

## Stock Market Update

### Equity

Kyiv-listed equities ended mixed during the holiday-shortened 3-day trading week to open May. On the macroeconomic front, there was a report that headline consumer inflation marginally slowed down in April to 8.4% from 8.5% in March. Nevertheless, on a month-on-month basis the CPI still grew by a significant 0.7%. The high inflation pace could trigger a further increase in the interest rates in Ukraine's financial system. We also believe that the current inflation level represents a threat for the hryvnia, which has been performing impressively since the start of the year, gaining some 2% against the dollar.

The UX index dropped by 3.6% to 1812 points solely due to a correction in the UNAF stock. UkrNafta (UNAF) lost 7.7% to close at UAH 240 per share despite the company's report of a solid net profit of UAH 1.06bn for 1Q21 (EPS of UAH 19.54). In other UX components, CentrEnergO (CEEN) had no reaction to the company's announcement of a net loss of UAH 795mn for 1Q21. The CEEN stock added 0.6% to UAH 9.10.

DonbasEnergO (DOEN) advanced by 6.8% to UAH 26.70 as the company approved a dividend of 37 kopecks per share from FY20 profit. The dividend payout was somewhat lower than expected - 30% instead of 50%.

In London trading, iron ore group Ferrexpo (FXPO) approached its all-time high, rallying by 9.1% to GBP 479 along with global iron ore prices, which now exceed USD 200 per tonne. Meanwhile, MHP (MHPC) slid 5.5% to a new multi-year low of USD 4.82 per share.

On the Warsaw Stock Exchange, Ukrainian agro producers enjoyed some notable gains as demand and prices for soft commodities are on the rise worldwide. Sunflower oil maker and grain exporter Kernel (KER) grew by 3.9% to PLN 53.00 and sugar producer Astarta (AST) increased by 2.1% to PLN 44.70.

The hryvnia strengthened marginally by 0.2% to 27.76 UAH/USD after the National Bank reported that the country's forex reserves increased by nearly USD 1bn in April thanks to a new Eurobond placement, and now stand at USD 28.0bn.

## Highlights

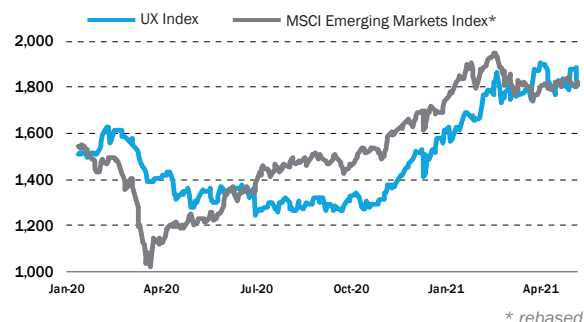
### POLITICS AND ECONOMICS

- > Blinken Becomes 1st Top Biden Admin Official to Visit Ukraine

### STOCKS IN THE NEWS

- > UkrNafta Sees Improved 1Q Result, Posts Net Profit of UAH 1.06bn (EPS of UAH 19.50)
- > CentrEnergO Posts Huge 1st-Quarter Loss of UAH 795mn

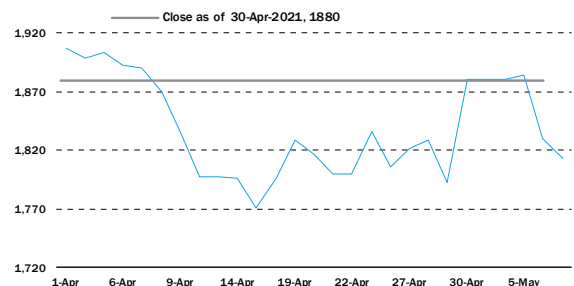
## STOCK MARKET PERFORMANCE



## MARKET INDEXES

	Last	1W ch	YTD
UX	1812	-3.6%	12.1%
RTS	1570	5.7%	13.2%
WIG20	2115	3.8%	6.1%
MSCI EM	1348	0.1%	4.4%
S&P 500	4225	1.1%	12.5%

## 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	5.6%	-0.2 p.p.	0.7 p.p.
Ukraine-2028	6.8%	-0.3 p.p.	0.5 p.p.

## CURRENCY

	Last, UAH	1W chg.	YTD
USD/UAH	27.76	-0.2%	-1.8%
EUR/UAH	33.65	0.2%	-3.1%

Source: Eavex Capital

## Blinken Becomes 1st Top Biden Admin Official to Visit Ukraine

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### NEWS

US Secretary of State Antony Blinken visited Kyiv on Thursday (May 6), meeting with President Zelenskiy, Prime Minister Dennis Shmygal, Foreign Minister Dmytro Kuleba, anti-corruption activist Dasha Kaleniuk, and other figures. On his official social media, Blinken named two main topics for his visit: consulting with Ukraine on ways to stop Russian aggression, and the importance of moving forward with anti-corruption reforms. Blinken is the first major US government representative to visit Ukraine since President Biden succeeded Donald Trump in the White House in January. From Ukraine's side, Kuleba stated that Kyiv hopes for more military assistance from Washington as well as approval to buy US anti-aircraft systems. Ukraine is currently receiving some USD 400mn per year in military aid grants from the US.

