

Stock Market Update

Equity

Trading in Kyiv-listed stocks was inactive last week ahead of the Orthodox Easter holiday, as the local market observed the unfortunate 2-year anniversary of the suspension of trading in former top liquid name Motor Sich. Blue-chip names demonstrated a mixed performance and the PFTS index edged down by 0.3% to 501 points. In economic news, the IMF presented a forecast that Ukraine's GDP will fall by 7.7% in 2020 and rebound by 3.6% in 2021. A decline in the EU's GDP is expected at 6.6% this year, after 1.6% growth in 2019. In 2021, the European economy should return to growth and increase by 4.5% of GDP, the IMF's analysts said.

Ukraine's flagship oil producer UkrNafta (UNAF) slipped by 4.4% to UAH 129 per share amid a new worsening of the global oil price outlook. Raiffeisen Bank Aval (BAVL) shed 2.9% to 33.00 kopecks and TurboAtom (TATM) lost 12% to UAH 9.00 on fears that the company might postpone its dividend distribution. We previously forecasted that the company's shareholders will approve a DPS of 37 kopecks at the annual shareholder meeting on Apr 23. On the upside, CentrErgo (CEEN) gained 3.4% to close at UAH 7.50.

In London trading, MHP (MHPC) declined by 4.7% to USD 6.10 after the company's announced dividend of 28 cents per share was far below the prior expectation of 75 cents. Ferrexpo (FXPO) fell 5.0% to GBp 136.

Warsaw-listed sugar producer Astarta (AST) gained 6.9% to PLN 12.45 after the company reported mixed financial results for FY19. The company managed to raise its EBITDA by 15% YoY to EUR 78mn, but its net profit was just marginal at EUR 1.7mn for the year. Kernel (KER) shot up by 6.7% to PLN 43.50 amid optimism about an eventual recovery from the COVID economic shutdown.

Ukraine's currency market saw a relatively quiet week, with the hryvnia remaining essentially unchanged at 27.10 UAH/USD. The National Bank said it was able to purchase hard currencies into its reserves at an equivalent rate of 27.07 UAH/USD.

Highlights

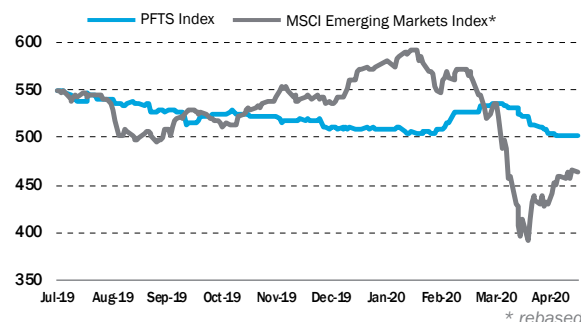
POLITICS AND ECONOMICS

- > Ukraine's Quarantine Plans Beyond May 12 Remain Unclear

STOCKS IN THE NEWS

- > MHP Slashes Dividend After Disappointing USD 60mn 4Q19 Net Loss
- > Astarta Posts Marginal Net Profit of EUR 1.7mn for FY19

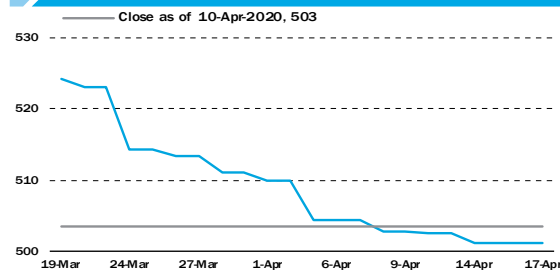
STOCK MARKET PERFORMANCE



MARKET INDEXES

	Last	1W ch	YTD
PFTS	501	-0.3%	-1.6%
RTS	1068	-4.9%	-31.0%
WIG20	1640	1.5%	-23.7%
MSCI EM	899	1.2%	-19.3%
S&P 500	2823	1.2%	-12.6%

PFTS 1M PERFORMANCE



FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	10.0%	0.0 p.p.	-3.5 p.p.
Ukraine-2024	8.9%	-0.7 p.p.	2.3 p.p.
Ukraine-2028	10.7%	-0.6 p.p.	3.7 p.p.

