

DBK has allocated KAZ Minerals USD600 mn to expand the project Aktogay-2

Aliya Assilbekova — June 18, 2019

DBK opened a credit line to KAZ Minerals in the amount of USD600 mn for a period of up to 15 years at a dollar rate of LIBOR + 3.9% for the implementation of the Aktogay-2 expansion project.

The total amount of the project financing, taking into account the first loan in the amount of USD300 mn, issued in 2016, amounts to USD900 mn. The project includes the construction of a second processing plant for the processing of sulphide ore and related infrastructure with a total value of KZT1.2 bn. According to the Company, after commissioning of the new facility, Aktogay's capacity will increase from 25 mn to 50 mn tons of ore processing per year. It is planned that the annual production of sulphide ore will increase by 1.9 times to 170 ktons in the period from 2022-2027, and subsequently production will be 130 ktons per year. The first receipt of the loan is expected in 3Q2019.

Our opinion:

The Aktogay-2 expansion project is a low-risk project allowing KAZ Minerals not only to double the capacity of the whole processing plant, but also to increase free cash flows. In addition, this project contributes to the creation of a stronger platform for the implementation of the Baimskaya project in the Chukotka Autonomous Region of the Russian Federation. Thanks to new projects, KAZ Minerals will ensure production growth in the long term, when the copper market is in short supply. Previously, the Company announced the expansion of Aktogay, and we included a new project in our assessment of the Company's fair value.

In general, we do not see significant changes in the Company's fundamental indicators and maintain our recommendation to **Buy** KAZ Minerals shares from 12M TP **760 GBp/share**.

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