

Stock Market Update

Equity

Kyiv-listed stocks were mostly lower over the week following a significant drop in major stock indexes. In particular, the S&P500 lost 2.9% last week and the MSCI Emerging Market fell by 5.1%. Global markets turned lower on economic concerns surrounding inflation and the growth outlook.

In individual share movement, Raiffeisen Bank (BAVL) slipped by 5.3% to 27 kopecks as the bank said it would not pay a dividend from FY21 hefty net profit of UAH 4.9bn (7.9 kopecks per share). Meanwhile, UkrNafta (UNAF) was unchanged for the second straight week at UAH 229. On the downside, second-tier Krukiv Wagon (KVBZ) plunged by 35% to UAH 14.0 and TurboAtom (TATM) tumbled by 30% to UAH 3.00.

In Warsaw trading, sugar maker Astarta (AST) lost 12.8% to close at PLN 20.80. Kernel (KER) shed by 2.4% to PLN 16.99 bringing the stock's year-to-date free-fall to 71%.

MHP (MHPC) added by 6.9% to USD 3.74 rebounding partly from losses seen earlier in September. Ferrexpo (FXPO) continued to suffer from the problem related to the controversial court ruling obligating the company to return 40% of Poltava Mine to previous owners. The FXPO stock dropped by 11% to GBp 122, the lowest level since the bottom reached in March 2020 after the sell-off after the COVID19 quarantine was imposed worldwide.

The cash hryvnia exchange rate strengthened by 2.2% to 41.85 UAH/USD after the National Bank said it won't change its official exchange rate from 36.57 UAH/USD in 4Q22.

Highlights

POLITICS AND ECONOMICS

- > Zelenskiy NATO Membership Request Meets Cool Washington Response; Ukraine Gains in Northeast and South
- > Ukraine's Public Debt at USD 98bn, Implying 76% Debt/GDP Ratio

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	1522	1.0%	-12.4%
RTS	1055	-7.5%	-33.9%
WIG20	1377	-5.5%	-39.3%
MSCI EM	875	-5.1%	-29.0%
S&P 500	3585	-2.9%	-24.8%

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%	0.0 p.p.	+3.0 p.p.
Ukraine-2026	82.0%	6.8 p.p.	73.1 p.p.
Ukraine-2034	48.0%	4.2 p.p.	38.8 p.p.

CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	41.85	-2.2%	53.2%
EUR/UAH	40.30	-2.2%	30.2%

Source: Eavex Capital

Zelenskiy NATO Membership Request Meets Cool Washington Response; Ukraine Gains in Northeast and South

by Will Ritter
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NEWS

The Biden administration's top national security official, Jake Sullivan, told media on Saturday (Oct 1) that the US focus should be on helping to support Ukraine militarily in the current war with Russia rather than bringing the country into the NATO alliance. Sullivan was responding to President Zelenskiy's formal request for fast-track membership in NATO following Russia's annexation claims on 4 eastern Ukrainian provinces. House of Representatives Speaker Nancy Pelosi also declined to endorse a Ukrainian NATO bid, stating instead that she favors "security guarantees" for the country. On Sunday, 9 NATO countries issued a statement backing Ukraine's request for membership; however, no Western European nations were among the signatories. Meanwhile, in military news, Ukraine recaptured the town of Lyman in northern Donetsk province on Friday (Sept 30) after weeks of fighting, marking the first major Donbass settlement that Ukraine has liberated since the start of the invasion. Also, there were reports on Sunday that Ukrainian forces made major gains in Kherson province on the west side of the Dnipro, bringing them closer to Kherson city. However, Ukrainian defenders remain under pressure in the western Donetsk province city of Bakhmut, which is reported to be mostly empty of civilian activity after 3 months of shelling.

COMMENTARY

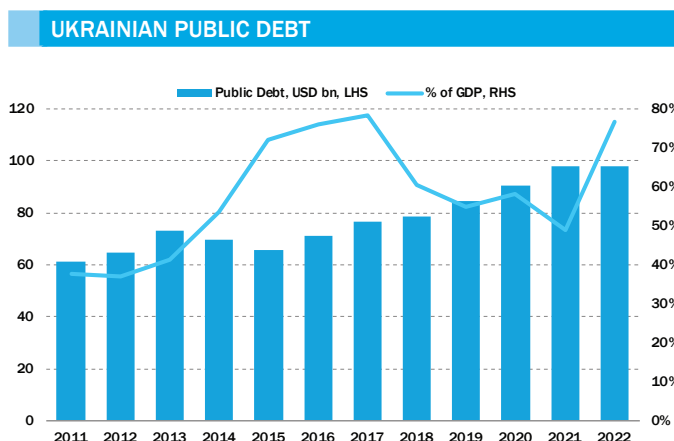
It now appears that it is only a matter of time before Ukraine breaks through Russian lines to liberate Kherson city and take back all the territory that was lost west of the Dnipro in the early days of the invasion. Also, Russia's loss of Lyman implies that the Putin regime may be giving up on holding the mostly-unpopulated northern tier of Lugansk province, which contains only the rather small towns of Kreminna and Svatove. Nonetheless, an important defensive issue for Ukraine is stopping the Russians at Bakhmut and thus protecting the key cities of Slavyansk and Kramatorsk near the northwestern edge of Donetsk province. Assuming Ukraine manages to do this, it would leave the main territories & urban centers occupied by Russia since February as the following: western Lugansk province (Severodonetsk, Lysichansk), eastern Kherson province (Nova Kakhovka), southern & eastern Zaporizhia province (Melitopol, Berdyansk, Energodar), and southern Donetsk province (Mariupol). As for Zelenskiy's NATO membership request, it is clear that NATO or no NATO, Ukraine will definitely require hard security guarantees backed by the major Western powers in any deal to end this war. The key question is how much occupied territory Ukraine will be able to recapture before such guarantees are issued.

