VEON 2Q26 Results Presentation

Lucy (00:02):

Hello and welcome to VEON's 2Q26 results presentation. Today's presentation will be followed by a Q&A session where we will take questions from the room as well as from virtual attendees. For those of you who have joined the Zoom webinar, if you'd like to ask a question, you can use the Raise Hand button, which can be found on the black bar at the bottom of your screen at any time to join the queue to ask a question, and you'll be called upon during the Q&A session.

(00:29):

For those of you watching on the webcast, if you'd like to submit a written question, please use the Ask a Question tab at the top right of your screen. These questions can also be sent in at any time during the presentation. As a reminder, this conference is being recorded today. If you have any objections, please disconnect at this time. Anand Ramachandran, you may begin.

Anand Ramachandran (00:54):

Thank you, Lucy. Good morning and good afternoon to everyone joining us for VEON's second quarter results. We are the largest NASDAQ-listed company on... in Dubai, and we are taking this opportunity to host this call out of New York, and are very pleased to be able to doing that. So we thank the people in the room who've joined us. Thank you for the people who've joined us on the webcast. My name is Anand Ramachandran, Chief Corporate Development Officer. Let me introduce management in the room.

(01:25):

Next to me is Kaan Terzioglu, our group CEO. Next to him, Burak Ozer, our group CFO. As usual, Kaan will begin with a strategic and operational highlights followed by Burak with a review of a financial performance, and we'll then open up the call for Q&A. Before we begin, do note that today's presentation contains some forward-looking statements involving risks and uncertainties. Further details are available in our SEC filings, including our Form 20F. Our earnings release and presentation are also available on our investor relations website. With that, let me hand the call over to Kaan.

Kaan Terzioglu (02:05):

Thank you, Anand. Good morning, everyone. So exciting to have you in the room here in New York and do this earning release here. Beyond excellent financial results, this quarter marks another important milestone in VEON's transformation. We are becoming much more than a telecommunications company. Today, VEON is building one of the world's largest digital ecosystems across emerging markets, combining connectivity, financial services, digital consumer platforms, and enterprise solutions. Our telecom networks connect more than 150 million customers.

(02:48):

Our digital platforms deepen those relationships every day. The result is stronger growth, stronger cash generation, and increasing shareholder returns. Most importantly, today's results give us the confidence to raise the outlook for the year. Let me explain how we think about VEON today. Everything begins with connectivity. Connectivity is not the destination. It is our foundation. It is our competitive advantage. It gives us scale. It gives us distribution edge.

(03:26):

It gives us trust, and it gives us daily engagement with millions of customers. On top of that foundation, we have built three digital growth engines, financial services, digital life, digital enterprise. They reinforce one another. Every new service strengthens the customer relationship. Customers stay longer. They spend more. They generate more data. Better data improves AI. Better AI creates better products. Better products create more cash. That cash allows us to invest again. That is the VEON flywheel. Once you understand the flywheel, results are much easier to understand. Growth is broad-based.

(04:26):

Telecommunications continues to grow twice fast compared to traditional players. Digital is growing substantially faster, multiple times faster. Digital now contributes almost 27% of our total revenues. Cash generation continues to improve. Since August '24, we have already bought back $183 million worth of shares. Today, we are taking the next step. Starting with this year, we commit to canceling at least $100 million of shares every year, not as a one-time action, but as a sustainable capital allocation framework. I am particularly pleased with the consistency of our execution.

(05:19):

That consistency is why we are raising our full-year guidance. A little color. Reported EBITDA growth was affected by three exceptional accounting items. Bangladesh benefited from a provision release last year. Profit comparisons include the Pakistan Tower transaction last year. And this year, it includes the non-cash fair value adjustment on Kyivstar Group warrants. If you adjust for these items, our underlying business is even stronger. Revenue grew 18%. EBITDA grew more than 15%.

(06:03):

Like-for-like earnings per share actually grew 88% year-on-year. This is the clearest measure of our true momentum. On the subject of consistency, Pakistan continues to deliver outstanding performance. Ukraine continues growing with extraordinary circumstances. Kazakhstan, Uzbekistan and Bangladesh all delivered. This matters. It tells us that VEON operating model is becoming repeatable across markets. Only a few years ago, digital represented a relatively small part of VEON.

(06:45):

Today, digital has become one of our main growth engines. Our digital platforms now reach more than 227 million customers. Importantly, all three digital businesses are profitable. Financial services, digital life, digital enterprise. They scale efficiently. They require less capital, and they generate attractive returns. Digital revenues grew more than 53%. Digital EBITDA increased more than 66%. Digital is now generating profits and cash more than telecom business. Financial services best demonstrates how the flywheel works.

(07:34):

We do not begin with lending. We begin with engagement. Customers use payments every day. Daily engagement builds trust. Trust creates data. Data improves underwriting. Underwriting enables lending, insurance, and wealth management. Pakistan demonstrates this model at scale. JazzCash has evolved from a payments application into a complete financial ecosystem. Our acquisition of TPL Insurance represents another important milestone in that journey. And our MasterCard partnership will accelerate AI-enabled financial products across every market.

