

**Stock Market Update**

**Equity**

The major stocks listed in Kyiv were on the rise last week after the National Bank reported that its business sentiment index improved according to the latest survey conducted at the end of March. The most optimistic view was expressed by representatives of the trade sector, while sentiments in the construction sector remained subdued.

The Ukrainian Exchange index, which consists of five stocks including the long-frozen Motor Sich (MSICH), increased by 1.1% last week to 1899 points. The gauge has advanced by 17% since the start of the year mainly due to the 45% surge in UkrNafta (UNAF) to UAH 278. The country's largest oil company is undergoing a complicated process of asset valuation before an expected split of the business between its two largest shareholders. Surprisingly, there was no correction in the UNAF stock following a decision by Ukraine's Anti-Monopoly Committee to fine UkrNafta UAH 2.36bn (USD 85mn) for pricing manipulation on the retail petroleum market. The company said it will fight the penalty in court.

In other local blue-chip names, CentrEnergO (CEEN) rose 4.7% last week to UAH 9.00 after the company proposed to pay out a large additional dividend of 54 kopecks per share from its FY18 profit. CentrEnergO's annual shareholders meeting is scheduled for Apr 30, with the dividend from FY20 net profit expected at 8.3 kopecks per share. TurboAtom (TATM), like CentrEnergO a state-owned company, also decided to increase its dividend from FY18 profit by paying out an additional 72 kopecks per share, as well as 37 kopecks per share from FY19 and a regular dividend from FY20 profit of 27 kopecks. The TATM stock is traded at a bid of UAH 8.20 and an ask price of UAH 9.00. Raiffeisen Bank Aval (B AVL) increased by 4.4% to 47.00 kopecks, recovering part of its drop seen a week earlier.

London-listed J K X Oil&Gas (J K X), a natural gas producer with major fields in Ukraine, lost 12% to end at GBp 23.00 after the company posted worse than expected earnings for FY20. Ferrexpo (FXPO) extended its correction to a second straight week, falling 5.3% to GBp 355 per share. MHP (MHPC) shed 2.5% to USD 5.40.

In Warsaw trading, top liquid name Kernel (KER) edged down by 1.6% to PLN 55.00.

On the interbank currency exchange, the hryvnia adhered tightly to the 28 UAH/USD resistance level, inching lower by 3 kopecks (0.1%) over the week to close at 28.04 UAH/USD.

**Highlights**

**POLITICS AND ECONOMICS**

- > Biden, Zelenskiy Hold 1st Call Amid Flurry of High-Level Contacts

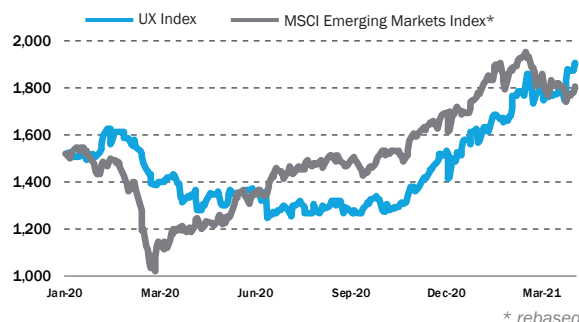
**STOCKS IN THE NEWS**

- > CentrEnergO Posts FY20 Profit of UAH 61mn, Implied 1% Dividend Yield

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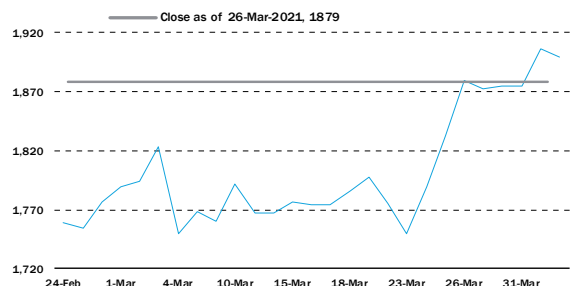
**STOCK MARKET PERFORMANCE**



**MARKET INDEXES**

	Last	1W ch	YTD
UX	1899	1.1%	17.4%
RTS	1466	0.8%	5.7%
WIG20	1954	1.0%	-2.0%
MSCI EM	1338	2.4%	3.6%
S&P 500	4019	1.1%	7.0%

**UX 1M PERFORMANCE**



**FIXED INCOME**

	Last	1W ch	YTD
NBU Key Rate	6.5%	0.0 p.p.	+0.5 p.p.
UAH 1-year bond	11.3%/10.5%	0.0 p.p.	-0.1 p.p.
Ukraine-2025	5.6%	0.2 p.p.	0.7 p.p.
Ukraine-2028	7.3%	0.4 p.p.	1.0 p.p.

