

## Stock Market Update

### Equity

Ukraine-related news flow last week was dominated by the military threat from Russia, as the total size of Russian troops near Ukraine's border reached 100,000 soldiers, according to the National Security & Defense Council (RNBO) estimates. German Chancellor Merkel and French President Macron urged Moscow to withdraw the additional troops it has amassed on its border with Ukraine and in occupied Crimea over recent weeks. In its turn, Moscow announced on Friday (Apr 16) that it intends to shut down areas of the Black Sea to foreign military vessels for the next six months as it conducts naval maneuvers in the area. Nevertheless, at this point the situation looks under control but security conditions on the border may change with little or no notice.

Kyiv-listed stocks were lower for the week, with the UX index losing 2.1% to 1796 points. UkrNafta was in the spotlight again, slumping 11% to UAH 230 per share after unpleasant information that the company has no intention to pay a dividend from its large net profit of UAH 4.2bn earned in 2020. In other UX index components, Raiffeisen Bank Aval (BAVL) shed 2.2% to 45.00 kopecks and CentrErgo (CEEN) declined by 1.1% to UAH 9.00 per share.

In London trading, poultry producer MHP (MHPC) fell 3.8% to USD 5.12, the stock's lowest closing price in a decade, after the company provided a worse than anticipated operational update for 1Q21. Meanwhile, Ferrexpo (FXPO) gained 6.3% to GBp 387.

On the Warsaw Stock Exchange, Kernel (KER) dropped by 3.4% to PLN 51.80 while Agrotion (AGT) rebounded by 5.7% to PLN 6.28.

On the currency front, the hryvnia weakened by 0.3% to close at 28 UAH/USD on the nose. The National Bank did not intervene on the interbank market during the week. The regulator's decision to raise its key refinancing rate from 6.5% to 7.5% on Thursday (Apr 15) had a more or less neutral influence on the hryvnia but sent a clearly negative signal for the domestic bond market.

## Highlights

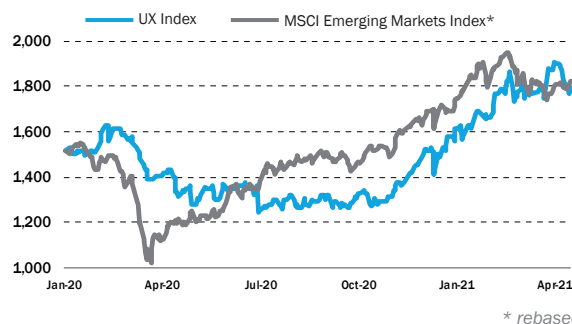
### POLITICS AND ECONOMICS

- > US Sanctions Russian Sovereign Debt as West Closes Ranks Against Kremlin

### STOCKS IN THE NEWS

- > UkrNafta Meets Expectations with UAH 4.3bn Net Profit for FY20
- > MHP's Poultry Sales Volume Declines by 2% YoY in 1Q21

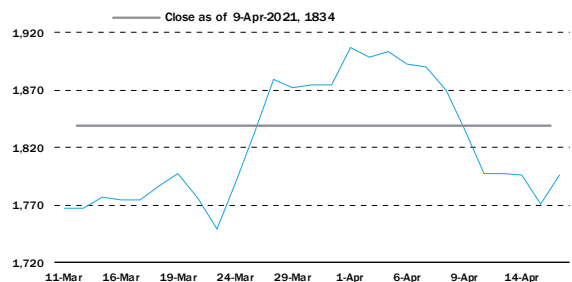
## STOCK MARKET PERFORMANCE



## MARKET INDEXES

	Last	1W ch	YTD
UX	1796	-2.1%	11.1%
RTS	1491	5.2%	7.5%
WIG20	2032	2.9%	1.9%
MSCI EM	1348	1.4%	4.4%
S&P 500	4185	1.4%	11.4%

## UX 1M PERFORMANCE



## FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	7.5%	+1.0 p.p.	+1.5 p.p.
UAH 1-year bond	12.5%/11.2%	+0.6 p.p.	+0.7 p.p.
Ukraine-2025	6.0%	-0.1 p.p.	1.1 p.p.
Ukraine-2028	7.2%	-0.1 p.p.	0.9 p.p.

