

## Trends

The value of Ukrainian sovereign Eurobonds dropped on the secondary market over the week signalling that investors have no clear vision of the endgame in the Russian invasion of Ukraine. Since Moscow started the war on February 24, the number of refugees fleeing violence has reached nearly 5.2mn. About 2.9mn refugees have fled into Poland, more than 750,000 fled into Romania and 490,000 into Hungary from Ukraine.

US Secretary of Defense Lloyd Austin after visiting Kyiv said that he believed Ukraine could win the war, if it had the “right equipment” and “right support.” The US has already committed around USD 3.7bn in security assistance to the country. Meanwhile, Russian forces will likely increase the scale of ground offensive operations in the coming days, but it is too soon to tell how fast they will do so or how large those offensives will be.

On the economic front, the fall in tax revenues in Ukraine by more than half due to the war unleashed by Russia causes a budget deficit of USD 5 bn per month and the need for its external support. Possible instruments to support Ukraine includes a special account administered by the IMF, a World Bank multi-donor trust fund, and an EU Trust Fund for Solidarity.

Indicative quotes for the benchmark 1-year Ukrainian Eurobond fell 10% to 30.7 (30.3 YTM) and Ukraine-26s issue dropped by 11.5% to 33.9 (46.4% YTM). The VRI derivatives (linked to Ukraine’s future GDP growth with expiration in 2040) decreased by 7.4% to 25 cents on the dollar.

Among corporate Eurobonds, DTEK Energy-27s suffered the most, plunging by 14.3% over the week to just 9.6 cents on the dollar (93.2% YTM). In contrast, MHP-26s rose by 3.5% to 50.8 (30.5% YTM) after the company reported better than expected operating results for 1Q22.

The Finance Ministry was offering USD and EUR denominated special bonds at the primary auction held on Apr 19, raising rather moderate proceeds of USD 82mn at 3.7% and EUR 33mn at 2.5%. Demand for UAH-denominated special bonds at the offered yield of 11% was small. Local and foreign investors can purchase the special Ukrainian bond through licensed brokers or banks.

On the cash currency market, hryvnia exchange rate was 31.00 - 32.20 UAH/USD (bid/ask) last week.

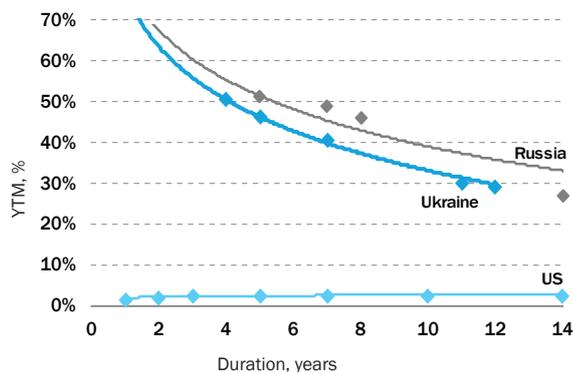
The National Bank of Ukraine has opened a special fundraising account to support the Armed Forces of Ukraine. Please find more at the National Bank’s official website under the link below:

[www.bank.gov.ua/en/news/all/natsionalniy-bank-vidkriv-spetsrahunok-dlya-zboru-koshtiv-na-potrebi-armiyi](http://www.bank.gov.ua/en/news/all/natsionalniy-bank-vidkriv-spetsrahunok-dlya-zboru-koshtiv-na-potrebi-armiyi)

The National Bank also opened fundraising account for Humanitarian Assistance to Ukrainians. Please see details under the link below:

[www.bank.gov.ua/en/news/all/natsionalniy-bank-vidkriv-rahunok-dlya-gumanitarnoyi-dopomogi-ukrayintsyam-postrajdalim-vid-rosiyskoyi-agresiyi](http://www.bank.gov.ua/en/news/all/natsionalniy-bank-vidkriv-rahunok-dlya-gumanitarnoyi-dopomogi-ukrayintsyam-postrajdalim-vid-rosiyskoyi-agresiyi)

## SOVEREIGN BOND YIELD CURVES



Source: Bloomberg, Eavex Capital

## FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	10.0%	0.0 p.p.	+1.0 p.p.
UAH 1-year war bond	11.0%	0.0 p.p.	0.0 p.p.
Ukraine-2026	46.4%	6.9 p.p.	37.5 p.p.
Ukraine-2032	30.3%	2.7 p.p.	21.1 p.p.

