

JSC "NAC KazAtomProm" (KAP)

1Q 2024 Financial Results

Ticker KASE: KZAP

Target price (12M): 51 \$

Upside: +32%

Ticker LSE: KAP

Current price: 39 \$

Rating: BUY

July 2024

On May 28, 2024, JSC "NAC KazAtomProm" (hereinafter referred to as "the Group") published its operational results for the 1Q 2024.

As a result, we increased the value of one share to 24,345 ₸, with a potential growth of 32% from the current market price, accompanied by a BUY recommendation.

Although the spot price of uranium has increased and production volume has risen (+7% YoY), there has been a significant decline in uranium sales volume (+55% YoY).

1Q 2024 results based on the consolidated financial statements:

- Revenue has decreased by 29% compared to the previous year. This reduction is attributed to the timing of customer supply requests and lower sales projections for 2024.
- Uranium production volume rose by 7% as a result of the expanded extraction plan for 2024. The increase in planned extraction volumes was also facilitated by the resurgence of drilling activities in 2023.
- The increase in the spot price of uranium led to a higher average selling price. The current pricing strategy of the Company's contract portfolio is closely linked to fluctuations in spot prices for uranium.
- The level of debt amounted to 119 bln KZT as of the 1Q 2024, representing a 38% increase compared to the indicators in 2023.

Dividend payments: The Group has declared a dividend payment of 1,213.19 KZT per common share, reflecting its performance for 2023.

Changes and updates to the valuation model: The uranium spot price forecasts were revised based on Capital IQ and Bloomberg analytical databases. The discount rate (WACC) was raised to 15.7% due to market changes. Additionally, uranium production and sales volumes were updated, and the net debt value was adjusted according to the results of the 1Q 2024.

Financial indicators:

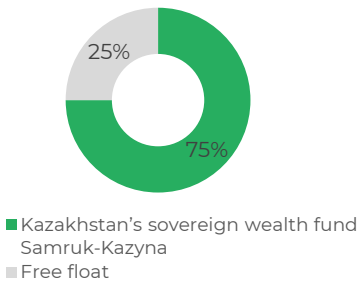
bln, KZT	1Q 2024	1Q 2023	diff (%)
Revenue	270	381	-29%
COGS	(169)	(229)	-26%
Gross profit	101	152	-33%
Operating profit	88	127	-31%
Net income	109	93	-15%
Cash and cash equivalents	414	276	+50%

Ratios:

	1Q 2024	1Q 2023
ROA	21%	23%
ROE	28%	30%

Source: Company data, BCC Invest analysis

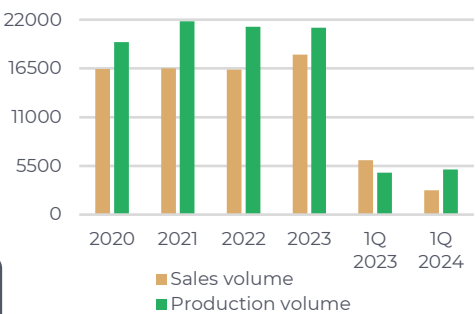
Shareholders:



Market metrics:

Number of shares	259,356,608
Free float(%)	25
Market capitalization (bln, KZT)	4,753
52-week range (KZT)	11,700 – 20,546

Operating performance, tons:



JSC "NAC KazAtomProm" (KAP)

