

## **MBT Dividend Stock - Russia's Largest Wireless Cell Phone Telecommunications Provider**

MBT dividend stock or Mobile Telesystems, is a Russian telecommunications company providing a range of services from mobile and fixed lines to broadband, pay-TV and equipment sales. As of December 2015, the company had a mobile subscriber base of 107.8 million, distributed as follows:

- Russia 77.3 million
- Ukraine 20.4 million
- Belarus 5.3 million
- Armenia 2.1 million
- Turkmenistan 1.6 million
- Uzbekistan - 1.1 million

MBT experienced a 3.5% subscriber growth rate from 2014 to 2015.

As far as competition in Russia is concerned, there are three main providers holding most of the market share: MBT, MegaFon and VimpelCom (VIP). MBT has the largest market share.

### **MBT Stock Price Outlook**

It appears MBT reached it's bottom on January 20, 2016 at \$5.15 per share. MBT is a Russian company and has been caught up in the devaluation of the Ruble, declining oil prices and an unstable political situation in the Ukraine. All these factors have been priced into the stock while the company itself has a sound financial picture.

Because of this, I believe there is a great opportunity for stock price appreciation. The dividend yield will keep investors happy in the meantime. I personally have been capitalizing on the opportunity to purchase shares at deeply discounted prices in 2015 and 2016.

### **Currency Conversion**

MBT is a Russian company however they have made their shares available to U.S. investors via an American Depository Receipt (ADR). An ADR is a certificate that represents shares of a foreign

stock owned and issued by a U.S. bank. The foreign shares are usually held in custody overseas, but the certificates trade on the U.S. markets.

ADRs pay dividends in U.S. dollars, making it easy for domestic investors to own shares of a foreign company without the complications of currency conversion. The dividend is actually paid in the native currency and the issuing bank of the ADR performs the currency conversion to dollars.

The final dividend paid is net of conversion costs and foreign taxes. When the currency exchange rate changes, the value of the dividend changes.

This can be tricky as an investor as you not only have to keep track of the company's financial health, but you also have to be aware of the exchange rate between the dollar and in this case the Ruble. The chart below shows the Ruble has taken a good hit over the last 5 years when compared to the US dollar.

I have been watching the US dollar also over the last few years and it has skyrocketed when [compared to other currencies](#). I feel the US dollar is now on the decline, so what does that mean for future dividend payments of MBT?

Let's say MBT paid a cash dividend of 3 rubles per share. Let's also assume that the exchange rate between the dollar and ruble is even, so 3 rubles has an equivalent value to 3 dollars. The MBT dividend would therefore equal \$3 dollars to the US investor. However, if the ruble were to suddenly decline in value to an exchange rate of one ruble per \$0.75, then the dividend payment for ADR investors would effectively fall to \$2.25. The reverse is also true. If the ruble were to strengthen to \$1.50, then the MBT dividend would be worth \$4.50.

Please note at the time of this writing, it takes 63 rubles to equal 1 dollar. The currencies are nowhere near my example, but I had to simplify it to explain the effect of currency values in respect to dividends.

The moral of the story is, if the dollar is on the decline and the Ruble is on the rise, this should make for a very nice MBT dividend for a U.S. investor.

### **MBT Dividend Policy**

The dividend policy for 2013 - 2015 was to make dividend payments in the amount of at least 75%

of free cash flow, but not less than \$40B Rubles or \$675M in U.S. dollars as of the 2015 exchange rate. Free cash flow is simplified as operating cash flow less capital expenditures.

Management has continued to express their intentions of paying dividends in the future. On April 8th, 2016, the board of directors approved a new dividend policy in effect for 2016 - 2018. The [policy](#) guarantees a minimum payout of \$50 - \$52 RUB per share each year. This is equivalent to \$0.784 in US Dollars at today's exchange rate. Payments will be made on a semiannual basis.

### **MBT Dividend Payouts**

#### 2015

In 2015, MBT paid the following dividends:

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### Declare Date

6/26/2015

10/1/2015

### Record Date

7/7/2015

10/14/2015

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Amount

\$0.6102

\$0.1659

\$0.7761

Payment Date

8/4/2015

11/10/2015

The stock price on 6/26/2015 was \$9.73 which amounts to a 6.27% dividend yield less foreign taxes.

The stock price on 10/1/2015 was \$6.87 which amounts to a 2.41% dividend yield less foreign taxes.

## 2016

In 2016, MBT has paid the following dividends:

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### Declare Date

6/23/2016

### Record Date

7/5/2016

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Amount

\$0.4284

Payment Date

8/2/2016



The stock price on 6/23/2016 was \$8.53 which amounts to a 5.02% dividend yield less foreign taxes.

My MBT Dividend Snapshot

I have received the following dividend payouts for MBT in 2016:

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Stock

MBT

MBT

MBT

Total

Account

Roth 1

Roth 2

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Brokerage

Avg. Price

\$8.63

\$12.36

\$10.01

\$11.00

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Dividend

\$41.08

\$121.84

\$14.70

\$177.62

ROI

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4.03%

2.82%

0.73%

2.42%

There is still one more dividend payment this year which should be declared in October. I purchased more shares in my Brokerage account in September at \$7.59 per share. This has dropped my average price per share from \$18.36 to \$10.01. Since I did not receive the first dividend payment of 2016 on these shares, my ROI is lower. I will update the results once the second dividend is paid.

Foreign taxes paid were added back to my Brokerage dividend amount since I will receive a credit for these at the end of the year. I have adjusted the dividend amounts above for foreign taxes paid in the Roth 1 and Roth 2 accounts.

### **Long Term Dividend Investors**

For the long term buy and hold investor who is looking for a steady dividend growth rate and reasonable payout ratio, MBT will not work. Here are [past payout ratios](#):

- 2011 - 73.7%
- 2012 - 93.5%
- 2013 - 97.9%
- 2014 - 43.2%
- 2015 - 106.8%

However, this is a great stock for anyone who doesn't mind holding for a couple years for price appreciation and collecting a dividend along the way.

### **Conclusion**

If any of my readers are interested in MBT, the stock can be purchased at a great value right now.

With all the turmoil in Russia over the last couple years, MBT's revenue has increased steadily as reflected in the [financials](#). The economic turmoil has affected the company's ability to issue credit, and the weakness in the ruble has led foreign investors to dump shares.

Despite this, MBT has continued to pay a dividend. It is very reasonably priced with a forward P/E ratio of 7.8 and hefty gross margins. The dividend will keep investors happy while they ride out any short-term bumps in the road.

***Hi readers! What do you think about me holding MBT as a dividend stock? Would you consider adding it to your portfolio?***

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