## CURRENCY

	Last, UAH	1W chg.	YTD
USD/UAH	28.00	0.3%	-1.0%
EUR/UAH	33.53	1.0%	-3.5%

Source: Eavex Capital

## US Sanctions Russian Sovereign Debt as West Closes Ranks Against Kremlin

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

### NEWS

US President Joseph Biden announced new sanctions against Russia on Thursday (Apr 15) that prohibit US banks from trading in any Russian sovereign debt papers issued after June 15 of this year. Existing issues of Russian debt remain unrestricted. Biden's move was a response to Russian hacking & intrusion efforts against US government agencies and political parties. Ten Russian diplomats were also thrown out of the country's Washington embassy for spying. Meanwhile, President Zelenskiy traveled to Paris on Saturday (Apr 17) to meet with his French counterpart Emmanuel Macron to discuss the buildup of Russian military forces near the Ukrainian border. Macron said Western countries will not accept any new military operations on Ukrainian territory. A third major development also occurred on Saturday, when the Czech Republic announced that Russian government agents were behind a 2014 explosion at a weapons storage unit that killed two people. Czech politicians accused Russia of engaging in state terrorism, and 18 Russian diplomats were thrown out of the country.

### COMMENTARY

The Biden administration wisely left plenty of room for additional sanctions with its opening salvo against the Putin regime, which looks above all to be a warning shot designed to make it clear that any new military operations by the Kremlin against Ukraine will be prohibitively expensive for the country's business and political elite. This elite holds hundreds of billions of dollars' worth of assets in Western real estate and bank accounts. Indeed, we believe that the Russian military buildup of the past month was a game of chicken aimed at raising tensions and testing US resolve amid the Kremlin's worsened geopolitical position following the departure of Donald Trump from the White House in January. Ultimately, in relation to Ukraine, we see that the Kremlin is still pursuing the same strategy that it has used since 2015 of trying to strengthen the hand of hard-line Ukrainian nationalists against the elected Ukrainian president (first Petro Poroshenko, now Zelenskiy) and goad Kyiv into a rash move to re-take the Donbass occupied territories by force. The incident in the Czech Republic also could not have come at a worse time for Moscow, as that country's government has been one of the most Russia-friendly in recent years. It has been reported that the Russian agents who bombed the Czech ammunition storage were the same ones who later poisoned Russian exile Sergey Skripal in the United Kingdom with a military-grade chemical agent. This revelation is sure to provoke new anger in Britain, which is one of the main Western havens of Russian offshore wealth.

## UkrNafta Meets Expectations with UAH 4.3bn Net Profit for FY20

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

### UKRNAFTA (UNAF UK)

Price: UAH 230 Market Cap: USD 445mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2020E	1.2	0.2	2.8	1.5	n/a
2021E	1.2	0.5	19.7	7.1	n/a

### NEWS

UkrNafta, Ukraine's national flagship oil producer, unveiled a preliminary net profit of UAH 4.28bn (USD 159mn) for full-year 2020, in an announcement for its shareholder meeting scheduled on May 18. The company has not published its full set of financial results for 2020 yet. However, UkrNafta said that its total assets stood at UAH 38.1bn at the end of 2020 and that its shareholders equity amounted to UAH 10.8bn on the same date.

Among other items for the shareholders meeting, there were two proposals for profit distribution from FY18 net profit, which was UAH 6.43bn (UAH 119 per share). The first proposal is to pay no dividend from FY18 profit while the second is to pay 30% of the profit in dividends, which would imply a UAH 35.62 payout per share. UkrNafta had a net loss of UAH 4.06bn in FY19, so no dividend for FY19 was proposed. The company plans to declare no dividend from its FY20 net profit.

### COMMENTARY

UkrNafta's net profit for FY20 met the market expectation, as the positive financial result came solely due to completion of the large natural gas compensation deal with the state-owned energy giant NaftoGaz in December. If the transaction had not been finalized, UkrNafta would have ended last year deeply in the red, as controlling minority shareholder Igor Kolomoyskiy was deliberately selling the company's oil during 1H20 at cut-rate prices to his own affiliated buyers. The company reported a net loss of UAH 3.09bn in 9M20. Meanwhile, the most important point that UkrNafta managed to achieve in FY20 was the redemption of its huge tax debt, which was run up by Kolomoyskiy in 2014-15. As a result, the company's current liabilities decreased from UAH 33.8bn at the start of FY20 to UAH 10.6bn at the beginning of this year.

