

## Stock Market Update

### Equity

The Ukrainian Finance Ministry has unveiled a strategy to roll over domestic debt, both in hryvnia and in foreign currency. The government encourages investors to reinvest their proceeds from Ukrainian bonds into new bonds. The National Bank has already announced that it would allow the repatriation of proceeds from all bonds that mature after April 2023. Currently, the Finance Ministry is offering a yield ranging from 9.5% to 11.5% for the special UAH-denominated government bonds. Local and foreign investors can purchase the special Ukrainian bond through licensed brokers or banks.

On the political front, the European Commission has backed Ukraine to become a candidate for EU membership. But leaders of EU countries will then have the final say at a summit in Brussels on 23-24 June. However, the candidate's status is more of a symbolic gesture. It does not entitle Ukraine to more EU funds and does not also mean that accession negotiations will begin in earnest.

On the stock market, there was a clear downward momentum after the Fed raised its key policy rate by 75 bps bringing the federal funds rate to between 1.5% and 1.75%. So far the Fed's actions have caused stocks to fall and made borrowing much more expensive. The S&P500 index dropped by 5.8% last week (-23% YTD).

Among Ukrainian equities listed abroad, Kernel (KER) plunged by 23.2% over the week to PLN 20.52 and MHP (MHPC) fell 12.8% to USD 4.10. Ukrainian natural gas producer Enwell Energy (former Regal) decreased by 7.8% to GBp 26.6.

On the Ukrainian stock market trading in stocks and bonds remained suspended as the country is under martial law.

The hryvnia declined by 1% to 35.6 UAH/USD on the OTC cash market.

## Highlights

### POLITICS AND ECONOMICS

- Ukraine Set for EU Candidate Status as Russia Renews Attacks on Kharkiv

### STOCKS IN THE NEWS

- MHP Has Net Loss of USD 122mn in 1Q22 while EBITDA Declines by 19% to USD 46mn

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](http://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](http://www.bank.gov.ua/en/about/humanitarian-aid-to-ukraine)

[www.eavex.com.ua](http://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](http://www.u24.gov.ua)

### MARKET INDEXES

	Last	1W ch	YTD
UX	n/a	n/a	n/a
RTS	1315	3.7%	-17.6%
WIG20	1677	-2.8%	-26.0%
MSCI EM	1004	-4.7%	-18.5%
S&P 500	3675	-5.8%	-22.9%

### FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	25.0%	0.0 p.p.	+16.0 p.p.
UAH 1-year war bond	11.0%	0.0 p.p.	0.0 p.p.
Ukraine-2026	50.7%	6.8 p.p.	41.8 p.p.
Ukraine-2032	30.1%	2.8 p.p.	20.9 p.p.

### CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	35.60	1.0%	30.3%
EUR/UAH	37.40	1.0%	20.8%

Source: Eavex Capital

## Ukraine Set for EU Candidate Status as Russia Renews Attacks on Kharkiv

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### NEWS

The European Commission on Friday (Jun 17) recommended that Ukraine receive the official status of a candidate for membership in the 27-nation European Union bloc. The announcement followed a joint visit on Thursday (Jun 16) by the respective leaders of France, Germany, and Italy - Emmanuelle Macron, Olaf Scholz, and Mario Draghi - to Kyiv during which each expressed solidarity with Ukraine against the ongoing Russian aggression. Ukraine's candidate status is expected to be formally approved next at an EU summit, despite some reservations among a few of the 27 member states. Moldova was approved for candidate status along with Ukraine, while the Commission stopped short of making the same offer to Georgia. Meanwhile, in military developments, Russian forces renewed artillery strikes against areas of Kharkiv on Sunday (Jun 19) after more than a month of relative inactivity in the northeastern area of the front, and Interior Ministry official Vadim Denysenko told domestic media that Russia "is trying to make Kharkiv a frontline city again". Russia also made additional gains in Severodonetsk last week, with Ukraine acknowledging that most of the city is now under enemy control. Ukrainian forces are currently focused on preventing the Russians from advancing further west in Donetsk province amid heavy fighting.

