

# Update on Lukoil dividends

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Altynay Ibraimova — October 17, 2019

Yesterday at EGM, the Board of Directors of Lukoil recommended interim dividends for 9M2019 in the amount of 192 rubles per share with fixing the register of shareholders on December 20, 2019 and payment no later than January 20, 2020. At the same time, the company approved the “new principles of dividend policy”, radically changing the terms of dividend payment.

According to the new dividend policy:

- the total amount of dividends equals at least 100% of the Company's adjusted free cash flow;
- the adjusted free cash flow is determined as net cash provided by operating activities less capital expenditures, interest paid, repayment of lease obligations, and expenses for purchase of Company's stock;
- dividends, as before, are paid twice a year with the amount of interim dividends calculated based on half-year results.

The approved principles apply starting from the interim dividends for 2019.

## **Our view**

The recommended dividend per share is twice the dividend for 9M2018, which, given solid cash position and low debt burden of the company, is clearly positive for the shares price.

Linking dividend payments to the adjusted FCF indicator in comparison with the previous minimum guaranteed level of 25% of net profit is also a more comfortable condition for investors. Correction of FCF due to the repurchase of shares in the amount of \$3bn to 2022 may be significant, but due to the high CFO of Lukoil, as well as the reduction in the number of shares outstanding due to buyback, the dividend per share, according to our forecasts, will maintain an upward trend.

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Research	Department	Telephone	E-mail
Stanislav Chuyev	Head		<a href="mailto:s.chuyev@halykfinance.kz">s.chuyev@halykfinance.kz</a>
Assan Kurmanbekov	Macroeconomics		<a href="mailto:a.kurmanbekov@halykfinance.kz">a.kurmanbekov@halykfinance.kz</a>
Dmitriy Sheikin	Macroeconomics		<a href="mailto:d.sheikin@halykfinance.kz">d.sheikin@halykfinance.kz</a>
Zhansaya Kantayeva	Fixed income		<a href="mailto:zh.kantayeva@halykfinance.kz">zh.kantayeva@halykfinance.kz</a>
Madina Meterkulova	Equity		<a href="mailto:m.meterkulova@halykfinance.kz">m.meterkulova@halykfinance.kz</a>
Vladislav Benberin	Equity		<a href="mailto:v.benberin@halykfinance.kz">v.benberin@halykfinance.kz</a>

  

Sales	Department	Telephone	E-mail
Mariya Pan	Head		<a href="mailto:m.pan@halykfinance.kz">m.pan@halykfinance.kz</a>
Aizhan Moldakhmetova	Institutional		<a href="mailto:a.moldakhmetova@halykfinance.kz">a.moldakhmetova@halykfinance.kz</a>
Asel Baizhanova	Institutional		<a href="mailto:a.baizhanova@halykfinance.kz">a.baizhanova@halykfinance.kz</a>
Zhanna Nuralina	Retail		<a href="mailto:zh.nuralina@halykfinance.kz">zh.nuralina@halykfinance.kz</a>
Shynar Zhakanova	Retail		<a href="mailto:sh.zhakanova@halykfinance.kz">sh.zhakanova@halykfinance.kz</a>
Aliya Abdumazhitova	Retail		<a href="mailto:a.abdumazhitova@halykfinance.kz">a.abdumazhitova@halykfinance.kz</a>
Alya Mukhametzhanova	Retail		<a href="mailto:a.mukhametzhanova@halykfinance.kz">a.mukhametzhanova@halykfinance.kz</a>

### Halyk Finance

Abay av. 109 «B», 5th fl.  
 Almaty, Kazakhstan, A05A1B4  
 Tel: +7 727 331 59 77  
[www.halykfinance.kz](http://www.halykfinance.kz)

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