



Kcell JSC

Q1 2019

Financial results

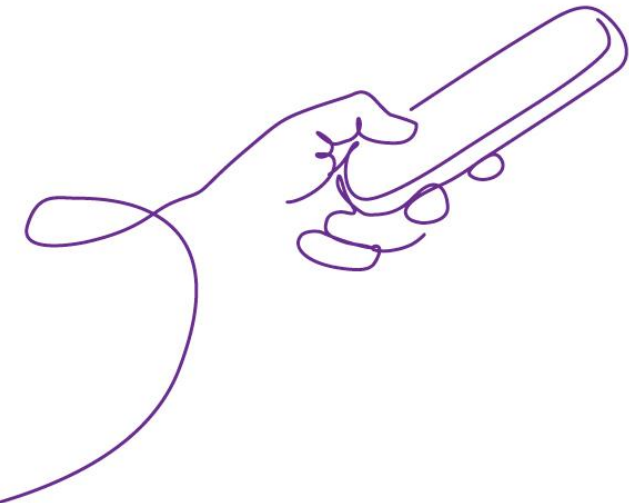


# Q1 2019 highlights



- Net sales decreased by 3.3% YoY, primarily due to a fall in handset sales because of stock shortages, but improvement has been reported starting from March
- Service revenue demonstrated an improving trend, with the decline slowing to 1.8% YoY
- Continued focus on high value customers led to a 9.5% YoY improvement in ARPU
- Growth continued in the enterprise segment, which delivered a 14 % rise in total B2B revenue and a 33% uplift in revenue from business solutions
- Network Sharing Agreement has been terminated by KaR-Tel LLP following a change in control of Kcell. The termination penalty amounts to KZT 14.5 billion
- The BoD recommended the annual dividend in the amount of KZT 5,972 million, or KZT 29.86 per ordinary share/GDR, which represents 70% of the Company's net income for 2018.

# Q1 2019 summary



## Net sales

**KZT 35,180m**  
**(36,386)**

Decrease of 3.3% YoY

## B2B revenue\*

**KZT 3,927m**  
**(3,449)**

Increase of 13.8% YoY

## Net income

**KZT -8,751m**  
**(2,359)**

YoY decrease due to a KZT14,552 million penalty for terminating network sharing agreement

## Service revenue

**KZT 31,654m**  
**(32,249)**

Decrease of 1.8% YoY

## EBITDA\*\*

**KZT 14,024m**  
**(12,456)**

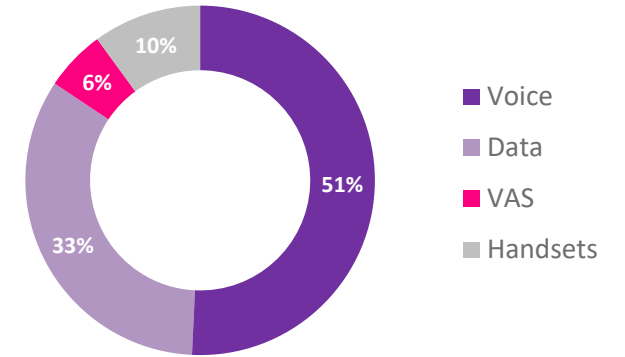
Increase of 12.6% YoY  
EBITDA margin of 39.9% (34.2)