CURRENCY

	Last, UAH	1W ch	YTD
USD	27.09	0.0%	14.4%
EUR	29.49	-0.5%	11.6%

Ukraine's Quarantine Plans Beyond May 12 Remain Unclear

by Will Ritter
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NEWS

As widely expected, the Ukrainian government has extended the COVID-19-related quarantine shutdown of most public businesses from Apr 24 until May 12, Health Minister Maxim Stepanov said this morning (Apr 21). Absent from Stepanov's statement or from recent comments by President Zelenskiy are hints about what will happen after May 12, which is the first full working week following Ukraine's traditional May holiday period. Zelenskiy had warned Ukrainians against going to church on Sunday (Apr 19) to celebrate the Orthodox Easter holiday, and although there were some reports of citizens defying the quarantine in various locations of the country to attend church, the only serious reported incident on Easter involving police action was from the town of Volnovakha near the Donbass contact line, where protests against the quarantine turned violent.

COMMENTARY

Despite the miniscule number of confirmed COVID illnesses in Ukraine (around 6,000 out of a population of 40 million), the Zelenskiy government remains reticent to talk about a lifting of the punishing economic restrictions that have been in place since mid-March. Inasmuch as May 12 is only 20 days away, we believe that public discussions on an economic re-opening need to begin very soon. We assume that Zelenskiy is waiting to see what the plans are of the principal EU member states to decide on a course of action. The latest IMF forecast of a decline of 7.7% in Ukraine's GDP this year, which looks rather optimistic to us, clearly assumes a full economic re-opening by the end of May; if such a re-opening does not occur, the GDP drop for 2020 will surely be in double figures. However, as the EU's own plans for lifting the quarantine remain unclear, we do not expect to see any bold steps from Zelenskiy without him first taking some kind of cues from France, Germany, and perhaps Poland. We repeat our view that an attempt by the government to continue the quarantine beyond the middle of May, which would interfere with the season of outdoor commerce - especially food sales - will change the character of the situation for the worse and could lead to a sharp amplification of political tensions in the country.

MHP Slashes Dividend After Disappointing USD 60mn 4Q19 Net Loss

by Dmitry Churin
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MHP (MHPC LI)

Price: USD 6.10 Market Cap: USD 645mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2019	0.5	0.9	3.0	8.3	4.6%
2020E	0.5	0.8	2.8	4.0	11.8%

NEWS

London-listed MHP, Ukraine's largest poultry producer, reported a net loss of USD 60mn for 4Q19 compared to net loss of USD 14mn seen in 4Q18, according to financials released on Apr 14. For full-year 2019, the company increased its top line revenue by 32% YoY to USD 2.06bn and boosted its net profit by 68% YoY to USD 215mn, while so-called "adjusted" EBITDA (adjusted for the IFRS 16 line related to calculation of land-leasing expenses) declined by 16% YoY to USD 376mn, implying an EBITDA margin of 18%. Export revenue rose by 28% YoY to USD 1.19bn in the period, accounting for 58% of total revenue.

On the balance sheet side, MHP said that its total debt amounted to USD 1.48bn as of 31 Dec 2019. The Net Debt/EBITDA ratio was 3.01x on the same date, compared to 2.51x one year earlier.

Separately, MHP announced dividend of near 28 cents per share, representing a 4.6% yield at the current stock price. The ex-rights date for the dividend was set for Apr 24, with the actual payment to be made on Apr 28.

MHP FINANCIALS

USD mn	4Q19	4Q18	chg.	2019	2018	chg.
Net revenue	551	385	43%	2,056	1,552	32%
EBITDA (adjusted)	43	88	-51%	376	450	-16%
margin	7.8%	22.9%	-15.1 p.p.	18.3%	29.0%	-10.7 p.p.
Net Income (loss)	-60	-14	+/-	215	128	68%
net margin	-10.9%	-3.6%	-7.3 p.p.	10.5%	8.2%	2.2 p.p.

Source: Company data.

COMMENTARY

MHP's dividend had been expected at 75 cents, so the reduction to only 28 cents is clearly a substantial disappointment for investors. The company's reported FY19 net profit of USD 2.03 per share was notably lower than our latest forecast of EPS of USD 2.93 for the period. The disappointing 4Q results were quite unexpected after a solid performance in 3Q19, when the company posted earnings per share of USD 0.99. The company blamed a lower achieved price for its poultry meat as a reason for the poor performance in the Oct-Dec quarter; the average chicken price dropped by 14% YoY in 4Q19 amid the strong hryvnia exchange rate observed in the period. The company has declared a strategy of shifting toward more value-added processed products for the domestic market with the aim of improving profit margins. In terms of operating targets, MHP aims to produce up to 880,000 tonnes of poultry meat by 2024, up from some 730,000 tonnes last year. In the grain growing segment, MHP harvested around 360,000 hectares of land in Ukraine and gathered 2.41mn tonnes of crops in 2019, which was 9% less than in the record harvest year of 2018. The company said it had spent USD 113mn on CapEx in 2019 after spending USD 232mn in 2018.

