

Stock Market Update

Equity

Kyiv and Moscow put on pause their peace talks as both sides await the outcome of Russia's ongoing offensive in eastern Ukraine. Kyiv likely assesses that its military has the potential to push Russian forces back to their pre-February 24 positions and is unlikely to engage in negotiations until that outcome occurs or becomes significantly less probable.

On the Ukrainian stock market trading in stocks and bonds remained suspended as the country is under martial law.

The Finance Ministry was offering USD and EUR denominated special bonds at the primary auction held on Apr 19, raising rather moderate proceeds of USD 82mn at 3.7% and EUR 33mn at 2.5%. Demand for UAH-denominated special bonds at the offered yield of 11% was small. Local and foreign investors can purchase the special Ukrainian bond through licensed brokers or banks.

London-listed MHP (MHPC) shed by 1.2% to USD 4.25. The company beat expectations with a moderate 3% YoY increase in its poultry sales volumes in 1Q22 even in so challenging operational conditions in Ukraine. Ferrexpo (FXPO) dropped by 9.3% last week to GBp 174. The FXPO stock had no positive reaction to the company's solid financial results. Ferrexpo's full-year EBITDA rose by 68% YoY to USD 1.44bn in 2021 and net profit grew by 37% YoY to USD 871mn. Simply speaking, Ferrexpo is now valued at less than 2.0x of trailing price-to-earnings (P/E). Meanwhile, Enwell Energy (former Regal) climbed by 3.7% to GBp 25.0.

On the Warsaw Stock Exchange, agro giant Kernel (KER) declined by 5.4% to PLN 30.92 ignoring the company's better than expected operational report saying that Kernel managed to boost grain exports by 17% YoY last quarter due to outstanding performance in January and February. Agroton (AGT) edged up by 0.8% to PLN 5.28 trading in the wide range from PLN 3.96 to PLN 7.26 since the beginning of February.

The National Bank of Ukraine has opened a special fundraising account to support the Armed Forces of Ukraine. Please find more at the National Bank's official website under the link below:

www.bank.gov.ua/en/news/all/natsionalniy-bank-vidkriv-spetsrahunok-dlya-zboru-koshtiv-na-potrebi-armiyi

The National Bank also opened a fundraising account for Humanitarian Assistance to Ukrainians. Please see details under the link below:

www.bank.gov.ua/en/news/all/natsionalniy-bank-vidkriv-rahunok-dlya-gumanitarnoyi-dopomogi-ukrayintsyam-postrajdalim-vid-rosiyskoyi-agresiyi

TREND



MARKET INDEXES

	Last	1W ch	YTD
UX	n/a	n/a	n/a
RTS	928	-2.8%	-41.8%
WIG20	1973	-5.7%	-13.0%
MSCI EM	1075	-3.3%	-12.7%
S&P 500	4272	-2.7%	-10.4%

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	10.0%	0.0 p.p.	+1.0 p.p.
UAH 1-year war bond	11.0%	0.0 p.p.	0.0 p.p.
Ukraine-2026	46.4%	6.9 p.p.	37.5 p.p.
Ukraine-2032	30.3%	2.7 p.p.	21.1 p.p.

CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	31.90	0.9%	16.8%
EUR/UAH	34.36	0.7%	11.0%

Source: Eavex Capital

Highlights

POLITICS AND ECONOMICS

- > Putin Reported to Have "Lost Interest" in Peace Talks as Blinken, Austin Visit Kyiv

STOCKS IN THE NEWS

- > Kernel Reports Mixed Operational Results for Jan-Mar; Grain Exports Up 17% YoY to 2.1mn tonnes
- > MHP Surprises with 3% YoY Growth in Poultry Sales Volume in 1Q22

Putin Reported to Have “Lost Interest” in Peace Talks as Blinken, Austin Visit Kyiv

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NEWS

The top US officials for diplomacy and defense, Tony Blinken and Lloyd Austin, met late on Sunday evening of Orthodox Easter (Apr 24) in Kyiv with President Zelenskiy, US media reported. However, the officials made no public appearances, and no details about the meeting were immediately made available by either side. It was unclear whether the US officials had arrived by train or by air (Ukraine’s airspace is nominally closed). Zelenskiy had surprisingly revealed the visit a day in advance on Saturday (Apr 23), with an announcement that was met by silence from Washington. Meanwhile, the Financial Times reported on Sunday that Russian President Putin has “lost interest” in peace talks after Zelenskiy “put up a wall” of refusing to meet Moscow’s initial demands. The article stated that Putin has now refocused his aims on grabbing as much Ukrainian territory in eastern and southern Ukraine as possible. The most recent peace talks were held 4 weeks ago in Istanbul.

