

**Stock Market Update**

**Equity**

Ukrainian equities listed in Kyiv finished mixed last week, with a report that the World Bank improved its forecast for the country's economic outlook having no impact on investors' mood. The World Bank raised its projection for Ukrainian GDP growth from 3.0% to 3.7% for 2020. The new projections from the reputable financial institution are still substantially below what Prime Minister Oleksiy Honcharuk announced as the goal of achieving 40% GDP growth over five years: 5% in 2020, 7% each in the next four years.

The PFTS index edged down by 0.8% to 522 points as losers outweighed gainers among the gauge components. Raiffeisen Bank Aval (BAVL) provided the most support to the index, rising 2.9% to 31.50 kopecks on expectations of a solid 3Q earnings report which could appear this Friday, and TurboAtom (TATM) added 1.9% to UAH 10.80 per share. On the downside, UkrNafta (UNAF) dropped by 4.0% to UAH 145 after the company was able to sell only part of its extracted crude oil at its Oct 16 auction. CentrEnergy (CEEN) declined by 2.2% to UAH 9.70 amid huge uncertainty over whether the company was profitable in 3Q19.

In London trading, Ferrexpo (FXPO) extended its sharp losing streak, giving up another 7.5% to close at GBP 136, as the company's CEO and majority shareholder Constantine Zhevago is facing criminal charges. Ukraine has added Zhevago to an international wanted list after he failed to report for questioning about his former business commitments related to his insolvent F&C Bank.

Poultry producer MHP (MHPC) gained 5.5% to USD 8.90 after the company reported quite upbeat production figures for 3Q19.

Warsaw-listed Ukrainian agro stocks were mixed, with Kernel (KER) picking up 0.4% to PLN 42.10 while Astarta (AST) declined to an all-time low of PLN 16.40 after losing 4.1% for the week.

The hryvnia weakened by 1.4% to 25.07 UAH/USD, which could be explained as a seasonal pattern for the currency pair.

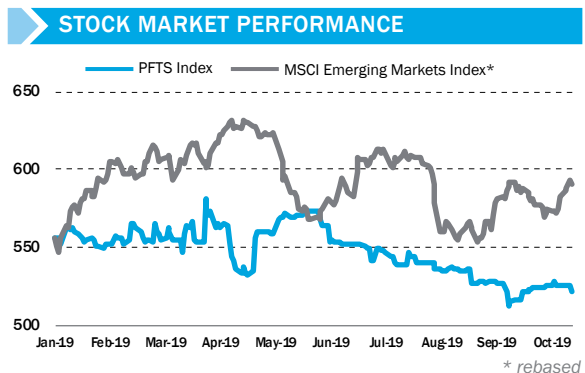
**Highlights**

**POLITICS AND ECONOMICS**

- > Hladkovskiy Free on USD 400,000 Bail After Arrest

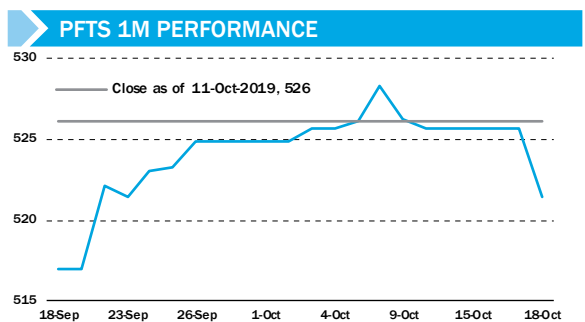
**STOCKS IN THE NEWS**

- > MHP's Poultry Production Jumps 24% YoY in 3Q19



**MARKET INDEXES**

	Last	1W ch	YTD
PFTS	522	-0.8%	-6.8%
RTS	1366	3.2%	27.8%
WIG20	2180	1.2%	-5.3%
MSCI EM	1024	1.3%	6.0%
S&P 500	2986	0.7%	19.1%



**FIXED INCOME**

	Last	1W ch	YTD
NBU Key Rate	16.5%	0.0 p.p.	-1.5 p.p.
Ukraine-2024	6.9%	0.1 p.p.	-3.6 p.p.
Ukraine-2028	8.0%	0.0 p.p.	-2.8 p.p.

