VEON

FY24 & 4Q24 Trading Update

March 20, 2025

Operator:

Hello, and welcome to Veon's full year 2024 and fourth quarter 2024 trading update call. We ask that you please hold all questions until the completion of the formal remarks, at which time you will be given instructions for the question and answer session. Also, as a reminder, this conference is being recorded today. If you have any objections, please disconnect at this time. Anand Ramachandran, you may now begin.

Anand Ramachandran:

Thank you. Good afternoon, good morning. Thank you, everyone, for joining us today for Veon's full year presentation for the period ending December 31st, 2024. My name is Anand Ramachandran, chief of staff, and also heading the investor relations function for the group. Allow me to introduce our senior management in the room today. Next to me is Mr. Kaan Terzioğlu, our group CEO, and next to him, Mr. Burak Ozer, our group CFO. Also joining on the line today is Mr. Faisal Ghori from our investor relations team in the US. Today's presentation will begin with the key highlights and business updates from Kaan, followed by a discussion of financial results by Burak. We will then open up the line for Q&A.

Please note that we may make forward-looking statements during today's presentation, which involve certain risks and uncertainties. These statements relate to the company's anticipated performance guidance for 2025, future market developments, and operational and network developments and investments in the company's ability to realize its targets and initiatives. Actual results may differ materially due to risks detailed in the company's annual report on the form 20F and other recent public filings with the SEC. The earnings release and presentation, including reconciliations of non- IFRS measures, can be downloaded from our website. With that, let me hand it over to Kaan.

Kaan Terzioğlu:

Thank you. Thank you, Anand. Good morning, good afternoon, and welcome to everyone. We appreciate you joining us today for our full year 2024 results. Today I am hosting this call from our headquarters in Dubai. We are proud to be the largest Nasdaq listed company headquartered in Dubai. I'm thankful to the Emirati authorities for proving how welcoming and easy to do business in this wonderful country. As we hold this call during the holy month of Ramadan, I would like to extend my warmest wishes to all observing.

2024 has truly been a transformative year for Veon, and let me highlight some of our achievements. First, starting with our financial performance, we have delivered strong growth. In reported US dollar terms, we delivered 8.3% revenue growth in 2024 versus our 8% to 10% growth expectation declared during Q3 results. Our US dollar EBITDA grew 4.9% versus our 4% to 6% growth expectation. We also beat our expectations in underlying local currency terms. We delivered 14.6% revenue growth versus our 12% to 14% expectation, and 12% EBITDA growth versus our 9% to 11% expectation. Our local currency revenue growth outpaced both inflation and nominal GDP, and highlights our ability to capture a larger share of consumer wallets in the markets that we serve at, even amidst persistent macro headwinds. Second, we are scaling our digital services with great success. Our direct digital revenues grew by 63% for the full year and grew 42% year on year in the fourth quarter. Digital services comprised 12.6% of our total revenues in Q4 and underscore our evolution into a services company with a telco license.

Third, we made substantial progress in executing our asset light strategy, which has unlocked significant value for us, as you can see on the slide. These transactions not only strengthen our balance sheet, but also align with our longer term strategy. Last but not least, I am particularly pleased with our progress is being acknowledged by the markets. Our share price more than doubled in 2024 and is up 15% year to date in 2025. We announced a $ 100 million share buyback program in July 2024 over three years, and since completed phase one with $30 million repurchased. We have successfully strengthened our cash position and are well prepared to redeem our bonds maturing this year. We are actively preparing for Kyivstar's public listing in the US, which will significantly enhance its visibility and profile.

And finally, being headquartered out of Dubai with closer proximity to our markets, we will drive better efficiencies and cost savings. I am particularly pleased to note that our stock price is now back at pre-war levels. On the onset of Ukraine-Russia war in early 2022, our stock faced substantial pressure and dropped to as low as $8. However, our decisive actions in exiting Russia business and consistently executing to a clear strategy have all driven a strong recovery. Exiting Russia has also reshaped our financial profile. Pre-divestment, our net-to-debt EBITDA was over three times. Now it is down to 1.3. We see a similar profile in our credit as well. The performance of our bonds is a testament to our disciplined execution in transforming our credit profile. Since 2022, our 2025 bonds have recovered nicely and our 2027 bond has nearly doubled in value. It is pleasing to note that our 2027 bonds are trading at levels comparable to higher rated corporate bonds with similar maturity. Simply put, we have reshaped and transformed Veon to a leaner and stronger company. Veon is primed for agility and growth.