1Q 2024 Financial Results

Ticker KASE: KZAP

Target price (12M): 51 \$

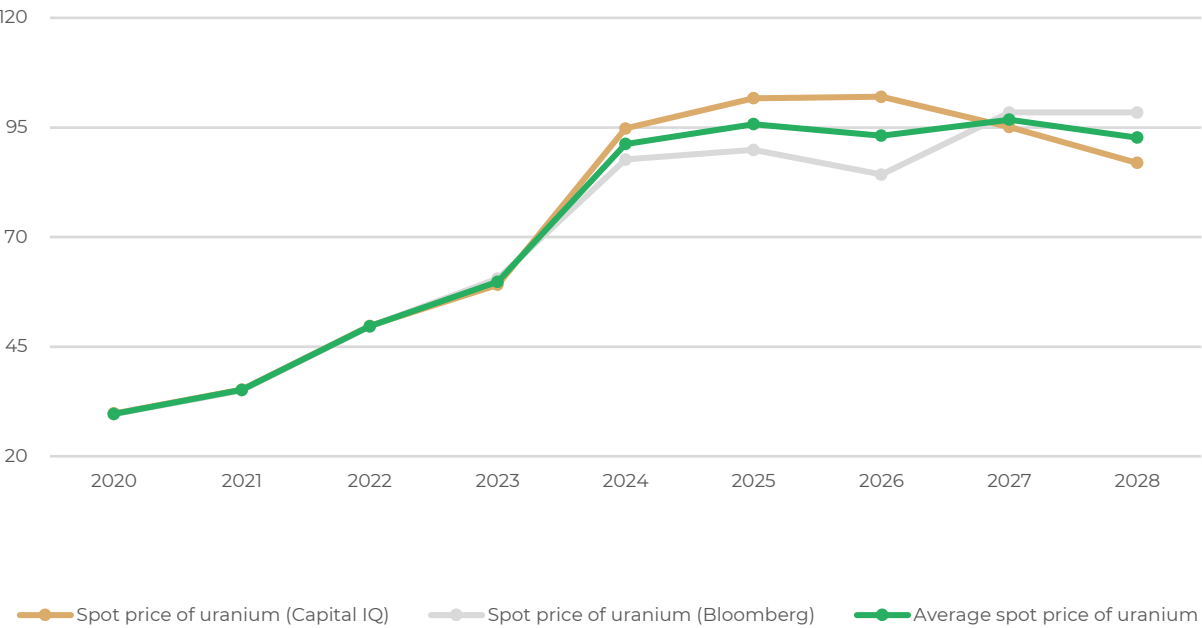
Upside: +32%

Ticker LSE: KAP

Current price: 39 \$

Rating: BUY

Spot price of uranium performance, USD/lb:



Discount rate calculation:

Rate	Value
Risk free rate (10-year US Treasury YTM)	4,25%
Country risk premium	2,89%
Beta unlevered	0,42
Beta relevered	0,76
Equity risk premium	7,89%
Cost of Capital before tax in USD	13,17%
CPI US, 2024-2043	2,22%
CPI KZ, 2024-2043	4,83%
Cost of Capital before tax in KZT	16,06%
Debt capital rate	19,30%
Tax rate	20,00%
Cost of Debt in KZT	15,44%
Capital structure	
Equity/Invested Capital	48,82%
Debt/Invested Capital	51,18%
WACC	15,74%

JSC "NAC KazAtomProm" (KAP)

1Q 2024 Financial Results

Ticker KASE: KZAP

Target price (12M): 51 \$

Upside: +32%

Ticker LSE: KAP

Current price: 39 \$

Rating: BUY

Table №1. Key financial indicators forecast

Bln KZT	Forecast				
	9M2024	2025	2026	2027	2028
NOPAT	701,216	822,045	775,828	810,603	780,062
D&A	71,785	104,001	112,605	121,153	94,025
CapEX	(82,042)	(104,194)	(112,966)	(120,195)	(128,737)
Change in NWC	(794,463)	92,883	26,513	(55,279)	45,138
FCFF	(103,504)	914,735	801,981	756,282	790,488
Discount period	0.38	1.25	2.25	3.25	4.25
Discount rate	15.7%	15.7%	15.7%	15.7%	15.7%
Discount factor	0.95	0.83	0.72	0.62	0.54
Discounted cash flow	(97,983)	761,979	577,205	470,293	424,716
FCFF Discounted	2,136,211				
TV	3,474,981				
EV	5,611,192				
Net Debt	295,209				
Investment property	220,715				
Investments	186,933				
100% EV	6,314,049				
Number of shares, mln	259				
Fair value of the share, KZT/share	24,345				
Current price, KZT/share	18,408				
Fair value of the share, USD/share*	51				
Current price, USD/share*	39				

*474,06 USD/KZT exchange rate was used.