**CURRENCY**

	Last, UAH	1W ch	YTD
USD	25.07	1.4%	-9.4%
EUR	27.98	2.3%	-11.8%

## Hladkovskiy Free on USD 400,000 Bail After Arrest

by Will Ritter  
w.ritter@eavex.com.ua

### NEWS

Oleg Hladkovskiy, who was the deputy head of the National Security & Defense Council (RNBO) under President Poroshenko, was arrested in Kyiv on Oct 17 in connection with an alleged scheme to inflate the prices on military orders. This situation became a highly-publicized issue last winter in the run-up to the March presidential election. Hladkovskiy posted UAH 10.4mn (USD 405,000) bail and is expected to be released pending the start of a criminal trial. Hladkovskiy (who was previously known by the surname Svnarchuk) is on close personal and business terms with Poroshenko, having been involved in management of Bogdan Motors conglomerate when Poroshenko was the owner.

### COMMENTARY

Western donors as well as Ukraine's public have been clamoring ever since the EuroMaidan revolution in 2014 for the arrest and imprisonment of at least a few corrupt members of the Ukrainian elite; President Zelenskiy is under considerable pressure to deliver some results in this sphere lest he begin - similarly to his predecessor Poroshenko - to appear soft on top-level corruption. Hladkovskiy, a highly unpopular figure who was also accused of rigging judicial decisions during the Poroshenko years, appears to be a suitably easy target. Also on the block is Ferrexpo majority owner and former MP Constantine Zhevago, whose whereabouts are currently unknown after charges were filed against him in connection with the USD 100mn bankruptcy of his Finance & Credit Bank. However, we cannot fail to point out that Zelenskiy supporter Igor Kolomoyskiy has been implicated in a much larger bank fraud than Zhevago, but appears to be safe from prosecution. A third figure, longtime People's Front and Tymoshenko Bloc MP Serhiy Pashynskiy, who has been suspected in oil & gas industry corruption, is currently in custody on a firearms charge. The big question for us is whether Zelenskiy will try to pursue Poroshenko himself on corruption charges; we believe that such a move would be condemned as selective justice by the West, especially given the free ride on corrupt activity that Kolomoyskiy seems to be receiving. However, Zelenskiy still enjoys a stunningly high popularity rating of between 65 and 70 percent, and he and his advisors may calculate that he indeed has sufficient political capital to use the justice system to attack Poroshenko. Although the latter has only a small faction in Parliament, he remains Zelenskiy's most prominent domestic critic and political opponent.

**MHP's Poultry Production Jumps  
24% YoY in 3Q19**

by Dmitry Churin  
d.churin@eavex.com.ua

**MHP (MHPC LI)**

Price: USD 8.90 Market Cap: USD 940mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2018	0.9	1.5	7.3	5.0	8.4%
2019E	0.8	1.2	4.3	4.8	8.4%

