

Trends

Ukrainian sovereign Eurobonds rose significantly last week on the secondary market reflecting a certain relief that no haircut was asked at the initial stage of talks with creditors regarding a delay in debt repayment and servicing.

Indicative quotes for the 10-year Ukrainian Eurobond increased by 9.0% last week to 17.0 (52% YTM) and the 5-year issue gained by 13% to 18.2 (84% YTM). The VRI derivatives (linked to Ukraine's future GDP growth with expiration in 2040) surged by 42% to 27.0 cents on the dollar.

Meanwhile, S&P Global Ratings cut Ukraine's long-term debt grade by three notches, saying the recently announced plan to defer payments means a default is "a virtual certainty." The agency lowered the rating to "CC" from "CCC+" after the government proposed deferring payments on all external debt obligations by 24 months. While the government's ability to meet hryvnia debt obligations is higher, indications that restructuring efforts will extend to the local debt could trigger a downgrade for the local-currency ratings, too, S&P said.

Quotes for Ukrainian corporate Eurobond issues were mixed last week.

Quasi-sovereign Ukrainian Railways (RAILUA-24s) dropped by 18.5% to 22.0 (146% YTM) as there is a high probability that the company would follow the government in intention to freeze external debt servicing. Metinvest-26s rose by 5.1% to 39.4 (46% YTM) and Kernel-27s increased by 4.4% to 35.6 (35% YTM)

The Finance Ministry decided to increase its offered yield for the 1-year UAH-denominated government bond from 14% to 16% during the primary auction held on Jul 26. However, this move was not enough for attracting more bids for the bond placement. The proceeds from the issue amounted to a rather moderate UAH 3.7bn. On the other hand, the MinFin managed to sell USD 50mn of the 1.5-year USD-denominated domestic bond at 4.0% YTM and EUR 100mn of the 1.5-year EUR-denominated bond at 2.5% YTM.

On the OTC cash market, the hryvnia lost 4.3% to close at 41.00 UAH/USD. The official exchange rate remained at 36.57 UAH/USD.

Highlights

- > MHP Decreases Export Volumes by 37% YoY in 2Q22. Total Sales Volume Declines by 23% YoY

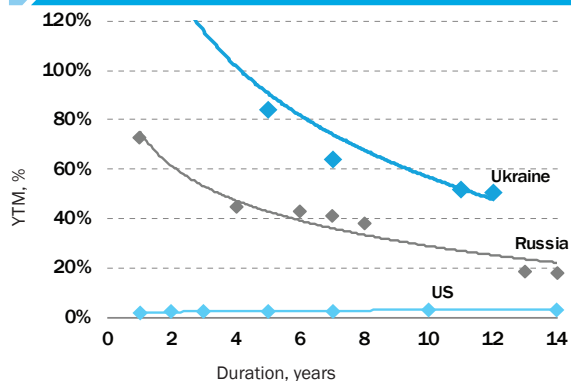
The National Bank of Ukraine has opened a special fundraising account to support the Armed Forces of Ukraine. Please find more at the National Bank's official website under the link below:

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

SOVEREIGN BOND YIELD CURVES



Source: Bloomberg, Eavex Capital

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	25.0%	0.0 p.p.	+16.0 p.p.
UAH 1-year war bond	16.0%	+2.0 p.p.	+5.0 p.p.
Ukraine-2026	83.8%	-8.4 p.p.	74.9 p.p.
Ukraine-2032	51.9%	-4.1 p.p.	42.7 p.p.

CURRENCY

	Last, UAH	1W chg.	YTD
USD/UAH	41.00	4.3%	50.1%
EUR/UAH	41.70	5.0%	34.7%

Source: Eavex Capital

MHP Decreases Export Volumes by 37% YoY in 2Q22. Total Sales Volume Declines by 23% YoY

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NEWS

MHP, Ukraine's largest poultry producer, unveiled its 2Q operational update with the following key indicators:

- total sales volume decline of 23% YoY to 140,500 tonnes;
- average poultry price rise of 22% YoY to USD 2.03 per kg;
- export sales volume drop of 37% YoY to 68,600 tonnes.

For 1H22, the company reported that its total poultry sales decreased by 12% to 299,600 tonnes and that achieved pricing rose by 24% YoY. Export sales accounted for 53% of total deliveries in 1H22.