Let us now focus on our 2024 performance. As I highlighted earlier, our revenues grew 8.3% in reported US dollar terms, a significant turnaround from previous years. Underlying local currency growth in revenues was 14.6%. I would like to emphasize that we achieved this growth despite inflation in our markets moderating through the year from 14.8% in fourth quarter of '23 to 8.2% in fourth quarter of '24. This demonstrates the potential of our markets to generate growth and strength of our operations. Looking ahead, our 2025 revenue guidance of 12% to 14% in local currency reflects this continued momentum as well. On EBITDA side, we reported 4.9% growth in US dollar terms. In underlying local currency terms, EBITDA grew 12%. Looking ahead, we expect 13% to 15% EBITDA growth in local currency terms in 2025, underpinned by strong revenue trends and disciplined cost controls.

Let me now dig a little deeper to the headline numbers. As you can see on this page, our financials were impacted by certain identified items, including the cyber attack in Ukraine, political unrest in Bangladesh, and HQ restructuring costs. Additionally, our underlying growth was also impacted by the deconsolidation of TNS+ in Kazakhstan, effective fourth quarter of 2024, following the sale of this business. Adjusting for the impact of these items, like for like US dollar growth was 10% versus the headline of 8.3%. Similarly, for EBITDA, like for like EBITDA US dollar growth was 7% versus the headline of 4.9%. We have successfully grown Veon to a $4 billion plus company in 2024. Our telecom and infrastructure segment contributed $3.6 billion to this and grew 3.8% year-on-year in USD and 7.1% year-on-year in local currency terms. Meanwhile, our direct digital revenues surged by 63% to $460 million and demonstrates the success of our digital strategy execution. We are confident that this is a trend that will sustain into the future.

Our EBITDA grew $1.7 billion, and as I explained earlier, 4.9% on a reported basis and 12% on an underlying local currency basis. Our capital intensity for the year was 20.6% and exceeded our guidance of 1%8 to 19%. This was primarily driven by escalated investments in Ukraine amidst the war. Excluding Ukraine, our capex intensity would have been in line with our guidance of 18% to 19%. This higher capex also impacted our equity free cash flow, which declined 2.2% year-on-year to $403 million US. In 2024 we also made good progress in strengthening our balance sheet. Our net debt to EBITDA ratio is down to 1.3% as of the year end, from 1.5 times as of Q3, and 1.4 times from the last year end. We ended the year with $1.7 billion in cash, including $481 million at the headquarters level. Since the end of 2024, we have received remaining proceeds from our TNS+ sale and further dividends from our operating companies. I will now provide a brief overview of our revenue and EBITDA growth in underlying terms across our portfolio. Our Pakistan business was the strongest performer, with revenues growing 22.7% and EBITDA growing 15.6%, both in local currency terms. Ukraine delivered a stellar second half as it emerged stronger from the cyber attack. Revenues grew 13.7% and EBITDA grew 10.3% in local currency terms. Kazakhstan continues to deliver robust growth, as reflected in the underlying growth trends that adjust for the deconsolidation of TNS+ business in Q4. Uzbekistan delivers solid revenue growth, but EBITDA was impacted by a prior year one-off and elevated operating expenses from network investment rollouts. That positioned it well for the future of our network quality. I will share more details on this matter later.

Finally, Bangladesh business was severely impacted by the political changes and unrest and the challenging macroeconomic environment throughout the year. Excluding the impact from these, its revenue base would have been stable. Multiplay, which counts customers that use at least one digital service in addition to voice and data services, is a key feature of our digital operator's 1,440 growth strategy. Increased 4G adoption remains also being the key driver of our growth. While total 4G user base grew 5.3% year on year, it has reached 12.7% when excluded in Ukraine and Bangladesh. As you can imagine, in Ukraine and Bangladesh user numbers are impacted by specific challenges. Multiplay segment drives growth with stronger customer engagement, higher data consumption, more frequent usage of voice services, improved retention, and ARPU expansion. Our multiplayer customers continue to generate 3 to 3.5 times the ARPU as compared to voice only customers. This increased ARPU is driven by additional consumption of data due to increasing usage of our digital applications and platforms, which enhances the customer experience.

Let me now delve deeper into our digital revenue growth. These revenues are generated through our core digital services, including financial services, healthcare, education, entertainment, and enterprise services, such as advertising technologies, cloud, and software development. In 2024 our direct digital revenues reached $460 million, growing by an impressive 63% year on year, and now accounting for 11.5% of total revenues. For Q4 alone, these revenues grew 42% year on year and comprised 12.6% of total revenues. We expect this trend to continue as we expand our digital portfolio and capture underlying customer demand across our markets.

... customer demand across our markets. Looking to individual countries, let's start with Ukraine. Kyivstar has delivered a strong finish to 2024. Underlying local currency growth, adjusting for the cyber attack impact, was 13.7%. Underlying [inaudible 00:15:22] grew by 10.3% despite ongoing network and utility cost pressures. We are also happy to report that all operating metrics, including subscriber numbers, minutes of usage, data consumption, and churn are now trending positively relative to the pre cyber attack period. Direct digital revenues increase 122% year-on-year, driven by Kyivstar TV, Kyivstar Cloud, and Helsi, our health platform.

