EQUITY RESEARCH

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.

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Financial indicators:

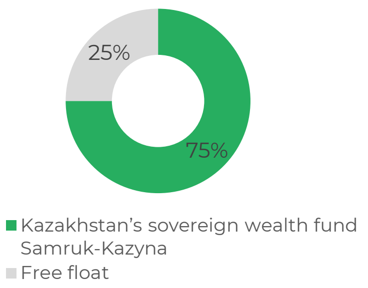
bln, KZT	1Q 2024	1Q 2023	diff (%)
Revenue	270	381	-29%
COGS	(169)	(229)	-26%
Gross profit	101	152	-33%
Operating profit	88	127	-31%
Net income	109	93	-15%
Cash and cash equivalents	414	276	+50%

Ratios:

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

Source: Company data, BCC Invest analysis

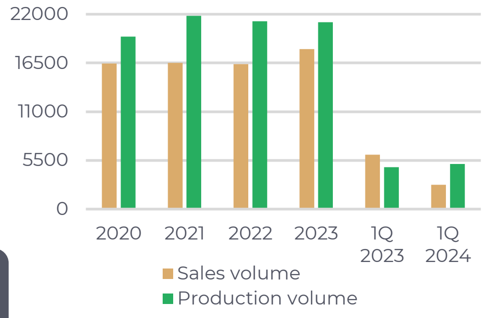
Shareholders:



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:



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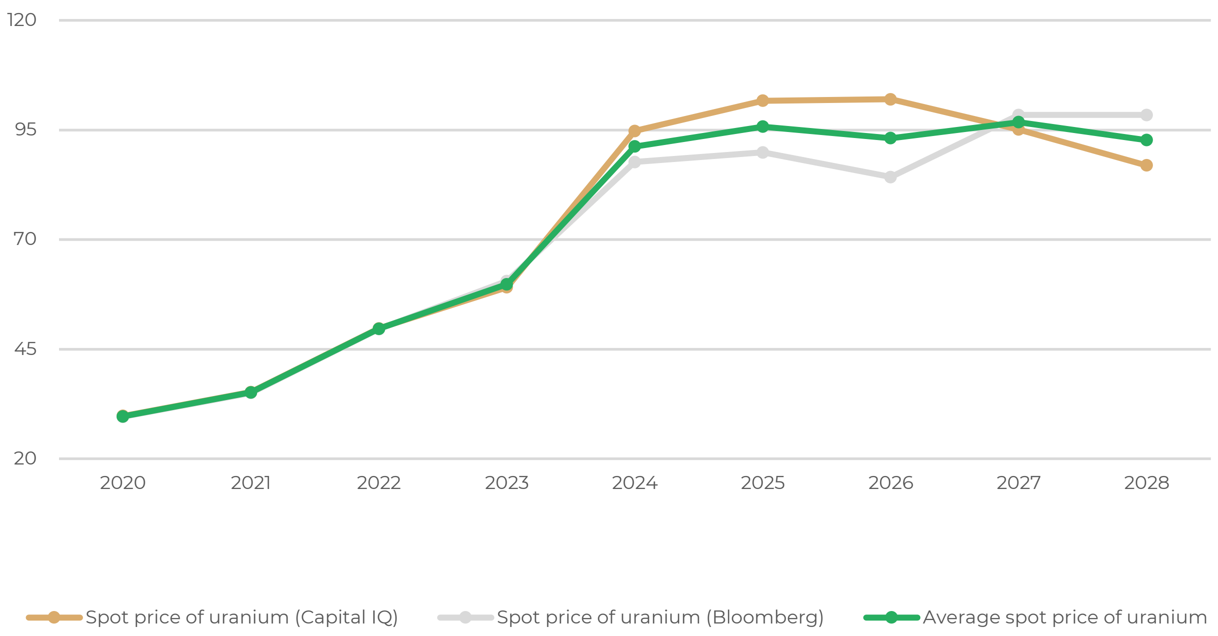
Spot price of uranium performance, USD/lb:



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%**

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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.*

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