

# VEON

## An innovative approach to frontier telecoms

**VEON is a frontier market telecommunications operator offering traditional mobile and internet, and innovative digital services such as online payments, music and TV streaming, and IT services. It has an active shareholder base, a vibrant and incentivised management team and exposure to markets that have growth and profit potential. It is the number one telecoms brand in Ukraine, Pakistan and Kazakhstan, number two in Uzbekistan and number three in Bangladesh. Following the sale of its Russian assets, VEON is committed to a digital services-driven 'asset-light' strategy, growth in cash generation and cash returns to shareholders. Catalysts for 2025 include the Nasdaq IPO of its Ukrainian business, the sale of legacy infrastructure assets and any potential resolution of the conflict in Ukraine.**

Year end	Revenue (\$m)	EBITDA (\$m)	PBT (\$m)	EPS (\$)	DPS (\$)	P/E (x)	Yield (%)
12/22	3,755.0	1,940.0	801.0	(2.32)	0.00	N/A	N/A
12/23	3,698.0	1,664.0	559.0	(35.99)	0.00	N/A	N/A
12/24e	3,992.3	1,612.0	747.4	4.86	0.00	8.8	N/A
12/25e	4,094.7	1,680.1	667.0	4.30	0.00	9.9	N/A

Note: PBT is normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. EPS is reported (US GAAP). VEON's shares are only listed on Nasdaq through the American Depositary Share (ADS) structure; all per share data refers to per ADS.

## Motivated management driving rapid transformation

VEON has a highly experienced management team that is driven to deliver growth and innovation and incentivised to deliver shareholder returns. A substantial transformation has already been achieved. Most recently, VEON has performed a share buyback, changed the location of its headquarters, moved its primary listing to Nasdaq and shifted domicile to the United Arab Emirates. It has announced that it will list up to 20% of its Ukrainian business in 2025, crystallising the value of VEON's most contentious asset.

## Asset-light strategy and innovation drive growth

VEON's Ukraine, Pakistan and Bangladesh businesses have experienced disruption in the past few years, but there could now be a synchronous normalisation in these markets, driving growth and margins. VEON guides to a 19–22% EBITDA CAGR out to 2027 in local currency, with its currencies potentially providing a 10% pa headwind, based on our estimates of the annual FX headwind over the last 10 years. It has adopted an asset-light approach that will enable capex to fall to 15–16% of sales from an average of 16.3% in 2016–22, boosting cash flow by c \$50m pa.

## Valuation: DCF of \$56.5/share, upside on multiples

We value VEON using a DCF because we believe its asset-light strategy is likely to drive strong growth in free cash flow due to its efforts to reduce capital intensity. Using a WACC of 17.0% our DCF delivers a fair value of \$56.5/share, 32% upside to the current share price. VEON trades on 3.5x FY26e EV/EBITDA, 20% below the average of its peers and 8.0x FY26e P/E, 25% below peers. We estimate that VEON will pay a \$3.02 dividend on 2026 earnings, giving a 7.0% yield.

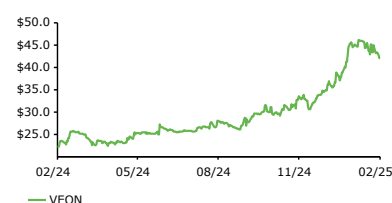
## Initiation of coverage

Technology

10 February 2025

<b>Price</b>	<b>\$42.75</b>
<b>Market cap</b>	<b>\$3,003m</b>
Net cash/(debt) at end Q324	\$(3,314.0)m
ADS in issue (ADS ratio 1:25)	70.2m
Code	VEON
Primary exchange	NASDAQ
Secondary exchange	N/A

## Share price performance



%	1m	3m	12m
Abs	(6.4)	30.1	101.4
52-week high/low		\$48.0	\$20.1

## Business description

VEON is a frontier market telecommunications company with businesses in Ukraine, Pakistan, Bangladesh, Kazakhstan and Uzbekistan. It offers services ranging from traditional mobile and internet, to sophisticated digital solutions for consumers and businesses.

## Next events

FY24 results	20 March 2025
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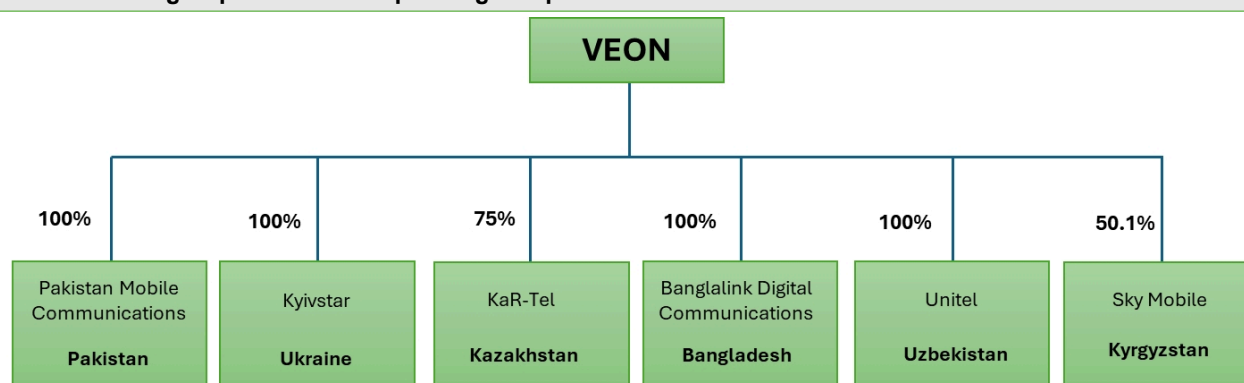
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## Investment summary

### Ambitious, innovative telecommunications and digital services provider

VEON is an ambitious, innovative telecommunications and digital services company, headquartered in Dubai and operating across five frontier markets: Bangladesh, Kazakhstan, Pakistan, Ukraine and Uzbekistan. Serving nearly 160 million customers, VEON provides high-speed 4G connectivity and a comprehensive range of digital services, including finance, entertainment, education and healthcare. It is the leading operator in terms of market share in Ukraine (Kyivstar), Pakistan (Jazz) and Kazakhstan (Beeline), number two in Uzbekistan (both Beeline), and number three in Bangladesh (Banglalink). We believe it has been gaining share in the countries in which it operates.

**Exhibit 1: VEON group structure of operating companies**



*Note: operating companies only; Sky Mobile treated as held for sale.*

Source: VEON

### Operating model for success in high-growth, volatile end markets

VEON has developed a distinct strategy, a decentralised operating model, pricing models and culture to succeed in frontier markets. Frontier markets are less mature and subject to higher regulation, with greater opportunities to launch digital services than counterparts in developed economies. However, GDP per head is substantially lower, inflation is higher and political instability is a factor, particularly now with the war in Ukraine and unrest in Bangladesh. The three fundamental pillars of the company's growth strategy are as follows:

- 1. Delivering reliable connectivity and value-added services,** which is clearly essential to sustain and grow market share in markets that are, as a whole, still growing. Management estimates that there will be c 100 million new 4G subscribers across VEON's markets over the next three years or so.
- 2. Developing a diverse portfolio of digital products:** supported by a culture of innovation, VEON's subsidiaries offer and continue to develop digital services across financial services, entertainment, education and healthcare. While operators in developed economies have been unable to significantly diversify into such services, VEON's markets benefit from lighter regulation than developed markets, the telecoms service provider is often the only source of connectivity for customers and many do not have a bank account. Hence, there is scope to offer a broader range of digital services.
- 3. Maintaining an asset-light model for high-quality 4G networks:** VEON's strategy is to be a digital service provider, rather than a network operator. It has completed a number of sales and leasebacks of its towers as it migrates to an asset light-model, and we expect to see further legacy asset sales.

**VEON – executive interview with CEO Kaan Terzioğlu**

Source: Edison Investment Research

**VEON has seen a raft of changes to management, assets and domicile**

Under the leadership of CEO Kaan Terzioğlu, who joined June 2021, VEON has been taking aggressive steps to restructure its operations and capital structure of the business to support its ambitious growth strategy and drive returns. These include:

- **January 2025 – planned Listing of Kyivstar:** in January 2025, VEON announced plans to list its Ukrainian subsidiary, Kyivstar, on the Nasdaq stock exchange. This move aims to unlock value, provide investors with a transparent valuation on of the Ukranian operations and provide greater financial flexibility for the group. The company will also consider partial or full listings of its subsidiaries or for the digital service providers it has developed to support or accelerate growth and deliver shareholder returns.
- **December 2024 – relocation of headquarters from Amsterdam to Dubai** to move the company closer to its key markets in Central and South Asia.
- **November 2024 – consolidation of stock market listing to Nasdaq and cessation of trading** on Euronext Amsterdam to drive trading liquidity and simplify reporting requirements.
- **Debt reduction initiatives** including early redemption of notes, tower sales and leasebacks and optimising its capital structure have driven a significant reduction in net debt from \$8.4bn at end FY21 to an estimated \$2.8bn by end FY24.
- **March 2024 – announced intention to sell Kyrgyzstan operations:** the company signed a share purchase agreement to sell its 50.1% stake in Beeline Kyrgyzstan to CG Cell Technologies for \$32m. The deal is subject to regulatory approvals and the business is being treated as held for sale in the accounts.
- **Sale of tower assets** to support the company's asset-light strategy and to reduce debt. Subsidiary Banglalink completed a sale and leaseback of around a third of its tower portfolio to Summit Communications Group in October 2023 for \$100m. In 2021 the group sold part of its mobile network tower portfolio in Russia to Service-Telecom for \$970m. VEON has stated that it will continue to pursue further opportunities.
- **October 2023 – completion of exit from Russia:** VEON completed its exit from Russia by selling its Russian operations (PJSC VimpelCom) to a group of senior members of the Russian management team.

## Recent share buyback is the start of a concerted cash return

VEON's cash return to shareholders is a key part of its strategy to resolve the discount of its stock to peers is its. In the short term, the company has said that it is open to share buybacks and from 2026 it intends to restart dividend payments. On 1 August 2024, alongside the announcement of its intention to de-list from the Euronext Amsterdam, VEON initiated a buyback of up to \$100m in value, adding that it believed that its American depositary shares (ADS) were undervalued considering its operational performance and strategic potential. On 9 December 2024, VEON announced the first phase of the buyback, allocating up to \$30m for the repurchase of ADS. Its share price has rallied 22% from \$35.09 on 8 December to \$42.75 on 6 February 2025. We expect the company to use any weakness in the share price during 2025 to repurchase further shares.

## VEON's board and senior management has been refreshed since 2022

Since the sale of the Russian business in 2023, VEON has significantly restructured its senior management, including the following:

- **Chief financial officer (CFO):** Burak Ozer was appointed as group CFO on 9 January 2025, succeeding Joop Brakenhoff, who will continue to serve as an advisor to the group CEO. Burak brings more than 27 years of international experience in the finance sector. He began his career with Xerox, holding key financial positions in the US and the UK, and served as the general manager of Xerox Turkey. More recently, he was CFO in the global digital transformation, IT solutions and cybersecurity space at Noventiq Holdings.
- **Group executive committee (GEC) restructuring:** in July 2023, VEON streamlined its GEC to better reflect its portfolio size. As part of this restructuring, Dmitry Shvets (group head of portfolio management), Michael Schulz (group chief people officer) and Matthieu Galvani (group chief corporate affairs officer) stepped down from their executive roles effective 1 October 2023. They continued to support VEON as directors on its operating company boards. The GEC was consolidated to include Kaan Terzioğlu (group CEO), Joop Brakenhoff (group CFO) and Omiyinka Doris (group general counsel).

## VEON operates exclusively in frontier markets, which are profitable but volatile

VEON operates in five countries: Ukraine, Bangladesh, Pakistan, Kazakhstan and Uzbekistan. Over the past five years, Pakistan and Bangladesh have experienced political unrest, currency shortages and, in the case of Bangladesh, additional tax charges on telecoms companies. Ukraine has been in conflict with Russia since 2022 and its population has been in decline through attrition and emigration for longer still, but it is the second largest contributor to VEON's EBITDA (31% of group EBITDA in 2023) and had the highest margin of 59.8% in 2023.