(08:18):

If there is one slide, I hope you will remember it is this one. Connectivity brings customers, and digital deepens engagement. Engagement increases loyalty. Higher cash generation funds better products. Every turn of the wheel strengthens the next. That is why [inaudible 00:08:44] customers already generate significantly higher value and why we believe we are still in the early chapters of this story. With that, I will hand over to Burak to take you through the financials in more detail. Burak.

Burak Ozer (09:00):

Thank you. In second quarter, revenue grew 17% to $1.27 billion, with growth across all of our five markets. First-half revenue also grew 17% to $2.47 billion. 7.6% to $929 million, driven by discipline pricing and rising customer engagement. Digital revenue grew 53.6%, reaching $342 million, reflecting broader adaptation across platforms and products, plus our recent acquisitions. EBITDA reached $552 million, up 6.2% at a 43.4% margin. First half EBITDA grow 11.5% to USD $1.07 billion. Telecom and infrastructure EBITDA were $428 million, down 3. 8% at a 46.1% margin.

(10:01):

As Kaan noted earlier, the year-on-year comparison reflects last year's Bangladesh provision release. Digital EBITDA grew 66.2% to $123 million. Digital is less capital intensive than telecom, and that's driving strong cash conversation as it scales. Profit and EPS for the period reflects $489 million of gain on the Pakistan Tower sale in second quarter of last year, and a $22 million fair value loss on KGL warrants in this quarter.

(10:37):

Cash generation was strong in the period. Operating cash flow rose 238% in the quarter to $463 million and 51% for the first half to $860 million. Equity-free cash flow after leases and licenses grew 47.5% for the first half to $320 million. EFCF for the second quarter was impacted by prepayment of taxes in Pakistan. That will not reoccur. Now turning to balance sheet and capital allocation.

(11:14):

We ended the quarter with $2.2 billion in cash, including $468 million at headquarters. Net debt exclusing leases was 1.8 billion, with lease-adjusted leverage at 1.1 times. We completed a 1.4 billion dollar bond offering this quarter, substantially addressing our 2027 maturities ahead of schedule and extending average headquarters step maturity beyond four years. With that, I'll hand the call back to Kaan.

Kaan Terzioglu (11:46):

Thank you, Barack. Let me... Thank you, Burak. Let me return to capital allocation. Since August '24, we have bought back $183 million of shares. We delivered exactly what we said we would. Now we are institutionalizing that discipline. Beginning this year, we will cancel at least $100 million of shares annually. Returning capital to shareholders is now part of our long-term financial framework. We are seeing strong execution.

(12:23):

Digital is scaling faster than expected. Cash generation continues to strengthen, and as a result, we are increasing our guidance. Revenue growth is now expected to be 15 to 18%. EBITDA growth is now expected to be nine to 12%. Our capital expenditure outlook remains unchanged. These revisions reflect confidence in the underlying strength of our business. Looking ahead, please join us at our Capital Markets Day in New York on November 16th.

(13:02):

There we will present the next chapter of VEON's long-term strategy and value creation. Let me leave you with one thought. Connectivity provides the foundation. Digital creates the growth, and the flywheel generates the returns. Our second quarter results demonstrate that this strategy is working, and I believe we are only at the beginning. Thank you very much. Operator, now we can take the questions.

Anand Ramachandran (13:33):

Operator, may I suggest we start with questions in the room, and then I'll probably queue in... queue you in to get questions from online attendees.

Lucy (13:43):

Thank you.

Anand Ramachandran (13:46):

So we may start. In the room, would be great if you could put your hand up. There's a mic which will come around to you. If you could state your name and your institution and then your questions, that would be great. Tim? [inaudible 00:13:58]. Okay.

Jesse Sobelson (13:57):

Good morning.

Anand Ramachandran (13:59):

[inaudible 00:13:59]-

Jesse Sobelson (13:59):

Jesse Sobelson with BTIG. Of the guidance increase, how much was currency and how much was organic, and where are you specifically seeing outperformance versus original expectations?

Kaan Terzioglu (14:14):

So as I mentioned, consistency was one of the key drivers. You may notice a little bit out-of-cycle results from Kazakhstan, but this is normal, and it is fundamentally due to the VAT regulations change in the country, which was a six percentage points increase.

(14:32):

Now, the concept of how much of this devaluation, how much is performance, our business model is very simple. The way to do business in frontier markets, in emerging markets, relies on your ability to continuously, in a disciplined way, to adjust your prices with nominal GDP growth. And we rely on the fact that GDP and GDP growth is the best indicator of

Kaan Terzioglu (15:00):

... our wallet share success. Now, devaluation and inflation will converge in 3, 5, 7-year cycles. We are keeping our discipline on that front, and currently, we are expecting actually about 9.5% inflation in weighted average in our markets. This is up from 8%. And the overall devaluation is 3% less than what we have expected to happen.

Burak Ozer (15:33):

From a currency perspective, the currency assumptions in Q1 versus Q2 did not change. So, it was mainly organic from a growth perspective.

Kaan Terzioglu (15:43):

Yeah.

Speaker 1 (15:44):

Thanks.

