

## Stock Market Update

### Equity

Ukraine's domestic equity index was lower last week, dragged down by UkrNafta's reversal of its previous generous dividend announcement. The PFTS index slid 5.1% to 537 points. UkrNafta (UNAF) was again in the spotlight after the company decided not to pay out UAH 65 per share, and instead pay no dividend at all from its FY18 net profit of UAH 6.6bn. As a state-owned company, UkrNafta will still be obligated to pay at least 30% of its net profit for the last year to the national budget directly. This situation raises the obvious point that such an uneven profit distribution between the controlling and minority shareholders grossly violates international corporate standards. The UNAF stock fell 12.4% after the announcement to UAH 162 per share. Some support for the stock came from the report that the company managed to increase its crude oil production by 6.4% YoY to 128,000 tonnes in March (900,000 barrels).

On the upside, Raiffeisen Bank Aval (BAVL) rebounded after a two-week correction, adding 6.3% to 35.60 kopecks per share.

In the electricity generation sector, CentrErgo (CEEN) posted a relatively modest rise after news that the State Property Fund could announce a tender to sell the state's 78.2% stake in the company on May 16. A previous tender to privatize CentrErgo in December 2018 was cancelled after the only two bidders failed to qualify for the auction. The CEEN stock gained 4.2% to close at UAH 12.40 last week. The other electricity blue chip DonbasErgo (DOEN) dropped by 8.5% to UAH 26.25.

On the London Stock Exchange, Ferrexpo (FXPO) remained strong, climbing 6.5% to GBP 295 per share as benchmark iron ore prices rose further, while sporadically-traded poultry major MHP (MHPC) lost 2.3% to USD 10.55.

In Warsaw trading, Kernel (KER) approached its 12-month high, advancing by 1.9% to PLN 53.80. The stock's maximum during the last year is PLN 55.00. Sugar producer Astarta (AST) tumbled by 9.2% to PLN 23.70 after the company posted a net loss of EUR 21mn for FY18. The company's net debt to EBITDA ratio spiked from 1.1x for FY17 to 5.2x for FY18.

On the currency market, the hryvnia declined by a moderate 0.4% to 26.80 UAH/USD last week ahead of next weekend's presidential election.

## Highlights

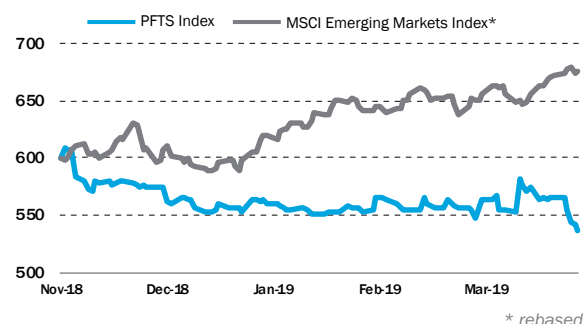
### POLITICS AND ECONOMICS

- > Zelenskiy Fails to Appear at Stadium Debate with Poroshenko
- > Ukraine's Headline Inflation at 8.6% YoY after March Data

### STOCKS IN THE NEWS

- > Astarta Posts Net Loss of EUR 21mn for FY18 On Sales Drop of 19% YoY

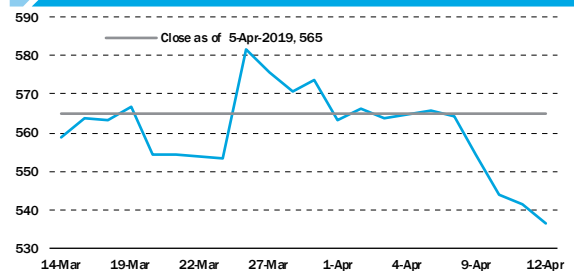
## STOCK MARKET PERFORMANCE



## MARKET INDEXES

	Last	1W ch	YTD
PFTS	536.6	-5.1%	-4.1%
RTS	1259.5	2.8%	17.9%
WIG20	2365.3	0.6%	2.8%
MSCI EM	1089.09	0.4%	12.8%
S&P 500	2907.4	0.5%	16.0%

## PFTS 1M PERFORMANCE



## FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	18.0%	0.0 p.p.	0.0 p.p.
Ukraine-2024	8.4%	-0.1 p.p.	-2.1 p.p.
Ukraine-2032	8.6%	-0.1 p.p.	-1.5 p.p.

