



VEON - 2Q25 Results Presentation

August 7, 2025

Moderator:

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Anand Ramachandran:

Good morning and good afternoon to everyone. Thank you for joining us today for VEON's second quarter results for the period ending June 30th, 2025. My name is Anand Ramachandran, chief corporate development officer and also heading a group investor relations function. Allow me to introduce our senior management in the room today. Next to me is Mr. Kaan Terzioglu, our group CEO. And next to him, Mr. Burak Ozer, our group CFO. Today's presentation, as usual, will begin with the key highlights and business updates from Kaan, followed by a discussion of the financial results by Burak. We will then open up the line for question and answers. 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, operational and network developments and investments, and the company's ability to realize its targets and initiatives.

Actual results may differ materially due to risks which are detailed in the company's annual report on 20 F and other public filings with the SEC. The earnings release and presentation, including reconfigurations of non IFRS measures can also be downloaded from our website. With that, let me hand it over to Kaan.

Kaan Terzioglu:

Thank you, Anand. Good morning, good afternoon, and welcome. I appreciate you joining us today for VEON'S presentation of our second quarter 2025 results. We listen to you and I'll keep my presentation brief and to the point so we have more time for your questions and the richer discussion. We have continued our strong start to the year into the second quarter and I'm pleased that we have delivered a strong quarter again financially, operationally, and with regard to progress on strategic objectives. Let's start with the financial performance. Our revenues are up 5.9% year-on-year in US dollars. EBITDA, in US dollar terms, grew by 13.2% year-on-year. For the first half, our US dollar revenues grew by 7.3% year-

on-year and our US dollar EBITDA grew 13.4% year-on-year. In local currency terms, our revenues grew 11.2% in Q2, outpacing both inflation and nominal GDP across our markets.

EBITDA in local currency grew 19.6%, reflecting our focus on profitable growth. This was yet another billion dollar plus revenue quarter. Our strong EBITDA performance reflects the strength and the scale of our operating model. Looking ahead, we are pleased with the growth momentum across our businesses and are revising our outlook for 2025. We now expect local currency growth for total revenue between 13 to 15% year-on-year and EBITDA growth between 14 to 16. Second, we are driving exceptional momentum in expanding our digital services portfolio. Direct digital revenues grew by 57% year-on-year in dollar term and now contributes 16.5% of our total group revenues. Uklon was consolidated effective April 2025. This is a key milestone in our digital expansion strategy and unlocks new growth opportunities for us. We are also accelerating the integration of agentic AI powered features across our platforms and delivering localized and intuitive user experiences to our customers in their own languages at scale. Thirdly, we made substantial progress in executing our asset light strategy. We have closed the strategic infrastructure pooling partnership with Engro in Pakistan. This unlocks significant value for us. In Ukraine, Kyivstar continues to make progress on launching Direct-to-Cell satellite communications in partnership with Starlink. We expect to launch services in the fourth quarter this year. And last but not least, we continue to deliver for our shareholders. We completed the third and final phase of our \$100 million share buyback program that we have announced in August last year. We have both back close to 3% of our shares in less than a year since we announced the buyback program. We repaid both our April and June 2025 bond maturities and enhanced our financial flexibility with a \$200 million private bond issuance. We are making good progress with Kyivstar's proposed NASDAQ listing through our business combination with Cohen Circle Acquisition Corporation 1, we have secured the necessary investment commitments to secure this transaction.

Cohen Circle has scheduled an extraordinary general meeting for August 12th to obtain shareholder approval. Subject to that approval, we expect to close the transaction and launch Kyivstar's public market debut. Finally, we deliver on our digital operator strategy focusing on an asset light model, prioritizing large population underserved markets, accelerating and expanding our digital services. We are executing a series of transactions aligned with our strategy. The [inaudible 00:06:49] of impacts from these transactions, completion of the right-hailing business acquisition, Uklon, Deodar Tower sales in Pakistan, as well as last year's fiber infrastructure company, TNS+ sale in Kazakhstan, are clear examples of these strategic choices and should be seen as planned progress. Looking ahead, similar transactions may result in either gains or non-cash accounting charges.

The upcoming Kyivstar listing in NASDAQ through a business combination agreement with Cohen Circle and the sale of our Kazakhstan operations also will fall into this category. These transactions are expected to result in a non-cash charge in the range of 150 to \$200 million, likely to be recognized in the third quarter. The net impact of these transactions will be positive for our equity. These accounting effects, however, have little bearing on the fundamentals and momentum of our core operations. While we will continue to provide commentary on like-for-like trends, we should embrace the new nature of our business as we transform into a consumer and enterprise services company with a telecom license.

I have already highlighted most of the numbers on this page. I will make three additional points. First, on a like-for-like basis, which adjusts for the deconsolidation of TNS+ and Uklon loan acquisition, our US dollar revenues would have grown 6.3% and our US dollar EBITDA would've grown 14.6%. Second, we saw a slight uptick in weighted average inflation across our markets up to 8.7% in second quarter. This comes after three quarters in the range of 7.6 and 8.2%. But I am pleased that our momentum continues to exceed inflation and the nominal GDP growth and showcases our ability to implement fair value pricing while capturing a greater share of consumer volume. Third, given the pace of change across our business, underlying adjustments have become frequent and short-lived and are adding less

and less value to our clear performance narrative. Going forward, we will focus on headline numbers to provide you with more consistent and transparent view of our trajectory.

