

Stock Market Update

Equity

Kernel (KER) plummeted to its lowest point since its 2007 IPO. Over the week, the KER stock suffered a 6.2% drop, landing at PLN 11.00, triggered by news of the company's additional issuance of 216mn shares at a price of 27.77 cents (PLN 1.15 per share). Small shareholders of Kernel were denied participation in this additional issuance. Consequently, there will be a significant dilution of the minority shareholders' stake, reducing their share in the company's future profits and dividends. Prior to the additional issuance, the main shareholder of Kernel controlled 80% of the voting shares. According to our calculations, after the registration of the additional issuance, the main shareholder will concentrate approximately 95% of the voting shares, reducing the minority shareholders' stake from 20% to 5%. Furthermore, there is now the possibility of a squeeze-out of minority shareholders, as Luxembourg law, where the Kernel holding structure is registered, allows for compulsory acquisition of minority stakes when ownership exceeds 95%.

Meanwhile, shares of the agro-holding company Astarta (AST) surged by 5.7% to PLN 33.45 following the company's report of a substantial profit of EUR 55mn euros for the first half of this year (net profit per share of PLN 10.00). The current price-to-earnings (P/E) ratio for Astrata shares stands at just 2.3x.

As for Milkiland (MLK) shares, their price increased by 1.2% over the week, reaching PLN 0.84. Over the past 12 months, Milkiland shares hit a low of PLN 0.72 in October of last year and a high of PLN 1.16 in September of the same year. Since the beginning of 2023, the company's shares have lost 4.5% of their value.

Among the stocks trading on the Ukrainian Exchange, there were no significant transactions that had an impact on quotations. Regarding Raiffeisen Bank (BAVL), the buy/sell range remains at 26/29 kopecks per share. The indicative price for Centrenergy (CEEN) stands at UAH 4.89 per share.

Highlights

THE NEWS

- Astarta Doubles Net Profit to EUR 55mn in 1H23 Implying PLN 10 per Share

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	1570	0.1%	0.3%
RTS	1055	1.1%	8.7%
WIG20	2051	2.6%	14.3%
MSCI EM	971	0.0%	1.5%
S&P 500	4516	2.5%	17.6%

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	22.0%	0.0 p.p.	-3.0 p.p.
UAH 1-year war bond	17.8%	0.0 p.p.	+1.8 p.p.
Ukraine-2026	75.6%	5.9 p.p.	-6.1 p.p.
Ukraine-2034	33.6%	1.2 p.p.	-11.8 p.p.

CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	37.90	-1.3%	-6.7%
EUR/UAH	41.50	-1.0%	-2.4%

Source: Eavex Capital

Astarta Doubles Net Profit to EUR 55mn in 1H23 Implying PLN 10 per Share

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

ASTARTA (AST PW)

Price: PLN 33.45 Market Cap: USD 197mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2022	0.4	0.6	2.9	2.1	6.9%
2023E	0.4	0.5	2.3	1.7	8.3%

NEWS

Kyiv-based Astarta Holding, Ukraine’s largest sugar producer, reported a solid net profit of EUR 55mn in 1H23, compared to a net profit of EUR 28mn in 1H22. According to the financial statement released on Aug 29, the company raised its revenue by 32% YoY to EUR 287mn in 1H23 and boosted EBITDA by 43% YoY to EUR 97mn. In the segment breakdown, agricultural production generated EUR 101mn (+31% YoY) in 1H23, accounting for 35% of the total consolidated revenues. Sugar production revenue grew by 39% YoY to EUR 86mn. Soybean Processing segment delivered a EUR 71mn (+35% YoY) in revenues. The Cattle Farming segment revenue was flat at EUR 21mn in the period.

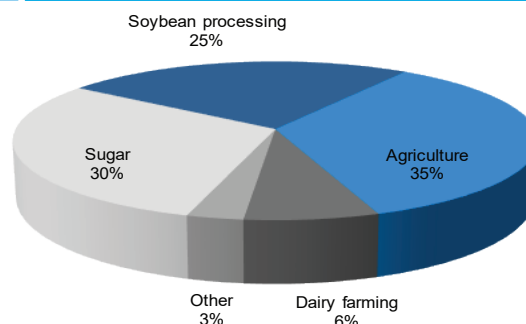
Export revenue rose by 49% YoY to EUR 158mn, contributing 55% to the consolidated revenues.

Astarta’s net debt stood at EUR 132mn at the end of 1H23. The company’s net debt to EBITDA ratio was estimated at 0.7x.

ASTARTA FINANCIALS

EUR mn	1H2022	1H2023	chg.
Net revenue	218	287	+31.6%
EBITDA	68	97	+42.8%
margin	31.2%	33.9%	+2.7 p.p.
Net Income	28	55	+97.6%
net margin	12.7%	19.1%	+6.4 p.p.

REVENUE BREAKDOWN



Source: Company data.