Vincent Fernando (15:49):

Hi, Vincent Fernando from Zero One Investment Research. So, I just want to talk a bit about your financial services business. I see that you've achieved about 45% year-to-year growth in the first half. What's the latest in terms of your regulatory, I guess, development outlook, particularly with Bangladesh? So maybe you could talk about the latest for Pakistan, which I know is much more mature, Bangladesh and Ukraine, which is very early. But do we start to have an outlook for Ukraine maybe even when new licenses might be available, et cetera? Thank you.

Kaan Terzioglu (16:24):

So let me, first of all, give a little bit of a color of our business. Our business is really doing extremely well in Pakistan. We have 60 million bank accounts on a monthly basis, 27 million active users of our platform JazzCash. We issue 225,000 nano loans every single day. We transact close to 16% of Pakistan's GDP. We have 1.6 million merchants on our network. We are a financial giant when it comes to the landscape. And naturally, with that comes a responsibility to work hand in hand with the authorities, including finance ministry and Central Bank, to make sure that we are basically serving the people in the right levels. I'm confident that the regulatory environment will also support us to expand our capacity to even grow our lending potential. Actually, this success, we believe is quite repeatable in other markets, especially in Bangladesh and in Uzbekistan. That's why we are working, again, with the new government of Bangladesh, in terms of creating the right platform for us to launch, which we will start with payment services and later on move into full-scale financial ecosystem in Bangladesh as well.

(17:49):

And I expect that to happen in Q3. With regard to our operations in Uzbekistan, in order to accelerate deployment of similar services in all the countries, we are looking forward to getting necessary digital banking licenses in every single market we have. We do have, already, payment solutions and digital wallets in Uzbekistan and Kazakhstan. And in Ukraine, we are looking for the regulatory environment to allow us also to proceed in the same direction.

Vincent Fernando (18:28):

In Ukraine, is there an opportunity to work with [inaudible 00:18:29] to have a halfway solution before you can have your own full license? Could you work with maybe a bank to start building a financial services type of platform?

Kaan Terzioglu (18:37):

It's early to give you a clear answer on that, but clearly, we will be looking for every possible business model in terms of how we can serve our customers the way they deserve the service.

Vincent Fernando (18:48):

Thanks. Thank you.

Kaan Terzioglu (18:48):

Thank you.

Tim Horan (19:00):

Thank you. Tim Horan of Oppenheimer. You have a great relationship with SpaceX and Starlink. Could you just describe that relationship, how it's evolving? Also, how's the quality of the service that they're providing to you? And how do you think that changes, that connectivity changes these value-added services over time based on the fact that we're going to have connectivity almost everywhere?

Kaan Terzioglu (19:24):

As I mentioned, connectivity is the foundation. It's our competitive advantage, and there is no excuse for it is not to be available. It has to be ubiquitous. It has to be affordable, accessible, because all our business model relies on that connectivity in the digital services part. Now, if you assess the situation in different countries, we operate in emerging markets, in frontier markets. In Ukraine, there's an ongoing war going on. And there are cases where our terrestrial infrastructure may not be accessible due to landmines. It might be on the frontline. There might be energy outages. And in those cases, we have observed that it is essential to integrate our terrestrial network with the satellite platforms, and that's exactly what we did. As of last quarter, more than 6 million people utilized the capabilities of connecting their smartphones without any other additional equipment directly to satellites, and utilized messaging and light data services.

(20:25):

This is remarkable, because if you think about it, this allows us to be relevant to our customers literally every single minute in a day. And also, it gives us the advantage that being a trusted partner when it comes to connectivity. We are expanding these capabilities to other markets: to Kazakhstan, to Bangladesh. We do not see Starlink as a substitution. We are complimentary to each other. And we are naturally in our markets, in sovereign countries with sovereign regulations, protected in a way to keep our license and our technical responsibilities in each country to serve the populations in a safe and secure manner. I look forward to extending our partnership with Starlink, but also, clearly, there is going to be many other alternatives. And we will do our best to make sure that our customers are always connected so that they can always do financial services on our platforms. They can always do access marketplaces, healthcare services, education services, entertainment services, if they're our customers on connectivity side.

Tim Horan (21:37):

I know you've had texts for a little while, and that sounded like it was working well. How's the data connectivity going? And related to that too, do you have an exclusivity for a period of time with them?

Kaan Terzioglu (21:50):

First, in terms of quality, we have initiated the light data services in Ukraine and we are optimizing certain applications. And Sasha is also here, our CEO in Ukraine. And those applications are optimized in a way that they can function in this light data environment. We do not have exclusivity. I do not believe in exclusivities. Customers have the exclusivity to select their telecom operators when it is necessary.

Tim Horan (22:22):

Thank you.

Anand Ramachandran (22:31):

I don't see any other questions in the rooms. So Operator, shall we pass to the online attendees for their questions?

Lucy (22:37):

Thank you. For those of you in the Zoom webinar, if you'd like to ask a question, please click on the Raise Hand button on the bottom of your screen. When it's your turn to ask a question, you will receive a prompt to be promoted as a panelist. Please accept, wait a moment, and once you have been introduced, you may unmute yourself, turn your video on, and ask your question. Written questions can be submitted on the webcast by using the Ask a Question tab at the top right of your screen.