## Subscribers

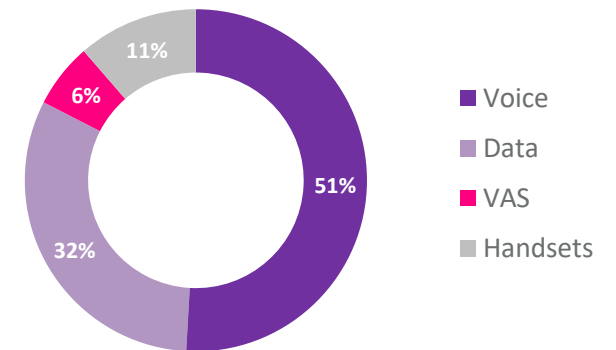
**8,741 thousand**  
**(8,969)**

Decrease by 228,000 subscribers QoQ

Net sales breakdown Q1 2019

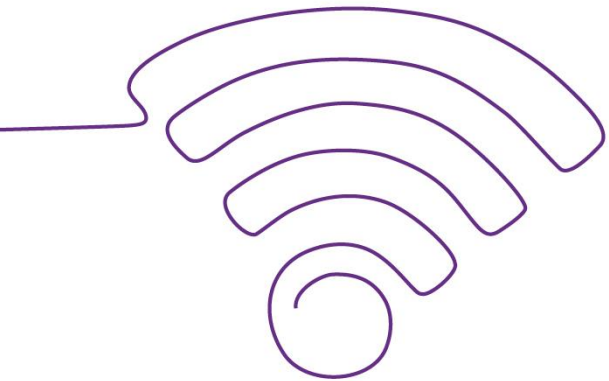


Net sales breakdown Q1 2018



\*Revenue from bulk SMS reclassified from B2B to B2C revenue, figures for 2018 are restated  
\*\*excluding non-recurring items

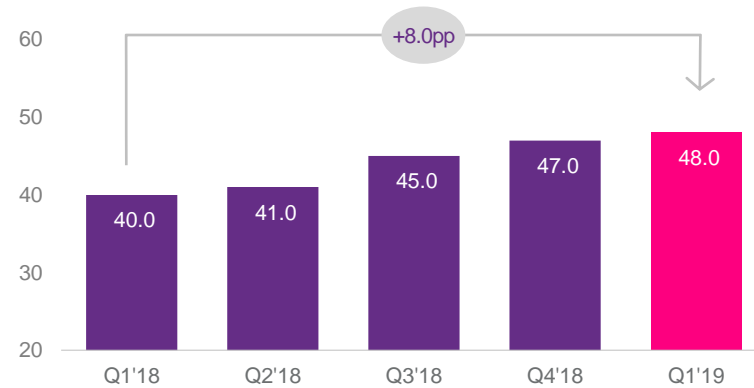
# Commercial update



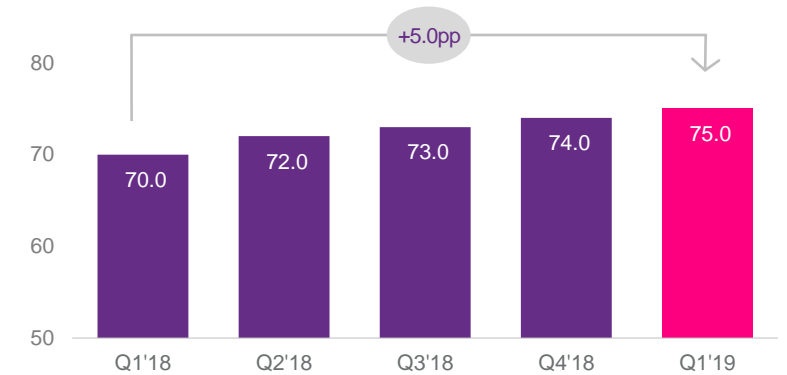
Service revenue is still under pressure:

- Further migration to bundles
- Improvement in price plan portfolio mix
- Update in charging logic of bundle offerings
- Competitive offerings

