

## Trends

Indicative quotes for Ukrainian sovereign Eurobonds ended lower last week following news that additional Russian forces were deploying to Ukraine as part of the military invasion.

On the political side, US House Speaker Nancy Pelosi met with Ukrainian President Volodymyr Zelensky in Kyiv on Saturday (Apr 30), reassuring that the United States is a leader in support of Ukraine. President Joe Biden unveiled a massive USD 33bn spending package that would provide military and humanitarian aid to Ukraine and asked Congress to swiftly approve funds to help Kyiv in what may be a decisive phase in its war with Russia.

The benchmark 10-year Ukrainian Eurobond declined by 3.3% to 29.7 (31.2% YTM). The short-term Ukraine-24s issue traded at 33.6 (80.3% YTM). The VRI derivatives (linked to Ukraine's future GDP growth with expiration in 2040) rose by 12% to 28 cents on the dollar.

In corporate Eurobonds, DTEK Energy-27s rebounded by 36% to 13.1 (75% YTM) after plunging by 14% over the preceding week. Eurobonds of the state-owned Ukrainian Railways (RAILUA-24s) decreased by 2.5% to 26.8 (104% YTM).

The Finance Ministry reported that it raised UAH 13bn through a regular domestic bond placement on Apr 26. The 3-month issue has a yield of 9.5% and the 14-month bond has a yield of 11%. Meanwhile, the National Bank admitted that it had purchased UAH 50bn in the special domestic bond in April performing a kind of direct national budget support amid the war. Local and foreign investors can purchase the special Ukrainian bond through licensed brokers or banks.

The hryvnia devaluated by roughly 5% last week on the cash market to 33.50 UAH/USD. The country has imposed strict capital controls effectively freezing the official hryvnia exchange rate at 29.25 UAH/USD and creating some form of the over-the-counter currency market.

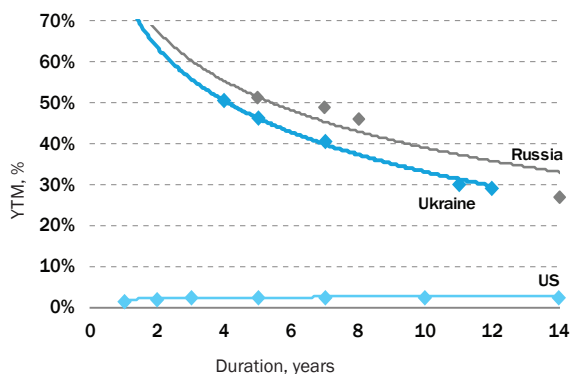
The National Bank of Ukraine has opened a special fundraising account to support the Armed Forces of Ukraine. Please find more at the National Bank's official website under the link below:

[www.bank.gov.ua/en/news/all/natsionalniy-bank-vidkriv-spetsrahnok-dlya-zboru-koshtiv-na-potrebi-armiyi](http://www.bank.gov.ua/en/news/all/natsionalniy-bank-vidkriv-spetsrahnok-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-ukrayintyam-postrajdalim-vid-rosiyskoyi-agresiyi](http://www.bank.gov.ua/en/news/all/natsionalniy-bank-vidkriv-rahunok-dlya-gumanitarnoyi-dopomogi-ukrayintyam-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	48.2%	1.8 p.p.	39.3 p.p.
Ukraine-2032	31.2%	0.9 p.p.	22.0 p.p.

## CURRENCY

	Last, UAH	1W chg.	YTD
USD/UAH	33.50	5.0%	22.6%
EUR/UAH	35.18	2.4%	13.6%

Source: Eavex Capital

## Highlights

- Kernel Divesting 134,000 ha of Farmland for USD 210mn to Prop Up Liquidity Amid the War

## Kernel Divesting 134,000 ha of Farmland for USD 210mn to Prop Up Liquidity Amid the War

by Dmitry Churin  
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### NEWS

Kyiv-based, Warsaw-listed sunflower oil giant and crop grower Kernel decided to divest 134,000 ha of farmland with related farming infrastructure, machinery and working capital to de-risk the business and improve the mid-term liquidity amid the Russian invasion of Ukraine. The company highlighted the uncertainty regarding the timing and ability to resume the soft commodity exports via Ukrainian Black Sea ports and prospects that the future financial performance of the farming business would be reduced significantly.