## Sale of the Russian business is complete – VEON has moved on

VEON's original business, its Russian operations, was incorporated in 1992 and represented 44% of group EBITDA in FY21. Following the Russian invasion of Ukraine in February 2022, VEON was faced with a particularly unpalatable set of circumstances, including financial sanctions, making it difficult to move funds in and out of Russia, trade restrictions and sanctions on technology exports, which were likely to affect supply chains, access to equipment and operational continuity, political pressure to exit Russia and potential reputational risk from ongoing ownership of the Russian assets. In November 2022, VEON announced that it had decided to sell VimpelCom, the owner of the Russian assets. The sale was approved by the Russian authorities in February 2023 and the transaction was completed on 9 October 2023. The sale price was approximately RUB130bn, structured primarily as the assumption of debt by the Russian entity. The buyer was a consortium of previous senior management members of VEON, including the previous CEO Alexander Torbakhov. While the sale is now complete and much of the senior management team is new, the disruption has led to most of the previous shareholders selling their stakes, a marked reduction in liquidity and a lower valuation, which we argue is unjustified.

## VEON has supplied comprehensive guidance on key parameters

We believe VEON's guidance for operational parameters is broadly achievable and should provide comfort to shareholders. VEON has signalled a clear intention to turn VEON Group into a fast-growing, lean and cash-generative company that will be in the position to pay out a significant proportion of its free cash flow to equity. It has previously said that it intends to pay 50% of its free cash flow to equity, and separately that it would like to pay a dividend on 2026 earnings.

### Exhibit 2: VEON's short- and long-term financial and operational targets versus Edison estimates

	2024		2027	
	VEON guidance	Edison estimate	VEON guidance	Edison estimate*
Top line total CAGR	8% to 10% in USD ***	8.0%	16% to 19%	4.7%
EBITDA growth	4% to 6% in USD ***	-3.1%	19% to 22%	3.1%
EBITDA margin			+3 percentage points vs 2023	5.1%
Equity free cashflow			USD900mn to USD1,000mn**	752
Multiplay customers			50% of mix by end 2027	
Localised debt			50%	
Leverage ratio			<1.5x	
Tenure of debt			>4 years	

Source: VEON, Edison Investment Research. Note: \*Edison estimates assume continued currency depreciation of 10% pa. \*\*In US\$, assuming 14 November 2024 FX rates. \*\*\*To be achieved by 2027.

## Shah Capital has been successful in highlighting VEON's undervaluation

In October 2024, Shah Capital, which at that time held 7% of VEON's shares, addressed an open letter to VEON's board of directors. We believe the exchange was positive for the shares and underscored VEON's openness to shareholder feedback, as well as its proactive approach to addressing investor concerns. The letter expressed concerns over VEON's valuation and proposed a seven-step strategic roadmap aimed at enhancing shareholder value. Shah Capital highlighted that, despite solid operational performance, VEON's share price remained undervalued versus peers. VEON management's reply acknowledged the letter from Shah Capital and expressed appreciation for the support and feedback.

VEON emphasised its commitment to shareholder value creation and proposed the following measures:

- **Investor engagement:** VEON highlighted its active engagement with investors across Europe and the US, noting the recent inclusion of VEON bonds in JP Morgan Corporate Emerging Markets Bond indices.
- **Strategic initiatives:** the company reiterated its strategy of evaluating options to realise the value of its businesses, including potential IPOs for certain subsidiaries when appropriate.
- **Digital transformation:** VEON emphasised its digital operator strategy as a primary growth driver, focusing on expanding digital services such as finance, healthcare, entertainment and education.
- **Governance enhancements:** VEON mentioned ongoing efforts to optimise its governance structure, including relocating its headquarters to Dubai to be closer to key markets and consolidating its trading on the Nasdaq stock exchange.
- **Sustainability:** VEON affirmed its dedication to sustainable growth and long-term value creation for all shareholders, indicating that it is carefully considering Shah Capital's recommendations.

## Digital services

**Exhibit 3: VEON's digital services offering**

Service	Digital payment services			Digital Entertainment					Services
Name	JazzCash	Simply	Beepul	Tamasha	Toffee	BeeTV	KyivstarTV	KINOM	IZI
Country	Pakistan	Kazakhstan	Uzbekistan	Pakistan	Kazakhstan			Uzbekistan	
MAU (million)	17.2	2.3	1.3	10.6	6.1	0.9	1.6	0.7	0.6
MAU app users (million)	10.3	2.3		10.6	6.1	0.6	1.2	0.7	0.4
LTM Total transactions	2,148	102	52						
Average transaction value	40,717	28,553	446,409						
Share of MAU app users				100%	100%	70%	77%	100%	71%
Share of VEON app users				55%	40%	74%	96%	38%	52%
Usage time (billion min)				1.9	0.6	0.7	3.2	0.1	0.1
# of sessions (million)				195	59	27	327	0	16
Usage time per user per day (min)				14	6	114	202	9	21

Source: VEON

## Digital services enable the transition from traditional telecom, to digital operator

VEON began its expansion into digital services in 2012, with the launch of its digital payments service JazzCash in Pakistan. VEON subsequently expanded into digital entertainment in 2019, with Kyivstar TV in Ukraine and Toffee in Bangladesh. CEO Kaan Terzioğlu has stated that 'VEON is a consumer company with a telecom licence', adding that his aim is to maximise customer spend across its ecosystem, with the customer and smartphone seen as the primary revenue-generating assets.

## Pushing the envelope with existing infrastructure, but next-level technology

We believe VEON has adopted a strategy that is particularly well-suited to its frontier market geographies. The key elements of its strategy are:

- **Diversification of services:** the aim is to expand the portfolio beyond traditional telecom services. VEON has gone further than competitors by offering digital services such as mobile financial services, entertainment and applications that enhance user engagement and experience
- **Data and AI-driven personalisation:** VEON uses data analytics to understand customer behaviour, and the results of this guide its strategy in geographical and customer group end markets. It is using AI to automate support, as well as to personalise content and service offerings to customers. For instance, VEON uses local language AI models in digital education and healthcare services.
- **Digital transformation (over infrastructure investment):** VEON continues to invest in 4G connectivity rather than focusing exclusively on 5G, preferring to invest in regionally targeted digital services. It is also undergoing internal digital transformation to streamline operations, enhance efficiency and improve service delivery
- **Focusing on financial inclusion:** VEON emphasizes financial inclusion, integrating mobile banking, microfinance and digital payment solutions, which are particularly valuable to frontier and emerging market customers, where traditional banking is less accessible. VEON aims to provide secure and comprehensive financial solutions through its platforms.
- **Monetising non-telecom users:** VEON's digital platforms have more than 20 million active users who are not telecom users, removing the requirement for customers to acquire a SIM card to benefit from the services.

The benefits of this strategy are:

- **Incremental revenue:** pushing additional services and products through the existing physical infrastructure maximises revenue potential while keeping investment to a minimum, in keeping with the asset-light strategy.
- **Lower churn:** once customers are set up and engaged with a product, switching to other providers becomes less appealing.
- **Pricing power:** VEON's pricing power improves with the duration of customer engagement with a particular product.

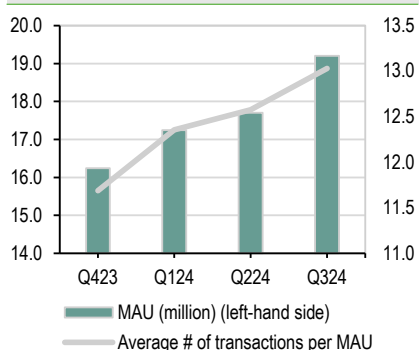


- **Competitive differentiation:** VEON can consolidate its leading position by offering the best and widest range of services that are tailored to the customer groups and geographies in which it operates.

## Mobile payment services are offered in Pakistan, Kazakhstan and Uzbekistan

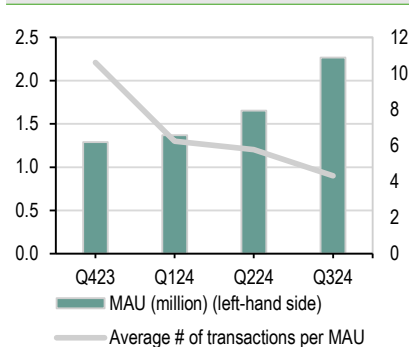
The JazzCash digital payments service in Pakistan is the gem in VEON's digital portfolio, with 19.2 million monthly active users (MAUs) at the end of Q324. The mobile payments businesses in Kazakhstan (Simply) and Uzbekistan (Beepul) are much smaller, with 2.3 million and 1.3 million MAUs at end Q324, but clearly have potential if the success in Pakistan is replicated. JazzCash is growing rapidly with the number of MAUs increasing. VEON's Kazakhstan and Uzbekistan businesses are going through an optimisation process designed to increase the share of customers with higher average revenue per unit (ARPU) potential and have recently seen a decline in MAU. In both cases, the businesses are an order of magnitude smaller than the Pakistan business.

**Exhibit 4: Pakistan mobile payments business**



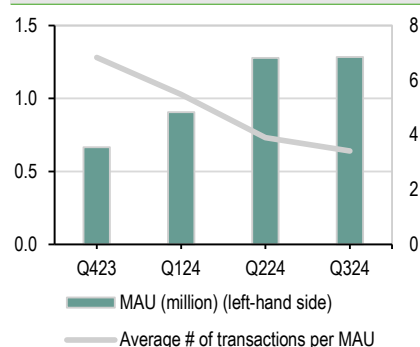
Source: VEON

**Exhibit 5: Kazakhstan mobile payments**



Source: VEON

**Exhibit 6: Uzbekistan mobile payments**

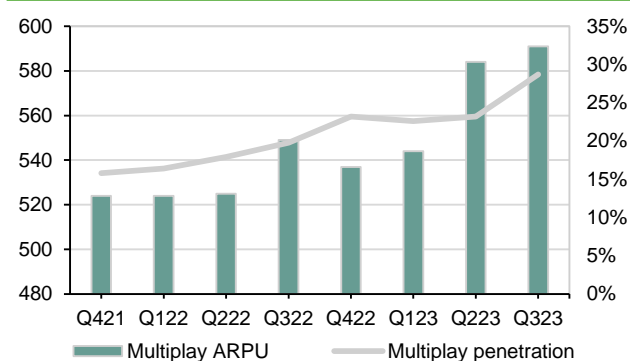


Source: VEON

## JazzCash clearly demonstrates the leverage that a focus on digital payments can bring

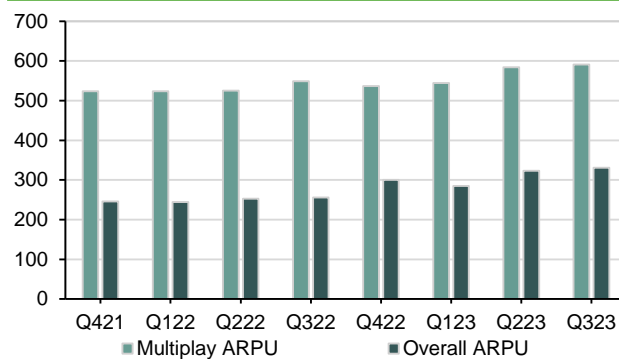
VEON's JazzCash mobile payments business provides a great example of the benefits that such a service offers to the entire business. Despite multiplay subscribers at JazzCash growing from 9.9 million in Q421 to 17.0 million in Q323, JazzCash subscriber ARPU actually expanded by 11% over the period. Incremental revenue from digital services is augmented by better pricing power on data and voice services as customers value JazzCash beyond its primary connectivity services. Jazz multiplay subscribers have approximately three times the ARPU of traditional 'voice-only' customers and generated 45.9% of Jazz's total Q223 revenues in the B2C segment. Multiplay customers and the commensurately higher ARPU are a strong factor in the rising ARPU for the entire Pakistan unit. VEON hopes to replicate this success in the other markets where it has a digital payment presence, Uzbekistan and Kazakhstan.