Bundled customers as share of total subs,%



Bundled subs' share of revenue, %



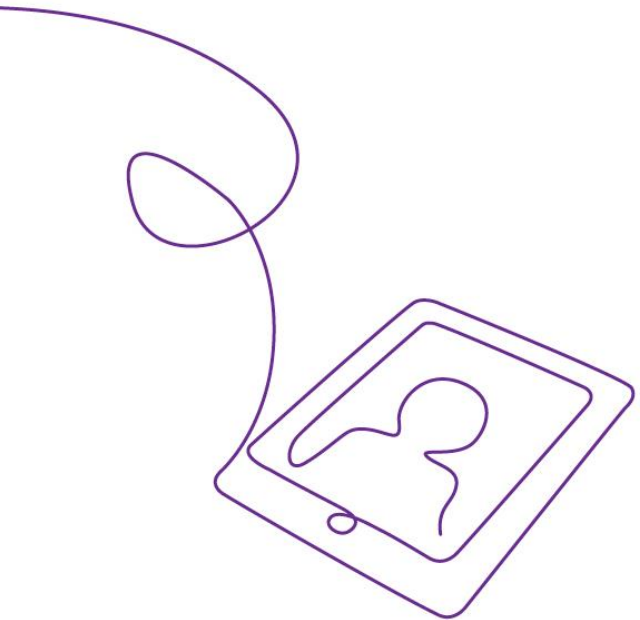
# Focus areas

## Focus areas in consumer segment:

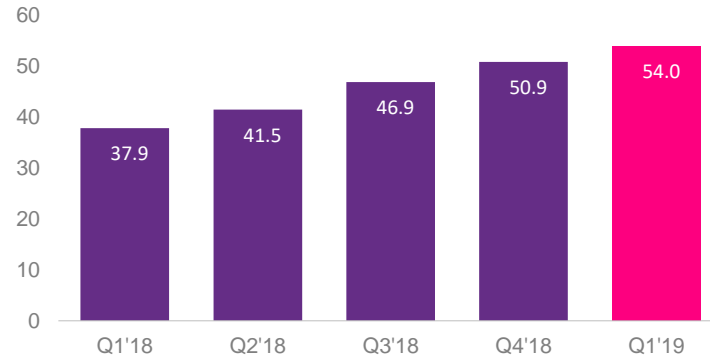
- Further implementation of strategy “From volume to value” including update of offerings and cost optimisation in sales channels
- Development of the “Contract phone” sales model, focus on attractive customer offerings using the competitive advantage
- Brand and price perception
- Further improvement and execution of customer value management (CVM) activities



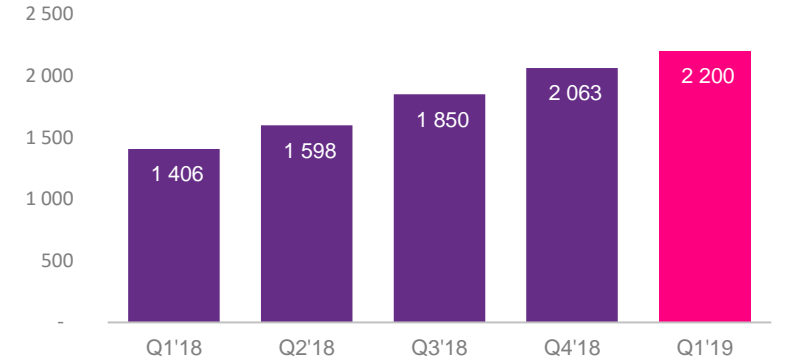
# Commercial trends



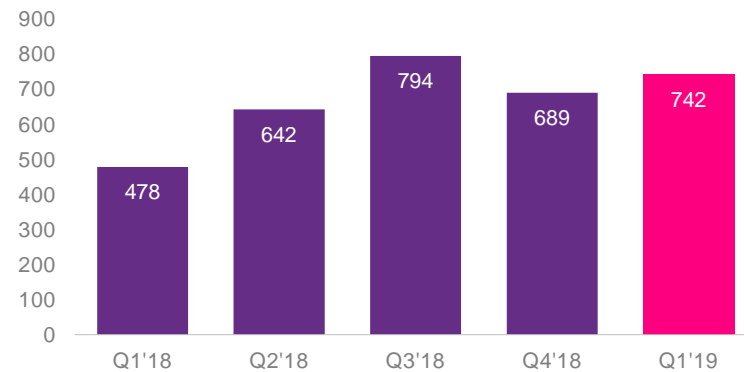
4G device penetration %\*



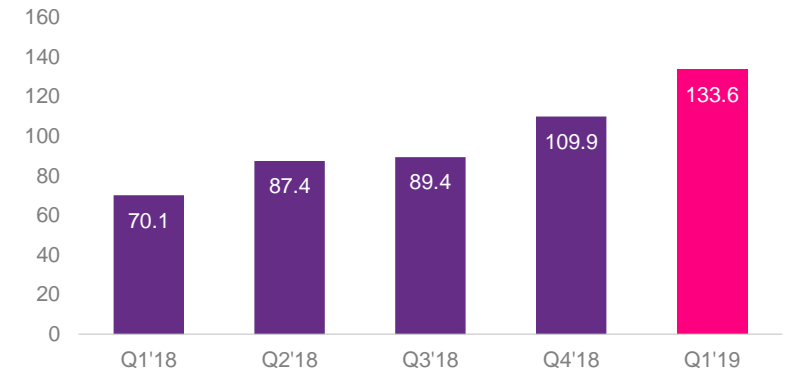
4G data users ('000)