The initiated formal sale process gained no traction from local and international investors considering the present operational environment in Ukraine. As a result, Kernel's Chairman of the Board Andrii Verevskyi purchased the offered farmland for USD 210mn by himself. Mr. Verevskyi is Kernel's largest shareholder with a 39% stake. The transaction was approved by Kernel's Board of Directors with all directors including 3 independent non-executive directors voting in favor of the transaction after giving due consideration to the price offered and the impact of the transaction on the company. The Chairman of the Board abstained from the voting due to the declared conflict of interests. The completion of the transaction is conditional upon obtaining consent from some of Kernel's creditors and relevant regulatory requirements.

### COMMENTARY

Kernel said that Andrii Verevskyi acted as the investor of last resort to support the company in the current circumstances. Kernel had a net debt of USD 1.55bn as of 31 Dec 2021 acknowledging that marketable inventories stood at USD 1.36bn on the same date. Taking into account Ukrainian seaports suspended operations, Kernel faced an extreme challenge in exporting grain and sunflower oil. The company admitted that its current export volumes dropped by 10x from what the company exported before the Russian invasion of Ukraine.

In terms of the price of the deal, it is unclear whether the valuation of the divested assets could be made properly amid the ongoing war. However, the company pointed to the argument that the buyer will pay a material premium as compared to Kernel's market capitalization of USD 575mn a day before the deal was unveiled. The market had a NEGATIVE reaction to the news and the KER stock dropped by 15% last week to PLN 26.16 implying MCap of USD 484mn. The company had a land bank of some 510,000 ha in Ukraine before the deal. We assume, that in the long-term divestment of the farmland would have a deteriorating effect on Kernel's overall value chain. However, the factor of war in Ukraine makes it impossible to assess the actual impact of the asset divestment on the company's current financial situation.

Quotes for Kernel-27s Eurobond were unchanged over the week at 53 cents on the dollar implying a yield of 22.4%.

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	53.5	-6.0%	549.0%	7.75%	1 Sept 2022	1,384	USD	//
Ukraine, 2026	32.7	-3.5%	48.2%	7.75%	1 Sept 2026	1,318	USD	//
Ukraine, 2028	32.0	-5.9%	43.3%	9.75%	1 Nov 2028	1,600	USD	//
Ukraine, 2032	29.7	-3.3%	31.2%	7.38%	25 Sept 2032	3,000	USD	//
Ukraine, GDP-linked	28.0	12.0%			31 May 2040	3,214	USD	//
<b>Corporate Eurobonds</b>								
MHP, 2026	50.8	0.0%	30.7%	6.95%	4 Apr 2026	550	USD	//
Kernel, 2027	53.0	0.0%	22.4%	6.75%	27 Oct 2027	300	USD	//
DTEK Energy, 2027	13.1	36.5%	75.0%	5.00%	31 Dec 2027	1,645	USD	//
Metinvest, 2026	49.0	-0.4%	33.5%	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	0.0%	117.5%	7.125%	19 Jul 2024	600	EUR	//
Ukrainian Railways	26.8	-2.5%	104.5%	8.25%	9 Jul 2024	500	USD	//
<b>Bank Eurobonds</b>								
UkrEximBank, 2023	31.7	-0.3%	360.0%	9.00%	9 Feb 2023	125	USD	//
UkrEximBank, 2025	20.0	0.0%	114.0%	9.75%	22 Jan 2025	600	USD	//
Oschadbank, 2023	29.3	1.4%	349.0%	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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