

Stock Market Update

Equity

The Ukrainian Exchange index decreased by 3.7% last week to close at 1495 points on Friday (Sept 2). The gauge has fallen by 14% since the start of the year which was less than a 21% YTD drop for the MSCI Emerging Market index. This is largely explained by the presence of Motor Sich (MSICH) stock in the UX basket. The MSICH stock has been frozen from trading since April 2018 after the Kyiv court made a corresponding decision amid an allegation that a Chinese businessman took over Motor Sich without Antimonopoly Committee's permission.

Among individual share movements last week, there was a 12% drop in UkrNafta (UNAF) to UAH 219. We assume that the UNAF stock suffered a sell-off after the company's parent NaftoGaz said in its annual report that UkrNafta's net profit was UAH 2.5bn in FY21 (EPS of UAH 46) which was below a forecast of a net profit of UAH 95 per share. UkrNafta has not published its annual and quarterly financial results due to the imposition of martial law in Ukraine.

CentrEnerg (CEEN) and Raiffeisen Bank (BAVL) were flat last week to trade at UAH 4.5 and 31 kopecks per share respectively.

London-listed Ferrexpo (FXPO) declined by 2.4% to GBp 152 while Enwell Energy (former Regal) grew by 4.3% to GBp 21.1.

Ukrainian agro companies finished mostly lower with Kernel (KER) slipping by 9.5% to PLN 20.6 and poultry maker MHP (MHPC) falling by 5.2% to USD 3.61. As an exception, sugar producer Astarta (AST) gained by 2.4% to PLN 21.35.

On the currency front, the hryvnia remained more or less stable at 40.85 UAH/USD on the OTC cash market. The National Bank continued to stick to the frozen official exchange rate at 36.57 UAH/USD, spending USD 1.3bn on the interbank market in August to fill the demand for the hard currency. The regulator's interventions totaled USD 15.4bn since the start of the year to prop up the hryvnia.

Highlights

POLITICS AND ECONOMICS

- NaftoGaz Defers EUR 600mn Eurobond Repayment from 2024 to 2026

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

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

www.eavex.com.ua

Kyiv, Ukraine.
research@eavex.com.ua

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

MARKET INDEXES

	Last	1W ch	YTD
UX	1495	-3.7%	-14.0%
RTS	1284	8.5%	-19.5%
WIG20	1505	-6.1%	-33.6%
MSCI EM	976	-3.0%	-20.8%
S&P 500	3924	-3.3%	-17.7%

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%	0.0 p.p.	+5.0 p.p.
Ukraine-2026	81.0%	11.0 p.p.	72.1 p.p.
Ukraine-2034	53.1%	10.3 p.p.	43.9 p.p.

CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	40.85	0.4%	49.5%
EUR/UAH	40.50	-0.8%	30.8%

Source: Eavex Capital

NaftoGaz Defers EUR 600mn Eurobond Repayment from 2024 to 2026

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

NEWS

Ukraine's state-owned natural gas operator NaftoGaz deferred a EUR 600mn Eurobond redemption from July 2024 to July 2026, including a deferral of coupon payments for two years, according to the company's statement published on Aug 31. There was 77% consent from bondholders on the deferral. The interest deferred during 2022-2024 amounts to EUR 90mn (EUR 45mn per year, payable in July each year).

Holdings of Eurobonds due in November 2026 did not support at the adjourned meeting the new proposal to amend the terms of the national company's debt obligations.

Bondholders of NaftoGaz-22s issue rejected the company's proposal to postpone the repayment.

NaftoGaz is aiming to address the government with a proposal to develop a joint position regarding the next steps to restructure the company's Eurobonds.

In July, NaftoGaz did not redeem a USD 335mn Eurobond issue, thus, there was a default on the company's debt.

NaftoGaz has three outstanding Eurobond issues: a USD 335mn issue due in July 2022; a EUR 600mn issue due in July 2024; a USD 500mn issue due in November 2026.