**CURRENCY**

	Last, UAH	1W chg.	YTD
USD/UAH	28.04	0.1%	-0.8%
EUR/UAH	32.95	-0.2%	-5.2%

Source: Eavex Capital

## Biden, Zelenskiy Hold 1st Call Amid Flurry of High-Level Contacts

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### NEWS

US President Joseph Biden held his first direct communication with President Zelenskiy on Friday (Apr 2) in what was described by media as a 30-40 minute telephone call. The call followed reports earlier in the week of a new Russian military buildup near Ukraine's eastern border, which led the US military's European command to raise its threat level. Foreign Minister Dmytro Kuleba was reported to have spoken with his US counterpart Anthony Blinken, and Zelenskiy administration chief of staff Andriy Yermak also spoke with the Biden administration's top national security official Jake Sullivan. Fighting along the Donbass contact line in late March effectively ended a ceasefire that had been in place since last July. On the presidential website, Zelenskiy said that "President Biden assured me that Ukraine will never be left alone in the face of Russian aggression".

### COMMENTARY

We see three main reasons for why the Kremlin is trying to use a military threat to raise the temperature in its relations with Ukraine and the West at this particular point in time. First, the Biden administration is expected to take significant retaliatory actions in the near term against the Putin regime for Russian election interference and hacking of US government agencies. Second, after 18 months of mixed messages, Zelenskiy has, since Biden replaced Donald Trump in January, appeared to have suddenly shifted the vector of his presidency into a considerably more pro-Western direction, to the Kremlin's dismay. Third, Biden has shown signs that he might try to impede the completion of the Nord Stream 2 natural gas pipeline being built between Russia and Germany, a pet project of Putin's government. Although Ukraine is obviously not a NATO member, any new Russian military incursions into Ukrainian territory would seem certain to draw some kind of NATO and/or US response, given the level of US-Ukraine engagement which we have seen over the past week. Still, we believe the best deterrent against new Russian aggression is the threat of additional economic penalties, including freezing the trading of Russian sovereign debt on Western financial exchanges. We also believe that Zelenskiy's recent bold actions against pro-Russian oligarch Victor Medvedchuk and Yanukovich-era Constitutional Court appointee Olexander Tupytskiy are not a coincidence; with Trump in the White House, Zelenskiy would never have been able to count on US backing for these kind of steps.

## CentrEnergO Posts FY20 Profit of UAH 61mn, Implying 1% Dividend Yield

by Dmitry Churin  
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### CENTRENERGO (CEEN UK)

Price: UAH 9.00 Market Cap: USD 119mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2020	0.9	0.1	52.3	4.5	0.9%
2021E	0.9	0.1	12.6	3.2	4.1%

## NEWS

CentrEnergO, Ukraine's second-largest thermal electricity generation company, posted a net profit of UAH 61mn (USD 2.3mn at the average UAH/USD exchange rate) on a net margin of 0.3% for full-year 2020, according to the company's earnings report published on the official website last week. CentrEnergO's revenue grew by 36% YoY to UAH 20.6bn and EBITDA amounted to UAH 451mn, compared to a negative EBITDA of UAH 1.77bn seen in FY19. For comparison, the company's net loss was UAH 1.98bn in FY19.

On the balance sheet side, CentrEnergO had no interest-bearing debt as of 31 Dec 2020; cash and cash equivalents stood at UAH 1.22bn for the same date.

