Kazakhstan: Resource-Rich, Growing Economy at Mid-Single-Digit P/Es

Isaac Schwartz of Robotti & Company discussed his investment thesis on Kazakhstan and three avenues for participation: Kazatomprom, Air Astana, and the Kazakh banking sector at Asian Investing Summit 2026.

Session summary:

Isaac presented an investment case for Kazakhstan and three avenues for participation: Kazatomprom, Air Astana, and the Kazakh banking sector. The country suffers from an “invisibility tax” that depresses valuations and rewards long-term fundamental investors. Sharing a 2,000-mile border with China and a GDP per capita on par with Turkey and Mexico, the economy approaches $500 billion. Kazakhstan is the world’s largest uranium producer (40% of global output) and produces ~2 million bbl/day of oil.

Kazatomprom, the National Atomic Energy Company, is dual listed in London and in-country, 63% owned by the Sovereign Wealth Fund, with a ~$20 billion market cap. It produces half of Kazakhstan’s uranium output. Recent revisions to subsoil rights laws raised its mandated stake in new uranium developments from 50% to 75%, ensuring it captures a growing share of the country’s industry. For investors constructive on nuclear, it offers direct exposure to the leading global producer.

Air Astana, the national airline, has ~$1.5 billion in revenues and a ~$500 million market cap, dual listed in London and in-country, ~42% owned by the Sovereign Wealth Fund. Built from a $17 million investment 25 years ago, it operates ~80 Airbus A320s with twin hubs in Almaty and Astana and a 100%-owned LCC, FlyArystan. Transit business contributes more than half of revenues. The balance sheet has no direct debt outside aircraft leases, a large cash position, and management has been repurchasing shares.

Four banks dominate Kazakhstan — Halyk, Kaspi, Bank CenterCredit, and ForteBank. Halyk’s loans have grown from ~$6 billion to ~$30 billion over a decade, with income rising from $350 million to >$2 billion and a two-decade EPS CAGR of 14%. Banking assets sit at ~$150 billion vs. >$400 billion of GDP — loans/GDP below one-third, well below economies at comparable income levels. Isaac sees a dual tailwind: mid-single-digit GDP growth and credit penetration convergence.

Air Astana’s normalized earnings imply a mid-single-digit P/E, a steep discount to global peers. Bank CenterCredit recently traded at a low single-digit P/E, with post-trough appreciation driven by fundamentals rather than multiple expansion. Halyk’s $4 stock-price trough a decade ago now corresponds to its $4 annual dividend, an effective 100% yield on original cost. Isaac frames Kazakhstan’s “invisibility tax” as the source of attractively priced entry into a regional hegemon.

MOI GLOBAL

The following transcript has been edited for space and clarity.

John Mihaljevic: It is a great pleasure to welcome back to Asian Investing Summit 2026 Isaac Schwartz, portfolio manager at Robotti & Company. Isaac seeks to achieve long-term gains by investing in undervalued securities, primarily stocks of companies throughout the world, and serves as a director of publicly held companies. He has been with Robotti & Company for more than two decades. Isaac — the floor is yours.

Isaac Schwartz: I'm going to jump right into my talk on some of my core values: looking for hegemons, looking for capital allocators, and looking at growth runways. We're in New York City — rigorous fundamental investors who manage hedge funds and separate accounts. Before I get into the stocks, let me reiterate some of the core values that affect how I approach investing. I care a lot about capital allocation, and one of the main reasons is because I believe capital allocation is a lens to evaluate corporate governance. It matters a lot more what the record of what the company does with its profit is than whether or not they'll meet you and engage with investors and answer all your questions.

Isaac: Being a contrarian is not something that I try to do, but it's also not something I shy away from. We're going to talk about how looking for hegemonic influential companies and even regions has affected my investment style, because I am a global investor and I don't shy away from emerging and even uncommon emerging or frontier markets.

