

RUSSIAN EQUITIES: BASHNEFT

INITIATION

2 November 2022

UNDER THE UMBRELLA OF RUSSIA'S OIL LEADER

We initiate our coverage of Bashneft with an Overweight rating. Though the upside potential on prefs over the next 12 months is estimated at 38%, our target price of Rb930/share is close to mid-2022 market quotes. Bashneft ranks 6th among Russian oil companies, boasting a significant refining capacity that requires the purchase of feedstock from suppliers, mainly from Rosneft (as the controlling shareholder, holding 58%). Unlike other major players, Bashneft is actively increasing oil production and has the potential to reach levels seen in the late 2010s. While the market is interested in dividends, Bashneft pays them once a year, and we expect to see the stock rise next year, projecting a 2022E DY of 30%.

Catalysts: Improvement in dividend payout ratio; Oil production growth in 2022-2023; Collecting large accounts receivable and using this money for dividends.

Risks: Lack of quarterly reporting and press releases in 2022, which is why the 2022 DPS may bring a surprise in mid-2023.

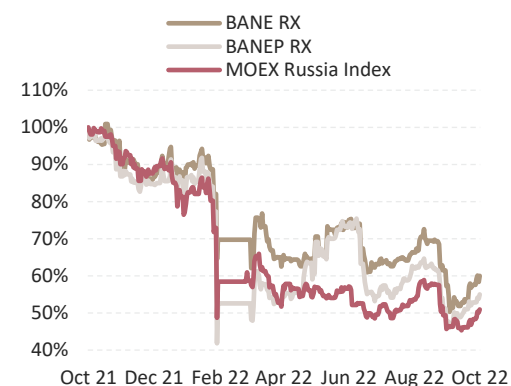
Vast untapped potential, especially in the upstream segment. Bashneft's production capacity is significantly underutilised compared to the end of 2010, when oil output stood at 20 mtpa and the company processed ~19 mtpa of oil. Oil production at Bashneft slumped 31% y/y in 2020, while aggregate production in Russia fell by a more moderate 9%. In light of the EU embargo on oil products and concomitant logistics challenges, we anticipate that the company's downstream segment will see a further decline in volumes. But in terms of crude oil production, which we believe is immune to the EU embargo, Bashneft is in better shape than its peers, who are operating at the limit of their production capacity. Meanwhile, daily oil production at Bashneft in mid-2022 exceeded the 2021 average by over 40%.

Dividends are less than FCF generation, but policy is unlikely to change. According to its dividend policy, Bashneft is set to apply a payout ratio of least 25%. In practice, for 2019 and 2021 the company paid out exactly 25% of net income. We do not expect the payout ratio to rise for the foreseeable future, although the potential does exist, as dividend payouts remain well below free cash flow generation. Even while maintaining a payout of 25% for 2022, the expected dividend yield is 30%.

The market may not take into account large accounts receivables. The accounts receivable figure of Rb256bn as of end-2021 significantly exceeds the current market capitalisation of Bashneft. We think that there are elements of a cash pooling scheme between Bashneft and Rosneft, since 97% of the receivables are related to the parent company, and Bashneft keeps low cash amounts on its balance sheet. Unfortunately, Bashneft's financial statements do not disclose this scheme, but the adjustment of the FCF on receivables could lead to a significant improvement in both ratios, such as on FCF yield, and the equity valuation.

Bashneft stock has an Overweight rating via both DCF and DDM approaches. We value Bashneft using both DCF and DDM approaches. The first reflects the classical calculation of free cash flow, excluding the beneficial effect that could potentially arise in relation to receivables. The latter approach is more conservative, as it shows the established practice of paying dividends, the amount of which is lower than the formation of free cash flow. As a result, an Overweight rating is assigned to the stock, with a 12M TP for ordinary and preferred shares at Rb1,240/share and Rb930/share. In terms of multiples, we attribute Bashneft's historical discount on multiples to the company's low transparency and the fact that larger peers pay interim dividends.

STOCK PERFORMANCE VERSUS INDEX



Source: Moscow Exchange

Ticker	BANE RX	BANEP RX
ISIN	RU0007976957	RU0007976965
Rating	Overweight	Overweight
Last price*, Rb/sh	925	673
MCap, Rb bn	157	
Target price, Rb/sh	1,240	930
Upside	34%	38%

Sources: Moscow Exchange, Sinara Bank

*Market data as of 1 November

KEY FINANCIAL HIGHLIGHTS AND RATIOS

Rb bn	2020	2021	2022E	2023E
EV/EBITDA	12.3	2.3	1.1	1.0
P/E	neg.	2.8	1.1	1.1
Sales	533	852	1,144	1,262
EBITDA	33	157	242	247
Net income	-11	83	142	143
FCF	-2	6	53	59
Adj FCF**	-35	122	129	122
Net debt	123	130	107	91
ND/EBITDA	3.7	0.8	0.4	0.4
EBITDA margin	6.2%	18.5%	21.2%	19.6%
FCF yield	-1%	2%	34%	38%
Adj FCF** yield	-12%	53%	82%	78%
DPS on prefs, Rb	0.1	117	200	202
DY on prefs	0.01%	12%	30%	30%

