

Stock Market Update

Equity

The UX index gained 2.2% to 1880 points last week after quotes for UkrNafta (UNAF) leapt by 12% to UAH 260 per share. The rally in the UNAF stock was driven by information contained in the NaftoGaz annual report, indicating UkrNafta's solid EBITDA for FY20. UkrNafta has not released its P&L for 2020 yet. NaftoGaz said that UkrNafta had UAH 9.63bn in EBITDA in FY20 in comparison to a negative EBITDA of UAH 1.25bn for FY19. UkrNafta's result was positively impacted by higher volumes of crude oil sold and lower fines and penalties in respect to outstanding tax liabilities which were settled during 2020.

In other UX index components, CentrEnergO (CEEN) and DonbasEnergO (DOEN) were unchanged at UAH 9.05 and UAH 25 per share respectively. Raiffeisen Bank Aval (BAVL) added 3.4% to 46.00 kopecks.

On the London Stock Exchange, Ferrexpo (FXPO) advanced by 2.3% to a new multi-year high of GBp 439 and MHP (MHPC) recovered 2.0% from its recent slide to close at USD 5.10. Natural gas producer JKK Oil&Gas (JKX) slumped by 11% to GBp 20.25 after the company lost a court case for USD 14mn related to a claim for 2010 production tax payments.

Warsaw-listed Ukrainian names were mixed, with Kernel (KER) declining by 1.4% to PLN 51.00 while Astarta (AST) surged by 15% to PLN 43.80 after word spread that the company's CEO and largest shareholder Viktor Ivanchyk was acquiring additional shares.

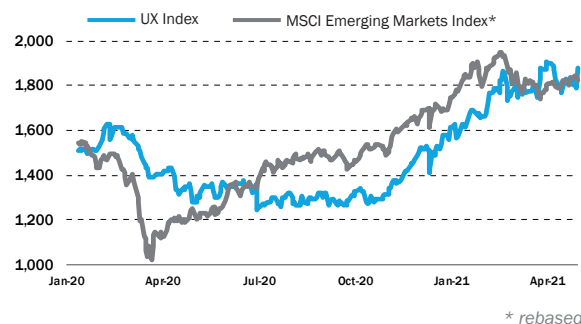
On the currency front, the hryvnia gained 0.5% to 27.81 UAH/USD in low trading activity ahead of the long holiday period in the country, which this year combines Easter with the traditional early May vacations.

Highlights

POLITICS AND ECONOMICS

- > Ukraine Places USD 1.25bn 8-Year Eurobond at 6.9%
- > Kobolev Out after 7 Years Atop Naftogaz; Haluschenko Replaces Vitrenko at Energy Ministry
- > Giuliani, Toensing Raided by FBI in Relation to Ukraine Ties

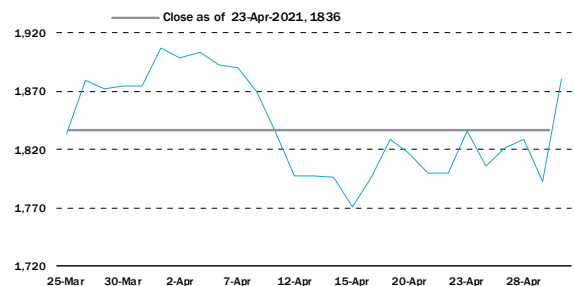
STOCK MARKET PERFORMANCE



MARKET INDEXES

	Last	1W ch	YTD
UX	1880	2.4%	16.3%
RTS	1485	-1.7%	7.1%
WIG20	2037	2.6%	2.2%
MSCI EM	1347	-0.4%	4.3%
S&P 500	4181	0.0%	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%	0.0 p.p.	0.9 p.p.
Ukraine-2028	7.1%	0.2 p.p.	0.8 p.p.

CURRENCY

	Last, UAH	1W chg.	YTD
USD/UAH	27.81	-0.5%	-1.6%
EUR/UAH	33.57	-0.4%	-3.4%

Source: Eavex Capital

Ukraine Places USD 1.25bn 8-Year Eurobond at 6.9%

by Dmitry Churin
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NEWS

Ukraine's Finance Ministry raised USD 1.25bn through a placement of USD-denominated bonds maturing in 2029 at a coupon rate of 6.875%, MinFin said on its official website on Apr 26. The new issue is expected to be rated B by Standard & Poor's and B by Fitch. The most recent prior Ukrainian placement of Eurobonds in December 2020 had a yield of 6.20% for a 13-year maturity.

