

## Stock Market Update

### Equity

Consumer inflation in Ukraine accelerated to 22% YoY in June from 18% YoY in May with the food inflation reaching 28% YoY while the fuel inflation skyrocketing to 91% YoY.

The National Bank reported that its foreign currency reserves decreased by 9% in June to USD 22.8bn. The FX reserves were mainly used to sell the hard currency in the amount of about USD 4 bn on the interbank market to cover a lack of sufficient FX supply from the exporters. Also, the regulator admitted that it tried to prop up the national currency to smooth the devaluation trend amid the country's economic difficulties caused by the Russian military invasion.

Ukrainian equities listed in London and Warsaw were notably lower again over the week. Sunflower oil and grain exporter Kernel (KER) dropped by 2.8% last week to close at PLN 19.10 and poultry maker MHP (MHPC) plunged by 15% to USD 3.70. Ukraine is holding talks with Turkey and the United Nations to secure guarantees for grain exports from the Black Sea ports. Ukraine, one of the world's leading grain exporters, has a problem with the Russian army blocking the movement of ships from Ukraine. There are 22 mn tonnes of grain stacking at the moment in storage with a further harvest of about 60 mn tonnes expected in the autumn.

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

The hryvnia devalued by 2.8% to 36.5 UAH/USD on the OTC cash market. The official exchange rate remained frozen at 29.25 UAH/USD.

## Highlights

### POLITICS AND ECONOMICS

- Zelenskiy Focused on Recapturing Southern Coastal Territory
- Ukraine Pumps 11bn cu-m of Natural Gas into Storage.  
The Country Aiming to Accumulate at Least 15bn cu-m of Gas Ahead of Winter Season

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	1144	-10.3%	-28.3%
WIG20	1740	3.0%	-23.2%
MSCI EM	999	0.6%	-18.9%
S&P 500	3899	1.9%	-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	66.0%	0.8 p.p.	57.1 p.p.
Ukraine-2032	42.5%	5.6 p.p.	33.3 p.p.

### CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	36.50	2.8%	33.6%
EUR/UAH	37.15	0.3%	20.0%

Source: Eavex Capital

## Zelenskiy Focused on Recapturing Southern Coastal Territory

by Will Ritter  
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### NEWS

President Zelenskiy has ordered Ukraine's military to recapture Russian-occupied territory in the country's south, Defense Minister Oleksiy Reznikov stated in an interview with the British-based "The Times" newspaper published on Sunday (Jul 10). Reznikov said that Ukraine now has an army of 1 million military personnel equipped with Western weapons to accomplish this task. Earlier last week, Deputy Prime Minister Irina Vereschuk called on residents of Kherson & Zaporizhia provinces in the south to evacuate to safer locations ahead of the planned operations to retake territory. Russia captured much of Zaporizhia province, including the country's largest nuclear power station and the port city of Berdyansk, as well as all of agriculturally-oriented Kherson province, in the early days of the war in February and March. In recent weeks, Ukraine has successfully retaken some territory in northern & western Kherson.

### COMMENTARY

It has become very important in political terms for Zelenskiy to show that Ukraine is capable of recapturing significant pieces of territory amid growing skepticism in Western capitals that Russia can be dislodged from gains that currently total some 20% of the country's land mass. To this end, focusing attention on Kherson & Zaporizhia is a logical move, as in our opinion these areas offer more optimistic prospects for Ukraine to retake territory than the Donbass thanks to tactical military advantages, as well as stronger support from the local population. However, Ukraine cannot afford to concentrate all of its military power in the south while Russian forces are still threatening to advance westward in Donetsk province and have also renewed heavy attacks against Kharkiv in the north. The US Biden administration repeated again last week that it is not pressuring Zelenskiy to accept any ceasefire that could have the effect of locking in Russian territorial gains. British Prime Minister Boris Johnson had gone further than Biden, explicitly calling for the return of all Ukrainian territory occupied by Russia, but with the collapse of the Johnson premiership, it is currently unclear what the UK's position will be under its next leader.

## Ukraine Pumps 11bn cu-m of Natural Gas into Storage.

### The Country Aiming to Accumulate at Least 15bn cu-m of Gas Ahead of Winter Season

by Dmitry Churin  
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#### NEWS

Ukraine has pumped about 11bn cubic meters (cu-m) of natural gas into underground storage, according to the latest data from the state gas pipeline operator UkrTransGas. The government targets to have 19bn cu-m of gas ahead of the heating season while the country's state natural gas operator NaftoGaz sees that 15bn cu-m would be enough for the winter.

The base case scenario foresees that NaftoGaz will import 1.5bn cu-m of gas from Europe by October. Currently, Ukraine has the capacity to import about 50mn cu-m of gas from Europe. Also, Ukraine continues to rely on domestic natural gas extraction which amounts to about 1 bn cu-m per month. However, in case the country has less than 19bn cu-m of gas in underground storage ahead of the winter then there will be the risk of having no opportunity to import needed additional volume of fuel in February-March 2023. There is a significant risk that Russia would use its natural gas export deliveries to Europe as a weapon in the coming winter season to threaten both Ukraine and the whole of Europe.

#### COMMENTARY

Taking into account the Russian aggression, there will be much better if Ukraine finds the opportunity to pump up to 19bn cu-m of gas by October. On the other hand, both NaftoGaz and the government have lack of financial resources to purchase the needed volume of gas. Moreover, the gas price in Europe increased sharply hovering at USD 1,800 per 1,000 cu-m as the risk of cutting supplies from Russia shakes the market.

Currently, Ukraine has no other option than to rely on support from its Western partners. We believe, that NaftoGaz will find money from international creditors to secure energy supply to the country. This task will be a pretty difficult one as NaftoGaz is close to defaulting on its debt. Nevertheless, the issue of Ukraine's energy security in the winter season has to be resolved by any means.

Before the Russian military invasion, Ukrainian annual natural gas consumption was about 30bn cu-m with domestic gas extraction covering about 20bn cu-m. In the current situation, the preliminary estimates said that the country's annual gas consumption would be 22bn cu-m. Domestic extraction would be also lower than before meaning that natural gas imports remain a crucial source of energy supply.

The Ukrainian government continued to implement energy-saving measures across the country. In particular, there was an announcement that it would be lower norms of heating temperatures for residential buildings in the cities next winter. Separately, the local authorities are working on diversification of energy supplies for heating purposes, installing municipal boilers burning alternative types of fuel (pellets, wood chips, etc.).

**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	120	-8.5%	-59.8%	858	741	24.0%	1.3	1.0	0.9	0.5	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	0.0%	-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	3.70	-14.7%	-45.4%	410	1620	32.5%	neg	1.0	4.8	2.5	0.7
Kernel	KER	19.10	-2.8%	-67.5%	334	2049	61.8%	0.7	1.9	2.2	3.0	0.4
Astarta	AST	17.90	-7.0%	-57.8%	95	270	37.0%	11.6	9.1	2.2	2.0	0.5
Agroton	AGT	3.33	-2.1%	-51.0%	15	-10	25.0%	1.3	1.2	-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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