This slide summarizes our performance for the quarter. I am pleased that our strong revenue momentum continues, driven by both telecom infrastructure and digital segments. Telecom and infrastructure segment revenues on a like-for-like basis that adjust for TMS+ deconsolidation grew 2% in US dollars and 7.4% in local currency terms versus the headline numbers you see on this page. This reflects the powerful impact of our network investments coupled with innovative products and services. Our direct digital revenues were up 57% in US dollar terms and 62% in local currency and now represent 16.5% of total revenue. On profitability, I am pleased that EBITDA margins continue to grow and are up both quarter on quarter and year-on-year to 47.8% in the second quarter. Our CapEx intensity for the quarter was 21.3%. On the last 12 month basis, it stands at 24.1. And excluding Ukraine, our last 12 month CapEx intensity stands at 18.3, which is in line with our guidance.

Last 12 month equity-free cash flow was \$611 million, up 33.7% year-on-year. This is driven by both our operational and financial discipline and success of our asset life strategy. Net debt, excluding leases, stood at \$1.96 billion as of June as we completed two-point acquisition in Apple, paid our April and June maturity bonds and raised 200 million via private bond placement. Finally, we ended the quarter with a cash balance of \$1.28 billion, including \$206 million at the headquarter. Let me now deep dive into our digital revenue performance. We have started to break the components of our digital revenue revenues to provide you with greater transparency into growth and potential of our digital businesses. Our digital direct revenues reached 180 million in the second quarter, growing 56.6% year-on-year in US dollars and 62% in local currency. These now represent 16.5% of revenue, up from 11.2 a year ago, 14.3 a quarter ago. I will call out two points here. Financial services are the largest component accounting for 57% of our total digital revenue, growing strongly. We are pleased that the growth is broad-based with solid contributions growth across our entertainment, super apps, premium digital brands, [inaudible 00:12:20], and enterprise services. Effective April this year, we also welcomed Uklon to the VEON family. Uklon contributed \$21.7 million in revenue and \$9.3 million in EBITDA for the quarter. This marks a strategic milestone for us, reflecting our commitment to expanding our digital services footprint and unlocking new growth opportunities. In this page, we are outlining our continued progress on multiplay game, which accounts customers that use at least one digital service in addition to voice and data services we provide. Multiplay is a key feature of our digital operator growth strategy. 4G enables multiplay, and hence increasing 4G adoption is a key driver. For this quarter, 4G users increased 3.9% year-on-year.

4G penetration across our base is now 68%, up 4.6 percentage points. And it is this 4G base that is increasingly shifting to multiplay, given our extensive and relevant suite of digital products and services. The multiplay segment drives growth with stronger customer engagement, higher data consumption, more frequent usage of voice services, improved retention and ARPU expansion. Our multiplay customers continue to generate 3.7 times the ARPU of voice only subscribers. We are encouraged that this ratio continues to increase even as multiplay adoption expands as a proportion of our total overall subscriber base. In the second quarter, 54.4% of our total revenues are generated by multiplay customers, and this number grew 26.8% year-on-year in local currency terms. Let me provide you with an overview of our performance in local currency terms across our markets. We have delivered strong double-digit revenue growth in all our markets except Bangladesh.

While headline revenue growth for Beeline Kazakhstan is single digit, its revenues grew 14.5% like-for-like accounting for TNS+ deconsolidation. In Bangladesh, we are encouraged that total revenues grew 5.1% quarter on quarter, and this indicates that a gradual recovery in consumer sentiment is underway. Our unique combination of network investments, fair value pricing, differentiated products and services, and strong digital growth are the drivers of this momentum for all our markets. Our profitability trends

across our markets are strong as well, reflecting on our focus on driving operational and cost efficiencies. Headline numbers for Beeline, Kazakhstan and Banglalink are impacted by tax regulatory changes and adjusting for these organic trends continue to be strong.

Finally, please note that our consolidated financial results for Ukraine include the full consolidation of Ukraine Tower Company, UTC, whereas the standalone disclosures for Kyivstar exclude UTC. On a standalone basis, revenues in Ukraine grew 25.9%, EBITDA grew 23.6. For the first half, revenues in Ukraine, Kyivstar, were up 35.8% and EBITDA is up 38.5. We will take specific questions and...

Kaan Terzioglu:

... point five. We will take specific questions and discuss market-specific issues in the question-and-answer session later.

Let us now take a closer look at the continued momentum of our digital ecosystem. We are seeing strong, broad-based growth across our platforms with total digital multi-active users, which I will refer to as just users here on, reaching 119.7 million for June, a 7% year-on-year increase. This is a strong result despite our entertainment users for June in Pakistan being impacted by typical seasonality in between cricket tournament schedules, and underscores the overall healthy engagement levels.

