

Stock Market Update

Equity

Kyiv-listed stocks finished mixed last week while the UX index showed a clear gain of 3.1% to close at 1501 points.

UkrNafta (UNAF) advanced by 6.5% to UAH 219 per share and CentrEnergO (CEEN) added by 4.4% to UAH 4.70 despite the company's biggest power plant Vuglegirska TPP remaining on the Russian occupied territory in Donetsk province. Raiffeisen Bank (BAVL) rose by 3.3% to 31 kopecks after data from the National Bank indicated that Raiffeisen pocketed a solid profit from the revaluation of its assets after the official hryvnia exchange rate was devaluated to 36.57 UAH/USD in late July.

On the downside, DonbasEnergO (DOEN) fell 12.3% to UAH 10.61 and second-tier Krukiv Wagon (KVBZ) dropped by 12.2% to UAH 21.50.

On the London Stock Exchange, Ukrainian poultry maker MHP (MHPC) declined by 3.4% to USD 3.75 ignoring the company's better-than-expected financial results for 2Q22. Iron ore miner Ferrexpo (FXPO) lost 2.8% over the week to close at GBp 152. In contrast, Enwell Energy (former Regal) climbed by 4.8% to GBp 23.20.

Warsaw-listed Agroton (AGT) surged by 47% from PLN 3.26 to PLN 4.79 on hopes that the Ukrainian army's advance would liberate Agroton's farmland located in Lugansk province.

In major economic news, the Finance Ministry unveiled a draft national budget for 2023. The budget deficit for the next year was estimated at 20% of GDP and it is expected to be covered by borrowings of UAH 1,687bn (USD 46bn at the current official UAH/USD rate).

The hryvnia edged down by 1.1% on the OTC cash market to 42.10 UAH/USD, while the official exchange rate has been frozen at 36.57 UAH/USD since Jul 21.

Highlights

STOCKS IN THE NEWS

- > MHP Posts Net Loss of USD 89mn in 1H22 after Earning USD 20mn in Net Profit in 2Q22

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

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	1501	3.1%	-13.6%
RTS	1275	1.0%	-20.1%
WIG20	1502	-2.1%	-33.7%
MSCI EM	944	-2.7%	-23.4%
S&P 500	3873	-4.8%	-18.7%

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	25.0%	0.0 p.p.	+16.0 p.p.
UAH 1-year war bond	14.0%	0.0 p.p.	+3.0 p.p.
Ukraine-2026	72.3%	-10.9 p.p.	63.4 p.p.
Ukraine-2034	40.0%	-13.1 p.p.	30.8 p.p.

CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	42.10	1.1%	54.1%
EUR/UAH	41.15	-0.1%	32.9%

Source: Eavex Capital

MHP Posts Net Loss of USD 89mn in 1H22 after Earning USD 20mn in Net Profit in 2Q22

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

MHP (MHPC LI)

Price: USD 3.75 Market Cap: USD 415mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2021	0.2	0.7	1.1	2.6	0.0%
2022E	0.3	0.9	neg	5.9	0.0%

NEWS

Central-Ukraine-based, London-listed agro group MHP posted a net loss of USD 89mn in 1H22 after earning a net profit of USD 20mn in 2Q22, according to the company's interim report released on Sept 14. Revenue was up by 10% YoY to USD 595mn in 2Q22, as the company's average poultry price increased by 22% YoY in the period. For the first half (1H22), MHP reported net revenue of USD 1.15bn (+16% YoY), EBITDA of USD 154mn (-54% YoY), and a net loss of USD 89mn, compared to a net profit of USD 232mn for 1H21. The company's export sales grew by 27% YoY to USD 640mn in 1H22, accounting for 56% of total revenue in the period.

On the balance sheet side, MHP's total debt was USD 1.51bn as of 30 Jun 2022, with long-term debt representing 99% of the amount. This puts MHP's Net Debt-to-EBITDA ratio at 2.8x as of 30 Jun 2022, up from 1.9x at the start of the year.

