

Kaspi.kz (KSPI) Investment Analysis Report

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Executive Summary

Investment Opportunity

Kaspi.kz represents a compelling investment opportunity as Kazakhstan's dominant digital ecosystem, trading at a depressed valuation. The company operates Central Asia's leading super-app, serving 14.7 million monthly active users (~71% of Kazakhstan's population) through an integrated platform combining e-commerce marketplace, digital payments, and fintech services. The company has generated 4-year average ROE and net income margins of 105% and 44.6% respectively, and 4-year Revenue and Net Income CAGRs of 43% and 41% respectively. Yet Kaspi trades at just 7.97x P/E, a fraction of comparable emerging market platforms. This valuation disconnect creates an attractive entry point for investors willing to underwrite emerging market risks. The company's ADRs are listed on the NASDAQ, and its share price is denominated in USD.

Key Metrics	
Share Price	\$81.98
Market Cap	\$16.2 Bn
PE Ratio	7.97x
Operating Margin	75%
4-Year Revenue CAGR	43%
4-Year Net Income CAGR	41%
Return on Equity (5-yr avg)	105%
Net Debt	-\$161 Mn

Business Overview

Kaspi has transformed from a traditional bank into Kazakhstan's essential digital infrastructure, processing the majority of national e-commerce transactions (over 70% market share) and payment flows (78% of network transactions). The platform addresses fundamental market needs: enabling cashless commerce in a previously cash-dominant economy, providing credit access to underserved populations, and connecting merchants with consumers through digital channels.

The business operates through three interconnected verticals that create powerful network effects:

- **Marketplace** (29% of revenue): Third-party e-commerce platform with 47% net margins
- **Payments** (23% of revenue): Proprietary QR-based system, which demolished the Visa-Mastercard duopoly
- **Fintech** (49% of revenue): Digital lending with ₸10.3 trillion (~\$19bn) financing volume

Each vertical reinforces the others: marketplace transactions drive payment volume, generating data for superior credit underwriting, which enables more purchases. This flywheel effect allows Kaspi to monetize customer relationships multiple times while creating switching costs that protect market share.

Competitive Advantages

Kaspi's moat rests on three mutually reinforcing pillars:

1. Structural Cost Advantages:

Through proprietary infrastructure investments, particularly in payments processing, Kaspi achieves unit economics competitors cannot match. Customer acquisition costs run 4-7x below banks at just \$1.80, while the owned payment network eliminates third-party fees, enabling profitable operation at price points that would generate losses for competitors.

2. Ecosystem Lock-in:

With users averaging 75 monthly transactions across multiple services, switching costs become prohibitive. Many merchants depend on Kaspi for the majority of sales plus working capital, analytics, and advertising. The 35% of merchants using Kaspi's integrated POS system have embedded the platform into core operations.

3. Data Advantages:

Processing 3,600+ data points per user enables superior credit decisions, evidenced by less than 10-second loan approval timings and 2.1% cost-of-risk¹ versus 3%+ for peers. This information asymmetry compounds with each transaction, creating underwriting capabilities competitors cannot replicate.

Growth Opportunities

Despite market dominance, Kaspi maintains multiple growth vectors:

Deepening Wallet Share:

Users currently engage with only 2-3 services despite dozens available. Recent successes validate cross-sell potential: Kaspi Travel captured 25% market share within two years, while e-grocery achieved 40% share and 8% margins. ARPU increased 70% from 2022-2024, demonstrating effective monetization of the existing base.

International Expansion:

The \$1.12 billion Hepsiburada acquisition provides entry to Turkey's 85 million population (4x Kazakhstan) with a market-leading e-commerce platform. While execution risks exist given Turkey's 30% inflation and established competition, success would multiply Kaspi's addressable market and create a second growth engine.

Valuation Analysis

Multiple methodologies suggest significant undervaluation:

- Trading at 7.97x P/E versus emerging market peers (29x for Nu Holdings and 58x for MercadoLibre) despite comparable growth and superior ROE
- Earnings growth model suggests 20% expected annual USD returns assuming 19% EPS growth, 6% dividend yield, modest multiple expansion to 9.2x, and 10% currency depreciation
- Reverse DCF implies the market expects 21% revenue decline over five years, inconsistent with digital adoption trends and market position

Investment Thesis

The market's fixation on near-term headwinds (regulatory uncertainty, currency volatility, Turkish integration risks) obscures Kaspi's fundamental strengths. Our differentiated view recognizes:

- Proposed regulations don't threaten existing operations, only constrain future acquisitions

¹ Defined as loan losses as a percentage of the total loan book

- Historical performance shows earnings growth outpacing currency depreciation 15-fold
- Management's 50%+ ownership ensures aligned capital allocation
- Single-digit multiples price in simultaneous catastrophes unlikely to materialize

At current valuations, Kaspi offers asymmetric risk-reward for investors who can stomach emerging market volatility while capturing the upside of Central Asia's digital transformation.

Key Risks

- **Regulatory Risk:** Open banking initiatives and QR standardization could commoditize payment advantages
- **Currency Exposure:** Structural ~10% annual tenge depreciation creates persistent USD headwinds
- **Macroeconomic Sensitivity:** Severe recession would impact all verticals: payment volumes, marketplace GMV, and credit losses
- **Execution Risk:** Turkish expansion requires building complete ecosystem from marketplace-only foundation

Conclusion

Kaspi combines the growth of an emerging market technology leader with the profitability of an established financial institution. While Kazakhstan exposure requires appropriate position sizing and return expectations, the company's dominant market position, aligned management, and compelling valuation create an attractive opportunity for patient capital. Current pricing reflects excessive pessimism, offering substantial upside for investors willing to look past headlines to underlying business quality.

Business Overview

Super-App

Kaspi.kz serves as Kazakhstan's digital backbone, engaging 14.7 million monthly active users (~71% of the population) and 737,000 merchants, from bazaar vendors to large retail chains. Evolving beyond traditional banking, Kaspi has become the primary interface for Kazakhs' daily financial and commercial activities.

For context, Kaspi combines the marketplace functionality of Amazon, the payments capabilities of PayPal, and digital banking into a unified platform. This comparison undersells Kaspi's achievement, given it created this ecosystem in a previously underserved digital environment.

For consumers, Kaspi consolidates fragmented activities (bill payments, money transfers, shopping, travel booking, and credit) into one seamless experience, eliminating traditional transaction friction. This integration yields exceptional user engagement, averaging ~75 transactions per user monthly.

A consumer can browse thousands of products, compare prices across merchants, access instant credit approval, complete payment, and track delivery, all without leaving the Kaspi ecosystem. The platform's value proposition centers on making everyday life simpler, cheaper, and faster, whether that means settling a utility bill in seconds, financing a major purchase through interest-free installments, or transferring money instantly to family members.

Merchants benefit similarly through Kaspi Business, which integrates payment acceptance, marketplace listing, working capital access, deposit management, and advertising. This toolkit significantly reduces SME entry barriers by offering immediate setup, minimal fees, and instant fund access, reshaping Kazakhstan's retail landscape by bringing micro-vendors and SMEs into the formal economy.

Kaspi's integrated ecosystem comprises three business verticals, Marketplace, Payments, and Fintech, which reinforce each other. Marketplace growth drives payment volume, generating data for improved credit underwriting, enhancing lending capabilities, and fueling further marketplace activity. This cycle creates network effects, allowing Kaspi to monetize customer relationships repeatedly across services.

We operate a unique two-sided Super App business model

Our Super Apps integrate different services used by consumers & merchants on a daily basis

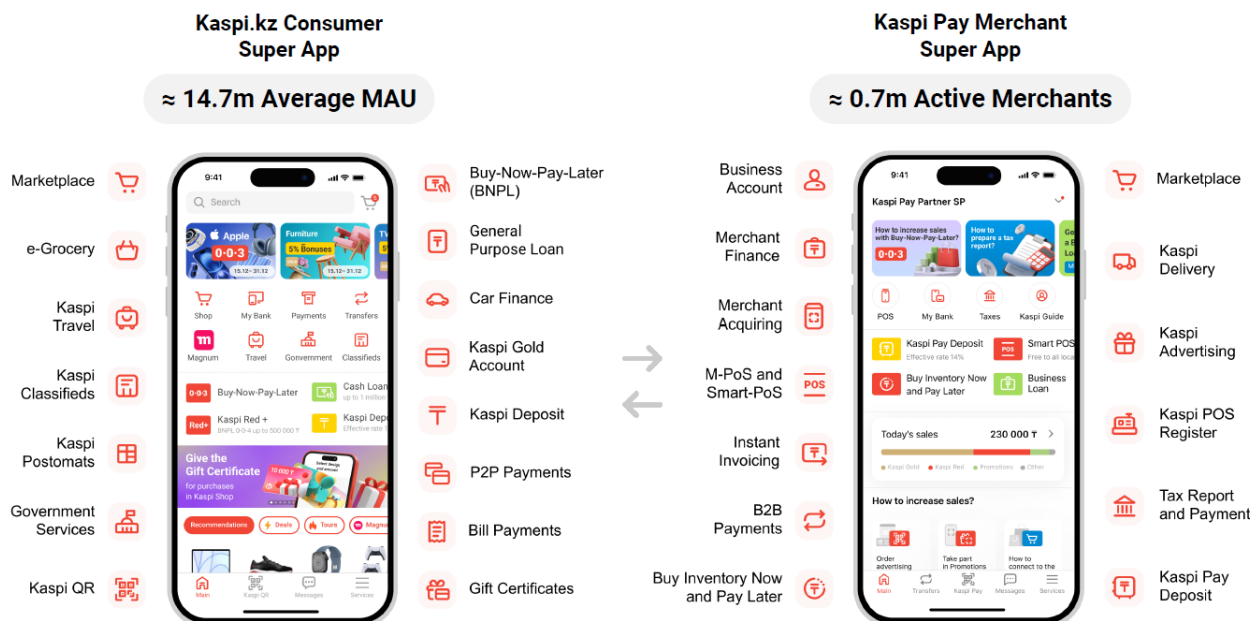


Figure 1 Slide from earnings call describing Kaspi's model

Marketplace



Kaspi's marketplace operates as a third-party e-commerce platform seamlessly integrated within the super-app, enabling consumers to purchase goods and services from an extensive merchant network. This integration proves critical to the platform's success: users who open the app for routine payments or money transfers naturally discover shopping opportunities, driving engagement and transaction frequency far beyond what standalone e-commerce sites achieve in Kazakhstan.