**NEWS**

London-listed MHP (MHPC), Ukraine's largest poultry producer, reported a moderate increase of 3% YoY in its sales volume to 160,800 tonnes in 3Q19, according to an operational update published on Oct 18. Meanwhile, MHP's poultry output rose by 24% YoY to 186,600 tonnes in 3Q19 due to the launch of additional production sites as part of Phase 2 of the Vinnytsya Poultry Complex this year. Between January and September 2019, another three rearing sites (brigades) became operational, bringing the total to six. MHP is planning to launch an additional brigade in 1Q20. The company's other production facilities continued to operate at full capacity during the period. In terms of pricing, the company said that the average achieved price declined by 4% YoY in hryvnia terms in 3Q19 to UAH 38.58 amid an 8% YoY appreciation in the Ukrainian currency against the dollar compared to the corresponding period of 2018. For 2019 overall (through September), the company reported that poultry sales volume is up by 14% YoY to 511,200 tonnes. Exports accounted for 53% of the volume in the period, up from 48% a year ago. In the sunflower oil segment, the 9M19 sales volume grew by 13% YoY to 271,500 tonnes, with all of the sales being exports. Separately, MHP presented the operational results of its Slovenia-based Perutnina Ptuj facility. The Europe-based poultry production was 25,400 tonnes in 3Q19 while sales volume was 15,900 tonnes. For 9M19, Perutnina Ptuj's facilities produced 45,970 tonnes of chicken and turkey meat, while poultry sales constituted 36,960 tonnes at an average price of EUR 2.64 per 1 kg.

**MHP OPERATIONAL UPDATE**

Poultry	3Q19	3Q18	Change	9M19	9M18	Change
Sales volume, tonnes	165,963	160,778	+3%	511,241	449,215	+14%
Price per 1 kg net VAT	38.58	40.38	-4%	39.18	39.66	-1%

Source: Companies' data

**COMMENTARY**

MHP's solid production results provided some positive sentiment for investors, with the MHPC stock advancing by 5.5% to USD 8.90 after the update was released. We believe that MHP continues to demonstrate effective operations in all of the company's business segments. Moreover, a further 26% YoY increase in export volume sales in 9M19 should be viewed as solid achievement of the company's sales team. It is expected that MHP will be able to grow its export sales further in 4Q19 on the back of sufficient poultry inventories accumulated in the previous quarter.

MHP's financial results for the third quarter and 9M19 are due on Nov 19. From the chart point of view, we see a strong support line for the MHPC stock at USD 8.50. The stock dipped below USD 9.00 level in early September under pressure from uncertainty about the way of how the farmland reform will be implemented in Ukraine next year. Another likely source of jitters around the stock is the standing of MHP's majority owner Yuriy Kosyuk with the new Zelenskiy administration, which has thus far not been particularly friendly to the country's major oligarchs (with the lone exception of industrialist Igor Kolomoyskiy).