## CURRENCY

	Last, UAH	1W chg.	YTD
USD/UAH	31.90	0.9%	16.8%
EUR/UAH	34.36	0.7%	11.0%

Source: Eavex Capital

## Highlights

- Putin Reported to Have “Lost Interest” in Peace Talks as Blinken, Austin Visit Kyiv
- Kernel Reports Mixed Operational Results for Jan-Mar; Grain Exports Up 17% YoY to 2.1mn tonnes
- MHP Surprises with 3% YoY Growth in Poultry Sales Volume in 1Q22

## Putin Reported to Have “Lost Interest” in Peace Talks as Blinken, Austin Visit Kyiv

by Will Ritter  
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### NEWS

The top US officials for diplomacy and defense, Tony Blinken and Lloyd Austin, met late on Sunday evening of Orthodox Easter (Apr 24) in Kyiv with President Zelenskiy, US media reported. However, the officials made no public appearances, and no details about the meeting were immediately made available by either side. It was unclear whether the US officials had arrived by train or by air (Ukraine’s airspace is nominally closed). Zelenskiy had surprisingly revealed the visit a day in advance on Saturday (Apr 23), with an announcement that was met by silence from Washington. Meanwhile, the Financial Times reported on Sunday that Russian President Putin has “lost interest” in peace talks after Zelenskiy “put up a wall” of refusing to meet Moscow’s initial demands. The article stated that Putin has now refocused his aims on grabbing as much Ukrainian territory in eastern and southern Ukraine as possible. The most recent peace talks were held 4 weeks ago in Istanbul.

### COMMENTARY

The total media blackout on the Blinken-Austin visit comes in sharp contrast to the recent trips to Kyiv of European Council President Charles Michel and British PM Boris Johnson, both of whom met Zelenskiy in broad daylight and went on tours with him in Kyiv and its suburbs. Ukrainian domestic media also generally ignored the US officials’ visit, focusing instead on the Easter holiday and on the situation in the besieged southeastern city of Mariupol. Reading between the lines, we could infer that perhaps all is not well in relations between Washington and Kyiv at the moment; the Zelenskiy government has repeatedly called for weapons deliveries to be stepped up, and it is unclear at what level the US is satisfying these increasingly shrill requests. There was a widely circulated report last week that a top Russian general had stated Moscow’s intent to create a corridor all the way across southern Ukraine to the Russian separatist enclave of TransDnistrovia in Moldova. However, Western military analysts quickly refuted the Russian army’s current ability to carry out such a move. After another week, the 8th of the Russian invasion, the possible endgame is still unclear, with Russia having substantially added to the Ukrainian land under its control prior to the start of the war in February, and Zelenskiy still insisting that he will never cede even the Donbass separatist republics that were seized by Russia back in 2014, let alone any newly-captured territory.

## Kernel Reports Mixed Operational Results for Jan-Mar; Grain Exports Up 17% YoY to 2.1mn tonnes

by Dmitry Churin  
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### NEWS

Warsaw-listed Kernel Holding, Ukraine's largest sunflower oil producer and exporter, said its grain export volumes grew by 17% YoY to 2.14mn tonnes in the January-March quarter (3Q22 in the company's July-to-June reporting calendar), according to an operational update published on Apr 22. In other business segments, Kernel's sunflower oil sales fell 28% YoY to 269,000 tonnes as oilseeds processing dropped by 38% YoY in the period. For the 9 months ending Mar 31, Kernel's sunflower oil sales volume decreased by 17% YoY to 906,000 tonnes. The company's grain export volumes from Ukraine increased by 24% YoY to 7.85mn tonnes in the 9 months ending Mar 31 and export terminal throughput rose by 15% YoY to 7.27mn.

KERNEL OPERATIONAL UPDATE						
Volume	3Q FY21	3Q FY22	Change	9M FY21	9M FY22	Change
Grain export, tonnes	1,824,186	2,136,366	+17%	6,345,179	7,846,245	+24%
Sunflower oil sales, tonnes	371,937	269,162	-28%	1,093,519	906,374	-17%
Oilseed crush, tonnes	901,618	562,821	-38%	2,565,523	2,030,559	-21%
Export terminals throughput, tonnes	2,056,780	2,077,278	+1%	6,308,233	7,846,245	+24%

Source: Companies' data

### COMMENTARY

Kernel's grain exports result has not reflected suspension of the seaports operation in Ukraine due to the Russian full-scale military invasion. The company said it was working on developing alternative exports routes. So the rise in grain exports was solely due to strong deliveries in January and February while in March there was no grain export. Kernel's facilities have not been significantly damaged by the war yet but the company has only limited access to its two crushing plants located on the frontline. Grain from external suppliers constituted 77% of the company's export volume over the reporting period, and the remaining was produced by Kernel's farming segment. Kernel's market share in grain export from Ukraine reached 18% in the July-March reporting period.

The company announced that it will release its 9M22 financial results (ended in March) on May 27. We forecast that Kernel will report a net profit of USD 82mn for the Jan-Mar quarter implying earnings per share of PLN 4.20 for the quarter.

Kernel's share price on the Warsaw Stock Exchange closed at PLN 30.92 on Friday (Apr 22). The stock's 52-week high was at PLN 64.10 in October, and the low was at PLN 18.80 in March.