(23:07):

Our first question comes from Nicholas Patton with Edison Group. Please turn on your video, unmute yourself, and ask your question.

Kaan Terzioglu (23:22):

Nicholas, you might be on mute.

Lucy (23:27):

Nicholas, please turn on your camera.

Nicholas Patton (23:29):

My apologies. Can you hear me now?

Kaan Terzioglu (23:31):

Yes, we can.

Nicholas Patton (23:32):

Excellent. Thank you. Couple of questions. So, the first one on the guidance. I'm struck by how much the guidance has changed since the full-year '25 numbers. So at the low end of the guidance, full-year '25, we're at 9%, and we're now at 18% for the top end of the guidance for second quarter. And on EBITDA, we've gone from 5 at the low end to now 12 at the top end. Can you just run us through briefly the key drivers of that change? And I guess, the question for investors is, what makes you so sure that you can achieve those numbers now when you were unsure you couldn't achieve those numbers at the top end of the scale at the full-year '25 numbers?

(24:20):

And the second question is regarding the new businesses. I mean, the numbers are, I'm going to hate myself for saying this, but they really are an impressive set of numbers, and the digital businesses have been growing like crazy. But when you look at the digital businesses, let's say three to five years in time, are you still able to leverage the capital returns that come from the established fixed asset base, or do you have to invest more in the fixed asset base? And how do those returns on capital change between the core telecom business and the digital business, let's say in three to five years' time?

(25:01):

And I'm reminded of your answer, Kaan. I think it was on the first quarter, and maybe it was the full-year numbers. When you went through the difference between the digital and the core telecom returns on capital, I thought that was a very interesting and instructive answer. So, I'd be interested to hear an update on that, and to hear how you think those capital returns change through time. Thank you.

Kaan Terzioglu (25:25):

Nicholas, thank you very much. Actually, you're absolutely right. I wish we could have been more precise two quarters ago, but Flywheel is working, and Flywheel is working better than we expected. And as you have rightly pointed in your second part of your question, it is growing. It is growing 50%, 60% year-on-year, and it is beyond what we have expected, but it's not only about the top-line growth. The EBITDA growth of digital services is also above our expectations, significantly above. Actually, EBITDA grew 66%. So, the margin on the digital services is expanding as well. So those two things combined gives us the confidence to raise our guidance. And I think, though what we see, it's a sustainable business model. We are systematically seeing that more customers are embracing our solutions, and we still have room to sustain this growth.

(26:27):

When it comes to cash generative capacity, now, our original business idea a year ago when I talked with you, that the digital services would deliver a margin of 20% to 25%. We are at 36%. And digital services has a CapEx to revenue ratio of 7%. 36 minus seven makes 29. On the foundation side, we do have a margin of 45%, and 20% goes to CapEx, and you end up with 25%. So actually, that's why I'm saying the digital services cash generation capacity has exceeded our expectations as a business model a year ago, which I'm very happy to see. Having said that, please don't forget, foundation is our competitive edge, and we will not stop investing in that and we will keep investing in where it is necessary. Just like in Pakistan, we have recently bought some spectrum. We are now lighting up the spectrum for 4G, extended 4G and 5G. We will do exactly the same in other markets, but the balance of our growth coming from digital will slowly actually put us in a better position in terms of cash generation capacity.

(27:49):

And I'm happy that it is happening faster than we expected. Apologize that the expectation was not spot on two quarters ago, but I think we are on the right side of that equation.

Anand Ramachandran (28:01):

Kaan, if I may just add onto that. At the end of first quarter, I think we pointed out that we wanted to see how the macro impact of what was happening in the Middle East and oil prices [inaudible 00:28:12] on operations. So, we'd made the very clear point of therefore, our holding on EBITDA just to get better clarity on how things evolved. And clearly, sitting here today, it's pleasing to see that they've turned out better than we thought, not just on the margin side, but also on the revenue side. So, I think that's also the additional fact that I wanted to point out that leads to where we are today relative to year-end.

Burak Ozer (28:36):

And last on your CapEx question, whether we will spend more in the future? Yes, but the CapEx ratio will not go over 7% with the growth in revenue accelerating. So definitely, we'll stay with the same CapEx ratios on our digital businesses.

Nicholas Patton (28:51):

Sorry. Just to follow up, is 7% CapEx to sales for the digital businesses in isolation?

Burak Ozer (28:58):

Yes, that's today what we spent.

Nicholas Patton (29:02):

But you're saying that that it won't go above that in the future either?

Burak Ozer (29:07):

Yes, because of the growth in the revenue projections.

Nicholas Patton (29:09):

Oh, okay. Okay, okay.

Kaan Terzioglu (29:11):

I actually would expect it to decline in a way, yeah.

Anand Ramachandran (29:15):

And the business is evolving, and I think the message is we're very pleased to the momentum of the business. Business is evolving, margins are turning out better than where we expected. The Flywheel, as Kan pointed out, is working and working incredibly well, and we take it as we go along. But as things stand, as Burak pointed out, we expect this business to continue to generate pretty material cash. And as the business grows, hopefully, we continue and see it progressing in the same direction.

