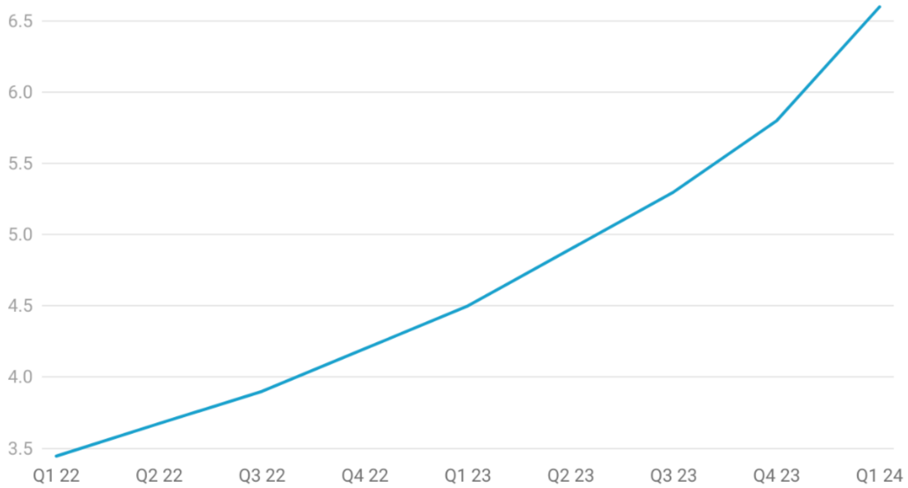
Probably the most mature asset, in terms of financial contribution and scale of operations, is Jazzcash, the largest non-bank payments facility in Pakistan, with close links to microlender Mobilink Microfinance Bank, which also sits in the VEON digital assets stable.

Pakistani payments platform Sadapay was recently acquired by Turkey's Papara at a reported valuation of US$30-50mn in a share for share exchange, with a commitment to invest a further US$10mn cash into the business. This transaction suggests a US$0.5bn price tag for JazzCash is not unreasonable (given that the business is more than 10x Sadapay across a range of metrics), though we think a valuation of twice this amount would be more in line with management's thinking.

Given VEON's current market capitalisation of US$2.0bn, these amounts are material. Any transaction (such as a minority stake sale or IPO) that confirms these valuations could have a material positive impact on the share price. For example, assuming a US$0.5bn uplift in the value the market attributes to JazzCash would lift the ADR valuation by US$6.50.

JazzCash: Gross transaction value is accelerating

Last 12 months (PKRbn)



Source: Company data, inam • Created with Datawrapper

Macro improvements in Pakistan

Since we launched research coverage of VEON in October 2023, Pakistan government bond yields have declined by around 2 percentage points. This improvement in investor perceptions reflects a more stable political environment and ongoing IMF support. Factoring in a 2 percentage point reduction to our cost or equity and cost of debt assumptions for this market adds US$2 to our ADR fair value calculation.

Negative risks

Inability to pass on inflationary price increases to customers

In contrast to many of its global peers, VEON has shown itself capable of passing on inflationary price increases to its customers. Partly this is because the pricing of telco services in its five principal markets is already towards the lower end of the global scale. But the multiplay strategy is also playing a role, by locking-in customers through the provision of differentiated services that the end user values. Management's 2027 targets assume that inflationary price increases will continue to be passed through to the end user. If this is unachievable (for example, due to competitive dynamics or changes in customer behaviour) then it would represent a downside risk to our forecasts and fair value estimate. If revenue growth forecasts were 3% pa lower than our baseline forecasts in 2023-2027, this would lower our ADR fair value estimate by US$23.

Confiscation of Ukrainian assets

Two scenarios could result in the value of VEON's Ukraine assets falling to zero. The first relates to the nationalisation of Kyivstar by the current Ukrainian government. The rationale for such an action would be if the Ukrainian state viewed this business as under Russian control. We view this as unlikely, due to the concerted actions taken by VEON since Russia's invasion of Ukraine commenced in February 2022. The second scenario relates to Ukraine falling under the control of Russia. Subsequently, Kyivstar could be nationalised by the new regime. Alternatively, VEON might be forced to divest ownership to avoid sanctions against the rest of its business. The potential downside from such a scenario is US$13 per ADR.

Restricted ability to pay dividends due to extended capital controls

VEON last paid a dividend from its 2019 earnings (of US$0.28 per share, or US$7 per new ADR). Our forecast assumes a resumption of cash distributions to shareholders from 2025 onwards. This is contingent upon the company upstreaming cash from its operating companies. The most important markets in this regard are Ukraine, Kazakhstan and Pakistan. However, all five markets are important (for example, Bangladesh is targeting a 10%+ contribution to equity free cashflow by 2027). We estimate cumulative dividends of almost US$10 per ADR could be paid out by 2027.

Capital Markets Day clarifies strategy and presents 2027 financial targets

VEON's Capital Markets Day highlighted several management initiatives that, if successfully realised, will generate value across multiple dimensions:

- Accelerating top-line growth
- Improving operating efficiency
- Higher free cashflow generation
- Lower gearing
- Reduced FX risk
- Increased customer engagement
- Reduced asset intensity
- Better transparency
- Improved alignment with shareholders

These positive trends stem from three strategic priorities:

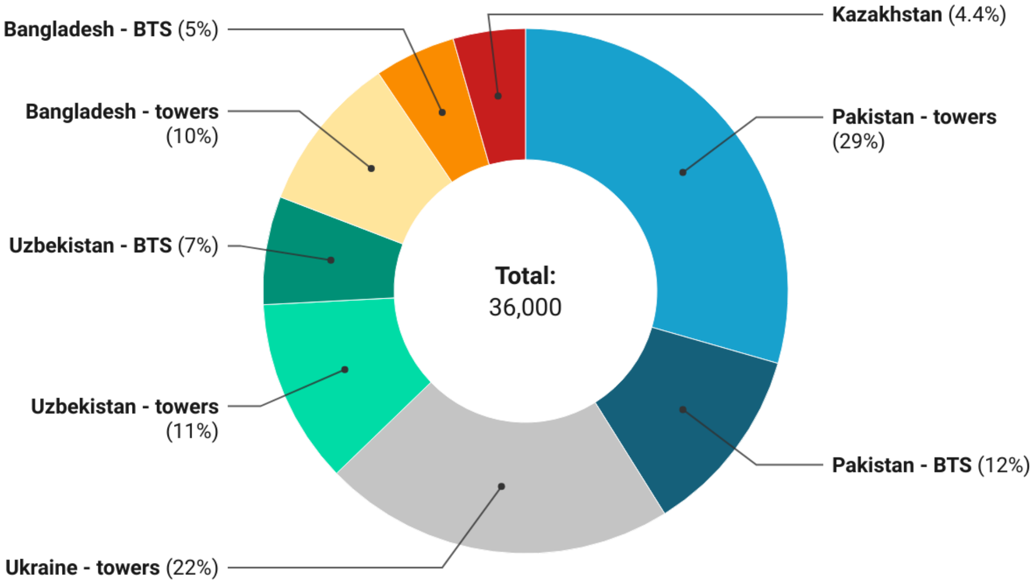
Asset sharing

Standalone tower and network companies are being established in all five VEON markets. Management believes specialist companies are better owners of tower assets due to their ability to optimise operational performance, improve revenues through asset sharing and lower funding costs due to the stable nature of their business models. By selling assets to such companies, VEON can capture some of these synergies via the sale price and can focus on value generation in other areas, including improved customer engagement.

Management will also actively pursue collaboration opportunities for other network assets, which will help to reduce future capex needs.

VEON: Tower assets portfolio

December 2023*



**Excludes c2,000 towers sold in Bangladesh in early 2024*

Source: Company data, inam • Created with Datawrapper

Increased digitalisation

VEON's multiplay strategy has already delivered strong benefits to the company, through lower churn rates and higher ARPUs. The success of this approach has given management confidence to pass cost inflation on to its customers in recent years, which supports the double-digit growth guidance across all VEON markets.