## EAVEX RECOMMENDATIONS

Name	Ticker	Price, per share	Target price, per share	Upside, %	Rating	Commentary
<b>Agriculture</b>						
Kernel	KER PW	42.1	82.0	95%	BUY	With on-demand borrowing access, Kernel is well placed to further consolidate its position in the oilseed crushing industry. The company's sunflower oil sales grew by solid 40% YoY to 389,600 tonnes despite oilseeds processing increased by moderate 7.0% YoY in January-March 2019. Kernel's sunflower oil sales volume rose by 17.8% YoY to roughly 1.17mn tonnes for the 9 months ending Mar 31 (the company has a July-to-June reporting calendar). The company's grain trading volumes increased by 2.6x YoY to 7.97mn tonnes in the 9 months ending Mar 31 and export terminal throughput rose by 5.8% YoY to 4.71mn. The company aims to achieve EBITDA of USD 500mn by 2021.
MHP	MHPC LI	8.9	16.5	85%	BUY	London-listed agro group MHP increased its net profit by 38% YoY to USD 138mn in 2Q19, which implies earnings per share of USD 1.31 in the period. For the first half (1H19), the company posted net revenue of USD 946mn (+36% YoY), EBITDA of USD 247mn (-6% YoY), and net profit of USD 171mn (-10% YoY). The company's export sales rose 43% YoY to USD 552mn in 1H19, accounting for 58% of total revenue. MHP's reported USD 1.31 net profit per share for 2Q19 beat our forecast of USD 1.10 for the period, and we are raising our full-year projection for MHP's net profit from USD 170mn to USD 220mn, which would imply earnings per share of USD 2.08.
Astarta	AST PW	16.4	32.0	95%	BUY	With the appearance of the 1H19 financial results, we are raising our forecast for Astarta's full-year 2019 net profit from EUR 30mn to EUR 45mn. Astarta's revenue rose by 30% YoY to EUR 228mn in 1H19 and EBITDA increased by 5.9% YoY to EUR 64mn. Meanwhile, the company's net profit declined by 19% YoY to EUR 30.3mn in 1H19, implying PLN 5.39 earnings per share.
Agroton	AGT PW	2.30	12.0	422%	BUY	Agroton unveiled a strategy to increase its land bank from 119,000 ha to 200,000 ha by mid-2020 securing additional lease rights and by acquiring companies that control land plots in Luhansk and Kharkiv region. Agroton reported that its net profit was USD 3.3mn (PLN 0.51 per share) in 1H19. In our view, Agroton currently has a fairly healthy financial position, with an estimated Net Debt/EBITDA ratio of 1.0x. The company continues to invest in growth, spending USD 2.2mn on CapEx in 1H19.
<b>Iron Ore</b>						
Ferrexpo	FXPO LN	136	250	84%	BUY	Iron ore market has seen a major shift over the past two years as China's anti-pollution drive spurs demand for cleaner ore, exploding the spreads between top-quality material and lower-grade cargoes, which benefits Ferrexpo as top-quality pellets producer.
<b>Specialized Machinery</b>						
Motor Sich	MSICH	5390	6750	25%	BUY	Motor Sich is closing in on a solid contract with Chinese company Avicopter (AVIC) to supply helicopter engines for a Russian-Chinese project. The shares of Motor Sich remained frozen due to an ongoing investigation conducted the Ukrainian Security Service (SBU) regarding change in the controlling shareholder of the company.
<b>Oil &amp; Gas</b>						
UkrNafta	UNAF	145	270	86%	BUY	UkrNafta's fundamental value should see an immediate jump after the company reaches a deal with the government on restructuring its huge UAH 12bn tax debt. We believe that with the state owning a 50% stake in UkrNafta, the resolution of the tax debt issue is only a matter of time.
Concern Galnaftogaz	GLNG	0.27	0.33	22%	BUY	Galnaftogaz is pursuing a plan to aggressively expand its filling station network.
Regal Petroleum	RPT LN	28.5	-	-	U/R	Natgas extractor Regal Petroleum (RPT) got hammered, plunging 30% to GBp 38.00 per share after news that the Ukrainian State Geological Service issued an order to suspend production on one of Regal's licenses. The company said that it is seeking to obtain further information on the basis for the order, and is taking measures to protect its rights.
JKX Oil & Gas	JKX LN	27.0	-	-	U/R	The company's balance sheet looks healthy after it successfully restructured its Eurobonds. An overall demand for natural gas in Ukraine remains strong.
<b>Power Utilities</b>						
DonbasEnerg	DOEN	26.5	-	-	U/R	DonbasEnerg set the ex-rights date for its UAH 1.32 dividend payout on May 28. The actual dividend payment will be made during 3 months starting in late June. The company confirmed its strategic plan to modernize one of its power units at the Slavyansk plant by 2022.
CenterEnerg	CEEN	9.70	25.60	164%	BUY	The CEEN stock has been in a downward trend since October 2018, falling from a level of UAH 18 to the current level of UAH 11 per share after yet another failed attempt to privatize the company in early December. Persisting uncertainty about whether CentrEnerg can really be privatized at a fair price has made the company a hostage of Ukrainian behind-the-scenes politics. This year Kyiv court closed the 15-year old case related to the company's possible bankruptcy. The court decision was long-awaited and should help to make CentrEnerg more attractive for privatization.
<b>Banks</b>						
Raiffeisen Bank Aval	BAVL	0.315	0.47	49%	BUY	Raiffeisen Bank Aval, the Ukrainian subsidiary of Vienna-based Raiffeisen International, approved UAH 3.56bn in dividends from its full-year 2018 profit (5.79 kopecks per share). Raiffeisen Aval posted a net profit of UAH 5.09bn for FY18 (USD 187mn at the average UAH/USD rate for the period), which was 14% YoY higher compared FY17. We forecast that the bank will earn UAH 6.2bn in net profit in FY19, which would imply earnings per share of 10 kopecks. Raiffeisen Aval has been the most dividend-rich stock in the Ukrainian equity universe since 2016. The stock's dividend yield in 2017 was 20% and in 2018 it was around 22%.

