

## Stock Market Update

Russia continued bombing Ukrainian cities last week, although the country continued to defend itself quite effectively. In north-central Ukraine, Chernihiv's main bridge was destroyed over the Desna River on the road leading to Kyiv, cutting off the last possible route for people to get out or for food and medical supplies to get in. Kharkiv, Chernihiv, and Mariupol in the southeast are the worst-hit large cities. Despite more than 4 weeks of fighting, the only large city which Russia has seized is Kherson in the south, which they are having trouble holding. The conflict has killed thousands of people and sent nearly 3.8mn abroad. European Union leaders have urged Russia to fully respect its obligations under international law and abide by the recent order by the International Court of Justice that told Moscow to withdraw from Ukraine. The head of Ukraine's military intelligence accused Russia of trying to divide the country in two – "to create North and South Korea in Ukraine" – with the eastern part of the nation controlled by Russia.

Kyiv-listed stocks remained suspended from trading due to the war. There was no new official statement from either UkrNafta (UNAF) or CentrEnerg (CEEN) on how they have been operating during the war. However, information from energy market participants indicates that CentrEnerg continued to provide 4.3% of the electricity consumed in the country. DonbasEnerg (DOEN) provides 2% and the nuclear power plants supply 53% of electricity for the country's needs. The balance is provided by other thermal power plants, hydropower plants, and renewable energy producers.

On the Warsaw Stock Exchange, Ukrainian grain exporter Kernel (KER) dropped by 9.9% to PLN 31.90. The company's market capitalization has fallen by 45% to USD 597mn since the start of the year. Sugar refiner Astarta (AST) slipped by 6.9% to PLN 23.50, implying an MCap of USD 138mn (-45% YTD).

London-listed MHP (MHPC) declined by 2.6% to USD 3.41 (-50% YTD) and Ferrexpo (FXPO) edged down by 1.1% to GBp 166 (-45% YTD). Natural gas producer Enwell Energy (former Regal) climbed by 2.6% to GBp 22.10 (-37% YTD).

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/news/all/natsionalniy-bank-vidkriv-spetsrahnok-dlya-zboru-koshtiv-na-potrebi-armiyi](http://www.bank.gov.ua/en/news/all/natsionalniy-bank-vidkriv-spetsrahnok-dlya-zboru-koshtiv-na-potrebi-armiyi)

The National Bank also opened a fundraising account for Humanitarian Assistance to Ukrainians. Please see details under the link below:

[www.bank.gov.ua/en/news/all/natsionalniy-bank-vidkriv-rahunok-dlya-gumanitarnoyi-dopomogi-ukrayintsyam-postrajdalim-vid-rosiyskoyi-agresiyi](http://www.bank.gov.ua/en/news/all/natsionalniy-bank-vidkriv-rahunok-dlya-gumanitarnoyi-dopomogi-ukrayintsyam-postrajdalim-vid-rosiyskoyi-agresiyi)

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## TREND



## MARKET INDEXES

	Last	1W ch	YTD
UX	n/a	n/a	n/a
RTS	829	-9.9%	-48.0%
WIG20	2115	0.8%	-6.7%
MSCI EM	1125	0.2%	-8.7%
S&P 500	4543	1.8%	-4.7%

## FIXED INCOME

	Last	1W ch	YTD
Ukraine-2026	43.9%	3.7 p.p.	35.0 p.p.
Ukraine-2032	28.0%	2.7 p.p.	18.8 p.p.

## CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	33.00	1.5%	20.8%
EUR/UAH	36.30	-0.1%	17.2%

Source: Eavex Capital

## Highlights

### POLITICS AND ECONOMICS

- > Zelenskiy Backs Off Demand for Russian Withdrawal from Eastern Donbass, Crimea

## Zelenskiy Backs Off Demand for Russian Withdrawal from Eastern Donbass, Crimea

by Will Ritter  
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### NEWS

President Zelenskiy conducted a lengthy video interview with Russian opposition media on Sunday (Mar 27) in which he called for the withdrawal of Russian troops back to their pre-invasion (pre-Feb 24) positions. However, he admitted that trying to force the “full withdrawal” of Russia from the territories in the eastern Donbass and Crimea which were seized in 2014 would lead to an escalation of the conflict, or as he put it, “World War 3”. Also in the interview, Zelenskiy said that major Russian industrialists, including steel magnate Roman Abramovich, had offered to provide funding to the Ukrainian army and to relocate some of their businesses to Ukraine. The Russian government’s media oversight agency RosKomNadzor quickly issued an order banning Russian news outlets from distributing the Zelenskiy interview, and it is unclear how widely it is being viewed in Russia. Talks on ending the war between Ukrainian & Russian delegations are due to continue early this week in Istanbul with the mediation of the Erdogan government. In military news, Russia last week appeared to have slowed or abandoned its efforts to capture major Ukrainian cities, including Kyiv, and instead refocused its efforts further east, perhaps to create a new north-south demarcation line and cut off the Ukrainian army units positioned in the Ukrainian-controlled western Donbass. A particular focus of Russian attacks has become the small city of Izyum on the border between Kharkiv and Lugansk provinces. The success of such an operation would expand Russian control of Ukraine to most or all of the two Donbass provinces.

### COMMENTARY

Zelenskiy’s call for a Russian withdrawal back to the pre-Feb 24 positions represents an important change in his negotiating position, as this is the first time in nearly 8 years that either Zelenskiy or his predecessor Petro Poroshenko have acknowledged that Crimea and the eastern Donbass may be irretrievable for Ukraine. In theory, this should lay the groundwork for real progress in peace talks in Turkey this week. Zelenskiy will doubtless face some criticism for this declaration, which breaks a taboo of Ukrainian domestic politics, but his political capital is so high at the moment that it is unlikely to damage his standing, in our view. Zelenskiy’s public relations victories over the regime of Russian President Putin in Western media continue to be absolutely devastating, resulting in much heavier sanctions and economic pain in Russia than Putin likely expected, as well as donations of Western weapons that are being used to blunt the Russian assault. Whether the huge economic, military, and reputational losses being suffered by Russia could undermine the stability of the Putin regime in the near term remains to be seen. In any case, the threat of Russian airstrikes across Ukraine continues, and a Russian push to capture new territory in the Donbass presents ongoing risks. We note that although Ukrainian securities are trading at distressed levels, they are well above their lows touched during the first 10 days of March, and we believe there is now some basis for speculation that sovereign Eurobonds and top equity names (Ferrexpo, Kernel, MHP) could see a sharp recovery in valuation.

**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	166	-1.1%	-44.6%	1288	1284	24.0%	2.0	1.2	1.5	0.9	0.6
<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	22.1	2.6%	-37.0%	93	39	21.6%	31.1	10.4	1.5	1.3	0.6
<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	3.41	-2.6%	-49.7%	360	1651	32.5%	neg	1.2	4.9	2.7	0.7
Kernel	KER	31.90	-9.9%	-45.7%	597	1433	61.8%	1.2	1.5	1.5	1.7	0.3
Astarta	AST	23.50	-6.9%	-44.6%	138	313	37.0%	16.7	13.1	2.6	2.3	0.6
Agroton	AGT	5.34	0.8%	-21.5%	27	2	25.0%	2.3	2.1	0.1	0.1	0.0
<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	2300	586	859	1,450	38.9%	50.5%	63.0%	403	635	1,100	26.7%	37.4%	47.8%
<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	2236	376	340	620	18.3%	17.8%	27.7%	215	-133	290	10.5%	-7.0%	13.0%
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%
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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