The digital assets are also valuable on a standalone basis. All the digital assets are open platforms, meaning VEON customers are free to use other providers and, more importantly, non-VEON customers can use the digital assets. Over the short-term, these assets can be used as low-cost customer acquisition platforms. But ultimately, VEON is in a strong position to be the leading super app in its markets, becoming the digital gateway of choice for a wide range of services including finance, entertainment and healthcare.

VEON: Selected digital assets

Q1 24

		MAU (mn)	MAU app (mn)
Financial services	JazzCash (Pak)	17.2	10.3
	Simply (Kaz)	1.4	1.4
	Beepul (Uzb)	0.3	0.3
Entertainment	Tamasha(Pak)	12.0	12.0
	Toffee (Bgd)	9.2	9.2
	Kyivstar TV (Ukr)	1.4	1.1
	Beeline TV (Uzb)	1.0	1.0
	BeeTV (Kaz)	0.9	0.7
	IZI (Kaz)	0.5	0.4
Self-service	Simosa (Pak)	14.9	14.9
	MyBL (Bgd)	8.1	8.1
	My Beeline (Uzb)	5.1	3.3
	My Beeline (Kaz)	4.4	4.4
	My Kyivstar (Ukr)	4.2	4.2
	My Beeline (Kyr)	0.5	0.5

Source: Company data, inam • Created with Datawrapper

Asset disposals

As highlighted above, selling shared assets (like towers) is one way value can be crystallised for VEON shareholders. But VEON is also open to selling minority stakes in other assets. These include its local telco operations, which are typically market leaders, and where IPOs could play a key role in developing local capital markets. Stakes in VEON's digital assets could also be sold, once they achieve sufficient scale. Likely initial candidates for such a programme include Pakistan's digital financial services businesses (JazzCash and Mobilink Microfinance Bank) and entertainment platforms Tamasha (Pakistan) and Toffee (Bangladesh). The firm is also building out its stable of digital enterprise assets, such as cloud services.

These transactions would give VEON shareholders a clearer idea of the value of these key business assets and close the gap to estimated fair value at which the shares currently trade.

Business targets to 2027 communicated

As well as outlining the strategic vision for the business, the senior management team also communicated some quantitative targets, as summarised below.

VEON: Group targets to 2027

	2023	Growth rate*	2027
Total revenue		16-19%	
EBITA growth		19-22%	
EBTDA margin			3% pt improvement
Equity FCF			US$0.9-1.0bn
Multiplay customers			50%
Share of US$ debt	64%		<50%
Leverage ratio			<1.5x
Avge debt tenor (years)	3.4		>4

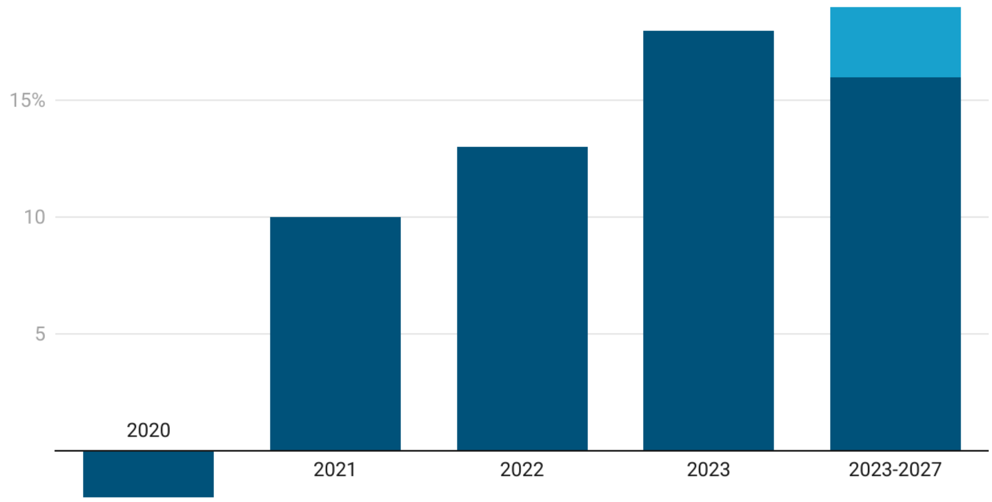
** 2023-2027 CAGR*

Source: Company data, inam • Created with Datawrapper

From a top-line perspective, management targets annual growth of 16-19% in local currency terms. This continues recent trends and should translate into mid-high single-digit revenue growth in US$ terms. As we highlight subsequently, management sees Uzbekistan posting the strongest top-line growth, with development in Ukraine likely to lag, at least until there a resolution to the current conflict.

VEON: Rising revenue growth trend

Year-on-year, local currency



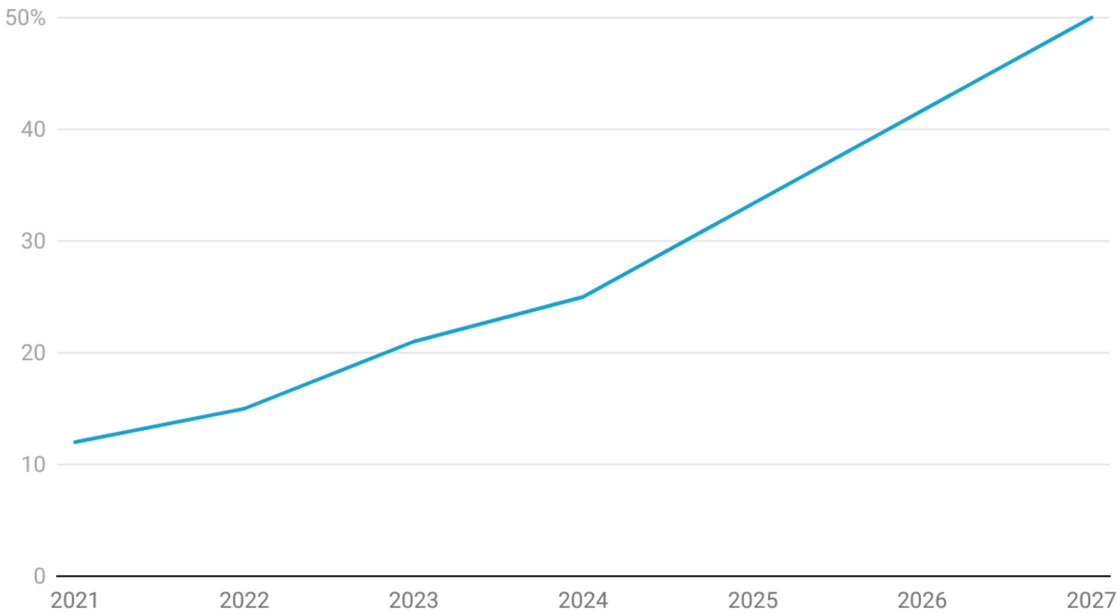
Light blue shading indicates VEON's targeted annual revenue growth rate for 2023-2027

Source: Company data, inam • Created with Datawrapper

As in the past few years, a key driver of the top-line will be growth in the number of multiplay customers, who tend to have higher ARPU and lower churn rates than non-multiplay customers. We expect strong growth in the multiplay customer base across the board. Multiplay coverage is currently highest in Uzbekistan, at 44% of customers, and lowest in Bangladesh, at 15%.