In other business segments, MHP's sunflower oil sales slipped by 11% YoY to 81,480 tonnes in 1H22 and soybean oil sales volume fell by 15% YoY to 19,550 tonnes. In the grain segment, MHP operates a land bank of 335,000 hectares in Ukraine, with the winter crop harvest in line with the company's targets.

MHP OPERATIONAL UPDATE						
Poultry	2Q21	2Q22	Change	1H21	1H22	Change
Sales volume, tonnes	183,592	140,549	-23%	338,593	299,573	-12%
- Sales in Ukraine	71,876	67,897	-6%	143,326	134,706	-6%
- Export Sales	109,055	68,552	-37%	191,315	157,892	-17%
Price USD/kg net VAT	1.67	2.03	+22%	1.56	1.93	+24%

Source: Companies' data

COMMENTARY

Although MHP saw a notable deterioration of its operating results in all business segments, we view these results as better than expected taking into account extremely challenging conditions amid Russian military aggression against Ukraine. The company has been facing significant logistical and infrastructure challenges since the beginning of the Russian invasion. However, a solid 24% YoY increase in the average poultry price in 1H22 provided much-needed support for MHP's overall financial strength. We assume, that on the EBITDA level the company would report healthy profitability for 2Q22.

MHP also reported the separate operational results of its European arm Perutnina Ptuj (PP). Following the PP strategy of poultry production growth and increasing facilities' capacity utilization in Serbia and Croatia, PP's sales volume rose by 5% YoY to 37,360 tonnes in 1H22. In our view, MHP has found an effective way to develop Perutnina Ptuj after it was acquired back in 2019 for EUR 273mn.

The MHPC stock has dropped by 37% since the start of the year. Last week alone the stock gained by 6.8% to USD 4.25. The MHPC stock's 52-weeks trading range was USD 3.06 - USD 8.38.

MHP's Eurobonds with maturity in 2026 have indicative quotes at 38.4 cents on the dollar, implying a 45% yield to maturity.

The company is due to report its financial results for 2Q on Sept 7.

SELECTED UKRAINIAN EURO BONDS								
Issue	Indicative Price	Price change in one week	YTM, %	Coupon	Maturity Date	Volume USD mn	Currency	Ratings ¹
Sovereign Eurobonds								
Ukraine, 2022	29.5	-4.8%	n/a	7.75%	1 Sept 2022	1,384	USD	Caa3//
Ukraine, 2024	20.6	9.6%	148%	7.75%	1 Sept 2024	1,339	USD	Caa3//
Ukraine, 2026	18.2	13.0%	84%	7.75%	1 Sept 2026	1,318	USD	Caa3//
Ukraine, 2028	18.8	25.3%	64%	9.75%	1 Nov 2028	1,600	USD	Caa3//
Ukraine, 2032	17.0	9.0%	52%	7.38%	25 Sept 2032	3,000	USD	Caa3//
Ukraine, GDP-linked	27.0	42.1%			31 May 2040	3,214	USD	//
Corporate Eurobonds								
MHP, 2026	38.4	-2.0%	45%	6.95%	4 Apr 2026	550	USD	//
Kernel, 2027	35.6	4.4%	35%	6.75%	27 Oct 2027	300	USD	//
DTEK Energy, 2027	20.6	-0.5%	55%	5.00%	31 Dec 2027	1,645	USD	//
Metinvest, 2026	39.4	5.1%	46%	8.50%	23 Apr 2026	648	USD	//
Metinvest, 2029	38.5	-0.3%	30%	7.75%	17 Oct 2029	500	USD	//
NaftoGaz, 2024	10.0	0.0%	270%	7.125%	19 Jul 2024	600	EUR	//
Ukrainian Railways	22.0	-18.5%	146%	8.25%	9 Jul 2024	500	USD	//
Bank Eurobonds								
UkrEximBank, 2023	43.0	88.6%	404%	9.00%	9 Feb 2023	125	USD	//
UkrEximBank, 2025	39.1	30.3%	140%	9.75%	22 Jan 2025	600	USD	//
Oschadbank, 2023	49.1	6.7%	232%	9.38%	10 Mar 2023	700	USD	//

¹ Moody's/S&P/Fitch

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

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