

Stock Market Update

Equity

The UX index gained by 4.5% last week on the back of a 20% advance in UkrNafta (UNAF) to UAH 290 per share. There was a piece of positive information that the Highest Court supported the company in its claim against the State Tax Service which tried to assess an additional tax of about UAH 4.3bn. Currently, there is no information regarding UkrNafta's financial situation as companies in Ukraine 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.

Among other UX index components, CentrEnerg (CEEN) dropped by 18% to UAH 4.90 while Raiffeisen Bank (BAVL) added 3.0% to close at 34 kopecks.

Warsaw-listed Ukrainian agro companies were broadly lower last week with Kernel (KER) declining by 6.9% to PLN 23.82 and Astarta (AST) decreasing by 10.3% to PLN 21.00.

In London trading, MHP (MHPC) slipped by 2.5% to USD 3.90.

On the currency front, the hryvnia devaluated by 2.1% to 40.85 UAH/USD on the OTC cash market mainly due to the overall dollar gain against other currencies. The official exchange rate remained at 36.57 UAH/USD. The National Bank reported that it had spent about USD 15bn from the country's FX reserves on the interbank market since the start of the year amid a lack of the hard currency supply. Ukraine's balance of payment deficit was USD 8.2bn in 1H22 as the trade deficit was estimated at USD 6.8bn in the period.

Highlights

STOCKS IN THE NEWS

- > Raiffeisen Bank's Net Profit Plunges 73% YoY to UAH 628mn in 1H22 (EPS of 1.02 kopecks)

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	1689	4.5%	-2.8%
RTS	1170	4.8%	-26.7%
WIG20	1673	-3.6%	-26.2%
MSCI EM	1009	-0.7%	-18.1%
S&P 500	4228	-1.2%	-11.3%

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	67.0%	-16.6 p.p.	58.1 p.p.
Ukraine-2034	41.0%	-13.0 p.p.	31.8 p.p.

CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	40.85	2.1%	49.5%
EUR/UAH	40.90	0.0%	32.1%

Source: Eavex Capital

Raiffeisen Bank's Net Profit Plunges 73% YoY to UAH 628mn in 1H22 (EPS of 1.02 kopecks)

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RAIFFEISEN BANK (BAVL UK)

Price: UAH 0.34 Market Cap: USD 514mn

	P/Assets	P/Book	P/E	Div. Yield
2021	0.11	0.9	2.9	0.0%
2022E	0.12	1.3	neg	0.0%

NEWS

Raiffeisen Bank (formerly Raiffeisen Aval), the Ukrainian subsidiary of Vienna-based Raiffeisen International, posted 73% YoY net profit plunge to UAH 628mn in 1H22, implying earnings per share of 1.02 kopecks, according to data from the National Bank. Raiffeisen's gross interest income increased by 37% YoY in 1H22 and net interest income rose by 35% YoY to UAH 5.17bn in the hryvnia term amid Ukrainian currency devaluation.

On the balance sheet side, Raiffeisen Bank's loan portfolio grew by 24% YoY to UAH 68.3bn, and its total assets increased by 22.2% YoY to UAH 143bn (USD 4.9bn).

RAIFFEISEN BANK FINANCIALS

UAH mn	1H2021	1H2022	YoY chg.
Gross interest income	4557	6234	+36.8%
Net interest income	3831	5175	+35.1%
Net income	2334	628	-73.1%
	30 Jun 2021	30 Jun 2022	
Loan portfolio	55054	68268	+24.0%
Equity	13332	16124	+20.9%
Total assets	117454	143498	+22.2%

Source: National Bank.

COMMENTARY

Raiffeisen Bank outperformed the market by posting a moderate net profit in 1H22 compared to an aggregate net loss of UAH 4.6bn for the country's banking system in the period. Nevertheless, the hryvnia devaluation will put additional pressure on the bank's financial results later this year. We project, that Raiffeisen Bank will end 2022 with a net loss of UAH 2.5bn compared to a net profit of UAH 4.9bn seen in 2021 (EPS of 7.92 kopecks).

In general, we view that Raiffeisen Bank had a quite balanced asset structure as of 30 Jun 2022 as client loans accounted for only 48% of total assets. The high liquidity securities accounted for 20%. Therefore, despite expectations of worsening loan portfolio quality amid russian invasion of Ukraine, there should be enough buffer for the bank to overcome the crisis.

The BAVL stock listed on the Ukrainian Exchange did not react to the 1H earnings release, trading at 34 kopecks per share (-26% YtD). The bank's current MCap is USD 514mn, implying a Price-to-Book valuation multiple of 1.3x. The free-float of Raiffeisen Bank is just 1.8%, leading to the stock's low liquidity and low investment attractiveness for large institutional investors.

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	1689	4.5%	-2.8%								
Iron Ore Mining												
Ferrexpo	FXPO	143	1.2%	-52.3%	1018	847	24.0%	1.6	1.2	1.0	0.6	0.3
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	24.5	0.0%	28.9%	69	25	5.0%	8.1	13.2	1.9	2.6	0.1
Specialized Machinery												
Turboatom	TATM	4.5	0.0%	54.6%	47	44	3.8%	5.5	14.8	0.8	2.1	0.8
Motor Sich	MSICH	5390	0.0%	0.0%	274	252	24.0%	8.7	11.7	2.5	2.8	0.7
Oil & Gas												
UkrNafta	UNAF	290	20.8%	7.4%	385	355	3.0%	2.4	2.1	1.1	1.2	0.3
Enwell Energy (ex-Regal)	ENW	20.7	-6.3%	-40.9%	80	26	21.6%	26.8	8.9	1.0	0.9	0.4
Power Utilities												
Centrenergo	CEEN	4.90	-18.3%	-22.2%	44	15	21.7%	19.5	neg	0.9	neg	0.0
Donbasenergo	DOEN	16.00	-7.8%	-44.8%	9	8	14.2%	8.6	neg	0.9	neg	0.0
Consumer												
MHP	MHPC	3.90	-2.5%	-42.5%	412	1622	32.5%	neg	1.0	4.8	2.5	0.7
Kernel	KER	23.82	-6.9%	-59.4%	401	2116	61.8%	0.8	2.2	2.3	3.1	0.4
Astarta	AST	21.00	-10.3%	-50.5%	111	286	37.0%	13.4	10.6	2.4	2.1	0.6
Agroton	AGT	3.48	-0.6%	-48.8%	16	-4	25.0%	1.4	4.5	n/a	n/a	n/a
Banks												
										Price/Book		Price/Assets
Raiffeisen Bank Aval	BAVL	0.340	3.0%	-26.1%	512		1.8%	3.4	2.9	1.1	0.9	0.11

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	41	2	33	8	4.1%	48.2%	19.8%	5	12	4	9.5%	17.4%	8.7%
Banks																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	3495	3795	4829	550	456	571	280	271	348	185	151	179	33.6%	33.2%	31.3%

Source: Eavex Research

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