Nicholas Patton (29:45):

Makes sense. Thank you, guys.

Kaan Terzioglu (29:47):

Thank you, Nicholas.

Lucy (29:49):

Thank you. Our next question comes from the Adrian Cundy with Emerging & Frontier Capital. You may now unmute your audio, turn on your video, and ask your question.

Adrian Cundy (29:59):

Good morning, Kaan,

Interviewer 1 (30:01):

[inaudible 00:30:01], it's good to see you and congratulations on delivering again this quarter. I have two questions. One about just sort of your use of headquarter liquidity going forward, given that you've really turned the corner on the debt restructuring and that you've moved into a positive free cashflow to equity profile. You have nearly a billion dollars of cash at the headquarters and no major repayments [inaudible 00:30:36] out beyond what you're upstreaming till '31, '33. Can we sort of expect further reinvestment of that cash into any of the key countries, particularly, I've heard you need to capitalize digital bank? Or do you think you can continue to grow those OpCos with their domestic cash flows?

And M&A broadly, is that now new markets that are you keeping an eye on given that you have dry powder at the headquarters? That's my first question.

(31:10):

My second question comes down to coming back to the capital and CapEx intensity, and thank you for the 7% number just now. 5G launching in Pakistan. Uzbekistan talking about significant investment in 5G, post the sale of Mobiuz, 40% of subs by 2030 something, I saw a headline. Kazakhstan, obviously. Bangladesh will come. And then a Starlink. What did a relative margins look like between a Starlink data ARPU versus a terrestrial ARPU on 5G, which is more profitable? And what do you see the balance of, and where will you be focusing your 5G investment? And are you confident that you can continue extended 4G, early stage 5G in high density areas at the current CapEx sales ratios?

Kaan Terzioglu (32:17):

[inaudible 00:32:17], let me first start with the part about M&A. We are extremely disciplined when it comes to decisions about growing through inorganic means. Now, naturally, there are very accretive in-market consolidation opportunities that we will always be looking after. But I truly believe that our stock price at today, trading at 3.5 times EBITDA is not at the level that we would be looking into acquisitions at a broad level. And I will keep that discipline very, very strong over the next couple of years. So that's number one. But of course, in market consolidation, naturally accretive synergies, these are things that we will be in the market continuously.

(33:08):

Now you ask about the profitability of Starlink versus our other networks, terrestrial networks. If you look to the cost of producing mobile data via terrestrial networks in terms of deployment of towers, equipment, et cetera, versus having access to satellite connectivity. And let me give you an example in Kazakhstan. The size of Kazakhstan is probably bigger than the entire United States and 20 million people live there. If I would try to deliver license requirements just in railways and roads based on terrestrial networks, it would cost me a fortune. So I do not see actually cost differentials or additional costs when it comes to access to satellite platforms. I consider it actually quite reasonable when it comes to comparing the cost of satellite connectivity versus terrestrial connectivity. Having said that, this is not about substituting terrestrial networks, fiber networks with satellites. It's complementing it when it is needed. And I think with that regard, the utility value to the customer definitely is much higher than the cost of the technology it brings.

Burak Ozer (34:32):

And just to add to that, as Kaan said during the presentation, we will definitely use cash for shareholder return. On top of that, he just mentioned the M&A opportunities that we have in order to grow our business for in-market consolidation and maybe on the FinTech side in priority. Last but not least, we will be addressing some higher cost debt that is sitting on the balance sheet today to make sure that we kind of balance the cost to debt ratio there in terms of interest expenses.

Interviewer 1 (35:02):

Okay. Thank you very much.

Lucy (35:02):

Thank you.

Kaan Terzioglu (35:05):

Thank you, [inaudible 00:35:06].

Lucy (35:06):

Our next question will come from Matthew Harrigan with Benchmark Stonex. Please unmute and ask your question.

Matthew Harrigan with Benchmark Stonex (35:13):

Great. Thank you. Firstly, when you look at the digital side, I mean clearly you're a market leader in some areas where there's very substantial TAM witnessed in other markets, and you can see a really nice growth curve all the way around, but you're also involved on the LLM side as a critical player working with Google Gemma and [inaudible 00:35:40], clearly. How do you see the utility of LLM models developing for your frontier markets? And are they eventually monetizable in concert with your partners?

(35:52):

And then secondly, clearly, in some other markets you'd be trading at, people would be talking about targets of five times EV to sales rather than five times EV to EBITDA. But when you think about valuation without giving out a number, I mean clearly, Pakistan is one of the cheaper markets in the world, I mean even relative to the Morgan Stanley, MSCI frontier market's basket. But how do you feel about valuation in terms of, I mean, should people be doing 10-year models rather than 5-year models? I mean growth rates relative to GDP. I mean, do you think you get a fundamental re-rating of Pakistan or clearly Ukraine? I mean if that starts trading like Poland, you've got an immediate pop in Kyivstar. But just kind of playing a capital markets professor, just any thoughts you had on valuation without trying to say, well, I know you're not going to say what you think your stock is worth. Thank you. And congratulations on the results and the guidance.

