

### Review of results for 2018

Aliya Assilbekova

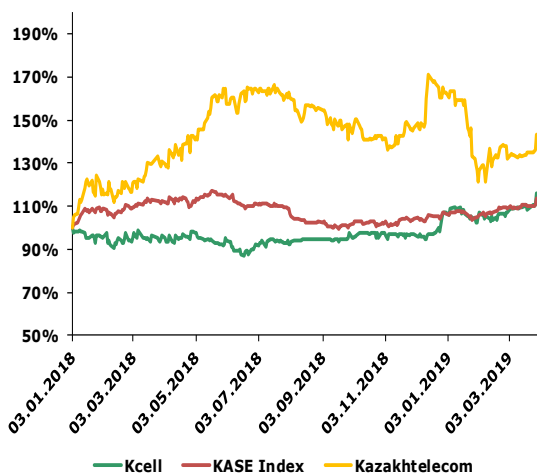
a.assilbekova@halykfinance.kz

8 April 2019

Ticker	KCEL.KZ
Recommendation	Buy
Current price (05.04.2019), KZT/share	1 930
12M target price, KZT/share	2 225
<b>Expected growth potential</b>	<b>15,3%</b>
Ticker	KCEL.LI
Recommendation	Buy
Current price (05.04.2019), USD/share	4,9
12M target price, USD/share	5,9
<b>Expected growth potential</b>	<b>19,7%</b>
Number of ordinary shares	200
3M average daily turnover (KCEL.KZ, mn KZT)	34
3M average daily turnover (KCEL.LI, thous USD)	25
Free float	25%
Market capitalization, mn KZT	386 000
Main shareholders:	
Kazakhtelecom	75%
Raiffeisen Bank	11%
Freedom Finance	6%

Financial indicators, mn KZT	2019F	2020F	2021F
Revenue	154 180	158 310	163 149
EBITDA	46 052	48 387	50 363
Net income	8 754	12 245	15 101
EPS (KZT)	44	61	76
Total equity	70 857	76 975	83 504
Net debt	47 573	38 846	31 090
Estimated multipliers	2019F	2020F	2021F
EV/Revenue	3,2	3,1	3,0
EV/EBITDA	10,7	10,2	9,8
Net debt/EBITDA	1,0	0,8	0,6
Net debt/Total equity	0,7	0,5	0,4
P/E	44,1	31,5	25,6
P/B	5,4	5,0	4,6
ROE	12%	16%	18%

Dynamics of share prices	KCEL.KZ	KASE Index
1M	5%	3%
3M	6%	6%
12M	20%	1%
52 weeks max	2 010	2 533
52 weeks min	1 510	2 151



Source: Bloomberg, Halyk Finance

Despite the modest financial results of Kcell for 2018, the Company's shares demonstrated a steady increase of 19% from April 2018, reaching a price of KZT1 930/share. We note that the main factor in the increase in shareholder value in 4Q2018 was attributable to the acquisition of 75% of Kcell voting shares owned by Telia Company and Fintur B.V. since the Company's IPO by the largest telecommunications operator – Kazakhtelecom. The consolidation of two companies in the telecommunications market carries with it a number of potential and cost-effective synergies. Combining strategic and operational resources will allow the Company to reduce fundamental risks, optimize operating expenses and gain access to the infrastructure and technological resources of the main shareholder. Considering the new strategic priorities aimed at attracting high-quality customers, as well as the growing business of contract phones and the development of individual business solutions in the corporate segment (B2B), we are upgrading our recommendation from Hold to **Buy** and 12M TP from KZT1 350/share to **KZT2 225/share**.

#### New strategic priorities and revenue growth in the B2B segment.

Due to the glut of the cellular communications market with non-contract balance SIM cards and a slowdown in the growth rate of the telecommunications market, in 2018 the Company revised its strategic priorities, which are aimed at moving from distribution based on volumes to attracting and building a quality subscriber base. The revised strategy will allow the Company to minimize the risks associated with bad debts and to attract quality customers in the long term. According to the results of 2018, the Company showed growing indicators in the B2B segment, in which revenue increased by 21.5% y/y due to the introduction of individual business solutions for corporate clients.

**Prospects for synergy between Kcell and Kazakhtelecom.** The acquisition of Kcell by the main operator of the Republic of Kazakhstan will serve the development of the telecommunications industry in the country due to the expansion of the range of services and the positive economic effect from the reduction of capital and operating investments. We believe that the Company will be able to stabilize the financial and operating performance in the medium term through the integration of the business processes of the two companies and significant savings in the costs of maintaining and developing the current technological base. Given the successful practical experience of Kazakhtelecom in the development and introduction of new technologies, the Company will be able to implement a number of strategic projects with the main operator, as well as share the resources and networks of the main operator.

**Positive trends in the telecommunications services market.** Due to the increase in the number of smartphone users and the positive trend in demand for mobile communications, smartphones will contribute to the growth of data traffic. According to the GSMA, with the transition to the 4G standard, there is an active movement towards broadband mobile communications in the CIS countries. The region also plans to introduce 5G networks by 2025. According to data as of 2018, the Company has made significant progress in the deployment of the 4G/LTE network in the Republic of Kazakhstan and currently the network covers 61.9% of the country's population. We assume that the planned introduction of the 5G standard in the future will make it possible to efficiently use the general resources of Kazakhtelecom necessary for the deployment of the 5G network.