Our digital-only user base is 29.3 million and represents 24.5% of total digital user base. This highlights the growing appeal of our digital products, which are fast-becoming go-to solutions for consumers across competitive markets. Transaction value over the last 12 months reached \$43.8 billion in our financial services solutions and is up 53% in local currency terms.

Let me provide you with more detailed look to our digital portfolio. Our financial services segment has increased by 28% to reach 40.7 million users across all platforms. JazzCash's gross transaction value for quarter rose by 43% year-on-year. On a last 12-month basis, this represents an impressive 12% of Pakistan's GDP. This was driven by a 37.3% increase in total transactions and a 15% uplift in per transaction value per user. Simply in Kazakhstan and Beepul in Uzbekistan continue to scale their roles as the financial layer of our digital ecosystem in the countries. Our entertainment platforms continue to build on customer engagement, notwithstanding the seasonality that is impacting multi-active users. As an example, Tamasha recorded 17 million users for April '25 on the back of marquee cricket tournaments with the June '25 users reflecting typical seasonality in between tournament schedules. These platforms are actively leveraging local content creation to capitalize on the rising demand for locally relevant content.

This also sets up compelling opportunities for advertisers to engage with our young digitally savvy audiences. Our super apps have now scaled to 45 million users, reinforcing their role as primary digital entry points. Positioned as a one-stop digital hub, these platforms are seamlessly integrating essential services from healthcare to entertainment and driving deeper engagement across our ecosystem. Uklon's ride-hailing service now operates in Ukraine and Uzbekistan and reach 3.5 million users, reinforcing our presence in high-frequency everyday digital life. Meanwhile, our premium digital brands, spanning lifestyle, digital identity and productivity tools, saw users grow two times year-on-year to 2.3 million as adoption deepened among digitally native customer segments. These platforms are designed to meet evolving customer needs with curated high-value experiences, underscoring their growing role in driving engagement, monetization, and digital leadership. I will now hand over to Brock, and he will take you through the financials in more detail. Brock.

Burak Ozer:

Thank you, Khan. In second quarter of '25, we delivered solid financial results with total reported revenue reaching \$1.09 billion, representing a year-on-year growth of 5.9% in US dollar terms and 11.2%

in local currency. As previously noted by Khan, the quarter included the deconsolidation of TNS Plus in Kazakhstan and Uklon acquisition. On a like-for-like basis that adjusts for this, our revenues grew 6.3% in US dollar terms, underscoring the continued momentum of our operating markets. Direct digital revenues maintained their strong trajectory, growing 56.6% year-on-year in US dollar terms to reach \$180 million. Digital services now account for 16% of total revenues, further highlighting their growing relevance in VEON's business model and the successful execution of our digital operator strategy.

Turning to profitability. Group EBITDA for second quarter of '25 reached \$520 million, reflecting a year-on-year increase of 13.2% or 19.6% in local currency. EBITDA margin continues to expand quarter on quarter and year on year and came in at 4 to 8% for second quarter. This is being supported by operating leverage and disciplined cost control. We note that our digital services, now at 16.5% of group revenue, continue to deliver attractive, absolute EBITDA growth. While digital margins are structurally lower, their much lower capex intensity ensures comparable cash conversion relative to telecom services. As our mix continues to shift in this direction, we are focused on sustaining EBITDA growth at scale while enhancing group-wide capital efficiency and long-term cash flow generation.

Now, shifting our focus to key balance sheet figures. We finished June with \$1.28 billion in cash of which \$206 million sit at headquarters. The quarter-on-quarter change primarily reflects the successful boundary payments at HQ and the completion of [inaudible 00:22:25] acquisition in Ukraine. During the quarter, we have seen 59 million in net dividends from our operating companies. Gross debt stood at 4.63 billion at quarter end as new capitalized lease liabilities were partially offset by boundary payments in April and June. Net debt, excluding leases, was at \$1.96 billion, with our net debt to EBITDA ratio excluding leases at 1.32 times. Finally, as Khan mentioned earlier, we have enhanced financial flexibility with the completion of USD 200 million bond issues due in 2029. The bond issues was settled on 15th of July. Let me now hand the call back to Khan.

Kaan Terzioglu:

Thank you, Brock. While the current global environment presents both macroeconomic and geopolitical volatility, we remain confident in the resilience of our business and the strength of our operations. We have delivered a strong first half, our teams continue to execute with discipline, and the underlying demand across our markets remains robust. All this gives us confidence in our outlook and positions us well for continued value creation.

We are revising our outlook for the full year and now expect revenue growth of 13 to 15% and EBITA growth of 14 to 16% for the year. Growth in underlying terms, which was the basis of our earlier guidance, is similar. As I highlighted earlier, underlying adjustments have become frequent and short-lived given the pace of change across our business and are adding less and less value to our clear performance narrative. Hence, going forward, we will focus on headline numbers to provide you with a more consistent and transparent view of our trajectory. We continue to expect capital intensity, excluding in Ukraine, in the 17 to 19% range, and these targets are based on a blended, weighted average inflation rate of 8.2%. Inflation has inched up in some of our markets and it is a trend we are watching closely.

