

Stock Market Update

Equity

The UX index edged higher by 0.8% to 1837 points last week after news that the IMF board is due to consider the allocation of a USD 700mn loan disbursement to Ukraine on Nov 22. There is a high probability that the country will get this tranche, which should help to improve Ukraine's overall macroeconomic stability.

The largest contribution to the gauge's growth came from lightweight index component DonbasEnergO (DOEN), which demonstrated a surge for the second straight week. Quotes for DOEN leapt by 43% to UAH 25.00. CentrEnergO (CEEN) climbed by 2.5% to UAH 8.20. Heavyweight UkrNafta (UNAF) dropped by 7.2% to UAH 270 after NaftoGaz published a statement saying that the state-owned company had not come to any agreement with UkrNafta regarding the disputed volumes of natural gas that NaftoGaz de-facto expropriated from UkrNafta back in 2006-2013. NaftoGaz said that it had not agreed with UkrNafta's demand to return gas or to pay compensation for the disputed gas at the current market price. Moreover, NaftoGaz proposed to consider a buyout of UkrNafta's stake from Privat Group in exchange for the company's crude oil extraction business. So it is unclear what scheme of the UkrNafta split will be voted on at the shareholder meeting set for Nov 30.

On the London Stock Exchange, Ukrainian equities were mixed, with Ferrexpo (FXPO) rebounding by 6.7% to GBp 304 while Enwell Energy (former Regal) corrected further by 8.3% to GBp 36.40.

Warsaw-listed Agroton (AGT) fell back by 12% to PLN 8.90 after briefly touching a 9-year maximum of PLN 11.10 per share. Astarta (AST) also declined notably from the stock's recent peak, losing 8.5% to PLN 50.70. Meanwhile, Kernel (KER) was flat at PLN 61.00.

On the currency market, the hryvnia dropped by 0.5% to 26.25 UAH/USD amid the broad gains in the US dollar against most other currencies last week.

Highlights

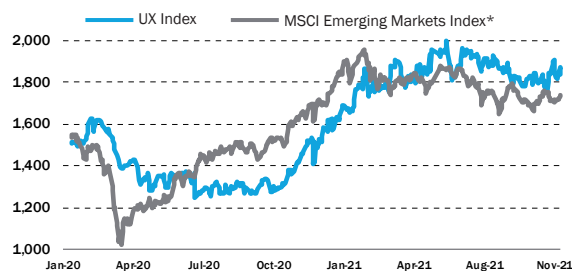
POLITICS AND ECONOMICS

- > Top Media Outlet Critical of Zelenskyy Shut Down by Owner
- > Ukraine CPI Up 0.9% in October, Putting 12M Inflation at 10.9%

STOCKS IN THE NEWS

- > Raiffeisen Bank Delivers 31% YoY Profit Growth to UAH 1.4bn (EPS of 2.25 kopecks) for 3Q21

STOCK MARKET PERFORMANCE

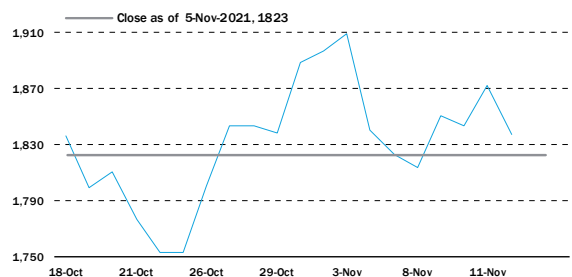


* rebased

MARKET INDEXES

	Last	1W ch	YTD
UX	1837	0.8%	13.6%
RTS	1784	-3.5%	28.6%
WIG20	2358	-3.3%	18.3%
MSCI EM	1285	1.7%	-0.5%
S&P 500	4682	-0.3%	24.7%

UX 1M PERFORMANCE



FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	8.5%	0.0 p.p.	+2.5 p.p.
UAH 1-year bond	12.2%/11.5%	+0.1 p.p.	+0.7 p.p.
Ukraine-2025	6.0%	0.1 p.p.	1.1 p.p.
Ukraine-2028	7.3%	0.4 p.p.	1.0 p.p.