**Exhibit 7: Jazzcash multiplay ARPU and penetration**



Source: VEON

**Exhibit 8: Jazzcash multiplay ARPU vs overall ARPU**



Source: VEON

## VEON's JazzCash and Mobilink digital payment business could be worth \$0.7–1.3bn

There have been two deals in the emerging and frontier market digital payments sector over the past few years. Most recent was Mastercard's purchase of a 30% stake in MTN Group's fintech business in February 2024 for \$5.2bn. This implied a value for the entire business of \$17.5bn and 16.4x current year annualised EBITDA. Prior to this, TPG's The Rise Fund took a stake in Airtel Mobile Commerce, valuing the business on an enterprise basis at \$2.65bn. This implies a multiple for the deal of 6.0x current year (annualised) earnings, based on information that was available at the time of the deal in 2021. Assuming a bottom end of range EV/EBITDA multiple of 6.0x, annualised 2024 EBITDA for VEON's Pakistan digital payments business would imply a value of \$655m and, at 12.0x EV/EBITDA, a valuation of \$1,310m.

### Exhibit 9: Summary of recent digital payment transaction and potential valuation of VEON's Pakistan digital payment business

		US\$m	SARm	PKRm	SAR/US\$	PKR/US\$	Comments
<b>Mastercard purchase of 30% stake in MTN Fintech</b>							
Acquisition price		5,200					30% stake, February 2024
Implied EV		17,333					
EBITDA	H124	518	9,700		19		
	FY24	1,055	19,400		18		Annualised H1 earnings
<b>EV/EBITDA</b>		<b>16.4</b>					
<b>TPG purchase of Airtel Africa</b>							
Investment		200					
Implied EV		2,650					
EBITDA	Q321	110					
	FY21	440					Estimated in 2021
<b>EV/EBITDA</b>		<b>6.0</b>					
<b>VEON Pakistan digital payments: JazzCash and Mobilink Bank</b>							
EBITDA	Q324	27		7,600		278	
	FY24	109					Annualised
EV at EBITDAx	6	655					
EV at EBITDAx	8	874					
EV at EBITDAx	10	1,092					
EV at EBITDAx	12	1,310					

Source: VEON

## Divisional summary

### Exhibit 10: VEON Group market position summary

	VEON Group	Pakistan	Ukraine	Kazakhstan	Bangladesh	Uzbekistan
<b>Overview</b>						
Population 2024e (m)	520	245	38	20	175	36
Market position		1st	1st	1st	Challenger	Joint 1st
2023 revenue market share		45%	51%	43%	19%	29%
<b>Financials</b>						
Revenue 2024e (US\$m)	3,992	1,377	923	852	518	272
Growth 2024 (US\$)	0%	23%	0%	10%	-9%	1%
% of group revenue 2024e		34%	23%	21%	13%	7%
% of group EBITDA 2024e		38%	34%	29%	14%	7%
<b>Customers</b>						
Mobile A3M (m)	157.4	71.6	23.4	11.2	41.2	8.2
Fixed A3M (m)	1.8		1.1	0.7		
Digital only MAU (m)	19.3	10.3	1.6	0.6	6.0	0.8
<b>Digital</b>						
Connectivity A3M (m)	159.0	71.6	24.5	11.9	41.2	8.2
Fin Services MAU (m)	29.6	23.3		4.3	1.6	0.3
Entertainment MAU (m)	30.5	15.6	1.4	1.0	11.1	1.3
Health MAU (m)	3.8		2.3		1.5	
Superapps MAU (m)	37.5	15.1	4.5	4.4	8.1	4.9

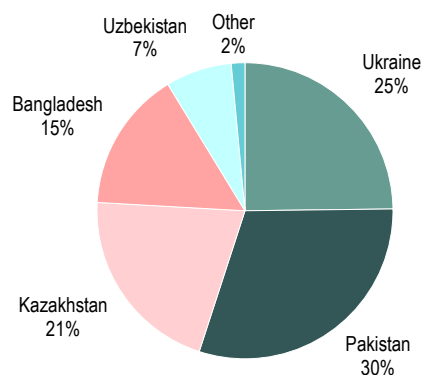
Source: VEON. Note: MAU, monthly active users. A3M, average over three months.



## Well-diversified exposure to frontier markets

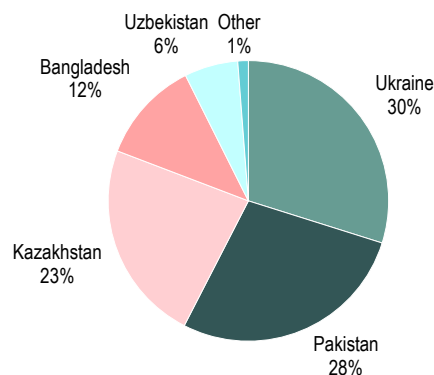
VEON began life as a Russian telecoms operator but, through a series of acquisitions and the sale of its Russian assets in 2023, it now has a business that is well-balanced across the five principal markets in which it operates. It is the number one operator by revenues in Ukraine, Pakistan and Kazakhstan (largest brand but overall Kazakhtelecom is bigger), joint number one in Uzbekistan and number three in Bangladesh.

**Exhibit 11: Divisional split of revenues, FY23**



Source: VEON

**Exhibit 12: Divisional split of EBITDA, FY23**



Source: VEON

## Ukraine has the highest EBITDA margin in the group despite dealing with conflict

VEON has a profitable business in Ukraine, which on last reported FY23 data represented 25% of group revenues and 30% of group EBITDA, giving it the best EBITDA margin in the group at 58.9% in 2023. Its business in Ukraine has clearly experienced massive disruption due to the conflict with Russia, and the domestic population decline over the last 10 years accelerated from the beginning of the conflict in 2022. Most recently, VEON has had to contend with power disruptions, which led to elevated costs in 2024 and are expected to persist into 2025. We expect an FY24 margin of 56.5%, down 240bp from the previous year. Clearly, a speedy end to the conflict would be a significant positive catalyst for VEON. The company is planning to list up to 25% of Kyivstar, its Ukrainian business, on Nasdaq in 2025.

## Pakistan has suffered from political and economic disruption, but remains a great asset

VEON's second biggest revenue generator is Pakistan, representing 30% of FY23 sales and 28% of group EBITDA. Pakistan has delivered strong economic growth, consistently close to 5% pa, and its population growth has been solid and consistent. Political upheaval has been an issue since 2022, which led to the EBITDA margin falling to 44.9% in 2023, from 50.9% in 2022. We expect the Pakistan divisional EBITDA margin to be weak again at 42.8% in FY24 and 42.1% in FY25, before recovering from FY26.

## Bangladesh was not kind to telecoms operators in 2024, but normal service should resume

Over the past few years, Bangladesh has seen increasing unrest due to accusations of authoritarian practices, including the suppression of opposition parties and curtailment of press freedom. This has led to civil unrest and a decline in GDP growth, from 7.1% in 2022 to 5.8% in 2023, while the currency declined 13.8% versus the US dollar in 2023 and 6.3% in 2024. Telecoms operators have been affected by the surprising announcement by the National Board of Revenue (NBR) on 6 June 2024 that the supplementary duty on mobile services would rise from 15% to 20%, as well as VAT on SIM cards from BDT200 to BDT300 (\$/BDT120.3). More recently, on 9 January 2025, the NBR issued the Value Added Tax and Supplementary Duty (Amendment) Ordinance 2025, which raised supplementary duty on mobile phone SIM cards even further, from 20% to 23%. We estimate that EBITDA margins will drop from 37.5% in FY23 to 34.8% in FY24, before recovering in FY25, although the 2025 recovery is dependent on the political situation stabilising.

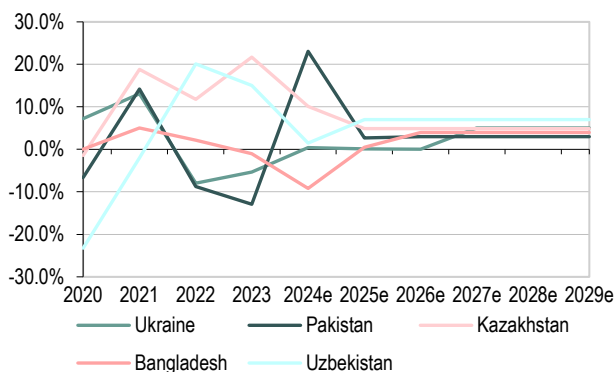
## Kazakhstan is a consistently profitable performer

Despite low population growth, ranging between 1.1% and 1.4% over the last 10 years, Kazakhstan has reliably delivered among the best EBITDA margins in the group. VEON has an impressive line-up of digital services in the country, including TV and music streaming, service management and consumer services. In keeping with its asset-light strategy, VEON completed the sale of its 49% stake in TNS Plus (TNS+), a wholesale telecoms infrastructure services provider, to its joint venture partner, the DAR Group of Companies, for a total consideration of \$137.5m.

## Uzbekistan makes a small but profitable contribution to VEON

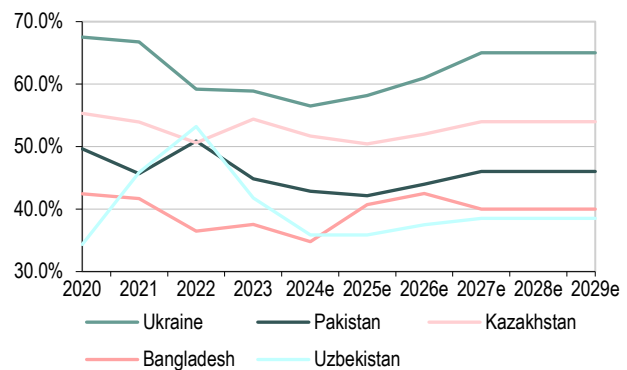
Suffering net migration and an ageing and declining population, Uzbekistan is an outlier relative to the other regions in VEON's portfolio. Uzbekistan has delivered volatile revenue growth over the past few years, ranging from -23.5% in 2020 to 20.1% in 2022. We expect it to deliver 7.0% revenue growth over the longer term as VEON continues to penetrate with its digital service offerings.

**Exhibit 13: Divisional revenue growth**



Source: VEON

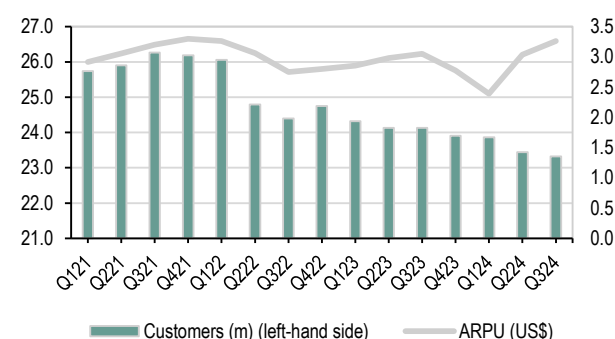
**Exhibit 14: Divisional EBITDA margins**



Source: VEON

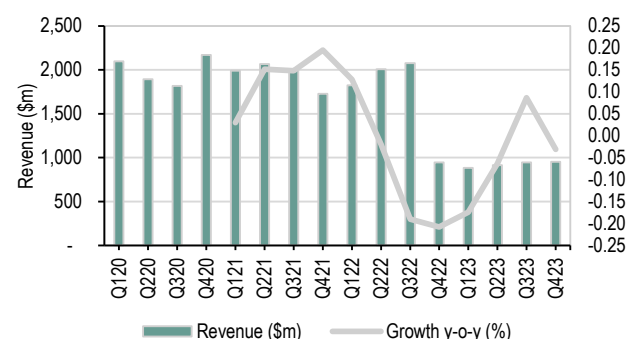
## Ukraine

**Exhibit 15: Ukraine customers and ARPU**



Source: VEON

**Exhibit 16: Ukraine revenues and growth year-on-year**



Source: VEON

## Costs in Ukraine increased during 2024 due to energy security issues

In 2024, Kyivstar, VEON's Ukrainian subsidiary, faced increased operational costs due to heightened energy expenses. VEON attributed the increased energy costs to Russian attacks on Ukraine's power grid, which disrupted energy supplies and necessitated additional expenditure on mobile (and other) power solutions to maintain power to the network operations. We expect VEON's Ukrainian division to generate 4.9% organic growth in 2024, up from 0.5% in 2023. However, including currency depreciation of 4.3% in 2024, overall growth will be just 0.4%, albeit an improvement from -5.4% in 2023. We expect VEON's EBITDA margin in Ukraine to fall to 56.5% in FY24 from 58.9% in FY23, but then to

recover to 58.2% in FY25 and 61.0% in FY26. We note that historical margins in Ukraine have been much higher: 65.7% in 2019, 67.5% in 2020 and 66.7% in 2021, and that as issues are resolved post 2025, Kyivstar has the potential to see its margin improve.

