

## Stock Market Update

### Equity

Ukrainian stocks were broadly lower last week as Russian missiles have hit residential buildings in Kyiv. Mayor Vitali Klitschko accused Kremlin of attacking the capital to “intimidate Ukrainians” ahead of a NATO summit in Madrid from June 28 to 30, where the transatlantic alliance is expected to discuss military and financial support to Ukraine. President Volodymyr Zelenskyy, who is expected to address both the G7 and NATO gatherings, said cities as far away as Lviv, near the Polish border, had been attacked last week. There had been no major attacks on Kyiv since June 5, when Russia targeted a factory on the city’s outskirts.

The Ministry of Justice of Ukraine has filed a new lawsuit against Russia with the European Court of Human Rights. The lawsuit stressed that every day throughout Ukraine, the aggressor country conducts indiscriminate and disproportionate use of military forces and means against the civilian population and property of citizens, violating all relevant norms of international law.

Although the global equity market was on the rise last week, Ukrainian stocks listed in London and Warsaw remained under heavy pressure. Iron ore miner Ferrexpo (FXPO) dropped by 8.0% to GBP 140 per share and poultry producer MHP (MHPC) fell 3.9% to USD 3.94. Eastern Ukraine-based agro company Agroton (AGT) slipped by 9.5% to PLN 3.44 due to more fears of the Russian shelling in Kharkiv province.

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

The hryvnia managed to gain by 0.3% to 35.5 UAH/USD on the OTC cash market amid the National Bank’s intervention to sell USD 933mn on the interbank market at the official exchange rate of 29.25 UAH/USD.

## Highlights

### POLITICS AND ECONOMICS

- Russia Takes Control of Severodonetsk as G7 Promises to Continue Ukraine Support
- National Bank Publishes Assessment of Ukraine’s Financial Sector Stability

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	1415	7.6%	-11.3%
WIG20	1682	0.3%	-25.8%
MSCI EM	1011	0.7%	-17.9%
S&P 500	3911	6.4%	-17.9%

### 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	56.0%	5.3 p.p.	47.1 p.p.
Ukraine-2032	33.4%	3.3 p.p.	24.2 p.p.

### CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	35.50	-0.3%	29.9%
EUR/UAH	37.40	0.0%	20.8%

Source: Eavex Capital

## Russia Takes Control of Severodonetsk as G7 Promises to Continue Ukraine Support

by Will Ritter  
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### NEWS

The leaders of the G7 industrialized nations on Sunday (Jun 26) released a statement promising to continue to support Ukraine in its war against Russia “for as long as necessary” in the form of financial and weapons assistance. The leaders are meeting in southern Germany near the Austrian border. The summit kicked off with the announcement of a Western ban on the trading of Russian gold as a way to reduce funding for the Kremlin’s military machine. Gold is Russia’s largest export product after oil and natural gas. President Zelenskiy is due to address the summit by video link today (Jun 27). Meanwhile, in military news, the Ukrainian government admitted that it has lost control of the eastern city of Severodonetsk after weeks of defending it from the Russian advance, leaving besieged Lysichansk as the last town in Lugansk province still held by Ukrainian forces. Russian missile strikes have hit Ukrainian cities nationwide in recent days, including Odessa, Kharkiv, Zhytomir, Cherkasy, and Kyiv. The strike in the capital on Sunday (Jun 26) apparently targeted the Artyoma factory near the central area of the city. Zelenskiy warned in his nightly address that the Kremlin is trying bring Belarus into the war against Ukraine, and he appealed to Belarusian citizens to refuse to take part in hostilities.

### COMMENTARY

The loss of Severodonetsk had been expected for some time, with Ukraine simply outgunned there by Russian artillery. The main military question now in the Donbass is whether Ukrainian forces will be able to prevent the cities in western Donetsk province - Slavyansk, Kramatorsk, Bakhmut, and Avdiyivka - from falling into Russian hands amid the ongoing deliveries of new Western weapons systems. In terms of the G7 statement, we note that this and other such public declarations of Western support conspicuously do not include specific language referring to Ukraine regaining all of the Russian-occupied territories as an endgame of the war. This is in quite sharp contrast to the public statements of Zelenskiy and other top Ukrainian officials, who always emphasize the condition of completely restoring Ukraine’s territorial integrity as the key element of “victory” over Russia. This apparent divergence in goals between Ukraine and its Western allies will continue to be a source of friction in the coming weeks and months, we think.

## National Bank Publishes Assessment of Ukraine's Financial Sector Stability

by Dmitry Churin  
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### NEWS

The National Bank released its latest report on financial stability on Jun 21. According to the document, the regulator has identified the following main theses:

- despite the war shock in Ukraine, the banking system continues to operate, remains highly liquid, and has a high margin of safety;
- corporate lending grows exclusively with the support of the state; retail lending decreases, mortgage lending ceased;
- credit risks will increase in the short term, and the loss of the loan portfolio may exceed 20%;
- banks' capital reserves in February significantly exceeded the required minimum levels, so banks can absorb main losses from the rising non-performing loans. After the war, banks will have enough time to restore solvency fully;
- financial assistance from the Western world makes it possible to finance the budget deficit and maintain Ukraine's international reserves while foreign debt markets are not available for Ukraine.
- the National Bank conducted a stress test of credit risk in the banking system. On average, banks can cover the losses of 24.5% of the operating loan portfolio with existing capital.

### COMMENTARY

In our opinion, the National Bank is quite optimistic about the current situation of the financial system, ignoring some of the macroeconomic risks directly related to the loss of business opportunities for Ukraine to conduct export-import operations through seaports as a result of the Russian invasion. For the most part, the National Bank focuses on the fact that there are 85% of the country's bank branches in operation in June. This means that financial institutions have managed to withstand the pressure of numerous cyberattacks, which have intensified significantly over the past four months. There is also such a positive point that to save the data, Ukrainian banks have moved the data to cloud storage. As a result, of all the risks inherent in banks, the key is credit risk, and its implementation is the biggest threat to the sector. Financial institutions slowly began to recognize the already incurred and expected losses. For the first time in five years, the Ukrainian banking sector has become unprofitable due to a sharp increase in non-performing loan reserves. However, on the operational level, the country's banking system remains profitable. The regulator stressed that in case of violation of capital requirements or liquidity for individual banks, temporary measures of influence will not be applied giving banks time to adapt to the capital requirements amid the war.

Separately, there was reported the latest data from OschadBank shows that its regulatory capital adequacy ratio as of June 1 was 13% while the minimum required level is 10%.

Indicative quote for OschadBank Eurobond with maturity in March 2023 increased by an impressive 33% last week to 57 cents on the dollar (140% YTM). There is no information yet on whether OschadBank plans to restructure this issue of Eurobonds.

**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	140	-8.0%	-53.2%	1011	894	24.0%	1.6	1.2	1.0	0.6	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	23.4	-12.2%	-33.3%	92	38	21.6%	30.6	10.2	1.4	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	3.94	-3.9%	-41.9%	436	1646	32.5%	neg	1.1	4.8	2.5	0.7
Kernel	KER	20.30	-1.1%	-65.4%	375	2090	61.8%	0.7	2.1	2.2	3.1	0.4
Astarta	AST	21.00	-1.4%	-50.5%	118	293	37.0%	14.3	11.3	2.4	2.2	0.6
Agroton	AGT	3.44	-9.5%	-49.4%	17	-8	25.0%	1.4	1.3	-0.2	-0.3	-0.1
<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

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