VEON: Multiplay subscriber target

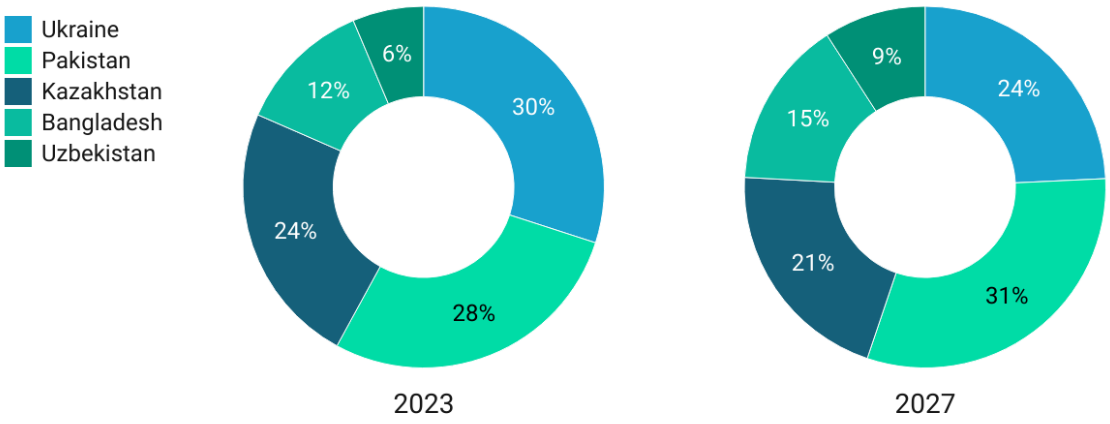
Multiplay subscribers/ total subscribers



Source: Company data, inam • Created with Datawrapper

EBITDA growth is targeted at 19-22%, with the EBITDA margin expected to rise by 3 percentage points from 2023-2027 (ie from 43.5%% to 46.5%). Margin expansion should be pronounced in Bangladesh, helped by growing scale as the business builds market share. Pakistan and Uzbekistan should also lift their group EBITDA contribution, helped by strong top-line growth.

VEON: Shifting EBITDA mix



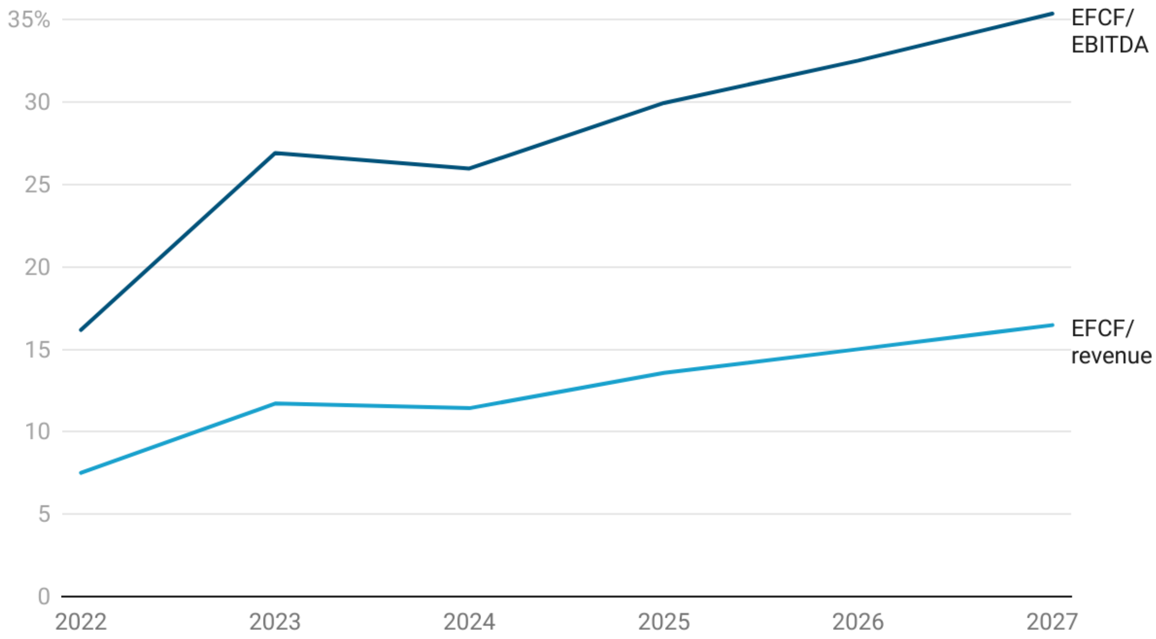
Note: Excluding HQ costs and other items

Source: Company data, inam • Created with Datawrapper

One of the more interesting group level targets is the commitment to generate US$0.9-1.0bn equity free cash flow by 2027 (excluding the impact of asset sales). This is akin to 20-23% CAGR and reflects the combination of top-line growth and widening margins highlighted above, plus lower capex intensity, which in 2024 is targeted to be 18-19% of sales but should decline to around 15% over the long-term, in our view.

Note that our own forecasts point to EFCF of US$821mn in 2027 (ie below the company's target). Our revenue growth estimates are at the lower end of company guidance, and we also project capex intensity to remain above 17% for the next few years.

VEON: Improving equity free cashflow generation



Created with Datawrapper

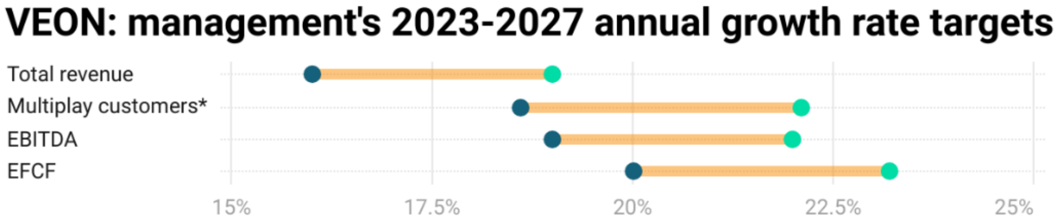
This improvement in free cashflow generation represents a sharp turnaround for a business that last paid a dividend in 2020 (from 2019 profits). Although the topic of dividends was not addressed specifically by management during the Capital Markets Day presentations, we think this subject will move steadily up the agenda as key boxes get ticked:

- Russia exit and improved corporate governance, including the resumption of audited accounts
- Balance sheet repair and reduced gearing ratios
- Recommencement of operating company dividend upstreaming, notably in Ukraine
- Resumption of bond market access

The continuation of the asset sale programme is likely to provide further impetus to cash distributions to shareholders. Our financial model currently assumes a resumption of cash distributions from 2025 onwards.

Growth target summary

The company's growth targets, (both explicit and implicit) are summarised below. Operating and financial leverage accelerates growth as we move down the income and cashflow statements.



*Assuming customer base grows by 0-3% pa
Source: Company data, inam • Created with Datawrapper

Financial leverage guidance

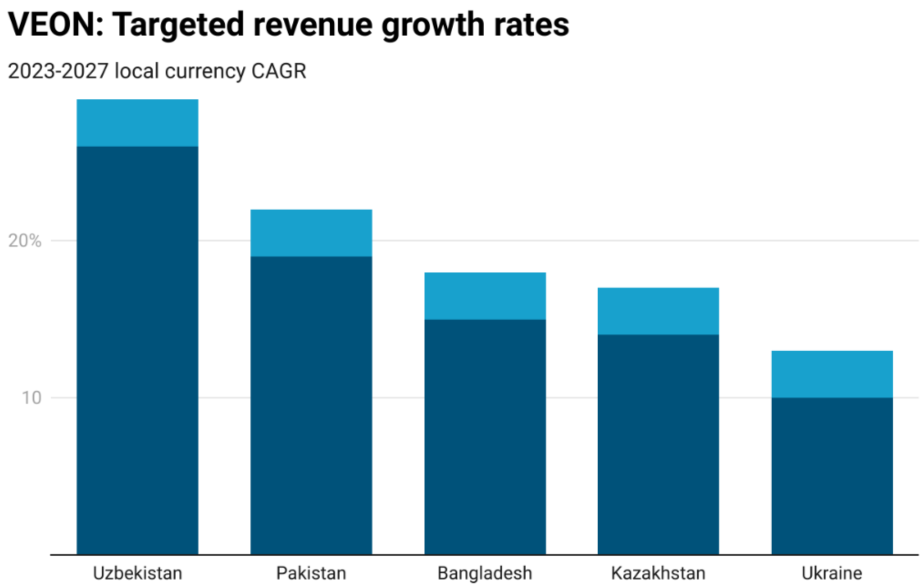
Some of the key gearing guidance relates to the make-up of debt (more local currency and operating company issuance, less hard currency and holding company issuance), its maturity (rising from 3.4 years to over 4 years, including leases) and the gearing level (<1.5x EBITDA).