## CURRENCY

	Last, UAH	1W ch	YTD
USD	26.80	0.4%	-3.2%
EUR	30.38	1.4%	-4.2%

## Zelenskiy Fails to Appear at Stadium Debate with Poroshenko

by Will Ritter  
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### NEWS

Front-running presidential candidate Volodymyr Zelenskiy did not show up for a scheduled one-on-one debate with incumbent President Petro Poroshenko at Kyiv's Olympic Stadium on Sunday (Apr 14). Zelenskiy, who had himself initiated the demand that the debate take place at the national stadium, said he was only willing to participate in a debate on Friday (Apr 19), less than 36 hours before the polls open, timing that Poroshenko said was too late for voters to evaluate the results. In Zelenskiy's absence, Poroshenko held what amounted to his own campaign rally and accused his opponent of being a "virtual candidate" afraid of making live public appearances. The incumbent said Zelenskiy "is trying to win over the voters using only [pre-scripted] videos" and called the situation "unworthy of Ukrainian democracy".

### COMMENTARY

It seems Zelenskiy and his advisors have decided that his lead over Poroshenko is so large that he does not need to take the risk of being embarrassed on a public stage and can simply ride Poroshenko's unpopularity to victory next Sunday. One specific risk for Zelenskiy, a Russian speaker from Eastern Ukraine, is that he may not be able to speak Ukrainian well enough to make coherent arguments on a debate stage, and this would be a serious problem for him if it were suddenly exposed to a national audience in the final week before voting. Former presidents from Eastern Ukraine, Leonid Kuchma and Victor Yanukovich, both faced similar issues early in their political careers but were ultimately able to speak passable Ukrainian in public appearances. If he indeed becomes president, we assume that Zelenskiy would move to address the situation with his poor command of Ukrainian. We see the primary danger here not as some kind of pro-Russian intent on Zelenskiy's part, but rather that a man who becomes president by doing basically nothing, could end up behaving similarly when it comes time to actually do the job. The political success of Zelenskiy can be distilled down into two simple points: first, he was able to lock down the Russophone vote in southeastern Ukraine thanks to personal brand recognition from his popular television show; and second, Poroshenko is so unpopular in Central Ukraine that voters there are willing to choose anyone else but him. We note that all of Ukraine's five presidents - Leonid Kravchuk, Kuchma, Victor Yushchenko, Yanukovich, and now Poroshenko - generally used the powers of the office effectively to advance Ukrainian state interests. It is unclear to us whether a President Zelenskiy will be willing or able to continue this key political tradition. If Zelenskiy is slow to establish his authority, this autumn's parliamentary election will loom very large, as the country's various political clans will be competing ferociously to fill the power vacuum. Of course, there is still an election to be held next weekend, and the results should not be pre-judged; even if Poroshenko is defeated, the margin of the vote matters, and we think that a national tally above 40% percent would represent something a moral victory for the incumbent and a validation of some of his campaign themes and achievements while in office.

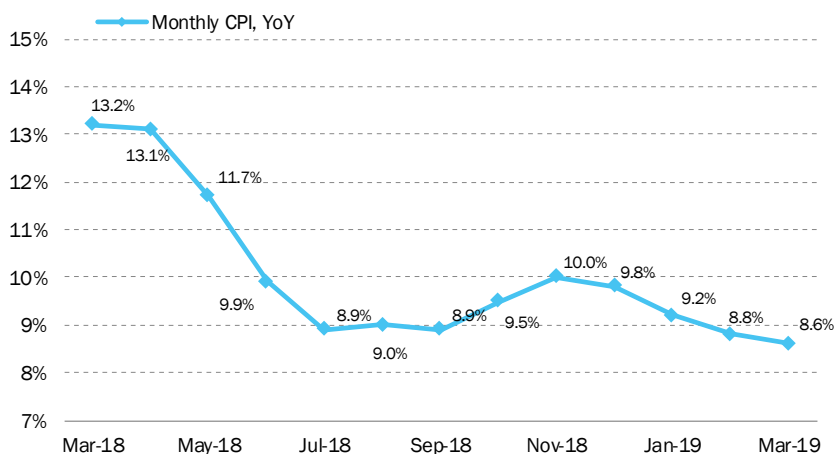
**Ukraine's Headline Inflation at 8.6% YoY after March Data**