I think the term emerging market is a pretty arcane term when it comes to anyone from small, mid-size institutions up to individual investors, up to ultra-high-net-worth investors. It does make some sense for extremely large institutions dealing with tens of billions of dollars of capital flows. But for any smaller investors, including actually very large investors — asset managers managing 500 million, 5 billion, 10 billion — I think these terms are arcane and there are other ways of evaluating companies.

I threw technical clues in because I enjoy assembling a patchwork quilt of facts and information about companies. I'm not talking about looking for a stock forming a pattern. I'm talking about things like where you've seen consistently diminished interest over time that was initially in response to deteriorated circumstances, but then can become self-fulfilling and grow on itself.

I was flipping through some old presentations I had done for the MOI community, and I stumbled upon — exactly 10 years ago, basically to the week — a talk I gave for MOI called "It's All About the IRRs: The Interruption, Response, and Results." At that time, I spoke about a bank in Kazakhstan that I had been investing in for several years, not with good results. The stock had fallen by about half over a few years from the high single digits — it had even gotten over 10 — down to $4. This was following the initial breakout of the Russia-Ukraine war at the end of 2014 and the associated weakening in oil price and some regional currencies. In that presentation — these are slides I lifted from myself 10 years ago — I showed that the company was doing okay. It had a respectable 8% decade earnings-per-share CAGR, a result of 11–12% net income growth over a decade with a modest share increase. I averred that the reason the stock was down so much was because a year earlier, before the devaluation, the numbers looked very different: 26% decade compound income growth resulting in 22% decade compound earnings-per-share growth — extraordinary numbers compared to the 8% that were merely respectable.

Well, since it was a decade ago, it's nice to pick up on a decade. The net loans, which were about $6 billion, have now grown to just under $30 billion. And the income, which was $350 million, is now over $2 billion. Just like things aren't as bad as they look at the worst moments — it wasn't really an 8% long-term earnings-per-share growth — they're also maybe not as good as they look at the best moments. It wasn't really 22%. They now have a two-decade earnings-per-share CAGR of 14%. The stock had fallen to $4, and the annual dividend is now $4. It's been steadily increased for years. If you own the stock, you're getting 100% of the original cost back annually from dividends. The shares have recovered nicely.

A few years later, I presented another Kazakh bank — Bank CenterCredit. I've been an investor in several Kazakh financial institutions over the last 15, 16 years. Bank CenterCredit has also had a very strong recovery. It only trades in local currency, tenge. Unlike the other bank, Halyk, this one has not actually recovered to its all-time highs yet. It's still trading at a low single-digit P/E. All of the price appreciation has come from a huge recovery in the fundamentals.

At this time, I became very interested in this market. I kept bringing people to Kazakhstan. Not only is this the 10th anniversary of me presenting an idea to MOI about it for the first time, it's the 10th anniversary of people coming there with me. Inspired by Idea Week and Value X — I had been going to Klosters for a very long time — we formed this New Silk Road Forum, which was like the values of Idea Week but also adding in external content. We've had the central bank governor join us a couple of times, the CEO of Halyk Bank, that sort of thing.

So why is a guy in Midtown Manhattan interested in this sort of obscure market? Kazakhstan suffers from an invisibility tax — people don't know this market, it reduces valuations, and it creates really good opportunities for long-term fundamental investors. The country has a 2,000-mile border with China. I used to live in both mainland China and Hong Kong for many years, and it always amazed me how even with a 2,000-mile border, people just weren't familiar with the country. That's in spite of it being the wealthiest former Soviet economy — excluding the Baltics, which are EU members. Kazakhstan has the same GDP per capita as Turkey, Mexico, Malaysia, Chile, even China — all very high-middle-income countries. It has a great population distribution and extremely strong relationships not only with its neighbors but with the US. The largest foreign investor in the country is Chevron. Both the current and past Kazakh administrations have had great relationships with the current and past US administrations.

