

## Stock Market Update

### Equity

Ukraine aims to reach a deal for a USD 15 - USD 20 bn program with the IMF before year-end to support the country's economy amid the Russian military aggression. Currently, Ukraine has a monthly fiscal shortfall of USD 5 bn and is heavily reliant on foreign financing from its Western partners. Kyiv had already submitted its request to the IMF. A USD 20 bn program would be the second largest active loan from the IMF after Argentina. The IMF's latest loan to Ukraine was a USD 1.4 bn emergency financing support agreed in March - the equivalent of 50% of the country's quota in the fund.

Last week, the National Bank presented its fresh macroeconomic forecasts, according to which the country's GDP would fall by 33.4% YoY this year, and in 2023-2024 it would increase by 5.5% YoY and 4.9% YoY respectively if the seaports are reopened. The regulator said that consumer inflation would rise to 31% YoY this year (from 21.5% YoY in June), and in the next year it would be at 20.7% YoY.

Ukrainian agro names finished mixed last week. Kernel (KER) and Astarta (AST) fell by 9.0% and 7.1% respectively with the former closing at PLN 26.00. In contrast, Agroton (AGT) gained by 6.6% to PLN 4.20 and MHP (MHPC) advanced by 6.8% to USD 4.25.

Ferrexpo (FXPO) rose by 11.7% to GBp 148 amid the upward momentum for the iron ore benchmark price on the global market.

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

On the OTC cash market, the hryvnia lost 4.3% to close at 41.00 UAH/USD. The official exchange rate remained at 36.57 UAH/USD.

## Highlights

### STOCKS IN THE NEWS

- > MHP Decreases Export Volumes by 37% YoY in 2Q22. Total Sales Volume Declines by 23% YoY

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/about/support-the-armed-forces](http://www.bank.gov.ua/en/about/support-the-armed-forces)

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

[www.bank.gov.ua/en/about/humanitarian-aid-to-ukraine](http://www.bank.gov.ua/en/about/humanitarian-aid-to-ukraine)

### TREND



UNITED24 charitable donations will be transferred to the official accounts of the National Bank of Ukraine and allocated by assigned ministries to cover the most pressing needs:

[www.u24.gov.ua](http://www.u24.gov.ua)

### MARKET INDEXES

	Last	1W ch	YTD
UX	n/a	n/a	n/a
RTS	1129	-2.8%	-29.3%
WIG20	1721	1.1%	-24.1%
MSCI EM	994	0.4%	-19.3%
S&P 500	4130	4.3%	-13.3%

### FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	25.0%	0.0 p.p.	+16.0 p.p.
UAH 1-year war bond	16.0%	+2.0 p.p.	+5.0 p.p.
Ukraine-2026	83.8%	-8.4 p.p.	74.9 p.p.
Ukraine-2032	51.9%	-4.1 p.p.	42.7 p.p.

### CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	41.00	4.3%	50.1%
EUR/UAH	41.70	5.0%	34.7%

Source: Eavex Capital

**MHP Decreases Export Volumes by 37% YoY in 2Q22. Total Sales Volume Declines by 23% YoY**

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

**MHP (MHPC LI)**

Price: USD 4.25 Market Cap: USD 471mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2021	0.3	0.7	1.2	2.6	0.0%
2022E	0.3	0.9	neg	5.8	0.0%

**NEWS**

MHP, Ukraine's largest poultry producer, unveiled its 2Q operational update with the following key indicators:

- total sales volume decline of 23% YoY to 140,500 tonnes;
- average poultry price rise of 22% YoY to USD 2.03 per kg;
- export sales volume drop of 37% YoY to 68,600 tonnes.

For 1H22, the company reported that its total poultry sales decreased by 12% to 299,600 tonnes and that achieved pricing rose by 24% YoY. Export sales accounted for 53% of total deliveries in 1H22.

In other business segments, MHP's sunflower oil sales slipped by 11% YoY to 81,480 tonnes in 1H22 and soybean oil sales volume fell by 15% YoY to 19,550 tonnes. In the grain segment, MHP operates a land bank of 335,000 hectares in Ukraine, with the winter crop harvest in line with the company's targets.