**Target price KZT2 225/share, recommendation to Buy.** Given the significant reduction in risks associated with the Company's dependence on the infrastructure of other operators, as well as the prospects for the introduction of new products, we expect a growth potential of 15.3% and recommend to Buy Kcell shares with 12M TP **KZT2 225/share**.

**Fig 1. Financial results for 2018**

mn KZT	2018	2017	y/y
Revenue	149 701	147 475	1,5%
EBITDA excluding non-recurring items	50 943	55 560	-8,3%
EBITDA margin (%)	34%	38%	
Operating income	21 055	29 741	-29,2%
<b>Net income</b>	<b>8 531</b>	<b>11 699</b>	<b>-27,1%</b>
CAPEX to sales ratio (%)	12,9%	14,7%	
Free cash flow	8 319	10 899	-23,7%

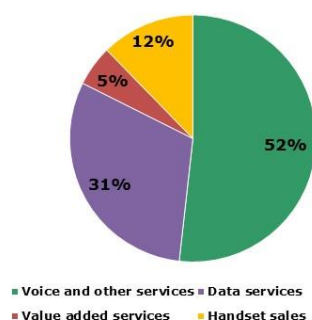
Source: Company data

**Fig 2. Kcell revenue for 2018-2017**

mn KZT	2 018	2 017	y/y
Voice and other services	77 515	80 050	-3,2%
Data services	45 800	45 541	0,6%
Value added services	7 954	9 802	-18,9%
Handset sales	18 432	12 082	52,6%

Source: Company data

**Fig. Kcell revenues by articles for 2018, %**



Source: Company data

**Fig 4. Expenses of Kcell for 2018**

mn KZT	2018	2017	y/y
Cost of sales	99 431	92 194	7,9%
Sales and marketing expenses	9 805	10 388	-5,6%
General and administrative expenses	20 169	19 918	1,3%
Income/expenses on financing, net	-8 792	-9 419	-6,7%
Income tax expense	3 732	8 622	-56,7%
Capital expenditures	19 240	21 648	-11,1%

Source: Company data

**Fig 5. Operational data for 2018-2017**

	2018	2017	y/y
Subscribers at the end of period	8 969	10 009	-10,4%
MOU (min/month)	218	226	-3,5%
ARPU (KZT)	1 150	1 146	0,3%
Outflow rate (%)	55,5%	56,1%	

Source: Company data

## Review of financial results for 2018

In February 2019, the Company has identified the misstatements in the accounting methodology applicable to the financial statements for 2017-2016 and revised the financial results. Adjustments did not have a significant impact on the activities and financial performance of the Company.

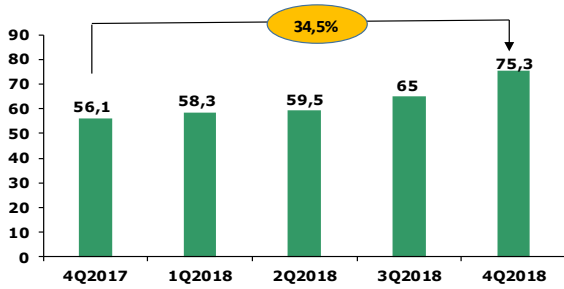
Kcell's total revenue for 2018 increased by 1.5% y/y amounting to KZT149 701mn. EBITDA indicator, excluding non-recurring costs, amounted to KZT50 943mn, which is a decrease of 8.3% y/y. EBITDA margin was 34% for 2018 versus 38% for 2017. Kcell operating income excluding non-recurring expenses decreased by 29.2% y/y to KZT21 055mn. Net income as of 2018 amounted to KZT 8 531mn (-27.1% y/y).

The revenue growth was due to an increase in sales of contract phones (+52.6% y/y) and an increase in revenue in the B2B segment (+21.5% y/y). When considering income in the context of articles for 2018, revenues from voice services decreased by 3.2% y/y to KZT77 515mn, revenue from data services increased by 0.6% y/y to KZT45 800mn, revenue from value-added services amounted to KZT7 954mn (-18.9% y/y) and revenue from sales of mobile devices amounted to KZT18 432mn (+ 52.6% y/y). Revenue from data services increased due to an increase in data traffic, which was partially offset by package offers with a lower rate per MB, which led to a decrease in average income per MB (ARMB) in 4Q2018 up to KZT0.16 (-31% y/y).

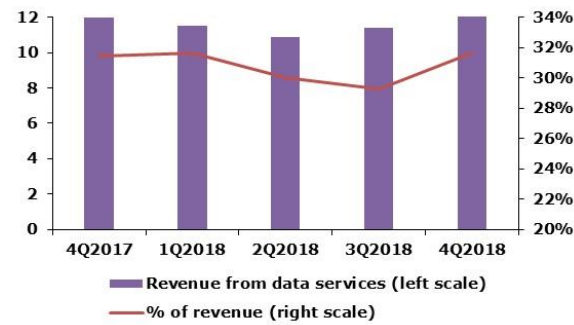
In 4Q2018, 47% of subscribers from the Company's total customer base (in 4Q2017: 36% of subscribers) used Kcell's package offers, which contributed to an increase in revenue from package offers from 69% in 4Q2017 up to 74% in 4Q2018. During the reporting quarter, the number of users of OTT (video services) and MFS (mobile financial services) increased by 31% y/y and 141.5% y/y, respectively. However, given the regulatory changes that prohibit the use of the pay-as-you-go tariff from March 2018, as well as the decrease in the subscriber base in 2018 (-10.4% y/y) as a result of the revision of strategic priorities, the Company's revenue from services decreased by 3% y/y (KZT131 373mn in 2018 against KZT135 407mn in 2017). One of Kcell's key events in 2018 was a shift from distribution based on volumes to attracting high-quality customers in the consumer segment, as well as the development and implementation of individual business solutions in the B2B segment.