Sources: company data, Sinara Bank

** Excluding changes in accounts receivable

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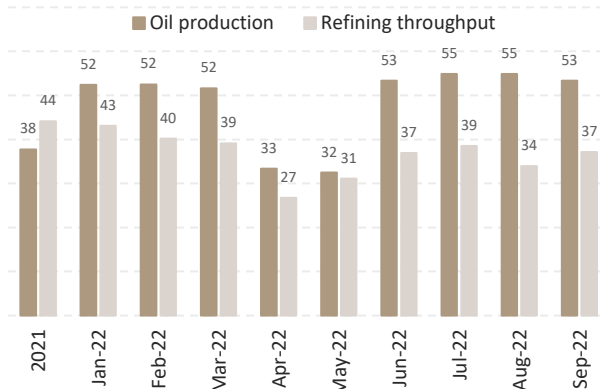
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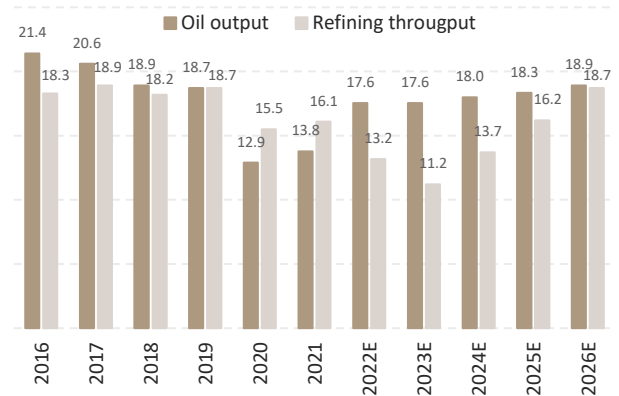
KEY CHARTS

BASHNEFT IS INCREASING CRUDE OIL SALES IN 2022, KT PER DAY



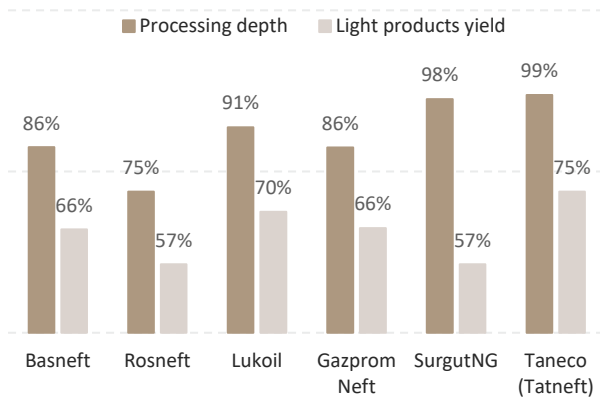
Source: InfoTEK, Sinara Bank

OIL AND REFINING VOLUMES NOW FAR FROM POTENTIAL, MN T



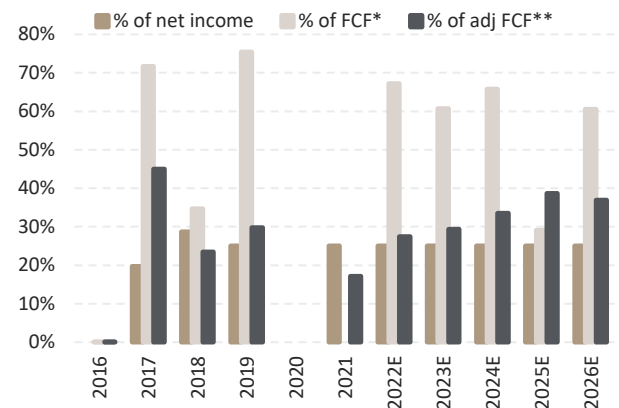
Sources: company data, Sinara Bank

BASHNEFT HAS DECENT QUALITY REFINING ASSETS (AS OF 2020)



Sources: company data, Sinara Bank

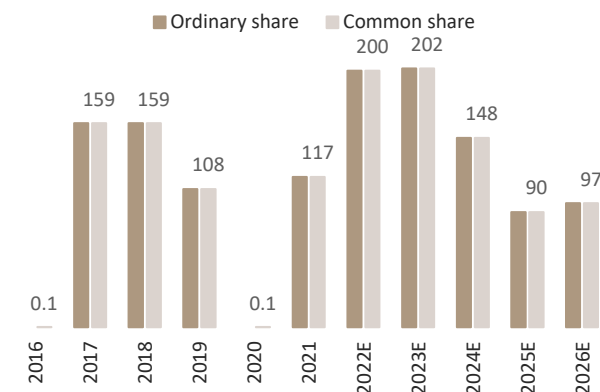
BASHNEFT USUALLY DISTRIBUTED 25% OF NI AS DIVIDENDS



Sources: company data, Sinara Bank

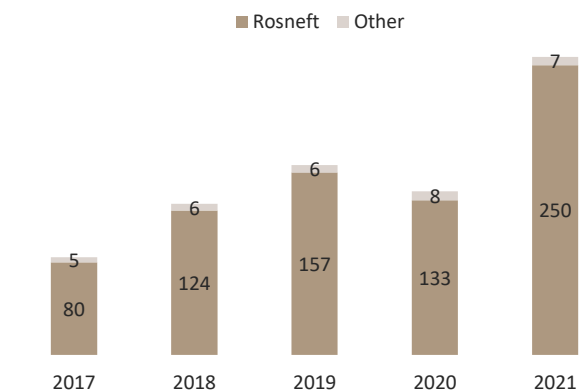
* In 2021, the number exceeded 350% ** excl. accounts receivable

DPS ON ORDINARY AND COMMON SHARES



Sources: company data, Sinara Bank

MOST OF THE ACCOUNTS RECEIVABLES RELATE TO ROSNEFT, RB BN



Source: company data, Sinara Bank

MACRO AND COMMODITY ASSUMPTIONS

2023E Urals price to rise 10% y/y to Rb6,000/bbl at a USD/RUB rate of \$75/RUB.