Together with VEON's existing debt maturity profile, the guidance allows us to map a potential issuance schedule for the business. There are two big upcoming maturities of holding company debt: cUS$500mn in 2025 and cUS$1,000mn in 2027. If these were both replaced by US$500mn 7-year paper (or a combination of 5 and 10-year issues) then this would help lower the US$ component of the debt pile and extend the maturity profile as per the guidance.

Operating company debt issuance is currently focused in Pakistan, which is also the most expensive market (with a debt cost of 22.0% versus 10.7% in Bangladesh and just 3.6% for US$ paper). We think the average cost of local currency debt will fall as it becomes more geographically diversified.

Country-specific comments

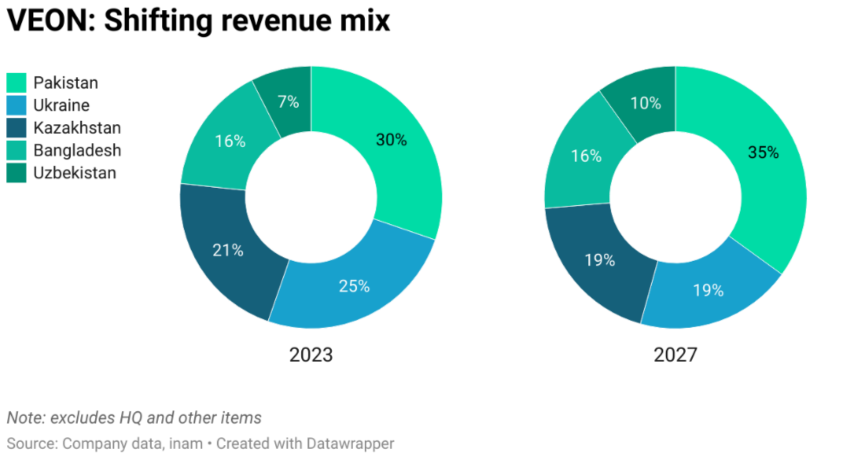
At the country level, local currency revenue growth rates to 2027 are projected by the company to range from 10% (Ukraine) to 29% (Uzbekistan), with annual top-line growth at the group level targeted to fall within a 16-19% range over this period (in local currency terms).



Light blue shading indicates the targeted growth rate range.
Source: Company data, inam • Created with Datawrapper

Rahul Shah rahul@inam.ae 27 July 2024

These growth rates could result in the following shift in line mix over the coming four years. The weight of Pakistan and Uzbekistan should increase at the expense of Ukraine and Kazakhstan.

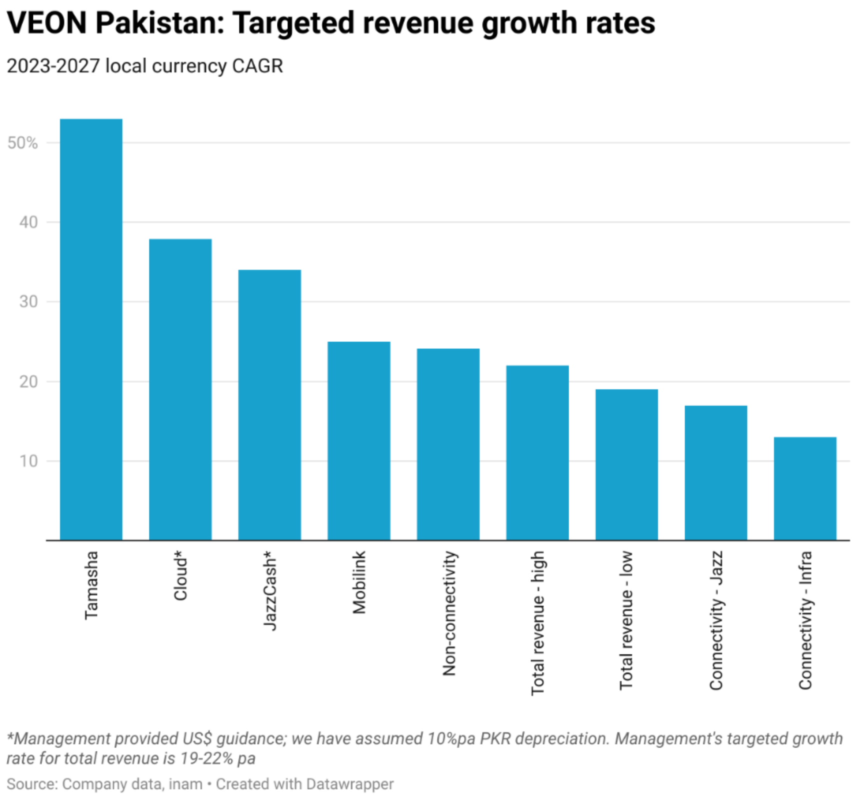


Pakistan

VEON indicated that revenue growth will average 19-22% (in PKR) from 2023 to 2027. More specifically, it has announced top-line targets of PKR459bn in 2025 and PKR652bn in 2027.

A key driver of this strong growth is digital revenues, projected to be half of the top-line by 2027. Within digital, JazzCash will continue to dominate, but its share will decline, with Tamasha, Cloud and Adtech revenues growing more strongly.

Non-connectivity revenue is also expected to increase its share, to 24% of the revenue base by 2027 (from 17% in 2023). Jazz's connectivity revenues will also show good mid-teens growth but will lag relative to the 20%+ growth expected on the digital side of the business.



Ukraine

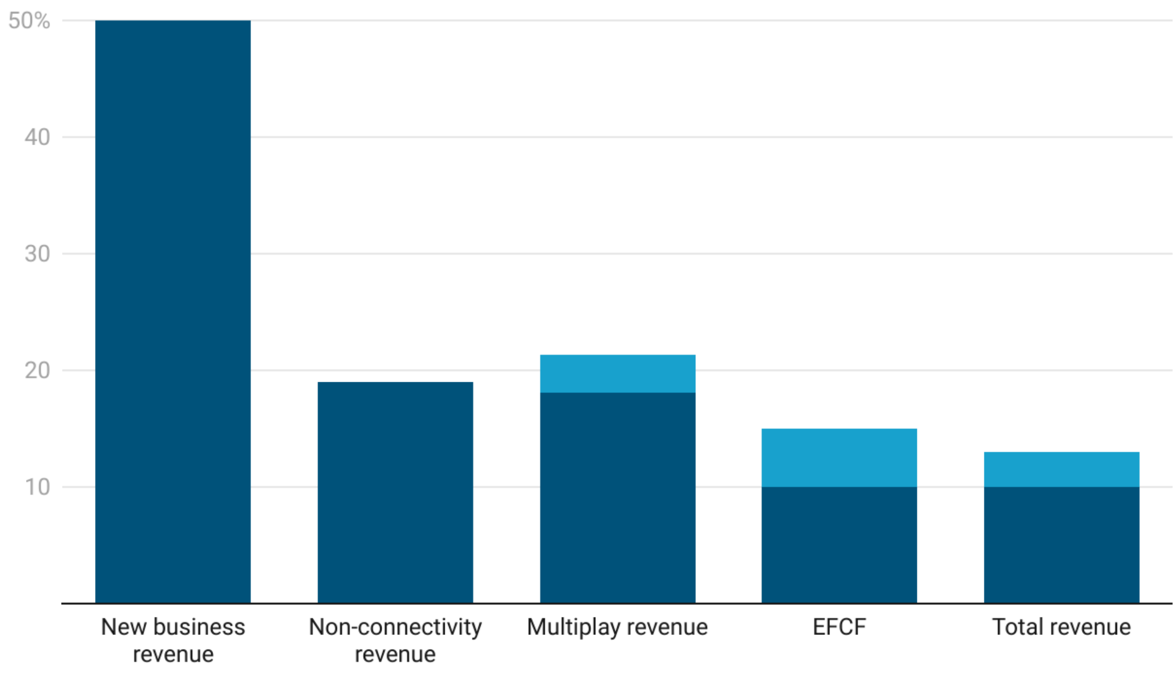
Management expects Ukraine's annual top-line growth within a 10-13% range. This is below the expected growth rate in other markets. Clearly, the Russian invasion is having a big impact; any resolution could provide a growth boost as Ukrainians return home and as economic activity rebounds in the post-war period.