Core marketplace segments include general merchandise through Kaspi Shop, rapidly expanding e-grocery via Kaspi Gipermarket (GMV +97% in 2024), and travel booking (GMV +34%), alongside the recently acquired Kolesa auto classifieds (GMV +95% in 2024). These vertical expansions enhance Kaspi's daily relevance and support deeper consumer engagement.

With over 70% market share in Kazakhstan's e-commerce sector, Kaspi leverages a substantial 10.3% take-rate on GMV, extracting high-margin revenue. Its operational model adapts uniquely to local conditions: Kaspi maintains no inventory or warehouses, instead coordinating third-party couriers and an 8,000-unit parcel locker network, significantly reducing logistics costs and capital intensity.

Financially, the marketplace segment generates approximately 29% of Kaspi's revenue with exceptional 47% net margins. Value-added services increasingly contribute to these economics, with merchant advertising tools adopted by 51,000 sellers adding 1.7 percentage points to the platform's take-rate in 2024. Marketplace GMV and revenue grew by 39% and 43% respectively in 2024, signaling strong continued momentum. While general merchandise remains the largest category, emerging verticals like e-grocery and travel are growing from smaller bases at higher rates, diversifying the revenue mix and deepening customer engagement across different purchase occasions.

Kaspi operates purely as a platform intermediary, managing the digital interface, payment integration, customer service, and selective last-mile infrastructure like parcel lockers. The upstream supply chain and downstream fulfillment rely entirely on third-party merchants and logistics providers, minimizing inventory risks and capital intensity. Merchants range from major electronics retailers to individual traders.

This model effectively allocates risks: merchants assume fulfillment responsibility, while Kaspi manages service quality through SLAs and ratings, resulting in high customer satisfaction. Payment risk sees different treatment. By routing all transactions through the authenticated Kaspi Pay ecosystem, the platform minimizes fraud exposure and chargeback rates well below industry norms. The closed-loop nature of payments, where both buyer and seller often maintain Kaspi accounts, further reduces settlement risk.

Compared to global peers like Amazon or Alibaba, Kaspi's model is closest to Alibaba's asset-light Taobao, though Kaspi maintains even fewer logistics assets, emphasizing variable costs over fixed investments. This structure offers optimal capital efficiency and flexibility for Kazakhstan's developing infrastructure, positioning Kaspi uniquely as a logistics orchestrator and financial integrator rather than a conventional retailer or pure platform.

Payments



Kaspi's payments platform processes digital transactions across Kazakhstan through Kaspi Pay (QR code and POS acquiring, 71% of total payment volume), Kaspi Gold debit card wallets, utility bill payments (17% of TPV), and peer-to-peer transfers (7% of TPV). Over five years, Kaspi

has transformed Kazakhstan's payments landscape, significantly reducing cash usage and now processing a substantial portion of domestic digital payments.

Introduced in 2019, Kaspi QR disrupted traditional merchant acquiring by replacing costly hardware and complex bank contracts with simple smartphone-based payments, allowing even small vendors immediate digital payment acceptance. Substantially lower merchant fees compared to traditional card networks drove Kaspi's market share from 2% in 2018 to 66% by late 2021. Currently, Kaspi handles more domestic transactions than Visa and Mastercard combined, with 86% of in-store payments via QR codes.

Consumer preferences rapidly adopted Kaspi's payment methods, resulting in ₸9.67 trillion (\$17.8bn) processed in Q1 2025 (23% YoY growth). Payments represent 23% of Kaspi's revenue but deliver outsized profitability (36% of net profit), benefiting from operational leverage as incremental costs decline with transaction volume growth.

Payments strategically anchor Kaspi's broader ecosystem, serving as the daily engagement touchpoint that cross-sells marketplace offerings and credit products. Merchant adoption has grown strongly, reaching 737,000 active POS devices by end-2024, solidifying Kaspi as the dominant payment method nationwide.

Revenue composition within payments primarily consists of merchant discount rates (fees charged to merchants for processing transactions) on QR and POS payments, supplemented by fees on bill payment processing. The company maintains minimal or zero fees on peer-to-peer transfers to encourage usage frequency and habit formation.

Emerging growth areas include business-to-business (5% of TPV) and government services, expanding Kaspi's infrastructure role. Transaction data further strengthens Kaspi Fintech's credit underwriting and Kaspi Marketplace's targeted product development, offering strategic advantages competitors cannot match.

Kaspi's vertically integrated payments infrastructure streamlines functions usually distributed across card networks, banks, and processors into one seamless internal system. The company controls core payment infrastructure components: payment instrument issuance (Kaspi app QR codes and Kaspi Gold cards), network operations (proprietary switching and processing systems), and merchant acquiring solutions (Kaspi Pay app and terminals). When both payer and payee maintain Kaspi accounts (a common scenario given the platform's market penetration) transactions process as simple account balance adjustments within Kaspi's own systems. This differs from traditional payments where funds must move between different banks through complex clearing and settlement processes, requiring multiple intermediaries, time delays, and additional fees. By keeping transactions internal, Kaspi eliminates these interbank complexities and associated costs.

This integrated structure creates economic advantages over traditional payment models. Where conventional card transactions distribute fees across four participants (issuing bank, acquiring bank, card network, payment processor), Kaspi captures the entire fee pool while maintaining lower merchant rates. The model required substantial technology investment to build real-time payment processing capabilities typically provided by established networks.

By controlling its payments technology stack, Kaspi rapidly deploys innovations like offline QR payments without waiting for broader market consensus, a structural advantage over traditional fragmented systems. This positions Kaspi as Kazakhstan's essential payment utility,

capturing high margins through integrated operations and flexibility to evolve with market demands.

Fintech



Kaspi's fintech segment offers digital loans integrated within its super-app, including consumer cash loans, buy-now-pay-later (BNPL) via Kaspi Red's zero-interest installments, and merchant working capital financing. Seamless integration into the super-app usage drives adoption rates unmatched by traditional banks.

As of FY2024, Kaspi served 6.4 million loan customers, achieving total financing volume (TFV) of ₸10,305 billion (~\$19 bn), up 30% YoY. BNPL comprises 44% of TFV, general-purpose loans 34%, merchant/micro-business loans 17%, and auto finance 5%. This diversified and transaction-linked lending approach mitigates credit risk exposure.

Each lending product strategically addresses market gaps: BNPL facilitates purchases without traditional credit cards, cash loans provide essential liquidity without collateral, and merchant financing offers SMEs rapid access to working capital. Despite Kazakhstan's high-interest-rate environment (16.5% base rate), Kaspi sustained robust loan demand growth.

Fintech generated 49% of Kaspi's FY2024 revenue but only 31% of net profit, due to higher funding and credit costs. Nonetheless, fintech is crucial to Kaspi's overall model, enhancing marketplace and payment engagement, thereby increasing cross-platform monetization.

The segment's monetization power becomes apparent when examining transaction economics across Kaspi's ecosystem. A typical \$100 purchase on Kaspi Marketplace financed through BNPL and processed via Kaspi Pay generates approximately \$35 in combined revenue, distributed across marketplace commission (roughly \$10), payment processing fees (\$1-2), and financing charges paid by the merchant (\$20-25). Although financing charges generate significantly more revenue than the other two verticals, the margins are much lower due to Kaspi's own borrowing costs. However, providing financing encourages consumers to engage in more transactions on the app and enables higher-margin marketplace and payment commissions. This positions fintech as both a growth enabler for the broader ecosystem and a customer retention mechanism, as users with active loans maintain higher engagement rates across all Kaspi services.

Kaspi's closed-loop lending model provides unique data visibility across borrower activity. Customer transaction patterns, payment history, and shopping behavior available on the super-app provide underwriting insights unavailable to banks relying on external credit bureau

data. This information advantage enables rapid credit decisions (over 90% of loans approve within seconds) while maintaining portfolio quality.

Operating as a fully integrated digital lender, Kaspi manages loan origination, underwriting, servicing, and risk entirely within its ecosystem. Proprietary algorithms evaluate customers' real-time transaction behavior and account activity, allowing superior credit decisions compared to traditional banks. Kaspi retains loans on its balance sheet, capturing all interest income while fully absorbing default risk, avoiding securitization or external risk-sharing.

