

Kaz Minerals: record gold production at Bozshakol in 3Q2019

Altynay Ibraimova — October 25, 2019

Kaz Minerals copper production in 9M2019 increased by 6% yoy to 230.5ths tons. For the whole of 2019, the company planned 300ths tons and thanks to the strong return on growth projects according to the results of 9M2019, the company intends to exceed the annual production plan by 5%.

In particular, in Aktogay, copper production from sulfide ore jumped 21% to 92.9ths tons. The production of cathode copper from oxide ore slightly decreased (-2% yoy) to 18.5ths tons, while the annual plan remains at the level of 25ths tons of copper. Despite the seasonal decline in production expected in 4Q2019, the company predicts that Aktogay will reach the upper limit of the previously planned annual range of 130-140ths tons of copper.

At Bozshakol were produced 79.2ths tons of copper in 9M2019, which is 5.6% higher yoy due to a significant increase in production in 3Q2019 (+ 38% qoq). Gold production in 9M2019 increased by 10% yoy to 103ths tons of ounces, which was also due to a strong increase in 3Q2019 by 47% qoq to a record for Bozshakol at 43ths ounces/q. Silver production increased 15% to 567ths ounces. The annual production plan at Bozshakol remains at the level of 105-115ths tons of copper, 130-140ths ounces of gold (upper limit) and about 700ths ounces of silver.

The assets of the Eastern region show a decrease in copper production by 14% yoy to 39.9ths tons, gold by 0.5% to 40.8ths ounces, silver by 12% to 1.513mn ounces, zinc in concentrate by 25% yoy up to 28.9ths tons. Nevertheless, the Company forecasts an excess of the annual range of 40-45ths ounces of gold and about 1.8mn ounces of silver at the enterprises of the Eastern region and Bozymchak.

The company's debt at the end of 3Q2019 is \$3.236bn, net debt is \$2.635bn.

Our view

Even with the expected progress of production on growth projects, we evaluate the results of 9M2019 as positive in view of the planned excess of the annual copper plan by 5%. Confirmation of our expectations regarding the achievement of the upper limit of the plan at Aktogay 2019 and full design capacity at Bozshakol will allow the company to level out seasonal fluctuations in production, therefore we evaluate the declared annual plan of the company as justified. Taking into account the decline in production in the Eastern region and Bozymchak, overfulfillment of the plan per year is a key point proving a strong return on major projects. We maintain our 6% CAGR production growth forecast by 2027 and confirm our BUY recommendation.

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