

## Stock Market Update

### Equity

Trading in stocks and bonds resumed on the Ukrainian Exchange last week after the suspension caused by the Russian invasion of Ukraine on Feb 24.

Kyiv-listed stocks were down somewhat less than initially expected as market players decided not to rush with a massive sell-off after the trading resumed. Quotes for power producer CentrEnergO (CEEN) fell 14% to UAH 6.00 in a very light turnover. UkrNafta (UNAF) slipped by 27% from UAH 330 to UAH 240 per share and Raiffeisen Bank (BAVL) lost 24% to close at 33 kopecks.

Currently, there is no information regarding CentrEnergO's or UkrNafta's financial situation as both companies delayed publication of their operating and financial results due to imposition of the martial law in the country amid the Russian full-scale military aggression.

In Warsaw trading, Agroton (AGT) slipped by 17% to PLN 3.50 after the company publicly admitted that its assets in Lugansk province were seized by Russians.

Kernel (KER) added by 4.2% to PLN 25.58 while MHP (MHPC) dropped by 7.0% to USD 4.00.

Enwell Energy (former Regal) gained 2.3% last week to GBP 22.10 while Ferrexpo (FXPO) decreased by 5.2% to GBP 141.

The hryvnia edged down by 0.8% to 40.00 UAH/USD on the OTC cash market. The official exchange rate remained at 36.57 UAH/USD.

The National Bank continued to use strict administrative measures to prevent capital flight from the country.

In the latest statistic data, UkrStat reported that consumer inflation reached 22.2% YoY in July. It is expected that inflation will accelerate further as the hryvnia devaluation and high energy costs lead to a price increase for most consumer goods.

## Highlights

### POLITICS AND ECONOMICS

- > Zelenskiy's Call to Ban Russians from Europe Gains Traction
- > Ukraine's Creditors Agree 2-year Freeze on USD 20bn Foreign Debt

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	1617	-5.9%	-7.0%
RTS	1116	4.1%	-30.1%
WIG20	1735	5.0%	-23.5%
MSCI EM	1016	1.3%	-17.5%
S&P 500	4280	3.3%	-10.2%

## FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	25.0%	0.0 p.p.	+16.0 p.p.
UAH 1-year war bond	16.0%	0.0 p.p.	+5.0 p.p.
Ukraine-2026	83.6%	-5.8 p.p.	74.7 p.p.
Ukraine-2032	54.0%	-4.2 p.p.	44.8 p.p.

## CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	40.00	0.8%	46.4%
EUR/UAH	40.90	1.7%	32.1%

Source: Eavex Capital

## Zelenskiy's Call to Ban Russians from Europe Gains Traction

by Will Ritter  
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### NEWS

Calls from President Zelenskiy and Foreign Minister Dmytro Kuleba for the European Union to stop issuing visas to Russian citizens received support from several EU countries last week, including Finland, Estonia, and the Czech Republic. Zelenskiy has asked for the measure to be taken as a way of applying collective responsibility for the Kremlin's war of aggression, given that polling has consistently indicated that some 70-80% of Russians back the Putin regime's rationale for the invasion. However, German chancellor Olaf Scholz declined to endorse the idea, saying that "innocent people" should not be punished for what he called "Putin's war". More than 20 EU countries share an open travel space known as the "Schengen zone", to which Russian passport holders have enjoyed relatively easy access over the last two decades despite worsening relations with Brussels.

### COMMENTARY

Banning or otherwise restricting Russian travel to Western countries is one of the most powerful weapons in the sanctions toolkit, and we are frankly a bit surprised that Ukraine did not move earlier to play up this issue. Although the chances of a full Europe-wide ban seem remote, the fact that this idea is being seriously discussed is a major public relations victory for Ukraine, in our opinion, as it places a bright spotlight on the possible costs to millions of Russians of the Putin regime's behavior. Smaller European countries enjoy outsized leverage here, as they have the power to disrupt the Schengen zone by individually prohibiting the entry of Russian citizens, even if large EU nations refuse to consider a ban. We also believe that Ukraine could find fertile ground for restrictions on Russian travel in the United States, Canada, and Australia, where political support for Kyiv is strong and where border admissions policy is under the control of the respective federal governments.

