

Transcript of call

<https://www.insidermonkey.com/blog/veon-ltd-nasdaqveon-q3-2023-earnings-call-transcript-1226719/?singlepage=1>

Moving to Pakistan, Jazz, our operating company in Pakistan gained market share and further accelerated its growth despite the challenging macroeconomic environment. Jazz's successful execution of our digital operator strategy combined with disciplined cost control, helped drive revenue growth of 27% and EBITDA growth of 36% year-on-year.

Both of Jazz's fintech offerings, JazzCash and Mobilink Microfinance Bank, delivered strong top line growth and so their EBITDA margins expand. Jazz's 4G penetration reached 61% of its customer base, enabling the addition of further multiplay users who accounted for 25% of the operator's monthly active users. With JazzCash, Pakistan's most popular financial services app; and Tamasha, the country's leading video streaming app, Jazz is a good illustration of how our digital operator strategy is succeeding and creating growth. All our product offerings from financial services have positive unit economics, from strong underlying growth. During COVID, Jazz offered free usage for its services, which led to negative unit economics, which we have now ended.

This explains why USSD users went from 9.5 million to 7 million. However, we cherish the fact that Jazz mobile app users grew from 7.8 million to 8.5 million. Many of you are likely familiar with Safaricom's M-PESA, and its growth, how it transformed Kenya. I wanted to focus your attention on two things here. First, we are still in the infancy in penetration of digital financial services in Pakistan at around 6% versus 58% in Kenya. And secondly, take a look at the last line, transaction value versus GDP. Pakistan is at 0.06x where Kenya is already at 2.5x, an order of magnitude of almost 42x. This is despite the fact that Pakistan population is over 4x larger. We are at the earliest innings of helping transform Pakistan's digital economy already EBITDA and cash positive businesses.

Let's switch to Tamasha, which is now recognized in the country as the best digital platform for entertainment. Tamasha is open to all mobile users. 63.4% of its user base are actually non-Jazz customers. At the same time, the Jazz customers that watch Tamasha have an ARPU that is 2.7x higher than our single voice customers. By bringing original and exclusive content that is relevant to our customers in Pakistan, Jazz and Tamasha are able to drive more individuals to use data and more multiplay offerings that drive higher revenue performance.

In Pakistan, fintech JazzCash maintains its leading position, boasting 15.4 million monthly active users and a total transaction value of 1.4 trillion rupees, up 39% year-on-year.

Let me now pause here and talk about our entertainment vertical. Our two major entertainment platforms have delivered another quarter of positive user growth. In Pakistan, monthly active users of our Tamasha platform grew 4.4x year-on-year

At the end of the third quarter, the group's liquidity position remains strong, with a total cash position of \$2.2 billion, excluding banking operations in Pakistan, with \$1.8 billion of this cash held at HQ. At a local company level VEON's operations continue to be self-sufficient from a funding perspective. In September, VEON initiated a full and early redemption of notes due mature in December '23 and June 2024, which led to a meaningful reduction in reported gross debt levels.

Let me zoom out for two important factors. One, last year in October 2022, due to us winning a court case in Pakistan, we had extraordinary recognized revenues which were not recognized previously properly because of this tax case. And it had an impact of 30 million in revenues and 91 million in EBITDA

Faisal Ghor: Thank you, Kaan. Our next question is from Chris Hoare of New Street. Regarding CapEx guidance, do you expect 16% to 18% of sales going forward, or can you reduce it further?

Kaan Terzioğlu: Maybe let me take this question, because if you remember, we said that we are targeting for 70% 4G penetration and we

will continue to be elevated at the levels of CapEx. There are two important things happening. First of all, we are growing faster, and we are happy with that naturally, and that is of course releasing the CapEx to revenue sales ratio in favorable way. Secondly, if you, for example, take a country like Pakistan, today 15% of our revenues in Pakistan is actually from mobile financial services and entertainment platforms, which are totally different business models and does not require same level of CapEx. So if you put all these things together, and if you add the fact that we are now getting very close to 70% and actually already exceeded 70% in Kazakhstan and Uzbekistan, you would naturally see a reduction on the CapEx to revenue ratio.

VEON - Trading Update

https://www.veon.com/fileadmin/user_upload/investors/reports/2022/3q22-trading-update.pdf

Pakistan revenues increased 12.0% YoY in local currency (-17.1% YoY in reported currency), driven by strong growth in data revenue, despite the negative impact of the increase in withholding tax from 10% to 15% on 16 January 2022 and the further reduction in mobile termination rates in 2H22. The Jazz team continued to deliver balanced growth in subscriber base (+5.0% YoY) and ARPU (+4.3% YoY) in 3Q22. The weakness in the Pakistani rupee negatively impacted financial performance in reported currency. EBITDA in Pakistan declined 6.8% in local currency (-30.8% YoY in reported currency)

Supported by higher demand for data and digital services from Jazz customers, data and digital revenues in Pakistan were up 26.5% YoY.