Kaan Terzioglu (36:56):

Yeah. Thank you, Matthew. Let me start with the second question you asked because clearly we will be this year doing more than half a billion dollar of sales, and maybe I'm on the low side giving this number in Pakistan alone on financial services. And if you look to the benchmarks, financial services businesses of this nature is just about to be IPOed for 7.5 times the revenues, not EBITDA. So clearly this excites me a lot because it shows the value that we are creating in the marketplace. And now Pakistan is a $2 billion run rate business for us. And among that, about half a billion coming from financial services shows the potential of the country, 250 million people and 20 million outside of Pakistan. I think it's a unique market. We are blessed to be given the chance to serve Pakistanis around the world and we will continue investing. And I think the question you ask whether the valuations will reflect that, markets always get it right. And I'm confidence in that. So time will show it.

(38:05):

Now looking to the first question you ask, AI. I was reading today, the CEO of Ooredoo making a very relevant comment. He says, "I'm seeing AI everywhere except for P&L." But in reality, there is, I believe, a fundamental reality we have to focus on. Value proposition, right? A company exists because it proposes a value to the customer. Customers matter still.

(38:34):

The old type telecom companies, what is their value proposition? Number of minutes, number of SMSs, number of gigabytes. A digital operator, the transformation we have been going through for three, four years now sells meaningful digital services. It's not enough. AI will change this as well. We will be providing customers an intelligence platform. And I don't like to talk about this super intelligence, quantum, this and that. It's simple. We provide customers a chance to become superheroes, a doctor, a better doctor, a teacher, a better teacher, a farmer, a more productive farmer, a small business owner to be more efficient. And a value proposition like a better version of yourself for $2 a month, for 50 cents a transaction, I think is unbeatable.

(39:33):

And that's where we are heading. And that's our AI strategy. It'll be all about sovereign LLMs. It'll be all about embedding AI into our super apps, which has more than 65 million users today. We do not have a problem of customer acquisition cost. We have a speed to market bringing these LLMs at the fingertips of 600 million people. And I see a huge revenue potential. And we are working with every single country in our portfolio, developing these LLMs. I believe developing sovereign LLMs is by itself a business, but developing data inference capacity for the customers is another business. And those are the things that we are working on today.

Anand Ramachandran (40:25):

If I could add, Kaan, I think, [inaudible 00:40:28], Kaan mentioned $182 million of stock bought back to date. So I think that's a very clear indication of management's perception of the stock being significantly undervalued. Today, we've again announced we are going to cancel minimum hundred million dollars of stock per year. So this is the velocity with free cash flow as we generate. That should be the clearest vindication reflection of what we think about the stock price. Clearly you're the experts, you're doing your own numbers. As Kaan mentioned, there are comparables out there. But from our perspective, to generate that cash and use it to basically reflect in what is a very undervalued stock and therefore buying it back is probably the clearest signal that we can provide in the market and that we'll continue to do.

Matthew Harrigan with Benchmark Stonex (41:13):

Thanks, Kaan. Thanks Anand. I very much look forward to your Capital Markets Day, should be interesting.

Lucy (41:20):

Thank you.

Kaan Terzioglu (41:22):

Looking forward to seeing you there, Matthew.

Lucy (41:24):

Apologies. Thank you. Our next question comes from Max Findlay with Rothschild & Co. Please unmute and ask your question.

Max Findlay (41:32):

[inaudible 00:41:32]. Thank you for speaking to us today. And my questions are more focused on performance within your different markets. So Bangladesh feels like it's split between a continuingly tough telco market, but you're managing to offset this with some impressive digital performance and cost performance as well. So first on the telco performance, Telenor was very cautious about recovering the market, but both Grameenphone and your operational KPIs looked to be heading in the right direction. And your EBITDA margin stabilized quarter-on-quarter, and I think expanded year-on-year view, exclude a one-off from last year. So it'd be interesting to get your thoughts on how recovery proceeds from there. Secondly, relating to Bangladesh, digital grew there about $12 million in absolute terms. Can you provide some color on what contribution came from holding the rights to the World Cup and what we should expect from this in Q3 and broader expectations about the FinTech business, which you hope to get live in the second half of the year?

(42:34):

And then a final question on Kazakhstan. It was obviously a very difficult quarter there with performance deteriorating sequentially from Q1. The strategy changed there, as I understand, was to target higher value customers and to do this by bundling services. But local currency ARPU fell at 1.5% year-on-year, and margins have dropped by 7% year over year in Q1 and nearly 9% this quarter. So I guess the question is the shift in customer strategy working and what can we expect in terms of margin recovery in the near term? Thank you very much.

Kaan Terzioglu (43:10):

Thank you, Max. Let me start with Bangladesh. Clearly, I'm happy to see the stabilization of the market, and we have been consistently growing in the last three quarters year-on-year. And this quarter is an interesting one because I think it shows the potential of the country. There has been significant energy outages in Bangladesh in April and May to the level that the entire country has reduced its data consumption by 15%. Now, in an emerging market, you would expect data consumption to go up 40% year-on-year. This happened because of energy outages and practically because of the Hormuz Strait crisis, oil being not available in certain places. So despite this, we managed to grow our business. But what really excites me in Bangladesh, we broke all records. And I was talking with Google executives recently. They said we have never seen such a thing like this in World Cup, in terms of broadcasting the games to Bangladeshi population in and outside of Bangladesh.