As in other markets, the multiplay strategy is likely to play a key role in driving revenue growth; management expects the proportion of multiplay revenues to rise from 30% in Q1 24 to 40% by 2027, implying an 18-21% CAGR. Over the same period, non-connectivity revenue is likely to double, implying a 19% CAGR. And new businesses (healthcare portal helsi, and other digital revenue) should grow by over 50% CAGR to 2027.

Management expects the top-line growth to flow through the business, with equity free cashflow generation forecast to grow by 10-15% each year to 2027.

VEON Ukraine: Targeted growth rates

2023-2027 local currency CAGR



Light blue shading indicates where management has provided a targeted growth range

Source: Company data, inam • Created with Datawrapper

Kazakhstan

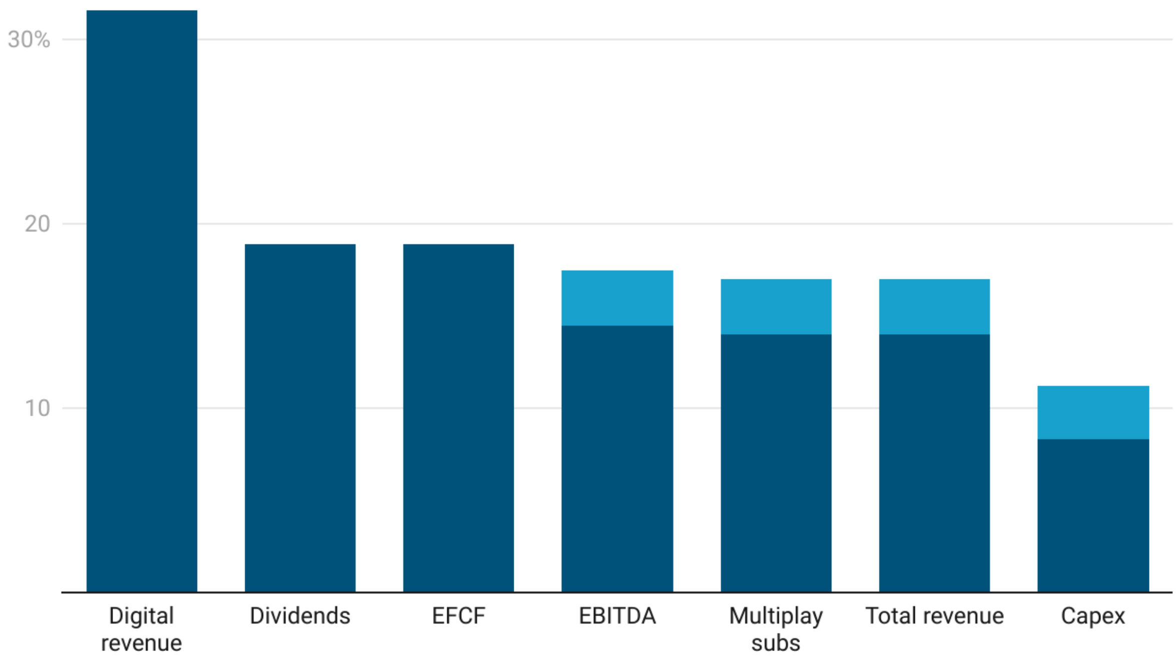
Management targets 14-17% pa revenue growth from 2023-2027. This growth is not expected to come from subscriber growth; the number of mobile subscribers is projected to increase to remain stable at 11mn in 2027 (11.1mn in 2023). Instead, growth will be driven by an improvement in the quality of these customers; the proportion of multiplay subscribers is targeted to exceed 60%, from 35.5% in Q1 24.

As in other markets, a key driver of the top-line trend will be digital revenue, which is expected to triple between 2023 and 2027 (ie 32% CAGR), with its share of the revenue pie increasing from 11% to 18-20% over this period.

Looking further down the income statement, management is targeting a 1 percentage point improvement in the EBITDA margin, which was 54.3% in 2023. And capex intensity should decline by 4 percentage points from the 2023 level of 21.5%, meaning capex growth in the range 8-11% pa. In turn, these trends should allow the dividend to double by 2027, consistent with 19% pa growth.

VEON Kazakhstan: Targeted growth rates

2023-2027 local currency CAGR



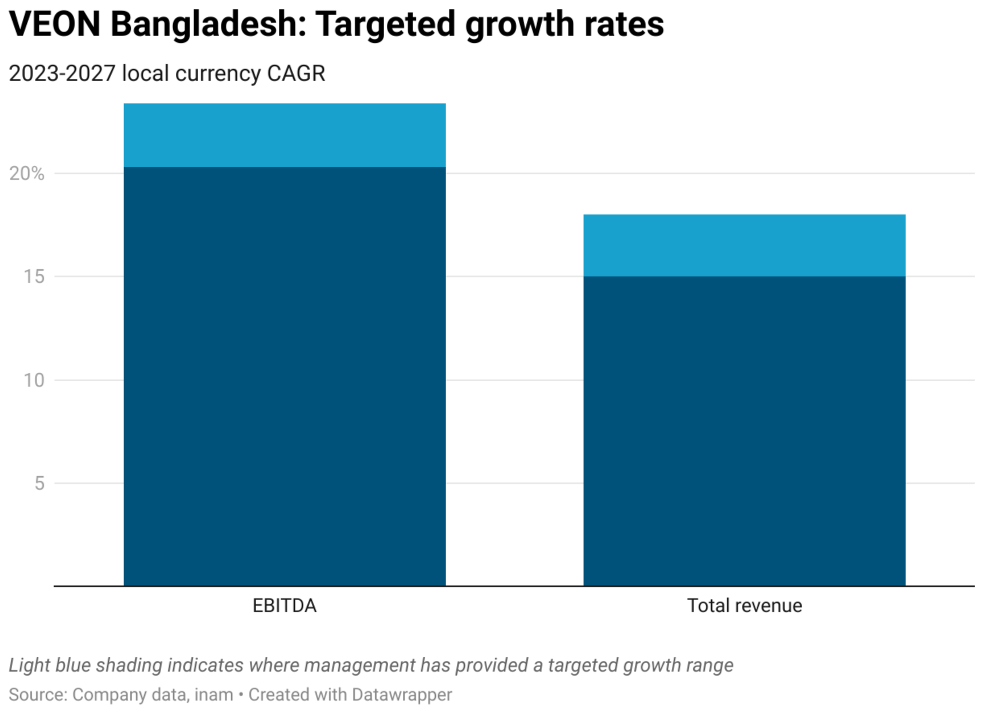
Light blue shading indicates where management has provided a targeted growth range. For multiplay subscribers, we have assumed total subscriber growth is in the range 0-3% pa.