OTT users ('000)



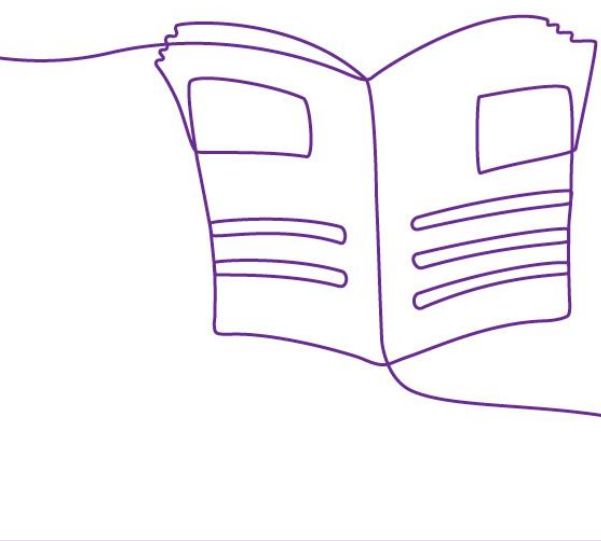
MFS users ('000)



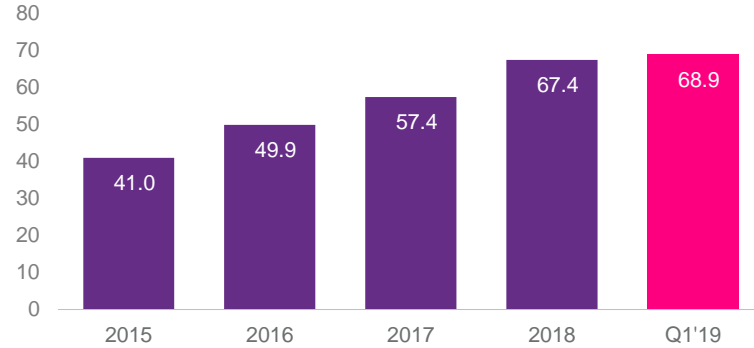
\*% in the Company's network



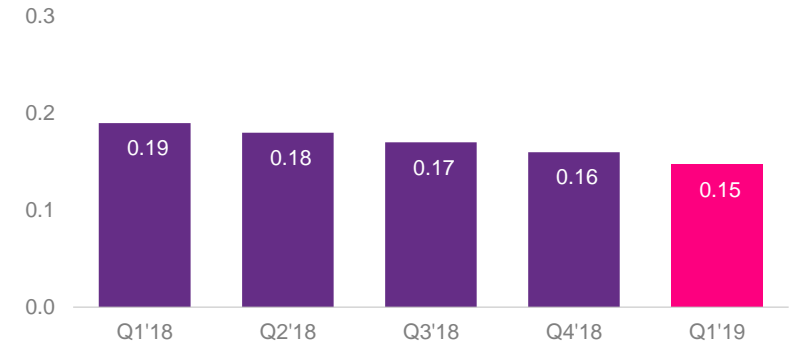
# Data usage & revenues



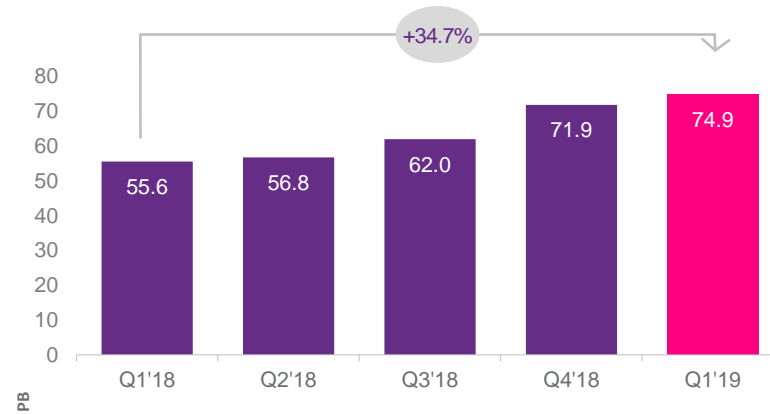
Smartphone penetration %



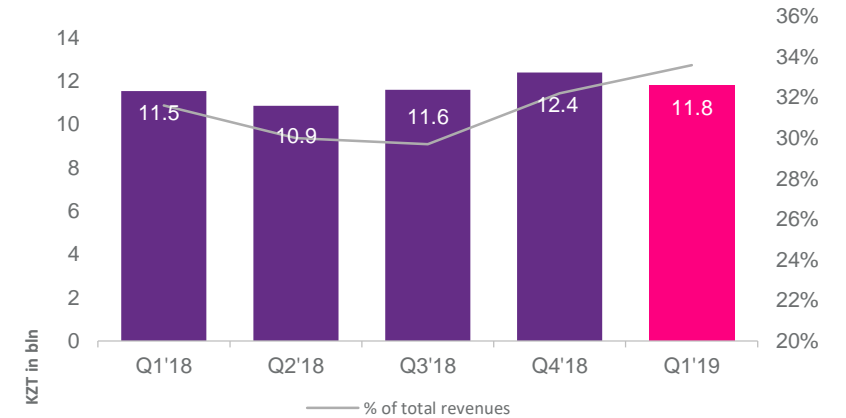
Average revenue per MB (KZT)