We expect a more favourable environment for the upstream sector in Russia next year, with the rouble depreciating by 5% y/y. Due to scarce free capacity in refining globally, international quotes of oil products have every chance of remaining at a high level, especially for diesel fuel.

Oil products face greater exposure to the EU embargo. For Russian crude export volumes, we expect stable numbers in the medium term, hoping that tanker fleets will be able to redirect oil flows. However, oil product exports from Russia are anticipated to show a 20% decline (or 0.5 mbd) from the current level as the EU is determined to implement an embargo from 5 February rather than replace it with a price cap mechanism. For this scenario, the availability of tanker fleets for various types of oil products looks like it will present a big challenge for the Russian oils.

Base-case Urals price:

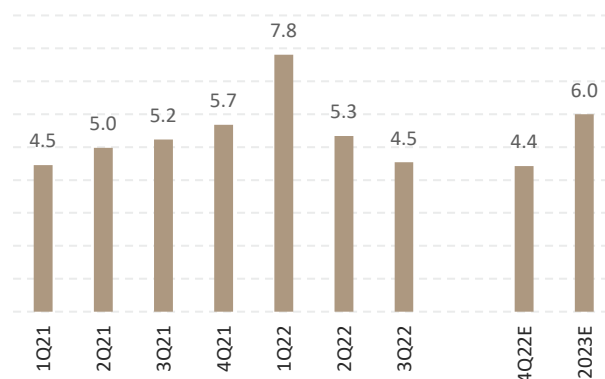
- **Rb5,100/bbl in 2021**
- **Rb5,500/bbl in 2022**
- **Rb6,000/bbl in 2023**
- **Rb6,400/bbl in 2024**
- **Rb5,500/bbl in 2025**
- **Rb5,700/bbl in 2026**

MACRO AND COMMODITY PRICE ASSUMPTIONS FOR FINANCIAL MODELS

	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
USDRUB, avg	64.7	72.1	73.7	71.5	75.0	75.6	76.7	77.8
USDRUB, eop	62.0	73.9	74.7	68.0	75.0	75.6	77.3	78.4
Inflation, avg	4.5%	4.0%	6.7%	15.0%	10.0%	5.5%	4.8%	4.3%
Brent, \$/bbl	64	42	70	100	100	95	75	77
Urals, Rb/t	30,159	22,050	37,305	40,018	43,980	47,079	40,477	41,940
Crude oil export duty, Rb/t	6,064	3,270	4,345	3,440	1,874	0	0	0
Domestic oil price, Rb/t	21,566	15,930	29,897	33,904	38,753	43,539	36,803	38,112
Diesel in Europe, \$/t	591	367	583	1,018	1,021	970	766	781
Domestic diesel price (incl excise), Rb/t	38,963	38,963	44,057	50,013	52,014	54,094	56,258	58,508
Damper on gasoline, Rb/t	3,645	-6,482	12,166	25,569	24,235	25,746	16,133	16,991
Damper on diesel, Rb/t	4,725	-5,636	5,965	24,978	29,765	26,872	14,687	15,422
Standard MET on crude oil, Rb/t	13,041	8,715	19,252	26,935	32,286	36,401	28,952	29,385

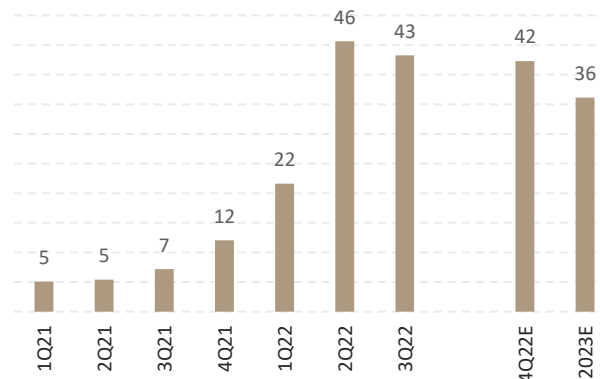
Sources: Company data, Sinara Bank

RUB-DENOMINATED URALS PRICE, THS RB PER BBL



Source: Sinara Bank

DIESEL/OIL DIFFERENTIAL TO REMAIN ELEVATED OVER THE MEDIUM TERM, \$/BBL



Sources: Yahoo Finance, Sinara Bank

VALUATION AND MULTIPLES

Equal weights for DCF-derived and DDM-derived target prices. We value Bashneft using both the DCF and DDM approaches, with identical assumptions for the discount factor in rouble terms (RFR of 9.0%, equity risk premium of 7.0%, beta levered of 1.5), and assign equal weights to the derived 12M target prices. A 25% discount on the price of prefs was applied to reflect the lesser corporate rights of preferred shareholders to influence decisions that affect the company's profitability.

Projecting operating expenses and capex to rise in line with inflation. Forecasting the dynamics of future operating expenses and capital expenditures, we are guided by inflation figures in Russia. Consequently, our 12M TP for Bashneft's ordinary and preferred shares are Rb1,240/share and Rb930/share, respectively, implying Overweight ratings for both types of stock.

The discount to the median multiples of peers has widened in 2022. We attribute the historical discount in the multiples of Bashneft to less transparency and the fact that peer companies pay interim dividends. But Bashneft is in a better position to ramp up oil production starting from a low base, so higher discounts in 2022-2023 do not seem justified to us.

