



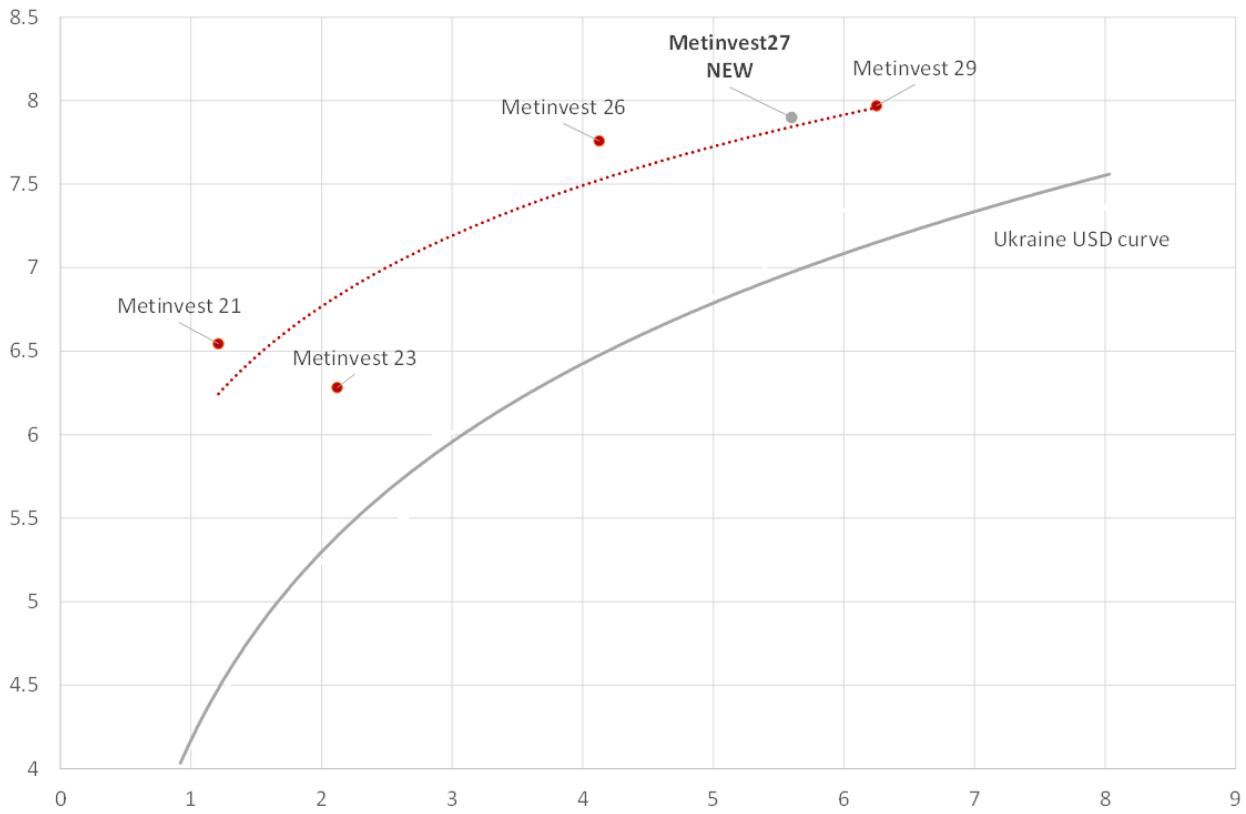
Metinvest (B2/B/BB-): our view on new Eurobonds' fair yield

On September 15, Metinvest (B2/B/BB-) started the road show of new dollar-denominated eurobonds with expected maturity in 2027. The issuer is seeking to attract at least \$300 mln. The company has also offered to buy back its eurobonds maturing in 2021 and 2023 for a total amount of up to \$290 mln. In particular, it is planned to keep Metinvest 23 in circulation for the amount of at least \$300 mln (now - \$504.5 mln). The Metinvest 21 bonds may be redeemed upon approval of 75% of holders (\$115.3 mln in circulation). According to the promulgated terms, 2021 eurobonds are redeemed at a price of 103% of the face value and 2023 eurobonds at 104.25% of the face value.

The new notes book is expected to open on Thursday, September 17. The indicative yield has not been announced yet. ***We estimate that the seven-year eurobonds should be placed with a yield of at least 7.8-7.9%***, which fits the issuer's curve. The news about early redemption had little effect on the bonds' prices.