According to the reporting, the main articles that put pressure on the Company's net profit for 2018 compared to 2017 are: cost of sales, general and administrative expenses and other operating expenses. Cost of sales increased to KZT99 431 mn (+7.9% y/y), and general and administrative expenses increased to KZT19 227mn (+23.6% y/y) mainly due to the recognition of expenses related to additional taxation and penalties, increased costs for consulting services and staff. Selling and marketing expenses decreased by 5.6% y/y and amounted to KZT9 805mn. Income tax expense for 2018 decreased by 56.7% y/y due to the deduction of deferred income tax. Other operating expenses increased (+93% y/y) due to a loss from foreign exchange transactions. The total share of bad debt reserves relative to total accounts receivable was 30% in 2018 against 28% in 2017.

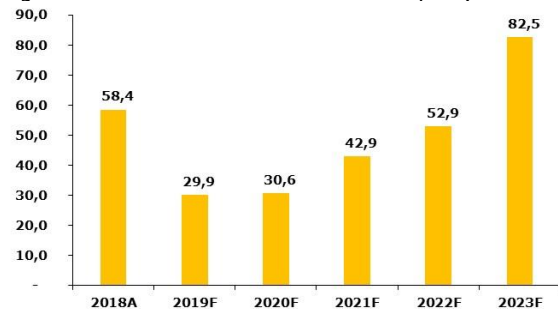
The average revenue per user (ARPU) slightly increased by 0.3% y/y, reaching KZT1 150. The subscriber churn rate was 55.5% in 2018 against 56.1% in 2017. The number of

**Fig 6. Kcell data traffic for 2017-2018, mn GB**


Source: Company data

**Fig 7. Revenue from data services for 2017-2018, bn KZT**


Source: Company data

**Fig 8. Actual and forecasted dividends of Kcell, KZT/share**


Source: Company data, Halyk Finance

subscribers decreased by 10.4%, reaching 8 969 thousand subscribers at the end of 2018.

**Network investment.** As of December 31 2018, 4G/LTE and 3G population coverage were 61.9% and 79.8% of the country's population, respectively. Capital expenses for 2018 amounted to KZT19 240mn (-11.1% y/y), and the ratio of CAPEX to sales was 12.9%. According to our calculations, the predicted ratio of CAPEX to sales in 2019 will be ~13%. In order to increase throughput, in 2018 the Company added a third LTE layer in the cities of Aktau, Atyrau and Almaty. Total data traffic increased by 34% y/y to 75.3mn GB, while total missing LTE traffic increased by 114% y/y.

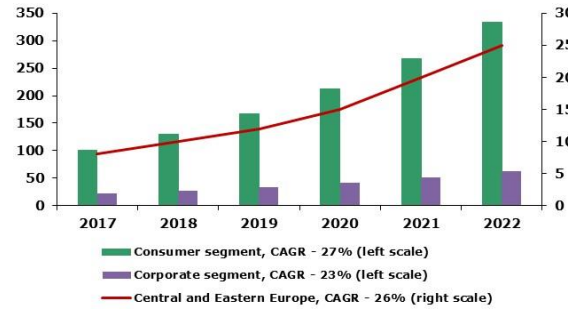
**One-time costs.** According to the results of the tax audit for 2012-2015 accrued taxes, fines and penalties in the total amount of KZT9bn (~ 6% of gross profit for 2018) and a penalty for an alleged administrative offense related to the abuse of a dominant position in 2017 imposed by the Natural Monopoly Regulation Committee in the amount of KZT2bn (~ 1% from gross profit for 2018) are one-time costs for the Company. In 4Q2016 and in 2Q2017, the Company has reserved amounts for taxes in the amount of KZT4bn and KZT2.8bn, respectively. Also, Kcell created tax provisions in 2Q2018 and 3Q2018 in the amount of KZT1.4bn and KZT0.8bn, respectively. In October 2018, the Natural Monopoly Regulatory Committee issued an order for Kcell to eliminate the violation, including the return of amounts written off in 2017 from the accounts of the Company's subscribers after the exhaustion of the volume of Internet traffic. In February 2019 the administrative case was suspended to appeal the opinion on the results of the investigation. Thus, the possible costs associated with an administrative offense will be distributed in the future and will have a one-time impact on the financial results of the Company. In our forecasts, we take into account the simultaneous expenses of the Company.

**Dividend payments.** The dividend policy of the Company implies that the amount of annual dividends on ordinary shares will be at least 70% of the Company's net income for the previous financial year, taking into account the long-term ratio of net debt to EBITDA in the range of 0.5-0.9. In 2018 Kcell paid dividends for 2017 in the amount of KZT11 678mn, or KZT58.39 per one ordinary share, which accounted for 87% of the Company's net income. On March 15, 2019 the Board of Directors of the Company recommended the payment of the annual dividend for 2018 in the amount of 5 972mn tenge, or KZT29.86 per one ordinary share. This corresponds to 70% of the Company's net income in 2018. According to our calculations, the forecast dividend for 2019 will be ~ KZT30.6 for one simple share.