RUB-based WACC is 13.4%; cost of equity is 19.5%

Bashneft was historically discounted versus peers, and the gap on multiples has widened in 2022

BASHNEFT: DCF MODEL

Rb bn	2022E	2023E	2024E	2025E	2026E	Terminal value
EBIT	196	197	149	97	103	
Fully-taxed EBIT	157	158	119	78	82	
Depreciation and Amortization	46	50	53	57	62	
Change in WC	-75	-65	-44	12	-18	
Capex	-72	-80	-84	-88	-92	
Free Cash to the Firm	56	63	44	59	33	
Discount factor	0.88	0.78	0.69	0.60	0.53	
Discounted FCFF	49	49	30	36	18	158
Enterprise value	340					
Net debt	130					
Adjustments for JVs and minority interest	-1					
12M Target MCap	252					
TP for ordinary share, Rb/sh	1,479					
TP for preferred share, Rb/sh	1,110					
				Risk-free rate / beta		9% / 1.5
				Cost of Equity		19.5%
				WACC		13.4%
				Terminal growth rate		2%

Source: Sinara Bank

BASHNEFT: DDM

Rb/sh	2022E	2023E	2024E	2025E	2026E	Terminal value
DPS	200	202	148	90	97	
Discount factor	0.84	0.70	0.59	0.49	0.41	
Discounted DPS	167	141	86	44	40	358
Fair price for ordinary share, Rb/sh	837					
TP for ordinary share, Rb/sh	1,000					
TP for preferred share, Rb/sh	750					
				Cost of Equity		19.5%
				Terminal growth rate		8%

Source: Sinara Bank

BASHNEFT: COMPARING MULTIPLES TO OTHER RUSSIAN OIL COMPANIES

	Mcap, Rb bn	EV/EBITDA			P/E			2022E		
		2021	2022E	2023E	2021	2022E	2023E	FCF yield	DY (on prefs*)	ND/ EBITDA
Bashneft	157	2.3	1.1	1.0	2.8	1.1	1.1	34%	30%	0.4
Rosneft	3,519	4.8	3.2	3.7	7.1	4.4	4.3	15%	13%	2.0
Lukoil	3,247	3.3	1.9	2.2	5.9	3.1	3.6	29%	30%	0.0
Gazprom Neft	2,072	3.3	2.3	2.5	5.1	3.4	3.8	17%	16%	0.2
SurgutNG	1,003				3.2	2.3	1.0	43%	3%	-5.8
Tatneft	898	3.9	2.3	2.8	5.4	3.3	4.0	26%	18%	-0.4
Median		3.6	2.3	2.7	5.4	3.3	3.8			
Bashneft discount to Median		-37%	-53%	-62%	-49%	-67%	-71%			

Source: Sinara Bank *where applicable

SENSITIVITY ANALYSIS

The upside potential for the stock remains, even if discount factors worsen. The sensitivity analysis performed below shows that Bashneft shares will retain upside potential even if the cost of equity, WACC, and terminal growth rates show significant deterioration.

BASHNEFT: SENSITIVITY OF 12M TARGET PRICE IN THE DCF MODEL

	WACC:					
	10.0%	12.5%	13.4%	15.0%	17.5%	20.0%
TGR:						
1%	42%	4%	-7%	-21%	-39%	-53%
2%	57%	12%	0%	-17%	-36%	-51%
3%	76%	22%	8%	-11%	-32%	-48%
4%	102%	34%	18%	-4%	-28%	-45%

Source: Sinara Bank

BASHNEFT: SENSITIVITY OF 12M TARGET PRICE IN THE DDM APPROACH

	Cost of Equity:					
	15.0%	17.5%	19.5%	20.0%	22.5%	25.0%
TGR:						
4%	12%	-3%	-11%	-13%	-20%	-26%
6%	25%	5%	-6%	-8%	-17%	-24%
8%	40%	13%	0%	-3%	-14%	-21%
9%	60%	23%	6%	3%	-10%	-19%
10%	82%	33%	12%	8%	-7%	-17%

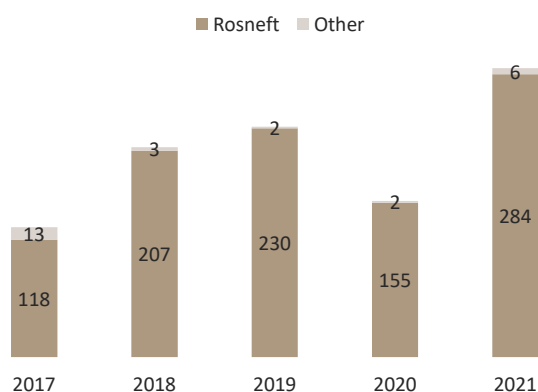
Source: Sinara Bank

OPERATIONS WITH ROSNEFT

Feedstock purchases and accounts receivables are the largest lines of cooperation with Rosneft. Bashneft's controlling shareholder acts as a key seller of feedstock to the company (98% of purchases in 2021), as well as a counterparty in terms of accounts receivable (97%). With regard to the latter, we think that there are elements of a cash pooling scheme between the companies and that Bashneft allocates free cash in Rosneft. In addition, Rosneft is a commission agent in Bashneft's crude oil and oil products sales transactions. Last year, this amount reached Rb590bn, or 69% of revenue, of which 21% was acquired by Rosneft and its subsidiaries.

