

Stock Market Update

Equity

Ukrainian stocks listed abroad were hit further by continued Russian military aggression against Ukraine. On the Warsaw Stock Exchange, grain exporter Kernel (KER) lost 8.3% last week to close at PLN 24.00. The KER stock has tumbled by 60% since the start of the year.

In London trading, iron ore miner Ferrexpo (FXPO) fell 7.9% to GBp 152 losing half of the market capitalization in the last four months. Somewhat in better shape was Enwell Energy (former Regal) which gained 2.4% for the week to GBp 23.8 but was still down by 32% YTD. Although poultry producer MHP (MHPC) released outstanding financial results for 2021 with a net profit of USD 393mn (USD 3.55 per share), the MHPC stock declined by 4.0% to USD 4.29. The company said it manage to operate at 85% capacity in the current conditions and was in process of a spring sowing campaign.

On the Ukrainian stock market trading in stocks and bonds remained suspended as the country is under martial law.

The Finance Ministry got UAH 7.1bn from the sale of the special bonds, including USD 50mn from the placement of the 1-year USD-denominated government bond at 3.7%. The half-year UAH-denominated government bond had an offered yield of 10.0%. Local and foreign investors can purchase the special Ukrainian bond through licensed brokers or banks.

Trading in hryvnia on the interbank currency market remained limited. While on the cash market the hryvnia gained by 3.4% to 32.4 UAH/USD.

Highlights

POLITICS AND ECONOMICS

- > Britain's Truss: War Aims to Push Russia Out of Crimea, DNR/LNR; Embargo on Russian Oil Expected
- > Ukraine Foreign Reserves Decline by USD 1.2bn to USD 26.9bn in April

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

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	1088	0.6%	-31.8%
WIG20	1765	-5.0%	-22.1%
MSCI EM	1064	1.9%	-13.6%
S&P 500	4123	-0.2%	-13.5%

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	46.4%	-1.8 p.p.	37.5 p.p.
Ukraine-2032	30.0%	-1.2 p.p.	20.8 p.p.

CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	32.36	-3.4%	18.4%
EUR/UAH	34.14	-2.9%	10.3%

Source: Eavex Capital

Britain's Truss: War Aims to Push Russia Out of Crimea, DNR/LNR; Embargo on Russian Oil Expected

by Will Ritter
w.ritter@eavex.com.ua

NEWS

Top British diplomat Liz Truss delivered an extremely hawkish speech in London on Apr 27 in which she said that Britain “will keep going further and faster to push Russia out of the whole of Ukraine”, the BBC reported. Given that Russia occupies not only parts of southern and eastern Ukraine captured in the current 2-month-old war, but also territory captured back in 2014, Truss’s remarks were understood to mean that the endgame of the war for Ukraine & the West is to eject Russia from those previously occupied territories. Up to now, the British government had limited its statements on the war goals to general terms such as “Putin’s invasion of Ukraine must be seen to fail”, the BBC said. In other news, the European Union is expected to end all purchases of Russian oil in the near term after Germany dropped its objections to the move, Western media reported.

COMMENTARY

At this point, with more than a month having passed without any talk of a negotiated end to the war, some clarity on the West’s actual endgame in Ukraine and a plan to get there would be welcome. However, Truss’s stated endgame looks unachievable to us, although it nominally places Britain in agreement with official Ukrainian government policy, if indeed Truss’s comments were meant as a serious policy statement. Although the Biden administration has also taken a tougher line against Russia in recent weeks, and President Biden has proposed a massive USD 33bn aid package to help Ukraine, it would be surprising for us to hear a specific statement of intent from the US to recapture the 2014 occupied territories. President Zelenskiy stated after the discovery of the Russian atrocities committed in Bucha and Irpin that Ukrainian public opinion has turned against peace talks and in favor of continuing the war; however, we note that there could be a growing divergence of the interests of Ukraine and its Western allies on this point. Pro-Ukrainian voices have become more open in recent weeks in stating that the goal of the war is to overthrow the Putin regime - a dangerous & unpalatable strategy for the West, since the timescale needed to choke the Russian economy with Western sanctions is years, not months. The Kremlin also has near-term tools for further escalation of the war, including the possibility of a general military conscription to augment what has thus far been an under-staffed effort to occupy large areas of Ukrainian territory.