In closing, we are pleased with the momentum we have delivered in the first half and I'm excited about our prospects. 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 VEON. We can now open the line for questions and answers.

Moderator:

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 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.

As a reminder, we are allowing analysts one question and one related follow-up today. If you wish to ask more questions, please raise your hand again to rejoin the queue. We'll wait one moment to allow the queue to form. Our first question comes from Nicholas Patton with Edison Group. Nicholas, please unmute your audio-

Speaker 2:

Good afternoon, gentlemen.

Kaan Terzioglu:

Good afternoon, Nicholas.

Speaker 2:

Can you hear me okay? Hi.

Kaan Terzioglu:

Yes, we can.

Speaker 2:

Just checking. Excellent. I've got a couple of questions and they're a little bit technical. The first one, I think you've mentioned in the press release Engro, the sale of which has now closed, and I think you mentioned that the proceeds of 188 million have already been received by Jazz and there's another 375 million to follow. Can you just take me through technically how that's going to be fed up to the holding company? That's the first question, and maybe I'll slip in another one quickly while I'm on. The second one is on the technical effects of the SPAC for the third quarter financials of the listing of Kyivstar. What should we expect in the third quarter numbers around that?

Kaan Terzioglu:

Nicholas, thank you very much for your questions. I will ask Brock to answer both of them, first the Engro question and the SPAC impacts.

Burak Ozer:

Technically, we are planning to upstream those cash which we will receive in 20 months in equal installments with dividends that will enable us to release our reserves and equities. So that's an answer to your question. Technically, we'll get those through dividends upstream to HQ. Having said that, if we have the uses for those cash in the country, we will make sure that we do the right allocation for those users in the country in terms of either debt repayments or potential M&A opportunities. And on the Kyivstar, can you repeat the question again?

Kaan Terzioglu:

The impact this SPAC to the financials.

Burak Ozer:

The impact of SPAC is going to be calculated based on the closing price of the stock on the first day of the trading, which is basically the difference between the valuation of the assets in the SPAC, which is the cash balance, which is around \$200 million and the shares that we are going to use to purchase the SPAC. So the closing price will influence the impact of the transaction there.

Kaan Terzioglu:

And Nicholas, we expect in Q3, of course if the voting in the general Assembly of VEON Circle results in a positive outcome, to close this deal, plus the sale of our Kyrgyzstan operations. And as I mentioned, we expect actually these two transactions to result somewhere in between 150 to \$200 million of P&L impact-

Burak Ozer:

Non-cash.

Kaan Terzioglu:

... non-cash and no impact and positive actually impact overall to the equity overall.

Speaker 2:

Okay. Yeah, I think I understand. Thank you very much.

Kaan Terzioglu:

Thank you very much.

Moderator:

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

Kaan Terzioglu:

Adrian, we cannot hear you still.

Adrian Cundy:

Can you hear me now?

Kaan Terzioglu:

Yes, we can now.

Adrian Cundy:

Okay. Sorry if there's any background noise, I'm in a public location. Thank you for time today. One of the things I was wondering about was your comments on 4G adoption as an enabler of both data revenue in the telco business, but also as a driver of digital revenues. And in some of your markets,

Pakistan, you're seeing a very, very good rate of 4G take-up. In other markets, more like Ukraine that you've alluded to, it's remained fairly stable at about mid 60s. So maybe could you elaborate on what your strategies are to drive that sort of 4G adoption up? And secondly, just at a broad level, at the group level, sort of 4G multiplayer and multiplayer users as a percentage of overall data revenue, what is that?

Kaan Terzioglu:

Okay. Thanks, Adrian, for the questions. First of all, as you know, our markets, frontier markets, is really still not the right platform for 5G services, so we have successfully adapted a strategy for 4G for all, not 5G for few. And over the last couple of years we have built our 4G base up to 68% of our total customer base.

Having said that, in markets, especially like Pakistan and Bangladesh, there are still 50 million customers who are only utilizing feature phone services. And this actually on one side, of course, a big opportunity because ultimately these customers will also migrate into smartphones and consumption of 4G services. And we are well-positioned to capture this additional organic driver growth for ourselves.

With regard to our 4G and 4G multi-play customer revenues, as I mentioned, multi-play customers, who are around 25% of our base, generates 54% of our revenues. If I would add 4G to that, I think we will reach close to 70% of our revenues as our customers for 4G and 4G multi-play. And our strategic direction to drive this is, first of all, to increase our coverage and quality of 4G services, but also enter into smartphone business.

Kaan Terzioglu:

... but also enter into smartphone business, specifically designed for our digital services. And we have already started this in Kazakhstan where we are providing our customers smartphones preloaded with our applications like IZI, Simply, and Janymda, which is our super app for the market.

We see a very high adoption rate of the smartphone enabled services and close to every single day selling about 1,500 smartphones to our customers in Kazakhstan. Similar approaches will be also applicable in other markets.