Total debt of Metinvest is estimated at \$3.01 bln, almost unchanged from the beginning of the year, according to the consolidated statements for 1H20. Short-term debt accounted for nearly \$650 mln. Thus, the new deal will help to further extend repayment period, although it already looks quite comfortable. After Metinvest 21 notes redemption, the company's funding needs for the next year will almost fully be covered by free cash balance. Given good operational and financial indicators (reflected in the recently published 1H20 financial statements), still high steel prices and low liquidity risks, we do not rule out an upgrade of the issuer's credit rating in the near future.

UKRAINIAN BONDS MARKET MAP



Source: Bloomberg, ITI Capital

METINVEST KEY FINANCIAL RESULTS, IFRS

\$ mln	1H20	1H19	2019	2018	2H19
Revenue	4 968	5 818	10 757	11 880	4 939
yoy	-14.6%	-6.0%	-9.5%	33.0%	-15.0%
Operating profit	86	431	325	1 556	-106
EBITDA	715	890	1 213	2 513	323
yoy	-19.7%	-33.0%	-51.7%	23.0%	-64.0%
EBITDA margin	14%	15%	11%	21%	7%
Net profit	-240	408	341	1188	-67
OCF	685	570	814	1103	244
Net CAPEX	372	439	896	800	457
FCF	313	131	-82	303	-213
Assets	12 948	12 177	13 837	11 178	13 837
Capital	6 055	6 032	6 930	5 403	6 930
Total Debt	3 010	2 730	3 032	2 683	3 032
Share of short debt, %	21.6%	22.1%	19.5%	18.2%	19.5%
Net Debt	2 545	2 451	2 758	2 403	2 758
Net Debt/EBITDA	1.8	1.5	2.3	1.0	4.3
EBITDA/interest	2.4	7.2	4.4	7.5	2.1
Debt/capital	0.5	0.5	0.4	0.5	0.4

Sources: Metinvest, ITI Capital estimates

CONTACT LIST

Trading

Mikhail Durov | Fixed Income Trader | Mikhail.Durov@iticapital.com

Sales

Aleksandr Panfilov | Head of Fixed Income Sales | Aleksandr.Panfilov@iticapital.com

Research

Iskander Lutsko | Head of Research, Chief Investment Strategist | Iskander.Lutsko@iticapital.com

Olga Nikolaeva | Senior Fixed Income Research Analyst | Olga.Nikolaeva@iticapital.com

Stanislav Yudin | Senior analyst, Equity Research | Stanislav.Yudin@iticapital.com

Irina Fomkina | Research Analyst | Irina.Fomkina@iticapital.com

Kirill Sosov | Research Analyst | Kirill.Sosov@iticapital.com

Oleg Makarov | Chief Editor | Oleg.Makarov@iticapital.ru

CONTACT DETAILS:

ITI Capital Limited
Level 33 Tower 42,
25 Old Broad Street,
London EC2N 1HQ,
United Kingdom

PHONE:

+44 (0) 20 3889 8333

+44 (0) 20 3889 8331

WEB:

iticapital.com

ITI Capital Ltd. (hereinafter, the "Company") is not responsible for and does not give any warranties in connection with the transfer of marketing materials. This marketing document is for information purposes only. Any information in this document is based on data obtained from sources believed by the Company to be reliable, but no representations, guarantees or warranties are made by the Company with regard to the accuracy, completeness or suitability of the data. The information contained herein does not constitute the provision of investment advice. It is not intended to be nor should it be construed as an offer or solicitation to acquire, or dispose of, any of the financial instruments and/or securities mentioned in this document and will not form the basis or a part of any contract or offer.

Neither the Company, nor its affiliates, principals, directors, employees or agents accept any liability for any direct or consequential loss arising from any use of this marketing document and any accompanying materials. Investors should make their own investment decisions using their own independent advisors, as they believe necessary and based upon their specific financial situations and investment objectives when investing. This material is not intended for the use of Private Customers as that term is defined under the Financial Services and Markets Act 2000 in the United Kingdom. This material has been approved for publication in the United Kingdom and European Union by ITI Capital Limited, authorised and regulated by the Financial Services Authority and a member firm of the London Stock Exchange.