

Action Summary – 22 August 2025 – Analyst: Theodore R. O'Neill – Raising estimates and target

- **Updating estimates post successful listing of one of its operating companies.** Last week, VEON saw the first successful NASDAQ listing of a former VEON operating company, Kyivstar Group (KYIV-NR). Kyivstar Group is a Nasdaq-listed company and Ukraine's leading digital operator, serving nearly 23 million mobile customers and over 1.1 million home internet fixed line customers as of June 30, 2025. Kyivstar Group and its subsidiaries provide services across a wide range of mobile and fixed line technologies, including 4G, big data, cloud solutions, cybersecurity, digital TV, and more.
- **This listing will have a non-cash impact on VEON's 3Q25 results.** Ironically, the successful listing will result in a non-cash charge in 3Q25 and will negatively impact earnings by an amount that we don't yet know, but it will be significant. We are not currently modeling quarterly results therefore we do not have an estimate, but the company has said that it could be in the range of \$150MM to \$200MM. We believe these accounting effects have little bearing on the fundamentals and momentum of VEON's core operations.
- **No impact to underlying growth and profitability.** The charge will not affect the underlying growth and profitability of VEON, which remains in line and solid.
- **Upward revision to estimates and price target.** Our new 2025 revenue and EPS estimates are now \$4.35 billion and \$10.24, respectively, up from \$4.22 billion and \$4.83. For 2026, our new revenue and EPS estimates are now \$4.74 billion and \$7.57, respectively, up from \$4.6 billion and \$6.57, respectively. This raises our price target to \$75 from \$69.
- **Attractive valuation.** Compared to peers, the shares sell at a meaningful discount. Were the shares to trade to the peer average EV/Sales of 2.95, the share price would approximately double from where it is today.

8/21 price: US\$ 58.29	Total market cap: \$4.3B	2026 Market Cap/Sales: 0.89x	2026 EV / Sales: 1.48x
ADR shares outstanding: 70MM	Insider ownership: ~0.1%	3-mo. avg. trading vol: >100,000	Dividend/Yield: NA/NA

EPS (includes minority interest in 2024) in USD \$ – Revenue in USD \$ Billions

Period	EPS	Revenue	Op Margin
FY24A	<u>\$6.72</u>	<u>\$4.00</u>	<u>27.7%</u>
FY25E	<u>\$10.24</u>	<u>\$4.35</u>	<u>36.3%</u>
FY26E	<u>\$7.57</u>	<u>\$4.74</u>	<u>27.3%</u>

Note: December ending year. Numbers may not add due to rounding. See our full model at the back of this report.

Cash balance (in \$billions)

• 2023A	• \$1.90
• 2024A	• \$1.76
• 2025E	• \$2.57
• 2026E	• \$3.47

LT Debt (in \$billions)

• 2023A	• \$3.4
• 2024A	• \$3.0
• 2025E	• \$3.1
• 2026E	• \$3.1

Risks/Valuation

- Risks include competition, regulatory issues, currency and business execution.
- Our USD\$75.00 target is derived using a discounted future earnings model.

Company description: VEON is a digital operator that provides services to more than 150 million connectivity customers and about 120 million monthly active digital users. Operating across five countries that are home to more than 6% of the world's population, VEON is transforming lives through technology-driven services that empower individuals and drive economic growth. VEON is headquartered in Dubai and listed on Nasdaq.

Figure 1 – VEON Ltd. – One Year Trading Snapshot



Source: FactSet

Financial Model

The company has guided for 2025 revenue growth in local currency of 13% to 15% up from previous guidance of 12% to 14% and for local currency EBITDA to grow 14% to 16% up from 13% to 15% on the same basis. Our estimates assume a discount in translation to USD which yields USD growth of approximately 9%.

