

KTO results for 1Q2019

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1Q2019 revenues from crude oil transportation increased by 13% yoy, exceeding T50bn and having the main effect on revenue growth up to T59.8 (+ 14% yoy).

Noting the decline in consolidated oil turnover in 1Q2019 within 2%, we believe that the tariff for export transportation in the reporting period was significantly higher.

The cost increase amounted to moderate 4% yoy (T35.6bn), whilst general and administrative expenses surged by 57% yoy (T5.3bn). The company associates more than T2bn of general administrative expenses with the provision of charitable assistance, which greatly exceeds (30 times) social expenses, also attributable to general and administrative expenses.

Nevertheless, the operating profit (due to revenue growth) amounted to T18bn, rising by 21%.

The foreign exchange loss decreased by 56% yoy, financial expenses increased by 47% yoy and the share in the profit of the joint venture amounted to T4.2bn, decreasing by 21% yoy.

Net income increased by 12% yoy and amounted to T18bn.

Our view

We are seeing a marked improvement in the company's financial results in 1Q2019 mainly due to the increase in revenues, which, in our estimation, was more a consequence of the growth of export tariffs, taking into account the predominance of the share of exports in KTO shipments. At the same time, we estimate the news as neutral for our forecasts, since such a growth has been already factored in our model. We maintain our Buy recommendation on KTO shares.

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