by Dmitry Churin  
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**NEWS**

Ukraine's State Statistics Committee (UkrStat) reported that rolling 12-month consumer inflation slowed to 8.6% YoY in March from 8.8% in February and from 9.2% YoY in January, according to official data released on Apr 9. UkrStat said that CPI inflation during the month of March alone was 0.9% MoM compared to 0.5% MoM for February. For 3M19 (a slightly different measurement of full-year inflation than the 12-month rolling figure) the CPI index growth was 8.9% YoY.

**UKRAINE'S ROLLING 12-MONTH CPI**



Source: State Statistics Committee

**COMMENTARY**

The main issue going forward in terms of inflation is whether the expected turnover in political power in Ukraine will affect the stability of the hryvnia; however, up to now the currency markets have remained quite calm in the face of the likely defeat of President Poroshenko by untested political newcomer Vladimir Zelenskiy in next weekend's presidential election. In the latest numbers, we see a continuation of the general trend for slowing consumer inflation. However, the headline inflation figure of 8.6% remains somewhat higher than targets set by the National Bank and the government. For example, it was unexpected for us to see that prices for clothing jumped by 11.3% MoM in March according to official statistics. Additional pressure on the CPI index came from a price increase for bread by 0.9% MoM. Meanwhile the utility sector prices ticked up by a rather moderate 0.3% MoM, bringing their yearly growth to 13.2% after a one-time hike in natural gas prices for households by 22.9% last year.

The actual inflation figures for March (both headline and MoM) were higher than our forecasts of 0.2% MoM and 8.3% YoY for the month. Nevertheless, we are sticking with the trend line in the CPI index and now expect that the CPI will decline by 0.2% MoM in April, which would imply a slowdown in 12-month "headline" inflation from 8.6% to 8.1%.

**Astarta Posts Net Loss of EUR 21mn for FY18 On Sales Drop of 19% YoY**

by Dmitry Churin  
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**ASTARTA (AST PW)**

Price: PLN 23.70 Market Cap: USD 152mn

	EV/S	P/E	EV/EBITDA	Div. Yield
2018	1.1	neg	7.3	0%
2019E	0.9	4.5	5.5	0%

**NEWS**

Kyiv-based Astarta Holding, Ukraine's largest sugar producer, posted a net loss of EUR 21mn in full-year 2018 after its net profit of EUR 62mn for FY17, according to the company's annual report published on Apr 8. Full-year revenue dropped by 19% YoY to EUR 372mn and EBITDA slumped by 52% YoY to EUR 57mn.

On the balance sheet side, Astarta reported net debt of EUR 295mn and total assets of EUR 719mn as of 31 Dec 2018. The company's net debt to EBITDA ratio surged from 1.1x at the end of FY17 to 5.2x as of end-2018.

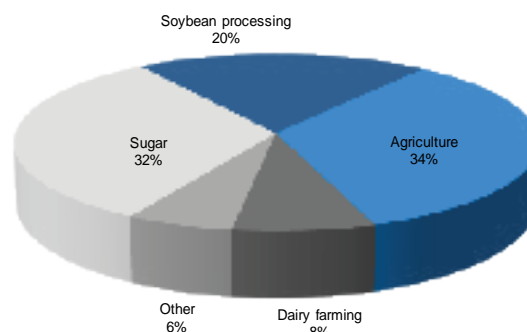
In 2H18 alone, Astarta had a net loss of EUR 58mn while the company's revenue was reported at EUR 197mn in the period.

**ASTARTA FINANCIALS**

EUR mn	2018	2017	chg.
Net revenue	372	459	-19.0%
EBITDA	57	120	-52.6%
margin	15.3%	26.1%	-10.9 p.p.
Net Income	-21	62	+/-
net margin	-5.7%	29.0%	-34.7 p.p.

Source: Company data.

**REVENUE BREAKDOWN**



Source: Company data.

**COMMENTARY**

Astarta's financial result for FY18 was surprising for us, with our initial forecast for the year having been a net profit of EUR 65mn. The company's 1H18 net profit had come in line with our forecast at EUR 37mn.