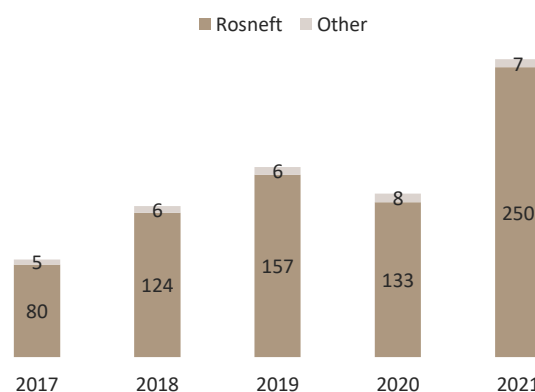
Bashneft acquires almost all of its feedstock from Rosneft, and likely keeps free cash in the parent company

BASHNEFT PURCHASES FEEDSTOCK MAINLY FROM ROSNEFT, RB BN



Source: company data

MOST OF THE RECEIVABLES ALSO RELATE TO ROSNEFT, RB BN



Source: company data

BUSINESS DESCRIPTION

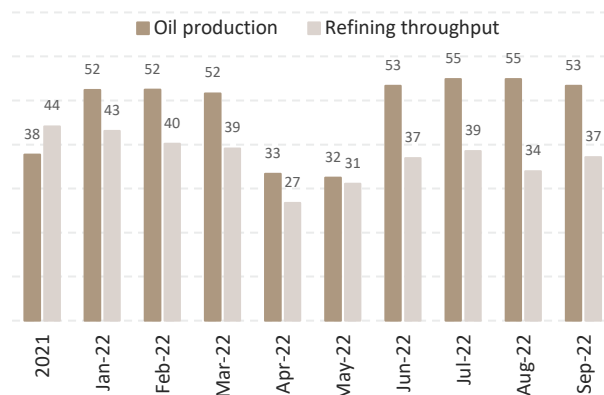
Bashneft requires crude oil purchases for its downstream assets. In terms of upstream output, Bashneft ranks 6th among Russian oil companies, with oil production of 13.8mnt in 2021 – and 87% of those volumes are produced from fields in Bashkortostan. One feature of Bashneft is the presence of significant refining capacity (23.5 mtpa) that requires the purchase of feedstock from suppliers, with the main supplier being Rosneft (as the controlling shareholder). Bashneft also owns a chemical complex that in 2020 produced 0.8 mnt of products, including polypropylene, liquid pyrolysis products, polyethylene, phenol, and acetone.

In mid-2022, daily oil output showed a sharp increase compared to 2021 levels. Daily oil production of 54 kt per day in June-September and August exceeded the 2021 average by over 40%. At the same time, refining assets are heavily underutilised (by 18%) compared to last year's level. The EU embargo on oil products, not crude oil, will have the greatest negative impact in 2023 on all Russian oil companies, including Bashneft, in our view. However, in the upstream segment, Bashneft has huge upside even to return to production above 17 mtpa, as the data demonstrate in 2022. We note that in part due to the OPEC+ agreement, Bashneft's oil production in 2020 slumped by 31% y/y, while aggregate production in the Russian Federation fell by a more moderate 9%.

In 2021, Bashneft's share of the total liquids output in Russia was 2.6%, while in terms of refining volumes its share was at 5.7%

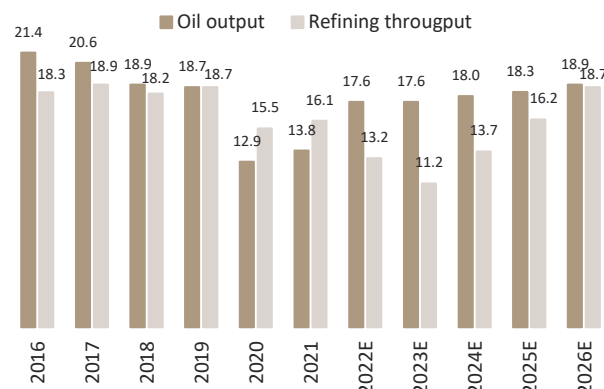
Bashneft retains spare capacity in both the upstream and downstream segments. In 2022, the company is likely to boost its crude oil sales volumes

BASHNEFT IS INCREASING CRUDE OIL SALES IN 2022, KT PER DAY



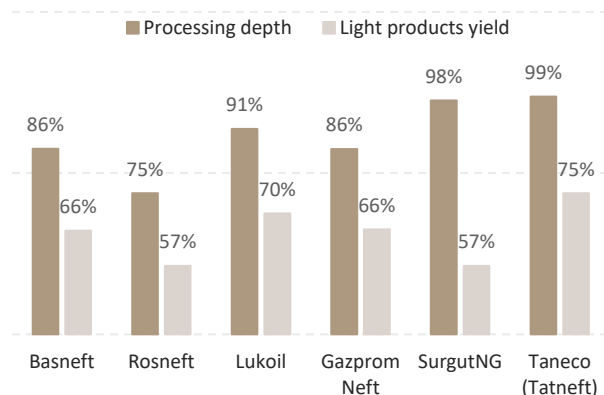
Source: InfoTEK, Sinara Bank

OIL AND REFINING VOLUMES NOW FAR FROM POTENTIAL, MN T



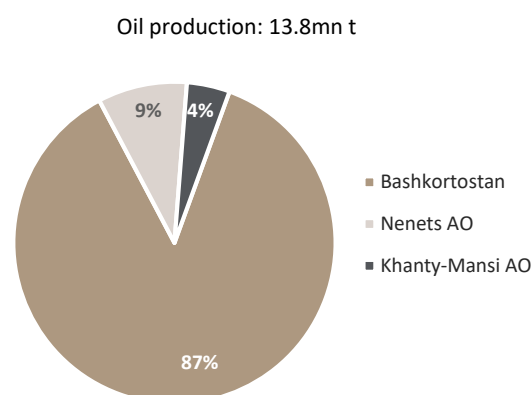
Sources: company data, Sinara Bank

BASHNEFT HAS DECENT QUALITY REFINING ASSETS (AS OF 2020)