Source: Eavex Research

**QUOTES AND MULTIPLES**

Name	Ticker	Today, UAH*	Absolute performance		MCap USD mn	EV USD mn	Free float	P/E		EV/EBITDA		EV/Sales 2019E
			1W	YtD				2018	2019E	2018	2019E	
PFTS Index	UX	522	-0.8%	-6.8%								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	136	-7.5%	-30.1%	1,029	1,311	24.0%	3.1	2.5	2.6	2.1	0.8
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	16.2	0.0%	54.3%	74	42	5.0%	4.1	15.1	2.1	4.0	0.2
<b>Specialized Machinery</b>												
Turboatom	TATM	10.8	1.9%	-21.2%	182	173	3.8%	6.5	6.6	4.3	4.2	1.8
Motor Sich	MSICH	5,390	0.0%	0.0%	448	469	24.0%	9.7	-16.6	4.9	30.5	1.3
<b>Oil &amp; Gas</b>												
UkrNafta	UNAF	145	-4.0%	7.8%	314	307	3.0%	1.3	0.5	0.9	0.3	0.1
Regal Petroleum	RPT	28.5	-16.2%	-54.8%	117	77	21.6%	2.8	11.7	1.4	3.5	1.5
JKX Oil	JKX	27.0	-7.8%	-31.6%	60	168	50.4%	3.9	3.2	5.4	4.9	1.5
<b>Power Utilities</b>												
Centrenergo	CEEN	9.70	-2.2%	-28.1%	143	123	21.7%	7.8	neg	3.2	50	0.2
Donbasenergo	DOEN	26.50	-3.1%	-17.0%	25	27	14.2%	6.5	neg	1.2	4.0	0.1
<b>Consumer</b>												
MHP	MHPC	8.90	5.5%	-17.6%	940	2,268	34.1%	7.3	4.3	5.0	4.8	1.2
Kernel	KER	42.10	0.4%	-16.1%	849	1,543	61.8%	4.5	3.7	4.5	3.8	0.3
Astarta	AST	16.40	-4.1%	-30.2%	104	361	37.0%	neg	2.0	5.6	2.7	0.7
Avangardco	AVGR	0.25	0.0%	-10.7%	16	347	22.5%	neg	8.0	23	20	2.6
Agroton	AGT	2.30	-2.1%	-42.5%	13	22	25.0%	0.9	1.3	1.6	1.7	0.4
<b>Banks</b>												
Raiffeisen Bank Aval	BAVL	0.315	2.9%	-7.4%	774		1.8%	4.1	3.6	1.8	1.6	0.32

Source: PFTS. LSE. WSE. Eavex Research  
\* companies listed abroad are in traded currency