Digital revenues comprise only 2.4% of total revenues, which shows the significant growth potential ahead. I'm pleased to inform you that Kyivstar has signed an agreement to acquire Uklon, Ukraine's leading ride hailing business. The transaction values Uklon at 160 million US dollars, and we have acquired 97% of it. Uklon also offers delivery services and advertising services. It operates in 27 Ukrainian cities and unites more than 100,000 driver partners on the platform.

Uklon also recently expanded its operations to Uzbekistan. Fourth quarter of 2024 was a landmark quarter for Kyivstar. In November, restrictions on VEON's corporate rights in Kyivstar were lifted. In December, Kyivstar partnered with Starlink to bring direct-to-sell satellite connectivity in Ukraine. We have also decided to list Kyivstar on Nasdaq. Let me now take a couple of minutes to highlight why Kyivstar makes a compelling investment proposition.

First, Kyivstar is a national champion recognized as Ukraine's leading digital operator and one of the most iconic national brands. Second, Kyivstar is a highly profitable entity with robust free cash flow and multiple growth levels just discussed. Third, the business is supported by a very strong balance sheet which is free of external debt and has ample liquidity. Fourth, Kyivstar's world-class management team are proven leaders with a track record of resilience through war and robust governance. Last but not least, Kyivstar's listing will offer scarcity value as the only US vehicle for investors who want to participate in Ukraine's recovery and growth potential. Listing Kyivstar in the US is independent on the successful completion of the business combination with Cohen Circle. We are excited about this and look forward to sharing more details with you as we execute on Kyivstar's listing.

Moving to Pakistan. Jazz continues to deliver robust growth with revenues increasing 23% and EBITDA rising 15.6. Jazz's telecom infrastructure revenues grew at 11.6% in 2024, which highlights the strength of Jazz's network and innovative services. Direct digital revenues surged by 78% and contributes 24.5% of total revenues in Pakistan. Jazz's cash revenues increased by a whopping 116% and Mobilink Microfinance Bank grew 32% year-on-year.

Meanwhile, the strategic partnership with Engro Corporation on infrastructure sharing, executing our asset life strategy, will bolster Jazz's service-focused businesses. The transaction is going through customary legal and regulatory approval process. Once completed, Engro will pay Jazz $188 million and guarantee repayment of DODAR's [inaudible 00:19:31] inter-company debt of $375 million.

Moving on to Kazakhstan. Headline financials reflect the deconsolidation of TNS+ effective Q4 2024. Excluding TNS+ deconsolidation, telecom and infrastructure revenues grew 15.3%. Beeline's growing market share and traction is a testament to the success of its 4.9G rollout. Our performance with 4.9G networks is remarkably strong versus competitors servicing 5G networks, and we are gaining market share. Beeline's digital portfolio continue to grow robustly. Simply, our financial services platform, continues to scale strongly with 145% rise in monthly active users, which I will just refer to as users hereon, to 3.2 million. QazCode is our enterprise solutions company that has a team of over 800 employees. That includes 400 developers and data scientists. It is one of the largest software firms in Kazakhstan and Central Asia. I wanted to particularly highlight QazCodes's development and launch of Kaz-LLM, an open-source Kazakh-language large language model in collaboration with Barcelona Supercomputing Center, GSMA Foundry, and Kazakh National Research Institutions. Beeline and QazCode have already launched several AI solutions and services developed in-house, which are being used internally and externally.

Turning to Bangladesh. The country faced significant challenges in the second half of 2024 with macroeconomic pressures weighing on the broader economy and telecom industry. Whilst the interim government is taking the right steps after the political unrest, customer sentiment is yet to show any sustained recovery. In response, Banglalink has strategically pivoted to optimize its distribution model and customer acquisition strategy, which is beginning to structurally lower cost without effective revenue share. Despite these challenges, direct digital revenues were 66% up as Banglalink remains committed to its digital operator strategy. Successful launch of the AI-enabled lifestyle application Ryze in November is a good example with regard to this fact. Ryze recorded 220,000 users by December, just a month into the launch. Looking ahead, we are optimistic that worst of the macroeconomic impact is in the past and Banglalink is well-positioned to drive sustainable long-term growth.

Turning to Uzbekistan. Beeline Uzbekistan focused on enhancing its foundations and doubling down on digital adjacencies in 2024. Revenues grew 9.4% in local currency terms. EBITDA declined by 3.7%, largely reflecting higher operating expenses from network roll-outs and one of tax-related impacts in the year earlier. Digital revenues increased 21% and now compromise 4.2% of total revenues. Beepul, our integrated financial services platform into our super apps, scaled rapidly. In Q4, we saw the launch of a new super app, Hambi, meaning all in one in Uzbek language, Hambi is off to a strong start with 5 million users in a short timeframe.

