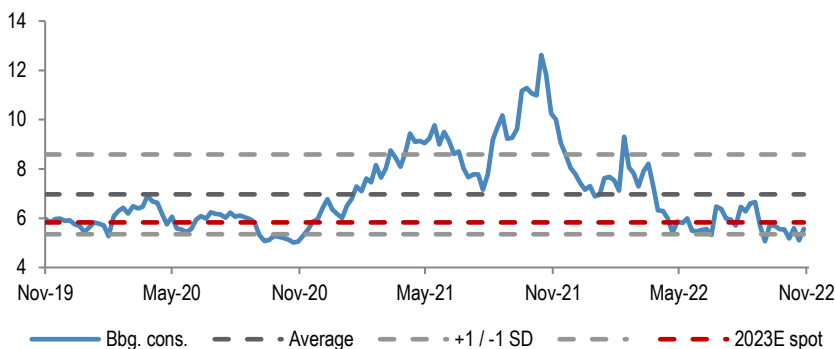


## Kazatomprom

Model Update - remain OW

We update our model post [robust Q3'22 financials](#) released today. We make only minor adjustments to our midterm forecasts, as the results were broadly in line with our expectations, adjusted for seasonality (9M earnings tracked at on average ~80% of FY'22E JPMe). As a result, our Dec'24 PT remains unchanged at US \$36.0/GDR. Shares trade on inexpensive spot 2023/24E EV/EBITDA of 5.8x/5.3x, 11%/13% FCF yields & 8%/10% dividend yields and we remain OW, as we view KAP as an [attractive ESG/Energy transition play](#) in the uranium/nuclear power sector.

Figure 1: Kazatomprom - Historical EV/EBITDA based on Bloomberg consensus vs spot



Source: J.P. Morgan estimates, Bloomberg Finance L.P.

### Overweight

**KAPq.L, KAP LI**  
Price (24 Nov 22): \$27.90  
Price Target (Dec-24): \$36.00

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#### Key Changes (FYE Dec)

	Prev	Cur
DPS - 22E ( )	1,027.82	1,001.89
DPS - 23E ( )	1,034.50	1,049.59
Adj. EPS - 22E ( )	672.52	695.08
Adj. EPS - 23E ( )	1,245.84	1,254.48
Adj. EBITDA - 22E ( mn)	373,223	379,668
Adj. EBITDA - 23E ( mn)	534,155	536,382

#### Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value					
Growth					
Momentum					
Quality					
Low Vol					

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

**See page 5 for analyst certification and important disclosures, including non-US analyst disclosures.**

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## Price Performance



	YTD	1m	3m	12m
Abs	-24.1%	0.4%	-7.7%	-37.8%
Rel	16.4%	-10.1%	-9.0%	1.6%

## Company Data

Shares O/S (mn)	259
52-week range (\$)	45.00-22.05
Market cap (\$ mn)	7,236.05
Exchange rate	1.00
Free float(%)	-
3M - Avg daily vol (mn)	0.10
3M - Avg daily val (\$ mn)	2.7
Volatility (90 Day)	51
Index	BKGDR
BBG BUY HOLD SELL	6 1 0

