

Stock Market Update

Equity

Quotes for CentrErgo (CEEN) tumbled by 25% to UAH 3.00 amid more fears that the company's debt for natural gas supplies will create a huge problem for the company's balance sheet. CentrErgo even made a public statement that currently the gas supplies to the company's thermal power plants are only available due to direct orders from the government. Meanwhile, DonbasErgo (DOEN) also plunged by 25% to UAH 9.00 as the company has already in the bankruptcy process.

In contrast, Krukiv Wagon (KVBZ) added by 4.4% last week to close at UAH 11.90, with the gain reaching 8.2% since the start of the year.

London-listed Enwell Energy (former Regal) edged up by 0.9% to GBp 16.10 after the company said its majority shareholder Vadym Novinsky transferred its stake to the trust to avoid a potential gas license suspension after a new legislation will come into a forth in Ukraine.

Iron ore miner Ferrexpo (FXPO) inched down by 0.3% to GBp 174 and poultry maker MHP (MHPC) slipped by 4.0% to USD 3.60 per share.

Warsaw-listed Kernel (KER) had no particular reaction to the company's operational update showing the company's challenges with grain exports. The KER stock decreased by a moderate 1.6% to PLN 18.30.

On the OTC cash currency market the hryvnia exchange rate strengthened by 0.2% to 40.43 UAH/USD amid a broader weakness of the US dollar against other world currencies. Meanwhile, the National Bank continued its interventions on the interbank market to supply the hard currency at the frozen exchange rate of 36.57 UAH/USD. The regulator sold about USD 720mn to the banks last week.

Highlights

STOCKS IN THE NEWS

- > Kernel Reduces Grain Exports by 56% YoY to 1.5mn tons in the Oct-Dec Quarter

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	1407	-9.6%	-10.1%
RTS	992	-1.8%	2.2%
WIG20	1892	-1.6%	5.4%
MSCI EM	1036	0.6%	8.3%
S&P 500	3972	-0.7%	3.4%

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	25.0%	0.0 p.p.	0.0 p.p.
UAH 1-year war bond	18.5%	+2.5 p.p.	+2.5 p.p.
Ukraine-2026	79.7%	1.4 p.p.	-2.0 p.p.
Ukraine-2034	45.8%	-0.3 p.p.	0.4 p.p.

CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	40.43	-0.2%	-0.4%
EUR/UAH	43.32	0.3%	1.9%

Source: Eavex Capital

Kernel Reduces Grain Exports by 56% YoY to 1.5mn tons in the Oct-Dec Quarter

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

KERNEL (KER PW)

Price: PLN 18.3 Market Cap: USD 362mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
FY22	0.2	0.3	neg	8.4	0.0%
FY23E	0.2	0.6	3.0	5.0	0.0%

NEWS

Agro holding Kernel, which is a leading producer of sunflower oil and one of the largest grain exporters in Ukraine, reported the volume of grain exports dropped by 56% YoY from 3.5mn tonnes to 1.5mn tonnes in the October-December quarter. The company continues to face limited export opportunities through Ukrainian ports, even though the “grain agreement” for the delivery of Ukrainian agricultural products by sea was extended in November. Despite the war situation, Ukraine remains one of the leading suppliers of food to the world market. According to the Agro Ministry, Ukraine managed to export more than 50mn tonnes of grain, oil crops, and their processing products in 2022.

In the October-December period, Kernel saw a decrease in sunflower oil sales by 17% YoY to 345,000 tonnes. Six of the nine Kernel oil production plants were operating during the reporting period because two plants in Kharkiv province are close to the front line, and the company ceased tolling operations at another crushing plant in the same province. Thus, the processing of sunflower seeds fell by a third year-on-year. Before the war, Kernel ranked first in the world in sunflower oil production (about 7% of world production) and exports (about 12%).

KERNEL OPERATIONAL UPDATE

Volume	2Q FY22	2Q FY23	Change	1H FY22	1H FY23	Change
Grain exports, tonnes	3,483,124	1,521,961	-56%	5,709,879	2,253,835	-61%
Sunflower oil sales, tonnes	416,504	344,710	-17%	637,212	546,774	-14%
Oilseed crush, tonnes	985,472	653,011	-34%	1,467,738	1,114,094	-24%
Export terminals throughput, tonnes	2,984,992	1,716,416	-56%	5,191,905	2,437,501	-53%

Source: Companies' data

COMMENTARY

Kernel's operational results showed a drop in grain exports by 61% YoY from 5.7mn tonnes in July-December 2021 to 2.3mn tonnes in July-December 2022. Therefore it is possible to state a certain improvement in the export situation in October-December, but the volumes are much lower than the potential of Kernel's business. It should be noted that the company almost does not use alternative ways of grain export by road or rail transport. Moreover, Kernel decided to focus even more on sea deliveries and in December purchased 100% of the sunflower oil transshipment terminal in the Port of Pivdenny for USD 19.8mn.