JSC "NAC KazAtomProm" (KAP)

1Q 2024 Financial Results

Ticker KASE: KZAP

Target price (12M): 51 \$

Upside: +32%

Ticker LSE: KAP

Current price: 39 \$

Rating: BUY

«Risk Information for Clients of JSC «BCC Invest»

Important Information:

This material is distributed solely for informational purposes. The distribution of this material does not constitute investment consulting activity. The information provided in this material is not an individual investment recommendation. The recipient of this material should not rely solely on the presented information for decision-making. Calculations, historical data, and other information that may be contained in this material have been prepared by the employees of JSC "BCC Invest" based on information and data obtained from public sources. JSC "BCC Invest" does not verify and is not obligated to verify the completeness, accuracy, and reliability of such information. Any information provided by JSC "BCC Invest" is used by the client solely at their own discretion and at their own risk.

The information provided by JSC "BCC Invest" is not an offer to purchase and/or an obligation to sell any security, an inducement to enter into a transaction, or a recommendation to the recipient of the information on investment, tax, and legal issues, including the suitability of the transaction for the specific goals of the recipient of the information.

Before conducting transactions with securities, including foreign securities, currencies, derivative financial instruments with various types of underlying assets (hereinafter referred to as "Financial Instruments"), for which information is provided by JSC "BCC Invest," recipients of this information must familiarize themselves with the documents characterizing these financial instruments (such as the prospectus) and conduct comprehensive consultations with their financial, legal, tax, accounting, and other advisors before entering into a transaction with financial instruments. Entering into transactions with financial instruments involves certain risks, for which JSC "BCC Invest" cannot be held liable, as these risks are beyond the reasonable control of the parties and their ability to foresee and prevent the consequences of such risks is limited or impossible. The recipient of the information must independently assess the feasibility of entering into transactions with financial instruments. The recipient should not enter into a transaction if its economic and legal substance, documentation, conditions, and associated risks remain unclear or do not align with the recipient's goals, intentions, and expectations. Entering into transactions with financial instruments may entail significant financial and other risks. For this reason, such transactions are intended for individuals who are willing to assume the associated risks and are capable of bearing the potential financial losses. Before entering into any transaction, the recipient of the information must ensure that they understand the risks associated with entering into the respective transaction and possess the necessary financial and other resources to fulfill their obligations under any scenario. When making a decision to conduct operations in the financial market, it is essential to consider that investing in financial instruments carries the risk of not receiving the expected income, losing part or even all of the invested funds, and incurring potential expenses and losses. Information about forecasted positive returns should be regarded as speculative. Past investment performance does not determine future results, and the value of assets can increase or decrease. Changes in foreign exchange rates can also cause the value of investments to decrease or increase. JSC "BCC Invest" does not provide guarantees or assurances and accepts no responsibility for the financial results that may be obtained by the recipient of the information based on the use of this information.

Conflict of Interest

We inform you that JSC "BCC Invest" provides services similar to those described in the standard forms of agreements for brokerage and custodial services to third parties. Additionally, we accept orders from third parties under other agreements and conduct transactions and other operations with securities and other financial instruments in the interests of third parties and for our own interests. We also provide other services to third parties in conjunction with various types of professional activities according to the current legislation of the Republic of Kazakhstan. These services include, but are not limited to, information services, financial consulting, underwriting, bondholders' representative services, asset management, and market-making services.

During the provision of the aforementioned services, JSC "BCC Invest" receives remuneration for these services, which may lead to a conflict of interest between JSC "BCC Invest" and the client. JSC "BCC Invest" does not recommend that clients engage in transactions with financial instruments if such transactions may result in a conflict of interest.

State license № 3.2.235/12 dated 10.07.2018 for conducting activities in the securities market.