Sources: company data, Sinara Bank

OIL OUTPUT DISTRIBUTION BY KEY UPSTREAM ASSETS IN 2021



Sources: company data, Sinara Bank

DIVIDEND POLICY

DPS on prefs should match the DPS on ordinary shares, with a minimum set at Rb0.1.

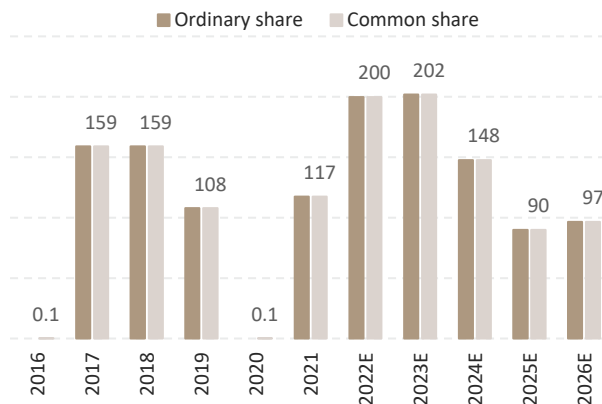
The Charter of Bashneft specifies that the DPS on preferred stock is 10% of the par value of this share, which is Rb0.1, while at the same time the DPS paid on each preferred share in a certain year must correspond to the DPS on ordinary stock. In 2020, because Bashneft recorded a net loss amid COVID-related restrictions, its shareholders approved a Rb0.1 DPS on preferred shares and zero dividends on common shares.

Standard dividend payout ratio is 25%. According to Bashneft's dividend policy approved back in October 2015, the Board of Directors and the management ensure the payment of dividends at a level of at least 25% of net income under IFRS, while also focusing on the need to maintain financial stability, fulfilling covenants on obligations, and maintaining moderate leverage, with a Net Debt/EBITDA ratio below 2x. In practice, as was the case in 2019 and 2021, the BoD recommended (and shareholders approved) total dividends in the amount of exactly 25% of net income. We do not expect the payout ratio to rise for the foreseeable future, although the potential exists, as dividend payouts remain well below the entire free cash flow generation. Even while maintaining a payout of 25% for 2022, the expected dividend yield is 30%.

Bashneft applies a 25% payout ratio for dividends

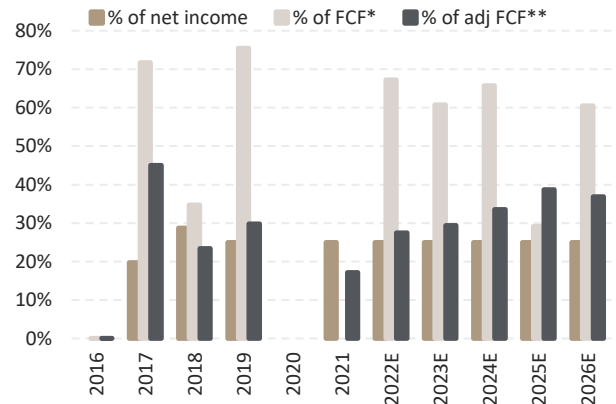
If the company's bottom line is in red, the DPS on prefs amounts to Rb0.1

DPS ON ORDINARY AND COMMON SHARES



Sources: company data, Sinara Bank

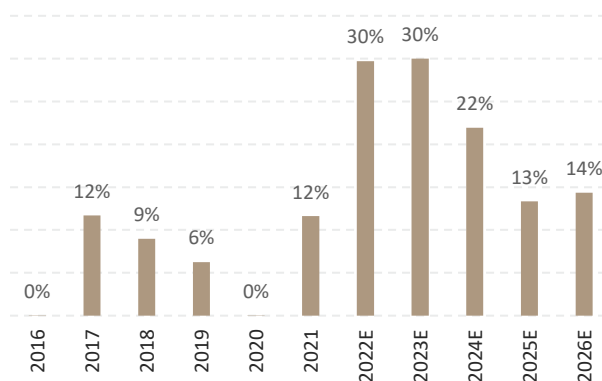
BASHNEFT USUALLY DISTRIBUTES 25% OF NI AS DIVIDENDS



Sources: company data, Sinara Bank

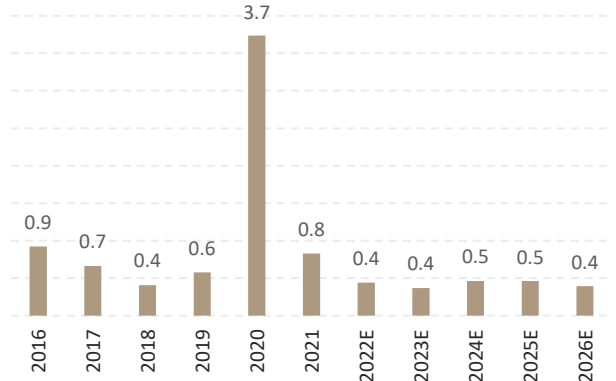
* In 2021, the number exceeded 350% ** excl. accounts receivable