## **VEON has a suite of products in Ukraine suitable for its current situation**

In December 2024, Kyivstar announced a partnership with SpaceX's Starlink to introduce direct-to-cell satellite connectivity in Ukraine. This service aims to enhance network resilience, especially in areas with limited terrestrial infrastructure. Initial messaging services are expected to launch in the fourth quarter of 2025, with plans to expand to voice and data services in subsequent phases. VEON also has a range of more traditional digital services such as:

- **Kyivstar TV:** an over-the-top television service offering a wide range of channels and on-demand content.
- **Helsi:** in August 2022, VEON acquired a controlling stake in Ukraine's largest digital healthcare platform. At the end of Q324, Helsi had more than 28 million registered patients, having delivered 8% growth year-on-year. The app offers appointment scheduling, telemedicine consultations, prescriptions and medical records, and is integrated with pharmacies and laboratories.
- **Mobile financial services:** digital financial solutions enabling customers to perform transactions such as money transfers and bill payments.
- **Big data solutions:** services providing analytics and insights for businesses to make informed decisions.

## **A speedy end to the conflict would provide upside potential**

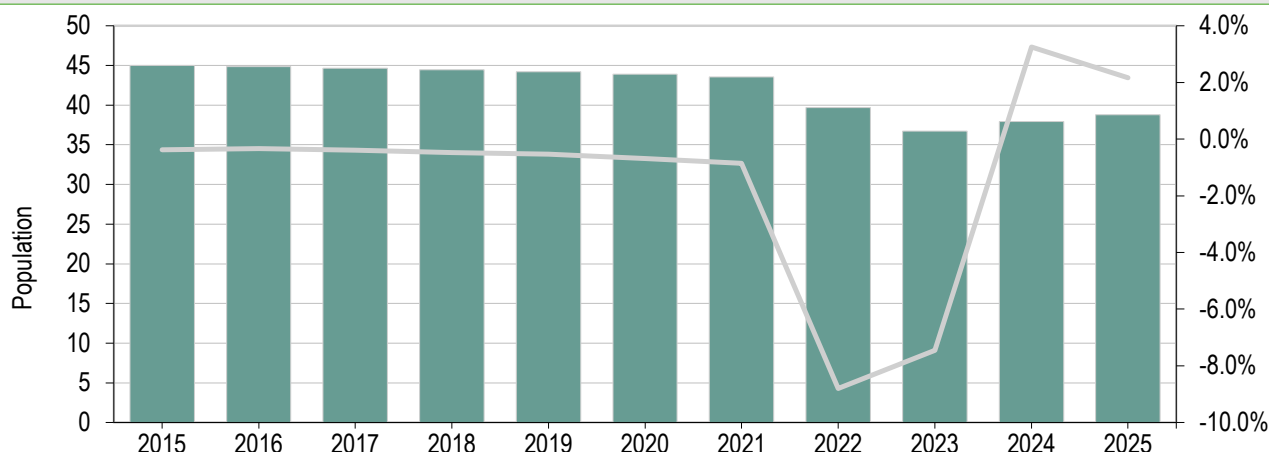
President Trump has communicated a firm stance regarding the ongoing war in Ukraine, emphasising his intention to expedite its conclusion. Initially, during his campaign, he pledged to resolve the conflict within 24 hours of taking office. However, on assuming the presidency, he extended this timeline to six months. On 22 January 2025, President Trump issued an ultimatum to Russian President Vladimir Putin, urging an immediate end to hostilities. He warned that failure to comply would result in severe economic repercussions, including the imposition of additional sanctions and tariffs on Russia. Moreover, the administration is contemplating secondary sanctions targeting nations purchasing Russian oil such as India and China, alongside further restrictions on Russian oil companies. We believe President Trump's strong stance on Ukraine offers significant potential upside for VEON, given that its issues in Ukraine have been a significant concern for investors, not least because of the huge disruption, population decline and increase in costs that the conflict has created.

## **A separate listing of Kyivstar will highlight value and provide financial flexibility**

On 13 January 2025, VEON announced that it plans to list Kyivstar on the Nasdaq stock exchange in New York. A letter of intent was signed with Cohen Circle Acquisition Corp, with the purpose of listing by the end of 2025 through a special purpose acquisition company process. This initiative is set to make Kyivstar the first Ukrainian company publicly listed in the US, providing international investors with direct access to Ukraine's telecommunications market. We believe a separate listing of Kyivstar would be positive for the stock, as it would crystallise value in the unit, highlight the value in VEON's remaining businesses and provide VEON with increased financing flexibility. VEON has stated that it plans to list no more than 20% of the asset in a deal likely to complete in 2025.

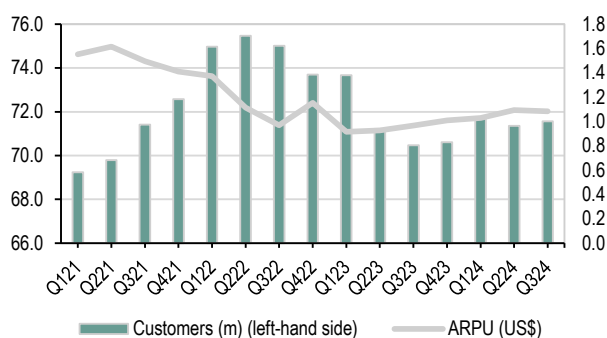
## **Ukraine's population decline accelerated in 2022 as a result of the conflict**

The population in Ukraine has declined in each of the past 10 years, with a -0.5% CAGR from 2015 to 2021, which accelerated to -2.9% in the period from 2021 to the present. The annexation of Crimea by Russia in 2014 and the ensuing conflict in Eastern Ukraine led to territorial losses and the displacement of residents. The Russian invasion in February 2022 precipitated a humanitarian crisis, resulting in substantial civilian casualties and a mass exodus of refugees. Millions of Ukrainians have sought refuge abroad, with some estimates suggesting that the population in government-controlled areas had decreased to 25–27 million by late 2024.

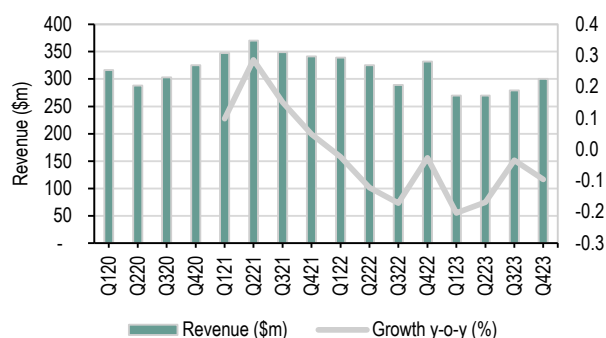
**Exhibit 17: Ukraine population and growth year-on-year**


Source: World Bank historicals, United Nations projections

## Pakistan

**Exhibit 18: Pakistan customers and ARPU**


Source: VEON

**Exhibit 19: Pakistan revenues and growth year-on-year**


Source: VEON

## The largest mobile telecom operator in Pakistan

VEON has a significant presence in Pakistan under its Jazz brand, which was formed via a merger with Warid Pakistan in July 2016. The previous owner of Warid Pakistan, Abu Dhabi Group, retained a 15% stake in the merged business until March 2021, when VEON bought the remaining shares in the company and took its ownership to 100%. As of December 2024, Jazz boasts approximately 71 million subscribers in Pakistan, with 51 million of them 4G users. This positions Jazz as the market leader with a 37% market share in the country. In January 2025, VEON invested \$15m into Mobilink Bank to enhance its digital banking services, focusing on micro, small and medium enterprise financing and the expansion of Islamic banking services.

VEON's digital services in Pakistan operate under three different brands:

- **JazzCash:** a leading mobile financial service in Pakistan, offering digital payment solutions, including money transfers, bill payments and mobile wallets.
- **Tamasha:** an entertainment platform providing a variety of digital content, including movies, TV shows and live streaming.
- **Simosa:** a digital service platform offering various value-added services to enhance customer experience.

## The political and economic environment in Pakistan has been turbulent

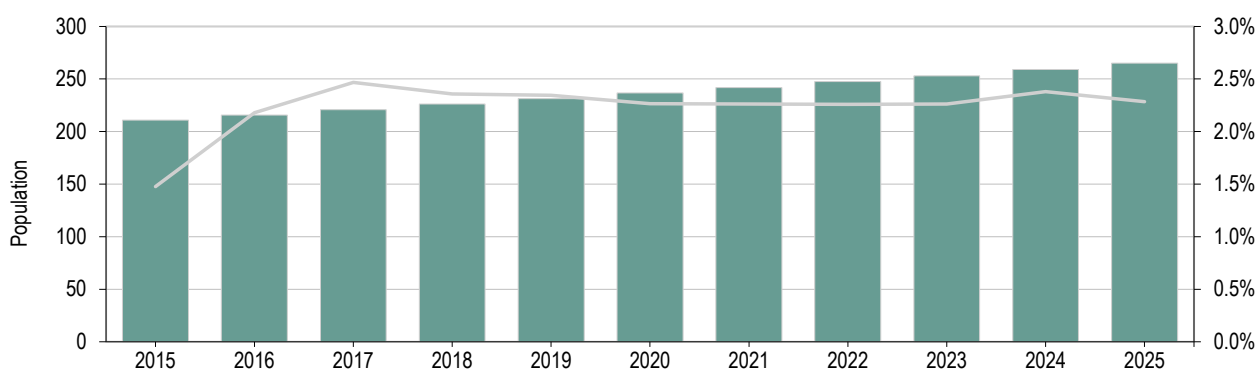
Pakistan's economy has performed well over the past 10 years, with GDP around 4.7% in 2015–18, a moderate contraction of 0.9% in 2020 as a result of COVID-19 before a solid rebound to 6.2% in 2022.

2023 saw GDP contract by 0.2% due to an energy crisis caused by limited fuel imports, as a result of low FX reserves, and political instability following the ousting of Imran Khan in 2022, and protests that continued into 2023. Inflation peaked at 29.2% in 2023 and the rupee depreciated 20% versus the dollar at the same time. 2025 is set to be more stable, with the World Bank projecting real GDP growth of 2.8% as the economy benefits from the availability of imported goods and easing domestic supply chain disruption.

## Pakistan's population has seen steady growth over the past 10 years

Pakistan's population has grown at a remarkably consistent rate of 2.3–2.5% per year since 2016, and both the United Nations and World Bank expect it to continue to grow at a similar rate. Pakistan has maintained a relatively high fertility rate, estimated at 3.5 children per woman in 2022, which supports continued population growth. Additionally, the country has a youthful demographic, with a median age of 19 as of the 2017 census. Urbanisation has also played a role, with the urban population more than tripling between 1981 and 2017, leading to the emergence of megacities Karachi and Lahore.