Adrian Cundy:

Thank you. That was basically the question I was going to lead into, is: in terms of device adoption, what strategies were you going to deploy to improve the 4G take up rate? But going back to your press release, you mentioned in Kazakhstan, I think you were deploying 4. 9G or MIMO based 4G networks.

Kaan Terzioglu:

Yeah.

Adrian Cundy:

Where else are you doing that and are you finding that that movement into 4G MIMO and the improved bandwidth it gets you without going all the way to 5G? Does that give you... Is that also helping you in the customer acquisition by increasing capacity or increasing effectively user experience, improving user experience on throughput, data throughput? Where else are you seeing... are you planning and what should we be thinking about CapEx?

Kaan Terzioglu:

So Adrian, first of all, we will continue, of course, deploying the three important technologies that enhances the quality of the service we provide in our markets. Massive MIMO is one of them. Virtualization of the core is the second one, which drives the cost significantly down. And the third one is aggregation of carriers.

And all these three technologies, when combined and enhanced with 2300 megahertz, creates a unique service quality, which actually today successfully beats the 5G operators in Kazakhstan.

I'm very happy with the fact that if I look to the net promoter scores in the country, the operator operating under the name IZI, which is actually our digital first application for the youth, has the highest NPS scores of 26, where all the operators are in single digit numbers.

So what I see is 4.9G is today very well-positioned to compete even against 5G capabilities. The customer at the end of the day does not care if they consume the services, whether it be music, games, or video, whether it is on Wi-Fi, 4G, 5G, or in the future satellite platforms where we are also preparing ourselves getting ready for.

Adrian Cundy:

Okay, thank you. If I could squeeze one final question in for Burak, just coming back to the DSPAC effects. Am I right to think that the direct costs for Kyivstar will be booked at that level and the balance of the costs on their share price translation will be treated at the parent level, at the on level? Is that correct? And do you sort of-

Burak Ozer:

Yes, that's correct.

Adrian Cundy:

So can you give me a rough breakdown? I mean, your direct SPAC costs are expected to be X, and then the subject to the closure, what the balance will be at the VEON level?

Burak Ozer:

The VEON level, as I stated, it'll depend on the closing price on the day, but it'll be somewhere between \$50 million to a hundred million dollars based on the current value of the shares trading. And in terms of transaction costs, that's going to be mostly booked into equity actually. And the amount of those transactions costs will be somewhere between 30 to \$50 million.

Adrian Cundy:

Okay. All right. Thank you.

Kaan Terzioglu:

Thank you. Thank you, Adrian.

Moderator:

Our next question comes from Matthew Harrigan at the Benchmark Company. Matthew, you may now unmute your audio, turn on your video, and ask your question.

Matthew Harrigan:

Thank you. You can hear me, of course, right?

Kaan Terzioglu:

Yes, we can.

Matthew Harrigan:

Great. Always an element of paranoia there, although I should be accustomed to it by now. I actually had a four-nine MIMO question as well. But I think even more interesting is the valuation because you have a telecom business. I think probably has a sustainable mid-single-digit growth rate that isn't adequately valued relative to its peers.

And then you have the direct digital business close to 725 million US dollar run rate. Now obviously you're going to be at a billion within a few quarters, the way it's growing 56%. And it's really a gaggle of interesting businesses across different markets.

I'm wondering... I don't know how familiar you are with tracking stocks, I suspect you are. They're not used very often, but this does seem like one instance where you could do some creative financial engineering and try to do a tracker for those digital businesses that probably you could get a valuation almost tantamount to your market cap in some quarters.

And clearly you've got Ukraine just in the process right now, but what do you have in the hopper and what do you think about unlocking the valuations? It surely should be realized over a period of time, but it is complicated. It's a very complicated company and I clearly don't think you're getting a fair valuation for the telecom business, let alone what you're adding on the digital side.

Kaan Terzioglu:

Matthew, thank you very much for your question. We are a unique company. While we are unified when it comes to strategic direction, we have a decentralized way of execution. And if you look to our product portfolio, you will see local authentic brands serving our customers in different countries.

And you're absolutely right. There is an opportunity here to crystallize the value and when the right time comes, we will think about this, how to make it more transparent and more tangible.

I think that right time will start phase by phase. First, I would like to see our direct digital revenues to surpass 20% of our total revenues to provide you more clarity about the marginality.

And second, as we move on certain type of businesses across the board, for example, financial services, we have JazzCash in Pakistan, which is actually already generating a billion dollar run rate for us. And we do have a Simply business who is in Kazakhstan, which is ripe for growth and people in Uzbekistan.

I think at the right time we will see us bringing the financial services, bringing the entertainment businesses, bringing the healthcare right-hailing businesses under umbrellas where we will be much easier to communicate in terms of revenue values. But I think we are a couple of quarters ahead of that position.

Matthew Harrigan:

And if you don't mind, it's interesting when you look at generative AI and the McKinsey's putting out numbers that suggest mid-single digit gains, the global GDP, and all that. And you would have to infer from that with the growth rates we have right now that GDP would be negative if it wasn't for AI, which is rather silly.

