

KazTransOil has increased freight turnover by 7% in 1Q2017

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Production results of KTO as of 1Q2017 demonstrate growth in transportation and freight turnover on a separate as well as on a consolidated basis.

In particular, separate and consolidated transportation have increased by 4% over the year and 2% respectively.

The growth of separate and consolidated freight turnover accounted for 6% and 7% respectively, which we associate with the lengthening of average transportation distance since the beginning of the year by 3%.

In quarterly terms, there is a growth of operational indicators (see Figure 1).

The volume of KTO's transportation in the first half of the year practically coincided with our expectations of 22 728 ths tons (deviation of 0,018%). We positively view the lengthening of the average transportation distance, which led to the increasing growth of freight turnover.

Fig 1. Operational results

Name	units	1H2016	1H2017	yoy	1Q2017	2Q2017	qoq
Volume - cons	ths tons	28 278	28 924	2%	14 263	14 661	3%
Volume - non-cons	ths tons	21 923	22 732	4%	11 170	11 562	4%
Turnover - cons	ton*km	21 684	23 098	7%	11 386	11 712	3%
Turnover - non-cons	ton*km	17 836	18 958	6%	9 403	9 555	2%

Source: Company data, HF estimates

Our view

The volume of transportations, included in our estimations of KTO's stock value correlates with the Ministry's of Energy planned oil production in Kazakhstan. According to Ministry's of Energy forecast the oil production in 2017 will be 81mln tons. Considering that for the first half of the year the oil and gas condensate production in the country amounted for 42.6 mln tons (according to the Committee of Statistics, an increase by 9.7% over year), we still expect the KTO's increase in freight turnover by the end of 2017, and maintain the "Buy" recommendation for KTO shares with 12M TP of T1 634.

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