CURRENCY

	Last, UAH	1W chg.	YTD
USD/UAH	26.25	0.5%	-7.1%
EUR/UAH	30.03	-0.2%	-13.6%

Source: Eavex Capital

Top Media Outlet Critical of Zelenskiy Shut Down by Owner

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NEWS

The English-language Kyiv Post, one of the highest-profile media outlets in Ukraine over the last 20 years, was suddenly shut down by its owner last week (Nov 8) for unspecified reasons. The owner, real estate developer Adnan Kivan, has said he intends to re-open the online newspaper in a multilingual format, but the entire current staff was fired, including longtime chief editor Brian Bonner. Kivan, who bought the outlet 3 years ago, made his fortune in Odessa real estate, and his net worth has been estimated at some USD 250mn, making him one of Ukraine's 50 richest people. Members of the Kyiv Post staff suggested that Kivan chose to end the operations of the outlet due to pressure from the Zelenskiy administration, as the newspaper had at times been critical of Zelenskiy's reform record and his style of governing. Separately, another fixture in Ukraine's media landscape, the Channel 5 television station, was sold by former President Petro Poroshenko to a group of current and former employees. Poroshenko said he was forced to sell the station due to Ukraine's new "oligarch law", which bars citizens labeled by the National Security Council as oligarchs from involvement in politics. The law is a key piece of President Zelenskiy's reform agenda. Channel 5 played a major role in both of Ukraine's pro-Western revolutions in 2004-05 and 2013-14.

COMMENTARY

It is unclear whether the Kyiv Post might be revived in some form by another investor while the editorial and reporting team remains intact, as the outlet has long provided a key service to the diplomatic and business communities in Ukraine. One irony here is that the Bonner-led Kyiv Post had taken a far more aggressive tone in its opposition to previous Ukrainian presidents Poroshenko and (especially) Victor Yanukovich than it has taken with Zelenskiy; but even the relatively tame criticisms of the current president which the paper published may have been enough to draw pressure on Kivan. Throughout his tenure beginning in 2008, Brian Bonner was the key figure at the Kyiv Post under 3 different owners, driving editorial policy and mentoring dozens of young Ukrainian journalists, as well as a significant number of Western reporters who came to Ukraine in search of experience. The apparent loss of the Kyiv Post, along with the likely weakening of Channel 5, will put extra responsibility on the shoulders of the country's remaining editorially independent pro-Western media outlets, most notably Ukrayinska Pravda and Zerkalo Nedeli.

Ukraine CPI Up 0.9% in October, Putting 12M Inflation at 10.9%

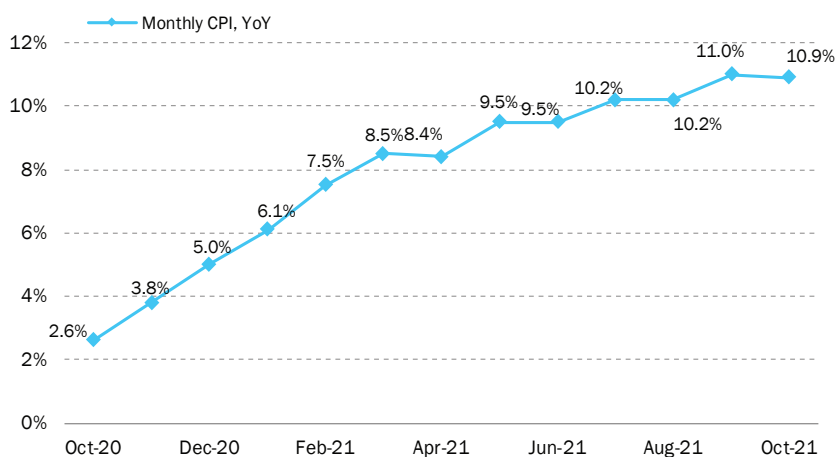
by Dmitry Churin
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NEWS

Ukraine’s State Statistics Committee (UkrStat) said that consumer prices grew by 0.9% in October, putting 12-month rolling inflation at 10.9%, ticking down from 11.0% YoY in September. In the individual inflation basket categories, there was a spike in the registered price for sunflower oil, which jumped by 57.4% YoY. Meanwhile, on the other end of the index, a decline in prices was observed for the clothing category (-4.9% YoY).

UkrStat also reported that the producer price index in Ukraine was up by 57.2% YoY in October on the back of much higher energy costs; aggregate energy cost for industrial producers was 2.3x higher in October than a year earlier. The price index for industrial durable goods grew by 20.1% YoY and for non-durable industrial goods by 18.4% YoY.