### COMMENTARY

The good news for Ukraine is that the country has finally achieved its goal of becoming an EU candidate country, which it has been pursuing for nearly 20 years. The bad news is that this development really does nothing concrete to bring Ukraine closer to ending the war in its favor. Although the Macron-Scholz-Draghi visit came off surprisingly well, and even quieted the criticism of Western Europe for not providing enough weapons support to Ukraine, we suppose that the tensions could reappear rather soon, especially if Russia makes more territorial gains along the front line stretching from Kharkiv in the northeast all the way to Mykolayiv in the south. An interesting piece of political research was published last week by the European Council on Foreign Relations which details the division of the European electorate into a "Peace party" that favors a quick end to the war, and a "Justice party" that emphasizes punishment and defeat of Russia as the most important priority. According to the polling, the "Peace" camp leads the "Justice" camp by 35% to 22%, with another 20% identified as undecided "swing voters". The research asserted that the key to maintaining European public support for Ukraine going forward will be to present of the conflict as a defensive war to protect the country's citizens from Russian oppression, rather than as an offensive war to recapture territory.

**MHP Has Net Loss of USD 122mn in 1Q22 while EBITDA Declines by 19% to USD 46mn**

by Dmitry Churin  
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**MHP (MHPC LI)**

Price: USD 4.10 Market Cap: USD 454mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2021	0.3	0.7	1.2	2.6	0.0%
2022E	0.3	0.9	neg	5.7	0.0%

**NEWS**

London-listed, Central Ukraine-based poultry producer MHP reported that its net loss was USD 122mn in 1Q22 compared to a marginal net profit of USD 1 mn a year ago, according to financials released on May 17. The company's top line revenue rose by 24% YoY to USD 553mn in the reported period due to a higher poultry price while EBITDA decreased by 19% YoY to USD 46mn, implying an EBITDA margin of 8.3% in 1Q22 compared to the margin of 12.8% a year ago. MHP's net loss of USD 122mn in 1Q22 comprised a net loss before foreign exchange differences of USD 27mn and a non-cash foreign exchange translation loss of USD 95mn as a result of the revaluation of the company's FX debt that totaled USD 1.52bn as of Mar 31, 2022. MHP's export demonstrated an impressive growth of 42% YoY to USD 308mn in 1Q22, accounting for 56% of total sales, up from 49% of total sales a year earlier. In the segment breakdown, poultry sales accounted for 69% of revenue in 1Q22 while the remainder came from grain & other agro segment revenue, and the European operating segment. Poultry sales contributed USD 35mn to the EBITDA level (76% of the total). On the balance sheet side, MHP reported that its net debt was USD 1.21bn. The net debt-to-EBITDA ratio remained so far at a healthy level of 1.9x. MHP has a non-binding Eurobond covenant limit of 3.0x.

MHP FINANCIALS			
USD mn	1Q21	1Q22	chg.
Net revenue	447	553	+24%
EBITDA	57	46	-19%
margin	12.8%	8.3%	-4.5 p.p.
Net Income	1	-122	+/-
net margin	0.2%	-22%	-22 p.p.

Source: Company data.

**COMMENTARY**

Although actual MHP's net loss of USD 122mn in 1Q22 exceeded our forecast of a net loss of USD 80mn for the period, on the revenue and EBITDA level the company managed to deliver better than expected results. An average poultry price increase of 29% YoY helped MHP to diminish part of the extremely negative consequences of the Russian invasion of Ukraine. The company said that its direct war-related expenses amounted to USD 25mn in 1Q22. Exports of chicken meat and vegetable oils continue to be challenging as the Black Sea ports remain blocked and alternative routes open to MHP are longer and significantly more complex. There were 1,600 MHP's employees mobilized to the Armed Forces of Ukraine or the Territorial Defense Forces since the Russian invasion started on Feb 24. However, the company has been able to re-balance its resources and does not face difficulties in operations.

Quotes for London-listed MHP (MHPC) stock dropped by 12.8% last week to USD 4.10 both due to the company's poor financial report for 1Q22 and overall bear sentiments on the market.