Kaspi's primary funding comes from stable, low-cost customer deposits via Kaspi Gold accounts and term deposits, supplemented by retained earnings and recent bond issuance (\$650 million in five-year Eurobonds). This approach provides robust liquidity and flexible financing at competitive costs.

The closed-loop lending structure provides exceptional visibility into borrower behavior. Consumers often spend loan proceeds within Kaspi's marketplace, allowing real-time observation of loan usage, merchant quality, and repayment behavior. Merchant loans exhibit similar advantages, with visibility extending from loan issuance to sales revenue flowing back through Kaspi Pay.

The integrated model creates structural advantages in cost and risk management. Customer acquisition costs remain minimal as existing users discover credit products organically during shopping or payment activities. Underwriting accuracy improves through real-time transaction data rather than historical credit reports. Collection efforts benefit from direct access to customer payment flows and account balances. These advantages compound as users deepen their ecosystem engagement, generating more data points that further refine credit decisions.

This model uniquely combines digital distribution, proprietary data insights, stable deposit funding, and full risk retention. Unlike traditional banks or fintechs dependent on fragmented data or external funding, Kaspi controls every aspect of its lending operations, maximizing profitability and minimizing risk.

Kaspi's Integrated Model (Illustrative Scenario)

Consider a typical consumer scenario: A customer opens Kaspi to purchase a TV. She browses and compares products, instantly receives credit approval for an installment plan, pays through Kaspi's payment infrastructure, and receives next-day delivery coordinated by Kaspi's logistics partners. Kaspi's app updates her throughout the process, storing receipts digitally and rewarding loyalty points usable across other services.

On the merchant side, Kaspi enables the sale by providing marketplace listing, consumer financing, low-fee payment processing, and logistics coordination. Funds from the sale arrive immediately in the merchant's Kaspi account, ready for withdrawal or supplier payments. Merchants needing restocking funds can quickly access inventory loans through Kaspi's fintech offerings. This integrated model significantly simplifies the sales process for both consumers and merchants.

Customer & Merchant Value Proposition

Kaspi's ecosystem distinctly addresses pain points for consumers and merchants across marketplace, payments, and fintech segments.

Marketplace Appeal

For consumers, Kaspi centralizes Kazakhstan's fragmented retail landscape into a unified digital marketplace, enhancing convenience, product access, and reliability compared to traditional e-commerce and brick-and-mortar retail. The integration with Kaspi's payment and credit services removes friction at checkout, while the standardized delivery network and return policies provide consistency across merchants. For rural consumers especially, the marketplace provides access to product selection previously available only in major cities. Merchants instantly access Kaspi's expansive user base without independent infrastructure investment, benefiting SMEs particularly by simplifying online sales, payments, and logistics.

Payments Value Creation

Kaspi drives adoption by replacing cash reliance with digital convenience. In a country where bill payments once required trips to kiosks or banks, the app enables instant utility payments, phone top-ups, and government fee processing. Users save time and travel costs while gaining digital transaction records. Kaspi's banking license and regulatory compliance ease security concerns, particularly for older users accustomed to cash.

For merchants, Kaspi Pay transforms payment economics. Traditional card systems required \$500+ terminals, monthly fees, complex setup, and bank merchant accounts, shutting out many small businesses. Kaspi removes these barriers: merchants simply download a free app or display a QR code to accept payments. Its ~1% transaction fee undercuts typical card rates of 2–3%, boosting margins, while instant settlement to Kaspi accounts improves cash flow versus the usual T+2–3 card settlement. By end-2024, over 737,000 merchants (including taxi drivers and market vendors previously limited to cash) used Kaspi Pay.

Fintech Benefits

Kaspi's fintech offerings further expand access. Consumers gain credit products once out of reach due to documentation, collateral, and branch visits. Instant digital approvals based on app transaction history democratize borrowing. The BNPL service, with no interest charges, boosts purchasing power in a market with low credit card penetration and widespread paycheck-to-paycheck living.

Merchants benefit as well. With BNPL, they receive immediate full payment while Kaspi assumes collection risk, improving cash flow. Kaspi's merchant loans address SME funding gaps by leveraging transaction data, delivering working capital within hours rather than weeks. Seasonal businesses, for example, can finance inventory based on past sales and repay via Kaspi Pay revenues. Business deposit products complete the ecosystem, allowing merchants to receive payments, access credit, and earn interest without leaving the platform.

This integrated model explains Kaspi's rapid growth. Instead of solving isolated problems, it removes multiple frictions simultaneously. Merchants using Kaspi Pay naturally discover financing tools; consumers paying bills encounter shopping and credit options. These interconnected services, anchored in genuine utility for both sides of the market, fuel the network effects driving Kaspi's dominance.

Competitive Advantages Analysis

Structural Cost & Scale Advantages

Kaspi's cost structure creates self-reinforcing competitive dynamics. Scale enables infrastructure investments delivering superior margins, allowing profitable operation at price points that generate competitor losses. This virtuous cycle (scale reducing unit costs, enabling competitive pricing without margin erosion, driving further share gains) continuously widens Kaspi's moat.

Transaction scale underpins this advantage. In 2024, Kaspi processed \$102 billion through 5.9 billion payments, 234 million marketplace purchases and many loans processed across 14.7 million customers, averaging 73 monthly transactions per user.

Customer acquisition costs reveal the scale benefit. With penetration reaching the majority of Kazakhstan's bankable adult population, Kaspi has essentially saturated its addressable market, making new customer acquisition increasingly limited. New service adoption now occurs organically within the existing user base. A customer initially drawn by payments functionality discovers marketplace offerings, then utilizes credit products, each additional service requiring no incremental acquisition spend. This contrasts sharply with competitors who must invest heavily to attract customers away from Kaspi's ecosystem.

The financial impact appears starkly in marketing efficiency metrics. Sales and marketing expenses consumed just 3.5% of revenue in 2024 (₸44 billion on ₸1.25 trillion revenue), compared to 8-12% for the retail segment of Kaspi's largest domestic competitor, Halyk Bank. Analysis of incremental user additions suggests a blended customer acquisition cost below ₸800 (approximately \$1.80), four to seven times lower than typical acquisition costs for major Kazakh banks. This efficiency stems from structural advantages: existing customers adopt additional services at virtually zero marginal cost, allowing revenue growth without proportional marketing spend. Each new product launch or service expansion leverages the installed base rather than requiring fresh customer acquisition, creating margin expansion unavailable to single-service competitors.

Scale economies extend beyond customer acquisition to operational efficiency. Large fixed-cost investments in technology infrastructure become economically viable when amortized across billions of transactions. These investments, in artificial intelligence, automation, and proprietary systems, reduce variable costs per transaction while simultaneously improving service quality. Once deployed, these technologies handle incremental volume at minimal additional cost. Kaspi's deployment of "Ruslan," an AI-powered customer service assistant, exemplifies this dynamic. During the first nine months of 2023, Ruslan handled over 10 million customer interactions, performing work equivalent to approximately 1,000 human support agents. This automation maintains service quality while dramatically reducing per-interaction costs, an investment only justified by Kaspi's transaction volumes.

Kaspi's proprietary payments network represents the clearest example of how investment in infrastructure ownership creates structural cost advantages. In June 2019, Kaspi completed a pivotal migration from third-party card processors to its own payment network, fundamentally altering its cost structure. The financial impact was immediate and substantial: the Payments Platform's cost-of-revenue as a percentage of revenue plummeted from 40.7% in 2017 to 24.2% in 2019, with margins continuing to expand thereafter.

By 2023, 85% of all Kaspi payment transactions processed internally without touching Visa or Mastercard networks, capturing fees that would otherwise flow to external parties. This proprietary network now handles approximately 74% of all payment transactions in Kazakhstan by count, relegating global card networks to a minority position in their traditional market.

The economic implications extend beyond simple fee avoidance. In traditional payment structures, the 1-2% merchant commission gets divided among multiple participants: the card network, issuing bank, acquiring bank, and payment processor. Kaspi collapses these roles, functioning simultaneously as network operator, card issuer, and merchant acquirer. While Kaspi's payment take-rate of 1.18% undercuts both Visa and Mastercard's typical 1.6-1.8% rates and local mid-tier banks' 2.5-3.5% fees, the company retains this entire fee rather than sharing it across the value chain.

This structural difference manifests in profitability metrics that traditional payment companies cannot match. Kaspi's Payments segment generates net income equivalent to 1.1% of total payment volume, nearly eight times Visa's margin on processed volume despite Visa's position as a pure technology platform without credit risk. The consolidated impact appears in Kaspi's FY2024 net income margin of 41.7%, substantially exceeding both traditional banks and payment processors who remain dependent on third-party infrastructure.

Infrastructure ownership also enables pricing strategies unavailable to competitors. Kaspi leveraged its cost advantage to offer free peer-to-peer transfers and below-market merchant fees during its growth phase, accepting minimal or negative margins on individual services while building network effects. Competitors reliant on third-party processors face irreducible cost floors; they must pay interchange fees, network fees, and processing charges regardless of their own pricing decisions. This dynamic allowed Kaspi to capture a dominant market position (by 2023, processing 78% of all payment network transactions in Kazakhstan) through aggressive pricing while maintaining a pathway to profitability once scale was achieved.