Ukraine Foreign Reserves Decline by USD 1.2bn to USD 26.9bn in April

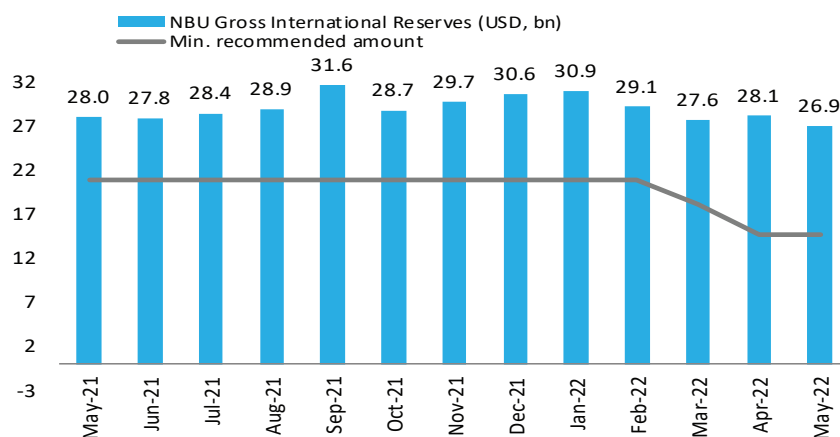
by Dmitry Churin
d.churin@eavex.com.ua

NEWS

The Ukrainian National Bank's (NBU) foreign reserves declined by USD 1.2bn to USD 26.9bn in April (-4.3% MoM), according to official NBU data. The reserves decreased by 13% from USD 30.9bn since the start of the year.

The decrease in the FX reserves in April was caused by the National Bank's net foreign currency sale of USD 2.2bn on the interbank market, as the regulator had to intervene amid a lack of the hard currency supply from Ukrainian exporters. Also, the National Bank provided USD 614mn to the government to service the country's external debt. Meanwhile, the FX reserves in April had an inflow of USD 1.9bn in form of the financial aid from other countries and international institutions. In particular, the World Bank provided about USD 750mn, France gave EUR 300mn, Canada transferred USD 240 and the EU sent EUR 120mn.

UKRAINE'S FX RESERVES, USD bn



Source: National Bank of Ukraine

COMMENTARY

The Ukrainian interbank currency market continued to operate in the restricted mode and the official hryvnia exchange rate remained artificially frozen at 29.25 UAH/USD. The National Bank has to play the role of the hard currency seller of last resort to balance the demand and supply of foreign currency on the Ukrainian market. Moreover, there are almost 5.5mn Ukrainians who fled the country since the war began on Feb. 24. Therefore they spent a lot of money on UAH banking cards leading to a form of capital flea out of Ukraine.

The Russian military invasion of Ukraine hurts the economy badly leading to a drop in the national budget revenues. The Finance Ministry reported that the national budget expenditures amounted to UAH 523bn (USD 18bn) in January-April which was 23% lower than the planned spending. The budget deficit was at UAH 157bn (USD 5.4bn). The country managed to cover that deficit solely thanks to financial aid from other countries and financial institutions. The IMF was the largest backer giving USD 1.4bn in March. The US so far provided about USD 500mn. Ukraine desperately needs more help from its foreign partners to overcome the war crisis. There have been unconfirmed information that Ukraine will get about USD 6.5bn in additional help from the partnering countries to withstand the current dramatic moment.

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	152	-7.9%	-49.2%	1129	1012	24.0%	1.8	1.3	1.2	0.7	0.4
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	23.8	2.4%	-32.0%	96	42	21.6%	32.1	10.7	1.6	1.4	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	4.29	-4.0%	-36.7%	453	1683	32.5%	neg	1.2	5.0	2.6	0.7
Kernel	KER	24.00	-8.3%	-59.1%	432	1983	61.8%	0.8	1.1	2.1	2.4	0.4
Astarta	AST	22.90	-3.4%	-46.0%	129	304	37.0%	15.6	12.3	2.5	2.2	0.6
Agroton	AGT	4.60	0.0%	-32.4%	23	-2	25.0%	1.9	1.7	-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	2518	586	859	1,439	38.9%	50.5%	57.1%	403	635	871	26.7%	37.4%	34.6%
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	2372	376	340	648	18.3%	17.8%	27.3%	215	-133	393	10.5%	-7.0%	16.6%
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

Eavex Capital

7 Klovisky uzviz, 16th Floor
Carnegie Center
Kyiv, 01021, Ukraine

Telephone: +38 044 590 5454
Facsimile: +38 044 590 5464
E-mail: research@eavex.com.ua
Web-page: www.eavex.com.ua

Yuriy Yakovenko
Chairman of the Board

SALES & TRADING
Pavel Korovitskiy
Managing Director
Equity and Fixed Income
p.korovitsky@eavex.com.ua

RESEARCH
Dmitry Churin
Head of Research
d.churin@eavex.com.ua

Investing in emerging markets' securities may entail certain risks. There may be limited information available on such securities. Securities of emerging markets' companies may be less liquid and their prices more volatile than securities of comparable developed markets' companies. In addition, exchange rate movements may have an adverse effect on the value of an investment.

This document is based on data we deem to be reliable, though we do not guarantee its accuracy or completeness and make no warranties regarding results from its usage. Forecasts are estimates by specialists working for us, and actual events may turn out to be fundamentally different due to unforeseen circumstances. This document is provided for information purposes only.

Copyright 2022 Eavex Capital. All rights reserved.
Securities and Stock Market State Commission licence, issued 06.10.2015