But you're in a position where you can really see what the ROIs are and what you can deliver. If you look at AI specifically to the frontier markets that you're in right now, and clearly Uzbekistan taking one example, you've got a very interesting business there more on the tech side, but how do you think AI affects markets with lower labor costs and lower penetrations of digital services and probably a lower white collar component in the workforce?

In other words, looking at the effect of AI on the economy and Pakistan or Ukraine or Uzbekistan compared to United States or Britain or the Netherlands, which you know well. And I know it's kind of a Sunday morning talk show type question, but I'd be interested to get your... You're probably one of the few people who sees things.

Kaan Terzioglu:

Matthew, I think in emerging markets and frontier markets, sometimes advanced technologies are adapted in very creative ways and I do expect that overall local economies will be impacted significantly with the adoption of what I call, not artificial, but augmented intelligence.

Let me explain it this way, especially from our industry perspective. A traditional telecom company's value proposition is selling number of minutes, number of gigabytes, number of SMSs. You would be surprised, but that business model still exists in many places.

The digital operator sells services. Rather than selling gigabytes, provides: entertainment, games, video, music, healthcare services, education services. Now, what I call the AI generation telco will provide augmented skill sets to create capabilities for a doctor to be a better doctor, a teacher to be a better teacher.

And imagine as we provide these services, our value proposition for our customers will no more be number of gigabytes or even digital service. It'll be a better version of themselves. That's what we are focusing on. That's why we are developing local language LLM models.

We have already launched Kazakh LLM model. We are working on all the other countries, probably the second one will be Ukrainian LLM and we have already launched agentic AI capabilities like online tutor, which would help students with their homeworks, which would help them assess their level, develop a education program, and do the certifications at the end.

And these type of capabilities are getting very high levels of demand and adoption in the countries that we operate in. That's where I see our future value propositions will be centered around. And through our super apps, we are going to integrate all these capabilities. So the agentic AI will be the main value proposition we provide to our customers.

Matthew Harrigan:

Thank you, Kaan.

Kaan Terzioglu:

Thank you Matthew.

Moderator:

Our next question comes from Don Espey at Shah Capital. You may now unmute your audio and ask your question.

Kaan Terzioglu:

Don, you might be on mute.

Moderator:

Please find the unmute button-

Kaan Terzioglu:

Still not hearing Don.

Moderator:

... at the bottom of your Zoom screen.

Don Espey :

Don. Can you hear us? Can you hear us? Hello?

Kaan Terzioglu:

Hi, Don. Hi Don. Yes, now we hear you.

Don Espey :

Great. Great. Thank you. Yes, thanks for taking our questions. We've got a few questions actually. You touched on this topic with Matthew a few minutes ago, but hoping we can drill down a little more with the Fintech assets specifically. The market's given little value to your FinTech assets, including JazzCash. So we're curious on your strategy to partially monetize VEON's 40 million plus digital wallets.

Kaan Terzioglu:

Don, first of all, thank you for your trust and confidence in VEON. I think there is an echo somewhere. If you can maybe turn off your loudspeaker. I think you did. Thank you very much for that.

So thanks a lot for your trust and confidence and you're absolutely right, especially if I take the Pakistan's JazzCash business. Actually, I have to admit that it's not only JazzCash, it's Mobilink Microfinance Bank and JazzCash where we have close to 21 million of that 40 million FinTech customers that you mentioned.

This is a business which actually lends 140,000 nano-loans every single day, transacts 12% of Pakistan GDP, and concludes 60% of all mobile payments in the country. And of course we see the opportunity in terms of making this business much more tangible and crystallizing value.

On the other side, the growth momentum is so high that every time I prepare an information memo, I have to repeat it before it gets finalized. So I am a little bit patient in terms of developing the value and the right level of value representation before hurrying in moving into a crystallization.

Clearly, we have lots of interested parties in our financial services business in Pakistan and also in other markets, but I think I would like to take our time a little bit to make sure that the business growth perfectly plays into the next couple of quarters. And of course, later on you'll see us talking much more about this and also presenting it into the relevant investor circles.

Anand Ramachandran:

Don, you had other questions?

Kaan Terzioglu:

Don, you are on mute again, I think.

Don Espey :

When do you see your monthly ARPU close to \$3 US? By the way, one peer in Africa is there, even though per capita income of African countries is lower than VEON's markets?

Anand Ramachandran:

It's a very good question, Don. So we take that. I think you need to mute. Thank you. So I'll break that question into I think three legs, right? I think Kaan went into a lot of length on multi-play being the key driver to our ARPU and revenue growth strategy.

And if you look at our closures on page four, we are disclosing that multiplayer ARPU is actually at \$3.40 now, and that's related to the \$1.90 mobile ARPU. So I think our strategy is working, and as Kaan pointed out in the slides, multiplayer ARPU is consistently multiple support, the voice only or the regular ARPU is.