COMMENTARY

The total media blackout on the Blinken-Austin visit comes in sharp contrast to the recent trips to Kyiv of European Council President Charles Michel and British PM Boris Johnson, both of whom met Zelenskiy in broad daylight and went on tours with him in Kyiv and its suburbs. Ukrainian domestic media also generally ignored the US officials’ visit, focusing instead on the Easter holiday and on the situation in the besieged southeastern city of Mariupol. Reading between the lines, we could infer that perhaps all is not well in relations between Washington and Kyiv at the moment; the Zelenskiy government has repeatedly called for weapons deliveries to be stepped up, and it is unclear at what level the US is satisfying these increasingly shrill requests. There was a widely circulated report last week that a top Russian general had stated Moscow’s intent to create a corridor all the way across southern Ukraine to the Russian separatist enclave of TransDnistrovia in Moldova. However, Western military analysts quickly refuted the Russian army’s current ability to carry out such a move. After another week, the 8th of the Russian invasion, the possible endgame is still unclear, with Russia having substantially added to the Ukrainian land under its control prior to the start of the war in February, and Zelenskiy still insisting that he will never cede even the Donbass separatist republics that were seized by Russia back in 2014, let alone any newly-captured territory.

Kernel Reports Mixed Operational Results for Jan-Mar; Grain Exports Up 17% YoY to 2.1mn tonnes

by Dmitry Churin
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KERNEL (KER PW)

Price: PLN 30.92 Market Cap: USD 588mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
FY21	0.2	0.4	1.4	2.6	3.5%
FY22E	0.2	0.5	4.9	5.1	3.5%

NEWS

Warsaw-listed Kernel Holding, Ukraine's largest sunflower oil producer and exporter, said its grain export volumes grew by 17% YoY to 2.14mn tonnes in the January-March quarter (3Q22 in the company's July-to-June reporting calendar), according to an operational update published on Apr 22. In other business segments, Kernel's sunflower oil sales fell 28% YoY to 269,000 tonnes as oilseeds processing dropped by 38% YoY in the period. For the 9 months ending Mar 31, Kernel's sunflower oil sales volume decreased by 17% YoY to 906,000 tonnes. The company's grain export volumes from Ukraine increased by 24% YoY to 7.85mn tonnes in the 9 months ending Mar 31 and export terminal throughput rose by 15% YoY to 7.27mn.

KERNEL OPERATIONAL UPDATE

Volume	3Q FY21	3Q FY22	Change	9M FY21	9M FY22	Change
Grain export, tonnes	1,824,186	2,136,366	+17%	6,345,179	7,846,245	+24%
Sunflower oil sales, tonnes	371,937	269,162	-28%	1,093,519	906,374	-17%
Oilseed crush, tonnes	901,618	562,821	-38%	2,565,523	2,030,559	-21%
Export terminals throughput, tonnes	2,056,780	2,077,278	+1%	6,308,233	7,846,245	+24%

Source: Companies' data

COMMENTARY

Kernel's grain exports result has not reflected suspension of the seaports operation in Ukraine due to the Russian full-scale military invasion. The company said it was working on developing alternative exports routes. So the rise in grain exports was solely due to strong deliveries in January and February while in March there was no grain export. Kernel's facilities have not been significantly damaged by the war yet but the company has only limited access to its two crushing plants located on the frontline. Grain from external suppliers constituted 77% of the company's export volume over the reporting period, and the remaining was produced by Kernel's farming segment. Kernel's market share in grain export from Ukraine reached 18% in the July-March reporting period.

The company announced that it will release its 9M22 financial results (ended in March) on May 27. We forecast that Kernel will report a net profit of USD 82mn for the Jan-Mar quarter implying earnings per share of PLN 4.20 for the quarter.

Kernel's share price on the Warsaw Stock Exchange closed at PLN 30.92 on Friday (Apr 22). The stock's 52-week high was at PLN 64.10 in October, and the low was at PLN 18.80 in March.

The company's outstanding Eurobonds with maturity in 2027 are traded at 53.0 cents on the dollar implying a yield of 22.4%.

MHP Surprises with 3% YoY Growth in Poultry Sales Volume in 1Q22

by Dmitry Churin
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MHP (MHPC LI)

Price: USD Market Cap: USD mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2021	0.3	0.7	1.6	2.6	6.6%
2022E	0.4	0.9	neg	5.6	0.0%

NEWS

London-listed, central-Ukraine based MHP (MHPC), Ukraine's largest poultry producer, reported that its poultry sales volume grew by 3% YoY to some 159,000 tonnes in 1Q22, according to the company's operational update published on Apr 22. MHP said that achieved pricing for its poultry rose by 28% YoY in USD terms to USD 1.84 per kg in the period.

MHP's overall production volume of chicken meat in 1Q22 increased by 5% YoY to 175,600 tonnes, despite a decrease in poultry capacity utilization from 100% to some 80-85% amid the Russian invasion of Ukraine.

In the vegetable oil segment, MHP had weak results, with sunflower oil sales volume dropping by 41% YoY to some 33,000 tonnes and soybean oil sales declined by 7% YoY to 10,400 tonnes in the quarter.