The competitive implications create a formidable barrier to entry. Replicating Kaspi's position would require enormous capital investment in payment infrastructure, regulatory approvals for operating a payment network, and somehow convincing merchants and consumers to switch from an established system. Even well-funded competitors must choose between two unattractive options: continue paying third-party fees that structurally disadvantage them on cost, or invest billions to replicate infrastructure for an already-captured market. This cost leadership moat continues to widen as Kaspi's growing volume further reduces unit costs while competitors face fixed or rising third-party fees.

The payments infrastructure exemplifies Kaspi's broader cost advantage flywheel in action. Initial scale justified infrastructure investment, which dramatically reduced unit costs, enabling below-market pricing that drove further market share gains. As transaction volumes grew, fixed infrastructure costs spread across an ever-larger base, improving margins while competitors remained trapped paying variable third-party fees. This widening cost gap allows Kaspi to continually reinvest in service improvements and market expansion while maintaining pricing discipline, a dynamic that becomes more powerful with each turn of the flywheel. Competitors face an increasingly insurmountable challenge: matching Kaspi's infrastructure would require massive investment for a market already captured, while continuing to rely on third-party processors ensures permanent cost disadvantage.

Cost advantages manifest in strong metrics:

- Net margins: 45% consolidated (2023), with Payments >70% and Marketplace ~60%, far exceeding banking competitor Halyk's 30-40% and global leaders' 45-55%
- Pricing flexibility: Free P2P, merchant rates 50-70% below cards, yet maintaining attractive unit economics
- Capital efficiency: 79% ROE (2024) demonstrates value creation through operations, not leverage

The flywheel accelerates: low costs enable competitive pricing driving share gains, creating scale that reduces costs further. High margins fund reinvestment, strengthening positioning. Competitors cannot replicate through strategy alone, they face structural disadvantages widening with each cycle.

Super-app Ecosystem Flywheel

While scale provides cost advantages, Kaspi's integrated ecosystem creates a fundamentally different competitive dynamic, one where each business vertical reinforces the others in ways competitors cannot replicate through single-service offerings. This ecosystem advantage manifests through three interconnected mechanisms: deep operational lock-in for both consumers and merchants, a closed-loop value engine that transforms retention into growth, and self-perpetuating expansion into new services.

Network Effects and Platform Lock-in

Kaspi functions as Kazakhstan's essential digital utility, with 65% of monthly active users engaging daily, interaction levels typically reserved for social media platforms. This habitual usage stems from consolidating critical financial activities within a single interface: peer-to-peer payments, merchant transactions, shopping, travel bookings, utility payments, government services, and banking products.

The platform creates asymmetric switching costs for both sides of its network. For merchants, operational dependency extends far beyond transaction volume. A typical electronics retailer processing more than 50% of sales through Kaspi also relies on the platform for working capital financing, customer analytics, and advertising. The POS Register system, adopted by 35% of merchants, embeds Kaspi into core business operations, combining payment processing, inventory management, tax reporting, and financial analytics. Abandoning Kaspi would require assembling multiple replacement providers while sacrificing integrated benefits like loans underwritten against actual sales data and advertising targeted to verified platform shoppers.

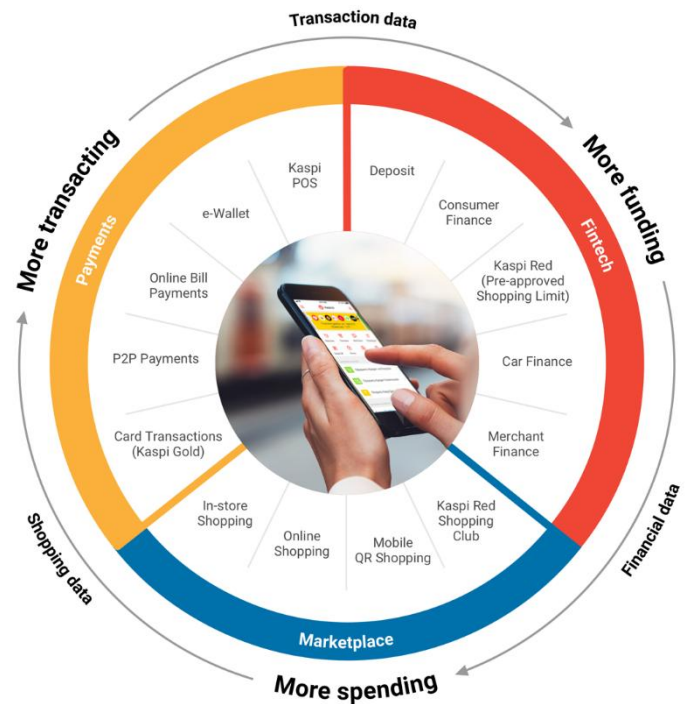
Consumer lock-in operates through accumulated conveniences and financial history. The app contains complete transaction records that power instant checkout, accumulated loyalty rewards, and pre-approved credit limits. More fundamentally, with 78% of Kazakhstan's payment network transactions flowing through Kaspi, leaving often means losing access to how commerce is conducted. Reconstituting this ecosystem across multiple providers would require not just finding alternatives but rebuilding years of financial history and behavioral data from scratch.

The Closed-Loop Value Engine

The true power of Kaspi's model emerges where lock-in transforms into value creation. When consumers browse the marketplace with pre-approved financing based on their complete

financial picture, they're accessing capabilities unavailable elsewhere. This integration enables economic activity that wouldn't otherwise occur.

The mechanics create compounding advantages across verticals. A marketplace purchase triggers instant credit evaluation using 3,600+ data points per user (payment patterns, shopping history, bill payments, and account balances) enabling approval in seconds. This comprehensive view produces superior risk assessment, evidenced by Kaspi's 2.1% cost-of-risk ratio, remarkably low for unsecured emerging market lending. The approved loan immediately converts to merchant revenue, generating marketplace commissions and payment processing fees while providing instant settlement to sellers.



Buy-Now-Pay-Later exemplifies this mutual value creation. By 2024, BNPL represented 44% of financing volume, with pre-approved users seeing personalized limits at checkout rather than generic risk brackets. Each transaction strengthens the system: purchases generate payment data, payments refine credit models, better credit enables more purchases. This closed loop creates a growth perpetuation machine where fintech makes marketplace goods more accessible, driving GMV that wouldn't exist without integrated financing, which generates more data for product development, unlocking additional demand.

Self-Perpetuating Ecosystem Expansion

The platform leverages its captive, engaged user base to expand into new categories at structurally lower costs than specialized competitors. With users averaging 75 monthly transactions (Q1-25), Kaspi commands attention share that creates natural discovery moments for new services during routine activities.

Cross-service adoption happens organically through intelligent incentive alignment. Extra cashback for using Kaspi Pay on the marketplace drives payment adoption while boosting e-commerce GMV. Preferential lending rates for merchants accepting Kaspi Pay strengthen both the payment network and credit portfolio. These mechanisms prove more effective and economical than traditional marketing while deepening multi-service relationships.

Kaspi's entry into e-grocery demonstrates this advantage. Launching through a Magnum partnership in 2022, the service profitably captured 40% online grocery market share within two years, a category where global players struggle for profitability after decades. Similarly, Kaspi Travel secured 25% of Kazakhstan's travel bookings by 2022, just two years after launch. This velocity stems from eliminating traditional barriers: pre-existing trust, stored payment methods, accumulated loyalty points, and established daily usage habits.

The marginal cost of acquiring customers for new verticals approaches zero (they're already engaged users). While specialized competitors must fund brand building and trust

development, Kaspi simply adds features to an app opened multiple times daily. This launch economics advantage enables patient market development and competitive pricing that fragments competition before it can establish foothold.

Each new service strengthens the overall ecosystem. Travel bookings provide high-value transaction data improving credit models. Grocery purchases increase daily engagement, creating more cross-sell opportunities. Government service integration makes Kaspi indispensable for basic civic functions. The ecosystem thus becomes progressively harder to replicate as each additional service increases switching costs, provides more data, and creates new interaction points, a flywheel that accelerates with scale rather than slowing from complexity.

Capital Allocation & Management

Effective capital allocation reveals whether strategic vision translates into shareholder value. Kaspi's management has skillfully balanced aggressive growth investments with disciplined financial management, transforming from a traditional bank to an integrated super-app while consistently generating exceptional returns.

Organic Capital Allocation

Kaspi's ability to redeploy capital into new, profitable growth areas represents a critical yet underappreciated strength. Unlike traditional banks that lost value during similar digital transitions, Kaspi expanded rapidly while maintaining robust margins. Between 2020 and 2024, Kaspi achieved revenue and net income CAGRs of 43% and 41%, respectively, with gross margins stable at 83-91% and net margins between 38-48%, defying typical growth-profitability tradeoffs.

Return on equity highlights Kaspi's capital efficiency, averaging 105% over four years and remaining strong at 79% in 2024 despite regulatory pressures, far outperforming global banking and fintech peers. Kaspi strategically invested in capital-light, high-return areas like technology infrastructure, ecosystem integration, and new verticals such as travel and e-grocery, leveraging existing platforms to scale rapidly at minimal incremental capital. The 2019 payments infrastructure overhaul exemplifies this approach, permanently reducing costs and enhancing service quality through a single strategic investment.

Kaspi avoided value-destructive diversification, instead deepening its Kazakhstan ecosystem, reinforcing existing services with each expansion. Management funded growth entirely from retained earnings, maintaining generous shareholder dividends, demonstrating confidence in the sustainability of its competitive advantage.