MHP's Eurobonds with maturity in 2026 stand at 52.1 (30.4% YTM), placing them below Ukraine's sovereign yield curve.

**QUOTES AND MULTIPLES**

	Ticker	Today, UAH*	Absolute performance		MCap USD mn	EV USD mn	Free float	P/E		EV/EBITDA		EV/Sales 2021E
			1W	YtD				2020	2021E	2020	2021E	
UX Index	UX	n/a	n/a	n/a								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	152	-7.4%	-49.2%	1102	985	24.0%	1.7	1.3	1.1	0.7	0.4
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Specialized Machinery</b>												
Turboatom	TATM	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Motor Sich	MSICH	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Oil &amp; Gas</b>												
UkrNafta	UNAF	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Enwell Energy (ex-Regal)	ENW	26.6	-7.8%	-24.0%	105	51	21.6%	35.0	11.7	2.0	1.7	0.8
<b>Power Utilities</b>												
Centrenergo	CEEN	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Donbasenergo	DOEN	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Consumer</b>												
MHP	MHPC	4.10	-12.8%	-39.5%	454	1684	32.5%	neg	1.2	5.0	2.6	0.7
Kernel	KER	20.52	-23.2%	-65.0%	384	1935	61.8%	0.7	2.1	2.1	2.9	0.4
Astarta	AST	21.30	-12.9%	-49.8%	122	296	37.0%	14.7	11.6	2.4	2.2	0.6
Agroton	AGT	3.80	-14.4%	-44.1%	19	-6	25.0%	1.6	1.5	-0.2	-0.2	-0.1
<b>Banks</b>												
Raiffeisen Bank Aval	BAVL	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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		
		2019	2020	2021E	2019	2020	2021E	2019	2020	2021E	2019	2020	2021E	2019	2020	2021E
<b>Iron Ore Mining</b>																
Ferrexpo	FXPO	1507	1700	2518	586	859	1,439	38.9%	50.5%	57.1%	403	635	871	26.7%	37.4%	34.6%
<b>Railcar Manufacturing</b>																
Kryukiv Wagon	KVBZ	292	223	192	38	13	10	13.0%	5.9%	5.2%	31	9	5	10.5%	3.8%	2.7%
<b>Specialized Machinery</b>																
Turboatom	TATM	110	105	52	49	52	21	45.0%	49.1%	40.7%	12	8	3	11.1%	8.0%	6.0%
Motor Sich	MSICH	358	353	338	19	102	90	5.2%	29.1%	26.5%	-14	32	23	-3.8%	8.9%	6.9%
<b>Oil &amp; Gas</b>																
Ukrnafta	UNAF	1098	1319	1286	-115	320	291	-10.5%	24.3%	22.6%	-158	158	186	-14.4%	12.0%	14.4%
Regal Petroleum	RPT	50	55	62	22	26	30	44.0%	47.3%	48.4%	10	3	9	20.0%	5.5%	14.5%
<b>Electric Utilities</b>																
Centrenergy	CEEN	589	764	513	-69	17	-12	-11.7%	2.2%	-2.3%	-77	2	-31	-13.1%	0.3%	-6.0%
Donbasenergo	DOEN	249	256	258	8	9	-1	3.1%	3.3%	-0.6%	-3	1	-8	-1.1%	0.4%	-3.0%
<b>Consumer</b>																
MHP	MHPC	2056	1911	2372	376	340	648	18.3%	17.8%	27.3%	215	-133	393	10.5%	-7.0%	16.6%
Kernel (FY19, FY20, FY21)	KER	4107	5647	5365	443	929	678	10.8%	16.5%	12.6%	118	513	180	2.9%	9.1%	3.4%
Astarta	AST	497	484	517	86	122	136	17.4%	25.1%	26.3%	2	8	11	0.4%	1.7%	2.0%
Agroton	AGT	54	68	74	2	33	31	4.1%	48.2%	41.3%	5	12	13	9.5%	17.4%	17.4%
<b>Banks</b>																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	3495	3795	4216	550	456	516	280	271	260	185	151	178	33.6%	33.2%	34.5%

Source: Eavex Research

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