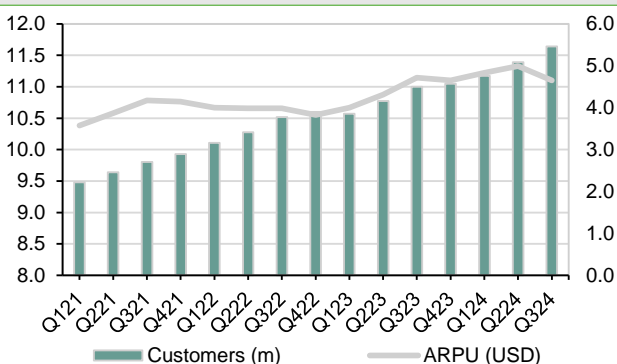
**Exhibit 20: Pakistan population and growth**



Source: World Bank historicals, United Nations projections

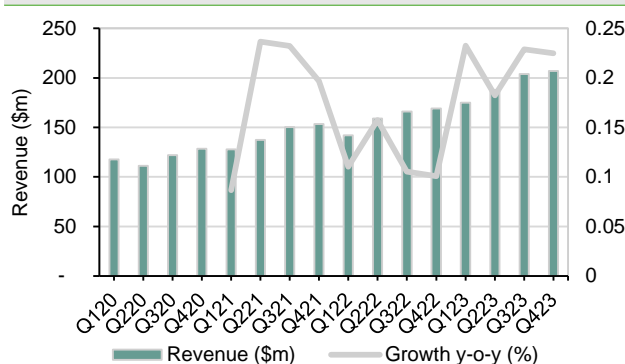
## Kazakhstan

**Exhibit 21: Kazakhstan customers and ARPU**



Source: VEON

**Exhibit 22: Kazakhstan revenues and growth y-o-y**



Source: VEON

## A broad offering of traditional telecoms and digital services

VEON operates in Kazakhstan under the brand name Beeline Kazakhstan, which at September 2024 had 11.6 million subscribers out of a population of 19.8 million. In keeping with VEON's strategy to offer a range of digital services, Beeline has several different offerings:

- **Simply:** a digital platform providing various consumer services.
- **Izi:** a mobile application offering convenient service management.
- **Hitter:** a music streaming service tailored to local preferences.
- **BeeTV:** a television streaming service offering a variety of channels and on-demand content.

Additionally, Beeline Kazakhstan is a key partner in developing Kazakhstan's local-language AI large language model, aiming to power the development of new, locally relevant AI-powered tools.

In terms of market share, at Q324 VEON's Beeline brand had a 44% market share in Kazakhstan, the largest standalone brand, however the number two and number three brands combined have 56% market share and are both owned by Kazachtelecom.

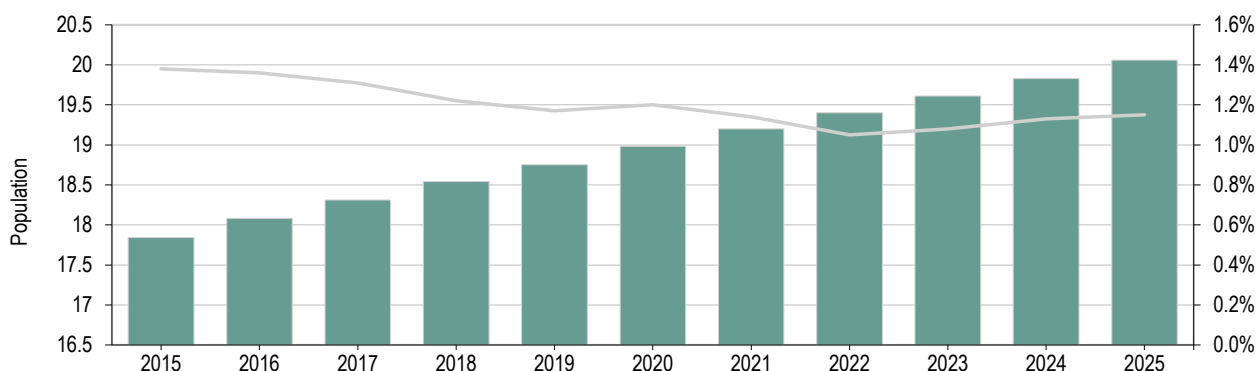
## Sale of TNS+ stake in 2024 is part of VEON's asset-light strategy

In September 2024, VEON completed the sale of its 49% stake in TNS+, a wholesale telecommunications infrastructure services provider in Kazakhstan, to its joint venture partner, the DAR Group of Companies, for a total consideration of \$137.5m. This move aligns with VEON's asset-light strategy, allowing Beeline Kazakhstan to focus on expanding its portfolio of connected consumer, digital and enterprise services.

## Kazakhstan's population has grown steadily since 2015

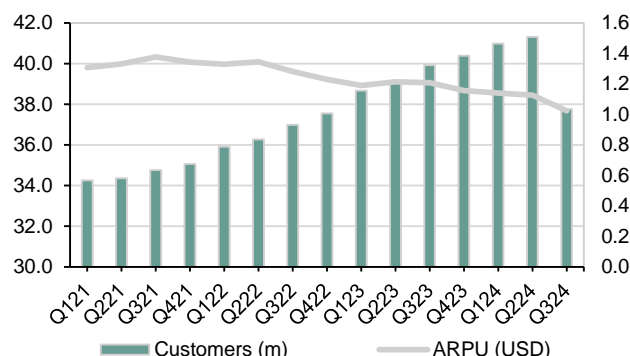
Kazakhstan's population growth has ranged between 1.1% and 1.4% over the last 10 years, with net migration that has hovered around 0.4 migrants per 1,000 population. Its fertility rate has risen from 2.8 children per woman in 2015 to 3.3 in 2023.

**Exhibit 23: Kazakhstan population and growth**

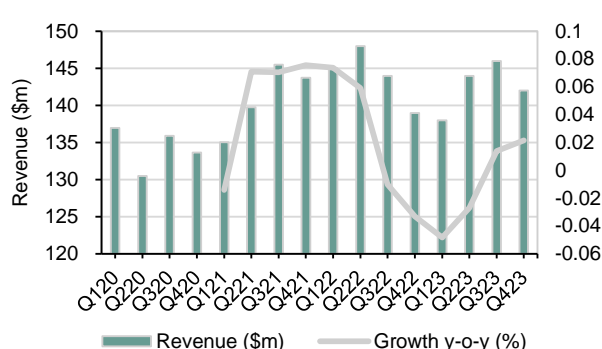


Source: World Bank historicals, and United Nations projections

## Bangladesh

**Exhibit 24: Bangladesh customers and ARPU**


Source: VEON

**Exhibit 25: Bangladesh revenues and growth y-o-y**


Source: VEON

## Outlook for acquisitions, growth and margin expansion remains positive in Bangladesh

We believe Bangladesh remains an attractive market, with potential for 10% organic growth pa over the next five years and EBITDA margin expansion from 34.8% in 2024 to 40.7% in 2025 and 42.5% in 2026. Margin expansion will be driven in part by the focus on capital-light expansion.

## Issues in Bangladesh are likely to lead to higher costs

At its Q3'24 results on 14 November 2024, VEON announced that its subsidiary Banglalink was facing issues due to the 6 June announcement by the NBR that the supplementary duty on mobile services would rise from 15% to 20%, and the VAT on SIM cards from BDT200 to BDT300 (\$/BDT120.3) in the financial year 2024/25. More recently, on 9 January 2025, the NBR issued the Value Added Tax and Supplementary Duty (Amendment) Ordinance 2025, which raised supplementary duty on mobile phone SIM cards even further, from 20% to 23%. We estimate that the initial increase on 6 June led to a slowdown in VEON's revenue growth of around 14%, with no discernible impact on the EBITDA margin in Q3. However, we expect VEON's EBITDA margin to fall to 30.0% in Q4'24 from 37.2% Q3'23. We expect Bangladeshi EBITDA margins to begin to recover in 2025 as the political situation stabilises.

## The Bangladeshi economic backdrop has been turbulent

Over the past three years, and particularly in 2024, Bangladesh has experienced significant fluctuation in its social, political and economic situation. GDP growth has declined from 7.1% in 2022 to 5.8% in 2023, while its currency declined by 13.8% versus the US dollar in 2023 and 6.3% in 2024. Over the last 10 years, the Bangladeshi taka has depreciated at a compounded rate of 3.9% pa, with the pressures this caused leading to a multiple exchange rate regime in September 2022. This measure disincentivised foreign exchange inflows, contributing to a financial account deficit, with the latest available data indicating a deficit of approximately \$2.06bn in October 2024. Likewise, inflationary pressures have been persistent, with Consumer Price Index growth peaking at 9.3% in March 2023, and food and non-alcoholic beverage prices seeing a significant increase of 13.8% in November 2024.

## Social and political issues bubbled to the surface in 2023

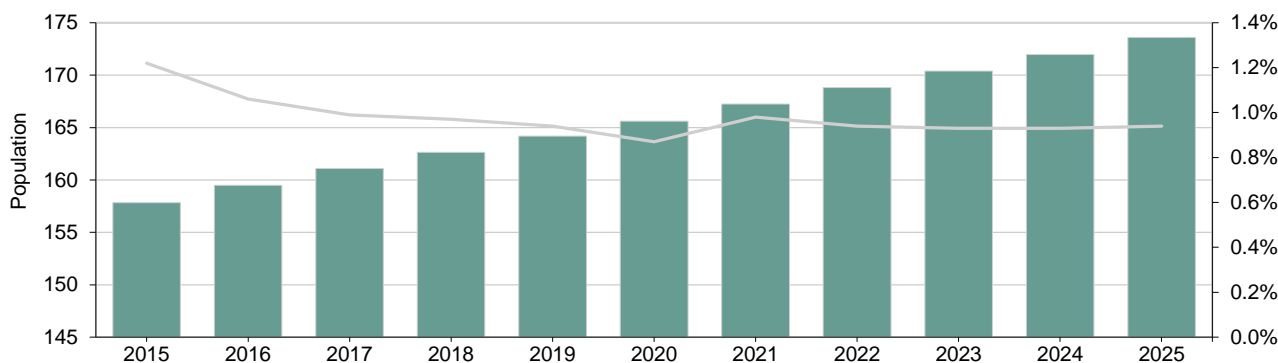
In 2023 the government, led by Prime Minister Sheikh Hasina, faced increasing criticism for authoritarian practices, including the suppression of opposition parties and the curtailment of press freedom. The ruling Awami League's dominance led to widespread discontent, setting the stage for civil unrest. In January 2024, the Awami League secured a fourth consecutive term in an election marked by low voter turnout and an opposition boycott. Allegations of electoral malpractice further fuelled public dissatisfaction. By mid-2024, student-led protests erupted against the reinstatement of a controversial quota system in civil service recruitment, perceived as discriminatory and favouring government affiliates. The protests intensified, culminating in violent clashes and significant casualties. On 5 August 2024, facing mounting pressure, Prime Minister Sheikh Hasina resigned and fled the country. An interim government, led by Nobel laureate Muhammad Yunus, was established to oversee the transition to new elections.



## Population growth has been moderate, but steady: 1.0% CAGR over the last 10 years

Over the past decade, Bangladesh has experienced steady population growth, with a 1.0% CAGR. The net migration rate has been negative (meaning more people are leaving than arriving) due to a long history of labour migration, particularly to the Middle East and South-East Asia. The government has implemented policies to facilitate overseas employment, recognising the economic benefits of remittances sent by expatriate workers, which are a significant source of foreign exchange.