I wanted to toss out a couple of ideas in industries where the country is naturally advantaged, where you still benefit from this diminished recognition of a successful dynamic economy approaching half a trillion dollars in GDP — an economic powerhouse that stands very independent of Russia, with a lot of economic strength and geopolitical status. The country is the largest uranium producer in the world — 40% of the world's uranium comes out of Kazakhstan. If you are remotely a believer in clean energy and the growth potential of nuclear, this is a country that's going to be successful. It's also a very major oil producer — about 2% of the world's oil, about 2 million barrels a day, while it has only about a quarter of a percent of the world's population. Other industries to look at are those providing critical goods and services to China and the region, because Kazakhstan is the ninth largest country by area and a key transport corridor in Central Asia, in Eurasia, along the Great Eurasian Steppe.

The first idea is the National Atomic Energy Company, Kazatomprom, 63% owned by the Sovereign Wealth Fund with the rest as free float. It's dual listed — you can buy shares in London and it's also listed in-country — with about a $20 billion market cap today. What's especially interesting is that it produces half of the country's uranium output. In December of last year, adjustments to the mining and subsoil rights laws now enshrine that Kazatomprom will participate in a larger share of the country's uranium industry going forward — new developments required 50% ownership in the past, and that's now 75%. The government and the Sovereign Wealth Fund are happy with the structure, so minority investors can participate in this critical industry. We were previously shareholders in the National Oil Company, which used to be listed and was delisted — that process is its own very interesting story. But Kazatomprom, which went public in 2018 and has just a few years' history as a public company, is very interesting.

The second idea is in aviation. Kazakhstan's national airline, Air Astana, has a half-a-billion-dollar market cap and is also dual listed in London and in-country. It grew from nothing 25 years ago to become by far the leading airline in the region on all metrics — profitability, customer satisfaction, mileage program participation — by all counts, a superb long-term record. $17 million was invested 25 years ago to grow an airline that, with new deliveries expected this year, will have 80 full-size jets.

The company is just over 40% owned by the Sovereign Wealth Fund with the rest as free float. They have what I call the trifecta: amazing business-class products, amazing economy-class products on their mainline carrier, and 100% ownership of a separate airline, FlyArystan, which is the leading low-cost carrier in the region. Each of those product categories has very large potential, in large part because of location. They operate out of twin hubs in Almaty — the largest city in Central Asia, in the south near Uzbekistan — and Astana, the capital, in the north near Russia. Through these twin hubs they provide one-stop service linking all sorts of important cities.

The economy is prosperous — mid-single-digit GDP growth — so business in and out of Astana and Almaty is hugely important. But transit business is more than half of their revenues and is also hugely important. Central Asia is doing very well. Uzbekistan is booming — they have an airline I've flown on, a fine airline, but not at all comparable to Air Astana.

Kazakhstan is the regional hegemon, the regional economic heavyweight, and Air Astana is a key passenger and consumer infrastructure asset. They have incredible cost metrics. All airlines have about 30% of expenses in fuel costs, but Air Astana runs a fleet almost entirely of Airbus A320s with a small number of Boeings for ultra-long-haul. A concentrated fleet like that drives efficiencies in mechanics and servicing, compounded by the twin-hub structure. This is a company with a great long-term record that just went public in the last couple of years, and because of the invisibility tax and the fact that many global aviation investors have not flown on their products, it has diminished awareness. I think it's an overlooked gem.

So those are the two companies — Kazatomprom and Air Astana — just to say we're investing in them. These are not recommendations. They are examples of stocks that interest us and a place where investors are potentially not looking but where the record since 2008 speaks for itself. I originally got interested in the market through the banks. I've been an investor in three banks there — the two I displayed and one that was delisted years ago. We've had investments in more than a dozen companies in Kazakhstan over 16 years, and I think it's a market deserving of more attention and is going to get a lot more attention over the next decade without question.

John Mihaljevic: The airline looks quite interesting — $500 million market cap for the leading airline in a country like Kazakhstan. Do you have any comparison in terms of valuation to some of the more established global airlines? Are we talking a big discount?