### COMMENTARY

Few specifics emerged from the talks between Zelenskiy and Blinken, but we assume that non-public strategies for the Donbass peace negotiations were on the agenda. The Zelenskiy administration has been trying to draw the US into a bigger role in the Donbass conflict mediation since Biden was elected, but without apparent success. It looks obvious to us that the Biden administration sees anti-corruption issues as a higher priority in Ukrainian relations than trying to change the game in the Donbass, as the status quo in Eastern Ukraine actually suits Washington quite well. Likewise, Zelenskiy's public requests to the US for NATO membership were probably treated by Blinken as a non-starter, given the ongoing corruption issues that Ukraine needs to address before its membership in the alliance would ever be feasible. We suppose that one topic brought up by Blinken was the situation surrounding member of Parliament Andrey Derkach, whom the US has accused of being a Russian agent and engaging in active measures to interfere in the recent US presidential election to help Trump. Derkach has remained untouched in Ukraine despite his brazen activities, implying that he enjoys some type of "cover" from Ukraine's authorities. We think it is likely that the Biden administration wants Zelenskiy to press his People's Servant faction to strip Derkach of his parliamentary immunity so that charges can be filed against him.

## UkrNafta Sees Improved 1Q Result, Posts Net Profit of UAH 1.06bn (EPS of UAH 19.50)

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### UKRNAFTA (UNAF UK)

Price: UAH 240 Market Cap: USD 469mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2020	1.3	0.3	3.0	1.4	n/a
2021E	1.1	0.5	4.6	2.9	n/a

### NEWS

UkrNafta, Ukraine's largest oil producer, reported a net profit of UAH 1.06bn (USD 38mn) in 1Q21 compared to a net loss of UAH 853mn in 1Q20, according to financials published earlier this month. The company's revenue surged by 50% YoY to UAH 6.58bn and EBITDA was UAH 1.57bn in 1Q21 compared to a negative EBITDA of UAH -896mn for 1Q20. Separately, UkrNafta released its full-year results for 2020: revenue rose 26% YoY to UAH 35.5bn, EBITDA improved to UAH 8.62bn, and net profit was UAH 4.27bn, implying earnings per share of UAH 78.73.

On the balance sheet side, UkrNafta reported no interest-bearing debt as of 31 Mar 2021. The company's net cash position was UAH 219mn. Total assets were at UAH 38.4bn (USD 1.38bn) and shareholder equity was at UAH 10.9bn at the reported date.

### UKRNAFTA FINANCIAL RESULTS

UAH mn	1Q20	1Q21	YoY	2019	2020	YoY
Net revenue	4,397	6,580	+49.6%	28,210	35,535	+26.0%
EBITDA	-896	1,571	-/+	-2,950	8,622	-/+
EBITDA margin	-20.4%	23.9%	+44.3 p.p.	-10.5%	24.3%	+34.7 p.p.
Net Income	-853	1,060	-/+	-4,058	4,269	-/+
Net margin	-19.4%	16.1%	+35.5 p.p.	-14.4%	12.0%	+26.4 p.p.

Source: Company data,

### COMMENTARY

UkrNafta's much improved financial results for 1Q21 imply earnings per share of UAH 19.54. The higher net margin, which topped 16% in the reported period, was mainly a result of a better pricing for crude oil and natural gas. Meanwhile, UkrNafta's daily average crude output increased by a marginal 1% YoY to 4,020 tonnes/day (29,300 barrels/day) in 1Q21. In terms of FY20 results, the company was lucky to finally complete the 3-party deal between the government, NaftoGaz and UkrNafta which settled the company's huge tax debt in exchange for ending longstanding claims by minority shareholder Igor Kolomoyskiy against the Ukrainian government. As a result, UkrNafta became the largest taxpayer in Ukraine in 2020, sending a total of UAH 47.5bn (USD 1.8bn) to the national budget.

The company's solid 1Q results give grounds to assume that UkrNafta can deliver a net profit of UAH 2.9bn for full-year 2021, which would imply earnings per share of UAH 53.48. In terms of trailing FY20 profit, the UNAF stock is traded at P/E of 3.0x and at a forward-looking P/E of 4.6x. We continue to see a notable upside for the stock with our short-term target price at UAH 350 per share.

The UNAF stock is currently quoted near UAH 240. The latest earnings report had little immediate impact on the price.

## CentrEnergO Posts Huge 1st-Quarter Loss of UAH 795mn

by Dmitry Churin  
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### CENTRENERGO (CEEN UK)

Price: UAH 9.10 Market Cap: USD 121mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2020	0.9	0.1	53.4	6.5	0.5%
2021E	0.9	0.1	12.9	4.6	2.4%

## NEWS

CentrEnergO, Ukraine's largest thermal electricity generation company by installed capacity, posted a net loss of UAH 795mn (USD 28mn) in 1Q21 compared to a net loss of UAH 163mn a year ago, according to the company's profit & loss statement released last week. On the top line, net revenue slid by 30% YoY to UAH 2.98bn and EBITDA was negative at UAH -735mn compared to a negative EBITDA of UAH -96mn in 1Q20. The company remained debt free in 1Q21 while its net cash position decreased from UAH 1.2bn to UAH 320mn.