(44:14):

I was actually yesterday at a restaurant and I met a Bangladeshi guy, and the moment I said, "Do you know Banglalink and Toffee?" He said, "Yes, I watched all the games from Toffee at $5 rather than 20." So it is good to see that we are even getting in New York some attention. But in terms of the monetization potential of digital services, the growth you see there is thanks to World Cup. And I think, I congratulate United States, I think they run the best World Cup that I have seen, but it also had a major impact in Bangladesh, and we are very happy to see that. And I'm more positive than other players in the market in terms

Kaan Terzioglu (45:00):

... of the progress and development of Bangladesh. I think when the energy stabilization also normalizes, we will see higher growth rates from the country.

(45:10):

Now, coming to Kazakhstan, there are a couple of things that we need to keep in mind. First of all, VAT rates have increased 6% and this is a significant change, and we were not able to adjust this to the pricing. Normally, we are better in doing this, but in this particular case, 6% disappeared from top line, and you can imagine the impact of that to the EBITDA. The second important issue is we have a model of bundling smartphones into family packages. It's a great idea, but it also has a temporary fluctuation in the marginality because of the way it is accounted for.

(45:52):

So those two important dynamics had an impact. I'm not concerned. Kazakhstan is the most advanced digitally aligned market that we have in our portfolio, and we are actually doing quite well despite the fact that we are providing 4G advanced services in Kazakhstan. We have a unique advantage in terms of customer satisfaction and net promoter scores. So overall, I see Kazakhstan as a temporary issue in terms of margin erosion, but I'm sure that the Kazakh market will prove itself to be an extremely dynamic and successful market as the time passes this year.

Speaker 2 (46:36):

And just to add on top to Bangladesh, on top of the World Cup, there was a pricing adjustment we did year over year for our services. That also impacted revenue growth.

Anand Ramachandran (46:47):

So I think just to complete that, digital is 13%, the World Cup held that 13%, but it's not as if we're going to call that a one-off. I mean, the fly wheel's in motion, there's a lot of other things, so we are hoping for that momentum to continue to sustain itself.

Kaan Terzioglu (47:02):

There are countries which loves cricket like Pakistan, there are countries which likes football like Bangladesh, and every Bangladeshi is either a Brazilian fan or an Argentina fan. You can go during the World Cup time, the country is full of Argentina and Brazil flags. So it was good that Argentina made to the last final game for us.

Max (47:27):

Thanks, guys. It's a shame there's no more Tartan Army supporters in Bangladesh, but we live and hope. Just coming back on the EBITDA margin point on Kazakhstan, I mean, is this margin depressed at the moment because you're bundling it in with low margin equipment revenues? So you don't expect further deterioration, but the margins stay around the 40%, 45% range where they've been Q1, Q2. Is that the right way to interpret that?

Kaan Terzioglu (47:57):

Max, first of all, let me correct one thing. We do not subsidize equipment, so it's not a matter of margin delusion because of subsidies of equipment. It is a matter of revenue recognition, which recognizes some of that margin in the previous quarters rather than this quarter. It's a cyclical movement of the volumes of business having the impact because the way the service and equipment integration into packages results in a different type of an accounting procedure.

Max (48:31):

Brilliant. Thank you.

Speaker 2 (48:32):

So in simple terms, we recognize equipment revenue upfront and the higher margin service revenue gets recognized over the term. Therefore, as the business grows, we recognize more lower margin revenue upfront, and that's the success. That's actually success of business growing, that we recognize more lower margin revenue upfront, and then the higher margin service revenue will come in time.

Kaan Terzioglu (48:57):

And this, combined with the 6% VAT impact, you can understand where we are.

Max (49:03):

Brilliant. Very clear. Thank you. Thank you both.

Lucy (49:07):

Our next question comes from Ahmed Mustafa with Anam. Please unmute, turn on your video, and ask your question.

Ahmed Mustafa (49:17):

Hello, everyone. Thanks for the presentation. Two questions from [inaudible 00:49:19]. First, digital EBITDA margin reached 36 this quarter. So what are the main levers and medium-term milestones for fiber margin expansion? And second, which markets still have the most headroom to increase [inaudible 00:49:37] penetration?

Kaan Terzioglu (49:42):

Thank you. Thank you for the question. Now, let me answer it this way. There are markets already where number of digital service customers have exceeded number of our telecom customers. And when I look to advanced markets, especially Pakistan being the highest, I think we are getting close to 38% of our revenues coming from financial and digital services. And this is just the continent, because as we bring the right services to each market on financial services side, entertainment side, healthcare, education, and AI services, I think we are going to see a constant increase. Our multi-play customer base was raised this quarter about 4.5%, which is actually the healthy trend that we would like to continue. The biggest upside that I see in this space is still Bangladesh, and this is related to smartphone penetration in the country.