The current intrigue is obviously whether UkrNafta's majority shareholder NaftoGaz plans to vote in favor of the dividend distribution from FY18. In our view, the chance for a dividend payout is rather low, as the corporate conflict between NaftoGaz and the group of private shareholders led by Kolomoyskiy remains unresolved. Moreover, the previously proposed solution to the conflict by formally splitting up UkrNafta between the government and Kolomoyskiy has not been moving forward. Expectations have faded that a vote regarding UkrNafta's division will be held at the shareholders meeting. For small minority shareholders, it is a disappointment that there are no issues at the shareholders meeting that could meet the legal criteria to force a buyback of shares by UkrNafta.

The proposed variants of voting for dividend distribution from the FY18 and FY20 profits were also a disappointment for small shareholders. Although the official publication of UkrNafta's shareholders meeting agenda came just before the market close on Friday, quotes for the UNAF stock have been under pressure since early April. The listing price on Ukrainian Exchange has dropped from UAH 275 per to UAH 230 per share, although the stock is still up by 20% in 2021.

## MHP's Poultry Sales Volume Declines by 2% YoY in 1Q21

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

### MHP (MHPC LI)

Price: USD 5.12 Market Cap: USD 567mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2020	0.5	0.9	neg	5.3	5.5%
2021E	0.5	0.9	4.7	4.8	5.5%

## NEWS

London-listed, central-Ukraine based MHP (MHPC), Ukraine's largest poultry producer, reported that its poultry sales volume decreased by 2% YoY to some 154,000 tonnes in 1Q21, according to the company's operational update published on Apr 16. MHP said that achieved pricing for its poultry rose by 4% YoY in USD terms to USD 1.43 per kg in the period.

MHP's overall production volume of chicken meat in 1Q21 declined by 7% YoY to 166,600 tonnes, with the company blaming the drop on a ramp-up of small-chicken production for export deliveries to the Middle East market. The company's export volume sales were unchanged in a yearly comparison at 82,260 tonnes, accounting for 53% of total sales volume.

In the vegetable oil segment, MHP had weak results, with sunflower oil sales volume dropping by 31% YoY to some 56,000 tonnes while soybean oil sales grew by 4% YoY to 11,150 tonnes in the quarter.

### MHP OPERATIONAL UPDATE

Poultry	1Q20	1Q21	Change
Sales volume, tonnes	157,729	154,370	-2%
Domestic	75,681	72,109	-5%
Exports	82,048	82,260	0%
Price per 1 kg net VAT (USD)	1.37	1.43	+4%

Source: Companies' data

## COMMENTARY

MHP's operating update was worse than expected, taking into account the low comparison base of the challenging first quarter of last year. The company's failure to demonstrate higher sales volume figures in Ukraine in 1Q21 could be an indication that MHP is losing its share on the core domestic market despite one of the group's main competitors shutting down its poultry production facilities this year. On the pricing side, a moderate 4% YoY increase in MHP's average poultry price in 1Q21 could hardly lead to a higher profitability in the period as grain prices rose more rapidly, resulting in elevated feed cost for chicken production. MHP's financial results for 1Q21 are due for release on May 19.

The low-liquidity London-listed MHPC stock fell to its lowest level since 2009, closing at USD 5.12 per share last week.

MHP-2029 outstanding Eurobonds are quoted at 95.0 (7.2% YtM).