COMMENTARY

NaftoGaz's Eurobonds represented a 67% share of the company's total debt. The company had total assets equivalent to USD 19bn at the start of the year while debt amounted to USD 2.3bn. More importantly, is that creditors were almost confident that NaftoGaz would not have trouble with debt servicing as its cash balance was USD 1.1bn after it earned USD 1.2bn in EBITDA in 2021. The net Debt to EBITDA ratio was estimated at just 0.9x, indicating a quite moderate debt burden.

On the other hand, NaftoGaz's liquidity worsened sharply amid an urgent need to purchase additional gas volumes on the market ahead of the winter season. The Ministry of Energy predicts that this heating season gas consumption will be 35% less than last year and will amount to 11.7bn cubic meters. Currently, NaftoGaz is looking for additional gas volumes for the heating season. Under various scenarios, Ukraine still must purchase between 3 - 5 bn cubic meters of gas.

Indicative quotes for NaftoGaz-24s issue stood at 20 cents on the dollar. The redemption deferral to 2026 implies that a yield to maturity could now be estimated at 76%.

NaftoGaz-26s issue traded at 18.5 cents on the dollar on the secondary market (80% YTM).

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	1495	-3.7%	-14.0%								
Iron Ore Mining												
Ferrexpo	FXPO	152	-2.4%	-49.4%	1026	855	24.0%	1.6	1.2	1.0	0.6	0.3
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	24.5	0.0%	28.9%	69	25	5.0%	8.1	13.2	1.9	2.6	0.1
Specialized Machinery												
Turboatom	TATM	4.4	-2.2%	51.2%	46	43	3.8%	5.4	14.5	0.8	2.0	0.8
Motor Sich	MSICH	5390	0.0%	0.0%	274	252	24.0%	8.7	11.7	2.5	2.8	0.7
Oil & Gas												
UkrNafta	UNAF	219	-12.4%	-18.9%	291	270	3.0%	1.8	3.2	0.8	1.6	0.2
Enwell Energy (ex-Regal)	ENW	21.1	4.3%	-39.9%	78	23	21.6%	25.9	8.6	0.9	0.8	0.4
Power Utilities												
Centrenergo	CEEN	4.50	0.0%	-28.6%	41	11	21.7%	17.9	neg	0.7	neg	0.0
Donbasenergo	DOEN	14.00	-13.0%	-51.7%	8	7	14.2%	7.5	neg	0.8	neg	0.0
Consumer												
MHP	MHPC	3.61	-5.2%	-46.8%	381	1591	32.5%	neg	1.0	4.7	2.5	0.7
Kernel	KER	20.60	-9.5%	-64.9%	346	2061	61.8%	0.7	1.9	2.2	3.0	0.4
Astarta	AST	21.35	2.4%	-49.6%	113	287	37.0%	13.6	10.7	2.4	2.1	0.6
Agroton	AGT	3.11	-4.6%	-54.3%	14	-5	25.0%	1.2	4.0	n/a	n/a	n/a
Banks												
Raiffeisen Bank Aval	BAVL	0.310	0.0%	-32.6%	467		1.8%	3.1	2.6	1.0	0.8	0.10

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	1320	-115	320	170	-10.5%	24.3%	12.9%	-158	158	91	-14.4%	12.0%	6.9%
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																
Centrenergo	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	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	41	2	33	8	4.1%	48.2%	19.8%	5	12	4	9.5%	17.4%	8.7%
Banks																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	3495	3795	4829	550	456	571	280	271	348	185	151	179	33.6%	33.2%	31.3%

Source: Eavex Research

Eavex Capital

7 Klovsyky uzviz, 16th Floor
Carnegie Center
Kyiv, 01021, Ukraine

Telephone: +38 044 590 5454
Facsimile: +38 044 590 5464
E-mail: research@eavex.com.ua
Web-page: 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

RESEARCH
Dmitry Churin
Head of Research
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