(50:45):

There's an interesting metric that I want to share with you. If you look to GSMA reports, for the five countries that we operate in, 530 million people live. Number of people connected to internet is 288 million. Number of digital service customers we have is 228 million people. So, basically, six out of 10 people, whoever gets connected to internet, is our customers already one way or the other. Now, we need to push for equal inclusion for women on smartphone ownership. That's our number one priority. And that will mean that we have to work hand in hand with the governments and equipment producers to increase the smartphone penetration, and especially on female population.

Ahmed Mustafa (51:39):

Thank you. Thank you.

Kaan Terzioglu (51:42):

Thank you.

Lucy (51:46):

Our next question comes from Jake with New Street Research. Please unmute your audio, turn on your video, and ask your question.

Kaan Terzioglu (52:01):

Jake, you're on mute.

Jake (52:03):

Yes. Hi, sorry. Hi, this is Jake. So I understand that Veon currently has a global framework agreement with Starlink, and Starlink is present in Ukraine. You guys are working with them in Kazakhstan and Bangladesh already. Is there a possibility of us seeing this in Pakistan and Uzbekistan as well? Just this.

Kaan Terzioglu (52:25):

Thanks, Jake. I assume Chris is on vacation already, so please pass my regards to him and tell him both you and him invited to the Capital Markets Day. The answer is yes, as long as the governments allows us to. So there are quite a number of regulations to get to this point, and it takes a while to show the governments that this is an essential need for the populations. I think there should be no country in the world which would not be integrating their terrestrial networks with satellite platforms. And we should not consider this as a threat. This is a responsibility for the populations. And actually, I wish the regulatory environments would be forcing every single operator to do this. We are doing it ourselves, and we are working with all the countries' regulators to also demonstrate the value of doing this.

Speaker 2 (53:21):

And on top, our contractual terms do give us benefits as we add on more countries with Starlink.

Jake (53:29):

Is it possible to elaborate on any of these benefits you mentioned?

Kaan Terzioglu (53:36):

I suggest we keep the commercial details to ourselves. Thanks a lot for the question, but I don't think we can share that.

Jake (53:42):

Okay. Thank you.

Lucy (53:45):

Thank you. Our next question will come from Ali Saidi with Inam. Please unmute, turn on your video, and ask your question.

Ali Saidi (53:53):

Hi, everybody. Thank you so much for the opportunity. I just have one question. So you have called out that there is a high energy cost in Pakistan, and there are also energy-related disruptions in Bangladesh as well. So in Ukraine, you responded to that kind of problem by buying the generation directly. So is it something you would consider in Pakistan and Bangladesh as well?

Kaan Terzioglu (54:21):

Good question. Of course, in Ukraine, we have a stronger appetite to deploy capital in terms of these type of investments. In other markets, we are looking for alternative methods. Actually, deploying solar farms only works if there is a strong grid distributing the energy in the country. And both in Bangladesh and Pakistan, the grid infrastructure is not at the level that we can do the same playbook. Having said that, more and more, there are site-based technologies that could allow us to do solar and wind generation for the specific sites.

(55:07):

Actually, last year, we have deployed one of those sites in Kazakhstan at a very remote location, which still works in a perfect manner. So we will be looking for those. There are already projects in place, especially in Pakistan, to solarize some of our sites, giving very encouraging results.

Ali Saidi (55:29):

Thank you so much.

Kaan Terzioglu (55:31):

Thank you.

Lucy (55:32):

Thanks. And last question comes from Theodore O'Neill with Litchfield Hills. Please unmute and ask your question.

Theodore O'Neill (55:41):

Thank you very much. Congratulations on the quarter. I'm looking over the results for the quarter, and I'm struck by the fact that country by country, with the exception of Bangladesh for reasons you already mentioned, you've got double-digit growth in revenue and dollars, but the mobile customer numbers are essentially unchanged. At some point, do you need to see those mobile customer numbers go up or is it partly what you just talked about, too, with the female population that you're trying to address?

Kaan Terzioglu (56:16):

Yes. So first of all, we are focused on the flywheel that I described. How much of that customers are multi-play customers versus just an M2M SIM card or practically customers who are only using our voice services? And we are very satisfied with that evolution overall. In our markets, there is still a challenge, especially when it comes to Pakistan and Bangladesh, which are big populations in terms of smartphone availability. So our ability to make smartphones affordable and accessible, and also penetrating into markets which there is very low smartphone ownership, especially the women, I think is a critical success factor. And of course we have programs to address those, but you will only see that growth picking up in the way that we want with regard to multi-play customer base if we can grow the penetration of smartphones in the markets.

Theodore O'Neill (57:24):

Thank you. We'll see you November 16th.

Kaan Terzioglu (57:26):

Thank you. Looking forward to it.

Lucy (57:28):

Thank you. We have no further questions at this time. I'll now hand back to Anand Ramachandran for closing remarks.

Anand Ramachandran (57:36):

Thank you so much. I'd probably make a last call for any follow-up questions in the room. I don't see any. So with that, guys, thank you very much for your time and attention. As Khan said, we will have the Capital Markets Day in November and, obviously, the third quarter results before that. Thank you very much for your attention and support to Veon. We'll keep talking, but see you as a part of this group again next quarter. Thank you so much.

Kaan Terzioglu (58:04):

Thank you. Thanks a lot.