

Stock Market Update

Equity

The financial report of Ukrainian poultry producer MHP (MHPC) for the first half of the year didn't impress market players, causing the trading of the MHPC stock on the London Stock Exchange to drop by 2.6% over the week, to close at USD 3.39 per share. On the bright side, the company pleased creditors by announcing its readiness to redeem Eurobonds worth USD 500mn, due in May 2024. This demonstrates that MHP remains a disciplined borrower despite its substantial debt load of USD 1.54bn. The MHP-2024 Eurobonds are trading at an indicative price of 83 cents on the dollar (46% YTM). MHP-2026 Eurobonds saw an 11% increase in price to 64 cents on the dollar, yielding 30%.

Meanwhile, Ukraine's sovereign Eurobonds experienced a noticeable decline, possibly due to investor concerns about the future extent of financial aid from the US. A political crisis between Democrats and Republicans led the US Congress to approve only temporary funding for government expenses, covering a 45-day period. This legislation includes significant spending cuts, which means that funds for Ukraine's defense assistance won't be disbursed as originally planned. Ukraine-2034 Eurobonds dropped by 3.9% to 27 cents on the dollar, offering a conditional yield to maturity of 34%.

On the Ukrainian Exchange, indicative quotes for CentrEnergO (CEEN) remain at UAH 9.60. According to our assumptions, the sudden increase in the share prices of CentrEnergO in mid-September may be linked to expectations of a potential opportunity to sell these shares back to the issuer if shareholders vote against the resolutions proposed at the company's general meeting scheduled for October 20. Despite the current wording of these resolutions not meeting the criteria defined in the Ukrainian legislation as "the buyback option" it is not excluded that CentrEnergO is intentionally trying to "disguise" shareholders' decisions, which are essentially "significant transactions," to avoid repurchasing shares from shareholders who express a desire to vote against such resolutions and tender their shares for repurchase by the issuer.

Highlights

STOCKS IN THE NEWS

- > MHP Posts Net Profit of USD 67mn in 1H23 (EPS of USD 0.63)

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

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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	2145	3.1%	37.0%
RTS	1007	0.7%	3.8%
WIG20	1915	-1.7%	6.7%
MSCI EM	953	-1.1%	-0.4%
S&P 500	4288	-0.7%	11.7%

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	20.0%	0.0 p.p.	-5.0 p.p.
UAH 1-year bond	17.8%	0.0 p.p.	-0.7 p.p.
Ukraine-2026s	75.0%	4.2 p.p.	-6.7 p.p.
Ukraine-2034s	33.7%	1.3 p.p.	-11.7 p.p.

CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	38.00	-0.4%	-6.4%
EUR/UAH	40.70	-1.0%	-4.2%

Source: Eavex Capital

MHP Posts Net Profit of USD 67mn in 1H23 (EPS of USD 0.63)

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MHP (MHPC LI)

Price: USD 3.39 Market Cap: USD 363mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2022	0.2	0.5	neg	3.6	0.0%
2023E	0.2	0.5	3.5	3.4	0.0%

NEWS

Central-Ukraine-based, London-listed agro group MHP posted a net profit of USD 67mn in 1H23, compared to a net loss of USD 89mn in 1H22, according to the company's interim report released on Sept 25. EBITDA for the period grew by 42% YoY to USD 218mn as revenue rose by 35% YoY to USD 1.56bn due to a 52% YoY increase in export sales to USD 973mn. Export revenue accounted for 63% of MHP's total revenue in 1H23 compared to 56% back in 1H22. In 2Q23 alone, MHP earned USD 18mn in net profit (-10% YoY), and EBITDA of USD 101mn (-9% YoY) on revenue of USD 809mn (+36% YoY).

On the balance sheet side, MHP's total debt was USD 1.54bn as of 30 June 2023, with long-term debt representing 65% of the amount. This puts MHP's net debt-to-EBITDA ratio at 2.3x in 1H23, down from 3.2x at the start of the year.

