

## Stock Market Update

### Equity

Ukrainian equities finished broadly lower last week following a global downward momentum on the stock market. The UX index dropped by 8.1% to close at 1553 points. Heavyweight UkrNafta (UNAF) and CentrEnerg (CEEN) lost 14% and 8.2% respectively with the former ending the Friday session at UAH 250 per share.

In Warsaw trading, Eastern-Ukraine-based Agroton (AGT) fell 6.3% to PLN 3.28 as the company suffered more damages from the Russian invasion. There was information that Agroton's grain harvest in Lugansk province was stolen by Russians.

Kernel (KER) slipped by 4.5% to PLN 22.76 as preliminary assessments indicate that grain exports from Ukrainian Black Sea ports have been recovering slower than expected.

On the upside, London-listed Ferrexpo (FXPO) advanced by 8.6% to GBp 155 per share.

In economic developments, the Finance Ministry reported that USD 3.0bn arrived from the World Bank as part of a USD 4.5bn grant backed by the US. Ukraine has received about USD 16bn in financial support from allies since Feb 24. Meanwhile, a combined promised aid has already reached USD 34bn. Most of the aid is used to provide pension payments and programs of state social assistance as the Ukrainian national budget deficit could top 35% of GDP this year. The actual budget deficit in January-July was an equivalent of USD 11.3bn.

The hryvnia was less volatile last week than earlier this month. The exchange rate on the OTC cash market was 40.70 UAH/USD while the official rate remained pegged to 36.57 UAH/USD.

## Highlights

### POLITICS AND ECONOMICS

- War Enters Stalemate Phase as Ukraine Holds off Russia in Western Donbass
- Ukrainian Banks Post a Combined Net Loss of UAH 4.6bn (USD 160mn) 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](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	1553	-8.1%	-10.7%
RTS	1183	1.1%	-25.9%
WIG20	1602	-4.2%	-29.3%
MSCI EM	1006	-0.3%	-18.3%
S&P 500	4057	-4.0%	-14.9%

### FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	25.0%	0.0 p.p.	+16.0 p.p.
UAH 1-year war bond	16.0%	0.0 p.p.	+5.0 p.p.
Ukraine-2026	70.0%	3.0 p.p.	61.1 p.p.
Ukraine-2034	42.8%	1.8 p.p.	33.6 p.p.

### CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	40.70	-0.4%	49.0%
EUR/UAH	40.81	-0.2%	31.8%

Source: Eavex Capital

## War Enters Stalemate Phase as Ukraine Holds off Russia in Western Donbass

by Will Ritter  
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### NEWS

Ukraine's armed forces have been repelling Russian efforts to capture new territory in parts of western Donetsk province over the last week, domestic media and US-government-funded agency Radio Free Europe reported. Four key cities in Donetsk - Bakhmut, Avdiivka, Slavyansk, and Kramatorsk - all remain in Ukrainian hands as August draws to a close, despite ongoing Russian artillery shelling. Russia has not taken any new large cities since capturing Severodonetsk and Lysichansk in late June. To the north, in Kharkiv province, Russian attacks have also failed to bring new territorial gains, although Russia still holds the strategically valuable town of Izyum near the provincial border with Donetsk. Meanwhile, there were reports that Ukraine had hit military targets in the occupied town of Nova Kakhovka in Kherson province in the south. In other war-related news, Ukraine received a boost last week with the Biden administration's announcement that an additional USD 3bn in US military aid has been green-lighted, while Naftogaz CEO Yuriy Vitrenko admitted that Ukrainian apartments will be heated to only 17-18 C this winter (3-4 C less than usual) due to energy shortages. On the diplomatic front, Ukraine suffered a setback in its call for a ban against Russian citizens traveling to Europe, as top EU foreign policy representative Josep Borrell of Spain publicly stated his opposition to the move on Sunday (Aug 28). However, Lithuanian Foreign Minister Gabrielis Landsbergis said that some countries in Eastern Europe could impose unilateral bans on the entry of Russians in case an EU-wide ban is not approved.

### COMMENTARY

Russia's failure to capture substantial new territory in the last 2 months, as well as Ukraine's own slow pace of advance in Kherson province where a summer counteroffensive was previously expected, indicate that the war has entered a stalemate phase as the summer fighting season nears an end. With no serious peace negotiations having taken place since April, this implies that the war will extend into and through the 2022-23 winter. President Zelenskiy faces the challenge of maintaining Western financial backing for a lengthy period of time in the face of declining media coverage of the war, as predictions of a quick victory based on the receipt of shipments of modern Western weaponry have not been borne out. Indeed, there seems to be some tension between Zelenskiy's political need to show fast results in retaking territory, and the military situation on the ground as seen by Ukraine's top military leaders. The good news for Kyiv is that support from the largest Western countries, and first of all from the Biden administration, appears to be quite firm, and that the war is slowly but steadily beginning to result in economic problems and negative domestic consequences for the Putin regime in Russia.

