

## Stock Market Update

### Equity

On the domestic stock market last week, Ukrainian equities were mostly higher, leading to a gain in the UX index by 2.2% to 1836 points. Local traders cheered information that that Russian troops are beginning to pull back from positions in Crimea and along the Russian border with Ukraine. Russian Defense Minister Sergey Shoigu said that military exercises involving troops along the border with Ukraine are over and that they will return to their permanent bases by May 1. Nevertheless, US diplomatic officials urged the Kremlin to do more to reduce tensions between two countries amid talk of a possible summit meeting between Presidents Biden and Putin in June.

In individual stocks, UkrNafta (UNAF) and CentrEnergO (CEEN) edged up by 0.4% and 0.6% respectively, with the former closing at UAH 231 per share. Second-tier stock Krukiv Wagon (KVBZ) rose 2.9% to UAH 18.00. On the downside, Raiffeisen Bank Aval (BAVL) shed 1.1% to 44.50 kopecks despite data released by the National Bank indicated that Raiffeisen Aval's net profit advanced by an impressive 42% to UAH 1.47bn in 1Q21, implying 2.39 kopecks in earnings per share. However, the earning results have to be confirmed by the bank's official report.

In Warsaw trading, Kernel (KER) inched down 0.2% to PLN 51.70 while the company posted a somewhat worse than expected operational update for the January-March quarter. Sugar maker Astarta (AST) picked up 0.8% over the week to end at PLN 38.20.

On the interbank currency market, the hryvnia inched up by 0.2% against the dollar to close at 27.94 UAH/USD. The national currency has shown a stable performance recently, giving the National Bank an opportunity to abstain from intervention on the market for the third week in a row.

## Highlights

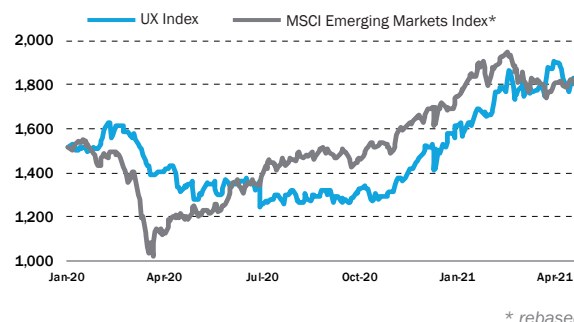
### POLITICS AND ECONOMICS

- > Kremlin Rejects Zelenskiy Offer to Meet Putin in Donbass for Talks
- > Ukraine's Industrial Output Returns to Growth, Rising 2.1% YoY in March

### STOCKS IN THE NEWS

- > Kernel Sees Decline in Operational Results in Jan-Mar; Grain Exports Down 15% YoY

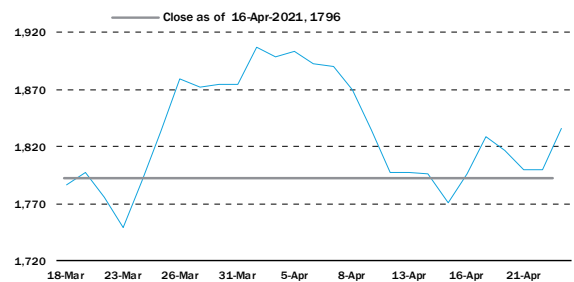
## STOCK MARKET PERFORMANCE



## MARKET INDEXES

	Last	1W ch	YTD
UX	1836	2.2%	13.5%
RTS	1511	1.3%	8.9%
WIG20	1986	-2.3%	-0.4%
MSCI EM	1353	0.4%	4.8%
S&P 500	4180	-0.1%	11.3%

## UX 1M PERFORMANCE



## FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	7.5%	0.0 p.p.	+1.5 p.p.
UAH 1-year bond	12.5%/11.2%	0.0 p.p.	+0.7 p.p.
Ukraine-2025	5.8%	-0.2 p.p.	0.9 p.p.
Ukraine-2028	6.9%	-0.3 p.p.	0.6 p.p.

## CURRENCY

	Last, UAH	1W chg.	YTD
USD/UAH	27.94	-0.2%	-1.2%
EUR/UAH	33.70	0.5%	-3.0%

Source: Eavex Capital

## Kremlin Rejects Zelenskiy Offer to Meet Putin in Donbass for Talks

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

### NEWS

President Zelenskiy last week (Apr 20) challenged Russian President Putin to meet him “anywhere in the Donbass” for talks on the resolution of the 7-year-old separatist conflict there, amid heightened Ukraine-Russia tensions over Russian military movements. Zelenskiy made the offer in a nationally broadcast address. However, the Russian Foreign Ministry rejected the proposal, countering with its long-standing line that the Donbass conflict is a Ukrainian internal affair and that Zelenskiy should instead meet with local separatist leaders, and come to Moscow for talks with Putin on the Ukrainian-Russian relationship. Ukrainian peace negotiator and former President Leonid Kravchuk said that Zelenskiy “would never go to Moscow” to discuss the Donbass. Also early last week, there was official news from the Russian Defense Ministry that many of the 120,000 troops that have been built up near the Ukrainian border this month are being pulled back after major exercises which have been conducted over the past month.

