

Stock Market Update

Equity

On the Ukrainian Exchange, the main stocks finished mixed over the week. In particular, the quotes of CentrEnergy (CEEN) increased by 6.0% to UAH 5.06, while shares of Krukiv Wagon (KVBZ) saw a decline of 8.3% to UAH 22.0. Raiffeisen Bank (BAVL) remained unchanged at 30 kopecks per share.

The shares of Kernel (KER), traded on the Warsaw Stock Exchange, fell by 11% to a new multi-year low of PLN 15.3 last week, as the delisting of these shares from the exchange is scheduled to take place in the coming month.

London-listed MHP (MHPC) rose by 10% to USD 3.75 after the company demonstrated decent financial results for the first quarter. MHP reported a net profit of USD 49mn on revenues of USD 746mn for the quarter.

The cash exchange rate of the hryvnia strengthened by 0.4% to 37.36 UAH/USD over the week. Since the beginning of the year, the hryvnia has already appreciated by 8.0% on the cash market while the official exchange rate remained fixed at 36.57 UAH/USD.

On the political front, an agreement has been reached to extend a deal that allows the grain to be exported from Ukrainian ports in the Black Sea. The grain deal had been extended until July 18. Russia had previously threatened to pull out of the deal, complaining about a related agreement with the UN to facilitate shipments of Russian grain and fertilizers. Ukraine and Russia together account for nearly a third of global wheat exports. The countries are also among the top three global exporters of barley, maize, rapeseed oil and sunflower oil.

The benchmark global food prices had fallen by about 20% since hitting all-time highs in March 2022 amid the full-scale invasion of Ukraine.

Highlights

STOCKS IN THE NEWS

- MHP Posts Net Profit of USD 49mn in 1Q23 as EBITDA Rises by 2.7x YoY to USD 117mn

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	1738	1.2%	11.0%
RTS	1036	-0.2%	6.7%
WIG20	1992	2.7%	11.0%
MSCI EM	977	0.4%	2.1%
S&P 500	4192	1.6%	9.2%

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	102.2%	-7.7 p.p.	20.5 p.p.
Ukraine-2034	51.2%	-5.2 p.p.	5.8 p.p.

CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	37.36	-0.4%	-8.0%
EUR/UAH	40.87	-0.8%	-3.8%

Source: Eavex Capital

MHP Posts Net Profit of USD 49mn in 1Q23 as EBITDA Rises by 2.7x YoY to USD 117mn

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

MHP (MHPC LI)

Price: USD 3.75 Market Cap: USD 401mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2022	0.3	0.6	neg	4.1	0.0%
2023E	0.2	0.6	2.9	3.9	0.0%

NEWS

London-listed, Central Ukraine-based poultry producer MHP reported that its net profit was USD 49mn in 1Q23 compared to a net loss of USD 108mn a year ago, according to financials released on May 18. The company's top-line revenue rose by 35% YoY to USD 746mn in the reported period due to a higher poultry sales volume and EBITDA surged by 2.7x YoY to USD 117mn, implying an EBITDA margin of 15.7% in 1Q23 compared to the margin of 7.8% a year ago. MHP's export demonstrated an impressive growth of 69% YoY to USD 522mn in 1Q23, accounting for 70% of total sales, up from 56% of total sales a year earlier. In the segment breakdown, poultry sales accounted for 52% of revenue in 1Q23 while the remainder came from grain & other agro segment revenue, and the European operating segment.

On the balance sheet side, MHP reported that its net debt was USD 1.18bn. The net debt-to-EBITDA ratio was estimated at 2.6x. MHP has a non-binding Eurobond covenant limit of 3.0x. Once the leverage ratio exceeds 3.0x, it is not permitted for MHP to make certain restricted payments, declare dividends exceeding USD 30mn in any financial year, or incur additional debt except that defined as a Permitted Debt.

MHP FINANCIALS			
USD mn	1Q22	1Q23	chg.
Net revenue	553	746	+35%
EBITDA	43	117	+172%
margin	7.8%	15.7%	+7.9 p.p.
Net Income	-108	49	-/+
net margin	-19.5%	6.6%	+26.1 p.p.

Source: Company data.

COMMENTARY

The company's unveiled financial results were mostly in line with expectations with earnings per share of USD 0.46 for 1Q23 confirming our base case forecast that MHP will have an EPS of USD 1.31 for the full-year (net profit of USD 140mn). The MHP stock reacted positively to the 1Q results advancing by 10% to USD 3.75 per share. Taking into account the current market price, the company is valued at 2.9x forward-looking P/E, meaning that a visible upside could be found in the MHP stock. However, the company's net financial result is heavily dependent on the hryvnia exchange rate, as in the times of the hryvnia devaluation the foreign translation loss occurs on foreign currency denominated debt. MHP reported a USD 4 mn of non-cash foreign exchange translation gain in 1Q23, compared to a significant foreign exchange loss of USD 95mn in 1Q22. The company said that the sensitivity analysis showed that in case the hryvnia would devalue by 20% then the company would have to book USD 263mn in non-cash foreign exchange translation loss.

MHP said that it had USD 351mn in cash at the end of March, meaning that this amount should be sufficient to finance the sowing campaign and current operations. Also, the company will not pay dividends for the 2022 financial year to preserve liquidity amid the war-related risks in Ukraine.

MHP's Eurobonds with maturity in 2026 traded last week at 50.7 (39% YTM). The bid/ask quotes for the MHP Eurobond remained wide, as the ask price stood at 54.6 (35% YTM).

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	1738	1.2%	11.0%								
Iron Ore Mining												
Ferrexpo	FXPO	104	-0.5%	-33.7%	779	673	24.0%	0.9	3.5	0.5	0.9	0.5
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	22.0	-8.3%	100.0%	68	31	5.0%	neg	neg	--	--	--
Specialized Machinery												
Turboatom	TATM	4.5	-7.6%	66.7%	51	48	3.8%	>50x	neg	2.1	5.0	1.7
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	18.5	-1.4%	19.2%	74	-3	21.6%	1.5	1.3	--	--	--
Power Utilities												
Centrenergo	CEEN	5.09	6.0%	27.0%	50	50	21.7%	neg	neg	neg	neg	0.1
Donbasenergo	DOEN	38.98	5.4%	196.4%	25	25	0.0%	neg	neg	neg	neg	0.1
Agro sector												
MHP	MHPC	3.75	10.0%	0.0%	401	1584	33.7%	neg	neg	2.4	4.1	0.6
Kernel (FY21, FY22, FY23E)	KER	15.43	-10.9%	-12.0%	284	1332	61.8%	neg	1.0	6.1	2.1	0.4
Astarta	AST	33.20	-2.2%	62.7%	193	345	37.0%	1.3	2.8	1.4	2.1	0.6
Agroton	AGT	3.46	1.8%	0.6%	18	-2	25.0%	5.1	neg	--	--	--
Banks												
											Price/Book	Price/Assets
Raiffeisen Bank Aval	BAVL	0.300	0.0%	0.0%	494		1.8%	2.8	11.5	0.9	1.1	0.12

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	1248	859	1,439	765	50.5%	57.1%	61.3%	635	871	220	37.4%	34.6%	17.6%
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	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%
Agro sector																
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	538	134	242	163	27.3%	41.0%	30.3%	10	147	69	2.1%	24.9%	12.8%
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	466	271	348	314	151	179	43	33.2%	31.3%	9.2%

Source: Eavex Research

Eavex Capital

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

Telephone: +38 044 590 5454

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 2023 Eavex Capital. All rights reserved.

Securities and Stock Market State Commission licence, issued 06.10.2015