

# Neutral results of KAP for 1Q2019

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Altynay Ibraimova — May 29, 2019

A slight decrease in revenue in 1Q2019 by 3% yoy was compensated by a more substantial cost saving by 14% yoy, as a result of which gross profit amounted to T18bn, showing an increase of 33%.

The decrease in revenue reflects a relatively low (-2% yoy) income from the sale of uranium products in T43.4bn, which provides about 76% of all revenue in the amount of T57bn. The main consumers of Kazakhstani uranium in 1Q2019 remain China (22%) and France (20%). OPEX in 1Q2019 amounted to T7.7bn, slightly decreasing by 1%.

Significant growth is observed in the share of income of the joint venture and associated companies, which together brought revenues of T6.8bn versus T2.1bn in 1Q2018. The increase in profits is observed mainly in Katko JV (T6bn of profit versus loss in 1Q2018 in T1.3bn), Zarechnoye JV (10 times) and Khorasan (T1bn vs. loss of T0.5bn).

Profit before tax is significantly lower than in 1Q2018 due to a one-time article relating to the acquisition of a business. In 1Q2018, the company recognized income in the amount of T314bn as a result of acquiring a business, which in the reporting quarter amounted to just T323mn, as a result of which the pre-tax profit decreased by 20 times yoy. According to our calculations, the adjusted pre-tax profit is 7 times higher than in 1Q2018 and amounts to T15bn.

Profit for the period in the amount of T15bn compared to T318bn received in 1Q2018, in our opinion, should also be considered with adjustments and exceed the result of 1Q2018 about 7 times. In 1Q2019 the company significantly reduced capital expenditures, cash outflows from investing activities decreased 13 times to T10bn. The cash position is T112bn, a decrease of 13% since the beginning of the year.

## **Our view**

According to 1Q2019 results, we see no pressure from low sales, noting only a slight decrease in operating income (-2% yoy). The 1Q2018 results do not change our forecasts for 2019, and we are committed to previous sales forecasts of 13.7ths tons. We also do not note risks from the demand side - China and France in the face of the main consumers are able to provide a guarantee of a stable uranium supply by the company. We maintain our Buy recommendation on Kazatomprom.

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