This multiplayer is only 32% of the subscriber base today. And as Kaan pointed out, again, one very important narrative in our story is how we continue to grow this proportion. And as that proportion grows, we do expect the overall ARPU to also start to climb. So that's, I guess, point number one.

Point number two, smartphones. I think in most of our markets it's probably one in two subscribers, if at that, that own smartphones. We spoke about the smartphone strategy that we have. We spoke about the handset strategy that we have.

And as that gets going, I think the entire virtuous cycle of 4G adoption, multiplayer, and therefore ARPU accretion is again something that will go into play into driving that number. Thirdly, we are very focused on fair value pricing and obviously pushing our digital services.

Anand Ramachandran:

Thirdly, we are very focused on fair value pricing and obviously pushing our digital services. We look at selling services not as selling tariffs, and that's also something that we are executing to very strongly in our market. So I guess long answer to your short question, these are the trends I'd expect to continue to support and ARPU more, which starts to move closer and closer to what we are seeing at the multiplayer today.

Don Espey :

Thank you. Thank you. That helps. And is Veon contemplating Kyivstar, Jazz Beeline smartphones for better penetration and monetization of its digital apps?

Kaan Terzioglu:

So Don, thanks for asking that question. We have actually started actively doing this in Kazakhstan, and the early results are very promising. So you will be also seeing other markets that bring tailor-made phones for our customers so that they can consume our digital services more effectively.

Don Espey :

Thank you. And last question.

Kaan Terzioglu:

Thank you, Don.

Don Espey :

Last question.

Kaan Terzioglu:

[inaudible 00:49:13] we get one more question.

Don Espey :

Yes, yes. It's unfortunate Veon still has a going concern language. How quickly do you see that going away?

Kaan Terzioglu:

Don, thanks a lot. Let me ask Burak to explain where we see this.

Burak Ozer:

Sure. I mean the main reasons for the going concern language on our 20th is now I believe off the table. One of them was our access to capital markets, which with the syndicated loan and also with the private financing that we closed in July is off the table right now. And the second one was the fact that we were able to pay our \$500 million of bonds in April and June as we announced. So as both of those are off the table right now, I'm very optimistic that until the end of this year, hopefully sooner than later in Q3, we will be able to make a disclosure in terms of getting that off our books.

Kaan Terzioglu:

Don, thank you very much for your questions.

Moderator:

Our next question comes from Vincent Fernando with zero one Investment Research. Vincent, you may now unmute your audio, turn your video on and ask your question.

Vincent Fernando:

Hi, thank you for the time. Can you hear me?

Kaan Terzioglu:

Yes, we can.

Vincent Fernando:

Okay, great. I was just looking at the UCLan numbers. You generated 9.3 million of EBITDA in a quarter, puts you on track, maybe moderate growth, hit 40 mil for 2025, you're doing 3.5 million MAUs in a country of 38 million people. How do you see growth evolving for UCLan this year? It looks like it's becoming a pretty strong EBITDA generator. And then kind of in addition to that, how do you see extensibility for UCLan? I mean, I know you have it in Uzbekistan. Have you looked at ride hailing in Kazakhstan? Thank you.

Kaan Terzioglu:

Sure. Thanks a lot, Vincent. So UCLan is really a very unique company which is growing fast and it is EBITDA-accretive and cash flow generative and positive and basically almost have 70% market share in ride hailing and delivery in Ukraine. Currently, they operate in 28 markets. When I say markets understand that as cities 27 of that 28 are in Ukraine and one of them is in Tashkent in Uzbekistan. Interestingly, Tashkent is the largest market in terms of market size.

So I believe the potential for UCLan, not only for ride hailing, but also for delivery and linkage to the marketplaces that we will operate in our super apps is huge. And you will see us extending the capabilities of UCLan and UCLan team to other markets over the next four quarters. And what we see is every market that we will be entering could be completely from organic or it can also be accompanied with some also in market acquisitions and consolidations. But this is a business where it is extremely accretive to the customer experience and also our super app strategies as we embed financial services and marketplaces to our super apps. As you can imagine, a product being sold on an e-commerce side delivered at home and maybe financed through our financial services offerings. This is the real full 360 value proposition that we are up there.

Vincent Fernando:

I mean, now that it's part of the group, will the investment or the budget for expansion or marketing be increased? And in the growth that we've seen for UCLan, for 2Q, has that started yet? That's what I'm trying to understand. Is that basically growth based on their previous budgeting and marketing and now they're part of the group? Is that, will you change or you accelerate that?

Kaan Terzioglu:

No.

Vincent Fernando:

Thank you.

Kaan Terzioglu:

This quarter's results are totally their organic performance and they're performing very well on the markets that they were at. Now with the new era of combining our capabilities in the countries, and as I have always said, our two unique advantages is our effective customer acquisition and customer acquisition costs, therefore second effective distribution mechanism to our super apps. We have not yet seen the results of combining these capabilities with the technological advantages of [inaudible 00:54:05]. Therefore, I'm very excited to see the penetration levels actually evolve over the next quarters. And I would like to make sure that our advantage in customer acquisition and our advantage in additional service to an already existing customer will deliver huge value for us.