### Estimated synergy between Kcell and Kazakhtelecom

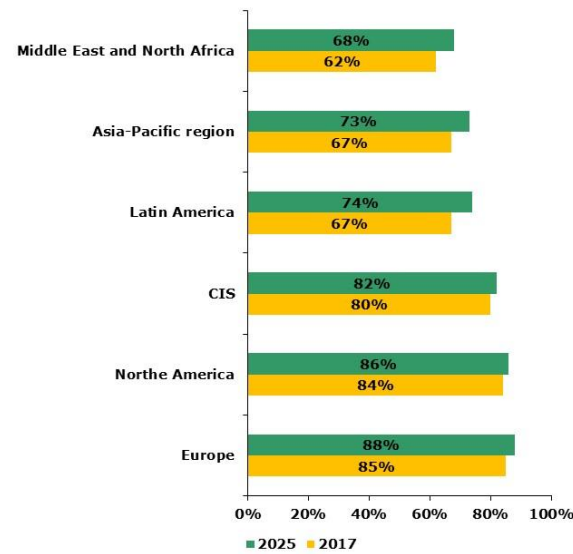
We include in our assessment the operating synergy with the new major shareholder of the Company - Kazakhtelecom. In our opinion, Kcell will exist as a separate business unit and the synergistic effect will come from lower operating and investment costs. The company will be able to maximize the effect of the merger, having access to the technological resources and infrastructure of the main shareholder. As a result of the transaction, it becomes possible to optimize the number of personnel and reduce the cost of maintaining the network infrastructure due to the integration of networks and the effect of scale. The effect of the merger for Kcell may be about ~9% of the savings on the cost of sales, ~5% on commercial and marketing expenses, ~5% on general and administrative expenses and ~2% on other operating expenses.

**Fig 9. Growth forecast for global data traffic by type and in Eastern and Central Europe, petabyte for the month**



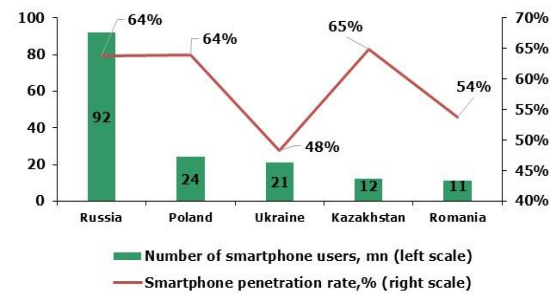
Source: Cisco Visual Networking Index, 2019

**Fig 10. Regions with high penetration levels of mobile services, %**



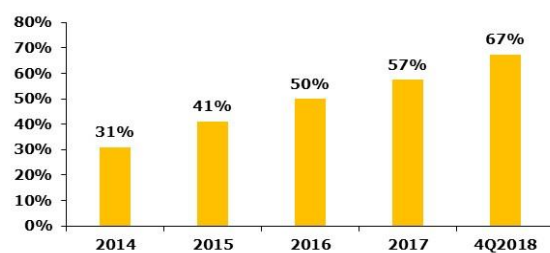
Source: GSMA, 2018

**Fig 11. The number of smartphone users and the penetration rate of smartphones by country in 2018**



Source: Global mobile market report, 2018

**Fig 12. Penetration of smartphones in Kazakhstan, %**



Source: Company data

We expect the Company to be able to achieve and maintain EBITDA margin above 30% in the period 2019-2025.

**Overview of the telecommunications industry in the CIS and Kazakhstan**

According to a GSMA study (an organization that provides data on mobile operators from around the world), the CIS region has one of the highest penetration rates of mobile communication services in the world – 80% of the population use mobile communication services. Thus, it ranks third after other regions with developed markets, such as Europe (85%) and North America (84%), but far ahead of both Latin America and Asia-Pacific (both 67%) and the global average. The indicator is 66%. According to forecasts, by 2025 the region will have 242 mn mobile subscribers, accounting for 82% of the population. The rapid growth in the penetration of smartphones in the coming years (about 80% of connections by 2025, compared to 60% in 2018) will contribute to a huge increase in data traffic. Over the past years, operators throughout the region have been actively investing in 4G networks and expanding coverage, which has led to an increase in the coverage of the population from 30% at the end of 2013 up to 2/3 of the population by the end of 2017. The proportion of 4G in the base of connections was tripled in two years and reached 16% by the end of 2017, its predicted growth will reach 68% of the base of connections in 2025.

We note the attractive prospect of the data transmission market in Kazakhstan and the potential growth of the ARPU (average data transmission revenue) indicator. According to Kazakhtelecom, ARPU in 2017 in Kazakhstan was \$ 3.8 (~ KZT1 239.64), which is significantly lower than in comparable countries with a higher GDP per capita.

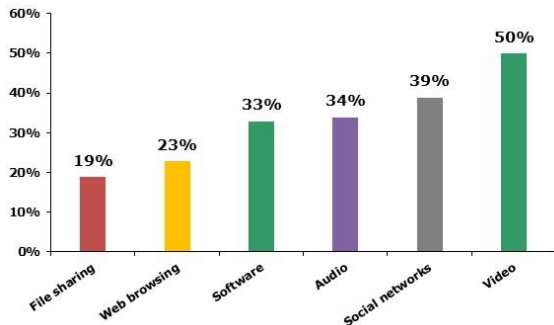
In recent years there has been a significant increase in the use of smartphones in the Republic of Kazakhstan, which has contributed to an increase in data traffic. According to Kcell, for 4Q2018, the share of smartphone use in the Kazakhstan’s market was 67.4% compared to 31% in 2014. Also, according to the Statistics Committee of the Republic of Kazakhstan, the largest shares in the total volume of communication services for 6M2018 accounted for the Internet - 33.4% and mobile communications - 30.3%. Other telecommunications services account for 17.5%, while 83% of all subscribers of mobile operators use the Internet on their smartphones. In recent years, operators have been promoting complete integrated service packages, which helps to ensure high data transfer volumes and higher revenues.

