

## Stock Market Update

### Equity

According to a recent study by the National Bank, domestic businesses in Ukraine have softened their negative expectations regarding their own business activity, while improving their inflation and exchange rate assessments. Representatives of the majority of foreign economic activity enterprises, particularly in the processing and extractive industries, expect growth in overall sales volumes. However, negative assessments for the short-term prospects remain in the construction and energy production sectors. Overall, the study concludes that Ukrainian businesses are optimistic about their future sales volumes for the first time in the last four quarters, despite other components such as financial results and investments remaining negative, despite significant improvements.

The preservation of the hryvnia exchange rate stability and the cessation of deficit budgetary emission financing in 2023 were significant factors in improving business expectations. Avoiding deficit budgetary emission financing this year is a common goal of the National Bank and the government. Considering the announced amounts of international aid for Ukraine and the activation of the internal debt market, the budget deficit must be fully financed through these two sources.

Among the shares traded on the Ukrainian Exchange, quotes for Raiffeisen Bank (BAVL) declined by 0.9% to 28.8 kopecks after the National Bank assumed that potential losses from the credit portfolio of banks could reach 30% this year due to the inability of some borrowers to service their obligations.

Astarta (AST) rose by another 5.5% to PLN 29.00 last week. Since the beginning of the year, Astarta has already gained by 42%. The current market capitalization of the company has reached USD 170mn. Considering that Astarta earned EUR 62mn in 9M 2022, the current market capitalization indicates the potential undervaluation of the company. Astarta is expected to release its annual financial results for the year 2022 this week, which could provide an additional boost to the company's share price.

## Highlights

### STOCKS IN THE NEWS

- > Kernel Reports 61% YoY Drop in Grain Exports to 824,000 tonnes in January-March 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](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)

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

### MARKET INDEXES

	Last	1W ch	YTD
UX	1535	-0.8%	-2.0%
RTS	1019	3.7%	5.0%
WIG20	1900	2.5%	5.9%
MSCI EM	981	-1.6%	2.5%
S&P 500	4133	-0.1%	7.6%

### 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%	0.0 p.p.	+2.5 p.p.
Ukraine-2026	100.3%	0.5 p.p.	18.6 p.p.
Ukraine-2034	53.6%	0.9 p.p.	8.2 p.p.

### CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	38.05	0.3%	-6.3%
EUR/UAH	41.65	0.4%	-2.0%

Source: Eavex Capital

## Kernel Reports 61% YoY Drop in Grain Exports to 824,000 tonnes in January-March Quarter

by Dmitry Churin  
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### KERNEL (KER PW)

Price: PLN 18.26 Market Cap: USD 337mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
FY22	0.2	0.3	neg	6.3	0.0%
FY23E	0.2	0.4	1.2	2.2	0.0%

### NEWS

Kernel Holding, Ukraine's largest sunflower oil producer and exporter, said its grain export volumes dropped by 61% YoY to 824,000 tonnes in the January-March quarter (3Q23 in the company's July-to-June reporting calendar), according to an operational update published on Apr 21. In other business segments, Kernel's sunflower oil sales increased by 1% YoY to 273,000 tonnes while oilseeds processing rose by 32% YoY in the period. For the 9 months ending Mar 31, Kernel's sunflower oil sales volume decreased by 10% YoY to 820,000 tonnes. The company's grain export volumes from Ukraine fell by 61% YoY to 3.1mn tonnes in the 9 months ending Mar 31 and export terminal throughput dropped by 52% YoY to 3.5mn.

### KERNEL OPERATIONAL UPDATE

Volume	3Q FY22	3Q FY23	Change	9M FY22	9M FY23	Change
Grain export, tonnes	2,136,366	823,869	-61%	7,846,245	3,077,704	-61%
Sunflower oil sales, tonnes	269,162	273,190	+1%	906,374	819,964	-10%
Oilseed crush, tonnes	562,821	743,984	+32%	2,030,559	1,858,078	-8%
Export terminals throughput, tonnes	2,077,278	1,067,087	-49%	7,269,183	3,504,588	-52%