The company's outstanding Eurobonds with maturity in 2027 are traded at 53.0 cents on the dollar implying a yield of 22.4%.

## MHP Surprises with 3% YoY Growth in Poultry Sales Volume in 1Q22

by Dmitry Churin  
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### NEWS

London-listed, central-Ukraine based MHP (MHPC), Ukraine's largest poultry producer, reported that its poultry sales volume grew by 3% YoY to some 159,000 tonnes in 1Q22, according to the company's operational update published on Apr 22. MHP said that achieved pricing for its poultry rose by 28% YoY in USD terms to USD 1.84 per kg in the period.

MHP's overall production volume of chicken meat in 1Q22 increased by 5% YoY to 175,600 tonnes, despite a decrease in poultry capacity utilization from 100% to some 80-85% amid the Russian invasion of Ukraine.

In the vegetable oil segment, MHP had weak results, with sunflower oil sales volume dropping by 41% YoY to some 33,000 tonnes and soybean oil sales declined by 7% YoY to 10,400 tonnes in the quarter.

MHP OPERATIONAL UPDATE			
Poultry	1Q21	1Q22	Change
Sales volume, tonnes	155,002	159,024	+3%
Domestic	71,449	66,809	-6%
Exports	82,260	89,340	+9%
Price per 1 kg net VAT (USD)	1.43	1.84	+28%

Source: Companies' data

### COMMENTARY

MHP surprised us with better than expected sales volumes in 1Q22 as the Russian war caused significant logistical and infrastructure challenges in Ukraine. MHP faced disruption in its export sales after the seaports were closed. Therefore, we assume that the 9% YoY growth in export sales volumes was primarily achieved before the war. Currently, the company is developing alternative logistic routes for exports.

On the pricing side, a significant 28% YoY increase in MHP's average poultry price in 1Q22 should help to deal with rising soft commodities and fuel prices. However, the hryvnia devaluation and the difficult operational environment amid the war will lead to losses for MHP, in our opinion. We forecast, that MHP will report USD 80mn in net loss for 1Q22. MHP's financial results for 1Q22 are due for release on May 19.

The low-liquidity London-listed MHPC stock peaked at USD 8.26 in November and since then tumbled to USD 4.25. The stock's bottom point was at USD 3.30 in late March. Although the company continues to operate in this very challenging environment, we project it would be unable to be profitable this year. Moreover, MHP's significant debt burden of USD 1.45bn will put pressure on the company's financial position. We assume that MHP's net debt to EBITDA ratio will worsen from 2.1x to 4.6x.

MHP-2026 outstanding Eurobonds are quoted at 50.8 (30.5% YTM) after bottoming at 29.3 cents on the dollar in March.

SELECTED UKRAINIAN EURO BONDS								
Issue	Indicative Price	Price change since Mar 7	YTM, %	Coupon	Maturity Date	Volume USD mn	Currency	Ratings <sup>1</sup>
<b>Sovereign Eurobonds</b>								
Ukraine, 2022	56.9	-3.7%	421.7%	7.75%	1 Sept 2022	1,384	USD	//
Ukraine, 2026	33.9	-11.5%	46.4%	7.75%	1 Sept 2026	1,318	USD	//
Ukraine, 2028	34.0	-5.6%	40.8%	9.75%	1 Nov 2028	1,600	USD	//
Ukraine, 2032	30.7	-10.0%	30.3%	7.38%	25 Sept 2032	3,000	USD	//
Ukraine, GDP-linked	25.0	-7.4%			31 May 2040	3,214	USD	//
<b>Corporate Eurobonds</b>								
MHP, 2026	50.8	3.5%	30.5%	6.95%	4 Apr 2026	550	USD	//
Kernel, 2027	53.0	-0.6%	22.4%	6.75%	27 Oct 2027	300	USD	//
DTEK Energy, 2027	9.6	-14.3%	93.2%	5.00%	31 Dec 2027	1,645	USD	//
Metinvest, 2026	49.2	9.6%	35.1%	8.50%	23 Apr 2026	648	USD	//
Metinvest, 2029	23.0	0.0%	46.0%	7.75%	17 Oct 2029	500	USD	//
NaftoGaz, 2024	22.8	14.0%	116.3%	7.125%	19 Jul 2024	600	EUR	//
Ukrainian Railways	27.5	10.9%	101.8%	8.25%	9 Jul 2024	500	USD	//
<b>Bank Eurobonds</b>								
UkrEximBank, 2023	31.8	-1.2%	343.0%	9.00%	9 Feb 2023	125	USD	//
UkrEximBank, 2025	20.0	0.0%	112.0%	9.75%	22 Jan 2025	600	USD	//
Oschadbank, 2023	28.9	0.7%	343.0%	9.38%	10 Mar 2023	700	USD	//

<sup>1</sup> Moody's/S&P/Fitch

Source: Boerse-Berlin, Boerse-Stuttgart. cbonds, TR Data, Eavex Research

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