

Stock Market Update

Equity

Ukrainian President Volodymyr Zelenskiy met with UK Prime Minister Boris Johnson who made a surprise visit to Kyiv last week. Among other things, Johnson's trip included a pledge from London of USD 130mn commitment to delivering high-grade military equipment for Ukraine's defense. The UK leader also confirmed an additional USD 500mn in World Bank lending, taking Britain's total loan guarantee up to USD 1 bn for Ukraine.

Boris Johnson, President of the European Commission Ursula von der Leyen, and Austria's Chancellor Karl Nehammer made separate visits to Zelenskiy last week, the latest in a string of leaders to travel to the country during the ongoing Russian invasion.

On the trading front, Ukraine continues promoting to invest in a special domestic government bond aimed to support the national budget during the war. The special 1-year UAH-denominated bond has a yield of 11% and the special 8-month EUR-denominated bond placed last Tuesday has a yield of 2.5%. Local and foreign investors can purchase the special Ukrainian bond through licensed brokers or banks.

On the Warsaw Stock Exchange, there was a decline in quotes for most of the Ukrainian agro stocks. In particular, grain and sunflower oil exporter Kernel (KER) shed 3.3% to PLN 32.60 and Agroton (AGT) dropped by 5.6% to PLN 5.38 per share.

London-listed MHP (MHPC) slipped by 6.0% to USD 4.23. Ferrexpo (FXPO) fell 4.9% to GBp 186 despite the company reporting no output decrease in 1Q22 producing 2.7mn tonnes of high-grade iron ore pellets in the period. However, Ferrexpo admitted that logistics pathways to Europe via rail and barge remain open t, while activities at the Black Sea port of Pivdennyi continue to be suspended. The company's net cash position was USD 159mn as of 31 March 2022.

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-spetsrahunok-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

TREND



MARKET INDEXES

	Last	1W ch	YTD
UX	n/a	n/a	n/a
RTS	1080	4.5%	-32.3%
WIG20	2085	-3.7%	-8.0%
MSCI EM	1128	-1.6%	-8.4%
S&P 500	4488	-1.3%	-5.8%

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	10.0%	0.0 p.p.	+1.0 p.p.
UAH 1-year war bond	11.0%	0.0 p.p.	0.0 p.p.
Ukraine-2026	40.3%	3.4 p.p.	31.4 p.p.
Ukraine-2032	25.5%	1.8 p.p.	16.3 p.p.

CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	32.50	-1.5%	19.0%
EUR/UAH	35.33	-2.7%	14.1%

Source: Eavex Capital

Highlights

POLITICS AND ECONOMICS

- > Russians Bomb Dnipro Airport as Ukraine Asks Civilians to Leave Donbass
- > Ukraine Foreign Reserves Remain Strong at USD 28bn in April

Russians Bomb Dnipro Airport as Ukraine Asks Civilians to Leave Donbass

by Will Ritter
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NEWS

The main airport in Dnipropetrovsk province in east-central Ukraine was heavily damaged by Russian rocket attacks on Sunday (Apr 10), prominent social media accounts reported. Military analysts stated that the attack on the airport was likely a precursor to heavy fighting in the northern & western part of the Donbass region currently controlled by Ukraine. The government called on civilians in Donbass cities to evacuate in order to avoid being trapped in a war zone. The largest cities under threat from a new Russian offensive are Slavyansk, Kramatorsk, Severodonetsk, and Constantinovka. Meanwhile, British Prime Minister Boris Johnson paid an unannounced visit to Kyiv on Saturday (Apr 9), taking a walk around the city center with President Zelenskiy, who has continued to request more weaponry from Western countries to help fight the invasion. Zelenskiy kept up his public relations offensive in the West, appearing on the US national media program 60 Minutes.

COMMENTARY

This week's news flow on the war was notable for the absence of reports about any kind of peace process to build on the talks in Istanbul which took place at the end of March. Somewhat paradoxically, Zelenskiy's insistence on refusing the key Russian demand of formally ceding the eastern Donbass (DNR/LNR) territories looks likely to result in the loss of additional territory in the western Donbass, where Ukraine lacks the advantages that allowed it to defeat Russia in north-central Ukraine in March. That Kyiv has called on civilians to evacuate implies that it expects military units to embed in residential areas, which could result in the kind of mass destruction already seen in Mariupol in the southwestern Donbass. The difficulty here for Ukraine is that it cannot afford to relax its defenses of Kyiv and Odessa/Mykolayiv for the sake of committing more forces to the Donbass. So the question seems to be not whether the Russians will capture more territory, but how much they will capture and how long it will take them to do so, as in the near term, the Putin regime does not appear to be under any major domestic political or economic pressure to cease the invasion. Looking further down the line, assuming Russia does capture at least some new territory, Zelenskiy may then begin to come under increasing pressure from Western governments to agree to a deal that would prevent an open-ended period of hostilities lasting for many years, with massively destructive effects on the global economy. The ideal solution for Ukraine - forcing the collapse of the Putin regime in Moscow in the short term - is unfortunately not in the West's hands, we think.