### CENTRENERGO'S FINANCIAL RESULTS

UAH mn	4Q19	4Q20	YoY	2019	2020	YoY
Net revenue	4,231	5,655	+33.7%	15,133	20,584	+36.0%
EBITDA	-328	412	-/+	-1,770	451	-/+
EBITDA margin	-7.7%	7.3%	+15.0 p.p.	-11.7%	2.2%	+13.9 p.p.
Net Income	-492	224	-/+	-1,980	61	-/+
p.p.Net margin	-11.6%	4.0%	+15.6 p.p.	-13.1%	0.3%	+13.4 p.p.

Source: Company data.

## COMMENTARY

CentrEnergO's financial results improved significantly in 4Q20, when a net profit of UAH 224mn was generated compared to a net loss of UAH 492mn seen for 4Q19. However, CentrEnergO's new top management appointed by the State Property Fund in February accused the previous general director of cooking the accounting books for 4Q20. The public claim said that CentrEnergO had struck a UAH 840mn deal to sell its coal ash. The deal appears too good to be true, and CentrEnergO has received only 3% of the promised payment under the contract. Therefore, the moderately positive bottom line and net margin for FY20 could be a result that was achieved only on paper in order to keep the company out of the red.

CentrEnergO's reported net profit of UAH 61mn implies earnings per share of 17 kopecks. Due to its majority state ownership, the company is mandated by law to distribute 50% of its profit in dividends, which will translate into a payout of 8.28 kopecks per share and a yield of roughly 1%.

We forecast that CentrEnergO has the ability to boost its profitability this year after the new management started selling electricity on the Ukrainian Energy Exchange instead of under direct bilateral contracts with intermediaries. We project that CentrEnergO will earn UAH 270mn in net profit this year, which still would imply rather small net profit per share of 73 kopecks.

Eavex Capital has a BUY recommendation for CentrEnergO with a target price of UAH 15 per share, representing an upside of 67% to the current price of UAH 9.00.

