

## Stock Market Update

### Equity

Estimates for the damage done to Ukraine's civilian infrastructure by the Russian military invasion have already exceeded USD 100 bn. Other economic losses, including unrealized economic growth, should also be added to that number, as well as abandoned investment projects, and so on. There are different estimates of how much these economic losses total: hovering from around USD 500 bn to USD 1 trillion. The war is still ongoing, and the full losses are yet to materialize fully.

Russian forces now try to press their offensive deeper into eastern Ukraine after taking control of a key stronghold in the Luhansk province. The Kremlin has made capturing the entire Donbas a key goal in its war in Ukraine, now in its fifth month. Moscow-backed separatists in Donbas have battled Ukrainian forces since 2014 when they declared independence from Kyiv after the Russian annexation of Ukraine's Crimea. Russia formally recognized the self-proclaimed republics days before its Feb. 24 invasion of Ukraine.

Currently, there is an assessment that in the second quarter Ukraine's GDP fell by 40% YoY as a result of the Russian invasion.

Ukrainian equities listed in London and Warsaw were mostly lower last week as the country continued to suffer much from the Russian invasion.

The world's third-largest iron ore pellets exporter Ferrexpo (FXPO) slipped by 6.0% to GBP 132 per share last week as export constraints from Ukraine shake the company's business model. Agro exporter Kernel (KER) also suffers and the KER stock fell 3.2% to PLN 19.66. On the surprising upside, poultry maker MHP (MHPC) gained by 10% to USD 4.34.

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

The hryvnia stayed almost unchanged at 35.5 UAH/USD on the OTC cash market.

## Highlights

### POLITICS AND ECONOMICS

- Ukrainian Exports Drop by 24% YoY to USD 22.8bn in 1H22

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)

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### 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	1276	-9.8%	-20.0%
WIG20	1689	0.4%	-25.5%
MSCI EM	993	-1.8%	-19.4%
S&P 500	3825	-2.2%	-19.7%

### 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	65.2%	9.2 p.p.	56.3 p.p.
Ukraine-2032	36.9%	3.5 p.p.	27.7 p.p.

### CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	35.50	0.0%	29.9%
EUR/UAH	37.05	-0.9%	19.7%

Source: Eavex Capital

**Ukrainian Exports Drop by 24% YoY to USD 22.8bn in 1H22**

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**NEWS**

The overall merchandise exports from Ukraine decreased by 23.7% YoY to USD 22.8bn in 1H22, according to preliminary data from the government. In the 2Q22 alone, the country's exports had a total value of USD 8.8bn, which implies a 37.4% QoQ contraction. On the year-on-year comparison, there was a 45.8% drop in exports in 2Q22 (USD -7.4bn).

It appears that the situation with exports has stabilized over the past few months and improved a little compared with the extremely tough situation seen in March when the Russian military machine tried to capture Kyiv. Ukraine exported 5.8mn tonnes of goods worth USD 3.2bn in June, which was far below the average level of export deliveries. The critical deterioration in exports was for the Ukrainian iron ore industry which found itself trapped with excessed inventories amid the suspension of exports through the Black Sea ports due to the Russian military invasion.

Meanwhile, Ukrainian sunflower oil exports somewhat increased in June bringing in USD 437mn in the FX revenue last month for the country's agro traders.

The top 10 exported Ukrainian goods in June include sunflower oil, corn, sunflower seeds, iron ore, steel and steel products, pipes, poultry meat, pipes, and soybeans.

Geographically, the exports were focused on the EU. 78% of Ukrainian exports in 2Q22 went to the EU. In the value term exports to the EU amounted to USD 6.9bn in 2Q22.

In contrast, Ukrainian exports to other destinations than the EU shrunk by 80% YoY in 2Q22 due to logistics constraints.

**COMMENTARY**

The reported 24% YoY drop in the value of Ukrainian exports in 1H22 has not yet reflected a full picture of the problem as normal export operations in January-February partly smoothed the data. In the volume term, the country's exports slipped by 55.6% YoY to 16.6mn tonnes in 1H22 (-20.8mn tonnes). The main reason for these terrible export figures is the blocking of seaports by Russia. On a quarter-on-quarter basis, Ukraine's sea exports plunged by 86.5% in 2Q22 in volume terms (-21.6mn tonnes).

The inability to conduct exports through Ukrainian seaports hurts the Ukrainian economy badly. The country's iron ore mines have already announced a suspension of mining as alternative export logistics did not allow them to deliver needed volumes of products. The sharp decrease in merchandise exports has a clear negative implication on Ukraine's balance of payment leading to additional pressure on the hryvnia. Currently, the National Bank conducts a policy of pegging the official hryvnia exchange rate to the dollar at 29.25 UAH/USD. There is no indication when the regulator will start to ease the strict capital controls as the unprecedented Russian military aggression against Ukraine continued to destroy the country's economy. Ukraine has no other way than to rely on the Western world's support in the fight for sovereignty. Ukraine got a EUR 1bn grant from Germany last week, as well as a EUR 1bn of the EU Macro-Financial Assistance, and a EUR 425mn loan from the World Bank.

**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	FXPO	132	-6.0%	-56.0%	937	820	24.0%	1.5	1.1	1.0	0.6	0.3
<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	22.6	-3.4%	-35.6%	87	33	21.6%	29.2	9.7	1.3	1.1	0.5
<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	4.34	10.2%	-36.0%	481	1691	32.5%	neg	1.2	5.0	2.6	0.7
	Kernel	KER	19.66	-3.2%	-66.5%	358	2073	61.8%	0.7	2.0	2.2	3.1	0.4
	Astarta	AST	19.24	-8.4%	-54.6%	107	282	37.0%	12.9	10.2	2.3	2.1	0.5
	Agroton	AGT	3.40	-1.2%	-50.0%	16	-9	25.0%	1.4	1.3	-0.3	-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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