According to the Ministry of Information and Communication of the Republic of Kazakhstan, according to the results as of 2017 77% of the population had access to the Internet, 69% of all settlements (> 50 thousand people) were covered by 4G high-speed Internet. Achieving maximum Kcell coverage with 4G networks and increasing the number of smartphones will create a strong increase in network traffic consumption. A large amount of traffic delivered to subscribers, given the reduction in the unit price for 1MB, can increase revenue from data transfer. Thanks to the resources of the main shareholder, an increase in the traffic sold does not require significant capital expenditures to maintain the corresponding infrastructure.

Considering the consolidation of the joint venture Tele2-Altel and the acquisition of 75% of the controlling stake in Kcell by Kazakhtelecom, as well as compliance with the requirements set by the regulator as terms of the transaction, one of which is to maintain the current Kcell tariff plans for three years, the tariff

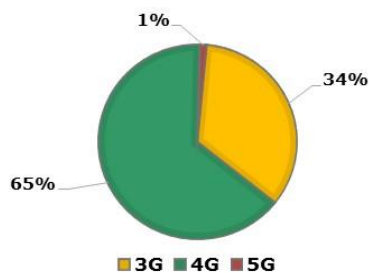


**Fig 13. Mobile traffic by offer category, CAGR (2016-2022), %**



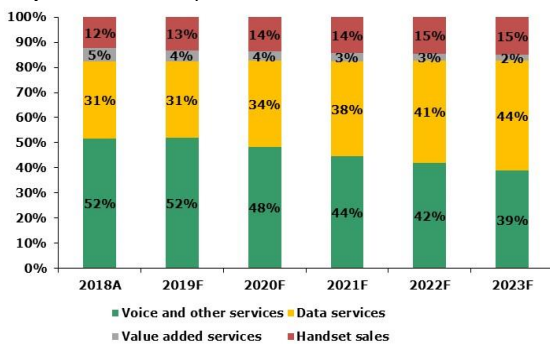
Source: Ericsson, mobility report, 4Q2018

**Fig 14. GSMA forecast on technology penetration for Kazakhstan in 2025**



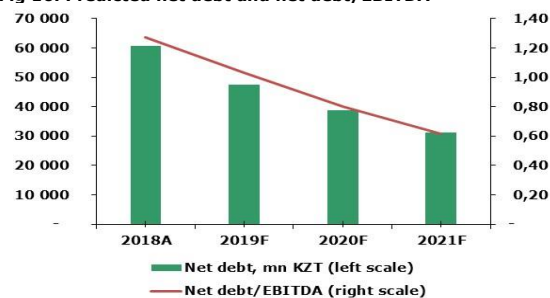
Source: GSMA, 2018

**Fig 15. Forecast of revenue shares by main items of income in the period 2018-2023, %**



Source: Company data, Halyk Finance

**Fig 16. Predicted net debt and net debt/EBITDA**



Source: Company data, Halyk Finance

increase, in our opinion, is unlikely. The main concern of a competitor (Beeline) may be the potential possibility of the combined operator to reduce tariffs for services, which, given the operational synergy, will allow it to attract new customers, increase market share and improve profitability.

As a result of consolidation of the joint venture Tele2-Altel and Kcell, Kazakhtelecom will be able to integrate the capabilities of all three companies and qualify for the implementation of the 5G project. At the beginning of 2019 Kazakhtelecom and Ericsson signed a memorandum on cooperation in the development of 5G radio access technologies in Kazakhstan. The program of pilot introduction of 5G technologies is designed for 2019-2021. By building an integrated network in the long term, Kcell will be able to improve data throughput due to the growing consumption of network traffic.

### Update of recommendation

When calculating the Company's fair value, we took into account the predicted values of inflation, GDP growth, consumption growth, increase in the population of the Republic of Kazakhstan, growth in imports of goods and the exchange rate USDKZT.

We expect the average growth of Kcell's total revenue at the level of 5% y/y in the forecast horizon 2020-2025, which is slightly higher than the growth rate of inflation in Kazakhstan, projected at an average of 4.6% in the period 2020-2025. The main revenue growth is expected from data services, increased revenue from sales in the B2B segment and sales of contract mobile phones. We forecast a continuation of the trend in the forecast horizon, aimed at increasing the share of data transfer revenue in total revenue (+13% y/y), while reducing the growth in the share of revenue from voice services (-3% y/y). We expect long-term growth in revenues from the sale of smartphones at the level of 8% y/y due to an increase in the implementation of contract mobile devices.

We expect a slight increase in costs in the medium term due to integration with a subsequent decrease mainly due to lower costs for interconnection services, network maintenance, fees for using frequencies and staff costs and other operating expenses due to operating synergies with Kazakhtelecom. It should be noted that most of Kcell's expenses are expressed in USD, while the bulk of income is generated in KZT (except for a certain part of services, such as roaming, expressed in USD). As of December 31, 2018, 53% of accounts payable or KZT 7 086mn were expressed in USD. As a result, Kcell remains vulnerable to KZT devaluation.

In the period 2019-2025, we expect some reduction in the debt burden, as well as a decrease in financial expenses, taking into account a decrease in market interest rates on borrowings. According to our forecasts, net debt/EBITDA will approach the lower boundary of the Kcell target range of 0.5-0.9 by the end of 2021.