Meanwhile, we welcome government's decision to reduce the excise tax on mobile communications industry. This development has enabled us to accelerate our 4.9G rollout, benefiting both the industry and the consumers. We look forward to welcoming the industry at GSMA Mobile 360 Eurasia in Tashkent in May. Let me explore our digital ecosystem in more detail. We continue to see strong growth across our digital platforms. Our total digital users reached 122 million, reflecting a 27% increase. Within that base, we are witnessing even faster expansion in digital only users growing at 37% to 29 million. This trend underscores how our digital products are rapidly gaining traction and becoming the applications of choice for customers in competitive markets. In 2024, we focused on AI with a clear focus on augmenting human capabilities, and launched our AI1440, augmented intelligence in every single minute in a day strategy. We accelerated the integration of AI-powered features in our digital applications, bringing AI to our customers in their native languages. We are going well beyond using AI just for process optimization.

Starting with mobile financial services, we now have a total customer base of 38 million across our financial services platforms, an increase of 42% year-on-year. Let me focus on top three of these performances.

In Pakistan, JazzCash's gross transaction value rose 64% to $34 billion, representing 9% of Pakistan's GDP. This growth was supported by a 40% year-on-year rise in total transactions and 33% rise in average transaction value per user. JazzCash continues to expand its retail distribution network, which now has 350,000 merchants. On average, we are now issuing more than 140,000 loans every single day.

Simply, Kazakhstan's second-largest digital services operator, continues to scale strongly with 145% rise in users, reaching 3.2 million. In Uzbekistan, Beepul's revenues grew almost 2.3 times in 2024, and user numbers increased 3.6 times, reaching 2.4 million users as of December end. Our entertainment platforms continue to deliver unique content and experiences reaching 41 million users across Pakistan, Bangladesh, Kazakhstan, Ukraine, and Uzbekistan. Tamasha in Pakistan remains our largest platform with 17.1 million users. Toffee is now the largest OTT platform in Bangladesh, offering linear TV. The recently concluded ICC Cricket Championship has driven a strong uptick in user numbers and engagement. Tamasha, during the games, registered 22 million users and Toffee registered 8.5 million users during this period. Kyivstar TV in Ukraine has shown impressive growth with users increasing by 55% to 2 million. BeeTV in Kazakhstan has maintained steady growth with users up 8% to 1 million.

We are evolving our self-care platforms into super apps which offer a wide variety of services to all customers, including from other telecom operators, and serving them healthcare, education, entertainment, e-commerce in a single easy-to-use platform. Our super apps are now serving 43 million customers, up 17%. Our premium digital brands are targeted at digital natives and combine advanced digital entertainment features with telecom services. These have all launched in the last 12 to 15 months and are now showing impressive traction. ROX in Pakistan has hit a million users. IZI in Kazakhstan has grown its user base to 700,000. Ryze in Bangladesh has 220,000 users just a month after launch.

Lastly, our healthcare platforms. In Ukraine, Helsi leads with over 28 million registered patients, marking a 5% year-on-year increase. The platform supports more than 1,600 active healthcare institutions, 39,000 doctors and specialists, and many laboratories. An AI engine to help customers analyze the results of laboratory tests and inform on potential health risks sees a strong demand. In Pakistan, FikrFree, meaning no worries, was launched in the fourth quarter. FikrFree is an insurance and healthcare marketplace application offering a variety of insurance products and healthcare services, including e-pharmacy and doctor consultations. It is off to a great start with over 1.4 million users registered and 1.2 million active insurance policies sold.

With that, I will now hand over to Burak to carry you through the financials.

Burak Ozer:

Thanks, Kaan. In financial year '24, we achieved robust revenue growth with total revenue reaching slightly over $4 billion, an-

... when reaching slightly over $4 billion and 8.3% increase year over year. Adjusting for identified items as Kaan has explained earlier, and the sale of TNS Plus in Kazakhstan, our underlying revenue grew by 14.6% in local currency. Direct digital revenue was a standout performer, growing by 63% to $460 million, reflecting the successful expansion of our digital platform and services. Our revenue growth was driven by market share gains, disciplined inflationary pricing strategies, and the continued expansion of our digital ecosystems. Taking a closer look at the fourth quarter, we delivered solid results with total revenue reaching $998 million, a 4.7% increase year over year. Adjusting for identified items and the sale of TNS Plus in Kazakhstan, our underlying revenue continued to grow by double digits, increasing 11.1% in local currency. Direct digital revenue continued to be the key driver, growing by 42.4% to $126 million, reflecting the ongoing expansion and adaptation of our digital platforms.

