

## Polymetal reported 1H2019 results and declared an interim dividend.

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Altynay Ibraimova — August 28, 2019

According to 1H2019 results, Polymetal increased its revenue by 20% to \$946mn due to the relatively high sales of gold (+36% yoy to 604koz), which offset the decline in silver sales (-15% yoy to 10.3moz). At the same time, the average selling prices of gold remained almost unchanged, while silver price declined by 7% yoy.

Cost of sales in the amount of \$535mn was 17% higher than in 1H2018, reflecting an increase in sales.

Gross margin was 43% versus 41% in 1H2018.

Operating profit was \$291mn (+ 39% yoy).

Losses from the disposal of subsidiaries (\$13mn) and negative exchange rate differences (\$24mn) contributed to a reduction in net profit in 1H2019 by 13% yoy to \$153mn. Excluding these differences, the adjusted net profit increased by 21% and amounted to \$188mn, 50% of which the company will be directed to dividends. The company's Board of Directors approved the payment of dividends for 1H2019 in the amount of \$0.20/share (\$0.17/share in 1H2018). The total amount of dividends announced this year will be \$0.51/share, which is slightly inferior to our forecast of \$0.58/share.

Company's plans for the whole of 2019 remain unchanged: the production of 1.55mn ounces of gold equivalent at a cash cost in the range of \$600-650/ounce of gold equivalent.

### **Our opinion**

The output of the Kazakh Kyzyl field at a design capacity higher than planned allows the company to demonstrate results in accordance with the market expectations. Noting the good prerequisites for gold that developed during the 3Q2019, we confirm our forecasts for the company to achieve revenue for 2019 at the level of \$2085mn. Assessing the strong prerequisites for maintaining high demand for gold and the rich resource potential of major projects, we remain optimistic about the financial results of the Group for the whole 2019 and maintain our Buy recommendation on Polymetal.

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