## Ukrainian Banks Post a Combined Net Loss of UAH 4.6bn (USD 160mn) in 1H22

by Dmitry Churin  
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### NEWS

The Ukrainian banking system, which consists of 68 banks, had a net loss of UAH 4.6bn (USD 160mn) in 1H22, according to data from the National Bank.

Four state-owned banks posted a combined net loss of UAH 3.5bn (USD 119mn), despite the country's largest state bank PrivatBank managed to earn UAH 6.3bn (USD 214mn) in net profit in 1H22.

For the other three state banks the results for 1H22 were the following:

OschadBank reported a net loss of UAH 4.0bn (USD 138mn);

UkrEximBank posted a net loss of UAH 2.5bn (USD 87mn);

UkrGazBank booked a net loss of UAH 3.2bn (USD 109mn).

The state-owned banks have a 50.1% market share in Ukraine in terms of total assets. Foreign banks (16 banks out of 68 in the country) have a 29.5% market share. The Ukrainian banking system is quite concentrated as the TOP-10 largest banks have a 77.6% market share with PrivatBank alone having a 22.1% share.

### COMMENTARY

The National Bank said that both liquidity and capital adequacy of the Ukrainian banking system remained high despite the economic crisis caused by the Russian invasion of Ukraine.

The banking system's capital adequacy ratio was at 17.1% as of end-July, while the minimum threshold is 10%.

There are several individual capital adequacy ratios for Ukrainian banks presented below:

PrivatBank (15.9%); OschadBank (14.9%); UkrEximBank (13.5%); Raiffeisen Bank (14.8%); Credit Agricole (16.3%); UkrSibBank (31.2%).

The regulator admitted that it would not punish banks for a temporary violation of capital adequacy or liquidity ratios while Ukraine is under martial law. Moreover, there would be a transitional period for banks to comply with mandatory capital ratios after martial law would be lifted.

Fitch Ratings affirmed Ukrainian state-owned banks' Long-Term Foreign-Currency Issuer Default Ratings at 'CCC-' last week. The rating does not carry an Outlook at this level.

While foreign-currency repayments remain subject to considerable uncertainty, the base-case expectation is that banks will continue to service their external obligations. The banking sector's external debt accounted for just 3% of the sector's total liabilities at the end-2021 and is largely concentrated in OschadBank and UkrEximBank. Their next Eurobond repayments are limited in size and are due in September 2022 (USD 70mn for OschadBank) and in January 2023 (USD 25mn for UkrEximBank).

**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	1553	-8.1%	-10.7%								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	155	8.6%	-48.2%	1105	934	24.0%	1.7	1.3	1.1	0.6	0.4
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	24.5	0.0%	28.9%	69	25	5.0%	8.1	13.2	1.9	2.6	0.1
<b>Specialized Machinery</b>												
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
<b>Oil &amp; Gas</b>												
UkrNafta	UNAF	250	-13.8%	-7.4%	332	302	3.0%	2.1	1.8	0.9	1.0	0.2
Enwell Energy (ex-Regal)	ENW	20.2	-2.5%	-42.3%	78	24	21.6%	26.1	8.7	0.9	0.8	0.4
<b>Power Utilities</b>												
Centrenergo	CEEN	4.50	-8.2%	-28.6%	41	11	21.7%	17.9	neg	0.7	neg	0.0
Donbasenergo	DOEN	16.09	0.6%	-44.5%	9	8	14.2%	8.6	neg	1.0	neg	0.0
<b>Consumer</b>												
MHP	MHPC	3.81	-2.3%	-43.8%	403	1613	32.5%	neg	1.0	4.7	2.5	0.7
Kernel	KER	22.76	-4.5%	-61.2%	383	2098	61.8%	0.7	2.1	2.3	3.1	0.4
Astarta	AST	20.85	-0.7%	-50.8%	110	285	37.0%	13.3	10.5	2.3	2.1	0.6
Agroton	AGT	3.26	-6.3%	-52.1%	15	-5	25.0%	1.3	4.2	n/a	n/a	n/a
<b>Banks</b>												
										Price/Book		Price/Assets
Raiffeisen Bank Aval	BAVL	0.310	-8.8%	-32.6%	467		1.8%	3.1	2.6	1.0	0.8	0.10

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	4829	550	456	571	280	271	348	185	151	179	33.6%	33.2%	31.3%

Source: Eavex Research

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