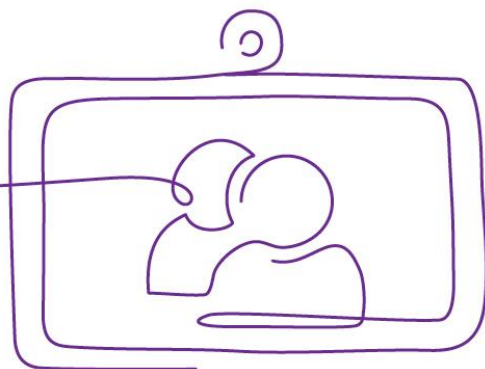
Data traffic



Data revenue



# Financial highlights

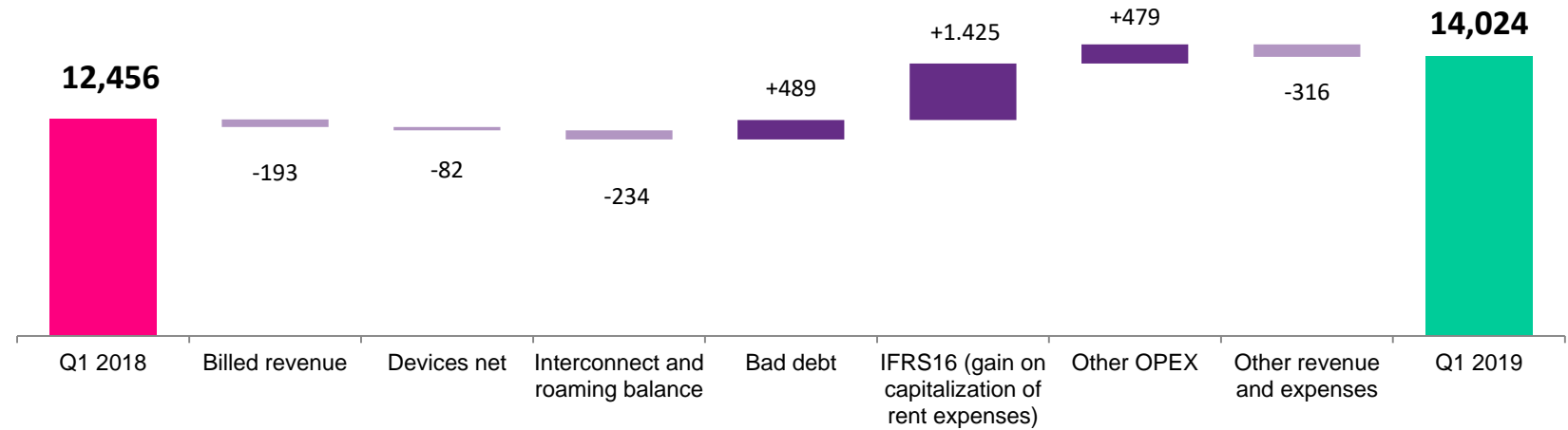
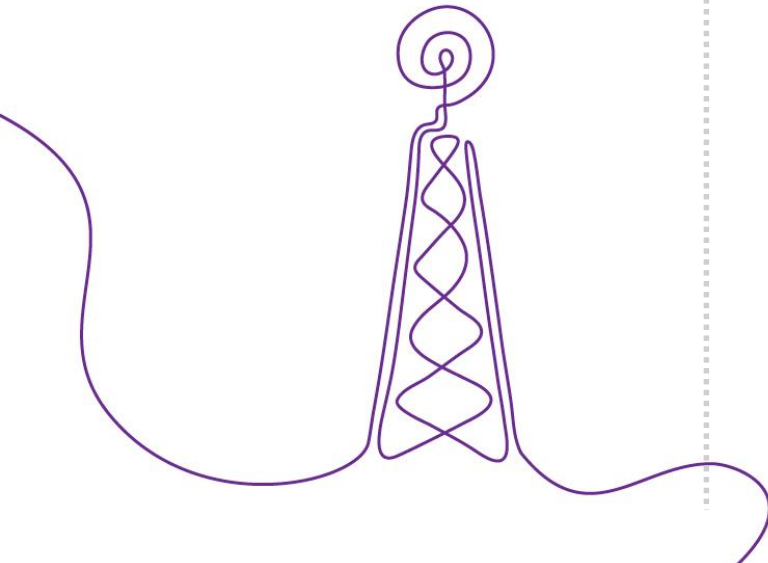


KZT in millions, except per share data, number of shares and changes	Q1 2019	Q1 2018	Chg (%)	FY 2018
Net Sales	<b>35,180</b>	36,386	-3.3	<b>149,701</b>
of which service revenue	<b>31,654</b>	32,249	-1.8	<b>131,373</b>
EBITDA excluding non-recurring items	<b>14,024</b>	12,456	12.6	<b>50,943</b>
EBITDA margin (%)	<b>39.9</b>	34.2		<b>34.0</b>
Operating income	<b>-8,275</b>	5,934	-239.4	<b>21,055</b>
Operating income excluding non-recurring items	<b>6,277</b>	6,245	0.5	<b>24,311</b>
Net income	<b>-8,751</b>	2,359	-470.9	<b>8,531</b>
Earnings per share (KZT)	<b>-43.8</b>	11.8	-470.9	<b>42.7</b>
CAPEX to sales (%)	<b>6.1</b>	7.3		<b>12.9</b>
Free cash flow	<b>6,826</b>	1,503	354.0	<b>8,319</b>



# EBITDA\*

## Q1 2019



- Positive impact on rent expenses due to the adoption of IFRS 16
- Negative interconnect and roaming balance resulted from an increase in off-net traffic in bulk-SMS

\*excluding non-recurring items

# CAPEX

LTE traffic

**62%**

of total traffic data

YTD investments (KZT mln)

**2,132**

- ✓ 3rd LTE layer rolled out in Almaty and Shymkent
- ✓ Total data traffic increased by 35% YoY
- ✓ LTE data traffic increased by 100% YoY
- ✓ LTE capacity increased by adding additional 5MHz in 1800 MHz in Aktobe, Kyzylorda, Almaty and South regions