### COMMENTARY

If the goal of the Kremlin’s conspicuous April military buildup was to weaken Zelenskiy, they appear to have done the opposite. Moscow allowed Zelenskiy to score valuable domestic political points with his Donbass challenge to Putin, which the Ukrainian president likely knew in advance would be refused. Zelenskiy’s standing with the United States and the EU has also been burnished by the events of this month, as disappointment with Zelenskiy’s reform record has been put on the back burner amid concerns about Ukraine’s physical security. After nearly two years in office, Zelenskiy’s position on the Donbass appears to be coming around to that of his predecessor Petro Poroshenko: no direct negotiations with the local officials of the DNR/LNR separatist republics and an emphasis on Western involvement in any new agreement. Importantly, the Putin regime last week faced considerable domestic opposition to military confrontation with Ukraine, as anti-Putin protesters taking to the streets in several Russian cities decried attacks against a “brotherly nation”. The demonstrations in Russia, held largely but not entirely in support of jailed opposition politician Alexey Navalny, show growing cracks in the facade of support for the Putin regime, with Putin due to face a re-election campaign in under three years (nearly at the same time as Zelenskiy in Ukraine).

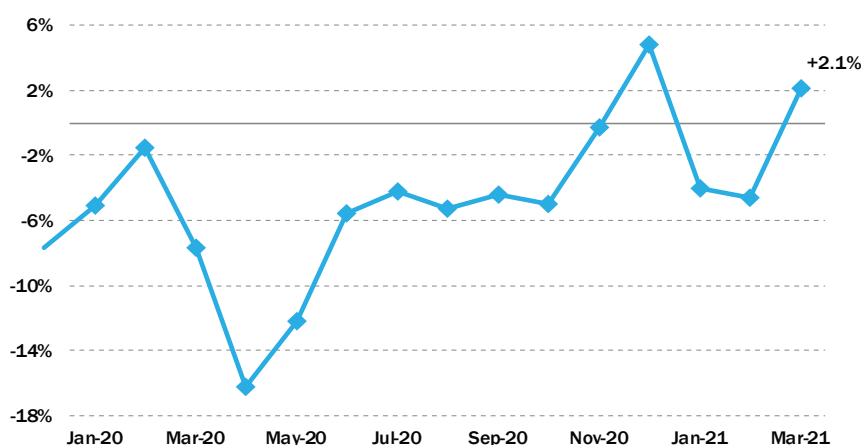
**Ukraine's Industrial Output Returns to Growth, Rising 2.1% YoY in March**

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

**NEWS**

Ukraine's overall industrial production increased by 2.1% YoY in March, resuming the recovery trend interrupted by the output contraction in January and February, according to data published by the State Statistics Committee (UkrStat) on Apr 22. Compared to February, output surged by 10.9% MoM in March, mainly due to the longer month. The aggregate output figure for the extraction sector declined by 1.5% YoY while the manufacturing sector's output grew by 2.5% YoY. Utility services saw growth of 7.3% YoY in the reported period as a result of colder weather conditions in the country this March compared to the previous one.

**UKRAINE'S MONTHLY INDUSTRIAL PRODUCTION INDEX, YOY**



Source: State Statistics Committee

**COMMENTARY**

The industrial output figure for March was largely in line with expectations, confirming a brighter outlook for the next couple of months when the comparison base from last year was low due to the strict COVID quarantine in Ukraine in April and May of 2020. In individual industrial sectors which showed significant growth this March, there was a 33% YoY rise in production of electrical equipment and a 26% YoY increase in the furniture manufacturing sector. Meanwhile an 18.2% YoY drop was observed in pharmaceutical output; we attribute this drop to the high comparison base of last year's March, which was characterized by very aggressive demand for pharmaceutical products during the initial panic phase of the COVID. The aggregate industrial production index for January-March is down by 2.0% YoY, but we note that 1 p.p. of this year-on-year drop is due to 2020's additional day.

Among other macroeconomic statistics released earlier, retail sales volume rocketed higher by 13.1% YoY in March, with the gain at 7.5% YoY for 1Q21, said UkrStat. We assume that retail sales this year are being largely driven by the households' savings on travel expenses, which has led to more consumer spending on food and electronic appliances.

The agro sector's output as measured by UkrStat declined by 4.8% YoY in January-March after a decline of 6.1% YoY in the January-February period.