Isaac Schwartz: A very big discount. We were shareholders for years in Turkish Airlines, which I think is a fantastic company and shares many of the attributes I just mentioned — incredible business and economy products, an exciting LCC offering, and an incredibly interesting location. Istanbul, maybe Panama — there are only a few cities in the world with a location like that for funneling traffic. I think Kazakhstan has a greatly underappreciated traffic-funneling ability.

Isaac: You've seen that TAV Airports Group, an important public company in Turkey, just acquired Almaty Airport — the largest airport in Central Asia. They paid a little less than 300 million euros to the private owner and committed to invest a little over 300 million euros in asset improvements — so the whole deal was 600 million euros. They see enormous potential from an enhanced asset there. Astana already has a great airport; Almaty's was frankly not good enough for such a quality city, though that has changed in the last couple of years because of the TAV investment.

Back to comparing the economic potential. Air Astana has about $1.5 billion in revenues and more than a clean balance sheet — no direct debt, only lease debt on the planes, and an enormous cash balance. They've been buying back stock recently, which I think is very good capital allocation. There have been various interruptions to their business model — the closure of Russian airspace impacted them. They are a Western carrier: insurance from Lloyd's in Switzerland, same places where Lufthansa and other global carriers get their insurance. They do not fly through Russian airspace. That meant a reallocation of capacity that had to happen very quickly four years ago. Now there are issues in the Middle East — a major market for them — requiring another reallocation. When I look at their normalized earnings, I see a mid-single-digit P/E on the current business for a business with excellent growth prospects. That feels very appealing to me.

John: Of the banks in the country — you've presented in depth on Halyk Bank and Bank CenterCredit in the past — what are your current thoughts? Which do you find most attractive?

Isaac: There are four big banks in Kazakhstan. Two have dual international listings: number one and number two, Halyk and Kaspi. Number three and four, Bank CenterCredit and ForteBank, are only domestically listed. All four are excellent companies. I'm not recommending any of these stocks. I am still a shareholder in both banks that I've spoken about at MOI. Frankly, if I didn't have so much invested in the ones I do, I would probably also own Kaspi and ForteBank — each is positioned a little differently.

To go back to Bank CenterCredit — they're up a lot because they were at extremely cheap valuations and the country had an unreasonably diminished status as an investment destination. To illustrate: in the go-go years of China growth and positive sentiment toward emerging markets and commodities from 2002 to 2007, lots of foreign banks made major acquisitions of Kazakh banks. In 2006, Kookmin Bank of Korea, one of the largest banks in Korea, bought a controlling stake in Bank CenterCredit at a $2 billion market cap. 10 years later, after management changes and various things, they sold back that stake at a 90% discount. Those were the years the banking market there was left for dead.

I think the Kazakh banks have great potential in the coming decade. There's significant economic growth — mid-single digits or better — driven by a diverse portfolio of minerals and metals in addition to hydrocarbons, plus the uranium story. There's good population growth and demographics, and further support from regional economic growth. The economy, over $400 billion GDP today, could very reasonably become $600 billion several years from now, maybe at the start of the next decade.

Banking sector assets are about $150 billion today. Loans to GDP, at below a one-third ratio, represents significantly lower credit penetration than many economies at the same level of development and GDP per capita. So you have an economic growth story, and then separate from that, a convergence story. Not everything is mean-reverting, not every pattern repeats, but sometimes they do — and when they repeat, it can have an amplifying effect. The nice thing about convergence is that it isn't the same as actual leverage: if economic growth stalls, there might not be a further uptick from convergence, but it isn't necessary that loan growth would trail off and people would exit formal banking. Based on valuation today and growth potential, the banking sector is absolutely worth a look. You could start with any of those four big banks.

John: Could you elaborate on some of the macro dynamics — specifically inflation and the currency? It sounds like they're well positioned from a resources standpoint, so I'd expect the currency to be quite strong. Any color from a Western investor's standpoint?