UKRAINE’S ROLLING 12-MONTH CPI



Source: State Statistics Committee

COMMENTARY

In contrast to the National Bank’s forecast that had previously indicated that consumer inflation would ease in 4Q, the CPI remained at a double-digit pace in Ukraine due to rallying energy and soft-commodities prices globally. Therefore, we assume that inflation will continue to persist in the coming months. We expect that the National Bank will increase its key policy rate from 8.5% to 9.0% at the monetary board meeting scheduled on Dec 8. Although the UAH-denominated government bond’s yield for 1-year issues has been standing at 11.50% on the primary market since late September, we project that the yield will increase by at least 50 bps by the end of the year.

Raiffeisen Bank Delivers 31% YoY Profit Growth to UAH 1.4bn (EPS of 2.25 kopecks) for 3Q21

by Dmitry Churin
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RAIFFEISEN BANK (BAVL UK)

Price: UAH 0.45 Market Cap: USD 1,054mn

	P/Assets	P/Book	P/E	Div. Yield
2020	0.28	2.3	7.0	7.4%
2021E	0.27	2.2	5.6	8.9%

NEWS

Raiffeisen Bank (formerly Raiffeisen Aval), the Ukrainian subsidiary of Vienna-based Raiffeisen International, posted 31% YoY net profit growth to UAH 1.38bn in 3Q21, implying earnings per share of 2.25 kopecks, according to the bank's earnings report. Raiffeisen's gross interest income increased by 12.9% YoY and net interest income rose by 18.2% YoY to UAH 2.10bn in the period. Year-to-date through September, the bank reported an increase in net profit by 19.1% YoY to UAH 3.72bn, implying EPS of 6.05 kopecks.

On the balance sheet side, Raiffeisen Bank's loan portfolio grew by 31.3% YtD to UAH 60.1bn, and its total assets rose by 11.6% YtD to UAH 119bn (USD 4.57bn).

RAIFFEISEN BANK AVAL FINANCIALS

UAH mn	3Q20	3Q21	YoY chg.	9M2020	9M2021	YoY chg.
Gross interest income	2216	2503	+12.9%	7194	7061	-1.9%
Net interest income	1781	2104	+18.2%	5501	5934	+7.9%
Net income	1054	1385	+31.4%	3121	3719	+19.1%
	31 Dec 2020	30 Sept 2021	YTD chg			
Loan portfolio	45743	60078	+31.3%			
Equity	12892	14497	+12.5%			
Total assets	107287	119749	+11.6%			

Source: Company data.

COMMENTARY

We think that the broad advertising campaign that Raiffeisen launched this year was successful as the bank moved away from its old brand Aval to a new short brand, "Raif". We have to admit that Raiffeisen Bank has considerably outperformed our expectations this year as it managed to increase profits amid a lower interest rate environment. Nevertheless, the extensive marketing effort was the main driving force behind Raiffeisen's loan portfolio increase, which translated into higher profits.

The BAVL stock listed on the Ukrainian Exchange had no reaction to the 3Q earnings release, remaining at 45.00 kopecks per share. Assuming that the bank will earn EPS of 2.0 kopecks in the 4Q, this would imply that the stock is valued at P/E of 5.6x. Taking into account Raiffeisen's better than expected financial results, we change our recommendation for the stock from SELL to HOLD. The free-float of Raiffeisen Bank is just 2.7%, leading to the stock's low liquidity and low investment attractiveness for large institutional investors. However, the BAVL stock is a high dividend one. We project that the bank will pay 4.00 kopecks in dividend from FY21 net profit, implying a dividend yield of 8.9%.