MHP's Net Debt/12M "adjusted" EBITDA (net of the above-mentioned IFRS 16 line) ratio was 3.01 as of 31 Dec 2019, higher than the limit of 3.0 defined in the Eurobond agreement. Although exceeding the ratio of 3.0 does not constitute a breach of any bond covenant, it obligates MHP to exercise greater discipline on any additional borrowing, and restricts dividend payouts and investments in/acquisitions of third parties.

Astarta Posts Marginal Net Profit of EUR 1.7mn for FY19

by Dmitry Churin
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ASTARTA (AST PW)

Price: PLN 12.45 Market Cap: USD 74mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2019	0.2	0.8	39.2	4.3	0%
2020E	0.2	0.6	9.4	3.6	0%

NEWS

Kyiv-based Astarta Holding, Ukraine's largest sugar producer, posted a net profit of EUR 1.7mn in full-year 2019 after its net loss of EUR 18.3mn for FY18, according to the company's annual report published on Apr 14. Full-year revenue rose by 20% YoY to EUR 448mn and EBITDA increased by 15% YoY to EUR 78mn. Exports contributed EUR 253mn, or 56% of the company's revenues. Sales to European Union markets totaled EUR 152mn in the period.

On the balance sheet side, Astarta reported net debt of EUR 276mn and total assets of EUR 759mn as of 31 Dec 2019. The company's net debt to EBITDA ratio improved from 4.8x in FY18 to 3.5x as of end-2019.

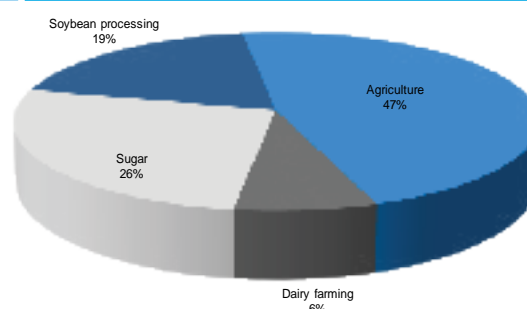
In 4Q19 alone, Astarta had a net loss of EUR 2.6mn while the company's revenue was reported at EUR 114mn in the period.

ASTARTA FINANCIALS

EUR mn	2019	2018	chg.
Net revenue	448	372	+20.4%
EBITDA	78	68	+14.6%
margin	17.4%	18.3%	-0.9 p.p.
Net Income	1.7	-18.3	+/-
net margin	0.4%	29.0%	-28.6 p.p.

Source: Company data.

REVENUE BREAKDOWN



Source: Company data.

COMMENTARY

Astarta's bottom line result for FY19 was hurt by high interest expenses on its debt; we had expected a much better figure from the company, taking into account higher sugar prices last year and an increase in revenue in the soybean processing business segment. Our latest forecast had assumed that the company would show a net profit of EUR 20mn in FY19. Meanwhile, Astarta's improved but still elevated Net Debt/EBITDA metric of 3.5x represents a breach of its loan covenants. The continuing high debt burden is one of the primary reasons of the AST stock's poor performance in recent years. However, the company claims that its adjusted net debt, which takes into account marketable inventories, is about half of the figure derived from standard accounting calculations, and therefore implies an adjusted Net Debt/EBITDA ratio of 1.7x as of Dec 31.

Astarta's Warsaw-listed stock closed at PLN 12.45 on Friday (Apr 17). The stock has moved up from its multi-year low of PLN 10.50 registered in March.