Turning to profitability, our EBITDA for 2024 reached $1.7 billion, reflecting 4.9% growth. Adjusting for identified items and the sale of TNS Plus in Kazakhstan, our underlying EBITDA growth was 12% in local currency terms. Our EBITDA margin for the year stood at 42.2%, a decrease of 1.3 percentage points and reflects some of the challenges we discussed earlier. With digital at 12% of revenues now our margin profile is also starting to reflect the combination of higher telco margins coupled with strong but competitively lower digital margins. We are comfortable with this margin profile as we expect the combination to continue to drive better absolute EBITDA growth. We also note digital businesses have much lower CapEx intensity relative to telco. Hence, we would expect cash generation for both telco and digital to be very comparable as a proportion of revenues. Focusing on fourth quarter alone, group EBITDA reached $408 million, marking 11.3% year-over-year increase in reported currency and 14.1% rise in underlying local currency terms. Looking ahead, we remain focused on optimizing our cost structure and enhancing operational efficiency to drive sustainable EBITDA growth.

Now shifting our focus to key balance sheet figures, we have significantly strengthened our liquidity position. With cash reserves rising 65.6% quarter on quarter to $1.7 million, which includes $481 million held at headquarters. As Kaan mentioned earlier, we have since received the remaining portion of our receivables from the sale of TNS Plus and our [inaudible 00:33:23] have upstreamed further dividends as well. All in all, we are in a comfortable position to redeem our debt maturities in 2025. Our net debt to EBITDA ratio excluding leases improved to 1.3 times, down from 1.5 times last quarter. This reflects our disciplined approach to debt management and commitment to maintaining a healthy balance sheet. I will now hand it back over to Kaan.

Kaan Terzioğlu:

Thank you, Burak. As we look back over the last 12 to 18 months, we have transformed beyond significantly into a leaner, faster, and stronger digital operator. We successfully exited Russia. We have scaled our digital operator strategy with great success. We are making good progress on our asset light strategy. We have executed on our share buyback program and relocated our headquarters to Dubai. All these initiatives have not only streamlined our operations, but also sharpened our focus on growth and innovation. Looking forward, we are focused to continue delivering on our strategy. A pivotal milestone ahead is the listing of Kiev Star, offering investors a unique opportunity to participate in Ukraine's recovery and growth potential. Our markets have significant growth potential as our digital operator strategy leave us well-balanced in optimally leveraged point. We are also exploring accretive in-market opportunities that allow us to improve our market position.

We will continue to deliver on our asset light strategy, which will also improve our operating flexibility while we continue to focus on reducing costs and overall leverage. We are focused on delivering shareholder value. As I mentioned earlier, we have completed phase one of our buyback with $30 million. Today, I am pleased to announce that our board has approved phase two of the buyback for an additional $35 million, which will be commencing shortly. Let me now provide you our outlook and guidance for 2025. In local currency terms, we expect total revenue growth of 12 to 14% year-on-year and EBITDA growth of 13 to 15%. We expect CapEx intensity between 17 and 19%.

I will point out that our guidance factors in a blended weighted average inflation rate of 8.2% as of the year-end. Do note that our results and guidance in local currency terms for 2025 are likely to be impacted if there is a big change in underlying inflation levels. We are ready to do more in 2025. We look forward to continuing to deliver on our strategy and creating sustainable value for our stakeholders. Thank you for your continued support and trust in beyond. Now let's open the line for Q&A.

Operator:

Thank you. At this time, if you would like to ask a question, please click on the raise hand button, which can be found on the black bar at the bottom of your screen. When it is your turn, you will receive a message on your screen inviting you to join As a panelist, please accept and wait until you are promoted to a panelist. Please unmute your audio, turn on your camera, and ask your question. As a reminder, we are allowing analysts one question and one related follow-up today. Written questions can be submitted on the webcast using the ask a question tab at the top right of your screen. We will pause a moment to allow the queue to form. Our first question comes from David Lopez at New Street Research. Please unmute your line.

David Lopez:

Hi, can you hear me?

Kaan Terzioğlu:

Yes, we can.

David Lopez:

Hi. Thank you for the opportunity for questions and congratulations on the solid 2024 performance. Got three questions if I may. First one would be on your full year 25 guidance. I was wondering if you could comment on the key drivers behind the guidance may perhaps which countries will contribute the most. And on CapEx, I was wondering if you could comment on the intensity beyond 2025. Then my second question would be on competition. I was wondering if you could talk to us about the latest developments in competition in your main markets. And the last one, a quick one on towers. I was wondering if you could update us about your plans and what are the progress on the remaining towers. Thank you very much.