EAVEX RECOMMENDATIONS

Name	Ticker	Price, per share	Target price, per share	Upside, %	Rating	Commentary
Agriculture						
Kernel	KER PW	61.0	83.0	36%	BUY	Kernel Holding, Ukraine's largest sunflower oil producer and grain trader, doubled its EBITDA for full-year 2021 (the company's financial year runs from July to June) to USD 929mn, implying the EBITDA margin of 16.5% compared to 10.8% a year ago. Kernel's revenue rose 37% YoY to USD 5.65bn and net profit surged by 4.3x YoY to a record high of USD 513mn in the full year. The company claimed that it enjoyed a high capacity utilization of its grain export value chain and a healthy infrastructure business margin. We have a BUY recommendation for Kernel with a target price of PLN 83.00 per share based on the group's expanded business operations, which have yet to be reflected in the share price.
MHP	MHPC LI	7.9	11.5	46%	BUY	Although MHP's business has not not suffered much from the COVID-19 crisis, the MHPC stock has tumbled by near 30% in 2020 as investors fear that the company's quite large debt burden could become unsustainable at some point. MHP's total debt was USD 1.46bn as of 31 Dec 2020. The Net Debt/EBITDA ratio was 3.7x as of 1 Jan 2021, up from 3.0x as of 1 Jan 2020. We now forecast that MHP will be able to increase its net revenue by 12% YoY to USD 2.14bn this year and to earn a net profit of USD 240mn as poultry prices bounce back.
Astarta	AST PW	50.7	--	--	U/R	The AST stock surged after the company managed to improve its debt to EBITDA ratio. Net Debt reduced to EUR 175mn corresponding to Net debt/EBITDA (LTM) of 1.6x at the end of 9M20. Back in 2019 Astarta's Net debt/EBITDA topped an unsustainable level of 5.6x.
Agroton	AGT PW	8.90	12.0	35%	BUY	Agroton unveiled a strategy to increase its land bank securing additional lease rights and by acquiring companies that control land plots in Luhansk and Kharkiv region. Agroton reported that its net profit was USD 11.7mn (PLN 2.06 per share) in 2020. In our view, Agroton currently has a fairly healthy financial position, with an estimated net cash position of USD 25mn. The company continues to invest in growth, spending USD 3.8mn on CapEx in FY20.
Iron Ore						
Ferrexpo	FXPO LN	304	280	-8%	SELL	High iron ore prices are due for a correction as Chinese demand for the steelmaking ingredient is expected to ease, though aggressive speculation through iron ore derivative trading could thwart that outcome. The benchmark 62% Fe iron ore prices surged by 70% YoY to a level of USD 160 per tonne in 2020. We currently forecast that Ferrexpo's net profit will decline by 18% YoY in FY21 to USD 520mn.
Specialized Machinery						
Motor Sich	MSICH	5390	--	--	U/R	There was little clarity on the situation regarding Motor Sich's (MSICH) nationalization. No mechanism of compensation for existing shareholders was announced after the Kyiv District Court arrested 100% of the shares of Motor Sich and appointed a special state agency to manage the company. The shares of Motor Sich remained frozen due to an ongoing investigation conducted the Ukrainian Security Service (SBU) regarding change in the controlling shareholder of the company.
Oil & Gas						
UkrNafta	UNAF	270	350	30%	BUY	In case of continued high crude prices, we believe UkrNafta's profitability for 4Q will be at 40% on the EBITDA level, bringing net profit for the full year to UAH 5.2bn. This would imply earnings per share of UAH 95.90, and taking into account the company's current stock price, it gives a very attractive P/E multiple.
Enwell Energy (ex-Regal)	ENW LN	36.4	--	--	U/R	
JKX Oil & Gas	JKX LN	38.3	42.0	10%	HOLD	JKX Oil&Gas announced de-listing from the London Stock Exchange. The buyback price was determined at Gbp 42.00.
Power Utilities						
DonbasEnerg	DOEN	25.0	--	--	U/R	The company confirmed its strategic plan to modernize one of its power units at the Slaviansk plant by 2022.
CenterEnerg	CEEN	8.20	--	--	U/R	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. Currently CentrEnerg is in a process to be integrated with the state coal mines to get cheaper fuel for its power stations. The integration is set to be completed in 2H21.
Banks						
Raiffeisen Bank Aval	BAVL	0.450	0.42	-7%	HOLD	Raiffeisen Bank Aval (BAVL) announced that it will distribute 50% of its FY20 net profit as a dividend, far lower than what was expected. Although this still implies a solid 3.31 kopeck dividend per share, the bank disappointed minority investors; we had projected a 5.96 kopeck dividend. The bank set the ex-rights date for dividend on Jun 8. Raiffeisen Bank Aval, the Ukrainian subsidiary of Vienna-based Raiffeisen International, decreased its net profit by 14% YoY to UAH 4.1bn in FY20, which implied earnings per share of 6.63 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%. The bank paid 6.95 kopecks in dividend per share from FY19 net profit.