## EAVEX RECOMMENDATIONS

Name	Ticker	Price, per share	Target price, per share	Upside, %	Rating	Commentary
<b>Agriculture</b>						
Kernel	KER PW	55.0	65.0	18%	BUY	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 65.00 per share based on the group's expanded business operations, which have yet to be reflected in the share price. For the 6 months ending in December, Kernel had revenue of USD 2.27bn (+20% YoY), EBITDA of USD 559mn (+2.6x YoY), and net profit of USD 332mn (+2.3x YoY). On the balance sheet side, Kernel's net debt amounted to USD 1.25bn as of 31 December 2020, implying a Net Debt/EBITDA ratio of 1.6x.
MHP	MHPC LI	5.4	11.5	113%	BUY	Although MHP's business has not suffered much from the COVID-19 crisis, the MHPC stock has tumbled by near 30% in 2020 as investors fear that the company's quite large debt burden could become unsustainable at some point. MHP's total debt was USD 1.46bn as of 31 Dec 2020. The Net Debt/EBITDA ratio was 3.7x as of 1 Jan 2021, up from 3.0x as of 1 Jan 2020. We now forecast that MHP will be able to increase its net revenue by 7% YoY to USD 2.05bn this year and to earn a net profit of USD 120mn as poultry prices bounce back.
Astarta	AST PW	42.0	--	--	U/R	The AST stock surged after the company managed to improve its debt to EBITDA ratio. Net Debt reduced to EUR 175mn corresponding to Net debt/EBITDA (LTM) of 1.6x at the end of 9M20. Back in 2019 Astarta's Net debt/EBITDA topped an unsustainable level of 5.6x.
Agroton	AGT PW	6.56	12.0	83%	BUY	Agroton unveiled a strategy to increase its land bank from 119,000 ha to 200,000 ha by mid-2021 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 5.2mn (PLN 0.96 per share) in 2019. In our view, Agroton currently has a fairly healthy financial position, with an estimated net cash position of USD 11.8mn. The company continues to invest in growth, spending USD 6.3mn on CapEx in FY19.
<b>Iron Ore</b>						
Ferrexpo	FXPO LN	355	280	-21%	SELL	High iron ore prices are due for a correction as Chinese demand for the steelmaking ingredient is expected to ease, though aggressive speculation through iron ore derivative trading could thwart that outcome. The benchmark 62% Fe iron ore prices surged by 70% YoY to a level of USD 160 per tonne in 2020. We currently forecast that Ferrexpo's net profit will decline by 18% YoY in FY21 to USD 520mn.
<b>Specialized Machinery</b>						
Motor Sich	MSICH	5390	--	--	U/R	There was little clarity on the situation regarding Motor Sich's (MSICH) nationalization. No mechanism of compensation for existing shareholders was announced after the Kyiv District Court arrested 100% of the shares of Motor Sich and appointed a special state agency to manage the company. The shares of Motor Sich remained frozen due to an ongoing investigation conducted by the Ukrainian Security Service (SBU) regarding change in the controlling shareholder of the company.
<b>Oil &amp; Gas</b>						
UkrNafta	UNAF	278	350	26%	BUY	UkrNafta surged to UAH 190 per share after the company reported that it repaid its accrued tax debt of UAH 28.9bn. The company got the money for the tax repayment from its parent NaftoGaz as advance payment for future natural gas deliveries as well as payment for previously supplied gas. On the other hand, the company is still in uncertainty whether the government will decide to divide UkrNafta's natural gas business and its crude extraction business.
Enwell Energy (ex-Regal)	ENW LN	21.1	--	--	U/R	
JKX Oil & Gas	JKX LN	23.0	--	--	U/R	
<b>Power Utilities</b>						
DonbasEnerg	DOEN	21.8	--	--	U/R	The company confirmed its strategic plan to modernize one of its power units at the Slavyansk plant by 2022.
CenterEnerg	CEEN	9.00	15.00	67%	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 8 per share after yet another failed attempt to privatize the company. 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. Currently CentrEnerg is in a process to be integrated with the state coal mines to get cheaper fuel for its power stations. The integration is set to be completed in 2H21.
<b>Banks</b>						
Raiffeisen Bank Aval	BAVL	0.470	0.33	-30%	SELL	Raiffeisen Bank Aval (BAVL) announced that it will distribute 50% of its FY20 net profit as a dividend, far lower than what was expected. Although this still implies a solid 3.31 kopeck dividend per share, the bank disappointed minority investors; we had projected a 5.96 kopeck dividend. The bank has not set the ex-right date for dividend yet. Raiffeisen Bank Aval, the Ukrainian subsidiary of Vienna-based Raiffeisen International, decreased its net profit by 14% YoY to UAH 4.1bn in FY20, which implied earnings per share of 6.63 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%. The bank paid 6.95 kopecks in dividend per share from FY19 net profit.

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 2021E
			1W	YtD				2020E	2021E	2020E	2021E	
UX Index	UX	1899	1.1%	17.4%								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	355	-5.3%	19.5%	2882	2878	24.0%	4.5	5.5	3.3	3.9	1.8
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	20.0	0.0%	11.1%	82	56	5.0%	9.6	15.7	4.2	5.6	0.3
<b>Specialized Machinery</b>												
Turboatom	TATM	9.0	9.8%	9.1%	136	133	3.8%	16.2	9.6	2.6	3.2	1.4
Motor Sich	MSICH	5390	0.0%	0.0%	402	400	24.0%	12.7	17.2	3.9	4.5	1.2
<b>Oil &amp; Gas</b>												
UkrNafta	UNAF	278	7.3%	46.3%	541	529	3.0%	neg	23.9	1.8	8.7	0.6
Enwell Energy (ex-Regal)	ENW	21.1	-7.3%	-0.5%	93	39	21.6%	31.1	10.4	1.5	1.3	0.6
JKX Oil	JKX	23.0	-12.4%	-23.3%	54	163	50.4%	2.7	7.8	5.5	4.8	1.9
<b>Power Utilities</b>												
Centrenergy	CEEN	9.00	4.7%	25.0%	119	76	21.7%	neg	13	4.5	3.2	0.1
Donbasenergy	DOEN	21.75	-9.4%	8.7%	18	17	14.2%	17.1	6.6	2.0	2.2	0.1
<b>Consumer</b>												
MHP	MHPC	5.40	-2.5%	-10.3%	571	1815	32.5%	neg	4.8	5.3	4.9	0.9
Kernel	KER	55.00	-1.6%	11.6%	1,112	2129	61.8%	9.4	3.0	4.8	3.4	0.5
Astarta	AST	41.95	8.1%	60.1%	266	441	37.0%	32.2	25.4	3.6	3.2	0.9
Avangardco	AVGR	0.01	0%	0.0%	1	332	22.5%	0.2	-0.1	17	20	3.0
Agroton	AGT	6.56	9.0%	49.8%	36	26	25.0%	18.0	14.4	2.4	2.8	0.8
<b>Banks</b>												
Raiffeisen Bank Aval	BAVL	0.470	4.4%	14.6%	1,037		1.8%	6.9	8.2	2.3	2.4	0.26