MHP FINANCIALS						
USD mn	2Q22	2Q23	chg.	1H22	1H23	chg.
Net revenue	595	809	+36%	1,149	1,555	+35%
EBITDA	111	101	-9%	154	218	+42%
margin	18.7%	12.5%	-6.2 p.p.	13.4%	14.0%	+0.6 p.p.
Net profit (loss)	20	18	-10%	-89	67	-/+
net margin	3.4%	2.2%	-1.1 p.p.	-7.7%	4.3%	+12.1 p.p.

Source: Company data.

COMMENTARY

MHP's net profit for 1H23 was lower than expected and translates into USD 0.63 earnings per share. Earlier we had anticipated that the company would have EPS of USD 1.31 for FY23. Currently, we are revising this forecast to EPS of USD 0.98 as the company facing a negative momentum of lower global poultry prices. MHP said that it operated at a full production capacity, meaning that further sales growth is quite limited in the existing environment. Moreover, the company's performance in the agro segment was quite poor as the farming operations generated a loss of USD 27mn on the EBITDA level in 1H23. However, both the poultry segment and MHP's European subsidiary Perutnina Ptuj continued to deliver solid profits contributing USD 221mn and USD 38mn on the EBITDA level respectively in 1H23.

Meanwhile, MHP continued to invest in its assets spending USD 92mn on CAPEX in 1H23, and planning to invest about USD 100mn in 2H23. Importantly, MHP managed to generate net cash from operations of USD 274mn in 1H23 which comprised of USD 206mn generated precisely from operating activity and an additional USD 68mn from a release of working capital. On the other hand, later this year the company will need to invest in the working capital in order to prepare for the spring sowing campaign.

In terms of debt management, MHP initiated a tender offer for its USD 500mn aggregate principal amount of outstanding 7.75% notes due in May 2024. The company said it had reached an agreement in principle with several international creditors for USD 400mn to finance the tender offer for Eurobonds due next year.

The London-listed MHPC stock declined after the publication of 2Q23 financial results. The MHPC stock dropped by 2.6% last week to USD 3.39.

The indicative quotes for MHP-2026 Eurobonds were at 64.1 (30% YTM).

QUOTES AND MULTIPLES

	Ticker	Today, UAH*	Absolute performance		MCap USD mn	EV USD mn	Free float	P/E		EV/EBITDA		EV/Sales 2023E
			1W	YtD				2022	2023E	2022	2023E	
UX Index	UX	2145	3.1%	37.0%								
Iron Ore Mining												
Ferrexpo	FXPO	76.2	-2.5%	-51.6%	556	425	25.5%	2.5	6.9	0.6	3.0	0.6
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	14.9	0.0%	35.3%	45	4	5.0%	neg	8.6	neg	0.4	0.1
Specialized Machinery												
Turboatom	TATM	9.5	42.4%	251.9%	106	103	3.8%	>50x	32.2	10.6	6.8	3.1
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	12.5	0.0%	-19.9%	49	-29	21.6%	0.9	1.2	--	--	--
Power Utilities												
Centrenergo	CEEN	9.60	0.0%	139.6%	93	93	21.7%	neg	34.1	neg	8.5	0.1
Donbasenergo	DOEN	40.00	0.0%	204.2%	25	25	0.0%	neg	neg	neg	neg	0.1
Agro sector												
MHP	MHPC	3.39	-2.6%	-9.6%	363	1400	33.7%	neg	3.5	3.6	3.4	0.5
Kernel (FY21, FY22, FY23E)	KER	6.98	1.3%	-60.2%	468	1516	61.8%	neg	1.0	6.9	2.1	0.4
Astarta	AST	30.30	-3.8%	48.5%	169	321	37.0%	2.5	2.0	2.0	1.6	0.5
Agroton	AGT	2.84	-2.4%	-17.4%	14	-6	25.0%	neg	neg	--	--	--
Banks												
Raiffeisen Bank Aval	BAVL	0.280	0.0%	-6.7%	453		1.8%	10.5	3.2	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	105	16.6%	-8.7%	3.8%
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	4211	571	466	591	348	314	389	179	43	142	31.3%	9.2%	24.1%

Source: Eavex Research

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