## Key Metrics (FYE Dec)

in millions	FY21A	FY22E	FY23E	FY24E
<b>Financial Estimates</b>				
Revenue	691,011	954,994	1,163,798	1,267,921
EBITDA	350,294	491,447	641,643	716,691
Adj. EBITDA	276,510	379,668	536,382	552,116
Adj. EBIT	207,248	309,519	462,834	468,332
Adj. net income	137,796	180,273	325,358	322,856
Net income	140,773	202,399	325,358	322,856
Adj. EPS	531.30	695.08	1,254.48	1,244.83
BBG EPS	768.73	757.33	1,117.25	1,321.50
Net debt	(93,948)	(114,351)	(237,245)	(387,080)
Cashflow from operations	118,729	373,136	410,568	438,927
Investing cashflow	(71,241)	(9,065)	(47,610)	(16,873)
FCFF	95,912	373,890	383,436	446,071
<b>Margins and Growth</b>				
Revenue growth	17.6%	38.2%	21.9%	8.9%
EBITDA growth	(6.4%)	37.3%	41.3%	2.9%
Adj. EPS growth	(12.0%)	30.8%	80.5%	(0.8%)
<b>Ratios</b>				
Adj. tax rate	22.1%	28.5%	21.9%	23.0%
Net debt/EBITDA	NM	NM	NM	NM
ROCE	13.0%	18.8%	33.7%	32.1%
ROE	12.2%	16.9%	33.5%	31.4%
<b>Valuation</b>				
FCFF yield	2.8%	11.1%	11.4%	13.2%
Dividend yield	6.8%	7.7%	8.1%	9.4%
EV/Revenue	4.8	3.5	2.8	2.4
EV/EBITDA	12.1	8.7	6.0	5.5
Adj. P/E	24.4	18.7	10.3	10.4
P/BV	2.2	2.5	2.2	1.9

## Summary Investment Thesis and Valuation

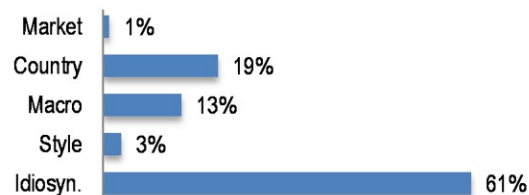
### Investment Thesis

National Atomic Company Kazatomprom (KAP) is the world's largest primary uranium producer, commanding a 24% share of global supply (2021, on attributable basis) with low cost Tier-1 assets underpinning historically solid profitability and a strong balance sheet supporting an attractive shareholder returns potential. Amid gradually tightening uranium market fundamentals and with a guided ~20% uranium production growth into 2024, we believe KAP offers investors an attractively valued exposure to the uranium/nuclear power sector, which is increasingly acknowledged as being among main sources of low carbon MWs amid heightened focus on energy transition vs security. We thus rate the company as Overweight.

### Valuation

Our Dec-24 Price Target is calculated as the equal weighting of: 1) 1.0x NPV under JPM base case uranium price, inflation and FX forecasts, and 2) 7.0x 2024E EV/EBITDA.

## Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSEUEMEA Index	0.62	0.20
Country: Kazakhstan	0.40	0.52
<b>Macro:</b>		
JPM Forecast Revision EM	0.17	0.28
JP Morgan EMBI Global Spread	-0.32	-0.25
JPM Global Equity Sentiment	0.15	0.24
<b>Quant Styles:</b>		
LowVol	-0.29	-0.32
Growth	-0.25	-0.32
Quality	-0.25	-0.16

## Investment Thesis, Valuation and Risks

### **Kazatomprom** (*Overweight; Price Target: \$36.00*)

#### **Investment Thesis**

National Atomic Company Kazatomprom (KAP) is the world's largest primary uranium producer, commanding a 24% share of global supply (2021, on attributable basis) with low cost Tier-1 assets underpinning historically solid profitability and a strong balance sheet supporting an attractive shareholder returns potential. Amid gradually tightening uranium market fundamentals and with a guided ~20% uranium production growth into 2024, we believe KAP offers investors an attractively valued exposure to the uranium/nuclear power sector, which is increasingly acknowledged as being among main sources of low carbon MWs, especially with heightened focus on energy transition vs security. We thus rate the company as Overweight.

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Our Dec'24 Price Target is calculated as the equal weighting of: 1) 1.0x NPV under JPM base case uranium price, inflation and FX forecasts, and 2) 7.0x 2024E EV/EBITDA.