EAVEX RECOMMENDATIONS

Name	Ticker	Price, per share	Target price, per share	Upside, %	Rating	Commentary
Agriculture						
Kernel	KER PW	43.5	82.0	89%	BUY	<p>The company claimed that it enjoyed a high capacity utilization of its grain export value chain and a healthy infrastructure business margin. We maintain our BUY recommendation for Kernel with a target price of PLN 82.00 per share based on the group's expanded business operations, which have yet to be reflected in the share price.</p> <p>Kernel had revenue of USD 1.86bn (-17% YoY), EBITDA of USD 216mn (-6% YoY), and net profit of USD 100mn (-39% YoY) in July-December (the company's 1H20, as its financial year runs from July to June).</p> <p>The company aims to achieve EBITDA of USD 500mn by 2021.</p>
MHP	MHPC LI	6.1	16.5	170%	BUY	<p>London-listed agro group MHP posted a net profit of USD 105mn in 3Q19, representing earnings per share of 99 cents. Year-to-date through September, the company reported revenue of USD 1,511bn (+33% YoY), EBITDA of USD 357mn (-1% YoY), and net profit of USD 276mn (+94% YoY). On the balance sheet side, MHP's total debt was USD 1.58bn as of 30 Sept 2019. The debt structure shifted further to long-term liabilities, which accounted for 93% of total debt.</p> <p>With a cautiously positive outlook for 4Q19 we believe the company could deliver a net profit of USD 2.93 per share for full-year of 2019</p>
Astarta	AST PW	12.5	32.0	157%	BUY	<p>The company secured USD 20mn financing from Deutsche Investitions und Entwicklungsgesellschaft (DEG) despite the company's high Net Debt-to-EBITDA ratio of 7.7x. Astarta had unexpectedly weak financial results for 3Q19. Astarta's net loss for the quarter amounted to EUR 26mn after a net profit of EUR 30mn posted for 1H19. However, we believe the company's financial results will improve in 4Q19.</p>
Agroton	AGT PW	3.26	12.0	268%	BUY	<p>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.</p> <p>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.</p>
Iron Ore						
Ferrexpo	FXPO LN	136	250	85%	BUY	<p>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.</p>
Specialized Machinery						
Motor Sich	MSICH	5390	--	--	BUY	<p>Motor Sich is closing in on a solid contract with Chinese company Avicopter (AVIC) to supply helicopter engines for a Russian-Chinese project.</p> <p>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.</p>
Oil & Gas						
UkrNafta	UNAF	129	270	109%	BUY	<p>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.</p>
Concern Galnaftogaz	GLNG	n/a	--	--	U/R	<p>Galnaftogaz is pursuing a plan to aggressively expand its filling station network.</p>
Regal Petroleum	RPT LN	16.0	--	--	U/R	
JKX Oil & Gas	JKX LN	17.3	--	--	U/R	
Power Utilities						
DonbasEnergO	DOEN	21.0	--	--	U/R	<p>The company confirmed its strategic plan to modernize one of its power units at the Slavyansk plant by 2022.</p>
CenterEnergO	CEEN	7.50	25.60	241%	BUY	<p>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 8 per share after yet another failed attempt to privatize the company. Persisting uncertainty about whether CentrEnergO can really be privatized at a fair price has made the company a hostage of Ukrainian behind-the-scenes politics. In 2019 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 CentrEnergO more attractive for privatization.</p>
Banks						
Raiffeisen Bank Aval	BAVL	0.330	0.47	42%	BUY	<p>Raiffeisen Bank Aval, the Ukrainian subsidiary of Vienna-based Raiffeisen International, earned UAH 4.7bn in net profit in FY19, which implied earnings per share of 7.72 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%. If majority owner Raiffeisen International retains its last-year policy of a 70% dividend payout, the bank's shareholders will receive a DPS of 5.40.</p>

