

## KazTransOil announced 2018 results

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Altynay Ibraimova — March 11, 2019

In 2018 KTO's consolidated revenue amounted to T225bn, which is slightly higher than revenue for 2017 (+ 1.3%) due to an increase in revenues from oil transportation by 3% to T190bn. Revenue on separately basis amounted to T213bn, which is 2% higher than in 2017.

The increase in cost within 4% (to T152bn) was due to an increase in depreciation by 6% and an insignificant reduction in personnel costs of less than 1%. Impairment of fixed assets in the amount of T2.6bn versus T38mn in 2017 also contributed to the reduction of operating income by 16% yoy to T51bn, which, however, was offset by income from exchange differences in the amount of the same T2.6bn.

However, net income on a consolidated basis fell by 23% to T38bn, reflecting a loss on participation in the JV KKT of T2bn. Net profit separately for KTO for 2018 amounted to T52bn, which is 14% higher than the result of 2017.

### **Our view**

KTO's revenue is below our expectations: we overestimated other revenues and revenues from water transportation by 8%. At the same time, the company's revenues from oil transportation and oil transshipment, which provide the bulk of revenue, almost coincided with our forecasts (0.1% deviation). Due to the depreciation of the operating system, net profit did not meet our expectations. However, we do not note the impact of these deviations on the stock price, which was calculated based on cash flows in 2019-2023.

Taking into account the separate profit of T52bn, while keeping our expectations of paying all dividend income, our optimism regarding the dividend of T166/share weakened. Assuming payment of the share of retained earnings is similar to 2017 (4%) our dividend forecast narrowed slightly and amounts to T162.3/share. We maintain our 12M TP at T1582/share with a recommendation to Buy KZTO KZ shares.

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