DIVIDEND YIELD ON Prefs (HISTORIC MARKET PRICE AT YEAR-END), %



Sources: company data, Sinara Bank

FOR DIVIDENDS, BOD CHECKS IF NET DEBT/EBITDA STANDS BELOW 2X



Sources: company data, Sinara Bank

SHAREHOLDER CAPITAL

Rosneft is the controlling shareholder of Bashneft. Since October 2016, the main shareholders of Bashneft are Rosneft (the controlling shareholder with a 58% share in the authorized capital) and the Republic of Bashkortostan (25%). Most of the key corporate issues at the general meeting of shareholders, including changes in the authorized capital, are decided by a simple majority of votes or require the consent of 75% of the shareholders, which is a fairly standard practice for joint-stock companies in the Russian Federation.

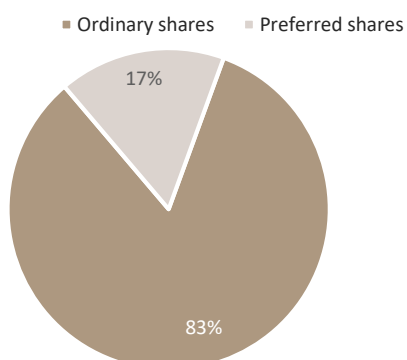
Preferred shares are more liquid, as the free float of common shares is 1%. The free float of ordinary shares of Bashneft is very low (at 1%), while the main trading activity is concentrated in the company's preferred shares, where the free float exceeds 50%. The company has not disclosed its plans regarding its quasi-treasury shares (1% ordinary and 15% preferred), and their number has not changed in recent years.

Rosneft and the Republic of Bashkortostan are the main shareholders of Bashneft

Preferred stock, with free float above 50%, is much more liquid instrument than ordinary shares

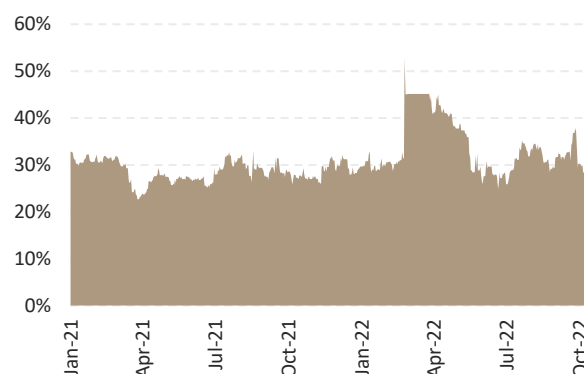
SPLIT BETWEEN ORDINARY AND PREFERRED SHARES