Source: UX. 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		
		2019	2020E	2021E	2019	2020E	2021E	2019	2020E	2021E	2019	2020E	2021E	2019	2020E	2021E
<b>Iron Ore Mining</b>																
Ferrexpo	FXPO	1507	1700	1615	586	859	730	38.9%	50.5%	45.2%	403	635	521	26.7%	37.4%	32.3%
<b>Railcar Manufacturing</b>																
Kryukiv Wagon	KVBZ	292	223	192	38	13	10	13.0%	5.9%	5.2%	31	9	5	10.5%	3.8%	2.7%
<b>Specialized Machinery</b>																
Turboatom	TATM	110	105	94	49	52	41	45.0%	49.1%	44.1%	12	8	14	11.1%	8.0%	15.2%
Motor Sich	MSICH	358	353	338	19	102	90	5.2%	29.1%	26.5%	-14	32	23	-3.8%	8.9%	6.9%
<b>Oil &amp; Gas</b>																
Ukrnafta	UNAF	1098	1892	941	-115	293	61	-10.5%	15.5%	6.5%	-158	234	23	-14.4%	12.4%	2.4%
Regal Petroleum	RPT	50	55	62	22	26	30	44.0%	47.3%	48.4%	10	3	9	20.0%	5.5%	14.5%
JKX Oil	JKX	102	70	85	42	30	34	41.6%	42.6%	40.0%	22	20	7	21.8%	28.6%	8.2%
<b>Electric Utilities</b>																
Centrenergy	CEEN	589	764	819	-69	17	24	-11.7%	2.2%	2.9%	-77	2	9	-13.1%	0.3%	1.1%
Donbasenergo	DOEN	249	256	247	8	9	8	3.1%	3.3%	3.2%	-3	1	3	-1.1%	0.4%	1.1%
<b>Consumer</b>																
MHP	MHPC	2056	1911	2045	376	340	374	18.3%	17.8%	18.3%	215	-133	120	10.5%	-7.0%	5.9%
Kernel (FY19, FY20, FY21E)	KER	3960	4107	4518	346	443	620	8.7%	10.8%	13.7%	189	118	370	4.8%	2.9%	8.2%
Astarta	AST	497	484	517	86	122	136	17.4%	25.1%	26.3%	2	8	11	0.4%	1.7%	2.0%
Avangardco	AVGR	135	120	110	17	19	17	12.6%	15.8%	15.5%	2	3	-10	1.5%	2.5%	-9.1%
Agroton	AGT	54	30	33	2	11	9	4.1%	36.7%	27.9%	5	2	3	9.5%	6.7%	7.6%
<b>Banks</b>																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	3495	4019	3925	550	456	438	280	271	249	185	151	126	33.6%	33.2%	28.9%

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>									
UA4000195176			9.5%	8.0%	n/a	n/a	S/A	11 Aug 2021	9,653
UA4000204556			10.0%	9.0%	n/a	n/a	S/A	17 Nov 2021	11,923
UA4000203236			11.3%	10.5%	n/a	n/a	S/A	05 Jan 2022	10,887
UA4000204002			11.5%	10.5%	n/a	n/a	S/A	11 May 2022	12,917
UA4000201255			12.5%	11.7%	n/a	n/a	S/A	24 May 2023	6,470
UA4000204150			13.0%	12.0%	n/a	n/a	S/A	26 Feb 2025	41,080
<b>UAH denominated Bonds</b>									
UA4000211114			4.0%	3.2%	n/a	n/a	S/A	3 Feb 2022	USD 347mn

Source: TR Data, Eavex Research

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