Vincent Fernando:

Great. Thank you so much.

Kaan Terzioglu:

Thank you.

Moderator:

Our next question comes from Christopher Hall with New Street Research. Christopher, you may now unmute your audio, turn your video on, and ask your question.

Christopher Hall :

Yeah, thanks guys. I had a couple of questions. First one, just operational, my understanding is that the reason for the negative EBITDA in Kazakhstan is an increased tax that was introduced in Q3 last year. So is that correct and does that drop off? And therefore, is there anything happening to underlying margins or should we expect from Q3 that Kazakhstan moves back to EBITDA growth roughly in line with revenue growth? Maybe if you answer that and then I'll come back with a follow-up.

Kaan Terzioglu:

Thank you, Chris. First of all, it was not about increased tax. It was actually a tax rebate due to our rural deployment of 4G technology that government extended was the law on that expired by the end of last year and actually, after our Q2 closure, the law passed again retroactively affecting Q1 and Q2. So in Q3 you'll see those numbers coming back in and maybe Burak can remind me how much it'll be impacting Q3 numbers.

Burak Ozer:

It's about \$8 million a quarter, so it'll be in total about \$16 million that we will have in Q3.

Kaan Terzioglu:

So the issue in Kazakhstan will be compensating in Q3. The president passed the law quite late, so it'll only be impacted in Q3.

Burak Ozer:

It'll also impact revenue, not only EBITDA.

Christopher Hall :

Okay. But that means we'll be back to positive EBITDA in Q3 basically in Kazakhstan.

Burak Ozer:

We don't have negative EBITDA. I mean we have decline, but we don't have negative.

Christopher Hall :

No, no, no. Yeah, but positive EBITDA growth basically.

Burak Ozer:

Yeah.

Christopher Hall :

So given that, I mean, do you think the full year EBITDA guidance is a bit conservative on that basis given what you've seen in the first half? I mean the implied second half is a fair bit weaker, but you've got that

benefit flowing through. Is there anything else happening that should be aware of in one of the other operations?

Kaan Terzioglu:

I think we are as usual having a prudent stance on our projections. And of course, as the operations show itself, we will come back to you in next quarter to give you the highlight on that, but I think as it stands now, it's the right conservative prudent approach that we have taken.

Christopher Hall :

Okay. And then maybe if I could have another one, I think you are planning to announce a new shareholder remuneration strategy, and I just wondered, given that you've completed the third phase of the buyback, if there's anything you can say on that, either around timing or how you are feeling about shareholder remuneration, both from a buyback or a dividend perspective, if there's anything you can say around what we should be expecting there.

Kaan Terzioglu:

Chris, as I have mentioned in the last quarter, please expect the Q3 to be the time that we come back to the market about this. But what I would like to highlight is we are a growth company. As you can see, we have huge opportunities to accelerate our growth, capture new markets, and we will of course balance this when we come back to the market and make our statements.

Christopher Hall :

Okay.

Kaan Terzioglu:

Thank you.

Christopher Hall :

Thank you. Yeah.

Moderator:

Thanks Chris. Our next question comes from Theodore O'Neill with Litchfield Hills Research. Theodore, you may now unmute your audio, turn your video on and ask your question.

Adrian Cundy:

Thank you. First, congratulations on the good results in the quarter.

Kaan Terzioglu:

Thank you.

Adrian Cundy:

Yeah. My question is, given the good growth you've had here in the digital side, how should investors think about this growth split between organic and inorganic?

Kaan Terzioglu:

On the digital side, I'm assuming your question, right?

Adrian Cundy:

Yes.

Kaan Terzioglu:

Well, it's very simple. The 120 million is a 57% year-on-year growth, and the only inorganic part there is the 21 million dollars coming from [inaudible 00:59:05], and that means still a healthy growth is there organically as well.

Adrian Cundy:

Okay. The follow-up is I was wondering if there was sort of a pipeline of potential acquisitions in this area that you're looking at.

Kaan Terzioglu:

I mean, I do not want to speculate on that, but it is very clear that our digital services strategy and the way we see actually launching new services will result in organic and also inorganic efforts in all the markets. As I mentioned you, we do have a unified strategy, but we execute decentralized way in the markets that we are in. That fits into the expectations of the customer the best. But I don't want to speculate on what those could be at this point.

Adrian Cundy:

Okay. Thank you very much.

Kaan Terzioglu:

Thank you.

Moderator:

We have no further questions at this time. I will now hand back to Anand Ramachandran for closing remarks.

Anand Ramachandran:

Thank you so much. Actually, we do have some questions left, but look, just respecting people's time and given that the hour is up, we would like to close the call here. We'll revert back to you guys on the questions. And as always, any additional questions, do feel free to call us, email us. Very happy to take all the questions in a lot of detail offline. So to conclude, thank you again for your support. It's been a good quarter. We appreciate your support and the time you spent with us. Thank you for your continued support and see you again next quarter. Thank you.

Kaan Terzioglu:

Thank you very much. Bye-bye.

Burak Ozer:
Bye.