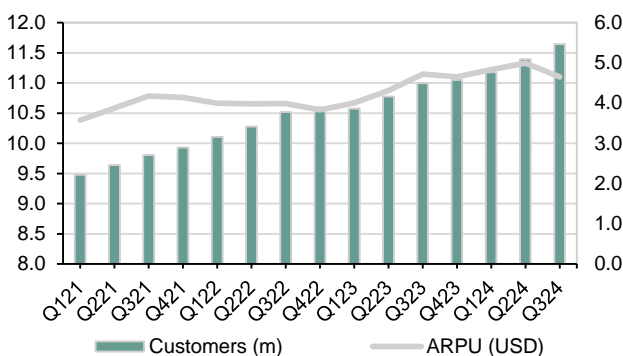
**Exhibit 26: Bangladesh population and growth year-on-year**



Source: World Bank historicals, United Nations projections

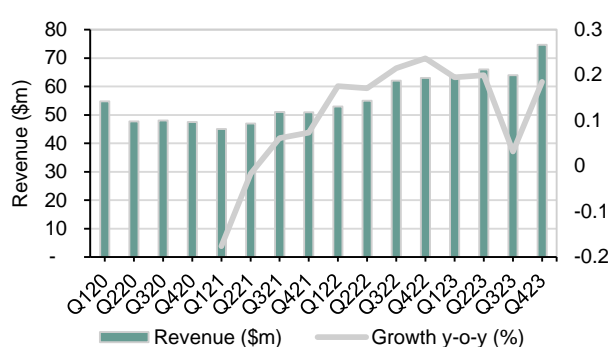
## Uzbekistan

**Exhibit 27: Uzbekistan customers and ARPU**



Source: VEON

**Exhibit 28: Uzbekistan revenue and growth y-o-y**



Source: VEON

## Impressive digital services portfolio in Uzbekistan

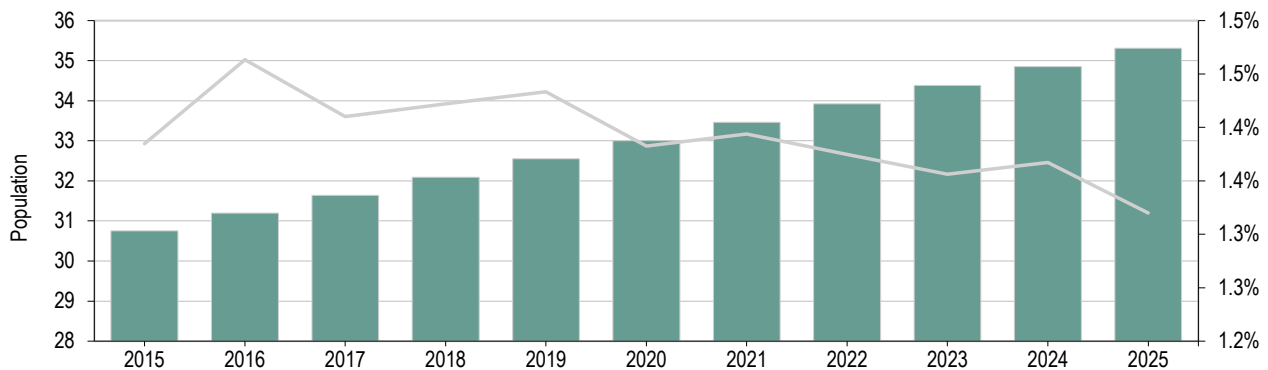
VEON operates under the brand name Beeline Uzbekistan which, like its Kazakh business, offers a range of digital services including:

- **Hambi:** an AI-powered super app launched in November 2024, providing users with a digital marketplace, travel services, entertainment, fintech solutions and gaming functionalities.
- **KINOM:** a digital entertainment platform introduced in October 2024, offering TV series and movie streaming services, including Uzbek language content.
- **Beeline TV:** a television streaming service offering a variety of channels and on-demand content.
- **Beeline Music:** a music streaming service tailored to local preferences.

## Population growth has been declining in Uzbekistan, but remains positive

Uzbekistan's demographic landscape over the past decade has been characterised by steady population growth, a declining fertility rate and ongoing net migration. The population is gradually ageing and urbanisation levels have remained relatively constant. The fertility rate has decreased slightly from 2.43 children per woman in 2015 to 2.27 per woman in 2024. Uzbekistan has experienced a net migration loss of around 0.2–0.5 migrants per 1,000 population annually over the last 10 years.

**Exhibit 29: Uzbekistan population and growth**



Source: World Bank historicals, United Nations projections

## Financials

**Exhibit 30: VEON summary divisional and group financials**

US\$m, year-end 31 Dec	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Ukraine	870	933	1,055	971	919	923	923	924	924	988	1,058	1,132	1,211	1,271
Pakistan	1,321	1,233	1,408	1,285	1,119	1,377	1,414	1,457	1,530	1,606	1,686	1,771	1,866	1,971
Kazakhstan	486	479	569	636	774	852	894	937	983	1,031	1,081	1,134	1,194	1,264
Bangladesh	537	537	564	576	570	518	520	541	562	585	608	633	658	683
Uzbekistan	258	198	194	233	268	272	291	311	333	357	381	408	438	468
Russia	4,481	3,819	3,950											
<b>Revenues</b>	<b>9,474</b>	<b>9,086</b>	<b>8,863</b>	<b>7,980</b>	<b>7,788</b>	<b>3,755</b>	<b>3,698</b>	<b>3,992</b>	<b>4,095</b>	<b>4,222</b>	<b>4,449</b>	<b>4,688</b>	<b>4,941</b>	<b>5,208</b>
Growth	6.6%	-4.1%	-2.5%	-10.0%	-2.4%	-51.8%	-1.5%	8.0%	2.6%	3.1%	5.4%	5.4%	5.4%	5.4%
Organic														
<b>EBITDA</b>	<b>3,497</b>	<b>2,388</b>	<b>4,065</b>	<b>2,554</b>	<b>3,397</b>	<b>1,940</b>	<b>1,664</b>	<b>1,612</b>	<b>1,680</b>	<b>1,750</b>	<b>1,883</b>	<b>2,167</b>	<b>2,287</b>	<b>2,413</b>
Margin	36.9%	26.3%	45.9%	32.0%	43.6%	51.7%	45.0%	40.4%	41.0%	41.4%	42.3%	46.2%	46.3%	46.3%
<b>Operating profit</b>	<b>1,506</b>	<b>554</b>	<b>2,019</b>	<b>635</b>	<b>1,544</b>	<b>1,162</b>	<b>929</b>	<b>1,090</b>	<b>1,016</b>	<b>1,141</b>	<b>1,415</b>	<b>1,519</b>	<b>1,626</b>	<b>1,735</b>
Margin	15.9%	6.1%	22.8%	8.0%	19.8%	30.9%	25.1%	27.3%	24.8%	27.0%	31.8%	32.4%	32.9%	33.3%
Financial income/(expense)	(840)	(749)	(839)	(660)	(674)	(851)	(471)	(360)	(349)	(339)	(328)	(317)	(307)	(295)
<b>PBT</b>	<b>(24)</b>	<b>(240)</b>	<b>1,181</b>	<b>26</b>	<b>908</b>	<b>801</b>	<b>559</b>	<b>747</b>	<b>667</b>	<b>802</b>	<b>1,087</b>	<b>1,202</b>	<b>1,319</b>	<b>1,440</b>
Taxes	(1,234)	(1,250)	(1,410)	(1,555)	(1,426)	(719)	(760)	(820)	(842)	(868)	(914)	(963)	(1,015)	(1,070)
Tax rate (%)	-196.7%	-148.8%	42.2%	1315.4%	26.4%	8.6%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%
Minority interest	13	28	(62)	(33)	(127)	(153)	(78)	(104)	(93)	(112)	(152)	(168)	(184)	(201)
Net income from discontinued	0	300	0	0	151	(742)	(2,830)	0	0	0	0	0	0	0
<b>Net income to shareholders</b>	<b>(483)</b>	<b>(289)</b>	<b>621</b>	<b>(349)</b>	<b>674</b>	<b>(163)</b>	<b>(2,528)</b>	<b>341</b>	<b>302</b>	<b>377</b>	<b>533</b>	<b>597</b>	<b>661</b>	<b>727</b>
Capex	1,519	1,231	1,444	1,511	1,086	634	531	619	635	654	690	727	756	807
% of sales	-16.0%	-13.5%	-16.3%	-18.9%	-13.9%	-16.9%	-14.4%	-15.5%	-15.5%	-15.5%	-15.5%	-15.5%	-15.5%	-15.5%
Working capital	(1,234)	(1,250)	(1,410)	(1,555)	(1,426)	(719)	(760)	(820)	(842)	(868)	(914)	(963)	(1,015)	(1,070)
% of sales	-13.0%	-13.8%	-15.9%	-19.5%	-18.3%	-19.1%	-20.6%	-20.6%	-20.6%	-20.6%	-20.6%	-20.6%	-20.6%	-20.6%
<b>Net debt/(cash)</b>	<b>10,328</b>	<b>6,048</b>	<b>9,094</b>	<b>8,418</b>	<b>8,394</b>	<b>5,073</b>	<b>3,254</b>	<b>2,716</b>	<b>2,324</b>	<b>1,847</b>	<b>1,398</b>	<b>969</b>	<b>506</b>	<b>8</b>
Net debt/EBITDA	3.0	2.5	2.2	3.3	2.5	2.6	2.0	1.7	1.4	1.1	0.7	0.4	0.2	0.0
EV adjustment (debt + adjustments)	10,131	5,628	10,024	8,913	10,299	7,368	4,424	4,280	3,719	3,526	3,674	3,484	3,287	3,022
EV/EBITDA	4.3	2.9	3.6	3.4	4.1	4.8	3.5	4.3	3.8	3.5	3.1	2.8	2.6	2.4
Free cash flow to equity	477	517	1,234	655	822	1,265	1,340	365	360	404	568	615	696	721
FCF/share	6.82	7.39	17.64	9.34	11.70	17.87	19.21	5.06	4.98	6.03	8.08	8.76	9.49	10.26
<b>EPS (\$)</b>	<b>(6.90)</b>	<b>(4.13)</b>	<b>8.88</b>	<b>(4.98)</b>	<b>9.60</b>	<b>(2.32)</b>	<b>(35.99)</b>	<b>4.66</b>	<b>4.30</b>	<b>5.37</b>	<b>7.59</b>	<b>8.49</b>	<b>9.41</b>	<b>10.34</b>
P/E	(143)	(143)	(143)	(143)	(143)	(143)	(143)	(143)	(143)	(143)	(143)	(143)	(143)	(143)
DPS (\$)	0.28	0.29	0.28	0.00	0.00	0.00	0.00	0.00	0.00	3.02	4.94	4.38	4.74	5.13
Div yield	0.4%	0.5%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.1%	9.5%	10.2%	11.1%	12.0%

Source: VEON, Edison Investment Research

## VEON earnings should recover from 2025, driven by stabilisation in end markets

In keeping with a company with ambitious plans to return cash to shareholders and grow aggressively in its core markets, we see potential for a solid recovery in earnings. On our estimates, revenues troughed in 2023, following a 1.5% year-on-year decline, but should show 8.0% growth in 2024, 2.6% in 2025 and grow at an accelerating rate thereafter. We expect FY24 net income of \$341m, growing to \$727m in FY30. Free cash flow to equity, one of VEON's primary objectives, will trough at \$355m in FY24, remain stable at \$350m in FY25 and then rise steadily to \$721m in FY30. We expect net debt at end FY24 of \$2,716m, recovering to \$8m by the end of FY30, driven by the recovery in

divisional earnings in Ukraine, Pakistan and Kazakhstan, and VEON's asset-light programme, which involved assets sales and a reduction in capex.

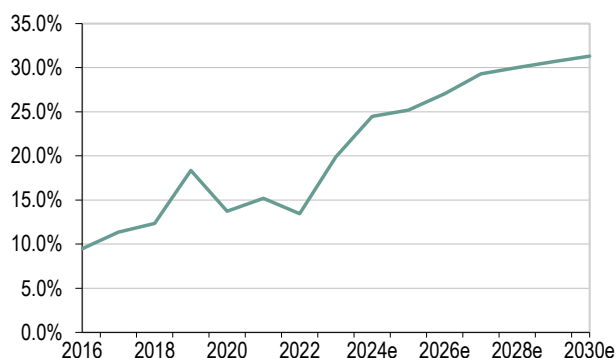
Some points of note:

- **Revenues:** VEON has faced some challenges in its end markets, with unrest, changing tax rules and of course the conflict in Ukraine. We assume that these issues normalise and believe a solution to the Ukraine conflict during 2025 is possible. Revenues can therefore resume their longer-term growth trajectory, averaging 4.7% pa in US\$ terms from 2023 to 2027.
- **EBITDA:** we expect EBITDA to rise from a trough of \$1,612m in FY24 to \$1,883m in FY27, driven by stabilisation in end markets and a continued focus on cash generation as part of the asset-light strategy. Essentially, asset-light involves selling legacy commodity assets such as towers, partnering with competitors to reduce capital expenditure and pushing digital services that can leverage existing capital.
- **Dividend:** VEON has previously guided that it will distribute 50% of its equity-free cash flow, but has not done so since 2019. The company has stated that it intends to resume dividend payments, the first being on 2026 earnings.
- **Debt:** the sale of the Russian assets was structured such that the consideration was paid by means of the buyer assuming VEON debt to the value of the deal roubles. Accordingly, net debt fell from \$8.4bn at end 2021 to \$3.3bn at end 2023. VEON also has the target of aligning its debt such that it matches the company's geographical earnings, to reduce FX risk.