**MAIN FINANCIAL FORECASTS, USD mn**

Name	Ticker	Net Sales			EBITDA			EBITDA margin			Net Profit			Net Profit margin		
		2017	2018	2019E	2017	2018	2019E	2017	2018	2019E	2017	2018	2019E	2017	2018	2019E
<b>Iron Ore Mining</b>																
Ferrexpo	FXPO	1,197	1,274	1,593	551	503	629	46.0%	39.5%	39.5%	394	335	419	32.9%	26.3%	26.3%
<b>Railcar Manufacturing</b>																
Kryukiv Wagon	KVBZ	141	200	220	14	20	11	9.9%	10.2%	4.9%	12	18	5	8.6%	9.0%	2.2%
<b>Specialized Machinery</b>																
Turboatom	TATM	87	94	94	37	40	41	42.6%	43.1%	43.6%	26	28	28	29.9%	29.9%	29.2%
Motor Sich	MSICH	436	450	354	156	96	15	35.8%	21.2%	4.3%	117	46	-27	26.8%	10.2%	-7.6%
<b>Oil &amp; Gas</b>																
Ukrnafta	UNAF	1,011	1,328	2,690	67	350	949	6.6%	26.4%	35.3%	4	237	599	0.4%	17.8%	22.3%
Regal Petroleum	RPT	35	60	50	17	54	22	49.8%	90.0%	44.0%	2	42	10	na	70.0%	20.0%
JKX Oil	JKX	82	93	111	9	31	34	11.5%	33.2%	30.5%	-12	15	18	-14.6%	16.5%	16.5%
<b>Electric Utilities</b>																
Centrenergo	CEEN	412	533	570	104	38	2	25.2%	7.1%	0.4%	71	18	-18	17.3%	3.4%	-3.2%
Donbasenergo	DOEN	147	224	225	8	23	7	5.8%	10.2%	3.1%	2	4	-3	1.4%	1.7%	-1.2%
<b>Consumer</b>																
MHP	MHPC	1,289	1,556	1,945	459	450	475	35.6%	28.9%	24.4%	230	128	220	17.8%	8.2%	11.3%
Kernel (FY18, FY19, FY20E)	KER	2,403	3,992	4,750	223	346	405	9.3%	8.7%	8.5%	52	189	230	2.2%	4.7%	4.8%
Astarta	AST	514	424	551	134	65	133	26.1%	15.3%	24.2%	69	-24	51	13.5%	-5.7%	9.3%
Avangardco	AVGR	130	127	135	12	15	17	9.1%	11.8%	12.6%	-8	-5	2	-5.8%	-3.9%	1.5%
Agroton	AGT	52	57	63	11	14	13	20.3%	24.7%	20.6%	8	14	9	16.1%	23.7%	15.1%
<b>Banks</b>																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	2,455	2,491	2,415	404	420	485	234	239	253	169	187	218	41.8%	44.6%	44.8%

Source: Eavex Research

**UKRAINIAN DOMESTIC BONDS**

Issue	Price (Bid)	Price (Ask)	YTM (Bid)	YTM (Ask)	Modified Duration	Coupon	Coupon Period	Maturity Date	Volume UAH mn
<b>UAH denominated Bonds</b>									
UA4000197040			17.15%	15.50%	n/a	n/a	S/A	04 Mar 2020	n/a
UA4000198006			17.20%	15.60%	n/a	n/a	S/A	10 Jun 2020	n/a
UA4000200174			17.40%	15.70%	n/a	n/a	S/A	20 Jan 2021	n/a
<b>UAH denominated Bonds</b>									
UA4000201743			6.05%	4.10%	n/a	5.65%	S/A	22 Jul 2021	USD 83mn

Source: TR Data, Eavex Research

## Eavex Capital

7 Klovisky uzviz, 16th Floor  
Carnegie Center  
Kyiv, 01021, Ukraine

Telephone: +38 044 590 5454  
Facsimile: +38 044 590 5464  
E-mail: office@eavex.com.ua  
Web-page: www.eavex.com.ua

Yuriy Yakovenko  
**Chairman of the Board**  
yuriy.yakovenko@eavex.com.ua

**SALES & TRADING**  
Pavel Korovitskiy  
**Managing Director**  
**Equity and Fixed Income**  
p.korovitsky@eavex.com.ua

Alexander Klymchuk  
**Equity and Fixed Income**  
a.klymchuk@eavex.com.ua

Eugene Klymchuk  
**Fixed Income Sales and Trading**  
e.klymchuk@eavex.com.ua

**RESEARCH**  
Dmitry Churin  
**Head of Research**  
d.churin@eavex.com.ua

Will Ritter  
**Research editor**  
w.ritter@eavex.com.ua