Management blamed a decline in sugar prices as the primary reason for the poor financial performance in 2H18. Astarta's sugar production decreased by 24% YoY to 352,000 tonnes in 2018 with the company holding a 21% domestic market share in Ukraine. The average achieved sugar price was 23% lower at EUR 328 per tonne in full-year 2018 than in 2017. Also the company's dairy segment went into the red last year, contributing to the negative financial results. Meanwhile, Astarta's farming operations were a bright spot among other business segments, generating EUR 127mn in sales and bringing in EUR 59mn (+51% YoY) on the EBITDA level. The company harvested 1.06mn tonnes of crops (+35% YoY) last year. Some 80% of the harvested crops were exported.

Astarta's Warsaw-listed stock slid 9.2% to PLN 23.70 last week. We assume that the elevated debt burden now represents a major risk for the company.

## EAVEX RECOMMENDATIONS

Name	Ticker	Price, per share	Target price, per share	Upside, %	Rating	Commentary
<b>Agriculture</b>						
Kernel	KER PW	53.8	82.0	52%	BUY	With on-demand borrowing access, Kernel is well placed to further consolidate its position in the oilseed crushing industry. The company reported that its sunflower oil sales in bulk rose by 29.4% YoY to some 508,000 tonnes in July-December 2017. The company aims to achieve EBITDA of USD 500mn by 2021.
MHP	MHPC LI	10.6	16.5	56%	BUY	MHP could start process of deleveraging which in turn would boost the company's MCap. Also the company has a declared strategy to expand its presence on the MENA and EU markets. MHP continued to increase its export sales. MHP also reported that its poultry exports rose 16% YoY to near 221,000 tonnes in 2017, accounting for 41% of total sales volume, up from a share of 36% a year before.
Astarta	AST PW	23.7	-	-	U/R	The company's net debt to EBITDA ratio surged from 1.1x at the end of FY17 to 5.2x as of end-2018. We assume that the elevated debt burden now represents a major risk for the company.
Agroton	AGT PW	3.38	12.0	255%	BUY	Agroton unveiled a strategy to increase its land bank from 122,000 ha to 200,000 ha by mid-2019 securing additional lease rights and by acquiring companies that control land plots in Luhansk and Kharkiv region.
AvangardCo	AVGR LI	0.3	0.3	20%	SELL	Avangardco's revenue fell by 33% YoY in FY17 despite an increase in egg sales volume by 23% YoY. We attribute this negative development to weak results in the value-added egg powder segment. Avangardco said that its egg product sales volume had plunged by 64% YoY to some 3300 tonnes, with the average pricing dropping by 23% YoY to USD 4.30/kg.
<b>Iron Ore</b>						
Ferrexpo	FXPO LN	295	250	-15%	HOLD	Iron ore market has seen a major shift over the past two years as China's anti-pollution drive spurs demand for cleaner ore, exploding the spreads between top-quality material and lower-grade cargoes, which benefits Ferrexpo as top-quality pellets producer.
<b>Specialized Machinery</b>						
Motor Sich	MSICH	5390	6750	25%	BUY	Motor Sich is closing in on a solid contract with Chinese company Avicopter (AVIC) to supply helicopter engines for a Russian-Chinese project. Our base case scenario forecast for Motor Sich's net profit for FY18 is UAH 2.6bn, implying EPS of UAH 1.270.
<b>Oil &amp; Gas</b>						
UkrNafta	UNAF	162	270	67%	BUY	UkrNafta's fundamental value should see an immediate jump after the company reaches a deal with the government on restructuring its huge UAH 12bn tax debt. We believe that with the state owning a 50% stake in UkrNafta, the resolution of the tax debt issue is only a matter of time.
Concern Galnaftogaz	GLNG	0.27	0.33	22%	BUY	Galnaftogaz is pursuing a plan to aggressively expand its filling station network.
Regal Petroleum	RPT LN	43.0	-	-	U/R	Natgas extractor Regal Petroleum (RPT) got hammered, plunging 30% to GBP 38.00 per share after news that the Ukrainian State Geological Service issued an order to suspend production on one of Regal's licenses. The company said that it is seeking to obtain further information on the basis for the order, and is taking measures to protect its rights.
JKX Oil & Gas	JKX LN	53.0	-	-	U/R	The company's balance sheet looks healthy after it successfully restructured its Eurobonds. An overall demand for natural gas in Ukraine remains strong.
<b>Power Utilities</b>						
DonbasEnerg	DOEN	26.3	33.5	28%	SELL	We believe that the DOEN stock price will be supported until Apr 18, when the ex-rights date for participation in the company's shareholders meeting arrives. The agenda for the meeting contains an item for so called 'substantial deals' so shareholders who vote against this item would have an option to sell their shares to the company at estimated price of near UAH 33.50, which is the average DOEN price for the Dec 19 - Mar 19 3-month period. This period determines the buyback price in this case, according to Ukrainian legislation.
CenterEnerg	CEEN	12.40	25.60	106%	BUY	The CEEN stock has been in a downward trend since October, falling from a level of UAH 18 to the current level of UAH 13 per share after yet another failed attempt to privatize the company in early December. Persisting uncertainty about whether CentrEnerg can really be privatized at a fair price has made the company a hostage of Ukrainian behind-the-scenes politics. We forecast that CentrEnerg will earn UAH 725mn this year, representing EPS of UAH 1.96. The company has recently switched another one of its power units from expensive anthracite coal to cheaper steam coal, which should improve its electricity production profitability.
<b>Banks</b>						
Raiffeisen Bank Aval	BAVL	0.356	0.47	32%	BUY	Raiffeisen Bank Aval, the Ukrainian subsidiary of Vienna-based Raiffeisen International, proposed its shareholders to approve UAH 3.56bn in dividends from its full-year 2018 profit (5.79 kopecks per share). The ex-rights date for the dividend was not announced. Raiffeisen Aval posted a net profit of UAH 5.09bn for FY18 (USD 187mn at the average UAH/USD rate for the period), which was 14% YoY higher compared FY17. We forecast that the bank will earn UAH 6.2bn in net profit in FY19, which would imply earnings per share of 10 kopecks. Raiffeisen Aval has been the most dividend-rich stock in the Ukrainian equity universe since 2016. The stock's dividend yield in 2017 was 20% and in 2018 it was around 22%.