## Cash and equity returns have been volatile due to non-recurring costs and business exits

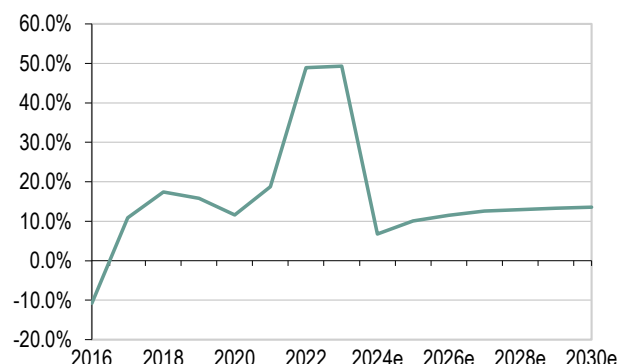
We expect VEON's ROCE and free cash flow to equity to recover following a turbulent period since 2020. VEON has had to invest in several of its markets due to conflict, and political and economic issues. The separation of the Russian assets has also provided challenges. The company has guided for a materially lower level of capital investment, which it has estimated to run at a rate of 15–16% of sales. In addition, VEON has guided for accelerated tower infrastructure disposals, which will generate cash and reduce capital intensity.

**Exhibit 31: Return on capital employed**



Source: VEON, Edison Investment Research estimates

**Exhibit 32: Free cash flow to equity**



Source: VEON, Edison Investment Research estimates

## Sensitivities

### Currency: VEON's subsidiaries are exposed to high levels of depreciation

VEON is exposed to five main currencies, each of which has a long track record of depreciation relative to the US dollar. Weighting the countries according to the EBITDA contribution to VEON Group, the average depreciation over the last 10 years is 9.7%. We do not explicitly include expected currency movements in our revenue and EBITDA estimates. We capture the expected depreciation of the currency in the country risk premium, which (again on a weighted-average basis) we calculate at 9.9%.

**Exhibit 33: VEON subsidiaries' currency exposure**

	Pakistan	Bangladesh	Uzbekistan	Kazakhstan	Ukraine
Currency	Rupee	Taka	Som	Tenge	Hryvnia
Three year	-16.3%	-9.7%	-5.7%	-3.1%	-12.1%
Five year	-11.6%	-6.1%	-6.9%	-4.0%	-8.5%
10 year	-9.7%	-3.9%	-15.6%	-9.1%	-11.3%

Source: LSEG Data & Analytics, Edison Investment Research

## Ukraine: Probably now a material opportunity for stock upside

The Ukraine war started in February 2022 and has led to approaching 300,000 casualties (dead or injured) on the Russian side, and 170,000 to 190,000 on the Ukrainian side, according to US officials. Civilian casualties are in the order of 35,000, according to refugees.org. The UN Refugee Agency estimates that 3.7 million people have been displaced, and 6.7 million have taken refuge abroad. 1.5m homes in Ukraine are estimated to have been destroyed. President Trump has communicated a firm stance regarding the war, emphasising his intention to expedite its conclusion. During his campaign, he pledged to resolve the conflict within 24 hours of taking office. However, upon assuming the presidency, he extended this timeline to six months. On 22 January 2025, President Trump issued an ultimatum to Russian President Vladimir Putin, urging an immediate end to hostilities. We believe an end to the war would be very positive for VEON, given that it is the number one player in the market.

## Frontier markets carry heightened social, political and economic risk

Over just the past three years, VEON has experienced war, political unrest, hyperinflation, protests, punitive tax rates and currency shortages in its five businesses. Such events are not unexpected in frontier markets, and it would be inappropriate to assume that the future will be 'plain sailing' in all of VEON's markets. This risk is captured in both the equity risk premium and country risk in our discounted cash flow (DCF) valuation. VEON has been unfortunate in that several markets have experienced problems at the same time: war in Ukraine, economic problems in Bangladesh and political uncertainty in Pakistan. A best-case scenario would be a synchronous resolution of the problems in these three markets, over the next few years – a not unlikely outcome.

## Valuation

### VEON's valuation is at a discount to EM peers, and could be one of the best dividend yields

On 3.5x 2026e EV/EBITDA and 3.1x 2027e EV/EBITDA, VEON's valuation is 20% and 22%, respectively, below the average for our selected emerging market (EM) and frontier telecom universe. On P/E, VEON trades on 8.0x 2026e and 5.6x 2027e, 25% below and 36% below the peer group average. Assuming VEON resumes paying a dividend on 2026e earnings, at a rate of 50% of free cash flow to equity, as guided by the company, it would have a 7.0% 2026e yield, versus 5.3% for the EM telecom universe.

**Exhibit 34: Summary of VEON peers valuations**

Company	Country	FX	Price	Market cap (US\$m)	Net debt	P/E (x)					EV/EBITDA (x)				Dividend yield			
						2024e	2024e	2025e	2026e	2027e	2024e	2025e	2026e	2027e	2024	2025e	2026e	2027e
Telkom SA SOC Ltd	South Africa	ZAc	3,414	906	811	9.1	7.2	7.5	6.9	6.9	3.3	3.0	2.8	2.7	0.0%	1.0%	3.5%	3.1%
MTN Group Ltd	South Africa	ZAc	11,564	11,319	2,881	38.2	18.6	12.1	9.4	9.4	3.1	4.4	3.6	3.2	2.9%	3.0%	3.1%	3.3%
Airtel Africa PLC	United Kingdom	GBp	145	6,381	2,518	17.9	17.6	12.5	9.3	9.3	3.2	4.9	4.1	3.6	3.1%	3.1%	3.5%	3.9%
Turkcell Iletisim Hizmetleri AS	Turkey	TRY	107	6,326	750	16.6	10.2	7.8	4.5	4.5	3.3	3.7	2.7	2.2	2.5%	4.0%	6.6%	10.3%
Millicom International Cellular SA	United States of	USD	27	4,431	6,311	NM	12.9	9.4	8.1	8.1	4.1	4.4	4.2	4.1	0.0%	0.0%	0.0%	4.2%
Vodacom Group Ltd	South Africa	ZAc	12,100	13,060	1,823	14.5	14.0	11.7	10.5	10.5	4.3	5.4	5.0	4.6	5.8%	5.5%	6.4%	7.2%
Turk Telekom	Turkey	TRY	50	4,661	1,557	9.5	25.5	8.6	5.7	5.7	4.1	3.8	2.8	2.2	0.9%	2.7%	5.0%	6.5%
Safaricom Plc	Kenya	KES	18	5,430	988	11.7	11.1	8.5	7.2	7.2	5.9	5.4	4.2	3.8	7.0%	7.0%	9.3%	11.3%
Bezeq Israeli Telecommunication Corp Ltd	Israel	ILa	596	4,492	1,821	14.2	14.0	13.9	12.2	12.2	5.7	6.3	6.1	5.9	4.1%	4.9%	5.5%	6.5%
Saudi Telecom Company SJSC	Saudi Arabia	SAR	44	56,697	(2,426)	16.5	16.0	14.9	14.4	14.4	7.6	8.1	8.0	7.6	4.0%	4.2%	5.1%	5.3%
<b>Average ex VEON</b>						<b>13.7</b>	<b>14.7</b>	<b>10.7</b>	<b>8.8</b>	<b>8.8</b>	<b>4.5</b>	<b>4.9</b>	<b>4.4</b>	<b>4.0</b>	<b>3.8%</b>	<b>3.9%</b>	<b>5.3%</b>	<b>6.2%</b>
VEON	UAE	US\$	43	3,003	2,766	10.0	10.0	8.0	5.6	5.6	4.3	3.9	3.5	3.1	0.0%	0.0%	7.0%	9.4%
Veon premium vs average						-27%	-32%	-25%	-36%	-36%	-4%	-22%	-20%	-22%	NM	NM	32%	53%

Source: LSEG Data & Analytics, Edison Research estimates

### Operators in Turkey, South Africa, Israel, Africa and Saudi Arabia are among peers

Identifying close comparable companies for EM companies is often a challenge, particularly for those that have exposures in multiple end markets, as VEON does. We have used a selection of operators, some of which are listed in developed markets, like VEON, but all of which have operations in emerging and/or frontier markets, and offerings of a comparable nature including a broad range of mobile, internet and digital services. We summarise our selection below:

#### Exhibit 35: Summary of emerging market and frontier market peer companies

Company Name	Incumbent	Primary Stock Exchange	Countries of Operation	Mkt Cap (USD)	Services Offered
Telkom SA	Yes	JSE (Johannesburg Stock Exchange)	South Africa	\$0.95B	Fixed, Mobile, Internet, TV, IT, B2B
MTN Group	Yes	JSE (Johannesburg Stock Exchange)	South Africa, Nigeria, Ghana, Uganda, Rwanda, Cameroon, Ivory Coast (and more)	\$10.07B	Mobile, Internet, Payments
Airtel Africa	No	LSE (London Stock Exchange)	Nigeria, Ghana, Kenya, Rwanda, and Uganda (and more)	\$6.25B	Mobile, Internet, Payments, IT, Fixed
Turkcell	Yes	BIST (Borsa Istanbul)	Turkey, Ukraine, Belarus, Cyprus	\$5.88B	Fixed, Mobile, Internet, TV, Payments
Millicom		NASDAQ (Nasdaq Stock Market)	Bolivia, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, and Paraguay	\$4.65B	Mobile, Fixed, Cable, Satellite, Payments, B2B
Vodacom Group	Yes	JSE (Johannesburg Stock Exchange)	South Africa, Tanzania, DRC, Mozambique, Lesotho	\$11.48B	Mobile, Internet, Payments
Turk Telekom	Yes	Borsa Istanbul (Istanbul Stock Exchange)	Turkey, Ukraine, Belarus, Cyprus	\$4.88B	Fixed, Mobile, Internet, TV, B2B, Cloud, Data Centres
Safaricom	Yes	Nairobi Securities Exchange (NSE)	Kenya, Ethiopia	\$5.89B	Mobile, Fixed, Internet, Payments, Consumer Electronics, IT
Bezeq	Yes	Tel Aviv Stock Exchange (TASE)	Israel	\$4.22B	Fixed, Mobile, TV, IT
Saudi Telecom Company	Yes	TADAWUL (Saudi Stock Exchange)	Saudi Arabia, Bahrain, Kuwait	\$55.31B	Fixed, Mobile, Internet, TV, Hosting, Payments
Veon	No	NASDAQ (Nasdaq Stock Market)	Pakistan, Ukraine, Kazakhstan, Uzbekistan, Bangladesh	\$3.19B	Mobile, Internet, Payments, B2B, IT

Source: VEON, Edison Investment Research estimates

#### DCF valuation gives fair value of \$56.5 per share

VEON's free cash flow was somewhat depressed in 2024, but we expect it to recover strongly, from \$841m to \$1,282m in 2030. Its asset-light strategy, as well as the stabilisation and recovery of its core markets in Ukraine, Pakistan and Bangladesh, will take until 2027 to complete. We therefore believe that a DCF with an explicit period to 2030, and a terminal value period thereafter, is a good way of capturing the value of the assets and strategy. With operations exclusively in frontier markets, it is important to capture the risks associated with the markets and the potential for (continued) long-term depreciation of the currencies relative to VEON's reporting currency, the US dollar. Our DCF yields a fair value of \$56.5/share. Please see below for the sensitivity of the DCF valuation to weighted average cost of capital (WACC) and long-term growth assumptions.

