

Stock Market Update

Equity

In the global financial markets, there is a certain optimism among investors, leading to a further decline in the yield of U.S. government bonds and an increase in major stock market indices. The yield on 10-year U.S. bonds is currently at 4.46%, and the S&P500 index has gained 17% since the beginning of the year.

Commodity markets are experiencing a period of high volatility in oil prices once again. Brent crude oil futures fell to USD 75 per barrel in the middle of last week and sharply rebounded to USD 81 per barrel. On November 26, the OPEC+ meeting is scheduled, where Saudi Arabia may announce its intention to reduce oil production to support higher prices. In the last month, oil prices have fallen by 9%.

Ukrainian companies trading on foreign exchanges have shown mixed dynamics in their quotations. Ferrexpo (FXPO) rose by 4.6% to GBp 80.6 (MCap of USD 603mn), while the shares of Astarta (AST) fell by 2.9% to PLN 28.6 (MCap of USD 173mn). Milkiland (MLK) shares also experienced a 2.9% decrease to PLN 0.67 (MCap of USD 5 mn).

Kernel (KER) rose by 1.7% to PLN 7.24 (MCap of USD 528mn) following the announcement that the company's main shareholder purchased 762 thousand shares for approximately USD 1.4mn on the over-the-counter market. According to our calculations, the main shareholder's stake in the voting shares of Kernel has reached 94.2%. The delisting process of Kernel from the Warsaw Stock Exchange is currently underway. A group of minority shareholders has already filed lawsuits to overturn the delisting decision.

On the interbank foreign exchange market, the National Bank continues to maintain the hryvnia exchange rate in a narrow corridor of 36.1 - 36.3 UAH/USD. The regulator sold USD 720mn from reserves during the week. Meanwhile, on the cash market, the dollar exchange rate rose by 0.7% to 37.3/37.8 UAH/USD (bid/ask).

Highlights

POLITICS AND ECONOMICS

- Ukraine Claims Counteroffensive Success East of Kherson City

STOCKS IN THE NEWS

- MHP Reports Net Profit of USD 122mn in 9M2023 Implied EPS of USD 1.14

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

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	1836	-2.0%	17.2%
RTS	1122	1.4%	15.6%
WIG20	2228	4.1%	24.2%
MSCI EM	952	0.4%	-0.5%
S&P 500	4514	2.2%	17.6%

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	16.0%	0.0 p.p.	-9.0 p.p.
UAH 1-year bond	17.3%	0.0 p.p.	-1.2 p.p.
Ukraine-2026s	78.9%	2.0 p.p.	-2.8 p.p.
Ukraine-2034s	36.7%	1.5 p.p.	-8.7 p.p.

CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	37.75	0.7%	-7.0%
EUR/UAH	40.90	1.2%	-3.8%

Source: Eavex Capital

Ukraine Claims Counteroffensive Success East of Kherson City

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NEWS

Ukraine's military issued a statement on Friday (Nov 17) claiming that forces from three brigades have advanced up to 10km east of the Dnipro River into occupied areas of Kherson province in the south of the country, in an effort aimed at stopping Russian forces from firing artillery across the river at Kherson city. Meanwhile, a statement from the Russian occupying administration of Kherson said that Ukrainian personnel have taken positions in the village of Kryнки, around 30km upriver from the provincial capital. Kherson city was recaptured by Ukraine exactly one year ago in November 2022 after 8 months of Russian occupation, but a large part of the province east and south of the city remains in Russian hands. The Financial Times reported that Ukraine's general staff said forces have been conducting successful reconnaissance raids and actions, gathering intelligence on enemy supply routes and destroying Russian positions and equipment. Pro-Russian sources have also confirmed heavy fighting east of the river in recent days.

COMMENTARY

We are unsure of the military significance of Ukraine's foray into occupied territory in Kherson, which is located far to the west of the main thrust of the counteroffensive in neighboring Zaporizhia province. The Financial Times wrote, citing an un-named Western official, that the number of Ukrainian troops involved likely numbers in the hundreds, rather than in the thousands. Of course, forcing Russian artillery out of range of Kherson city would be a major positive development for the city's security, just as the recapture of Kherson itself last year had the immediate benefit of sparing the neighboring city of Mykolayiv (40 km to the west) from further Russian bombardment. The current Western consensus is that Ukraine's 2023 counteroffensive has failed to reach its minimum objective of making a substantial advance southward toward the Azov seacoast. What there is no Western consensus on, however, is how to proceed further. Western analysts are currently divided on whether Ukraine should seek a ceasefire that would effectively cement Russian gains, or double down on trying to recover territory in a strategy that would risk degrading defensive capabilities and open up the possibility of further territorial losses. Thus far, the government of President Zelenskiy has shown no public signs of backing away from the latter position.