Source: Eavex Research

**QUOTES AND MULTIPLES**

Name	Ticker	Today, UAH*	Absolute performance		MCap USD mn	EV USD mn	Free float	P/E		EV/EBITDA		EV/Sales 2019E
			1W	YtD				2018	2019E	2018	2019E	
PFTS Index	UX	537	-5.1%	-4.8%								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	295	6.5%	51.6%	2,268	2,671	24.0%	5.5	4.4	4.6	3.7	1.7
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	10.5	0.0%	0.0%	45	13	5.0%	11.1	9.1	1.5	1.3	0.1
<b>Specialized Machinery</b>												
Turboatom	TATM	10.5	-8.7%	-23.4%	166	157	3.8%	5.9	6.0	3.9	3.8	1.7
Motor Sich	MSICH	5,390	0.0%	0.0%	418	394	24.0%	8.1	7.1	4.5	4.3	1.2
<b>Oil &amp; Gas</b>												
UkrNafta	UNAF	162	-12.4%	20.4%	328	321	3.0%	1.3	0.6	1.0	0.4	0.1
Regal Petroleum	RPT	43.0	2.4%	-31.7%	180	140	21.6%	4.3	18.0	2.6	6.4	2.8
JKX Oil	JKX	53.0	-2.3%	34.2%	119	227	50.4%	7.8	6.5	7.4	6.7	2.0
<b>Power Utilities</b>												
Centrenergo	CEEN	12.40	4.2%	-8.1%	171	154	21.7%	9.3	6.7	4.0	3.9	0.3
Donbasenergo	DOEN	26.25	-8.5%	-17.8%	23	29	14.2%	6.1	9.1	1.3	1.5	0.1
<b>Consumer</b>												
MHP	MHPC	10.55	-2.3%	-2.3%	1,115	2,281	34.1%	8.7	4.5	5.1	4.7	1.3
Kernel	KER	53.80	1.9%	7.2%	1,128	1,750	61.8%	21.7	5.4	7.9	5.6	0.5
Astarta	AST	23.70	-9.2%	0.9%	156	451	37.0%	-6.5	4.6	7.0	5.3	0.8
Avangardco	AVGR	0.25	0.0%	-10.7%	16	347	22.5%	-3.2	8.0	23.2	20.4	2.6
Agroton	AGT	3.38	-1.7%	-97.0%	19	9	25.0%	1.9	2.8	0.6	0.7	0.2
<b>Banks</b>												
Raiffeisen Bank Aval	BAVL	0.356	6.3%	4.7%	817		1.8%	4.4	3.8	1.9	1.9	0.34

