

Stock Market Update

Equity

The National Bank put on hold its key monetary policy rate at 25%, according to the Board decision unveiled on Jul 21. The regulator sees that consumer inflation in Ukraine could exceed 30% this year as the CPI has already reached 21.5% YoY in June, which was mainly the result of war-driven shocks and global price pressures. Administrative measures – primarily fixing the hryvnia exchange rate and natural gas and heating tariffs – remained the key instruments to curb inflation in the country. The full-scale Russian invasion caused a sharp fall in economic activity in Ukraine. A third of businesses suspended their operations at the start of the war, due to physical damage and temporary occupation of whole regions, high uncertainty and risks, disruption of logistical and production chains, and forced massive migration. As a result, GDP plunged by 15% YoY in 1Q22.

In Warsaw and London trading Ukrainian stocks were on the rise for the second straight week on optimism that the prospect of grain export resumption through seaports should help Ukraine's economy. Quotes for Kernel (KER) surged by 18% to PLN 28.60 and Astarta (AST) gained by 11% to PLN 26.00. Iron ore miner Ferrexpo (FXPO) rose by 14% to GBP 133 per share and MHP (MHPC) grew by 4.7% to USD 3.98.

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

The National Bank changed its official hryvnia exchange rate from 29.25 to 36.57 UAH/USD in a move to shrink the wide gap between the official and the cash hryvnia rate. Meanwhile, the OTC cash market exchange rate climbed to as high as 39.30 UAH/USD reflecting Ukraine's economic challenges.

Highlights

POLITICS AND ECONOMICS

- › Russia's Donbass Offensive Stalls as Grain Exports Resume from Odessa
- › Ukraine Pushes International Creditors for Debt Freeze Up to 2024. No Writedown Asked.

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

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

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

MARKET INDEXES

	Last	1W ch	YTD
UX	n/a	n/a	n/a
RTS	1162	0.1%	-27.2%
WIG20	1702	5.1%	-24.9%
MSCI EM	990	2.9%	-19.6%
S&P 500	3961	2.5%	-16.9%

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	25.0%	0.0 p.p.	+16.0 p.p.
UAH 1-year war bond	14.0%	+3.0 p.p.	+3.0 p.p.
Ukraine-2026	92.2%	5.2 p.p.	83.3 p.p.
Ukraine-2032	56.0%	-2.0 p.p.	46.8 p.p.

CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	39.30	5.9%	43.9%
EUR/UAH	39.70	6.4%	28.2%

Source: Eavex Capital

Russia's Donbass Offensive Stalls as Grain Exports Resume from Odessa

by Will Ritter
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NEWS

Invading Russian forces have failed to take any new Ukraine-controlled cities in Donetsk province in July after having captured Lysichansk and Severodonetsk in Lugansk province at the end of June. Despite heavy shelling of the municipalities of Slavyansk, Kramatorsk, and Avdiyivka this month, these cities remain in Ukrainian hands. Ukrainian military sources have stated that the receipt of so-called HIMARS rocket launchers from the United States, which have a range of some 70km, have helped to blunt Russia's advantage in artillery that saw it make territorial gains in the Donbass during May and June. Meanwhile, an agreement to unblock Odessa's port to allow Ukrainian grain exports to resume was brokered by Turkey and the United Nations and signed on Friday (Jul 22). The deal allows for monitored safe passage of grain cargoes out of the port, which is heavily mined, to the Turkish-controlled Bosphorus Straits and onward to global destinations.