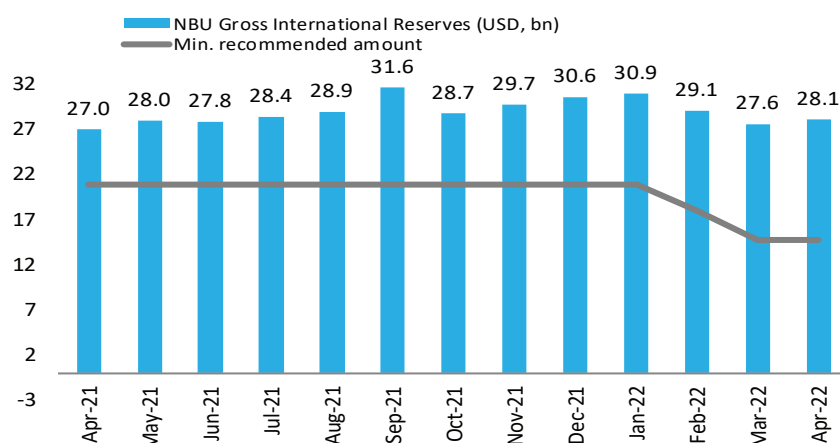
Ukraine Foreign Reserves Remain Strong at USD 28bn in April

by Dmitry Churin
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NEWS

The Ukrainian National Bank's (NBU) foreign reserves increased by 2% MoM to USD 28.1bn in March, according to official NBU data. The reserves decreased by 9.1% from USD 30.9bn since the start of the year. In March alone, the reserves grew by almost USD 500mn due to the financial assistance Ukraine received from its international partners. The government got USD 3.27bn in FX inflows last month. Specifically, SDR 1.0bn came from the IMF (under the Rapid Financing Instrument), EUR 639mn from the European Investment Bank, EUR 588mn from the EU, and USD 111mn and EUR 312mn from the World Bank. Meanwhile, Ukraine spent an equivalent of USD 283mn on the servicing and repayment of FX public debt. That includes the USD 205mn for paying a coupon on sovereign Eurobonds and USD 44mn paid on redemption of the USD-denominated domestic government bond. Also, Ukraine repaid USD 680mn to the IMF in March. The NBU's net forex selling on the interbank market amounted to USD 1.73bn in March despite the currency market operating in a restricted mode amid the Russian military invasion of Ukraine.

UKRAINE'S FX RESERVES, USD bn



Source: National Bank of Ukraine

COMMENTARY

The National Bank said that it was unable to estimate the forward-looking measure of how many months of future imports the current level of the FX reserves would cover. There is a minimum of 3 months of imports recommended by economic theory. In our opinion, taking into account that the monthly average of Ukraine's imports amounted to USD 6.9bn in 2021, and an assumption that the imports would drop by at least 30% this year, we believe that the country's FX reserves now cover 5.7 months of future imports. That is why we view Ukraine's FX reserves at a strong level as of the start of April. According to the Finance Ministry, Ukraine has to pay USD 3.5bn to foreign creditors by the end of the year with the lion part of USD 1.8bn coming in September when the government needs to redeem Ukraine-22s Eurobonds and has to pay a coupon on most of the outstanding sovereign Eurobonds.

Currently, we see that the Ukrainian government has a strategy to continue to service the country's public debt even during the war. However, we do not rule out that the government will approach holders of Ukraine's sovereign Eurobonds with some kind of restructuring proposal.

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								
Iron Ore Mining												
Ferrexpo	FXPO	186	-4.9%	-37.9%	1422	1418	24.0%	2.2	1.3	1.7	1.0	0.6
Railcar Manufacturing												
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
Specialized Machinery												
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
Oil & Gas												
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	23.7	-1.5%	-32.4%	99	44	21.6%	32.9	11.0	1.7	1.5	0.7
Power Utilities												
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
Consumer												
MHP	MHPC	4.23	-6.0%	-37.6%	447	1738	32.5%	neg	1.5	5.1	2.8	0.8
Kernel	KER	32.60	-3.3%	-44.5%	610	1446	61.8%	1.2	1.5	1.6	1.7	0.3
Astarta	AST	27.30	-0.4%	-35.6%	160	335	37.0%	19.4	15.3	2.8	2.5	0.6
Agroton	AGT	5.38	-5.6%	-20.9%	27	2	25.0%	2.3	2.1	0.1	0.1	0.0
Banks												
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
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%
Electric Utilities																
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%
Consumer																
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%
Banks																
		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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