

Stock Market Update

Equity

There was some sign, that the kremlin is ready to begin peace talks on bringing the war in Ukraine to a halt. But the Ukrainian president has warned that if moscow proceeds with referendums in occupied areas of his country on joining Russia, there could be no talks with Ukraine or its international allies. Kyiv is in no mood for talks and certainly will not concede to any of russia's demands. 84% of Ukrainians are against peace with russia if it involves territorial concessions. Ukrainian and russian officials held several sessions of talks soon after russian forces launched their invasion of Ukraine in February, but little progress was made and no meetings have been held since late March.

In economic developments, Ukraine's creditors vote this week on a government proposal to defer payments on the country's international bonds for 24 months. Creditors of UkrAvtodor and UkrEnerg, two state-owned companies that have government guarantees on their debt, also have until Aug. 9 to vote on a plan similar to the sovereign.

On the London Stock Exchange, iron ore miner Ferrexpo (FXPO) had no reaction to the company's poor financial results for 1H22. The FXPO stock edged up by 0.5% to GBp 149.

Warsaw-listed Kernel (KER) dropped by 5.5% to PLN 24.56 ignoring a new forecast that Ukrainian grain harvest could reach 65mn tonnes, compared to an earlier assessment of 60mn tonnes harvest.

Trading in stocks on the Ukrainian Exchange is resuming today. We expect high volatility in quotes for major blue chips during this week.

The hryvnia gained by 3.2% to 39.70 UAH/USD on the OTC cash market. The official exchange rate remained at 36.57 UAH/USD. The National Bank reported that the pace of the FX reserves depletion slowed down to just 2% in July (USD 417mn) with reserves standing at USD 22.4bn as of Aug 1.

Highlights

STOCKS IN THE NEWS

- Ferrexpo's Net Profit Plunges 88% YoY to USD 82mn 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

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

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	1072	-5.0%	-32.8%
WIG20	1652	-4.0%	-27.1%
MSCI EM	1003	0.9%	-18.6%
S&P 500	4143	0.3%	-13.1%

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	25.0%	0.0 p.p.	+16.0 p.p.
UAH 1-year war bond	16.0%	0.0 p.p.	+5.0 p.p.
Ukraine-2026	89.4%	5.6 p.p.	80.5 p.p.
Ukraine-2032	58.2%	6.3 p.p.	49.0 p.p.

CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	39.70	-3.2%	45.3%
EUR/UAH	40.20	-3.6%	29.8%

Source: Eavex Capital

Ferrexpo's Net Profit Plunges 88% YoY to USD 82mn in 1H22

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FERREXPO (FXPO LN)

Price: GBP 149 Market Cap: USD 1,060mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2021	0.6	0.4	1.2	0.6	29.3%
2022E	0.7	0.5	neg	2.5	7.3%

NEWS

Poltava-based, London-listed Ferrexpo, the 3rd-largest global exporter of iron ore pellets, reported a 88% YoY plunge in its half-year 2022 net profit to USD 82mn (13.94 cents per share), compared to a net profit of USD 661mn in 1H21, according to financials published on Aug 3. The company's revenue fell by 31% YoY to USD 936mn and EBITDA dropped by 44% YoY to USD 486mn. Ferrexpo's average production cash pellet cost from in-house ore (C1 cost) surged by 83% YoY to USD 85.3 per tonne.

Ferrexpo had a net cash position of USD 172mn as of 30 Jun 2022. The company said its CapEx amounted to USD 102mn in 1H22.

In May, Ferrexpo announced an interim dividend in respect of 2022 of 13.2 US cents per ordinary share. In June, the company approved a final dividend in respect of 2021 of 6.6 US cents per share which was paid in July.

FERREXPO FINANCIAL RESULTS

USD mn	1H2021	1H2022	YoY
Revenue	1,353	936	-31%
EBITDA	868	486	-44%
<i>margin</i>	64%	52%	-12 p.p.
Net profit	661	82	-88%
<i>margin</i>	49%	9%	-40 p.p.

	31 Dec 2021	30 Jun 2022
Net debt to EBITDA	no net debt	no net debt

Source: Company Data

COMMENTARY

Ferrexpo's deteriorated financial results reflect both the military risks caused by the Russian invasion of Ukraine and the lower price for iron ore on the international market. The benchmark average Platts 62% Fe iron ore fines price dropped by 24% YoY to USD 140 per tonne in 1H22. The company's pellet sales volume decreased by 21% YoY to 4.37mn tonnes as sea export routes from Ukraine have been blocked since Feb 24. Therefore, Ferrexpo has maximized the production of premium products for sale in European markets. The company said that it expected further downward pressure on iron ore pricing in 2H22. Iron ore futures contracts indicate pricing of USD 113 per tonne for delivery of medium-grade material in December 2022.

We currently forecast that Ferrexpo will post a net loss of USD 110mn in FY22 compared to a solid net profit of USD 871mn reported for FY21. However, on the EBITDA level, the company could earn USD 350mn this year, meaning that the EV/EBITDA multiply now stands at just 2.5x.

The FXPO stock reacted rather sluggishly immediately after the 1H22 earnings report, trading at GBP 149 per share. The stock's 52 weeks trading range is GBP 105 - GBP 502. Although Ferrexpo's business still looks fundamentally strong, the existing military risks present a significant threat to the company's future. Eavex Capital currently has no recommendation for FXPO stock.

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	149	0.5%	-50.3%	1060	889	24.0%	1.7	1.2	1.0	0.6	0.4
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	21.6	0.2%	-38.4%	84	29	21.6%	27.9	9.3	1.1	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	4.30	1.2%	-36.6%	476	1686	32.5%	neg	1.2	5.0	2.6	0.7
	Kernel	KER	24.56	-5.5%	-58.2%	436	2151	61.8%	0.8	2.4	2.3	3.2	0.4
	Astarta	AST	23.95	-0.8%	-43.5%	130	304	37.0%	15.7	12.3	2.5	2.2	0.6
	Agroton	AGT	4.23	0.7%	-37.8%	20	-5	25.0%	1.7	1.5	-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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