Total number of shares: 177.6mn



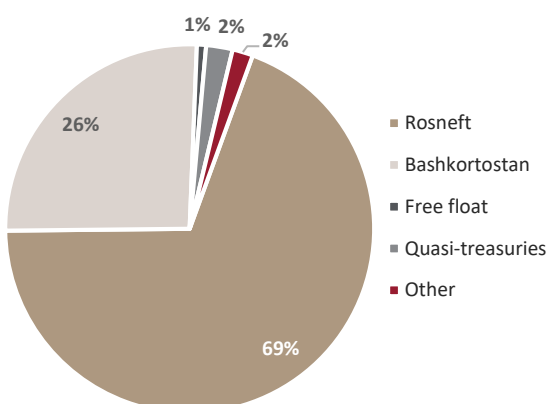
Source: company data, Sinara Bank

PREFERRED SHARE PRICE DISCOUNT TO ORDINARY SHARE PRICE



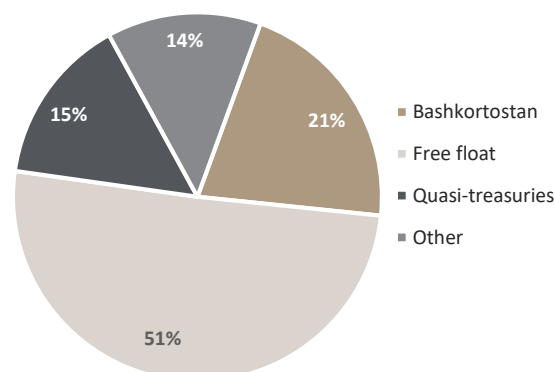
Sources: Moscow Exchange, Sinara Bank

OWNERS OF COMMON SHARES



Source: company data, Sinara Bank

OWNERS OF PREFERRED SHARES



Source: company data, Sinara Bank

BASHNEFT: IFRS FINANCIAL STATEMENTS, RB MN

INCOME STATEMENT	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Gross revenues	854,623	532,604	851,664	1,143,500	1,262,013	1,315,307	1,156,117	1,208,821
Taxes other than corporate tax	-217,052	-163,153	-217,275	-349,119	-416,284	-486,348	-430,288	-451,559
Purchases of crude oil and oil products	-231,547	-156,671	-290,096	-328,976	-376,025	-422,470	-357,113	-369,806
Operating expenses	-106,075	-101,219	-96,072	-110,483	-121,531	-128,215	-134,370	-140,148
Export duties	-61,930	-23,690	-33,969	-47,336	-28,952	0	0	0
Other cash costs	-71,130	-55,035	-57,050	-65,608	-72,168	-76,138	-79,792	-83,223
EBITDA	166,889	32,836	157,202	241,979	247,052	202,135	154,555	164,086
Depreciation & Amortisation	-50,331	-44,000	-42,960	-46,191	-49,744	-53,493	-57,423	-61,521
EBIT	116,558	-11,164	114,242	195,789	197,308	148,642	97,133	102,565
Finance income	1,618	527	232	120	287	354	148	308
Finance expenses	-11,181	-10,566	-10,838	-9,935	-9,032	-8,129	-7,225	-6,322
Other	-9,144	8,026	-5,360	-6,166	-6,783	-7,156	-7,499	-7,822
Profit before corporate tax	97,851	-13,177	98,276	179,807	181,781	133,711	82,556	88,729
Corporate tax	-21,073	678	-13,345	-35,961	-36,356	-26,742	-16,511	-17,746
Minority interest	-181	1,381	-1,599	-1,839	-2,023	-2,134	-2,236	-2,333
Net income to shareholders	76,597	-11,118	83,332	142,007	143,402	104,835	63,808	68,651
BALANCE SHEET	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Cash & Cash Equivalents	31,262	15,838	8,173	19,626	24,174	10,107	21,042	16,311
Accounts receivable	163,540	140,888	256,457	332,922	395,835	434,137	420,656	438,789
Inventory	44,005	37,045	45,889	59,571	67,067	73,557	66,182	69,035
Prepayments and other	44,576	20,690	32,113	40,817	45,585	49,714	45,022	46,837
Total Current Assets	283,383	214,461	342,632	452,936	532,661	567,514	552,902	570,971
Property, Plant and Equipment	510,040	550,242	551,687	577,927	607,856	638,418	669,086	699,443
Other Non-Current Assets	17,892	23,038	21,813	21,975	22,161	22,369	22,545	22,727
Total Non-Current Assets	527,932	573,280	573,500	599,902	630,016	660,787	691,630	722,170
Total Assets	811,315	787,741	916,132	1,052,838	1,162,678	1,228,301	1,244,532	1,293,141
Accounts payable	52,500	51,711	70,879	95,167	105,030	109,465	96,217	100,603
Short-term loans	45,429	27,600	29,671	27,198	24,726	22,253	19,781	17,308
Other Current Liabilities	35,138	14,691	51,878	51,878	51,878	51,878	51,878	51,878
Total Current Liabilities	133,067	94,002	152,428	174,243	181,634	183,597	167,876	169,789
Long-term loans	120,861	82,349	110,984	108,476	99,436	90,397	81,357	72,317
Other Non-Current Liabilities	79,321	94,460	112,122	99,550	99,550	99,550	99,550	99,550
Total Non-Current Liabilities	200,182	176,809	223,106	208,026	198,986	189,947	180,907	171,867
Total Capital	500,906	471,482	554,929	677,020	786,487	857,053	895,808	949,211
Minority interest	533	-849	749	2,588	4,611	6,745	8,981	11,314
Total Assets and Liabilities	811,315	787,741	916,132	1,052,838	1,162,678	1,228,301	1,244,532	1,293,141
CASH FLOW STATEMENT	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Operating cash flow before WC	150,080	21,456	153,669	235,651	240,084	194,771	146,880	156,082
Change in Working Capital	-40,458	47,352	-74,099	-74,563	-65,314	-44,485	12,299	-18,414
Corporate tax paid and other	-23,071	-4,839	-10,844	-35,842	-36,069	-26,388	-16,363	-17,438
Operating Cash Flow	86,551	63,969	68,726	125,246	138,701	123,898	142,815	120,230
Capex	-61,176	-66,387	-62,983	-72,430	-79,673	-84,056	-88,090	-91,878
Free cash flow	25,375	-2,418	5,743	52,816	59,027	39,842	54,725	28,352
Free cash flow excl. accounts receivable	64,251	-34,809	121,616	129,280	121,941	78,145	41,244	46,485
Net Cash Flow from Investments	-66,381	-57,611	-64,177	-72,430	-79,673	-84,056	-88,090	-91,878
Change in Debt	-3,272	8,620	-2,113	-11,512	-11,512	-11,512	-11,512	-11,512
Dividends paid	-26,885	-18,307	-151	-19,916	-33,936	-34,269	-25,053	-15,248
Interest payments and other	-12,305	-12,270	-10,089	-9,935	-9,032	-8,129	-7,225	-6,322
Net Cash Flow from Financing	-42,462	-21,957	-12,353	-41,363	-54,479	-53,910	-43,790	-33,083
Change in Cash	-22,292	-15,599	-7,804	11,453	4,548	-14,067	10,935	-4,731
Cash & Cash Equivalents, BoP	53,592	31,262	15,838	8,173	19,626	24,174	10,107	21,042
Effect from FX	-38	175	139	0	0	0	0	0
Cash & Cash Equivalents, EoP	31,262	15,838	8,173	19,626	24,174	10,107	21,042	16,311

Sources: company data, Sinara Bank

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In this report, we used the following valuation methodologies and underlying assumptions to evaluate a financial instrument or an issuer, or to set a fair price for a financial instrument: discounted cash flow model, comparative analysis, discounted dividend/coupon model, or a combination of these methods. The resulting estimate of the potential price change on a 12-month horizon relative to the current spot price of the asset or instrument is categorised as follows: "OW" (i.e. overweight) > 5% + cost of equity used for valuation; "Neutral" is between 0% and 5% + cost of equity used for valuation; "UW" (i.e. underweight) < 0%. None of these ratings should be considered as an investment recommendation.

Details of the valuation methodology and the underlying assumptions are available upon request at resprod@sinara-finance.ru.

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