Valuation Methodology

We believe VEON is undervalued, and we support that belief with an absolute and relative valuation. To determine our price target, we use a discounted future earnings model. The following valuation techniques are being used:

- 1) The discounted value of all future earnings was used for our price target (see Figure 2)
- 2) Valuation relative to peers (see Figure 3)

Discounted Future Earnings – Basis for Price Target

Our 12-month price target of \$75 is based on a discounted earnings model. For valuation purposes, we sum up all future earnings discounted at 16%, which we feel adequately addresses equity, currency and country risk. We assume the company grows above 5% in USD until 2031 when growth slows to global GDP. Our valuation model is shown in Figure 2 below. Note, this model understates future new products and growth through acquisitions and probably understates the tax benefits, but offsetting that, the earnings never have a down year. The implied share price is \$75.34, which we round to \$69.00.

Figure 2 – VEON Ltd. – Price Target Calculation

Implied Value of Future Discounted Earnings: \$75.34		
Year 0 is 2025	Forecast GAAP EPS	Discounted EPS
0	\$10.24	\$10.24
1	\$7.57	\$6.51
2	\$8.75	\$6.47
3	\$9.25	\$5.88
4	\$9.78	\$5.35
5	\$10.00	\$4.70
Terminal Value		\$36.20

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

Figure 3 is a summary of our VEON peer comparison. The significant discount to peers broadly confirms our view that, along with our discounted earnings model, the shares are undervalued.

Figure 3 – VEON Ltd. – Comp Tables

FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2026 Consensus Multiples			
					PE	EV /Sales	Market Cap / Sales	EV / EBITDA
7010-SA	Saudi Telecom Co.	\$11.43	57,132	58,715	14.72	2.64	2.57	8.17
EAND-AE	Emirates Telecommunications Group Compar	\$4.94	42,952	55,976	12.31	2.73	2.09	6.15
VOD-ZA	Vodacom Group Limited	\$7.99	16,605	19,084	11.52	1.87	1.62	
MTN-ZA	MTN Group Limited	\$8.87	16,269	19,789	10.36	1.41	1.16	
DU-AE	Emirates Integrated Telecommunications Con	\$2.76	12,527	12,885	15.23	2.86	2.78	
AAF-GB	Airtel Africa Plc	\$2.87	10,481	15,199	13.89	2.26	1.54	4.63
SCOM-KE	Safaricom PLC	\$0.21	8,450	8,955	10.39	2.42	2.29	
TIGO-US	Millicom International Cellular SA	\$45.38	7,810	14,166	11.37	2.42	1.34	5.58
TTKOM.E-TR	Turk Telekomunikasyon A.S.	\$1.39	4,849	6,259	6.33	0.89	0.70	
BEZQ-IL	Bezeq The Israel Telecommunication Corp. Lt	\$1.80	4,994	7,030	12.38	2.69	1.92	
GP-BD	Grameenphone Ltd.	\$2.48	3,351	3,814	12.16	2.86	2.50	
EXCL-ID	PT XLSMART Telecom Sejahtera Tbk	\$0.18	3,300	4,999	21.64	1.69	1.10	
TUA-AU	Tuas Ltd.	\$4.66	2,504	2,138	154.86	15.59	18.25	
TKG-ZA	Telkom SA SOC Ltd.	\$3.08	1,572	1,921	8.44	0.72	0.58	2.69
SIFY-US	Sify Technologies Limited Sponsored ADR	\$8.27	597	938	277.26	1.20	0.77	
AVERAGE					<u>39.52</u>	<u>2.95</u>	<u>2.75</u>	<u>5.44</u>
VEON-US	VEON Ltd. Sponsored ADR	\$57.72	4,046	6,799	7.63	1.48	0.89	3.25
VEON Discount to peers:					-81%	-50%	-68%	-40%

Source: Litchfield Hills Research LLC and FactSet

Figure 4 – VEON Ltd. – Income Statement (US \$millions)