Source: Company data, inam • Created with Datawrapper

Bangladesh

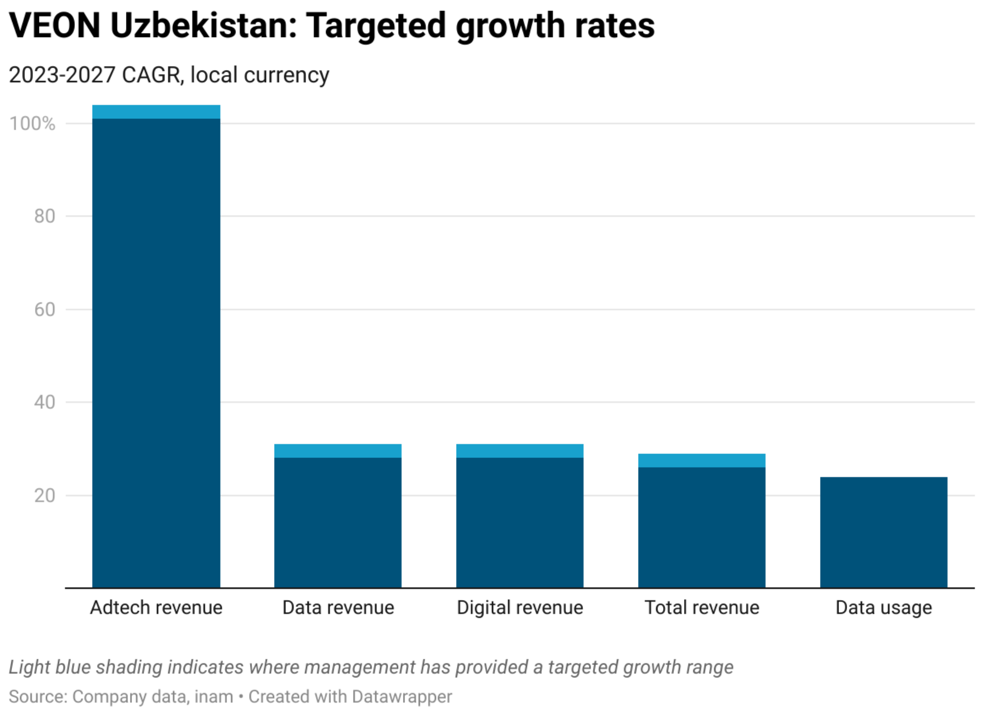
Management is targeting 15-18% annual top-line growth, driven by the country's attractive demographics (1.1% population growth), economic development (real GDP forecast to rise by over 6% in the coming years) and continued market share gains, but also higher non-connectivity and digital revenues, which will comprise 20% of the pie in 2027.

A key aspect of VEON's Bangladesh story is EBITDA margin expansion; management targets a 45%+ level by 2027 (versus 37.6% in 2023), which implies annual EBITDA growth of 20-23%. Ethe company signals euity free cashflow generation should hit US$100mn in 2027, equivalent to a 10-11% contribution to this line item at the group level.



Uzbekistan

Management expects 26-29% CAGR revenue growth to 2027 in this market. Data usage is projected to be below this growth trend (at 24% pa), but management feels able to lift unit prices such that data revenue growth will come in at 28-31% pa. Digital revenue growth would also be at this level. The real kicker is expected to be Adtech revenues, which management believes can double each year. We think Uzbekistan's Adtech expertise is transferable, and is likely to contribute to growth in other markets; management sees similarly strong Adtech revenue growth in Pakistan.

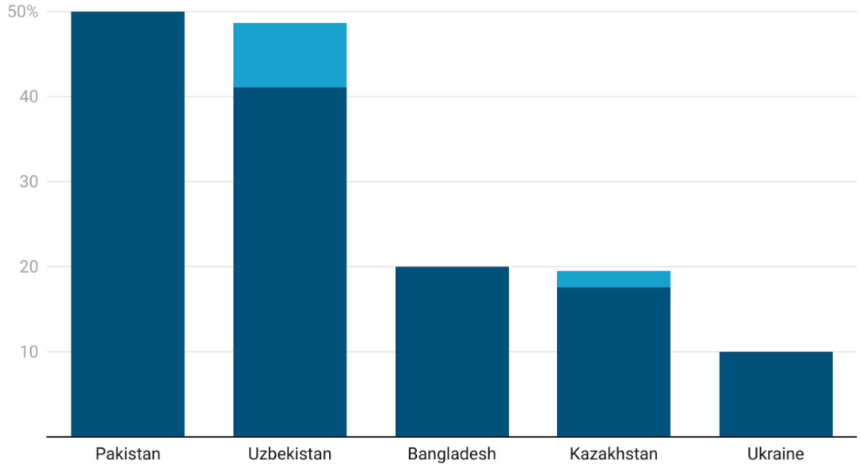


VEON's digital strategy

Based on management's projections, digital revenues will comprise c30% of group 2027 top-line. The weight of digital business would be highest in Pakistan (50%), lowest in Ukraine (10%).

VEON: 2027 digital revenues targets

As % total revenues in each market



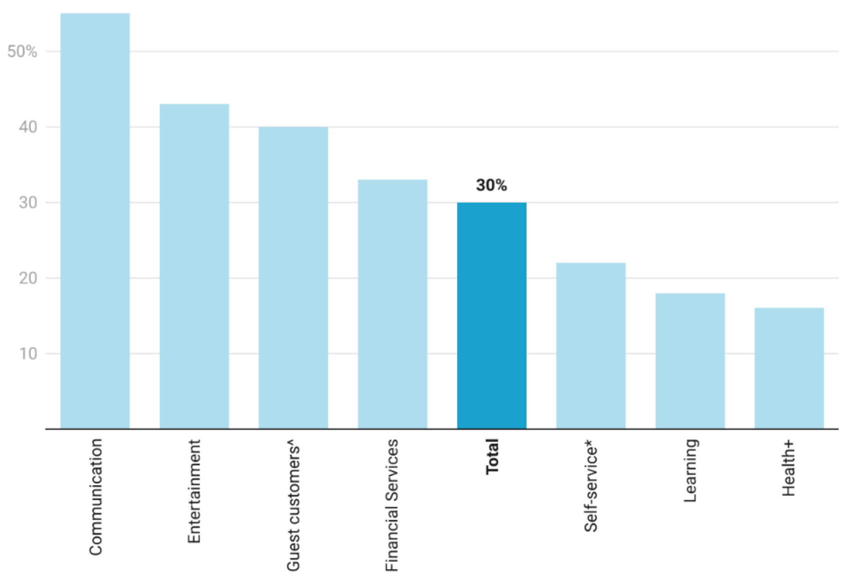
Light blue shading indicates where the company has communicated a targeted range

Source: Company data, inam • Created with Datawrapper

The growth in digital customers is currently running at a healthy 30% per year. Communications (messaging) and entertainment (eg video streaming) applications show the strongest growth. Interestingly, the number of digital app users who are not customers of VEON's telco services is also growing strongly, suggesting that these apps have a utility outside the VEON umbrella. Around 20% of app users fall into this category.