COMMENTARY

The achieved yield of 6.9% for the new placement was in line with the current yield for the Ukraine-28s issue on the market, and it reflects a moderate rise in the country's borrowing costs since December. The amount of the new Eurobond and its yield appear to accurately correspond to current market conditions for Ukrainian external debt papers. The Finance Ministry needed external funding mostly to refinance the upcoming debt redemptions. It is estimated that external debt servicing and redemption in May-December will be at USD 4.3bn, including USD 3.3bn for principal repayment. The largest payments under the external debt will be in September, when the government has to send USD 2.9bn to creditors. Earlier, the Finance Ministry had counted on loan disbursements from the IMF, but the program has stalled amid Kyiv's failure to meet the conditions. However, Ukraine, in proportion to its quota in the IMF, could still receive some USD 2.7bn as part of the IMF's new initiative on the allocation of special drawing rights (SDRs). The IMF has announced USD 650bn aid to countries hit hard by the COVID crisis. The last time the IMF made a similar allocation was in 2009 in response to the global financial crunch.

Kobolev Out after 7 Years Atop Naftogaz; Haluschenko Replaces Vitrenko at Energy Ministry

by Will Ritter
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NEWS

Ukraine's Cabinet of Ministers fired Naftogaz CEO Andriy Kobolev on Apr 28 in a move that drew criticism from the US State Department and other Western supporters of Ukraine. The Cabinet lacks the direct authority to fire the heads of state enterprises, but took the step by firing the entire supervisory board of Naftogaz and then reappointing it two days later. The Cabinet justified the firing with Naftogaz's report of a USD 700mn full-year loss for 2020. As part of the shake-up, acting Energy Minister Yuriy Vitrenko was appointed as Kobolev's replacement; Vitrenko had served under Kobolev for 5 years as Naftogaz COO and in other positions. As part of the high-level shake-up, Herman Haluschenko was appointed to take over Vitrenko's Energy Ministry portfolio, and his candidacy was approved rather easily in Parliament with 305 votes in favor. Haluschenko's most recent job was as vice president of the state nuclear energy monopoly EnergoAtom, but he previously held other government posts in the Foreign and Justice ministries during the Zelenskiy administration. Kobolev has headed Naftogaz since March 2014, making him Ukraine's longest-tenured top government official/appointee along with Interior Minister Arseniy Avakov.

COMMENTARY

The removal of Kobolev was clearly orchestrated at the top level by President Zelenskiy and his administration, and we doubt that it had much to do with Naftogaz's poor bottom line in 2020, which was a difficult year in the energy industry. Kobolev and Vitrenko were formerly seen as the "dynamic duo" of Ukrainian post-EuroMaidan reform of the energy sector during the early years of their partnership at Naftogaz, but eventually their relations deteriorated, and Kobolev and his allies managed to oust Vitrenko from the company in late 2019. Although both figures retain quite positive images with Western investors, the difference is that Kobolev has generally been viewed as a more traditional CEO, while Vitrenko has been able to incorporate political skills & awareness into his management style. One of their clashes in managing the company came when Vitrenko wanted to allow NaftoGaz's key gas extraction subsidiary, UkrGazVydobuvannya, to arrange its own direct contracts with gas purchasers, rather than forcing the subsidiary to sell all the gas to Naftogaz for further distribution; although such a move would improve competition in Ukraine's energy sector, it would likely be worse for Naftogaz's own bottom line, and Kobolev blocked the change. Western criticism of this clear corporate governance breach in firing Kobolev, although broad, has not been particularly sharp; we suppose that this is because Western diplomats and investors have a fairly high degree of confidence in Vitrenko to run Naftogaz in a competent and transparent manner. However, the fact that the oligarchic MP groupings of Igor Kolomoyskiy and Rinat Akhmetov in Parliament both largely voted in favor of Haluschenko for the Energy Ministry post does raise some eyebrows (both groups had opposed Vitrenko's nomination in December, forcing him to take the job in an acting capacity).

Giuliani, Toensing Raided by FBI in Relation to Ukraine Ties

by Will Ritter
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NEWS

Rudolph Giuliani, the personal lawyer and public advocate for former US President Donald Trump, had his apartment raided by US federal law enforcement agents on Apr 28, the New York Times reported. The FBI agents seized Giuliani's electronic devices in search of his communications with Ukrainian officials and actors related to Giuliani's effort to seek damaging information about then-US presidential candidate Joseph Biden and his son, Hunter Biden. On the same day, another prominent pro-Trump lawyer, Victoria Toensing, had her phone seized by the FBI at her Washington home. Toensing and her husband, Joseph di Genova, have represented industrialist Dmitry Firtash in his extradition battle against the US Justice Department, which indicted him on corruption charges in 2015. Firtash has been sheltering in Austria since the charges were filed.