MHP FINANCIALS

USD mn	2Q2021	2Q2022	chg.	1H2021	1H2022	chg.
Net revenue	542	595	+10%	989	1,149	+16%
EBITDA	277	111	-60%	334	154	-54%
margin	51.1%	18.7%	-32.5 p.p.	33.8%	13.4%	-20.4 p.p.
Net profit (loss)	232	20	-91%	232	-89	+/-
net margin	42.8%	3.4%	-39.4 p.p.	23.5%	-7.7%	-31.2 p.p.

Source: Company data.

COMMENTARY

MHP's 2Q bottom line was better than expected due to an artificially higher official UAH/USD exchange rate over the period. The National Bank kept the hryvnia official rate frozen at 29.25 UAH/USD from Feb 24 to Jul 21. The regulator made a one-time devaluation of the hryvnia by 25% in July to 36.57 UAH/USD. This situation with the exchange rate helped MHP to translate its domestic sales at a higher hryvnia rate for the 2Q financial statement. Moreover, we would have seen large FX translation losses in the P&L as a reflection of the revaluation of the company's foreign currency-denominated debt. Therefore, we expect such FX translation losses will appear in the 3Q22 financial statement. Meanwhile, MHP reported USD 92mn non-cash foreign exchange loss in 1H22 compared to a USD 51mn foreign exchange gain a year ago.

MHP said it continued to invest in its assets spending USD 63mn on CAPEX in 1H22. However, most of the CAPEX was related to the maintenance of existing production facilities.

The London-listed MHPC stock had no particular reaction to the 2Q22 results. The MHPC stock edged down by 3% last week to USD 3.75.

MHP-2026 Eurobonds traded at 50.2 (35% YTM), which is essentially below the Ukrainian sovereign yield curve. MHP's Net Debt/EBITDA ratio of 2.8x met the ceiling of 3.0x embedded in MHP's Eurobonds.

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	1501	3.1%	-13.6%								
Iron Ore Mining												
Ferrexpo	FXPO	152	-2.8%	-49.4%	1026	855	24.0%	1.6	1.2	1.0	0.6	0.3
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	21.5	-12.2%	13.2%	59	15	5.0%	6.9	11.2	1.2	1.5	0.1
Specialized Machinery												
Turboatom	TATM	4.3	-2.3%	47.8%	43	40	3.8%	5.1	13.8	0.8	1.9	0.8
Motor Sich	MSICH	5390	0.0%	0.0%	266	244	24.0%	8.4	11.4	2.4	2.7	0.7
Oil & Gas												
UkrNafta	UNAF	229	6.5%	-15.2%	295	274	3.0%	1.9	3.2	0.9	1.6	0.2
Enwell Energy (ex-Regal)	ENW	23.2	4.8%	-33.9%	85	31	21.6%	28.5	9.5	1.2	1.0	0.5
Power Utilities												
Centrenergo	CEEN	4.70	4.4%	-25.4%	41	12	21.7%	18.2	neg	0.7	neg	0.0
Donbasenergo	DOEN	10.61	-12.3%	-63.4%	6	5	14.2%	5.5	neg	0.6	neg	0.0
Consumer												
MHP	MHPC	3.75	-3.4%	-44.7%	396	1684	32.5%	neg	1.0	5.0	2.6	0.7
Kernel	KER	18.98	-4.6%	-67.7%	321	2036	61.8%	0.6	1.8	2.2	3.0	0.4
Astarta	AST	24.00	10.9%	-43.4%	127	302	37.0%	15.4	12.1	2.5	2.2	0.6
Agroton	AGT	4.79	46.9%	-29.6%	22	2	25.0%	1.9	6.3	n/a	n/a	n/a
Banks												
										Price/Book	Price/Assets	
Raiffeisen Bank Aval	BAVL	0.310	3.3%	-32.6%	453		1.8%	3.0	2.5	1.0	0.8	0.09

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	168	-10.5%	24.3%	12.7%	-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																
Centrenergy	CEEN	589	764	517	-69	17	-12	-11.7%	2.2%	-2.3%	-77	2	-31	-13.1%	0.3%	-6.0%
Donbasenergo	DOEN	249	256	260	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 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
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

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