#### **Risks to Rating and Price Target**

Downside risks to our Overweight recommendation and price target include:

- **Uranium prices.** KAP's earnings and cash flows are highly sensitive to uranium prices. If metal prices significantly underperform JPM forecasts, this could materially impact KAP's cash flow, earnings and share price performance.
- **FX.** KAP's consolidated revenues are ~80% denominated in US\$, while its costs are >85% denominated in local currency, the Kazakh Tenge. A stronger KZT would thus be negative for earnings, cash flows and margins.
- **Controlling shareholder & corporate governance.** Kazakhstan's sovereign wealth fund Samruk-Kazyna is KAP's majority shareholder (with a 75% stake) and a key decision maker on corporate strategy and capital allocation. This increases the risk that the interests of controlling shareholder and minority shareholders may not fully align.
- **Geopolitical risks.** KAP's activities could be indirectly affected if US-Russia geopolitical tensions intensify in future, as KAP has 5 JVs with Russian state nuclear energy company Rosatom, which account for >30% of KAP's attributable uranium production.

## Kazatomprom: Summary of Financials

Income Statement						Cash Flow Statement					
	FY20A	FY21A	FY22E	FY23E	FY24E		FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	587,457	691,011	954,994	1,163,798	1,267,921	Cash flow from operating activities	161,593	118,729	373,136	410,568	438,927
COGS	(319,624)	(402,967)	(546,577)	(611,983)	(639,274)	o/w Depreciation & amortization	61,984	69,262	70,150	73,548	83,784
Gross profit	267,833	288,044	408,417	551,816	628,646	o/w Changes in working capital	(59,358)	(118,487)	(32,311)	(8,734)	(36,883)
SG&A	(43,934)	(49,811)	(65,104)	(74,454)	(85,267)	Cash flow from investing activities	48,759	(71,241)	(9,065)	(47,610)	(16,873)
Adj. EBITDA	295,465	276,510	379,668	536,382	552,116	o/w Capital expenditure	(35,472)	(47,294)	(77,059)	(138,470)	(128,360)
D&A	(61,984)	(69,262)	(70,150)	(73,548)	(83,784)	as % of sales	6.0%	6.8%	8.1%	11.9%	10.1%
Adj. EBIT	233,481	207,248	309,519	462,834	468,332	Cash flow from financing activities	(201,415)	(1,843)	(312,381)	(259,847)	(272,219)
Net Interest	(543)	(340)	2,943	3,562	6,278	o/w Dividends paid	(99,002)	(150,082)	(227,388)	(259,847)	(272,219)
Adj. PBT	258,188	278,667	423,839	571,658	639,185	o/w Shares issued/(repurchased)	-	-	-	-	-
Tax	(63,776)	(61,618)	(120,683)	(124,982)	(147,117)	o/w Net debt issued/(repaid)	(72,898)	(10,583)	(3,700)	0	0
Minority Interest	(37,827)	(79,253)	(122,883)	(121,318)	(169,212)	Net change in cash	14,787	47,843	67,024	103,112	149,836
Adj. Net Income	156,585	137,796	180,273	325,358	322,856	Adj. Free cash flow to firm	182,505	95,912	373,890	383,436	446,071
Reported EPS	707.68	542.78	780.39	1,254.48	1,244.83	y/y Growth	29.2%	(47.4%)	289.8%	2.6%	16.3%
Adj. EPS	603.74	531.30	695.08	1,254.48	1,244.83						
DPS	578.67	876.74	1,001.89	1,049.59	1,220.48						
Payout ratio	81.8%	161.5%	128.4%	83.7%	98.0%						
Shares outstanding	259	259	259	259	259						
Balance Sheet						Ratio Analysis					
	FY20A	FY21A	FY22E	FY23E	FY24E		FY20A	FY21A	FY22E	FY23E	FY24E