COMMENTARY

Astarta beat our forecast, posting earnings per share of PLN 10.05 in 1H23. Our base case scenario envisages that the company will have earnings per share of PLN 14.12 for the full year of 2023. This means that the AST stock now trading at a forward-looking P/E of just 2.3x and EV/EBITDA of 1.7x.

The company’s core revenue from the sugar segment increased mostly thanks to a 25% rise in the benchmark global sugar price this year. In other business segments, Astarta managed to deliver growth due to high sales volumes. In particular, the company’s corn sales increased by 23% YoY to 286,000 tonnes in 1H23.

Quotes for Astarta have surged by 64% from PLN 20.4 to PLN 33.4 since the start of the year and still have a visible upside. The stock had 52-week low at PLN 19.2 in November 2022 and registered a 52-week high of PLN 37.7 in July 2023.

QUOTES AND MULTIPLES

	Ticker	Today, UAH*	Absolute performance		MCap USD mn	EV USD mn	Free float	P/E		EV/EBITDA		EV/Sales
			1W	YtD				2022	2023E	2022	2023E	2023E
UX Index	UX	1570	0.1%	0.3%								
Iron Ore Mining												
Ferrexpo	FXPO	76.5	0.0%	-51.4%	576	445	25.5%	2.6	7.2	0.6	3.2	0.6
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	14.1	-0.3%	27.8%	43	2	5.0%	neg	8.2	neg	0.2	0.0
Specialized Machinery												
Turboatom	TATM	4.1	0.0%	53.3%	46	43	3.8%	>50x	14.1	4.5	2.9	1.3
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	12.5	0.0%	-19.9%	50	-27	21.6%	0.9	1.3	--	--	--
Power Utilities												
Centrenergo	CEEN	4.89	1.9%	22.0%	48	48	21.7%	neg	17.4	neg	4.3	0.1
Donbasenergo	DOEN	26.15	13.7%	98.9%	16	16	0.0%	neg	neg	neg	neg	0.1
Agro sector												
MHP	MHPC	3.75	0.0%	0.0%	401	1584	33.7%	neg	2.9	4.1	3.9	0.6
Kernel (FY21, FY22, FY23E)	KER	11.02	-6.2%	-37.2%	206	1254	61.8%	neg	0.4	5.7	1.7	0.3
Astarta	AST	33.45	5.7%	64.0%	197	349	37.0%	2.9	2.3	2.1	1.8	0.6
Agroton	AGT	2.78	-2.5%	-19.2%	15	-5	25.0%	neg	neg	--	--	--
Banks												
											Price/Book	Price/Assets
Raiffeisen Bank Aval	BAVL	0.290	0.0%	-3.3%	471		1.8%	10.9	3.4	1.0	0.8	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		
		2021	2022	2023E	2021	2022	2023E	2021	2022	2023E	2021	2022	2023E	2021	2022	2023E
Iron Ore Mining																
Ferrexpo	FXPO	2518	1248	750	1439	765	140	57.1%	61.3%	18.7%	871	220	80	34.6%	17.6%	10.7%
Railcar Manufacturing																
Kryukiv Wagon	KVBZ	94	78	85	-5	-1	10	-5.7%	-1.8%	11.8%	-8	-5	5	-9.0%	-6.8%	6.1%
Specialized Machinery																
Turboatom	TATM	55	28	33	22	10	15	40.7%	34.4%	45.8%	0	-2	3	0.5%	-5.6%	10.0%
Motor Sich	MSICH	338	200	109	90	40	37	26.5%	19.8%	33.5%	23	-7	6	6.9%	-3.6%	5.5%
Oil & Gas																
Ukrnafta	UNAF	1320	844	875	168	83	171	12.7%	9.8%	19.5%	91	22	112	6.9%	2.6%	12.8%
Regal Petroleum	RPT	121	131	120	78	86	82	64.4%	65.7%	68.3%	51	55	40	42.1%	41.9%	33.3%
Electric Utilities																
Centrenergo	CEEN	460	323	200	-33	-171	11	-7.1%	-53.0%	5.5%	-38	-224	3	-8.2%	-69.3%	1.4%
Donbasenergo	DOEN	128	142	101	-13	-4	4	-10.5%	-2.6%	4.3%	-16	-15	-5	-12.9%	-10.7%	-5.4%
Agro sector																
MHP	MHPC	2372	2642	2774	648	384	410	27.3%	14.5%	14.8%	393	-231	140	16.6%	-8.7%	5.0%
Kernel (FY21, FY22, FY23E)	KER	5595	5332	3600	806	220	720	14.4%	4.1%	20.0%	513	-41	480	9.2%	-0.8%	13.3%
Astarta	AST	590	538	628	242	163	199	41.0%	30.3%	31.7%	147	69	85	24.9%	12.8%	13.5%
Agroton	AGT	41	20	4	8	-6	-7	19.8%	neg	neg	4	-40	-10	8.7%	neg	neg
Banks																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	4829	4238	4124	571	466	578	348	314	381	179	43	139	31.3%	9.2%	24.1%

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

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