Kaan Terzioğlu:

Thank you very much, David. So let me pick the questions one by one. Let's start with the 2025 growth expectations and what drives the growth. Clearly, our direct digital revenues now reaching almost 12.4% in Q4. I expect this growth to be significant this year as well. I think it would not be a surprise to increase it one percentage point in terms of percentage of the business every single quarter moving onwards, and this is primarily driven by our success in financial services and entertainment services. But also let's not forget that our recent acquisitions, including [inaudible 00:39:26], the ride hailing business, will bring us additional revenue potential as we are able to serve the unmet demand in our markets. We are uniquely positioned to be in frontier markets. Our customers are underserved, not getting the services that they deserve, and we will be there to provide them the services in our local markets from Ukraine to Bangladesh.

From a country perspective, I do expect Ukraine and also Pakistan and Kazakhstan to continue on very strong growth. I do also expect that Uzbekistan with new tax regime will be a strong contributor. Time will tell in terms of how fast the consumer confidence in Bangladesh will come back, but I have no doubt with 180 million population, this country is one of the biggest growth potentials as the time goes on. Now, looking to Capex guidance, we are now almost 65% in terms of 5G penetration and I'm sure in the last four years I have repeated this many times. We see 70% as the sweet spot for our 4G penetration. So probably one, two more quarters we will be there. But having said that, we are now seeing that we are successfully competing against 5G with our 4.5 G technology, which includes virtualization of the core massive MIMO and career aggregation.

I believe we will be strong in service quality and meeting the expectations of the customers. I do expect post 2025 our Capex to go lower towards 16% year-on-year from the current levels. Looking to competition, lots of changes happening in different markets. We are welcoming Ilyad as a new competitor in Ukraine. We are always excited to compete on fair-based terms. We also see a new competitor coming into Kazakhstan. We would like to welcome also Qatari investors in Kazakhstan as the market shows great potential and clearly our ability to go as a digital operator positions now our company, not just with the traditional telecom competitors. And we will be actually keeping a closer eye on this as we progress.

With regard to the towers, we still have quite a lot of tower assets in Ukraine, in Uzbekistan, in Kazakhstan. As you know, this year we have announced an important deal with Engro Corporation about our towers for more than a $500 million consideration and I do expect also that to be closed hopefully over the next couple of quarters. But we have a strong commitment in terms of being an asset light company and we believe the towers are naturally owned by independent tower companies and no telecom company can afford exclusive networks anymore. We will execute on that. Thank you very much, David.

David Lopez:

Very clear. Thank you very much.

Operator:

Our next question comes from Nicholas Payton at Edison Group. Please unmute your line and ask your question.

Nicholas Payton:

Good afternoon everybody. Hi. I just have a quick question on the guidance for 2027. So if I look at the growth for 2025 that you are looking for, it seems to leave quite a lot for 2026 and 2027 to be able to hit your 16 to 19 CAGA for the entire period. Is there something that we're missing out to the equation? Does it include acquisitions or are you expecting the organic growth to accelerate in the latter two years for the guidance period?

Kaan Terzioğlu:

Nicholas, thanks a lot for asking the question and also giving me the opportunity to clarify. Local currency growth rates are clearly a function of the inflation, right? So that's why when I refer to our growth rates, I always refer to the weighted average inflation rate in the countries. And of course in our three-year plan we talked about 16, 19% CAGRs. But you have to keep in mind that in those days when we gave those numbers, the weighted average inflation was almost 14% in the markets that we were operating at. And I have said in that day as well, this growth rate implies actually a mid-single digit dollar growth in hard currency over the time and double-digit EBITDA growth in the same period. So I am not worried about not meeting those targets. I think we will always be delivering above inflation and above nominal GDP growth, and that will bring us where we need to be in terms of our heart currency numbers.

Nicholas Payton:

Perfect. That makes more sense. Thanks guys.

Kaan Terzioğlu:

Thank you, Nicholas.

Operator:

Thank you. Our next question comes from Chris at New Street Research. Please unmute your line and turn your video on and ask your question. Thank you.

Chris:

Yeah. Hi guys. Thanks for the opportunity. I had a couple of questions if possible. I wanted to get a bit more detail on the strategic rationale-

... if possible. I wanted to get a bit more detail on the strategic rationale behind the acquisition of the ride hailing business in Ukraine. And I suppose also just thinking, is that going to be a feature going forward that you're going to be making acquisitions in the digital space? And then the second question would be around Ukraine. And so what is baked into your assumptions when you're giving the guidance for, you know, the political situation in Ukraine? And I suppose what would be the flex if it changes relative to your central case?

Kaan Terzioğlu:

Chris, thank you very much. Please drive safely. Uklon, it's a very important acquisition that I think signals our intentions in terms of being relatively important in the lives of our customers. Uklon is one of the unique EBITDA positive cash generating ride hailing businesses in the entire world. We are looking for a company which has been growing on average 49% CAGR over the last four years, reaching almost

$60 million revenues, and with a positive EBITDA of 44%. If I look to the entire world, I do not know any other ride hailing business, which can hit these numbers.