Isaac: Great question. I was making sort of a quirky joke the other day that I hope for their sake that the oil price isn't too strong for too long, because a high oil price is almost too easy money for the government to become too expansionary. The government has done a phenomenal job balancing economic growth and economic inclusion and supporting infrastructure development — the record speaks for itself. But nations and economies, just like individuals — our blessings can wind up cursing us and the things that curse us can become our blessings in how we overcome them. Too much money flowing out of the ground can support expansion of projects that maybe don't make sense and can create bloat.

I completely agree that circumstances are generally supportive of an increasingly stable currency over time. There has been depreciation — that was why I translated those charts into US dollars. The first time I set foot in the country, one dollar was 140 tenge; today it's 480 tenge. But that in itself doesn't tell you everything. Yes, converting cash into tenge and hiding it under the mattress would have been bad — but it also would have been bad with US dollars, just less bad. If we had each put $100 into a savings account 16 years ago — me in dollars, you in tenge — you would actually have more today, because the interest-rate differentials were fat over time and have more than accounted for the depreciation.

It is still a resources-based economy, but the challenges in resources markets over the last 10 to 20 years have strengthened the resolve of government and private sector to diversify — which they have done successfully. If one were hugely bearish on the industries I mentioned — copper for electrification, nuclear energy, oil — then that would be a problem. But if one believes that the world carries along, you're not betting on commodity prices by participating in the Kazakh economy. You're betting on commodity prices by participating in a commodity project there, just like in Oklahoma or Nevada. The economy is a derivative that is nicely insulated — you get some of the upside, but a diminished participation to the upside, in exchange for a much diminished participation to the downside. That's the risk-adjusted balance I'm looking for.

John: How do you source new ideas in the region? Are you familiar with most of the companies by now, or do you still come across new ideas?

Isaac: It is a smaller region — about 100 million people across the five countries, $700–800 billion in GDP. For the first six or seven years that I was becoming interested, say 2010 to 2016, there was a continuously diminished number of public companies because the market was not supportive of valuations — companies were delisting. I had a couple of adventures in that, including a proper activist situation with the National Oil Company. They tried to delist at $7.87 a share. We thought the price was not fair. We tried to get them to raise it — they eventually did, but only to $9. We voted against the deal and tried to get others to vote against it. It succeeded, and they wound up paying $14 about two years later. It was a protracted thing, but it was a lot of fun — interesting conversations and meetings, more interactive than sitting at one's desk. It was profitable and gave me a special perspective.

That's why in the past I introduced entrepreneur-owned companies to the MOI community — Bank CenterCredit and Halyk. Today I introduced government-owned companies: one is 63% government-owned, one is 42%. I've had good and bad things happen investing alongside the Kazakh government.

For the last eight years, the number of public companies has been picking up — one or two meaningful IPOs a year and the coverage is enlarging. More public companies will build up the market and support valuations, eventually justifying bigger research teams on both buy side and sell side.

Our business is about the long term and incrementality. I've talked about Sea Limited in Singapore with the MOI community before — we've been involved for almost a decade. That one has been very volatile, with very different valuations, and we've bought and sold it at different times. You can have a limited coverage universe and still find things to do. You have to be humble and prepared for the unexpected. That chart of Halyk looks really nice now as a 10-year chart — and Bloomberg doesn't add back dividends, which are very important, so the actual return is much higher. But it wouldn't have looked so nice in 2022. In the wake of the Russia-Ukraine conflict worsening, that stock fell back to $7. Now, in 10 years it's gone from $4 to $32 plus all the dividends. But in six years it had gone from $4 to $7 — not as good a return, obviously.

About the instructor:

Isaac Schwartz is a portfolio manager and seeks to achieve long-term gains by investing in undervalued securities (primarily stocks) of companies throughout the world. Isaac serves as a director of Menu Group (U.K.) Ltd., the leading online food delivery platform in several former Soviet Republics, and of Complete Start Inc., a plant-based health food company in the U.S. Prior to joining Robotti & Company in 2002, Isaac worked for Schiff's Insurance Observer, an investigative journal, where he did research on the property-casualty and annuity insurance industries. Isaac graduated from Wharton with a BS in Economics.

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