**MHP OPERATIONAL UPDATE**

Poultry	2Q21	2Q22	Change	1H21	1H22	Change
Sales volume, tonnes	183,592	140,549	-23%	338,593	299,573	-12%
- Sales in Ukraine	71,876	67,897	-6%	143,326	134,706	-6%
- Export Sales	109,055	68,552	-37%	191,315	157,892	-17%
Price USD/kg net VAT	1.67	2.03	+22%	1.56	1.93	+24%

Source: Companies' data

**COMMENTARY**

Although MHP saw a notable deterioration of its operating results in all business segments, we view these results as better than expected taking into account extremely challenging conditions amid Russian military aggression against Ukraine. The company has been facing significant logistical and infrastructure challenges since the beginning of the Russian invasion. However, a solid 24% YoY increase in the average poultry price in 1H22 provided much-needed support for MHP's overall financial strength. We assume, that on the EBITDA level the company would report healthy profitability for 2Q22.

MHP also reported the separate operational results of its European arm Perutnina Ptuj (PP). Following the PP strategy of poultry production growth and increasing facilities' capacity utilization in Serbia and Croatia, PP's sales volume rose by 5% YoY to 37,360 tonnes in 1H22. In our view, MHP has found an effective way to develop Perutnina Ptuj after it was acquired back in 2019 for EUR 273mn.

The MHPC stock has dropped by 37% since the start of the year. Last week alone the stock gained by 6.8% to USD 4.25. The MHPC stock's 52-weeks trading range was USD 3.06 - USD 8.38.

MHP's Eurobonds with maturity in 2026 have indicative quotes at 38.4 cents on the dollar, implying a 45% yield to maturity.

The company is due to report its financial results for 2Q on Sept 7.

**QUOTES AND MULTIPLES**

	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	n/a	n/a	n/a								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	148	11.7%	-50.5%	1046	929	24.0%	1.6	1.2	1.1	0.6	0.4
<b>Railcar Manufacturing</b>												
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
<b>Specialized Machinery</b>												
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
<b>Oil &amp; Gas</b>												
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	21.5	-2.5%	-38.6%	83	29	21.6%	27.6	9.2	1.1	1.0	0.5
<b>Power Utilities</b>												
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
<b>Consumer</b>												
MHP	MHPC	4.25	6.8%	-37.3%	471	1681	32.5%	neg	1.2	4.9	2.6	0.7
Kernel	KER	26.00	-9.0%	-55.7%	459	2174	61.8%	0.9	2.6	2.3	3.2	0.4
Astarta	AST	24.15	-7.1%	-43.0%	130	305	37.0%	15.8	12.4	2.5	2.2	0.6
Agroton	AGT	4.20	6.6%	-38.2%	20	-5	25.0%	1.7	1.5	-0.2	-0.2	-0.1
<b>Banks</b>												
Raiffeisen Bank Aval	BAVL	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	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
<b>Iron Ore Mining</b>																
Ferrexpo	FXPO	1507	1700	2518	586	859	1,439	38.9%	50.5%	57.1%	403	635	871	26.7%	37.4%	34.6%
<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	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%
<b>Oil &amp; Gas</b>																
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%
<b>Electric Utilities</b>																
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%
<b>Consumer</b>																
MHP	MHPC	2056	1911	2372	376	340	648	18.3%	17.8%	27.3%	215	-133	393	10.5%	-7.0%	16.6%
Kernel (FY19, FY20, FY21)	KER	4107	5647	5365	443	929	678	10.8%	16.5%	12.6%	118	513	180	2.9%	9.1%	3.4%
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%
<b>Banks</b>																
		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

**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**

**SALES & TRADING**  
Pavel Korovitskiy  
**Managing Director**  
**Equity and Fixed Income**  
[p.korovitsky@eavex.com.ua](mailto:p.korovitsky@eavex.com.ua)

**RESEARCH**  
Dmitry Churin  
**Head of Research**  
[d.churin@eavex.com.ua](mailto:d.churin@eavex.com.ua)

Investing in emerging markets' securities may entail certain risks. There may be limited information available on such securities. Securities of emerging markets' companies may be less liquid and their prices more volatile than securities of comparable developed markets' companies. In addition, exchange rate movements may have an adverse effect on the value of an investment.

This document is based on data we deem to be reliable, though we do not guarantee its accuracy or completeness and make no warranties regarding results from its usage. Forecasts are estimates by specialists working for us, and actual events may turn out to be fundamentally different due to unforeseen circumstances. This document is provided for information purposes only.

Copyright 2022 Eavex Capital. All rights reserved.  
Securities and Stock Market State Commission licence, issued 06.10.2015