

## Stock Market Update

### Equity

According to the National Bank's latest survey, there are 14% of Ukrainian enterprises out of business as a result of the Russian invasion of Ukraine and the domestic industrial sector faces a drop in production of 40% compared to the pre-war period. This terrible situation leads to a heavy fall in the national budget revenues prompting the government to fill the budget gap with extensive borrowings from all available sources. Currently, there is an expectation that the Finance Ministry will start to offer a much higher yield for the domestic government special UAH-denominated bonds to attract more funds. The last primary bond auction held on Jun 7 brought in only UAH 809mn in proceeds at the offered yield of 9.5% - 11.5%. Taking into account that the National Bank has raised its key monetary policy rate from 10% to 25%, we assume that the special government bond should be offered at 20%. Moreover, the rising inflation in the country, which topped 18% YoY in May, also put pressure on the UAH-denominated assets.

Among macroeconomic statistics, the official estimates said that Ukrainian GDP dropped by 15.1% YoY in 1Q22 after a rise of 5.9% YoY seen in 4Q21. On a quarter-on-quarter basis, the economic contraction was a whopping 19.3% in the Jan-Mar period.

In terms of individual share price movement, London-listed Ukrainian natural gas producer Enwell Energy (former Regal) shot up by 35% to GBp 28.9. On the downside, Ferrexpo (FXPO) slipped by 6.6% to GBp 164 and Warsaw-listed Agroton (AGT) decreased by 5.7% to PLN 4.44.

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

The hryvnia remained little changed at 35.3 UAH/USD on the OTC cash market.

## Highlights

### POLITICS AND ECONOMICS

- > Macron, Scholz Due in Kyiv as Zelenskiy Presses for EU Membership
- > Ukraine Foreign Reserves Drop by USD 1.8bn to USD 25.1bn in May

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/about/support-the-armed-forces](http://www.bank.gov.ua/en/about/support-the-armed-forces)

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

[www.bank.gov.ua/en/about/humanitarian-aid-to-ukraine](http://www.bank.gov.ua/en/about/humanitarian-aid-to-ukraine)

[www.eavex.com.ua](http://www.eavex.com.ua)

## TREND



UNITED24 charitable donations will be transferred to the official accounts of the National Bank of Ukraine and allocated by assigned ministries to cover the most pressing needs:

[www.u24.gov.ua](http://www.u24.gov.ua)

## MARKET INDEXES

	Last	1W ch	YTD
UX	n/a	n/a	n/a
RTS	1268	5.8%	-20.5%
WIG20	1725	-5.2%	-23.9%
MSCI EM	1054	-0.7%	-14.4%
S&P 500	3900	-5.0%	-18.2%

## FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	25.0%	0.0 p.p.	+16.0 p.p.
UAH 1-year war bond	11.0%	0.0 p.p.	0.0 p.p.
Ukraine-2026	43.9%	3.1 p.p.	35.0 p.p.
Ukraine-2032	27.3%	1.4 p.p.	18.1 p.p.

## CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	35.25	-0.1%	29.0%
EUR/UAH	37.01	-2.3%	19.5%

Source: Eavex Capital

## Macron, Scholz Due in Kyiv as Zelenskiy Presses for EU Membership

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

### NEWS

French President Emmanuel Macron and German & Italian Prime Ministers Olaf Scholz and Mario Draghi are expected to pay a joint visit to Kyiv in the next two weeks ahead of the Jun 26-28 EU summit meeting, German media reported. In recent weeks, President Zelenskiy has stepped up calls for the European Union to admit Ukraine as a member, and European Commission President Ursula Von der Leyen was in Kyiv meeting with Zelenskiy on Saturday (Jun 11), calling the decision on whether to admit Ukraine “historic”. In war-related news, Ukrainian sources said the military had managed to recover some territory in occupied Kherson province, pushing Russian forces back by around 5-7km. However, in the key city of Severodonetsk in the Donbass region, the situation for Ukrainian forces has reportedly worsened, with much of the city now under Russian control. Taking Severodonetsk would provide a base for Russian assaults on the remaining Ukraine-controlled cities in the western Donbass - Lysichansk, Bakhmut, Slavyansk, and Kramatorsk.

### COMMENTARY

The main military difficulty for Ukraine currently is that Western countries have been unwilling or unable to deliver weapons and ammunition at a fast enough pace to prevent a steady loss of territory in the Donbass, with the Ukrainian army simply outgunned by Russian firepower. The Western media narrative on the war has also begun to change over the past month, with expectations growing that Ukraine will not be able to quickly recover the lost territory (with the possible exception of Kherson), which would lead to a protracted and costly stalemate. Another factor is that although the West’s sanctions against Russia are damaging the country’s economy, the immediate effects are turning out to be less than what was expected; Russia’s central bank has been able to prop up the ruble and there are few outward signs of near-term political instability in Russia due to the war. For these reasons, we do not rule out that Macron, Scholz and Draghi might be planning to offer Zelenskiy a deal that would see Ukraine receive EU membership candidate status in exchange for Zelenskiy dropping his declared intention to reclaim the territories of Crimea and the so-called Donetsk and Luhansk People’s Republics (DNR/LNR) with military force. Such a deal could open the door to a ceasefire, although the issues of the territory captured by Russia since Feb 24 would remain unsolved, absent Ukraine’s ability to quickly liberate them.