VEON: Growth in digital assets customers

2023, monthly active users



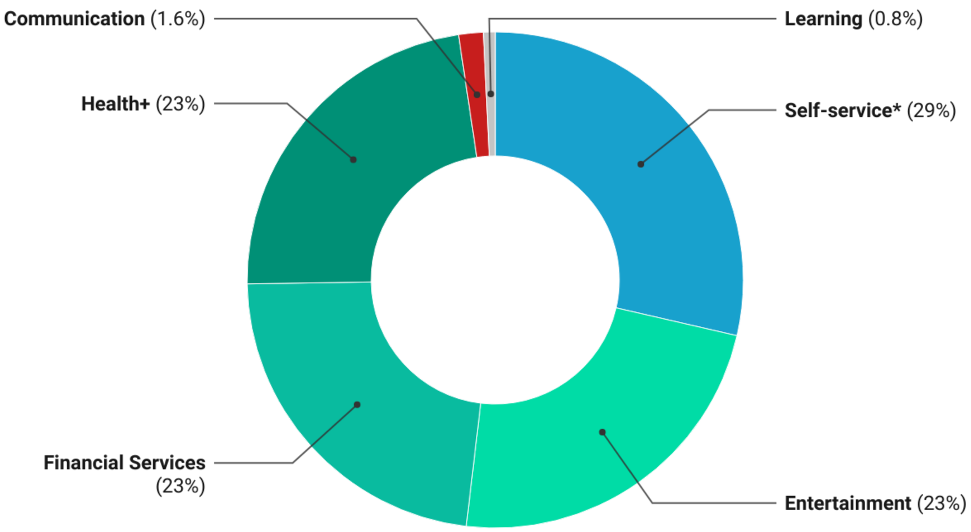
*+Based on registered customers not MAUs *We would not consider these to have yet achieved superapp status (which is the terminology used by the company) ^These are users not also subscribing to VEON's telco services*

Source: Company data, inam • Created with Datawrapper

The most popular digital assets are the self-service apps (which VEON hopes will morph into super apps over time), plus the entertainment and financial services applications.

VEON: Digital app usage by activity

Split by monthly active users

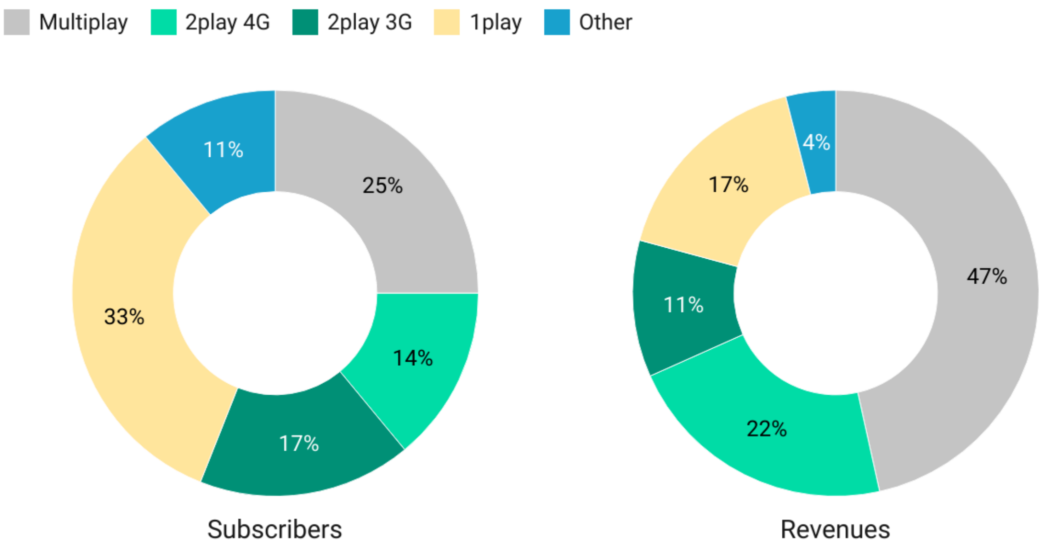


Source: Company data, inam • Created with Datawrapper

In aggregate, these apps have 131mn users, spread across 98mn different individuals, meaning that up to one-third of users access more than one of VEON's digital assets. This tallies with the company's multiplay statistics, which signal that around a quarter of customers are multiplay (ie voice plus at least 2 digital apps). In Q1 24, multiplay customers generated 2.6x revenues compared to their non-multiplay peers and accounted for almost half of the top-line.

VEON: Subscriber base and revenue mix

Q1 24

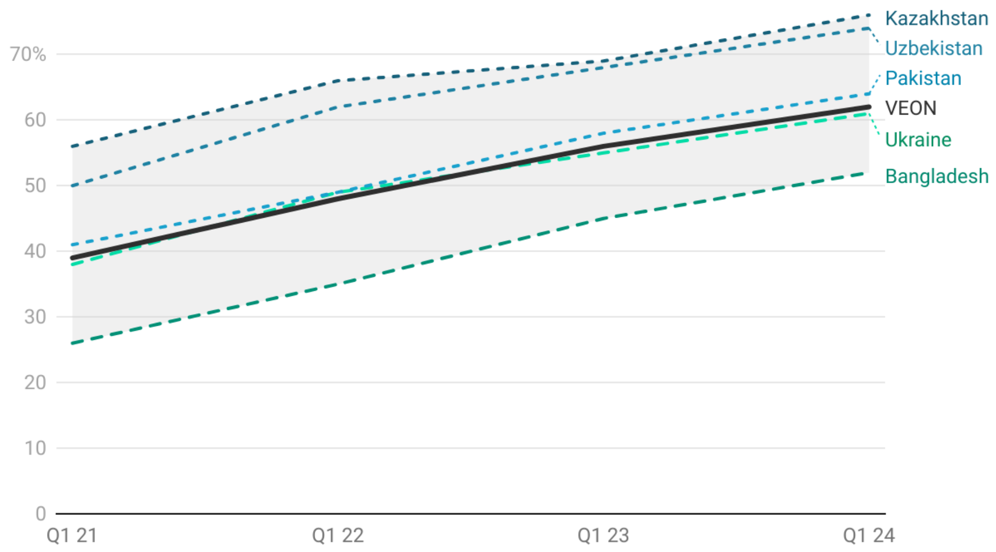


Source: Company data, inam • Created with Datawrapper

Management is targeting multiplay customers to comprise 50% of the total in 2027 (ie a doubling of the current proportion); we estimate such customers could generate two-thirds of group revenues by that time. A key factor supporting this multiplay growth is rising 4G adoption.

VEON: Rising 4G penetration

As % customer base

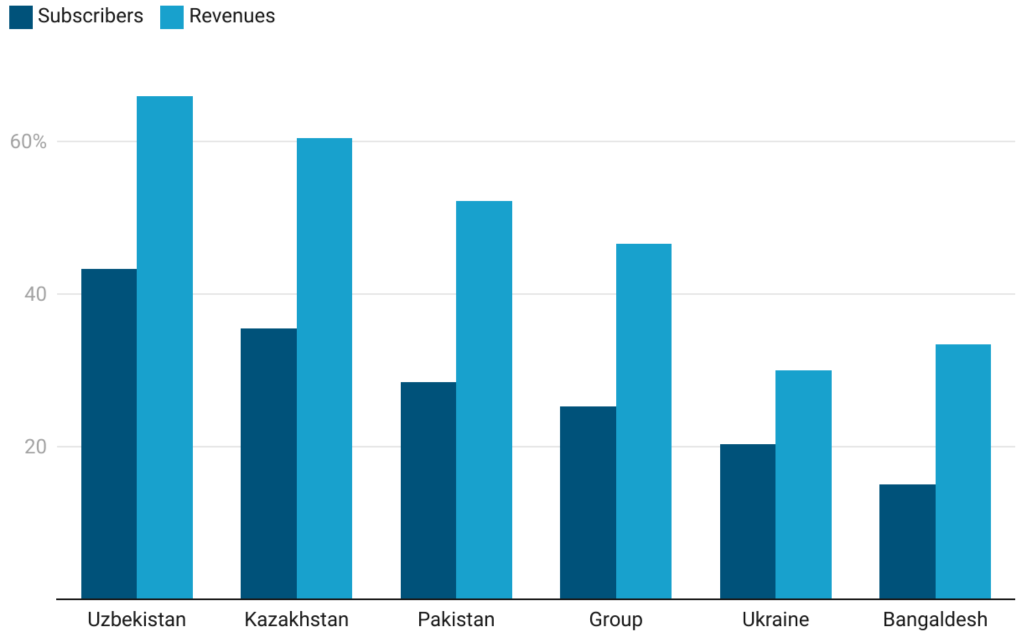


Source: Company data, inam • Created with Datawrapper

The multiplay strategy is currently most advanced in Kazakhstan and Uzbekistan, where over 35% of customers are multiplay, generating over 60% of the revenue pool in these markets. In Bangladesh just 15% of customers are multiplay, generating one-third of revenues.