COMMENTARY

Russia's apparent failure to advance in the Donbass this month will represent a significant achievement for Ukraine's armed forces if this situation can be maintained in August. Indeed, the Putin regime appears to be frustrated enough that it has switched its focus back to bombing targets in more firmly Ukrainian-held areas such as Kharkiv, Mykolaiv, and Odessa, in acts that President Zelenskiy has condemned as terrorism. The immediate question for Ukraine, in addition to defending the Donbass, is whether it might be able to recapture the city of Kherson in the south before mid-September, when the Kremlin is reportedly planning to hold a referendum that would formally incorporate the southern province into Russia. The Russian hold on Kherson appears substantially weaker than its control over other occupied Ukrainian territories. Nonetheless, US Defense Secretary Lloyd Austin warned last week that no single weapon, including the HIMARS, could on its own result in Ukraine fully reversing the course of the war. The longer-term concern is that Zelenskiy's vow to recapture large amounts of territory by the end of this year is beginning to look increasingly unrealistic, implying that the war could continue into the winter months. This would bring major new hardships to the already-suffering civilian population of Ukraine, and would test the commitment of EU support for Kyiv amid a likely severe energy shortage during the 2022-23 heating season.

Ukraine Pushes International Creditors for Debt Freeze Up to 2024. No Writedown Asked.

by Dmitry Churin
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NEWS

Ukraine has asked its foreign creditors for a two-year payment freeze on its international bonds, according to an official announcement made by the Finance Ministry on Jul 20. The country invited investors in Eurobonds and GDP-linked warrants to approve amendments to their terms to preserve FX resources for priority expenditures relating to Ukraine's defense, and help mitigate the current USD 5bn monthly fiscal gaps.

The Russian invasion of Ukraine poses extraordinary risks to Ukraine's economy and its territorial integrity. The disruption to fiscal cash flows and increased demands on government resources caused by the war has created unprecedented liquidity pressures and debt servicing difficulties for the government. It has been a continuous challenge finding adequate sources for Ukraine to cover critical defense, social and humanitarian expenditures, the official statement said.

Official creditors have already said they would suspend payments owed to them and urged bondholders to accept Ukraine's request for the freeze. The group, including Canada, France, Germany, Japan, the United Kingdom and the United States, will suspend debt service payments for Ukraine till the end of 2023 with the possibility to extend the suspension by one more year.

US Treasury Secretary Janet Yellen said she welcomed a decision to suspend Ukraine's debt service obligations by a group of six creditor countries, including the US, and urged other official and private creditors to join the effort.

COMMENTARY

Holders of Ukrainian sovereign Eurobonds have until Aug. 9 to vote on the proposal. Ukraine has called its plan a liability management exercise, indicating Kyiv's efforts to spare bondholders a writedown on the bonds. It is estimated that the debt freeze could save Ukraine about USD 6bn over the deferral period. The delay comes just in time for the Finance Ministry to put off USD 1.2bn of debt payments on outstanding Eurobonds due at the start of September.

Rating agency Moody's calculated in a recent note that Ukraine's tax revenue is down over a third since the start of the Russian invasion while government expenditures have risen by 36% over the same period, mainly due to a 300% jump in defense spending. Ukraine's state and state-guaranteed debt totaled an equivalent of USD 101bn, according to the latest available data dated Jun 1, 2022. The country's Eurobonds have a combined value of USD 22.7bn while a total state foreign debt stood at USD 51.2bn, including debt to the IMF in the amount of USD 9.6bn.

Indicative quotes for Ukraine's 10-year Eurobonds rose by 4.0% last week to 15.6 cents on the dollar (56% YTM). In contrast, Ukraine-22s issue due in September plunged by 35% to 31 cents on the dollar.

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	133	13.9%	-55.7%	937	820	24.0%	1.5	1.1	1.0	0.6	0.3
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	22.1	-0.9%	-37.0%	85	31	21.6%	28.3	9.4	1.2	1.0	0.5
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	3.98	4.7%	-41.3%	441	1651	32.5%	neg	1.1	4.9	2.5	0.7
Kernel	KER	28.56	18.6%	-51.3%	504	2219	61.8%	1.0	2.8	2.4	3.3	0.4
Astarta	AST	26.00	11.1%	-38.7%	140	315	37.0%	17.0	13.3	2.6	2.3	0.6
Agroton	AGT	3.94	8.5%	-42.1%	18	-7	25.0%	1.6	1.4	-0.2	-0.2	-0.1
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																
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%
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	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%
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

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