Inorganic Capital Allocation

Kaspi's limited acquisition history reflects measured ambition. The 2019 acquisition of Azerbaijan's classifieds platform, though relatively small at ~2% of revenues, has grown steadily (46% revenue CAGR 2020–2023), aligning strategically with Kaspi's competencies despite limited near-term financial impact.

The 2024 acquisition of Turkey's Hepsiburada for \$1.1 billion (65.4% stake) marks Kaspi's largest transaction and introduces significant execution risk. Management funded this carefully through internal cash and a prudent \$650 million Eurobond issuance, preserving balance sheet

flexibility. While strategically attractive, offering a significantly larger addressable market, success hinges on replicating Kazakhstan's integrated model in Turkey, a process likely requiring years of investment and uncertain returns in the short-term.

Kaspi's selective international strategy targets markets structurally similar to Kazakhstan, avoiding unnecessary diversification. However, Hepsiburada's scale and complexity represent a substantial test of management's capital allocation skill.

Shareholder Returns

Kaspi's shareholder return strategy prioritizes organic growth investments, followed by strategic acquisitions and dividends. Since its 2020 IPO, Kaspi has consistently maintained around 50% dividend payout ratios, yielding 5–8% annually despite high earnings growth. The 2024–25 dividend suspension to fund Hepsiburada reflects disciplined prioritization, though success will depend on effective execution in Turkey.

Management opportunistically utilized share repurchases during 2022 market volatility, but given persistently low valuations, more aggressive buybacks could have created significant shareholder value. However, dividends cater effectively to emerging market investors seeking tangible returns and risk mitigation, particularly important given Kazakhstan's inherent risks.

Kaspi's capital allocation record showcases exceptional organic growth management, sensible shareholder distribution, and cautious yet ambitious acquisitions. The ultimate validation of this strategy hinges on Hepsiburada's transformation. Success would cement management's capital allocation reputation; failure could suggest overly ambitious expansion.

Industry Overview:

Fintech Market in Kazakhstan

Kazakhstan's fintech market has rapidly evolved, with total retail lending rising from a low base to reach ₸16.7 trillion (~\$31 billion) by 2023, reflecting significant shifts in consumer credit access. Consumer lending expanded dramatically, reaching ~49% of annual wages and making up 60% of total bank lending by 2024, driven largely by digital innovations like BNPL, now representing about half of new consumer loans.

Digital adoption underpins this growth, with online banking users increasing 4.6x (2019–2023) and digital payments adoption at 78%. Credit penetration remains moderate compared to global peers, suggesting ongoing growth potential. Bank credit totals approximately 20% of GDP with retail loans at 10–15% (substantially below developed market levels). The addressable market continues expanding as previously unbanked segments gain access to formal credit through digital channels. Projections anticipate inflation-adjusted loan growth of ~15–20% in 2025, potentially doubling the consumer loan market by 2028, driven by rising incomes, financial inclusion initiatives, and banks' retail lending strategies. The profitability of consumer lending, with regulated APR caps at 56% driving banking Return on Equity to 33% in 2024, ensures continued institutional appetite for expansion.

However, emerging headwinds, rising household leverage prompting regulatory scrutiny, potential APR cap reductions (from 56% to 40%), and elevated funding costs, may constrain

growth or margins. Successful market participants will balance innovation and credit access expansion with prudent risk management and regulatory compliance.

Kaspi maintains market leadership through super-app ecosystem integration rather than sheer scale. Though its lending volume (₸2.6 trillion) trails Halyk Bank (₸3.5–4 trillion), Kaspi's rapid growth (55% vs. market's 27% in 2022) and merchant-funded BNPL structure provide a structural advantage competitors find difficult to replicate. While competitors like Halyk, Eurasian, Forte, and Wildberries attempt digital credit and marketplace integrations, Kaspi's seamless, embedded credit products create high switching costs and customer stickiness, underpinning its 35%+ market share of new unsecured loan issuance.

Regulatory banking licenses create entry barriers against fintech disruptors, reinforcing competitive focus around convenience and promotional offers rather than price competition. Kaspi's merchant-subsidized BNPL maintains a unique advantage in Kazakhstan's evolving fintech landscape.

E-Commerce Market Overview

Kazakhstan's e-commerce sector has transformed from niche to mainstream within five years. Online sales reached 12.7% of retail turnover in 2023, up from 1.8% in 2019, with 2024 estimates approaching 16-17%. The COVID-19 inflection point accelerated adoption, pushing penetration to 9.4% during 2020 lockdowns and achieving the government's 2025 target five years early.

The market structure decisively favors marketplaces, which capture 89% of GMV and 93% of transaction volume. Kazakhstan essentially leapfrogged single-retailer e-commerce, as marketplaces offer superior economics through aggregated selection, unified payments, and standardized fulfillment. With 15 million frequent online shoppers representing most adults, mainstream adoption is complete. High internet penetration (85%) and smartphone ubiquity enabled rapid growth beyond major cities.

Forward projections suggest 25-30% GMV CAGR through 2028, with online penetration doubling to 25-30% of retail. Supporting factors include logistics investments (e.g. Kaspi competitor, Wildberries' \$100 million distribution centers), postal modernization, and sustained behavioral shifts. Kazakhstan's vast geography makes e-commerce particularly valuable for product access. Challenges remain in remote delivery, cash-on-delivery preferences, and cross-border competition, with success determined by execution rather than demand.

Kaspi commands 77.1% market share but faces intensifying competition. Wildberries poses the primary threat with 17.2% share and near-100% growth, leveraging lower fees (5-10% versus Kaspi's 9-10%) and extensive pickup networks. Marketplaces dominate while traditional retailers like Technodom occupy niches. Kaspi's super-app integration provides its key moat: millions checking balances or paying bills discover shopping opportunities, while competitors require heavy marketing spend. This enables unique features like instant BNPL and one-click payments that standalone platforms cannot match. Domestic banks' marketplace attempts to clone Kaspi remain subscale (Jusan Market at 4.4%, others below 1%). Cross-border players like AliExpress pressure specific categories, but Kaspi's logistics and payment integration maintain advantages. Competition centers on price, delivery speed, and seller acquisition, with Kaspi's ability to cross-subsidize from financial services enabling sustainable competitive

pricing. While switching costs for individual purchases remain low, ecosystem abandonment costs stay high, positioning Kaspi to defend leadership through continuous innovation.

Payments Market Overview

Kazakhstan's payments sector underwent one of the world's fastest cash-to-digital transformations. Total transactions reached ₸54.8 trillion (~\$100 billion) in 2023, up 2.8x from 2019. Cash plummeted from 70% of value in 2019 to 41% by 2023, with non-cash payments totaling ₸32.1 trillion (+49% YoY). The shift extends beyond substitution: cashless volume hit \$315 billion (120% of GDP), indicating formalization of previously informal transactions. The mix includes 83% online channels, 10.9% card POS, and 6% QR payments by value, though QR dominates transaction count.

Kazakhstan leads the CIS (post-Soviet countries region) in cashless adoption, with 86% of transactions digital by volume and 60% by value, up from 30-40% five years ago. Infrastructure includes 60.3 million debit and 12.2 million credit cards (all NFC-enabled), plus 22.7 million digital banking users saturating the bankable population. QR-code payment adoption proved transformative, enabling micro-merchant acceptance without hardware costs. Kaspi's QR network captured 46% of payment terminals by 2021, with 210,100 new acceptance points added in 2023. Government mandates, including penalties for refusing cashless payments from 2024, ensure universal digital acceptance.

Projections suggest 20%+ CAGR through 2028, with non-cash value potentially exceeding ₸80-100 trillion and cash falling below 10%. Drivers include B2B/government digitization, e-commerce growth, and instant transfers. QR payments (+1.4x in 2023) could rival cards by 2028. Challenges include fee compression (interchange under review, merchant rates declining from 1.24% to 1.18%) and saturation requiring deeper per-capita usage rather than new users. The secular cash-to-digital shift remains irreversible given policy support and consumer preferences.

Kaspi transformed from challenger to leader, processing most retail transactions despite competing against established banks and card networks. The company's proprietary QR payment system disrupted the traditional card-based model dominated by Halyk Bank and international networks. Competition intensifies as the government implements a national interoperable QR standard by 2025, potentially commoditizing Kaspi's proprietary advantage. However, Kaspi's integration within its super-app ecosystem (where payments interconnect with shopping, credit, and daily financial activities) creates stickiness that standalone payment providers cannot match. Traditional banks have responded by launching their own digital wallets and matching Kaspi's low merchant fees (~1%), driving industry-wide margin compression from historical 1.5-2% rates.

Multi-homing prevails, with merchants accepting multiple methods and consumers maintaining several apps. Apple/Google Pay standardized mobile payments but operate through local infrastructure rather than displacing it. Kaspi's cross-subsidization from other verticals provides structural advantages over payment-dependent banks. As regulatory standardization commoditizes technology, ecosystem integration and engagement become primary differentiators where Kaspi's daily usage patterns maintain advantages despite narrowing moats.

Growth Opportunities

Deepening Wallet Share Through Cross-Sell

With 14.7 million monthly active users representing 71% of Kazakhstan's population, Kaspi must extract more value from existing customers rather than pursue costly acquisition. The company's obsession with maintaining a high Net Promoter Score (a metric measuring customer willingness to recommend services) enables successful new service introduction to an audience already using the app daily.