## EAVEX RECOMMENDATIONS

Name	Ticker	Price, per share	Target price, per share	Upside, %	Rating	Commentary
<b>Agriculture</b>						
Kernel	KER PW	51.8	65.0	25%	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	5.1	11.5	125%	BUY	Although MHP's business has not 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	37.9	--	--	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	6.28	12.0	91%	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	387	280	-28%	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 the Ukrainian Security Service (SBU) regarding change in the controlling shareholder of the company.
<b>Oil &amp; Gas</b>						
UkrNafta	UNAF	230	350	52%	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	19.6	--	--	U/R	
JKX Oil & Gas	JKX LN	21.5	--	--	U/R	
<b>Power Utilities</b>						
DonbasEnerg	DOEN	25.0	--	--	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	0.450	0.33	-27%	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	1796	-2.1%	11.1%								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	387	6.3%	30.3%	3121	3117	24.0%	4.9	6.0	3.6	4.3	1.9
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	17.5	7.7%	-2.8%	72	45	5.0%	8.4	13.7	3.4	4.6	0.2
<b>Specialized Machinery</b>												
Turboatom	TATM	9.0	0.0%	9.1%	136	133	3.8%	16.2	9.5	2.6	3.2	1.4
Motor Sich	MSICH	5390	0.0%	0.0%	400	378	24.0%	12.7	17.1	3.7	4.2	1.1
<b>Oil &amp; Gas</b>												
UkrNafta	UNAF	230	-11.2%	21.1%	445	434	3.0%	neg	19.7	1.5	7.1	0.5
Enwell Energy (ex-Regal)	ENW	19.6	-8.5%	-7.4%	86	32	21.6%	28.7	9.6	1.2	1.1	0.5
JKX Oil	JKX	21.5	-14.0%	-28.3%	51	159	50.4%	2.5	7.2	5.4	4.7	1.9
<b>Power Utilities</b>												
Centrenergy	CEEN	9.00	-1.1%	25.0%	119	75	21.7%	neg	13	4.5	3.2	0.1
Donbasenergo	DOEN	25.00	0.0%	25.0%	21	20	14.2%	19.6	7.6	2.3	2.5	0.1
<b>Consumer</b>												
MHP	MHPC	5.12	-3.8%	-15.0%	541	1785	32.5%	neg	4.5	5.3	4.8	0.9
Kernel	KER	51.80	-3.4%	5.1%	1,081	2098	61.8%	9.2	2.9	4.7	3.4	0.5
Astarta	AST	37.90	-1.6%	44.7%	248	423	37.0%	30.0	23.6	3.5	3.1	0.8
Avangardco	AVGR	0.01	0%	0.0%	1	332	22.5%	0.2	-0.1	17	20	3.0
Agroton	AGT	6.28	5.7%	43.4%	36	26	25.0%	17.8	14.3	2.3	2.8	0.8
<b>Banks</b>												
Raiffeisen Bank Aval	BAVL	0.450	-2.2%	9.8%	988		1.8%	6.5	7.8	2.2	2.3	0.25

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	159	23	-14.4%	8.4%	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			10.0%	8.2%	n/a	n/a	S/A	11 Aug 2021	9,653
UA4000204556			11.0%	9.5%	n/a	n/a	S/A	17 Nov 2021	11,923
UA4000203236			12.0%	11.0%	n/a	n/a	S/A	05 Jan 2022	10,887
UA4000204002			12.5%	11.2%	n/a	n/a	S/A	11 May 2022	12,917
UA4000201255			13.2%	12.0%	n/a	n/a	S/A	24 May 2023	6,470
UA4000204150			13.5%	12.4%	n/a	n/a	S/A	26 Feb 2025	41,080
<b>USD denominated Bonds</b>									
UA4000211114			4.0%	3.2%	n/a	n/a	S/A	3 Feb 2022	USD 347mn

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: [research@eavex.com.ua](mailto:research@eavex.com.ua)

Web-page: [www.eavex.com.ua](http://www.eavex.com.ua)

Yuriy Yakovenko

**Chairman of the Board**

[yuriy.yakovenko@eavex.com.ua](mailto:yuriy.yakovenko@eavex.com.ua)

### SALES & TRADING

Pavel Korovitskiy

**Managing Director**

**Equity and Fixed Income**

[p.korovitsky@eavex.com.ua](mailto:p.korovitsky@eavex.com.ua)

Alexander Klymchuk

**Equity and Fixed Income**

[a.klymchuk@eavex.com.ua](mailto:a.klymchuk@eavex.com.ua)

Eugene Klymchuk

**Fixed Income Sales and Trading**

[e.klymchuk@eavex.com.ua](mailto:e.klymchuk@eavex.com.ua)

### RESEARCH

Dmitry Churin

**Head of Research**

[d.churin@eavex.com.ua](mailto:d.churin@eavex.com.ua)

Will Ritter

**Research editor**

[w.ritter@eavex.com.ua](mailto:w.ritter@eavex.com.ua)