But more importantly, in frontier markets, we see an unmet demand in many areas with our customer base. Therefore, as we move into the digital services, we believe ride hailing and delivery services, including marketplaces, are a natural part of our super app feature set. So you will see us getting active on all countries, and also you will see us actually getting Uklon to be replicated in other countries that we operate as well.

Coming to Ukraine, we have been in this war situation for three years. I believe that there is light at the end of the tunnel that will bring sustainable peace to Ukraine. Whether this peace process will be six months or a year, actually our plans does not change. We focus on what matters and it is our customers. And during these three years, I think we have demonstrated how resilient we are and how capable we are in terms of growing our business in the worst even conditions. So we are planning for actually for better days, but we are ready to take the worst as well.

Chris:

Okay, thank you.

Kaan Terzioğlu:

Thank you, Chris.

Operator:

Our next question comes from Dmitri Ivanov at Jefferies. Please turn on your camera, unmute your line and ask your question. Thank you.

Anand Ramachandran:

Dmitri, you're on mute. I think we can't hear you.

Kaan Terzioğlu:

Still, we can't hear you.

Nicholas Payton:

Can you hear me now?

Kaan Terzioğlu:

Oh, yes. We can hear you now.

Anand Ramachandran:

We can hear you now.

Nicholas Payton:

Yeah. Apologies for the technical glitch. Yeah, thank you for the presentation and congrats on the results. I have two quick questions, if I may. The first one would be on expected use of proceeds from Engro-like deal. So it's 500 million consideration. How do you plan to use this proceeds? How much is expected to [inaudible 00:48:28] level and what's the kind of expectation when it comes to deployment of this cash?

And the second question would be on your capital market access Eurobonds. So basically after you repay 2025 bond, I'm just curious how do you see and what's your timeline to come back to the Eurobond market to reach you with a new bond? And how do you see your needs in a new Eurobonds is the coming month or quarters? That's my second question. Thank you very much.

Kaan Terzioğlu:

Dmitri, thank you very much. I will take the first question and I will ask Burak to answer the second one. With regard to our Tower deal in Pakistan, the total proceeds from Tower deal will be on the upside of $550 million, and it'll be a combination of cash payments and also some guarantees over an intercompany loan that we have with the Tower company.

We expect this proceeds to be used for deleveraging both at local level and also at corporate level. We have no issues in terms of upstreaming cash from Pakistan and the stability of the macroeconomic environment in Pakistan has been stellar over the last 24 months. And I think this partnership will with Engro, will have a potential to also to expand out of Pakistan. And we are very happy to partner with one of the most reputable and strong companies in Pakistan.

Burak Ozer:

On the Eurobond question, we are now ready with the cash flow that we have built in the HQ to pay our April and June obligations this year. Going forward, we need to understand that we are going to capitalize from our assets and kind of put them into our war chest in the center. Then eventually, if there is a need, we will definitely go back to Eurobond markets, but not as of today. I mean, there is no consideration that we see today that has the need to for us to go to Eurobond markets again in the near term.

Kaan Terzioğlu:

And Dmitri one maybe thing I would like to add here. We are in frontier markets. We make our money in takas, tenges, rupees, hryvnias. I do not necessarily see that it is a good practice to borrow in hard currency in these type of environments. And in the path of asset to light, there is ample opportunity for us actually to recycle our hard currency debt at headquarters with local currency leverage, long-term capital liabilities in the local markets. And you will see us making those transformational changes just like we have done over the last three years.

Nicholas Payton:

Thank you very much and congrats on the results again. Thank you.

Kaan Terzioğlu:

Thank you, Dimitri.

Operator:

Our next question comes from Matthew Harrigan at Benchmark. Please ask your question.

Matthew Harrigan:

Thank you. I actually have two, I'll do them sequentially because I think it's easier. You're to be commended on the progress on the digital portfolio now with Uklon and then [inaudible 00:51:40] LLM I think is particularly interesting as I think a lot of management teams would just be distracted watching Trump and Zelensky and Putin every day. But how is it that you really optimally monetize what's a pretty remarkable portfolio at this point? I mean, clearly those businesses are integral to your competitive positions in Pakistan, Ukraine, et cetera. But I mean there are companies, Liberty Global for instance, that occasionally divest what it regards as non-strategic from their venture portfolio. And clearly these businesses have a lot of growth potential. You're probably nowhere near doing that.

I know you're not going to do something exotic like a tracking stock, and hopefully when the Jazz IPO comes, I think you have 25% of your revenues there from digital, that'll get more of a quasi digital type valuation. But where's your thinking on that? Because clearly you've got a tremendous glide path on the growth in these businesses in the market, even with your very good stock performance recently isn't close to giving you recognition compared to the peer valuations of some of these businesses. And I guess you're very fortunate to be able to buy Uklon I think for $125 million it was. It feels like you can do a lot of creative acquisitions as well. Thank you. I apologize for a long question.