Separately, Kernel reported that it had reached an agreement with creditors, including Natixis, ING, EBRD, and EIB, on the principal repayments' postponement by June 30, 2023. Kernel will continue to pay interest accrued on the loans under the terms of the loan agreements. At the same time, the company emphasized that the postponement of the loan payment will ensure the necessary financial stability for work under the conditions of the Russia's invasion of Ukraine.

Last week, there was information that Kernel's management purchased on the market the company's Eurobonds maturing in 2024 in the amount of USD 4 mn at a price of 47 cents on the dollar. This transaction may underline management's confidence in Kernel's financial condition.

Quotes for Kernel (KER) on the Warsaw Stock Exchange declined by 1.6% to PLN 18.3 last week.

QUOTES AND MULTIPLES

	Ticker	Today, UAH*	Absolute performance		MCap USD mn	EV USD mn	Free float	P/E		EV/EBITDA		EV/Sales
			1W	YtD				2021	2022E	2021	2022E	2022E
UX Index	UX	1407	-9.6%	-10.1%								
Iron Ore Mining												
Ferrexpo	FXPO	174	-0.3%	10.6%	1258	1087	24.0%	1.4	neg	0.8	3.1	0.7
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	11.9	4.4%	8.2%	34	-3	5.0%	neg	neg	--	--	--
Specialized Machinery												
Turboatom	TATM	2.9	0.0%	7.4%	30	27	3.8%	>50x	neg	1.2	2.8	1.0
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	16.1	0.9%	3.5%	63	-14	21.6%	1.2	1.2	--	--	--
Power Utilities												
Centrenergo	CEEN	2.98	-25.7%	-25.6%	27	21	21.7%	neg	neg	neg	neg	0.1
Donbasenergo	DOEN	9.01	-24.4%	-31.5%	5	5	14.2%	neg	neg	neg	neg	0.1
Consumer												
MHP	MHPC	3.60	-4.0%	-4.0%	399	1687	32.5%	neg	neg	2.6	5.8	0.9
Kernel (FY21, FY22, FY23E)	KER	18.29	-1.6%	4.3%	362	1850	61.8%	neg	3.0	8.4	5.0	0.6
Astarta	AST	22.25	-2.0%	9.1%	134	328	37.0%	0.9	3.7	1.4	2.6	0.8
Agroton	AGT	3.29	-9.1%	-4.4%	17	-2	25.0%	4.9	neg	--	--	--
Banks												
											Price/Book	Price/Assets
Raiffeisen Bank Aval	BAVL	0.300	-3.2%	0.0%	456		1.8%	2.6	8.8	0.8	0.9	0.11

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		
		2020	2021	2022E	2020	2021	2022E	2020	2021	2022E	2020	2021	2022E	2020	2021	2022E
Iron Ore Mining																
Ferrexpo	FXPO	1700	2518	1650	859	1,439	350	50.5%	57.1%	21.2%	635	871	-110	37.4%	34.6%	-6.7%
Railcar Manufacturing																
Kryukiv Wagon	KVBZ	124	94	78	7	-5	-1	5.5%	-5.7%	-1.8%	3	-8	-5	2.2%	-9.0%	-6.8%
Specialized Machinery																
Turboatom	TATM	105	55	28	52	22	10	49.1%	40.7%	34.4%	8	0	-2	8.0%	0.5%	-5.6%
Motor Sich	MSICH	353	338	200	102	90	40	29.1%	26.5%	19.8%	32	23	-7	8.9%	6.9%	-3.6%
Oil & Gas																
Ukrnafta	UNAF	1319	1320	844	320	168	56	24.3%	12.7%	6.7%	158	91	22	12.0%	6.9%	2.6%
Regal Petroleum	RPT	47	121	131	22	78	86	47.4%	64.4%	65.7%	3	51	55	6.7%	42.1%	41.9%
Electric Utilities																
Centrenergo	CEEN	764	460	388	17	-33	-16	2.2%	-7.1%	-4.2%	2	-36	-38	0.3%	-7.9%	-9.7%
Donbasenergo	DOEN	256	128	144	9	-13	-4	3.3%	-10.5%	-2.6%	1	-16	-15	0.4%	-12.9%	-10.7%
Consumer																
MHP	MHPC	1911	2372	1898	340	648	290	17.8%	27.3%	15.3%	-133	393	-300	-7.0%	16.6%	-15.8%
Kernel (FY21, FY22, FY23E)	KER	5595	5332	3200	806	220	370	14.4%	4.1%	11.6%	513	-41	120	9.2%	-0.8%	3.8%
Astarta	AST	490	590	404	134	242	125	27.3%	41.0%	31.0%	10	147	36	2.1%	24.9%	9.0%
Agroton	AGT	68	41	20	33	8	-6	48.2%	19.8%	-30.0%	12	4	-40	17.4%	8.7%	neg
Banks																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	3795	4829	4238	456	571	510	271	348	314	151	179	52	33.2%	31.3%	10.2%

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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