

Net Present Value & Market Noise

Valuation, Corporate Finance & Frontier Market Realities

Cambridge Silk Road Equities

Uzbekistan

October 2026

Uzbekinvest (UZINP): The Power of Local Currency Pricing

"If you price an emerging market asset using a developed market risk-free rate, you will find bargains everywhere. The illusion vanishes the moment you adjust your discount rate to local monetary reality."

The Fundamental Paradox: Uzbekinvest National Export-Import Insurance Company is Uzbekistan's premier state-owned insurer. Its preference shares (ticker: UZINP) trade on the local exchange at ~1,250 UZS, backed by a statutory minimum annual dividend of 200 UZS. When valued in USD, this asset looks massively mispriced. But what happens when we value it as a local investor, applying a 14.0% risk-free rate reflecting local UZS inflation and central bank rates? The market's "irrationality" suddenly looks very rational.

1. THE STORY: A LOCAL CURRENCY DIVIDEND DISCOUNT MODEL

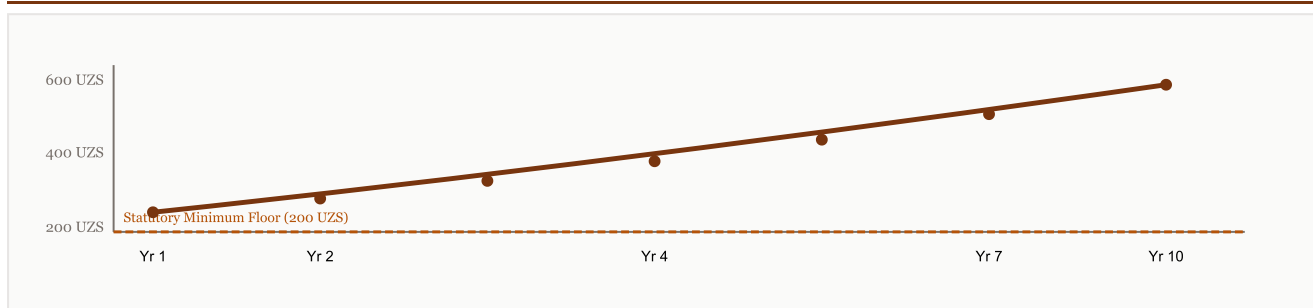
Valuing UZINP natively in Uzbek Sum (UZS) requires adjusting the discount mechanics to account for high nominal inflation and steep local yields:

- The Valuation Mechanic (Equity First):** Financial firms must be valued directly by forecasting dividends and discounting at the Cost of Equity (K_e), as debt is raw material for insurers rather than standard capital.
- The Local Risk-Free Rate:** We reset the anchor. Instead of a 4.10% US Treasury yield, we use a **14.0%** local risk-free rate to reflect UZS borrowing conditions and structural inflation.
- Frontier Cost of Equity:** Utilizing the 14.0% local risk-free rate, alongside a financial sector beta of 1.16 and an explicit 8.45% Total Equity Risk Premium (including the Uzbekistan CRP), the required return on equity surges to **23.80%**.
- The Governance Friction:** Preference shares in state-owned enterprises (SOEs) lack voting rights. A structural 20.0% governance and illiquidity discount remains appropriate for thin daily trading volumes on the RSE "Toshkent".

2. COST OF EQUITY & KEY DDM INPUTS

LOCAL RISK-FREE (RF)	INSURANCE BETA	TOTAL ERP (INC. CRP)	COST OF EQUITY (KE)
14.00%	1.16	8.45%	23.80%
BASE DIVIDEND (PER SHARE)	LT NOM. GROWTH RATE	TERMINAL GROWTH RATE	GOVERNANCE DISCOUNT
225.0 UZS	10.00%	10.00%	20.00%

3. PROJECTED DIVIDEND TRAJECTORY & PRESENT VALUE



4. 10-YEAR LOCAL CURRENCY DIVIDEND DISCOUNT MODEL

Projections are nominal UZS per-share, discounted at the local Cost of Equity (23.80%). A 10.0% nominal growth rate applies, tracking local asset float expansion.

Year	Earnings Per Share (Nominal)	Payout Ratio	Expected Dividend (UZS)	Terminal Value	PV Factor (at 23.80%)	Present Value (UZS)
Current	--	--	200.00	--	1.0000	--
Year 1	346.15	65.0%	225.00	--	0.8078	181.76
Year 2	380.77	65.0%	247.50	--	0.6525	161.50
Year 3	418.85	65.0%	272.25	--	0.5270	143.48
Year 4	460.74	65.0%	299.48	--	0.4257	127.49
Year 5	506.80	65.0%	329.42	--	0.3439	113.29
Year 6	557.48	65.0%	362.36	--	0.2778	100.66
Year 7	613.23	65.0%	398.60	--	0.2244	89.45
Year 8	674.55	65.0%	438.46	--	0.1812	79.45
Year 9	742.02	65.0%	482.31	--	0.1464	70.61
Year 10	816.22	65.0%	530.54	4,228.91	0.1182	62.71
Sum of PV of 10-Year Dividends						1,130.40

5. INTRINSIC VALUE TO MARKET PRICING BRIDGE

Present Value of Explicit Dividends (Years 1–10)	1,130.40 UZS
Terminal Value (Expected Div Yr 11 / (Ke - g)) = 583.59 / (0.2380 - 0.1000)	4,228.91 UZS
Present Value of Terminal Value (PV Factor: 0.1182)	499.86 UZS
Gross Intrinsic Value Per Preference Share	1,630.26 UZS
(-) Illiquidity & State-Governance Discount (20.0%)	-326.05 UZS
Adjusted Fair Value Per Share (UZINP)	1,304.21 UZS

SENSITIVITY: COST OF EQUITY VS. BASE DIV

Ke \ Base Div	200 UZS (Floor)	225 UZS (Base)	250 UZS (Bull)
21.80% (-200 bps)	1,375 UZS	1,548 UZS	1,720 UZS
23.80% (Base)	1,160 UZS	1,304 UZS	1,448 UZS
25.80% (+200 bps)	995 UZS	1,120 UZS	1,245 UZS

THE FINAL VERDICT

When anchored to a 14.0% local risk-free rate, the mathematical illusion vanishes. The staggering 23.80% cost of equity heavily discounts long-term cash flows, dropping the adjusted intrinsic value to ~1,304 UZS. Suddenly, the current market price of ~1,250 UZS does not look like a massive, irrational bargain—it looks like a market perfectly pricing in local inflation, high borrowing costs, and structural frontier liquidity risks.

