

Kazakhtelecom: 9M2019 results

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Company demonstrated a strong increase in income by 90% yoy to 298.6bn tenge. The main growth effect is provided by the provision of mobile services and fixed telephony. Positive results of Kazakhtelecom are somewhat offset by a one-time increase in expenses due to consolidation. We reiterate our Buy recommendation on Kazakhtelecom.

According to the results of 9M2019 an increase of income by 90% yoy to 298.6bn tenge is observed. The main growth effect is provided by the provision of mobile services and fixed telephony.

Recall that these results consolidate the results of the recently acquired Kcell.

Cost increased almost 2 times mainly due to higher personnel costs and increased depreciation and amortization.

Gross profit margin was 31.5% versus 37% for 9M2018.

Operating profit increased by 65% YoY to 64.4 billion tenge.

Financing expenses increased by almost 7 times (up to 30 billion tenge) due to the growth of interest expenses on loans and the occurrence of rental costs.

The share in the joint venture's profit increased by 43% to 6 billion tenge.

Net profit for 9M2019 amounted to 51.2bn tenge, an increase of 27% yoy.

Our opinion

We note that the positive results of Kazakhtelecom are somewhat offset by a one-time increase in expenses due to consolidation. Gross margin for 9M2019 is at the level of 31.5% compared with the expected level of 30% for the whole of 2019. In accordance with our forecast for revenue growth, we expect the company to achieve our profit targets at the end of the year. We reiterate our Buy recommendation on Kazakhtelecom.

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Research	Department	Telephone	E-mail
Stanislav Chuyev	Head		s.chuyev@halykfinance.kz
Assan Kurmanbekov	Macroeconomics		a.kurmanbekov@halykfinance.kz
Dmitriy Sheikin	Macroeconomics		d.sheikin@halykfinance.kz
Zhansaya Kantayeva	Fixed income		zh.kantayeva@halykfinance.kz
Madina Meterkulova	Equity		m.meterkulova@halykfinance.kz
Vladislav Benberin	Equity		v.benberin@halykfinance.kz

Sales	Department	Telephone	E-mail
Mariya Pan	Head		m.pan@halykfinance.kz
Aizhan Moldakhmetova	Institutional		a.moldakhmetova@halykfinance.kz
Asel Baizhanova	Institutional		a.baizhanova@halykfinance.kz
Zhanna Nuralina	Retail		zh.nuralina@halykfinance.kz
Shynar Zhakanova	Retail		sh.zhakanova@halykfinance.kz
Aliya Abdumazhitova	Retail		a.abdumazhitova@halykfinance.kz
Alya Mukhametzhanova	Retail		a.mukhametzhanova@halykfinance.kz

Halyk Finance

Abay av. 109 «B», 5th fl.
 Almaty, Kazakhstan, A05A1B4
 Tel: +7 727 331 59 77
www.halykfinance.kz

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