Ukraine's Public Debt at USD 98bn, Implying 76% Debt/GDP Ratio

by Dmitry Churin
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NEWS

The Finance Ministry reported that Ukraine's overall public debt stood at USD 98bn as of Sept 1, increasing in USD terms by 1.3% MoM amid more borrowings due to the war crisis. The country's external state debt amounted to USD 61.6bn, including USD 8.2bn of the state-guaranteed debt. Ukraine's outstanding sovereign Eurobonds amounted to USD 22.5bn, representing 23% of the total debt. Meanwhile, the domestic government bonds represented 35% of the total debt (USD 34.4bn).



Source: MinFin

COMMENTARY

We estimate Ukraine's debt to GDP ratio at 76%. Nevertheless, it is expected that the ratio will rise to at least 100% in 2023 as the government needs to ramp up its borrowings to finance a very large budget deficit, which could reach an equivalent of 20% of GDP next year.

The country's debt redemption and servicing payments are estimated at UAH 185bn (USD 5.1bn) in 4Q2022. In this period, MinFin should pay out UAH 128bn (USD 3.5bn) to redeem the domestic government bonds.

Although in USD terms Ukraine's public debt was virtually unchanged since the start of the year, the share of external debt increased from 58% to 63%. Moreover, the hryvnia devaluation along with the steep economic contraction led to a deterioration of the debt/GDP metric from 50% to 76%.

In the current crisis condition for Ukraine, there is a certain relief that a large part of the Western financial support comes in form of grants, meaning that they do not put additional pressure on the country's public debt.

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	1522	1.0%	-12.4%								
Iron Ore Mining												
Ferrexpo	FXPO	122	-10.9%	-59.4%	795	624	24.0%	1.3	0.9	0.7	0.4	0.2
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	14.0	-34.9%	-26.3%	38	-5	5.0%	4.5	7.3	-0.4	-0.5	0.0
Specialized Machinery												
Turboatom	TATM	3.0	-30.2%	3.1%	30	27	3.8%	3.6	9.7	0.5	1.3	0.5
Motor Sich	MSICH	5390	0.0%	0.0%	268	245	24.0%	8.5	11.5	2.4	2.7	0.7
Oil & Gas												
UkrNafta	UNAF	229	0.0%	-15.2%	297	276	3.0%	1.9	3.2	0.9	1.6	0.2
Enwell Energy (ex-Regal)	ENW	24.6	10.8%	-29.7%	88	33	21.6%	29.2	9.7	1.3	1.1	0.5
Power Utilities												
Centrenergo	CEEN	5.20	4.0%	-17.5%	46	16	21.7%	20.2	neg	1.0	neg	0.0
Donbasenergo	DOEN	11.30	13.0%	-61.0%	6	5	14.2%	5.9	neg	0.6	neg	0.0
Consumer												
MHP	MHPC	3.74	6.9%	-44.8%	395	1683	32.5%	neg	1.0	5.0	2.6	0.7
Kernel	KER	16.99	-2.4%	-71.1%	273	1988	61.8%	0.5	1.5	2.1	2.9	0.4
Astarta	AST	20.80	-12.8%	-50.9%	105	280	37.0%	12.7	10.0	2.3	2.1	0.5
Agroton	AGT	3.77	-2.3%	-44.6%	17	-3	25.0%	1.4	4.7	n/a	n/a	n/a
Banks												
Raiffeisen Bank Aval	BAVL	0.270	-5.3%	-41.3%	397		1.8%	2.6	2.2	0.9	0.7	0.08

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	1320	-115	320	168	-10.5%	24.3%	12.7%	-158	158	91	-14.4%	12.0%	6.9%
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																
Centrenergy	CEEN	589	764	517	-69	17	-12	-11.7%	2.2%	-2.3%	-77	2	-31	-13.1%	0.3%	-6.0%
Donbasenergo	DOEN	249	256	260	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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