Cash and cash equivalents	113,347	161,190	228,214	331,326	481,161	Gross margin	45.6%	41.7%	42.8%	47.4%	49.6%
Accounts receivable	117,418	220,138	159,772	204,141	231,611	EBITDA margin	50.3%	40.0%	39.8%	46.1%	43.5%
Inventories	233,389	275,856	350,337	308,380	308,380	EBIT margin	39.7%	30.0%	32.4%	39.8%	36.9%
Other current assets	428,942	567,637	630,237	650,597	694,560	Net profit margin	26.7%	19.9%	18.9%	28.0%	25.5%
Current assets	542,289	771,756	858,459	981,931	1,175,729	ROE	15.2%	12.2%	16.9%	33.5%	31.4%
PP&E	301,066	310,160	334,762	405,197	454,475	ROA	9.3%	7.6%	8.9%	14.7%	13.3%
LT investments	387	0	0	0	0	ROCE	14.9%	13.0%	18.8%	33.7%	32.1%
Other non current assets	786,018	810,648	866,319	876,380	864,934	SG&A/Sales	7.5%	7.2%	6.8%	6.4%	6.7%
Total assets	1,689,279	1,951,504	2,114,151	2,312,606	2,539,535	Net debt/Equity	0.0	NM	NM	NM	NM
Short term borrowings	21,526	11,317	12,594	12,594	12,594	Net debt/EBITDA	0.0	NM	NM	NM	NM
Payables	43,948	66,014	63,283	74,909	81,988	Sales/Assets (x)	0.3	0.4	0.5	0.5	0.5
Other short term liabilities	45,682	81,491	466,940	466,940	466,940	Assets/Equity (x)	1.6	1.6	1.9	2.3	2.4
Current liabilities	111,156	158,822	542,816	554,442	561,522	Interest cover (x)	544.1	813.3	NM	NM	NM
Long-term debt	76,300	77,700	81,495	81,495	81,495	Operating leverage	296.0%	(63.7%)	129.2%	226.5%	13.3%
Other long term liabilities	238,331	255,581	244,504	244,504	244,504	Tax rate	24.7%	22.1%	28.5%	21.9%	23.0%
Total liabilities	349,487	414,403	787,321	798,947	806,026	Revenue y/y Growth	17.0%	17.6%	38.2%	21.9%	8.9%
Shareholders' equity	1,072,655	1,189,843	937,911	1,003,422	1,054,059	EBITDA y/y Growth	36.0%	(6.4%)	37.3%	41.3%	2.9%
Minority interests	267,137	347,258	388,919	510,237	679,449	EPS y/y Growth	30.1%	(12.0%)	30.8%	80.5%	(0.8%)
Total liabilities & equity	1,689,279	1,951,504	2,114,151	2,312,606	2,539,535						
BVPS	5,165.83	5,926.59	5,115.85	5,836.21	6,683.88	Valuation					
y/y Growth	7.9%	14.7%	(13.7%)	14.1%	14.5%		FY20A	FY21A	FY22E	FY23E	FY24E
Net debt/(cash)	4,615	(93,948)	(114,351)	(237,245)	(387,080)	P/E (x)	21.5	24.4	18.7	10.3	10.4
						P/BV (x)	2.5	2.2	2.5	2.2	1.9
						EV/EBITDA (x)	11.6	12.1	8.7	6.0	5.5
						Dividend Yield	4.5%	6.8%	7.7%	8.1%	9.4%

Source: Company reports and J.P. Morgan estimates.

Note: in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

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Kazatomprom (KAPq.L, KAP LI) Price Chart



Date	Rating	Price (\$)	Price Target (\$)
17-Dec-19	OW	13.05	18.3
06-Mar-20	OW	13.05	17.5
30-Apr-20	OW	14.95	19
06-May-20	OW	15.15	18.5
15-Jul-20	OW	13.75	19.5
03-Aug-20	OW	14.50	18.6
27-Aug-20	OW	14.90	21.5
07-Oct-20	OW	14.00	23
02-Nov-20	OW	14.20	22.5
01-Feb-21	OW	17.20	22.6
28-Apr-21	OW	26.90	27
09-Jul-21	N	28.75	27
02-Aug-21	N	24.90	28
02-Nov-21	N	42.20	33
19-Nov-21	N	46.00	34
13-Dec-21	N	37.75	40
28-Jan-22	N	30.80	38
17-Mar-22	N	29.50	31
04-Apr-22	N	29.60	34
04-Jul-22	N	26.18	30
02-Aug-22	N	28.60	29
19-Aug-22	N	27.86	31
10-Nov-22	OW	28.20	36

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Jan 14, 2019. All share prices are as of market close on the previous business day.

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