Cross-sell potential remains substantial: users average only 2-3 services despite dozens available. Marketplace shoppers discover BNPL at checkout, becoming lending customers. Payment users encounter marketplace promotions, converting to e-commerce participants. This organic discovery within routine app usage outperforms traditional marketing.

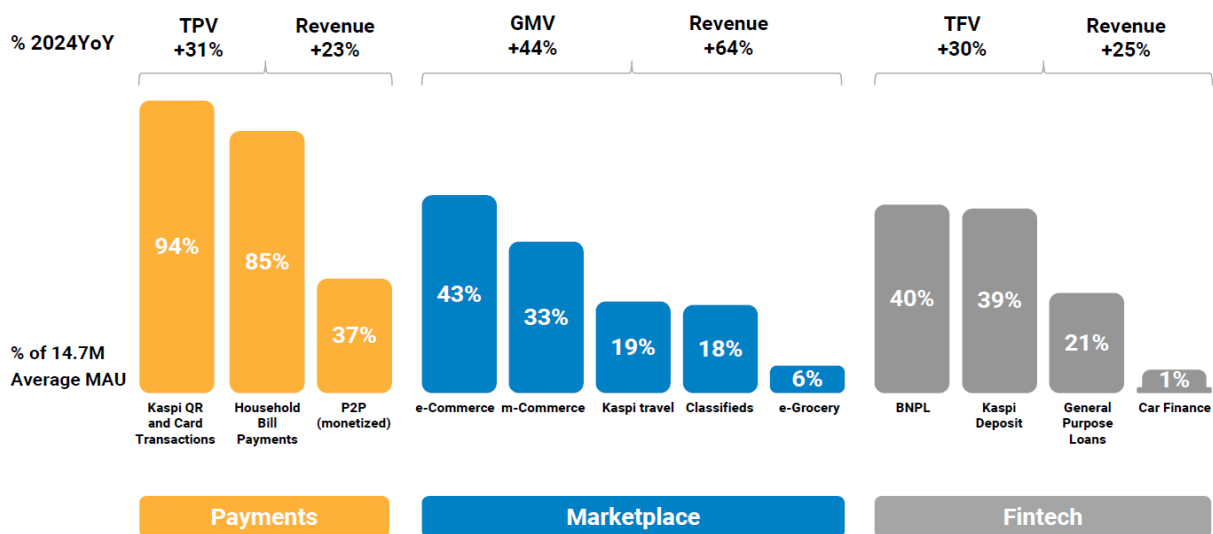


Figure 2 % of total MAU that have adopted each core B2C service

Recent launches validate the strategy. Kaspi Travel (launched in 2020) achieved national market leadership within four years, generating ₸471 billion (~\$0.9bn) GMV and 7.9% of marketplace volume by 2024. Similarly, e-grocery was launched via partnership with supermarket retailer Magnum in 2021 and accelerated after 90% acquisition in 2023. By 2024 it reached ₸135 billion GMV with 97% growth, achieving 8% margins, solid profitability for an early-stage operation in a category where mature players often struggle to break even.

The merchant ecosystem provides parallel ARPU expansion opportunities. Value-added services like advertising tools, adopted by 51,000 merchants, and B2B payment solutions for supplier invoicing represent high-margin revenue streams beyond basic transaction fees. Merchant finance products, among the fastest-growing offerings in the fintech vertical, deepen business relationships while generating interest income. These B2B services particularly matter because they increase switching costs, a merchant using Kaspi for payments, advertising, and working capital faces significant disruption migrating to competitors.

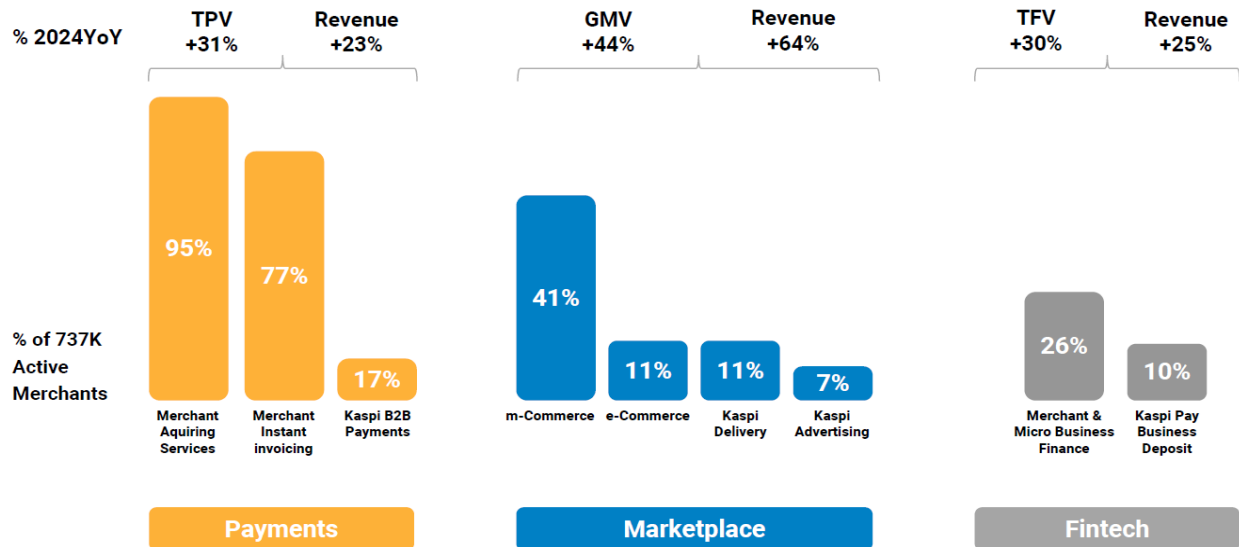


Figure 3 % of total Active Merchants that have adopted each core B2B service

Results confirm execution: ARPU increased 70% from ₸100,731 (2022) to ₸173,071 (2024). Take-rates rose from 7.9% to 9.7% as users adopted higher-margin services. Future opportunities abound: e-grocery and travel remain early-stage, while the recent Kolesa automotive classifieds acquisition and planned real estate expansion target large, complex markets. Each launch leverages millions of daily users, reducing scaling costs versus standalone ventures.

International Expansion

International expansion represents Kaspi's most ambitious yet unproven growth avenue as the company seeks to replicate its Kazakhstan success in larger markets. Over the past five years, management has pursued measured international forays through acquisitions in Ukraine, Azerbaijan, and most recently Turkey. The track record remains mixed: Ukrainian operations stalled following Russia's 2022 invasion, while Azerbaijan contributes a negligible 0.19% of consolidated revenues despite years of ownership. These early attempts provided learning experiences but limited financial impact.

Turkey marks a strategic pivot. The \$1.12 billion Hepsiburada acquisition for a 65.4% controlling stake (equivalent to 60% of Kaspi's FY2024 net income) provides immediate e-commerce leadership in a market 4x Kazakhstan's size. Hepsiburada commands 69.5% of Turkish marketplace GMV and 72% parcel delivery share, offering established infrastructure rather than greenfield development.

Population ⁽¹⁾	85M	20M
Retail ⁽²⁾	\$172B	\$43B
e-Comm Penetration ⁽³⁾	16.3%	12.1%
GDP Growth ⁽⁴⁾	+3.6%	+4.4%
Moderating inflation ⁽⁵⁾	25.6%	6.4%

However, Turkey presents fundamentally different challenges than Kazakhstan's market a decade ago. The competitive landscape features well-capitalized rivals like Alibaba-backed Trendyol, sophisticated consumers with established digital behaviors, and mature payment infrastructure dominated by traditional card networks. Turkey's macroeconomic volatility compounds these challenges: inflation running at 30% exceeds even Kazakhstan's historical instability, while persistent currency devaluation complicates financial planning and pricing strategies. Hepsiburada itself reflects these headwinds, with Q1 2025 GMV declining 14.8% year-over-year amid political protests, where some consumers have staged shopping boycotts to pressure the government by slowing economic activity.

The execution complexity stems from Kaspi's need to build its complete ecosystem from a single-vertical foundation. While Hepsiburada provides the marketplace component, Kaspi must develop payments and fintech capabilities largely from scratch to recreate its flywheel dynamics. Initial plans focus on introducing BNPL products for Turkish consumers and working capital loans for merchants, leveraging Hepsiburada's existing relationships. Payment integration faces higher barriers given Turkey's entrenched card infrastructure, though Kaspi may find niches for QR-based solutions among smaller merchants.

Early indicators suggest a deliberate, long-term approach. Kaspi replaced Hepsiburada's CEO and excluded Turkey from 2025 profit guidance, acknowledging near-term margin pressure. Management describes building "rock solid foundations" before expecting returns, implying a multi-year commitment.

