

Kazakhtelekom approved new methodology of buyout price calculation

Aliya Assilbekova — February 14, 2019

As the result of the decision of the extraordinary Board of Directors' meeting held on 11 February 2019, Kazakhtelekom approved a new methodology for determining the value of shares repurchased by the Company. According to the new methodology, repurchase of the shares at the request of the shareholders is executed at the weighted average price, which prevails on the Organized Securities Exchange, where shares are traded, less a 20% discount of the amount received. The calculation of the weighted average price for each type of stock is determined based on transactions completed in the last 180 calendar days preceding the date of the events.

At the end of 2018, minority shareholders of Kazakhtelekom appealed to the Company with the requirement to repurchase their shares. The main reason for the claim was a deal to buy out 75% of Kcell's shares. The Company had to repurchase the shares within 30 days at a cost according to the methodology, which was in force at the time of filing application for the share repurchase at the end of 2018, which implied the share repurchase at the market price without a discount.

Our opinion:

We view this event as negative for the value of Kazakhtelekom's shares, but, however, we believe that the new methodology, according to which the share repurchase from minority shareholders will be executed with 20% discount to the market price, will not significantly change our fair value estimate of the Company. We maintain our recommendation **to Hold** shares of Kazakhtelekom with 12M TP **32 000KZT/shares**.

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