

Financial results of KTO for 1H2019 in line with our expectations

Altynay Ibraimova — August 19, 2019

According to 1H2019 results, the company's revenue showed an increase of 43% yoy to T119bn. With a 3.5% yoy increase in cost of sales, gross margin strengthened from 38% to 41% in the reporting period.

Operating profit totaled T35bn, up 12% yoy. EBIT growth was constrained by an increase in general administrative expenses by 29% yoy, other operating expenses by 1.7 times, and expenses on impairment of fixed assets by one and a half times.

The share in the joint venture's profit grew 3.5 times and amounted to T7.9bn.

Due to a significant increase in KTO and JV revenues, net profit for 1H2019 increased by 22% and amounted to T33.8bn.

During the reporting period, capital expenditures decreased by 37% to the T16bn.

Cash from the beginning of the year grew 2.5 times and amounted to T84bn. It is worth noting that the company has not yet reflected the outflow associated with the dividends payment for the previous year due to the actual payment in 3Q2019.

Our view

1H2019 financial results almost completely fit into our annual forecast for the main items. Our 12M TP T1300/share remains relevant based on the current price of KZTO KZ T1010/share. We note the strong advantages of the company in comparison with other issuers on KASE: liquidity, lack of capital-intensive projects, strategic importance of assets and confirm our recommendation to Buy KTO shares.

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