December ending year	2023A Year	2024A Year	2025E Year	2026E Year
Revenue	\$3,698	\$4,004	\$4,350	\$4,742
Growth		8%	9%	9%
Operating expenses:				
Service costs	423	488	525	530
Cost of equipment and accessories	18	27	40	40
SG&A	1,646	1,799	1,900	2,000
Depreciation and amortization	735	728	805	877
Impairment/(loss) reversal, net	(6)	3	0	0
Gain/(loss) on disposal of non-curr assets	(46)	(5)	0	0
Gain on disposal of subsidiary	0	(145)	(500)	0
Total Operating Expenses	<u>2,770</u>	<u>2,895</u>	<u>2,770</u>	<u>3,447</u>
Operating expense margins	75%	72%	64%	73%
EBITDA	1,612	1,691	2,380	2,094
Operating Income	928	1,109	1,580	1,294
Operating Margin	25.1%	27.7%	36.3%	27.3%
Total Other Items	<u>(369)</u>	<u>(405)</u>	<u>(440)</u>	<u>(450)</u>
Pre-Tax Income	559	704	1,140	844
Taxes (benefit)	<u>179</u>	<u>217</u>	<u>399</u>	<u>296</u>
Tax Rate	32.0%	30.8%	35.0%	35.0%
Net Income (loss)	<u>\$380</u>	<u>\$487</u>	<u>\$741</u>	<u>\$549</u>
Net Margin	10.3%	12.2%	17.0%	11.6%
EPS	\$5.33	\$6.72	\$10.24	\$7.57
ADR Share count (millions)	71	72	72	73

Source: Company reports and Litchfield Hills Research LLC

Figure 5 – VEON Ltd. – Balance Sheet (US \$millions)

December ending year	2026E	2025E	2024A	2023A
Balance sheet				
Current Assets				
Cash and S.T.I.	\$3,472	\$2,573	\$1,761	\$1,902
Accounts receivable	559	500	463	542
Investments and derivatives	459	400	357	433
Inventories	20	18	15	23
Prepaid and other	<u>350</u>	<u>320</u>	<u>304</u>	<u>258</u>
Total Current Assets	4,860	3,811	2,900	3,158
PP&E	3,200	3,100	3,016	2,898
Other non-current	<u>2,300</u>	<u>2,200</u>	<u>2,120</u>	<u>2,162</u>
Total Assets	<u>\$10,360</u>	<u>\$9,111</u>	<u>\$8,036</u>	<u>\$8,218</u>
Current Liabilities				
Accounts payable and accrued	\$1,750	\$1,500	\$1,276	\$1,200
Debt and derivatives	2,200	1,900	1,739	1,773
Other current	<u>700</u>	<u>600</u>	<u>639</u>	<u>611</u>
Total current liabilities	4,650	4,000	3,654	3,584
Debt and derivatives	3,100	3,100	3,028	3,464
Other non-current	<u>100</u>	<u>100</u>	<u>97</u>	<u>99</u>
Total Liabilities	7,850	7,200	6,779	7,147
Stockholders' Equity				
Preferred stock				
Total stockholders equity	<u>2,510</u>	<u>1,911</u>	<u>1,257</u>	<u>1,071</u>
Total Liabilities and equity	<u>\$10,360</u>	<u>\$9,111</u>	<u>\$8,036</u>	<u>\$8,218</u>

Source: Company reports and Litchfield Hills Research LLC

Figure 6 – VEON Ltd. – Cash Flow (US \$millions)

	2026E	2025E	2024A
Net Income	\$549	\$741	\$487
Accounts receivable	(59)	(37)	79
Investments and derivatives	(59)	(43)	76
Inventories	(2)	(3)	8
Prepaid and other	(30)	(16)	(46)
PP&E	(100)	(84)	(118)
Other non-current	(100)	(80)	42
Accounts payable and accrued	250	224	76
Debt and derivatives	200	134	(26)
Provisions	100	27	(8)
Other current	100	(39)	28
Debt and derivatives	0	72	(436)
Other non-current	0	3	(2)
Preferred stock	0	0	0
Commons stock	0	0	0
Additional paid in capital	50	(87)	(223)
Accumulated other comp. loss and other	0	0	0
Dividend and/or tax adj.			
Total Cash Flow	\$899	\$812	(\$141)

Source: Litchfield Hills Research LLC

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