When forecasting the total capital costs, we took into account the investments in infrastructure development, the costs of further deployment and maintenance of 3G and 4G networks. In our opinion, the Company will invest in expanding the capacity of the existing infrastructure due to the increasing demand for bulk content and new communication services (Internet of things, electronic commerce, and mobile finance). As a result, we believe that capital investment can reach 13% of revenue in 2019-2020. Due to the fact that we do not expect investment programs for the implementation of 5G networks in

the short term by the Company, we do not take these costs into account in our forecasts. We expect Kcell to send 70% of its net profit to dividend payments, according to the current dividend policy.

According to our forecasts, the fair value of Kcell is **KZT2 225 per share**, recommendation is to **Buy**.

**Рис 17. Calculation of 12M TP of Kcell, mn KZT**

	2019F	2020F	2021F	2022F	2023F	2024F	2025F
Revenue	154 180	158 310	163 149	172 883	176 543	186 532	202 696
EBIT	23 469	25 941	27 919	39 482	42 462	56 022	74 424
+ Depreciation and amortization	22 583	22 446	22 444	22 553	22 756	23 037	23 385
- Tax	2 188	3 061	3 775	7 861	7 985	11 278	15 301
- CAPEX	19 785	20 345	20 921	21 514	22 123	22 749	23 394
- Changes in working capital	-3 994	-1 561	-183	2 628	36	2 148	2 630
Free cash flows	28 072	26 542	25 850	30 034	35 073	42 883	56 484
WACC	11%						
<b>Free cash flows (PV)</b>	<b>25 244</b>	<b>21 463</b>	<b>18 797</b>	<b>19 639</b>	<b>20 624</b>	<b>22 675</b>	<b>26 858</b>
Terminal value	337 191						
Enterprise value	492 492						
- Net debt forecast for 2017	47 573						
Market capitalization	444 919						
Number of shares, thous	200						
12M target price (KZT)	2 225						

Sources: Company data, Halyk Finance

When calculating the target price, we also updated the WACC calculation parameters. We applied a risk-free interest rate for Kazakhstan equal to 8.34%; the beta value for Kcell, equal to 0.80 and the average market yield for Kazakhstan (KASE Index) totaling 12.32%. The cost of equity capital and the after-tax cost of debt are 11.5% and 9.3%, respectively. According to our calculations, WACC is 11%. We take into account the long-term growth rate of 3% after 2025.

### Risks

Our recommendation is based on the assumption that Kazakhtelecom's ownership share in Kcell's share capital will be less than 100% and all Kcell minority shareholders will retain their shares, among which are private and institutional investors with long-term investment horizons. Based on the regulatory requirements of Kazakhtelecom, we expect Kcell to remain a publicly traded company and will exist as a separate business unit.

According to the Ministry of Finance of the Republic of Kazakhstan, a public offering of the Company's major shareholder, Kazakhtelecom, is scheduled for 2Q2019 on the stock exchange AIFC (AIX). The planned IPO/SPO involves the sale of a certain portion of Kazakhtelecom shares owned by the state represented by Samruk-Kazyna (52%). We assume that the prospect of listing Kazakhtelecom may have a positive impact on the shareholder value of Kcell's equity capital.

Other risks for the Company are less effective implementation of plans for the integration of technological resources, the development of common facilities and networks, which implies a decrease in dependence on the infrastructure of other operators. Also, the deterioration of the favorable macroeconomic environment in Kazakhstan and the weakening of the USD/KZT exchange rate could adversely affect the financial performance and operating data of the Company. Reducing the demand for data transmission services, the number of subscribers, slowing the pace of 4G/5G network deployment and reducing investment in the current infrastructure in order to maintain the demand for transferring large volumes of traffic can put pressure on the Company's profitability and on lower quality of service. Considering the conditions of the Antimonopoly Committee of the Republic of

Kazakhstan, which obliges Kazakhtelecom to maintain the current Kcell's tariffs for 3 years, the Company may be at a disadvantage due to a general increase in prices (inflation). Other requirements of the regulator regarding the expansion of the range of services, the expansion of the 4G network, the introduction of the 5G standard and the preservation of the Kcell and Activ brands are consistent with the strategy of Kcell and Kazakhtelecom and should not have a significant burden for companies.