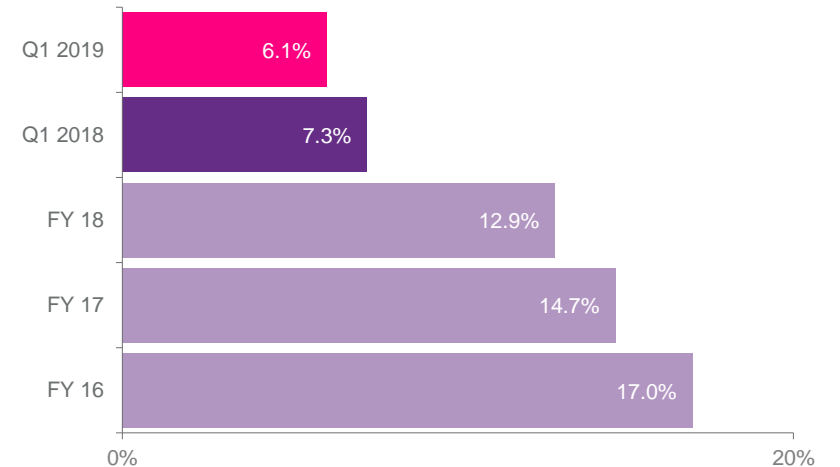
LTE population coverage

**62.1%**

3G population coverage

**80.3%**

CAPEX-to-sales ratio\*



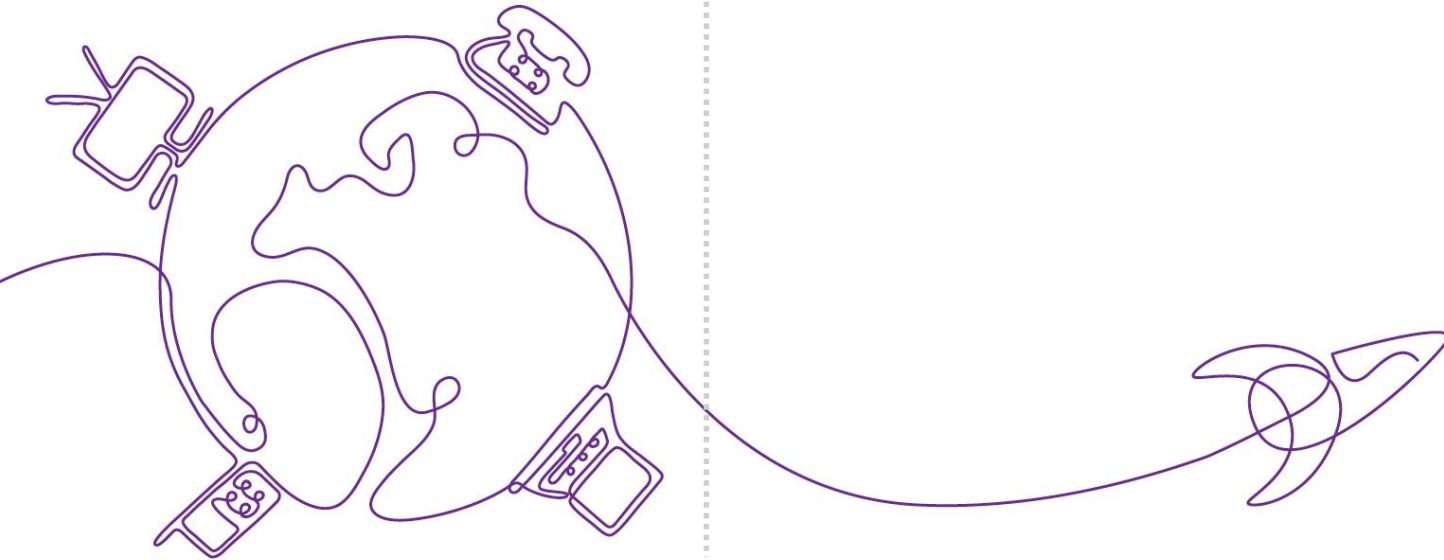
\*2016 excludes KZT 26,000 million for LTE frequencies

Q&A



# Financial key ratios

	31 Mar 2019	31 Dec 2018
Return on equity* %	-4.1	12.5
Return on capital employed* %	-1.3	14.3
Equity/assets ratio %	31.9	40.7
Net debt/equity ratio %	91.2	89.2
Net debt/EBITDA* rate %	1.02	1.19



\*rolling 12 months and excluding non-recurring items

# Forward looking statement

Statements made in this document relating to future status or circumstances, including future performance and other trend projections are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that actual results will not differ materially from those expressed or implied by these forward-looking statements due to many factors, many of which are outside the control of Kcell.