Source: PFTS. LSE. WSE. Eavex Research  
\* companies listed abroad are in traded currency

**MAIN FINANCIAL FORECASTS, USD mn**

Name	Ticker	Net Sales			EBITDA			EBITDA margin			Net Profit			Net Profit margin		
		2017	2018E	2019E	2017	2018E	2019E	2017	2018E	2019E	2017	2018E	2019E	2017	2018E	2019E
<b>Iron Ore Mining</b>																
Ferrexpo	FXPO	1,197	1,257	1,571	551	579	723	46.0%	46.0%	46.0%	394	414	517	32.9%	32.9%	32.9%
<b>Railcar Manufacturing</b>																
Kryukiv Wagon	KVBZ	141	81	89	14	9	10	9.9%	10.7%	11.4%	12	4	5	8.6%	5.0%	5.5%
<b>Specialized Machinery</b>																
Turboatom	TATM	87	94	94	37	40	41	42.6%	43.1%	43.6%	26	28	28	29.9%	29.9%	29.2%
Motor Sich	MSICH	436	388	333	156	88	92	35.8%	22.7%	27.7%	117	51	59	26.7%	13.3%	17.7%
<b>Oil &amp; Gas</b>																
Ukrnafta	UNAF	1,011	1,326	2,531	65	333	866	6.5%	25.1%	34.2%	17	244	581	1.7%	18.4%	23.0%
Regal Petroleum	RPT	35	60	50	17	54	22	49.8%	90.0%	44.0%	2	42	10	na	70.0%	20.0%
JKX Oil	JKX	82	93	111	9	31	34	11.5%	33.2%	30.5%	-12	15	18	-14.6%	16.5%	16.5%
<b>Electric Utilities</b>																
Centrenergy	CEEN	412	551	589	104	42	38	25.2%	7.6%	6.5%	71	18	25	17.3%	3.3%	4.3%
Donbasenergo	DOEN	147	224	225	8	23	19	5.8%	10.2%	8.4%	2	4	3	1.4%	1.7%	1.1%
<b>Consumer</b>																
MHP	MHPC	1,289	1,556	1,789	459	450	490	35.6%	28.9%	27.4%	230	128	250	17.8%	8.2%	13.9%
Kernel	KER	2,169	2,403	3,364	319	223	310	14.7%	9.3%	9.2%	176	52	210	8.1%	2.2%	6.2%
Astarta	AST	514	445	578	134	160	165	26.1%	35.9%	28.5%	69	74	100	13.5%	16.7%	17.3%
Avangardco	AVGR	130	127	135	12	15	17	9.1%	11.8%	12.6%	-8	-5	2	-5.8%	-3.9%	1.5%
<b>Banks</b>																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	2,455	2,491	2,415	404	420	433	234	239	253	169	187	218	41.8%	44.6%	50.2%

Source: Eavex Research

**UKRAINIAN DOMESTIC BONDS**

Issue	Price (Bid)	Price (Ask)	YTM (Bid)	YTM (Ask)	Modified Duration	Coupon	Coupon Period	Maturity Date	Volume UAH mn
<b>UAH denominated Bonds</b>									
UA4000195580			19.75%	18.25%	n/a	n/a	S/A	04 Sept 2019	n/a
UA4000196620			19.75%	18.25%	n/a	n/a	S/A	15 Jan 2020	n/a
UA4000200174			19.75%	18.00%	n/a	n/a	S/A	20 Jan 2021	n/a
<b>VAT Bonds</b>									
UA4000185151			19.75%	18.25%	n/a	9.50%	S/A	8 Jul 2019	3,577
UA4000185557			19.75%	18.25%	n/a	9.50%	S/A	22 Jul 2019	2,171
UA4000186159			19.75%	18.25%	n/a	9.50%	S/A	20 Aug 2019	955

Source: TR Data, Eavex Research



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