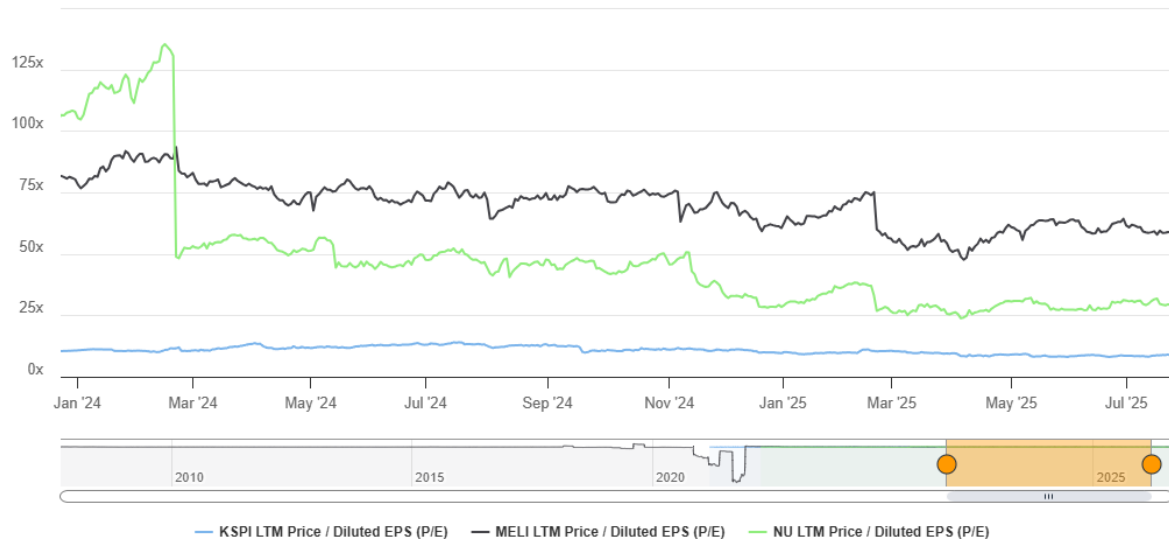
Success metrics will emerge gradually. Initial indicators include Kaspi service attachment rates: what percentage of Hepsiburada transactions utilize Kaspi-owned financing by 2026? How many Turkish consumers adopt broader Kaspi services beyond marketplace shopping? The financial capacity exists to sustain this investment, with over \$1.3 billion in cash on Kaspi's balance sheet providing a cushion for near-term losses. However, shareholders must accept that Turkey represents a calculated bet on management's ability to execute complex market entry rather than assured near-term returns.

The strategic logic remains sound despite execution risks. Successfully transplanting Kaspi's model to Turkey would create a second growth engine as Kazakhstan matures, potentially multiplying the company's addressable market by 4-5x. Management's track record of building dominant positions in challenging emerging markets provides some confidence. Yet Turkey's sophistication, competition, and macroeconomic instability create uncertainties absent from Kaspi's home market development. International expansion thus remains an option on future growth rather than a proven driver, requiring patient capital and flawless execution to transform potential into reality.

Valuation Analysis

Relative Valuation

Kaspi trades at 7.97x LTM P/E, near its lowest since the London listing despite improved fundamentals, albeit with moderating but still high growth rates. The disconnect sharpens against comparable emerging market platforms: Nu Holdings trades at 29x, MercadoLibre at 58x.



Financial metrics align closely: Kaspi's 42% revenue CAGR matches MercadoLibre's 41%, trailing only Nu's 75%. Yet Kaspi's 70% ROE dwarfs MercadoLibre's 49% and Nu's 28%, indicating superior capital efficiency.

Valuation gaps reflect market familiarity (Latin America attracts broader coverage than Central Asia), liquidity differences, and Kazakhstan's perceived risk. Still, trading at 15-20% of peer multiples seems to embed excessive pessimism. Even 15x P/E, well below LatAm comparables, would recognize operational excellence while maintaining emerging market discounts.

Earnings Growth Model

An investor's total return from Kaspi can be decomposed into fundamental components:

Expected Annual Return = Earnings Growth + Shareholder Yield +/- Multiple Expansion - Currency Impact

For the next three years, we assume 19% annual earnings growth in local currency terms, a significant deceleration from the 34.7% three-year EPS CAGR but still robust given the maturing business. This projection reflects continued ARPU expansion, market share gains in underpenetrated verticals, and early contributions from Turkish operations offsetting natural deceleration in core Kazakhstan operations.

We estimate a shareholder yield of 6%, driven entirely by Kaspi's dividend yield. The company generally pays out around 50-70% of EPS as dividends. Unless there is a significant expansion in the valuation multiple or a change in the dividend policy, this will likely translate to a 6% annual yield over the next three years.

Multiple expansion represents reasonable upside potential. From today's 7.97x P/E, we project normalization to ~9.2x over three years, still below both the 11.28x mean since listing and the 12.27x average during the brief period between U.S. listing and the short-seller report. This modest re-rating assumes sustained earnings delivery and no major Kazakhstan shocks, requiring only partial recognition of Kaspi's quality rather than full reversion to historical multiples. The implied 5% annualized return from multiple expansion appears conservative given comparable fintech and emerging market payment and ecommerce leaders trade at much higher double-digit multiples.

Currency depreciation requires explicit consideration given the tenge's historical volatility. We assume 10% annual depreciation. This represents a significant but manageable drag on USD-denominated returns.

Expected USD Return = 19% + 6% + 5% - 10% = 20%

This 20% return uses conservative assumptions: earnings growth well below historical rates, current dividend policy without increases, modest multiple expansion to still-discounted levels, and average currency depreciation. Any outperformance would drive materially higher returns. That said, significant macroeconomic shocks in Kazakhstan could reduce the expected return.

Dividend Yield Analysis

Management's 62% average payout ratio demonstrates a shareholder capital return commitment while funding growth investments. Even assuming a reduced 50% payouts (to support Turkey expansion) with 15-20% earnings growth, yield on cost reaches 13% by 2029 with cumulative dividends returning 46% of initial investment within five years. For emerging market investments where capital return uncertainty runs high, this predictable cash return stream provides tangible risk mitigation while maintaining full upside participation.

Dividend Forecast					
(Kazakh Tenge, millions)	2025	2026	2027	2028	2029
Net Income	1,233,025	1,479,630	1,775,557	2,041,890	2,348,174
Net Income Growth	15%	20%	20%	15%	15%
Payout Ratio	30%	50%	50%	50%	50%
Dividends	369,908	739,815	887,778	1,020,945	1,174,087
Yield on Cost	4%*	8%	10%	11%	13%
Average yield on cost	9%				
Capital Recovered via Dividends (by 2029)	46%				

*Dividend suspended in H1-25 to fund Hepsiburada acquisition

Reverse DCF Analysis

Perhaps most revealing, a reverse DCF analysis exposes the extreme pessimism embedded in current pricing. Using reasonable assumptions, an 11% discount rate appropriate for emerging market equities, EBIT margins of 75% (below the four-year average of 78%), and a terminal EV/EBITDA multiple of just 4.5x, we can calculate the market's implied growth expectations.

Assumptions							
	Historical Data		DCF Year End Forecast Dates				
	2020-2024 annual average	Last Full Year	31/12/2025	31/12/2026	31/12/2027	31/12/2028	31/12/2029
Revenue Growth	43.3%	33.7%	-5.7%	-5.7%	-5.7%	-5.7%	-5.7%
Operating Margin	78.3%	75.1%	75.0%	75.0%	75.0%	75.0%	75.0%
Effective Tax Rate	17.6%	17.6%	17.6%	17.6%	17.6%	17.6%	17.6%
Depreciation & Amortization (as % of Revenue)	1.4%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
CAPEX (as % of Revenue)	3.0%	3.8%	3.5%	3.5%	3.5%	3.5%	3.5%
EV/EBITDA Valuation Multiple at Exit	4.50x						

DCF Forecast						
(Kazakh Tenge, millions)	2025	2026	2027	2028	2029	Exit
Date	31/12/2025	31/12/2026	31/12/2027	31/12/2028	31/12/2029	31/12/2029
Revenue	2,398,144	2,260,527	2,130,808	2,008,532	1,893,273	
Operating Income	1,798,608	1,695,396	1,598,106	1,506,399	1,419,954	
Less: Cash Taxes	316,555	298,390	281,267	265,126	249,912	
NOPAT	1,482,053	1,397,006	1,316,839	1,241,273	1,170,043	
Plus: Non-cash items (Depreciation & Amortization)	26,380	24,866	23,439	22,094	20,826	
EBITDA	1,824,988	1,720,261	1,621,545	1,528,493	1,440,780	
Less: CAPEX	83,935	79,118	74,578	70,299	66,265	
Unlevered FCF	1,424,498	1,342,753	1,265,700	1,193,068	1,124,604	6,483,512

Intrinsic Value (millions)		Market Value (millions)		Rate of Return	
Enterprise Value (KZT)	₸8,599,566	Market Cap (USD)	\$15,640	Current Price (market value)	\$81.98
Less: Net Debt (KZT)	-₸89,458			Target Price (intrinsic value)	\$81.98
Equity Value (KZT)	₸8,689,024			Margin of Safety	0%
Equity Value (USD)	\$15,640				
Equity Value/Share	\$81.98	Equity Value/Share	\$81.98		
KZT - USD exchange rate	0.0018				

Current valuation implies Kaspi's revenues will decline by 21% over the next five years. This suggests the market expects not just growth deceleration but actual business contraction, an outcome inconsistent with Kazakhstan's digital adoption trends, Kaspi's dominant market position, and management's execution track record. Even in pessimistic scenarios involving regulatory restrictions, currency crises, or failed international expansion, expecting such revenue declines from a company processing the majority of national payment flows and e-commerce transactions appears unlikely. This disconnect between market pricing and reasonable business outcomes suggests either severe market inefficiency or an extremely high 'Kazakhstan discount' applied.