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 2020E
			1W	YtD				2019	2020E	2019	2020E	
PFTS Index	UX	501	-0.3%	-1.5%								
Iron Ore Mining												
Ferrexpo	FXPO	136	-5.0%	-14.8%	989	1,270	24.0%	2.5	3.4	2.2	3.0	1.0
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	15.6	0.0%	0.0%	66	40	5.0%	2.1	7.2	1.0	2.8	0.2
Specialized Machinery												
Turboatom	TATM	9.0	-12.6%	-14.9%	140	137	3.8%	11.5	4.1	2.8	2.5	1.1
Motor Sich	MSICH	5,390	0.0%	0.0%	414	442	24.0%	neg	41	24	9.2	1.5
Oil & Gas												
UkrNafta	UNAF	129	-4.4%	-10.8%	258	252	3.0%	8.9	3.4	2.5	0.9	0.2
Regal Petroleum	RPT	16.0	1.9%	-26.8%	64	24	21.6%	6.4	8.0	1.1	1.2	0.4
JKX Oil	JKX	17.3	-9.2%	-27.2%	37	145	50.4%	2.0	2.3	4.3	3.8	1.2
Power Utilities												
Centrenergy	CEEN	7.50	3.4%	-19.0%	102	81	21.7%	neg	17	neg	3.2	0.1
Donbasenergy	DOEN	21.00	-2.9%	-16.9%	18	17	14.2%	neg	7.6	2.2	1.8	0.1
Consumer												
MHP	MHPC	6.10	-4.7%	-33.0%	645	1,785	34.1%	3.0	2.8	8.3	4.0	0.8
Kernel	KER	43.50	6.7%	-9.4%	833	1,527	61.8%	4.4	3.6	4.4	3.8	0.3
Astarta	AST	12.45	6.9%	-22.2%	75	351	37.0%	39.9	9.5	4.1	3.4	0.6
Avangardco	AVGR	0.20	0.0%	0.0%	13	344	22.5%	6.4	4.3	20	18	2.9
Agroton	AGT	3.26	4.5%	-11.9%	17	26	25.0%	1.8	2.4	2.0	2.4	0.5
Banks												
Raiffeisen Bank Aval	BAVL	0.330	-2.9%	7.2%	750		1.8%	4.1	4.5	1.4	1.4	0.21

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		
		2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E
Iron Ore Mining																
Ferrexpo	FXPO	1,274	1,507	1,330	503	586	430	39.5%	38.9%	32.3%	335	403	290	26.3%	26.7%	21.8%
Railcar Manufacturing																
Kryukiv Wagon	KVBZ	200	292	240	20	38	14	10.2%	13.0%	5.9%	18	31	9	9.0%	10.5%	3.8%
Specialized Machinery																
Turboatom	TATM	94	110	122	40	49	56	43.1%	45.0%	45.6%	28	12	34	29.9%	11.1%	27.9%
Motor Sich	MSICH	450	358	294	96	19	48	21.2%	5.2%	16.3%	46	-14	10	10.2%	-3.8%	3.4%
Oil & Gas																
Ukrnafta	UNAF	1,328	1,148	1,240	350	99	280	26.4%	8.6%	22.6%	237	29	76	17.8%	2.5%	6.1%
Regal Petroleum	RPT	60	50	55	54	22	19	90.0%	44.0%	34.5%	42	10	8	na	20.0%	14.5%
JKX Oil	JKX	93	111	120	31	34	38	33.2%	30.5%	31.7%	15	18	16	16.5%	16.5%	13.3%
Electric Utilities																
Centrenergy	CEEN	533	587	660	38	-38	25	7.1%	-6.4%	3.8%	18	-44	6	3.4%	-7.4%	0.9%
Donbasenergo	DOEN	224	249	276	23	8	9	10.2%	3.1%	3.3%	4	-3	2	1.7%	-1.1%	0.9%
Consumer																
MHP	MHPC	1,556	2,056	2,220	450	216	447	28.9%	10.5%	20.1%	128	215	230	8.2%	10.5%	10.4%
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	424	497	577	78	86	104	18.3%	17.4%	18.1%	-21	2	8	-4.9%	0.4%	1.4%
Avangardco	AVGR	127	135	120	15	17	19	11.8%	12.6%	15.8%	-5	2	3	-3.9%	1.5%	2.5%
Agroton	AGT	57	63	55	14	13	11	24.7%	20.6%	20.0%	14	9	7	23.7%	15.1%	12.7%
Banks																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	2,647	3,893	3,623	420	550	524	239	280	292	187	185	168	44.6%	33.6%	32.0%

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
UAH denominated Bonds									
UA4000202469			18.0%	15.0%	n/a	n/a	S/A	30 Sept 2020	n/a
UA4000200174			19.0%	16.0%	n/a	n/a	S/A	20 Jan 2021	n/a
UA4000195176			19.0%	16.0%	n/a	n/a	S/A	11 Aug 2021	n/a
UA4000203236			19.0%	16.0%	n/a	n/a	S/A	05 Jan 2022	n/a
UA4000204002			19.0%	16.0%	n/a	n/a	S/A	11 May 2022	n/a
UAH denominated Bonds									
UA4000204853			6.50%	3.25%	n/a	n/a	S/A	29 Jul 2021	USD 350mn

Source: TR Data, Eavex Research

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