**Appendix 1. Forecast of financial indicators of Kcell, mln KZT, except for data per share.**

Income statement	2016A	2017A	2018A	2019F	2020F	2021F	2022F	2023F	2024F	2025F
Revenue	147 037	147 475	149 701	154 180	158 310	163 149	172 883	176 543	186 532	202 696
COGS	- 91 866	- 92 194	- 99 431	- 101 879	- 104 174	- 106 371	- 104 090	- 104 347	- 100 516	- 99 197
<b>Gross profit</b>	<b>55 171</b>	<b>55 281</b>	<b>50 269</b>	<b>52 302</b>	<b>54 136</b>	<b>56 778</b>	<b>68 793</b>	<b>72 196</b>	<b>86 016</b>	<b>103 499</b>
Selling and marketing expenses	- 10 988	- 10 388	- 9 805	- 9 544	- 9 271	- 9 467	- 9 650	- 9 771	- 9 925	- 9 284
General and administrative expenses	- 14 150	- 15 561	- 19 227	- 19 700	- 19 137	- 19 540	- 19 918	- 20 169	- 20 273	- 20 014
Other income	2 872	1 028	1 010	1 636	1 225	1 290	1 384	1 299	1 324	1 336
Other expenses	- 1 864	- 6 18	- 1 192	- 1 225	- 1 011	- 1 143	- 1 126	- 1 093	- 1 121	- 1 113
<b>Operating profit</b>	<b>31 041</b>	<b>29 741</b>	<b>21 055</b>	<b>23 469</b>	<b>25 941</b>	<b>27 919</b>	<b>39 482</b>	<b>42 462</b>	<b>56 022</b>	<b>74 424</b>
Finance income	2 651	957	1 103	976	747	514	399	280	290	311
Finance expense	- 10 936	- 10 377	- 9 894	- 13 503	- 11 381	- 9 557	- 8 439	- 6 446	- 5 046	- 5 186
<b>Profit/loss before tax</b>	<b>22 756</b>	<b>20 321</b>	<b>12 263</b>	<b>10 942</b>	<b>15 307</b>	<b>18 876</b>	<b>31 442</b>	<b>36 295</b>	<b>51 266</b>	<b>69 550</b>
Income tax	- 6 073	- 8 622	- 3 732	- 2 188	- 3 061	- 3 775	- 7 861	- 7 985	- 11 278	- 15 301
<b>Net income</b>	<b>16 684</b>	<b>11 699</b>	<b>8 531</b>	<b>8 754</b>	<b>12 245</b>	<b>15 101</b>	<b>23 582</b>	<b>28 310</b>	<b>39 987</b>	<b>54 249</b>
Number of shares, mn	200	200	200	200	200	200	200	200	200	200
<b>Earnings per share, KZT/share</b>	<b>83,4</b>	<b>58,5</b>	<b>42,66</b>	<b>43,77</b>	<b>61,23</b>	<b>75,50</b>	<b>117,91</b>	<b>141,55</b>	<b>199,94</b>	<b>271,24</b>

Balance sheet	2016Ф	2017Ф	2018Ф	2019П	2020П	2021П	2022П	2023П	2024П	2025П
<b>Assets</b>										
Property, plant and equipment	95 322	93 680	88 676	86 231	84 675	83 847	83 618	83 886	84 568	85 596
Intangible assets	42 842	43 061	40 606	40 252	39 707	39 013	38 201	37 300	36 331	35 312
Long-term trade receivables	1 163	1 617	3 010	1 930	2 186	2 375	2 164	2 242	2 260	2 222
Restricted cash	86	39	37	54	43	44	47	45	46	46
Costs related to contract	104	221	389	238	283	303	274	287	288	283
<b>Total non-current assets</b>	<b>139 517</b>	<b>138 618</b>	<b>132 717</b>	<b>128 705</b>	<b>126 893</b>	<b>125 582</b>	<b>124 305</b>	<b>123 759</b>	<b>123 492</b>	<b>123 458</b>
Inventories	3 587	3 425	4 728	3 784	3 870	3 951	3 867	3 876	3 734	3 685
Trade and other receivables	18 855	20 317	22 581	21 241	21 810	22 476	23 817	24 322	25 698	27 925
Prepaid current income tax	8 660	3 148	-	3 936	2 361	2 099	2 799	2 420	2 439	2 553
Due from related parties	739	810	1 018	856	895	923	891	903	906	900
Short-term investments	-	-	-	-	-	-	-	2 277	20 754	67 721
Cash and cash equivalents	8 477	12 660	6 029	6 167	3 166	3 263	1 729	1 765	1 865	2 027
<b>Total current assets</b>	<b>40 317</b>	<b>40 360</b>	<b>34 356</b>	<b>35 984</b>	<b>32 102</b>	<b>32 713</b>	<b>33 103</b>	<b>35 563</b>	<b>55 396</b>	<b>104 810</b>
<b>Total assets</b>	<b>179 834</b>	<b>178 978</b>	<b>167 073</b>	<b>164 689</b>	<b>158 995</b>	<b>158 294</b>	<b>157 407</b>	<b>159 323</b>	<b>178 888</b>	<b>228 269</b>
<b>Equity and liabilities</b>										
Share capital	33 800	33 800	33 800	33 800	33 800	33 800	33 800	33 800	33 800	33 800
Retained earnings	36 718	36 739	34 275	37 057	43 175	49 704	62 715	74 518	94 688	120 946
<b>Total equity</b>	<b>70 518</b>	<b>70 539</b>	<b>68 075</b>	<b>70 857</b>	<b>76 975</b>	<b>83 504</b>	<b>96 515</b>	<b>108 318</b>	<b>128 488</b>	<b>154 746</b>
Long-term borrowings	8 000	12 000	14 936	11 025	10 457	10 459	10 658	10 927	11 225	34 619
Deferred income tax liabilities	5 888	4 667	1 504	4 020	3 397	2 973	3 463	3 278	3 238	3 327
Other non-current liabilities	1 285	1 355	1 362	1 334	1 350	1 349	1 344	1 348	1 347	1 346
<b>Total non-current liabilities</b>	<b>15 173</b>	<b>18 022</b>	<b>17 802</b>	<b>16 378</b>	<b>15 204</b>	<b>14 782</b>	<b>15 465</b>	<b>15 553</b>	<b>15 811</b>	<b>39 292</b>
Short-term borrowings	57 415	58 418	51 783	42 716	31 556	23 894	10 068	-	-	-
Trade and other payables	28 043	24 405	18 000	24 272	24 818	25 342	24 798	24 860	23 947	23 633
Due to related parties	1 526	1 177	675	1 126	993	931	1 017	980	976	991
Deferred revenue	6 760	6 008	7 298	6 688	6 665	6 884	6 745	6 765	6 798	6 769
Income tax payable	-	-	1 854	1 854	1 854	1 854	1 854	1 854	1 854	1 854
Taxes payable	401	409	1 586	799	931	1 105	945	994	1 015	984
<b>Total current liabilities</b>	<b>94 143</b>	<b>90 417</b>	<b>81 195</b>	<b>77 454</b>	<b>66 816</b>	<b>60 009</b>	<b>45 427</b>	<b>35 452</b>	<b>34 589</b>	<b>34 231</b>
<b>Total liabilities</b>	<b>109 317</b>	<b>108 438</b>	<b>98 997</b>	<b>93 832</b>	<b>82 020</b>	<b>74 791</b>	<b>60 892</b>	<b>51 004</b>	<b>50 400</b>	<b>73 523</b>
<b>Total equity and liabilities</b>	<b>179 835</b>	<b>178 978</b>	<b>167 073</b>	<b>164 689</b>	<b>158 995</b>	<b>158 294</b>	<b>157 407</b>	<b>159 323</b>	<b>178 888</b>	<b>228 269</b>