Kaan Terzioğlu:

No, Matthew, thank you very much. 155, by the way Uklon, for 97% of it. But we are blessed because as a company, we are in frontier markets. Large population countries where actually the people are underserved on all of the verticals that we discuss about, including enterprises being underserved on IT services, cloud, but consumers as well. And they don't have access to actually transaction capabilities. They don't have credit cards, they don't have ability to pay offshore subscription fees. So these are unique opportunities for us.

And actually, we as a company with a telecom license has the unique capability to acquire customers at a very low cost and distribute services in a very efficient manner. When you move to this space, large populations, underserved customers, unmet demand, low customer acquisition cost, and efficient distribution, this is a recipe for success for any kind of digital service. That's why every digital service we launch is showing great success in the markets that we operate in.

As we do this, some of our businesses are clearly signaling unicorn type of characteristics. One of them is clearly JazzCash, which has now reached 20 million monthly active users and almost $400 million float and 140,000 loans, [inaudible 00:54:38] loans every single day. And it is not a mistake that I'm doing while saying this. Every single day we issue 140,000 loans, $30 to $40 loans. The loans that are used by maybe a taxi driver to fill his tank or change his flat tire or a housewife to buy flour, sugar eggs to cook a cookie and sell. It's an amazing platform and clearly at certain point we see actually these businesses to be standalone success stories themselves. I think that time is coming as we look into the further listing of our local operators, which are blue chip stocks in the countries that they operate in. Please do not be surprised if we bring certain assets with big customer bases and revenue potential also in strategic value crystallization transactions.

Matthew Harrigan:

And then secondly, as you pointed out just earlier, I mean you're very careful on not having currency mismatches operationally and particularly in the financing side with hard currencies. But needless to say with the trade policies right now and tariffs, I mean a lot of companies in the US and Europe are very concerned about the economic situation and clearly you're providing necessary services.

And again, sometimes you're the only alternatives as with JazzCash, but how do you see your growth depending on economic conditions if there is a recession? I mean, do you think you might be significantly harder hit than US or European companies or do you think there's enough growth in these markets that you can actually weather it decently well?

Kaan Terzioğlu:

Well, I think there is one fact in our business that you cannot beat macro, right? And we have to be realistic about that. But given the current conditions, I believe that as US sets out a roadmap for being a manufacturing base and being an exporting country, I think this will signal a balancing of the current account deficit and this potentially signals more stability with a weaker dollar and a stable foreign currency market for emerging markets. I count on actually this trend to realize over the time.

Now that doesn't mean that a weak US dollar is going to loosen the position or weaken the position of dollar as a reserve currency. I think these two things can happen at the same time. But I do believe over the next five years, we're going to see a relatively stable foreign currency environment in our markets compared to the past. And also I believe the oil prices will moderate and that will also help the inflation levels to go lower than they are today. So I believe our businesses is mainly driven by domestic growth and consumer confidence, and I feel quite actually bullish about that trend to continue as well. So compared to the last five years, I think the next five years probably will show more stability in our markets in terms of foreign currency fluctuations.

Matthew Harrigan:

And then lastly, if you don't mind, I'll be a hog and ask one more question. I mean, clearly everyone wants to see a resolution in Ukraine, but if we did get the fringe outcome that was less favorable, do you feel that your status being as a Dubai company, you know, somewhat enables you to be agile in addressing whatever political situation comes along? I mean, if there was to be a change of government in Kiev and more force neutrality, if you will, do you think you can get through almost any condition that arises and winding down the conflict?

Kaan Terzioğlu:

Look-

Matthew Harrigan:

You have a lot of experience with Russia and all that.

Kaan Terzioğlu:

I wish the best to sustainable peace for Ukraine. We have been in a difficult period in the last three years. We have demonstrated our resilience and the secret sauce of this, Matthew, is to focus on what matters. It's our customers and we will keep our service continuity in place. We will continue servicing our customers in the best way and I will refrain from speculating on what can happen over the next couple of months. Thank you.

Matthew Harrigan:

Yeah, it's an awkward question. Thank you for your answers.

Kaan Terzioğlu:

Thank you.

Matthew Harrigan:

Congratulations on the results.

Kaan Terzioğlu:

Thank you very much.

Operator:

Thank you. At the moment we have no more raised hands, so I will hand it back over to Anand for closing remarks.

Anand Ramachandran:

Well, thank you very much for your continued support and trust in VEON. I do see some more typed questions out there and the investor relations team will get back to you. Needless to say, any questions, anytime to feel free to get in touch with us. As Kaan pointed out, we are focused to continuing to deliver to a strategy and look forward to seeing you all again in a quarter's time, if not before that, to update you of the progress we'll continue to make. Thank you again for taking the time. Thank you for your support. Bye-bye.

Kaan Terzioğlu:

Thank you very much.