## Ukraine's Creditors Agree 2-year Freeze on USD 20bn Foreign Debt

by Dmitry Churin  
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### NEWS

Ukraine's foreign creditors backed the request for a 2-year freeze on the country's debt payments on approximately USD 20bn Eurobonds, the Finance Ministry reported on Aug 10 after the 3-week negotiations with bondholders and GDP warrants holders resulted in the successful amendment of all of Ukraine's sovereign international Eurobonds and GDP warrants, as well as state-guaranteed Eurobonds. Holders of around 75% of the aggregate principal amount of Ukraine's 13 Eurobond series outstanding voted in favor of amending the conditions of the Eurobonds (with at least 2/3rds of the aggregate principal amount of Eurobonds outstanding being required for successful amendment). Holders of approximately 93% of the nominal USD 2.6bn amount of GDP warrants (derivative security that triggers payments linked to a country's gross domestic product) outstanding have participated in the consent solicitation, out of which 91% voted in favor of the proposed amendments.

Investors have also supported proposals from UkrEnergo and UkrAvtodor on amendments to the conditions of their respective state-guaranteed Eurobonds.

### COMMENTARY

The fact that investors accepted Ukraine's debt freeze proposal was clear proof that Ukraine continued to get wide support from the Western world in the fight against Russian aggression. Moreover, many high-quality investors expressed willingness to participate in the post-war reconstruction efforts of Ukraine. Meanwhile, in the practical aspect, the Finance Ministry would be able to delay payment of about USD 6 bn on the commercial foreign debt during the 2-year debt freeze freeing much-needed resources for covering the deep national budget deficit caused by the Russian invasion.

Ukraine's total state and state-guaranteed debt amounted to an equivalent of USD 105bn as of Jun. 30. The portion of the state external debt was USD 52.8bn including USD 22.6bn of outstanding Eurobonds.

Currently, Ukraine has to cover about USD 5bn of the monthly budget gap relying mostly on financial assistance from international institutions and foreign governments. The Finance Ministry said there had been an equivalent of USD 27bn raised during six months after Russia's invasion began to cover the widening deficit. The National Bank alone provided an equivalent of USD 8.5bn directly to the national budget. The US and Germany were the two biggest donors to Ukraine providing USD 4.0bn and USD 1.37bn respectively over the past six months.

Ukraine is hoping to agree on a large new program with the IMF that could top USD 20bn. Meanwhile, the Finance Ministry has signed a USD 4.5bn grant agreement with the World Bank. The grant will be directed to provide pension payments and spending on certain programs of state social assistance, such as housing and communal services.

Indicative quotes for the 10-year benchmark Ukrainian Eurobond rose by 8.7% to 16.3 cents on the dollar, implying a yield of 54%.

**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	1617	-5.9%	-7.0%									
<b>Iron Ore Mining</b>													
Ferrexpo	FXPO	141	-5.2%	-52.8%	1006	835	24.0%	1.6	1.2	1.0	0.6	0.3	
<b>Railcar Manufacturing</b>													
Kryukiv Wagon	KVBZ	24.5	0.0%	28.9%	70	27	5.0%	8.2	13.4	2.0	2.7	0.1	
<b>Specialized Machinery</b>													
Turboatom	TATM	4.5	15.4%	54.6%	48	45	3.8%	5.7	15.2	0.9	2.1	0.9	
Motor Sich	MSICH	5390	0.0%	0.0%	280	258	24.0%	8.9	12.0	2.5	2.9	0.8	
<b>Oil &amp; Gas</b>													
UkrNafta	UNAF	240	-27.3%	-11.1%	325	295	3.0%	2.1	1.8	0.9	1.0	0.2	
Enwell Energy (ex-Regal)	ENW	22.1	2.3%	-36.9%	86	32	21.6%	28.6	9.5	1.2	1.1	0.5	
<b>Power Utilities</b>													
Centrenergo	CEEN	6.00	-14.3%	-4.8%	55	26	21.7%	24.4	neg	1.5	neg	0.1	
Donbasenergo	DOEN	17.35	-38.0%	-40.2%	10	9	14.2%	9.5	neg	1.1	neg	0.0	
<b>Consumer</b>													
MHP	MHPC	4.00	-7.0%	-41.0%	423	1633	32.5%	neg	1.1	4.8	2.5	0.7	
Kernel	KER	25.58	4.2%	-56.4%	449	2164	61.8%	0.9	2.5	2.3	3.2	0.4	
Astarta	AST	23.40	-2.3%	-44.8%	129	304	37.0%	15.6	12.3	2.5	2.2	0.6	
Agroton	AGT	3.50	-17.3%	-48.5%	17	-3	25.0%	1.4	4.7	n/a	n/a	n/a	
<b>Banks</b>													
										<b>Price/Book</b>		<b>Price/Assets</b>	
Raiffeisen Bank Aval	BAVL	0.330	-24.1%	-28.3%	507		1.8%	3.4	2.9	1.1	1.0	0.12	

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	41	2	33	8	4.1%	48.2%	19.8%	5	12	4	9.5%	17.4%	8.7%
<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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