MHP Reports Net Profit of USD 122mn in 9M2023 Implied EPS of USD 1.14

by Dmitry Churin
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MHP (MHPC LI)

Price: USD 3.33 Market Cap: USD 356mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2022	0.2	0.6	neg	3.8	0.0%
2023E	0.2	0.5	3.4	3.6	0.0%

NEWS

London-listed, central-Ukraine-based MHP (MHPC) reported that its net profit was USD 122mn in 9M2023 implying earning per share of USD 1.14, compared to a net loss of USD 269mn in 9M2022. According to the financial statement published on November 16, MHP's net revenue increased by 22% YoY to USD 2.29bn in 9M2023 and EBITDA rose by 20% YoY to USD 329mn.

On a quarterly basis, MHP said that revenue grew by 2% YoY to USD 739mn in 3Q2023 while EBITDA declined by 8% YoY to USD 111mn (EBITDA margin of 15%). The company's net profit was USD 55mn in 3Q2023 (EPS of USD 0.51) compared to a net loss of USD 180mn back in 3Q2022 due to the hryvnia devaluation last year.

On the balance sheet side, MHP's total debt was USD 1.55bn as of 30 Sept 2023. The Net Debt/EBITDA ratio was 2.5x as of 30 Sept 2023, improving notably from 3.2x at the start of the year.

MHP FINANCIALS

USD mn	3Q2022	3Q2023	chg.	9M2022	9M2023	chg.
Net revenue	727	739	+2%	1,876	2,294	+22%
EBITDA	121	111	-8%	275	329	+20%
margin	16.6%	15.0%	-1.6 p.p.	14.7%	14.3%	-0.3 p.p.
Net Income	-180	55	-/+	-269	122	-/+
net margin	-24.8%	7.4%	+32.2 p.p.	-14.3%	5.3%	+19.7 p.p.

Source: Company data.

COMMENTARY

The company's reported net profit of USD 55mn for 3Q2023 beat our expectations. However, we leave unchanged our forecast for the full-year profit at USD 105mn as the company's bottom line could suffer from a potential hryvnia devaluation in 4Q2023 which will result in non-cash foreign translation losses for MHP.

It is important to note that MHP continued to invest in the company's further development with CapEx this year has already amounted to USD 158mn compared to USD 107mn a year ago. The company reported that it held USD 446mn in cash at the end of September. Part of the cash was accumulated for repurchasing of MHP's Eurobonds maturing in May 2024. The company made a buyback offer with a price of 85 cents on the dollar for its 2024 Eurobonds, managing to purchase USD 150mn out of the USD 500mn outstanding nominal amount of the issue.

The MHPC stock has a muted reaction to the latest financial report with the quotes edging down by 0.9% to USD 3.33. The MHPC stock has declined by 11% this year. The company currently valued at USD 356mn implying a forward-looking P/E of 3.4x. Currently, we think that MHP stock has a limited upside due to the company's quite heavy debt burden and almost full capacity utilization of poultry production facilities.

MHP-2026 outstanding Eurobonds are traded at 72 cents on the dollar providing a solid 24% yield to maturity.

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	1836	-2.0%	17.2%								
Iron Ore Mining												
Ferrexpo	FXPO	80.6	4.6%	-48.7%	603	472	25.5%	2.7	7.5	0.6	3.4	0.6
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	14.9	0.0%	35.3%	45	5	5.0%	neg	8.7	neg	0.5	0.1
Specialized Machinery												
Turboatom	TATM	6.2	0.0%	130.7%	70	67	3.8%	>50x	21.2	6.9	4.4	2.0
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	12.5	0.0%	-19.9%	50	-27	21.6%	0.9	1.2	--	--	--
Power Utilities												
Centrenergo	CEEN	6.50	-7.1%	62.2%	64	63	21.7%	neg	23.3	neg	5.8	0.1
Donbasenergo	DOEN	19.00	-20.8%	44.5%	12	12	0.0%	neg	neg	neg	neg	0.1
Agro sector												
MHP	MHPC	3.33	-0.9%	-11.2%	356	1457	33.7%	neg	3.4	3.8	3.6	0.5
Kernel (FY21, FY22, FY23E)	KER	7.24	1.7%	-58.7%	528	1576	61.8%	neg	1.1	7.2	2.2	0.4
Astarta	AST	28.55	-2.9%	40.0%	173	326	37.0%	2.5	2.0	2.0	1.6	0.5
Agroton	AGT	2.97	-1.0%	-13.7%	16	-4	25.0%	neg	neg	--	--	--
Banks												
											Price/Book	Price/Assets
Raiffeisen Bank Aval	BAVL	0.280	0.0%	-6.7%	456		1.8%	10.6	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	1250	1203	211	-72	171	16.0%	-5.7%	14.2%	91	-141	112	6.9%	-11.3%	9.3%
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																
Centrenergy	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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