## Kernel Sees Decline in Operational Results in Jan-Mar; Grain Exports Down 15% YoY

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

### KERNEL (KER PW)

Price: PLN 51.70 Market Cap: USD 1,109mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
FY20	0.7	0.5	9.4	4.8	3.1%
FY21E	0.6	0.5	3.0	3.4	3.1%

### NEWS

Warsaw-listed Kernel Holding, Ukraine's largest sunflower oil producer and exporter, said its grain export volumes fell by 15% YoY to 1.82mn tonnes in the January-March quarter (3Q21 in the company's July-to-June reporting calendar), according to an operational update published on Apr 23. Kernel's sunflower oil sales edged down by 2% YoY to 372,000 tonnes as oilseeds processing declined by 4% YoY in the period. For the 9 months ending Mar 31, Kernel's sunflower oil sales volume grew by 6% YoY to 1.09mn tonnes. The company's grain export volumes from Ukraine increased by 5% YoY to 6.34mn tonnes in the 9 months ending Mar 31 and export terminal throughput rose by 31% YoY to 6.31mn.

### KERNEL OPERATIONAL UPDATE

Volume	3Q FY20	3Q FY21	Change	9M FY20	9M FY21	Change
Grain export, tonnes	2,154,597	1,824,186	-15%	6,038,275	6,345,179	+5%
Sunflower oil sales, tonnes	380,923	371,937	-2%	1,028,849	1,093,519	+6%
Oilseed crush, tonnes	940,658	901,618	-4%	2,520,370	2,565,523	+2%
Export terminals throughput, tonnes	1,937,516	2,056,780	+6%	4,824,936	6,308,233	+31%

Source: Companies' data

### COMMENTARY

Although Kernel's reported operational update showed some decline in sales volumes, we think that the company will post solid earnings for the quarter, as soft-commodities prices rallied over the period. In particular, the wheat price has been on the upswing since last August. On the grain side of Kernel's business, there were 1.3mn tonnes of grain exports originating from external suppliers in the Jan-Mar period, with the remaining 5.0mn tonnes having been produced by the company's own farming division. The 15% YoY drop in the grain export volume in the reported period was caused mostly by a substantial grain harvest reduction this season in Ukraine (including Kernel's farming operations).

The company announced that it will release its 9M21 financial results (ended in March) on May 28.

Kernel's share price on the Warsaw Stock Exchange closed little-changed at PLN 51.70 on Friday (Apr 23).

## EAVEX RECOMMENDATIONS

Name	Ticker	Price, per share	Target price, per share	Upside, %	Rating	Commentary
<b>Agriculture</b>						
Kernel	KER PW	51.7	65.0	26%	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	5.0	11.5	130%	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	38.2	--	--	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	6.14	12.0	95%	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	429	280	-35%	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	231	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	21.5	--	--	U/R	
JKX Oil & Gas	JKX LN	22.8	--	--	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	9.05	15.00	66%	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	0.445	0.33	-26%	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	1836	2.2%	13.5%								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	429	10.9%	44.4%	3460	3456	24.0%	5.4	6.6	4.0	4.7	2.1
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	18.0	2.9%	0.0%	74	47	5.0%	8.7	14.1	3.6	4.8	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%	401	379	24.0%	12.7	17.2	3.7	4.2	1.1
<b>Oil &amp; Gas</b>												
UkrNafta	UNAF	231	0.4%	21.6%	448	437	3.0%	neg	19.8	1.5	7.2	0.5
Enwell Energy (ex-Regal)	ENW	21.5	9.5%	1.4%	94	40	21.6%	31.5	10.5	1.5	1.3	0.6
JKX Oil	JKX	22.8	5.8%	-24.2%	53	162	50.4%	2.7	7.6	5.5	4.8	1.9
<b>Power Utilities</b>												
Centrenergy	CEEN	9.05	0.6%	25.7%	120	76	21.7%	neg	13	4.5	3.2	0.1
Donbasenergy	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	5.00	-2.3%	-16.9%	528	1772	32.5%	neg	4.4	5.2	4.7	0.9
Kernel	KER	51.70	-0.2%	4.9%	1,078	2095	61.8%	9.1	2.9	4.7	3.4	0.5
Astarta	AST	38.20	0.8%	45.8%	250	425	37.0%	30.3	23.8	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	6.14	-2.2%	40.2%	35	25	25.0%	17.4	13.9	2.3	2.7	0.8
<b>Banks</b>												
Raiffeisen Bank Aval	BAVL	0.445	-1.1%	8.5%	979		1.8%	6.5	7.8	2.1	2.2	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>																
Centrenergo	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			10.2%	9.1%	n/a	n/a	S/A	11 Aug 2021	9,653
UA4000204556			11.2%	10.5%	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%	12.5%	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 Klovsky 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)