**Ukraine Foreign Reserves Drop by USD 1.8bn to USD 25.1bn in May**

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

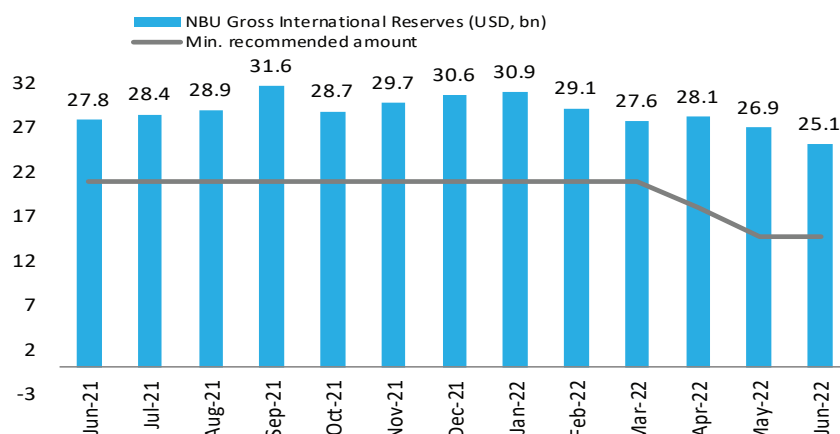
**NEWS**

The Ukrainian National Bank's (NBU) foreign reserves dropped by USD 1.8bn to USD 25.1bn in May (-6.7% MoM), according to official NBU data. The reserves decreased by USD 5.8bn (-19% YTD) from USD 30.9bn at the start of the year.

The decrease in the FX reserves in May was caused by the National Bank's net foreign currency sale of USD 3.4bn 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 213mn to the government to service the country's external debt.

The FX reserves inflow in May amounted to USD 1.7bn, including disbursements of EUR 584mn from the World Bank and EUR 582mn from the EU.

**UKRAINE'S FX RESERVES, USD bn**



Source: National Bank of Ukraine

**COMMENTARY**

The National Bank was forced to increase its net foreign currency sale on the interbank market in May leading to a higher pace of the FX reserves depletion. While the regulator continues to stick to the fixed hryvnia exchange rate against the dollar at 29.25 UAH/USD, the OTC cash FX market also failed to reflect a fair value of the hryvnia as the currency market has been operating with low liquidity and the many restrictions. De-facto Ukrainian government now relies mostly on financial assistance from Western countries and international institutions as well as on direct money injections from the National Bank in form of purchases of the government debt rather than tax revenues. The country's central bank has pumped UAH 190bn (USD 6.5bn) into the national budget since Russia invaded Ukraine on Feb 24. The World Bank recently announced that it would provide USD 1.5bn to the Ukrainian government to help pay the salaries of social workers. We think that Ukrainian authorities will do all the necessary steps to secure more financial aid from Western backers. Roughly speaking, the Ukrainian government needs about USD 5 bn per month to cover the national budget gap amid the current open stage of war with Russia.

**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	164	-6.6%	-45.1%	1190	1073	24.0%	1.9	1.4	1.2	0.7	0.4
<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	28.9	35.1%	-17.6%	114	60	21.6%	37.9	12.6	2.3	2.0	1.0
<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	4.70	-1.7%	-30.7%	521	1751	32.5%	neg	1.3	5.1	2.7	0.7
Kernel	KER	26.72	0.8%	-54.5%	500	2051	61.8%	1.0	2.8	2.2	3.0	0.4
Astarta	AST	24.45	-7.0%	-42.3%	140	314	37.0%	16.9	13.3	2.6	2.3	0.6
Agroton	AGT	4.44	-5.7%	-34.7%	22	-3	25.0%	1.9	1.7	-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	2518	586	859	1,439	38.9%	50.5%	57.1%	403	635	871	26.7%	37.4%	34.6%
<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>																
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%
<b>Consumer</b>																
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	5365	443	929	678	10.8%	16.5%	12.6%	118	513	180	2.9%	9.1%	3.4%
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

**Eavex Capital**

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

Telephone: +38 044 590 5454  
Facsimile: +38 044 590 5464  
E-mail: [research@eavex.com.ua](mailto:research@eavex.com.ua)  
Web-page: [www.eavex.com.ua](http://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](mailto:p.korovitsky@eavex.com.ua)

**RESEARCH**  
Dmitry Churin  
**Head of Research**  
[d.churin@eavex.com.ua](mailto: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