COMMENTARY

This development indicates that US criminal charges against Giuliani are likely in the near-to-medium term. Although the situation does not affect Ukraine directly, a criminal trial of Giuliani for illegal foreign lobbying would likely lead to public revelations that would carry some repercussions for the Ukrainian political landscape. In his involvement with Ukraine over the past several years, Giuliani has had open contact with likely Russian agents Andrey Derkach (an MP with security service ties) and Constantine Kulyk (a department head in the General Prosecutor's Office) who were working to torpedo Biden's presidential campaign and help re-elect Trump. Giuliani then fed information he received from Derkach and Kulyk to pro-Trump US journalist John Solomon, who used various Republican media outlets to circulate unproven corruption allegations against the Bidens. A trial of Giuliani would likely bring up the question of why President Zelenskiy continued to allow Kulyk to operate with a free hand in the PGO for 6 months after Zelenskiy became president. However, it could also be bad news for Zelenskiy's political competitor Vitaliy Klitschko, who has been known to be on close terms with Giuliani in the past.

EAVEX RECOMMENDATIONS

Name	Ticker	Price, per share	Target price, per share	Upside, %	Rating	Commentary
Agriculture						
Kernel	KER PW	51.0	65.0	27%	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 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	43.8	--	--	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	6.18	12.0	94%	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.
Iron Ore						
Ferrexpo	FXPO LN	439	280	-36%	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.
Specialized Machinery						
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.
Oil & Gas						
UkrNafta	UNAF	260	350	35%	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	19.8	--	--	U/R	
JKX Oil & Gas	JKX LN	20.3	--	--	U/R	
Power Utilities						
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.
Banks						
Raiffeisen Bank Aval	BAVL	0.460	0.33	-28%	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
			1W	YtD				2020E	2021E	2020E	2021E	2021E
UX Index	UX	1880	2.4%	16.3%								
Iron Ore Mining												
Ferrexpo	FXPO	439	2.3%	47.8%	3592	3588	24.0%	5.7	6.9	4.2	4.9	2.2
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	17.3	-4.2%	-4.2%	71	45	5.0%	8.3	13.6	3.4	4.5	0.2
Specialized Machinery												
Turboatom	TATM	8.4	-6.7%	1.8%	128	125	3.8%	15.2	8.9	2.4	3.0	1.3
Motor Sich	MSICH	5390	0.0%	0.0%	403	380	24.0%	12.8	17.2	3.7	4.2	1.1
Oil & Gas												
UkrNafta	UNAF	260	12.6%	36.8%	507	495	3.0%	neg	22.4	1.7	8.1	0.5
Enwell Energy (ex-Regal)	ENW	19.8	-7.9%	-6.6%	88	34	21.6%	29.4	9.8	1.3	1.1	0.5
JKX Oil	JKX	20.3	-11.0%	-32.5%	48	157	50.4%	2.4	6.9	5.3	4.6	1.8
Power Utilities												
Centrenergy	CEEN	9.05	0.0%	25.7%	120	77	21.7%	neg	13	4.6	3.2	0.1
Donbasenergy	DOEN	25.00	0.0%	25.0%	21	20	14.2%	19.7	7.6	2.4	2.5	0.1
Consumer												
MHP	MHPC	5.10	2.0%	-15.3%	539	1783	32.5%	neg	4.5	5.2	4.8	0.9
Kernel	KER	51.00	-1.4%	3.4%	1,069	2086	61.8%	9.1	2.9	4.7	3.4	0.5
Astarta	AST	43.80	14.7%	67.2%	288	463	37.0%	34.9	27.4	3.8	3.4	0.9
Avangardco	AVGR	0.01	0%	0.0%	1	332	22.5%	0.2	-0.1	17	20	3.0
Agroton	AGT	6.18	0.7%	41.1%	35	25	25.0%	17.6	14.1	2.3	2.7	0.8
Banks												
Raiffeisen Bank Aval	BAVL	0.460	3.4%	12.2%	1,017		1.8%	6.7	8.1	2.2	2.3	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
Iron Ore Mining																
Ferrexpo	FXPO	1507	1700	1615	586	859	730	38.9%	50.5%	45.2%	403	635	521	26.7%	37.4%	32.3%
Railcar Manufacturing																
Kryukiv Wagon	KVBZ	292	223	192	38	13	10	13.0%	5.9%	5.2%	31	9	5	10.5%	3.8%	2.7%
Specialized Machinery																
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%
Oil & Gas																
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%
Electric Utilities																
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%
Consumer																
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%
Banks																
		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
UAH denominated Bonds									
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
USD denominated Bonds									
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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