

**Stock Market Update**

**Equity**

Kyiv has asked Washington to deploy one of the most potent tools in its arsenal of sanctions: adding Russia to the list of state sponsors of terrorism. Inclusion on the list has far-reaching impacts and would exacerbate Russia's existing economic woes. Four countries are currently on the list: Cuba, North Korea, Iran and Syria.

On the battlefield, Russia renews and refocuses its attacks on eastern and southern Ukraine advancing along the Sea of Azov and carving a land corridor from Crimea to separatist-controlled territory in the east, where a Russian offensive is imminent.

The National Bank of Ukraine in its recent assessment of the economic situation in the country said that inflation in 2022 might exceed 20%. The government will try to restrain the price growth by locking in public utility rates and administrative regulation of prices for some foods and fuels.

On the Ukrainian stock market trading in stocks and bonds remained suspended due to the military situation.

The Finance Ministry continued to place the special government bonds to finance the national budget. The special 1-year UAH-denominated bond has a yield of 11%. Local and foreign investors can purchase the special Ukrainian bond through licensed brokers or banks.

In London trading, Ukrainian-based iron ore miner Ferrexpo (FXPO) gained 3.5% last week to close at GBp 192 per share. Natural gas producer Enwell Energy (former Regal) added 1.9% to GBp 24.1 and poultry maker MHP (MHPC) increased by 1.7% to USD 4.30.

Warsaw-listed Agroton (AGT) declined by 2.6% to PLN 5.24 while Kernel (KER) edged up by 0.3% to PLN 32.70 last week. The KER stock has tumbled by 44% so far this year as a result of the Russian invasion of Ukraine.

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

**TREND**



**MARKET INDEXES**

	Last	1W ch	YTD
UX	n/a	n/a	n/a
RTS	955	-11.6%	-40.2%
WIG20	2093	0.4%	-7.7%
MSCI EM	1112	-1.4%	-9.7%
S&P 500	4392	-2.1%	-7.9%

**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	39.5%	-0.8 p.p.	30.6 p.p.
Ukraine-2032	27.6%	2.1 p.p.	18.4 p.p.

**CURRENCY**

	Last, UAH	1W ch	YTD
USD/UAH	31.60	-2.8%	15.7%
EUR/UAH	34.13	-3.4%	10.2%

Source: Eavex Capital

**Highlights**

**POLITICS AND ECONOMICS**

- > Peace Process Appears Dead as Kyiv, Moscow Maintain Hard Lines

## Peace Process Appears Dead as Kyiv, Moscow Maintain Hard Lines

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### NEWS

Last week saw multiple developments that appeared to move the 7-week-old Ukraine-Russia war further away from a negotiated settlement and toward a protracted conflict. Foreign Minister Dmytro Kuleba admitted in a US national media appearance on Sunday (Apr 17) that there have been no high-level talks taking place between the two countries since the meetings in Istanbul last month. Also appearing on US national television on Sunday, Prime Minister Dennis Shmygal said that Ukrainian forces in the besieged southeastern city of Mariupol will not surrender to the Russians despite extremely difficult circumstances; these forces are holed up in the Rinat-Akhmetov-owned Azovstal steel plant, with the Russians reportedly now in control of the rest of the city. Although Mariupol is receiving the most media coverage, there are also reports of extreme destruction in the Ukrainian-controlled Donbass cities of Severodonetsk and Lysichansk in Lugansk province, with a major oil refinery having been bombed in the latter. In the Russian-occupied southern province of Kherson, there were unconfirmed reports that Russia is planning a referendum on creating a separatist “people’s republic” on around May 10, which would be exactly 8 years to the day after such unsanctioned referendums were held in the occupied parts of Donetsk and Lugansk in 2014 that formally set up the DNR and LNR.

### COMMENTARY

The key difficulty for Ukraine right now, in our view, is that despite Russia’s re-focusing of its assault onto the Donbass, Central and Western Ukraine remain vulnerable to airstrikes. However, given the Zelenskiy government’s successes in public relations, backing for Ukraine in most Western countries continues to be enthusiastic, and there are now some suggestions that the US might step in militarily with air support in case Russia were to attempt a repeat of its brutal March occupation of parts of Central Ukraine, when wide-ranging war crimes against civilians were committed. Importantly, the mere threat of such a move by the US could act as a deterrent against an attempt by the Putin regime to return to the Ukrainian heartland. Nonetheless, the military situation in Eastern Ukraine looks bad, with Russia on the verge of controlling the entire Azov coastline, as well as parts of the western Donbass that were held by Ukraine after 2014 and parts of eastern Kharkiv province, including the strategic town of Izyum. The Zelenskiy administration’s refusal to formally cede the territory lost in 2014 (DNR/LNR & Crimea) precludes Putin coming back to the negotiating table, we suppose, especially in light of the additional territory that Russia has now captured. It is important to understand that Western sanctions will likely take several years to crush the Russian economy, and with scant chances for regime change in Moscow in the near term, Ukraine cannot continue a full-scale war for such a long period without direct Western military support, we think.

**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	
<b>UX Index</b>												
	UX	n/a	n/a	n/a								
<b>Iron Ore Mining</b>												
	Ferrexpo	192	3.5%	-35.8%	1483	1479	24.0%	2.3	1.3	1.7	1.0	0.6
<b>Railcar Manufacturing</b>												
	Kryukiv Wagon	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	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Motor Sich	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	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)	24.1	1.9%	-31.1%	101	47	21.6%	33.7	11.2	1.8	1.6	0.8
<b>Power Utilities</b>												
	Centrenergo	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Donbasenergo	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	4.30	1.7%	-36.6%	454	1745	32.5%	neg	1.6	5.1	2.8	0.8
	Kernel	32.70	0.3%	-44.3%	609	1445	61.8%	1.2	1.5	1.6	1.7	0.3
	Astarta	27.10	-0.7%	-36.1%	158	333	37.0%	19.2	15.1	2.7	2.5	0.6
	Agroton	5.24	-2.6%	-22.9%	27	2	25.0%	2.3	2.1	0.0	0.1	0.0
<b>Banks</b>												
	Raiffeisen Bank Aval	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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