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
			1W	YtD				2020	2021E	2020	2021E	2021E
UX Index	UX	1837	0.8%	13.6%								
Iron Ore Mining												
Ferrexpo	FXPO	304	6.7%	2.4%	2398	2394	24.0%	3.8	2.2	2.8	1.7	1.0
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	21.0	-8.7%	16.7%	92	65	5.0%	10.7	17.6	5.0	6.6	0.3
Specialized Machinery												
Turboatom	TATM	7.8	16.4%	-5.5%	126	123	3.8%	14.9	40.0	2.4	5.8	2.3
Motor Sich	MSICH	5390	0.0%	0.0%	427	404	24.0%	13.5	18.3	3.9	4.5	1.2
Oil & Gas												
UkrNafta	UNAF	270	-7.2%	42.1%	558	525	3.0%	3.5	3.0	1.6	1.8	0.4
Enwell Energy (ex-Regal)	ENW	36.4	-8.3%	71.7%	156	102	21.6%	52.1	17.4	3.9	3.4	1.6
JKX Oil	JKX	38.3	0.7%	27.5%	88	196	50.4%	4.4	3.1	6.6	3.6	2.1
Power Utilities												
Centrenergy	CEEN	8.20	2.5%	13.9%	115	86	21.7%	50.9	neg	5.1	neg	0.2
Donbasenergo	DOEN	24.99	42.8%	25.0%	23	21	14.2%	20.9	neg	2.5	neg	0.1
Consumer												
MHP	MHPC	7.88	0.3%	30.9%	833	2124	32.5%	neg	3.5	6.2	5.5	1.0
Kernel	KER	61.00	0.0%	23.7%	1,200	2036	61.8%	2.3	2.9	2.2	2.4	0.4
Astarta	AST	50.70	-8.5%	93.5%	313	488	37.0%	37.9	29.8	4.0	3.6	0.9
Avangardco	AVGR	0.01	0%	0.0%	1	332	22.5%	neg	neg	17	20	3.0
Agroton	AGT	8.90	-11.9%	103.2%	48	23	25.0%	4.1	3.7	0.7	0.7	0.3
Banks												
Raiffeisen Bank Aval	BAVL	0.450	2.3%	9.8%	1,054		1.8%	7.0	6.1	2.3	2.2	0.27

Source: UX. 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		
		2019	2020	2021E	2019	2020	2021E	2019	2020	2021E	2019	2020	2021E	2019	2020	2021E
Iron Ore Mining																
Ferrexpo	FXPO	1507	1700	2300	586	859	1,450	38.9%	50.5%	63.0%	403	635	1,100	26.7%	37.4%	47.8%
Railcar Manufacturing																
Kryukiv Wagon	KVBZ	292	223	192	38	13	10	13.0%	5.9%	5.2%	31	9	5	10.5%	3.8%	2.7%
Specialized Machinery																
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%
Oil & Gas																
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%
JKX Oil	JKX	102	70	95	42	30	54	41.6%	42.6%	56.8%	22	20	28	21.8%	28.6%	29.5%
Electric Utilities																
Centrenergo	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%
Consumer																
MHP	MHPC	2056	1911	2140	376	340	385	18.3%	17.8%	18.0%	215	-133	240	10.5%	-7.0%	11.2%
Kernel (FY19, FY20, FY21)	KER	4107	5647	5082	443	929	836	10.8%	16.5%	16.5%	118	513	410	2.9%	9.1%	8.1%
Astarta	AST	497	484	517	86	122	136	17.4%	25.1%	26.3%	2	8	11	0.4%	1.7%	2.0%
Avangardco	AVGR	135	120	110	17	19	17	12.6%	15.8%	15.5%	2	-5	-10	1.5%	-4.2%	-9.1%
Agroton	AGT	54	68	74	2	33	31	4.1%	48.2%	41.3%	5	12	13	9.5%	17.4%	17.4%
Banks																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	3495	3795	3925	550	456	484	280	271	249	185	151	174	33.6%	33.2%	35.9%

Source: Eavex Research

UKRAINIAN DOMESTIC BONDS

Issue	Price (Bid)	Price (Ask)	YTM (Bid)	YTM (Ask)	Coupon Period	Maturity Date	Volume UAH mn
UAH denominated Bonds							
UA4000203236			10.7%	9.7%	S/A	05 Jan 2022	10,887
UA4000204002	102.7	103.8	12.0%	11.0%	S/A	11 May 2022	12,917
UA4000218325	99.6	100.1	12.1%	11.2%	S/A	20 Jul 2022	13,415
UA4000199210	102.7	103.6	12.3%	11.3%	S/A	12 Oct 2022	14,993
UA4000201255	104.8	105.9	13.0%	12.3%	S/A	24 May 2023	6,470
UA4000207880	93.3	94.8	13.5%	12.7%	S/A	22 May 2024	18,105
UA4000204150	107.2	109.6	13.6%	12.7%	S/A	26 Feb 2025	41,080
UA4000207518	86.3	89.5	13.8%	12.8%	S/A	20 May 2027	7,018
USD denominated Bonds							
UA4000218333	99.9	100.4	3.8%	3.2%	S/A	14 Jul 2022	USD 336mn

Source: TR Data, Eavex Research

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