MHP OPERATIONAL UPDATE

Poultry	1Q21	1Q22	Change
Sales volume, tonnes	155,002	159,024	+3%
Domestic	71,449	66,809	-6%
Exports	82,260	89,340	+9%
Price per 1 kg net VAT (USD)	1.43	1.84	+28%

Source: Companies' data

COMMENTARY

MHP surprised us with better than expected sales volumes in 1Q22 as the Russian war caused significant logistical and infrastructure challenges in Ukraine. MHP faced disruption in its export sales after the seaports were closed. Therefore, we assume that the 9% YoY growth in export sales volumes was primarily achieved before the war. Currently, the company is developing alternative logistic routes for exports.

On the pricing side, a significant 28% YoY increase in MHP's average poultry price in 1Q22 should help to deal with rising soft commodities and fuel prices. However, the hryvnia devaluation and the difficult operational environment amid the war will lead to losses for MHP, in our opinion. We forecast, that MHP will report USD 80mn in net loss for 1Q22. MHP's financial results for 1Q22 are due for release on May 19.

The low-liquidity London-listed MHPC stock peaked at USD 8.26 in November and since then tumbled to USD 4.25. The stock's bottom point was at USD 3.30 in late March. Although the company continues to operate in this very challenging environment, we project it would be unable to be profitable this year. Moreover, MHP's significant debt burden of USD 1.45bn will put pressure on the company's financial position. We assume that MHP's net debt to EBITDA ratio will worsen from 2.1x to 4.6x.

MHP-2026 outstanding Eurobonds are quoted at 50.8 (30.5% YTM) after bottoming at 29.3 cents on the dollar in March.

QUOTES AND MULTIPLES

	Ticker	Today, UAH*	Absolute performance		MCap USD mn	EV USD mn	Free float	P/E		EV/EBITDA		EV/Sales 2021E
			1W	YtD				2020	2021E	2020	2021E	
UX Index	UX	n/a	n/a	n/a								
Iron Ore Mining												
Ferrexpo	FXPO	174	-9.3%	-41.8%	1314	1197	24.0%	2.1	1.5	1.4	0.8	0.5
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Specialized Machinery												
Turboatom	TATM	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Motor Sich	MSICH	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Oil & Gas												
UkrNafta	UNAF	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Enwell Energy (ex-Regal)	ENW	25.0	3.7%	-28.6%	103	48	21.6%	34.2	11.4	1.9	1.6	0.8
Power Utilities												
Centrenergo	CEEN	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Donbasenergo	DOEN	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Consumer												
MHP	MHPC	4.25	-1.2%	-37.3%	449	1612	32.5%	neg	1.5	4.7	2.6	0.7
Kernel	KER	30.92	-5.4%	-47.3%	572	2123	61.8%	1.1	1.4	2.3	2.5	0.4
Astarta	AST	26.95	-0.6%	-36.4%	156	331	37.0%	18.9	14.9	2.7	2.4	0.6
Agroton	AGT	5.28	0.8%	-22.4%	27	2	25.0%	2.3	2.1	0.0	0.1	0.0
Banks												
Raiffeisen Bank Aval	BAVL	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
										Price/Book	Price/Assets	
										n/a	n/a	n/a

Source: UX, PFTS, LSE, WSE, Eavex Research
* companies listed abroad are in traded currency

MAIN FINANCIAL FORECASTS, USD mn

		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
Iron Ore Mining																
Ferrexpo	FXPO	1507	1700	2518	586	859	1,439	38.9%	50.5%	57.1%	403	635	871	26.7%	37.4%	34.6%
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	52	49	52	21	45.0%	49.1%	40.7%	12	8	3	11.1%	8.0%	6.0%
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	1319	1286	-115	320	291	-10.5%	24.3%	22.6%	-158	158	186	-14.4%	12.0%	14.4%
Regal Petroleum	RPT	50	55	62	22	26	30	44.0%	47.3%	48.4%	10	3	9	20.0%	5.5%	14.5%
Electric Utilities																
Centrenergy	CEEN	589	764	513	-69	17	-12	-11.7%	2.2%	-2.3%	-77	2	-31	-13.1%	0.3%	-6.0%
Donbasenergo	DOEN	249	256	258	8	9	-1	3.1%	3.3%	-0.6%	-3	1	-8	-1.1%	0.4%	-3.0%
Consumer																
MHP	MHPC	2056	1911	2236	376	340	620	18.3%	17.8%	27.7%	215	-133	290	10.5%	-7.0%	13.0%
Kernel (FY19, FY20, FY21)	KER	4107	5647	5082	443	929	836	10.8%	16.5%	16.5%	118	513	410	2.9%	9.1%	8.1%
Astarta	AST	497	484	517	86	122	136	17.4%	25.1%	26.3%	2	8	11	0.4%	1.7%	2.0%
Agroton	AGT	54	68	74	2	33	31	4.1%	48.2%	41.3%	5	12	13	9.5%	17.4%	17.4%
Banks																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	3495	3795	4216	550	456	516	280	271	260	185	151	178	33.6%	33.2%	34.5%

Source: Eavex Research

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