#### Exhibit 36: DCF cash flow details

(USDm; y/e Dec 31)	2021	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TV
EBIT	1,544	1,162	929	1,090	1,016	1,141	1,415	1,519	1,626	1,735	1,779
EBIT margin	19.8%	30.9%	25.1%	27.3%	24.8%	27.0%	31.8%	32.4%	32.9%	33.3%	33.0%
Taxes	(258)	(69)	(179)	(302)	(272)	(313)	(402)	(438)	(474)	(512)	(472)
Effective tax rate	0	0	0	0	0	0	0	0	0	0	0
NOPAT	1,286	1,093	750	788	744	828	1,013	1,082	1,151	1,223	1,307
Depreciation and amortisation	1,873	671	729	732	734	742	752	768	788	812	840
Capex and investments in intangibles	(1,086)	(634)	(531)	(619)	(635)	(654)	(690)	(727)	(766)	(807)	(810)
Working capital movements and provisions	(65)	(66)	248	(60)	(21)	(26)	(47)	(49)	(52)	(55)	(55)
<b>Free cash flow</b>	<b>2,008</b>	<b>1,064</b>	<b>1,196</b>	<b>841</b>	<b>822</b>	<b>889</b>	<b>1,029</b>	<b>1,073</b>	<b>1,121</b>	<b>1,172</b>	<b>1,282</b>
Free cash flow margin	26%	28%	32%	21%	20%	21%	23%	23%	23%	23%	24%
Free cash flow per share (\$)	28.7	15.2	17.1	12.0	11.7	12.7	14.7	15.3	16.0	16.7	18.3

Source: VEON, Edison Investment Research

Our key DCF assumptions are as follows:

- **Risk-free rate:** we use a base of 10-year treasury bonds, which currently trade on a yield of 4.6%
- **Cost of debt:** we apply a 490bp premium to 10-year US treasury bond yields to arrive at a pre-tax cost of debt of 9.5%, which is the current yield of VEON's corporate bond.
- **Equity risk premium:** we use an average of the equity risk premia for the markets that VEON operates in, weighted by EBITDA contribution, as supplied by NYU Stern.
- **Country risk premium:** we use an average of the country risk premia for VEON's markets, again weighted by EBITDA, from the NYU Stern database.
- **Beta:** we use a Beta of 1.4x. VEON is well-diversified across multiple geographies with no significant US-based business.
- **Terminal value growth:** we assume 3.5% long-term growth.

**Exhibit 37: DCF summary**

DCF Valuation	31st Dec 2025
PV of FCF 2026-2030	3,319
PV of TV	4,356
<b>Total Enterprise Value (2025e)</b>	<b>7,675</b>
Net debt + minorities (2025e)	3,719
<b>Total equity value</b>	<b>3,956</b>
Number of shares	70
<b>Equity value per share (\$)</b>	<b>56.5</b>
Current price (\$)	42.8
Premium/(discount) to price	32.2%

Source: Edison Investment Research. Note: TV, terminal value.

**Exhibit 38: DCF assumptions**

WACC Calculation and TV Assumptions	31st Dec 2025
10 yr US Treasury yield	4.6%
Borrowing spread	4.9%
Tax rate	32.0%
<b>After tax cost of debt</b>	<b>6.5%</b>
Risk-free rate	4.6%
Equity risk premium	14.2%
Beta	136.0%
<b>Cost of equity</b>	<b>23.9%</b>
<b>WACC</b>	<b>17.0%</b>
Actual net debt % total capital	39.6%
Target net debt % total capital	40.0%
TV growth rate	3.5%
TV margin	33.0%
TV Reinvestment rate	-1.9%

Source: Edison Investment Research

**Exhibit 39: Calculation of VEON's EBITDA-weighted equity risk premium**

Country	2024e EBITDA (US\$m)	% of 2024e EBITDA	Equity risk premium	Country risk premium
Ukraine	521	28.4%	20.4%	16.0%
Pakistan	590	32.1%	16.4%	12.0%
Bangladesh	180	9.8%	11.7%	7.3%
Kazakhstan	450	24.5%	6.5%	2.1%
Uzbekistan	98	5.3%	9.1%	4.8%
<b>Weighted average</b>			<b>14.2%</b>	<b>9.9%</b>

Source: NYU-Stern

**Exhibit 40: DCF sensitivity to WACC and long-term growth rate (\$/share)**

		Long-term growth rate				
		2.5%	3.0%	3.5%	4.0%	4.5%
<b>WACC</b>	20.0%	32.5	34.0	35.6	37.3	39.1
	18.0%	44.1	46.1	48.3	50.7	53.2
	17.0%	51.4	53.9	56.5	59.3	62.4
	16.0%	59.1	62.0	65.1	68.5	72.2
	15.0%	68.5	72.0	75.8	79.9	84.5

Source: Edison Investment Research estimates

**Exhibit 41: Financial summary**

\$m	2021	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e
	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP
<b>PROFIT &amp; LOSS</b>										
Revenue	7,788	3,755	3,698	3,992	4,095	4,222	4,449	4,688	4,941	5,208
Cost of Sales	(1,880)	(476)	(441)	(574)	(562)	(501)	(345)	(360)	(377)	(394)
Gross Profit	5,908	3,279	3,257	3,418	3,532	3,721	4,104	4,328	4,564	4,814
EBITDA	3,397	1,940	1,664	1,612	1,680	1,750	1,883	2,167	2,287	2,413
Operating Profit (before amort. and except.)	1,784	1,189	1,084	1,144	1,198	1,316	1,584	1,684	1,787	1,895
Intangible Amortisation	(308)	(221)	(208)	(196)	(182)	(175)	(169)	(165)	(162)	(160)
Exceptionals	68	194	53	142	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Operating Profit	1,544	1,162	929	1,090	1,016	1,141	1,415	1,519	1,626	1,735
Net Interest	(674)	(551)	(471)	(360)	(349)	(339)	(328)	(317)	(307)	(295)
Other	38	190	101	18	0	0	0	0	0	0
Profit Before Tax (norm)	1,110	638	613	783	849	977	1,256	1,367	1,481	1,600
Profit Before Tax	908	801	559	747	667	802	1,087	1,202	1,319	1,440
Tax	(258)	(69)	(179)	(302)	(272)	(313)	(402)	(438)	(474)	(512)
Minority Interest	(127)	(153)	(78)	(104)	(93)	(112)	(152)	(168)	(184)	(201)
Net Income from Discontinued operations	151	(742)	(2,830)	0	0	0	0	0	0	0
Profit After Tax (norm)	914	(136)	(2,373)	395	484	552	702	761	823	887
Profit After Tax	674	(163)	(2,528)	341	302	377	533	597	661	727
<b>BALANCE SHEET</b>										
Fixed Assets	10,918	5,590	5,318	5,286	5,309	5,349	5,419	5,519	5,646	5,797
Intangible Assets	3,244	1,960	1,619	1,504	1,445	1,396	1,361	1,337	1,323	1,319
Tangible Assets	6,717	2,848	2,898	2,981	3,064	3,151	3,258	3,381	3,522	3,677
Investments	99	71	53	53	53	53	53	53	53	53
Other assets	858	711	748	748	748	748	748	748	748	748
Current Assets	5,003	9,493	2,900	3,483	3,891	4,387	4,870	5,337	5,838	6,376
Inventories	111	18	23	25	25	26	28	29	31	32
Debtors	690	456	542	585	600	619	652	687	724	763
Cash	2,252	3,107	1,902	2,440	2,832	3,309	3,758	4,187	4,650	5,148
Other	1,950	5,912	433	433	433	433	433	433	433	433
Current Liabilities	3,423	5,974	1,811	1,906	1,940	1,981	2,055	2,132	2,214	2,301
Creditors	2,650	5,499	1,354	1,449	1,483	1,524	1,598	1,675	1,757	1,844
Short-term borrowings	773	475	457	457	457	457	457	457	457	457
Long-Term Liabilities	10,993	8,342	5,336	5,346	5,349	5,354	5,361	5,369	5,378	5,387
Long-term borrowings	10,646	8,180	5,156	5,156	5,156	5,156	5,156	5,156	5,156	5,156
Other long-term liabilities	347	162	180	190	193	198	205	213	222	231
Net Assets	1,505	767	1,071	1,516	1,911	2,401	2,874	3,354	3,891	4,486
<b>CASH FLOW</b>										
Operating Cash Flow	3,539	3,288	2,820	1,762	1,729	1,857	2,121	2,238	2,361	2,492
Net interest	(603)	(464)	(436)	(360)	(349)	(339)	(328)	(317)	(307)	(295)
Tax	(289)	(284)	(264)	(302)	(272)	(313)	(402)	(438)	(474)	(512)
Capex	(1,086)	(634)	(531)	(619)	(635)	(654)	(690)	(727)	(766)	(807)
Acquisitions/disposals	0	0	0	0	0	0	0	0	0	0
Financing	0	0	0	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	(212)	(284)	(308)	(333)
Net Cash Flow	1,561	1,906	1,589	480	473	551	489	472	507	544
Opening net debt/(cash)	8,418	8,394	5,073	3,254	2,716	2,324	1,847	1,398	969	506
HP finance leases initiated	0	0	0	0	0	0	0	0	0	0
Other	(798)	2,066	470	183	42	52	93	98	104	110
Closing net debt/(cash)	8,394	5,073	3,254	2,716	2,324	1,847	1,398	969	506	8

Source: VEON, Edison Investment Research



## A brief history of VEON

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VEON was originally founded as VimpelCom in 1992 in Moscow, Russia, as a pioneering mobile operator in the post-Soviet-era market. The company was one of the first to introduce mobile communications in Russia and quickly expanded its operations. In 1996, VimpelCom became the first Russian company to list on the New York Stock Exchange.

Throughout the late 1990s and early 2000s, VimpelCom expanded its operations across Russia and into neighbouring countries, establishing a strong presence in the Commonwealth of Independent States (CIS). The company pursued a strategy of aggressive growth through acquisitions, acquiring Russia-On-Line in 1999, Cityline in 2001 and EDN Sovintel in 2001.

In 2009, VimpelCom merged with Ukrainian operator Kyivstar, further solidifying its position in the CIS region. The merger created one of the largest EM mobile operators.

In 2010, VimpelCom made a strategic move to acquire Wind Telecom, an international telecommunications company with operations in Italy, Canada and several other countries. This acquisition significantly expanded VimpelCom's global footprint.

In 2017, VimpelCom rebranded as VEON, reflecting its transformation into a global technology and communications company. The rebranding aimed to emphasise the company's evolution beyond traditional telecommunications services, focusing on digital services and innovation.

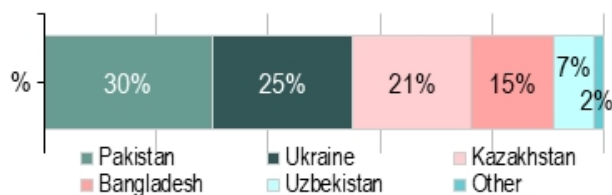
In November 2021, VEON announced its decision to sell its Russian operations, including its flagship brand Beeline. The sale was part of the company's strategy to divest its Russian assets, which were subject to sanctions following Russia's military invasion of Ukraine in February 2021.

VEON sold its Russian business to PJSC VimpelCom, a consortium comprising former management of the business, for approximately \$2.1bn, with the deal completing in October 2023.

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## Revenue by geography



## Management team

### Group CEO: Kaan Terzioğlu

Kaan Terzioğlu has been serving VEON Group as the group CEO since June 2021. As the group CEO, Terzioğlu leads the executive teams of the company's digital operators providing connectivity and digital solutions, empowering their customers with digital finance, education, entertainment and health services, among others, and supporting the economic growth of the company's operating markets.

### Group CFO: Burak Ozer

Burak Ozer was appointed as group CFO on 9 January 2025. He brings over 27 years of international experience in the finance sector. He began his career with Xerox, holding key financial positions in the US and the UK, and served as the general manager of Xerox Turkey. More recently, he has held the position of CFO within the global digital transformation, IT solutions and cybersecurity space.

## Principal shareholders

	%
Letterone Investment Holdings	46
The Stichting	8
Lingotto Investment Management	7
Shah Capital Management	7

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