VEON: Multiplay as % total

Q1 24



Source: Company data, inam • Created with Datawrapper

The development of this broad portfolio of digital assets is one of the key differentiators of the VEON story versus peer EM telco stories (although African telcos like Safaricom, MTN and Airtel Africa arguably have more advanced digital financial services capabilities).

If VEON moves forward with minority stake sales for some of these businesses, this should provide investors with more transparency concerning the true value of these assets. Such transactions could act as a positive catalyst to the shares.

Corporate governance improvements

Significant changes have taken place over the past year or so, which are helping to address some of the corporate governance concerns international investors have voiced in the past:

- The completion of the exit from Russia in Q4 2023.
- A streamlined Board of Directors, reduced from 11 to 7 members with just two committees (the Remuneration and Governance Committee, and the Audit and Risk Committee), versus five previously.
- Changes to the composition of the Board of Directors (including the addition of Mike Pompeo, former US Secretary of State).
- All Board of Director members are shareholders
- A streamlining of the Executive Committee, which now just has three members (CEO Kaan Terzioglu, CFO Joop Brakenhoff and Group General Counsel Omiyanka Doris), versus six previously.
- Increased equity ownership for senior management. Half of the executive committee's short-term incentive payments are in shares, restricted for two years. In addition, executives are required to own a meaningful base level of shares (6x base salary for the CEO and 2x for other executive committee members).
- Appointment of PwC as its 2023 ISA auditor and UHY as its PCAOB auditor.
- Resumption of credit ratings from S&P and Fitch, plus equity research coverage.
- Exiting the revolving credit facility, and early redemption of VEON Holding bonds maturing in December 2023 and June 2024.

Important Information

Disclosures: This report has been commissioned by VEON Limited and independently prepared and issued by inam for publication. All information used in the publication of this report has been compiled from information provided to us by VEON and from publicly available sources that are believed to be reliable but we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of inam at the time of publication. VEON has had no editorial input into the contents of this note, and inam's fees are not contingent on VEON's approval of the research.

Appendix 1: Financial forecasts

VEON: Financial forecasts

US$mn	2023	2024f	2025f	2026f	2027f	2028f	2029f	2030f
Income statement								
Total revenue	**3,698**	**4,050**	**4,355**	**4,684**	**4,986**	**5,266**	**5,515**	**5,769**
yoy growth	*−2%*	*10%*	*8%*	*8%*	*6%*	*6%*	*5%*	*5%*
Service revenue	*3,576*	*3,923*	*4,184*	*4,513*	*4,815*	*5,096*	*5,346*	*5,599*
Opex	−1,967	−2,140	−2,211	−2,351	−2,494	−2,688	−2,898	−3,127
EBITDA	**1,609**	**1,783**	**1,973**	**2,162**	**2,321**	**2,408**	**2,448**	**2,472**
yoy growth	*−8%*	*11%*	*11%*	*10%*	*7%*	*4%*	*2%*	*1%*
PBT (continuing ops)	557	499	648	790	907	957	970	967
Net shareholder profit	**−2,524**	**350**	**453**	**551**	**631**	**664**	**671**	**667**
yoy growth	*0%*	*−114%*	*29%*	*22%*	*14%*	*5%*	*1%*	*−1%*
Balance sheet								
Cash	1,736	2,134	2,331	2,429	2,573	2,755	2,947	3,146
Working cap assets	976	956	1,018	1,084	1,142	1,194	1,238	1,282
Fixed assets	4,178	4,329	4,490	4,664	4,825	4,955	5,075	5,183
Total assets	**8,149**	**8,334**	**8,798**	**9,183**	**9,584**	**9,981**	**10,361**	**10,734**
Working cap liabs	2,197	2,409	2,433	2,642	2,870	3,086	3,292	3,482
Debt	4,693	4,646	4,600	4,554	4,508	4,463	4,418	4,374
Total liabilities	7,073	7,238	7,215	7,379	7,561	7,732	7,893	8,039
Shareholders' equity	**1,076**	**1,097**	**1,583**	**1,804**	**2,023**	**2,249**	**2,467**	**2,695**
Cashflow								
Unlevered free c'flow	868	917	1,033	1,134	1,244	1,314	1,332	1,339
Equity free cashflow	433	463	591	703	821	900	929	947
Ratios								
EBITDA margin	43.5%	44.0%	45.3%	46.2%	46.6%	45.7%	44.4%	42.9%
ROIC	18.2%	20.9%	22.4%	24.6%	26.5%	27.4%	27.5%	27.4%
ROE	−227.3%	35.9%	32.2%	34.3%	35.0%	33.2%	30.5%	27.8%
Capex/ sales	15.5%	18.1%	17.9%	17.8%	17.1%	16.3%	15.8%	15.4%
Net debt/ EBITDA	1.8	1.4	1.1	1.0	0.8	0.7	0.6	0.5
Per ADR (US$)								
EPS	−35.92	4.98	6.45	7.84	8.98	9.45	9.54	9.49
Equity FCF	1.89	4.55	6.22	7.65	9.17	10.16	10.44	10.57
DPS	-	-	1.58	3.81	4.31	4.49	4.49	4.42
BPS	15.3	15.6	22.5	25.7	28.8	32.0	35.1	38.4

Source: inam, Company data • Created with Datawrapper

Appendix 2: Valuation multiples

VEON: Sizeable valuation multiple discount versus peers

.	Mkt cap		2023			2024			2025	
.	(US$bn)	EV/ Sales	EV/ EBITDA	PE	EV/ Sales	EV/ EBITDA	PE	EV/ Sales	EV/ EBITDA	PE
VEON US	**2.0**	**1.2**	**2.9**	**5.1**	**1.1**	**2.6**	**5.0**	**1.1**	**2.3**	**3.9**
Discount to peers	.	*-41%*	*-45%*	*-55%*	*-37%*	*-41%*	*-52%*	*-37%*	*-44%*	*-55%*
Peer group median	**2.3**	**2.1**	**5.2**	**11.3**	**1.8**	**4.4**	**10.4**	**1.7**	**4.2**	**8.5**
TCELL TI/ TKC US	6.9	2.5	6.1	11.6	1.8	4.3	10.9	1.4	3.4	9.2
SAFCOM KN*	5.8	2.5	5.4	11.3	2.3	4.8	10.0	2.0	4.3	8.4
TIGO SS/ TIGO US	3.9	1.9	5.2	na	1.9	4.5	11.9	1.8	4.3	9.7
MTELEKOM HB	2.7	1.6	4.9	8.1	1.5	4.1	7.2	1.4	3.7	5.6
OPL PW	2.6	1.3	5.4	13.1	1.3	5.0	12.2	1.3	4.8	11.4
OTEL OM	2.0	1.8	5.2	10.6	1.8	5.1	10.4	1.7	5.1	8.5
EXCL IJ/ PTXKY US	1.7	2.3	4.6	20.6	2.1	4.3	na	2.0	4.0	na
MTNGH GN+	1.6	1.7	2.9	4.7	1.4	2.4	4.7	1.1	2.0	3.7
CNVRG PM	1.3	2.8	4.6	6.7	2.6	4.3	8.0	2.4	4.0	7.3
ROUTE IN*	1.1	2.3	18.0	27.1	2.0	15.5	23.0	1.7	13.1	19.2
ETEL EY+	1.1	2.0	5.1	5.6	1.8	4.1	4.1	1.6	3.7	3.8

**March year-end, multiples shifted back by 3 months for this table. +All USD market capitalisations based on official exchange rates*

Source: inam, Bloomberg • Created with Datawrapper