Source: Companies' data

### COMMENTARY

Kernel said that it operated six oilseed processing plants this year. Meanwhile, two Kernel's crushing plants remain inaccessible in the high-risk zone of Kharkiv province with regular shelling by Russian invaders. The company's export volumes heavily depend on the functioning of the "grain corridor" – a U.N.-brokered agreement on the safe export of grain, oilseeds and sunflower oil from Ukrainian Black Sea ports. While the grain corridor deal was extended in March 2023 it remains unclear for how long. Moreover, there were reported disruptions in vessel inspections by the Russian side which refused to carry out its duties. Also, severe competition among Ukrainian export terminals for quotas to export agricultural products via grain corridor became an issue for Kernel as the existing mechanism of allocation of quotas is unfavorable with small operators getting disproportional high quotas. Since the beginning of the grain deal in July 2022, 87% of Kernel's export volumes were delivered to foreign markets via Ukrainian Black Sea ports, 6% - via Danube river ports, and 7% - by inland routes. Aiming to maximize operational efficiency Kernel tried to export more sunflower oil than grain as the sunflower oil segment has a higher profitability margin. Therefore the problem with export logistics remains the key bottleneck for Kernel's business model.

Kernel's share price on the Warsaw Stock Exchange closed at as low as PLN 18.26 on Friday (Apr 21) reflecting investors' anger over the KER stock delisting process with the offered buyback price at PLN 18.50. The stock's 52-week high was PLN 31.10 in April of last year. The stock's previous multiyear high was at PLN 64.10 in October 2021. The stock's all-time high was at a level of PLN 80 back in 2011. We forecast that Kernel will post a net profit of USD 290mn in FY23, implying earnings per share of PLN 15.73. This means that the current P/E multiple for the stock is just 1.2x.

The company's outstanding Eurobonds with maturity in 2027 are traded at 53.7 cents on the dollar implying a yield of 26%.

**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	1535	-0.8%	-2.0%								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	113	-2.6%	-28.2%	837	731	24.0%	1.0	3.8	0.5	1.0	0.6
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	18.4	12.2%	67.6%	56	19	5.0%	neg	neg	--	--	--
<b>Specialized Machinery</b>												
Turboatom	TATM	2.9	8.1%	8.1%	32	30	3.8%	>50x	neg	1.3	3.1	1.1
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
<b>Oil &amp; Gas</b>												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	18.8	0.3%	21.1%	75	-3	21.6%	1.5	1.4	--	--	--
<b>Power Utilities</b>												
Centrenergo	CEEN	3.70	0.0%	-7.7%	36	36	21.7%	neg	neg	neg	neg	0.1
Donbasenergo	DOEN	19.44	0.0%	47.8%	12	12	0.0%	neg	neg	neg	neg	0.1
<b>Agro sector</b>												
MHP	MHPC	3.41	-2.3%	-9.1%	378	1615	32.5%	neg	neg	2.5	4.2	0.6
Kernel (FY21, FY22, FY23E)	KER	18.26	-1.3%	4.1%	337	1825	61.8%	neg	1.2	8.3	2.9	0.5
Astarta	AST	29.00	5.5%	42.2%	173	366	37.0%	1.2	4.7	1.5	2.9	0.9
Agroton	AGT	3.17	0.6%	-7.8%	16	-3	25.0%	4.6	neg	--	--	--
<b>Banks</b>												
Raiffeisen Bank Aval	BAVL	0.288	-0.9%	-4.2%	465		1.8%	2.6	10.8	0.8	1.0	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
<b>Iron Ore Mining</b>																
Ferrexpo	FXPO	1700	2518	1248	859	1,439	765	50.5%	57.1%	61.3%	635	871	220	37.4%	34.6%	17.6%
<b>Railcar Manufacturing</b>																
Kryukiv Wagon	KVBZ	124	94	78	7	-5	-1	5.5%	-5.7%	-1.8%	3	-8	-5	2.2%	-9.0%	-6.8%
<b>Specialized Machinery</b>																
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%
<b>Oil &amp; Gas</b>																
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%
<b>Electric Utilities</b>																
Centrenergo	CEEN	764	460	323	17	-33	-171	2.2%	-7.1%	-53.0%	2	-38	-224	0.3%	-8.2%	-69.3%
Donbasenergo	DOEN	256	128	142	9	-13	-4	3.3%	-10.5%	-2.6%	1	-16	-15	0.4%	-12.9%	-10.7%
<b>Agro sector</b>																
MHP	MHPC	1911	2372	2642	340	648	384	17.8%	27.3%	14.5%	-133	393	-231	-7.0%	16.6%	-8.7%
Kernel (FY21, FY22, FY23E)	KER	5595	5332	3600	806	220	620	14.4%	4.1%	17.2%	513	-41	290	9.2%	-0.8%	8.1%
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
<b>Banks</b>																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	3795	4829	4238	456	571	466	271	348	314	151	179	43	33.2%	31.3%	9.2%

Source: Eavex Research

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