### CENTRENERGO'S FINANCIAL RESULTS

UAH mn	1Q20	1Q21	YoY	2019	2020	YoY
Net revenue	4,273	2,978	-30.3%	15,133	20,584	+36.0%
EBITDA	-96	-735	-/-	-1,770	451	-/+
EBITDA margin	-2.3%	-24.7%	-22.4 p.p.	-11.7%	2.2%	+13.9 p.p.
Net Income	-163	-795	-/-	-1,980	61	-/+
Net margin	-3.8%	-26.7%	-22.9 p.p.	-13.1%	0.3%	+13.4 p.p.

Source: Company data,

## COMMENTARY

CentrEnergO's atrocious financial results for 1Q21 came as no surprise for the market, as the company had been forced to use expensive natural gas as its main fuel during the peak load for the Ukrainian electricity system in February. On the other hand, it was strange to observe the 30% YoY drop in CentrEnergO's revenue in the reported period. In general, the winter season is loss-making for Ukrainian thermal generation companies; CentrEnergO's direct peer DonbasEnergO (DOEN) posted a net loss of UAH 295mn in the same period.

On the cash flow side, CentrEnergO said that its net cash from operating activity was negative at UAH -896mn, which ultimately resulted in significant decrease in the company's cash on balance.

CentrEnergO's Kyiv-listed stock had no reaction to the company's poor 1Q financial results.

## EAVEX RECOMMENDATIONS

Name	Ticker	Price, per share	Target price, per share	Upside, %	Rating	Commentary
<b>Agriculture</b>						
Kernel	KER PW	53.0	65.0	23%	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	4.8	11.5	139%	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	44.7	--	--	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	6.36	12.0	89%	BUY	Agroton unveiled a strategy to increase its land bank 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 11.7mn (PLN 2.06 per share) in 2020. In our view, Agroton currently has a fairly healthy financial position, with an estimated net cash position of USD 25mn. The company continues to invest in growth, spending USD 3.8mn on CapEx in FY20.
<b>Iron Ore</b>						
Ferrexpo	FXPO LN	479	280	-42%	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	240	350	46%	BUY	UkrNafta surged above UAH 200 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	18.2	--	--	U/R	
JKX Oil & Gas	JKX LN	19.0	--	--	U/R	
<b>Power Utilities</b>						
DonbasEnergo	DOEN	26.7	--	--	U/R	The company confirmed its strategic plan to modernize one of its power units at the Slavyansk plant by 2022.
CenterEnergo	CEEN	9.10	15.00	65%	BUY	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. Currently CentrEnergo 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	0.460	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				2020	2021E	2020	2021E	2021E
UX Index	UX	1812	-3.6%	12.1%								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	479	9.1%	61.3%	3942	3938	24.0%	6.2	7.6	4.6	5.4	2.4
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	17.3	0.0%	-4.2%	71	45	5.0%	8.4	13.6	3.4	4.5	0.2
<b>Specialized Machinery</b>												
Turboatom	TATM	8.4	0.0%	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	381	24.0%	12.8	17.3	3.7	4.3	1.1
<b>Oil &amp; Gas</b>												
UkrNafta	UNAF	240	-7.7%	26.3%	469	461	3.0%	neg	4.6	1.4	2.9	0.5
Enwell Energy (ex-Regal)	ENW	18.2	-8.1%	-14.2%	82	27	21.6%	27.2	9.1	1.1	0.9	0.4
JKX Oil	JKX	19.0	-6.2%	-36.7%	46	154	50.4%	2.3	6.5	5.2	4.5	1.8
<b>Power Utilities</b>												
Centrenergy	CEEN	9.10	0.6%	26.4%	121	110	21.7%	neg	13	6.5	4.6	0.1
Donbasenergo	DOEN	26.70	6.8%	33.5%	23	22	14.2%	21.1	8.2	2.5	2.7	0.1
<b>Consumer</b>												
MHP	MHPC	4.82	-5.5%	-19.9%	509	1753	32.5%	neg	4.2	5.2	4.7	0.9
Kernel	KER	53.00	3.9%	7.5%	1,111	2128	61.8%	9.4	3.0	4.8	3.4	0.5
Astarta	AST	44.70	2.1%	70.6%	294	469	37.0%	35.6	28.0	3.9	3.5	0.9
Avangardco	AVGR	0.01	0%	0.0%	1	332	22.5%	0.2	neg	17	20	3.0
Agroton	AGT	6.36	2.9%	45.2%	36	26	25.0%	18.1	14.5	2.4	2.8	0.8
<b>Banks</b>												
Raiffeisen Bank Aval	BAVL	0.460	0.0%	12.2%	1,019		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	2020	2021E	2019	2020	2021E	2019	2020	2021E	2019	2020	2021E	2019	2020	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	1319	1007	-115	320	161	-10.5%	24.3%	16.0%	-158	158	102	-14.4%	12.0%	10.2%
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			9.5%	8.0%	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



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