Investment Thesis

Market Consensus: Why Kaspi Trades at Distressed Valuations

Shadow of the Short-Seller Report

The September 2024 Culper Research short report inflicted lasting reputational damage despite management's comprehensive rebuttals. The allegations, that Kaspi misled investors about Russian exposure and engaged in undisclosed related-party transactions, struck at core governance concerns for emerging market investors. While Kaspi provided detailed refutations showing 99.6% of 2023 revenue from Kazakhstan and only 0.3% of marketplace GMV from non-residents, the initial 16% stock plunge reflected deep market skepticism. The report's claims about ties to sanctioned individuals and nepotistic appointments (specifically regarding the e-grocery unit leadership) have been systematically addressed with documentation. Management clarified that the Magnum e-grocery acquisition from Chairman Vyacheslav Kim's co-owned entity followed arm's-length procedures with full disclosure. Yet the episode reinforced perceptions about opaque emerging market governance structures. Even investors who accept management's explanations remain sensitized to potential hidden risks in loan book quality or undisclosed related-party dealings, a wariness that persists in the valuation discount.

Kazakhstan's Structural Country Premium

Political uncertainty and regulatory threats create persistent discounts. The 2022 unrest reminded investors of regime instability. More concretely, the financial regulator's draft law limiting bank ownership of non-financial marketplaces to 15% of capital threatens Kaspi's integrated model. While the draft would not force divestiture of existing holdings (only future acquisitions are restricted), the timing of the announcement (following the Hepsiburada deal) signals regulatory discomfort with bank-commerce combinations. Additional policy surprises (like 2025's 10% levy on government securities) exemplify unpredictability driving valuation discounts and underscoring the challenging regulatory environment in which Kaspi operates.

Currency and Macroeconomic Vulnerabilities

The tenge hit ₸543/dollar by July 2025, down 11% YoY, directly eroding USD returns. The currency pressure feeds broader economic challenges: rising interest rates force Kaspi to increase deposit costs and credit provisioning, with cost of risk rising to 0.6% from 0.5% year-over-year in Q1 2025. Management's reduction of 2025 profit guidance partly reflects these funding pressures and inflation uncertainty. Kazakhstan's commodity dependence and Russia/China linkages create transmission mechanisms for external shocks. Investors apply substantial devaluation premiums regardless of company quality.

Approaching Market Saturation

With 14 million MAUs representing 70% of Kazakhstan's population, new user growth decelerated to 8% in 2024. This forces a fundamental shift in growth drivers from new user acquisition to deeper monetization of existing relationships. While engagement metrics remain robust with 75 transactions per user monthly, investors question sustainability once easy growth dissipates. The fear centers on Kaspi transitioning from a high-growth disruptor to a mature player growing in line with Kazakhstan's GDP, a narrative shift that typically triggers multiple compression regardless of profitability levels.

Turkish Expansion Execution Risks

The Hepsiburada acquisition introduces substantial operational and financial uncertainties that weigh on near-term sentiment. Turkey's 30%+ inflation, volatile currency, and competitive e-commerce landscape present challenges exceeding even Kazakhstan's difficult operating environment. Hepsiburada's pre-acquisition struggles, shares down 80% from IPO price, and lack of profitability (near-breakeven EBITDA margins of 2.4%), raise questions about Kaspi overpaying at \$1.12 billion for 65.4% ownership. The market has reacted badly to the first post-acquisition quarter's results where Hepsiburada contributed a ₺6 billion net loss in its first two months of consolidation. The integration complexity of building fintech capabilities in a new market with different consumer behaviors and regulations creates execution risk. Kaspi's strategy to replicate its ecosystem through the newly acquired Turkish banking license requires years of investment before generating returns. The financial commitment, depleting cash reserves and issuing a \$650 million Eurobond at 6.25%, reduces balance sheet flexibility. Investors recall numerous emerging market companies that destroyed value through international expansion, making them skeptical of management's ability to execute this transformational bet while maintaining Kazakhstan momentum.

Our Differentiated View: Why the Market Misunderstands Kaspi

The market fixates on near-term headlines while missing fundamental strengths. Proposed bank/marketplace restrictions don't require divesting existing operations, Kaspi's super-app remains intact. Rules only constrain future acquisitions, not organic development. Given Kaspi's ecosystem dominance and proven ability to build verticals internally (travel and e-grocery acquisitions were tiny, scaled post-purchase), organic opportunities remain plentiful.

Currency devaluation, while real, represents a manageable headwind rather than an existential threat when viewed through proper context. Over five years, the tenge depreciated 21% while Kaspi's net income surged 311% (earnings outpaced devaluation ~15-fold). Management has demonstrated sophisticated adaptation to macroeconomic volatility, transforming challenges into opportunities. Rising interest rates, typically viewed as margin pressure, become customer acquisition tools as Kaspi attracts new depositors seeking higher yields. These savers then discover the broader ecosystem, driving incremental revenue across all verticals. Even assuming 10% annual depreciation, operational growth could deliver attractive dollar returns.

Saturation fears misunderstand super-app economics. While user growth slows, ARPU has barely started expanding. Users average 2-3 services despite dozens available. Key verticals remain nascent: e-grocery (5% of GMV), travel (8%), B2B payments (emerging). The 70% ARPU increase over two years proves management's monetization ability. Unlike single-service providers hitting ceilings, Kaspi's model enables continuous expansion.

The Turkish expansion deserves evaluation on strategic merit rather than quarterly earnings impact. Management's patient capital approach, accepting near-term dilution for long-term value creation, aligns with their 50%+ ownership stake in Kaspi. This skin in the game differentiates Kaspi from empire-building executives optimizing for size over returns. Hepsiburada provides instant leadership in a 4x larger market, optionality worth multiples if executed successfully, which Kaspi paid 60% of FY2024 net income for. Management has already built three billion-dollar businesses within one app; similar execution in Turkey could transform Kaspi's scale.

Current pricing implies simultaneous catastrophes: regulatory destruction, currency collapse, growth stagnation, failed expansion. This seems excessive for a company generating 70% ROE, growing 20%+ in dollars, run by aligned owner-operators. The market prices Kaspi like an average bank rather than Central Asia's dominant super-app. At single-digit multiples, risk-reward appears compelling for long-term investors who can stomach emerging market volatility.

Key Investment Risks

While our differentiated view addresses market concerns, several risks require monitoring:

Country and Regulatory Risk

- Beyond the proposed bank/e-commerce restrictions discussed earlier, the central bank's open banking initiative poses a more immediate threat to competitive advantages. Common QR standards by 2025 will allow any banking app to access Kaspi's merchant network, potentially commoditizing the payment layer
- Kazakhstan's weak institutional frameworks create ongoing policy uncertainty: the 10% tax on banks' government securities demonstrates how quickly new levies can appear
- Corruption and political instability remain endemic to the operating environment, creating tail risks difficult to quantify or hedge

Currency Depreciation

- The structural ~10% annual tenge depreciation creates an unavoidable performance drag requiring constant operational outperformance
- Compound effects over multi-year holding periods can significantly erode terminal values even with strong business performance

Macroeconomic Shock Vulnerability

- Kaspi's position as national payment infrastructure and largest consumer lender creates sensitivity to economic cycles
- Severe recession scenario would hit all verticals simultaneously:
 - Payment volumes decline with reduced economic activity
 - Marketplace GMV contracts as consumers defer discretionary purchases
 - Fintech cost of risk could spike from 1.5% to 5%+ as borrowers struggle with repayments
- While COVID-2020 stress test showed resilience (cost of risk peaked at just 1.8%), a prolonged Kazakhstan-specific crisis could prove more damaging
- Historical precedent suggests Kaspi might gain share post-crisis as weaker competitors fail, but the interim period would test investor patience

Conclusion

Kaspi.kz has established itself as Kazakhstan's indispensable digital utility, leveraging a robust super-app ecosystem that integrates marketplace, payments, and fintech services into a self-reinforcing model. Its structural cost advantages, derived from proprietary payments infrastructure and significant transaction scale, create a competitive moat that allows Kaspi to sustainably price below competitors while generating superior margins. Meanwhile, deep operational lock-in from high-frequency consumer and merchant interactions produces powerful network effects, enhancing user retention and revenue opportunities across its integrated services. Combined, these moats should enable Kaspi to compound earnings at an attractive rate.

Future earnings growth will primarily stem from deeper monetization of Kaspi's already dominant user base, continued expansion into high-potential verticals such as e-grocery and travel, and effective execution of merchant-centric financial services. Moreover, international expansion, particularly the recent acquisition of Turkey's Hepsiburada, provides substantial optionality for replicating its successful model at scale, although execution risk remains.

Investing in Kaspi inherently involves exposure to the regulatory, political, and currency risks typical of Kazakhstan's emerging market environment. These factors demand appropriate position sizing and a premium return expectation. Nevertheless, Kaspi's demonstrated adaptability, dominant market position, aligned management, and compelling valuation suggest the company is well-equipped to navigate these challenges. Current valuation multiples reflect overly pessimistic scenarios, making Kaspi a potentially attractive investment proposition for long-term investors who can manage emerging-market volatility while capitalizing on the significant upside potential inherent in the business.

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