Cash flow statement	2016A	2017A	2018A	2019F	2020F	2021F	2022F	2023F	2024F	2025F
Cash flows from operating activities	30 547	33 483	27 571	38 873	35 200	37 249	44 178	48 465	42 368	28 153
Cash flows from investing activities	- 43 840	- 22 584	- 19 251	- 19 785	- 20 345	- 20 921	- 21 514	- 22 123	- 22 749	- 23 394
Cash flows from financing activities	- 10 501	- 6 678	- 15 098	- 18 950	- 17 856	- 16 231	- 24 198	- 26 306	- 19 519	- 4 597
<b>Net change in cash and cash equivalents</b>	<b>- 23 794</b>	<b>4 221</b>	<b>- 6 779</b>	<b>138</b>	<b>- 3 001</b>	<b>97</b>	<b>- 1 534</b>	<b>37</b>	<b>100</b>	<b>162</b>
Cash and cash equivalents, beg of year	682	38	148	-	-	-	-	-	-	-
Cash and cash equivalents, end of year	31 589	8 477	12 660	6 029	6 167	3 166	3 263	1 729	1 765	1 865
<b>Net change in cash and cash equivalents</b>	<b>8 476</b>	<b>12 660</b>	<b>6 029</b>	<b>6 167</b>	<b>3 166</b>	<b>3 263</b>	<b>1 729</b>	<b>1 765</b>	<b>1 865</b>	<b>2 027</b>

Source: Company data, Halyk Finance

**Appendix 2. Brief description of the Company.**

Kcell was founded in 1998 as a limited liability partnership. The authorized capital of the Company was owned by Fintur Holdings B.V. (51%) and Kazakhtelecom (49%). At the beginning of 2012, Kazakhtelecom's share was sold to a subsidiary of Telia Company, after which the Company changed its legal form, becoming a joint-stock company. In December 2012, the Company has passed the listing procedure for ordinary shares on KASE and global depositary receipts on the LSE. On December 12, 2018 Kazakhtelecom acquired 75% of Kcell voting shares.

Kcell occupies a leading position in terms of revenue and the number of subscribers in the mobile communications market in Kazakhstan. The company provides voice services, data services and other types of telecommunications services. In the Kazakhstan market, the Company is represented by two brands, Kcell and Activ. The main shareholders of Kcell are Kazakhtelecom (75%), Raiffeisen bank (11%) and Freedom Finance (6%).



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#### Research Department

Stanislav Chuyev	Deputy Head
Dmitriy Sheikin	Macroeconomics
Asan Kurmanbekov	Macroeconomics
Altnai Ibraimova	Equity
Aliya Assilbekova	Equity
Vladislav Turkin	Fixed income

#### E-mail

[s.chuyev@halykfinance.kz](mailto:s.chuyev@halykfinance.kz)  
[d.sheikin@halykfinance.kz](mailto:d.sheikin@halykfinance.kz)  
[a.kurmanbekov@halykfinance.kz](mailto:a.kurmanbekov@halykfinance.kz)  
[a.ibraimova@halykfinance.kz](mailto:a.ibraimova@halykfinance.kz)  
[a.assilbekova@halykfinance.kz](mailto:a.assilbekova@halykfinance.kz)  
[v.turkin@halykfinance.kz](mailto:v.turkin@halykfinance.kz)

#### Sales Department

Mariya Pan	Head
Aizhan Moldakhmetova	Institutional
Shynar Zhakanova	Institutional
Dariya Maneyeva	Retail
Aziza Ordabayeva	Retail
Aliya Abdumazhitova	Retail

#### E-mail

[m.pan@halykfinance.kz](mailto:m.pan@halykfinance.kz)  
[a.moldakhmetova@halykfinance.kz](mailto:a.moldakhmetova@halykfinance.kz)  
[sh.zhakanova@halykfinance.kz](mailto:sh.zhakanova@halykfinance.kz)  
[d.maneyeva@halykfinance.kz](mailto:d.maneyeva@halykfinance.kz)  
[a.ordabayeva@halykfinance.kz](mailto:a.ordabayeva@halykfinance.kz)  
[a.abdumazhitova@halykfinance.kz](mailto:a.abdumazhitova@halykfinance.kz)

#### Address:

Halyk Finance  
Abay av, 109 «B», 5th fl.  
A05A1B9, Almaty, Kazakhstan  
Contact: +7 727 357 31 77  
[www.halykfinance.kz](http://www.halykfinance.kz)

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