

## Stock Market Update

### Equity

The second Monday in a row was marketed by a missile attack on Kyiv. What is being targeted is hard to determine. The mayor's office says residential and non-residential buildings have been hit. Railway officials say explosions were seen close to Kyiv's main station. Despite the warnings, the streets are far from deserted. Between the first and second set of strikes, plenty of people seemed to be going about their Monday morning business. The explosions come a week after a wave of deadly Russian missile strikes across Ukraine.

Kyiv-listed equities were down across the board last week with the UX index dropping by 4.7% to close at 1407 points on Friday (Oct 14). In individual movers, UkrNafta (UNAF) fell by 10% to UAH 198 per share and Raiffeisen Bank (BAVL) slipped by 5.3% to 21.5 kopecks.

In Warsaw trading Ukrainian agro companies were under pressure both from a broad downward momentum on the market and fears that the current Grain Deal allowing to export harvest from the Black Sea port could be terminated by Russians in November. Grain and sunflower oil producer Kernel (KER) lost 5.1% last week ending at PLN 18.90. Agroton (AGT) declined by 1.8% to PLN 4.26.

On the London Stock Exchange, iron ore miner Ferrexpo (FXPO) shed by 9.5% to GBP 114 after the company informed it was forced to suspend production as a result of electricity infrastructure damages by Russian attack last week. On the upside, MHP (MHPC) climbed by 2.8% to USD 3.71 per share.

The hryvnia strengthened by 1% over the week to 40.80 UAH/USD on the OTC cash market. Meanwhile, the National Bank continued to sell the hard currency from the reserves on the interbank market spending USD 605mn on interventions from 10 to 14 October.

## Highlights

### POLITICS AND ECONOMICS

- War's Focus Shifts Away from Front Lines as Strikes Hit Kyiv, Donetsk, Belgorod
- Ukraine's Inflation Rises to 24.6% After Prices Increasing by 1.9% in September

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	1407	-4.7%	-19.1%
RTS	991	-1.4%	-37.9%
WIG20	1397	-0.6%	-38.4%
MSCI EM	863	-3.9%	-30.0%
S&P 500	3583	-1.5%	-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	90.0%	6.8 p.p.	81.1 p.p.
Ukraine-2034	54.4%	6.3 p.p.	45.2 p.p.

### CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	40.80	-1.0%	49.3%
EUR/UAH	38.90	-1.5%	25.6%

Source: Eavex Capital

## War's Focus Shifts Away from Front Lines as Strikes Hit Kyiv, Donetsk, Belgorod

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### NEWS

Kyiv was hit with Russian airstrikes for the second straight week on Monday morning (Oct 17), this time by Iranian-made drones rather than Russian missiles. The most widely-reported strike was on an UkrEnergo office building on the southwestern perimeter of the city center near the main railway station; other locations were not immediately available. Casualty counts have not been released, but the initial indications are that they are low.

Over the weekend, presumed Ukrainian strikes were reported in the center of Russian-occupied Donetsk, where the city administration building was hit, and on a fuel depot in Belgorod in Russia just across the border from Kharkiv. There were no reports of human casualties in either case, although the damage to the Donetsk structure was considerable. Meanwhile, on the front lines of the war last week, it was reported that Ukraine had asked for a media blackout on developments in Kherson, raising speculation about a near-term push to reclaim the southern provincial capital from Russian occupation. In the east, there were mid-week Russian claims of a breakthrough in the months-long battle for the key Donbass town of Bakhmut, but the latest reports indicate that Ukraine is still holding the line in the area.

### COMMENTARY

We continue to believe that the Russian occupation of the portion of Kherson province on the west bank of the Dnipro is untenable, and that Ukrainian forces are likely to liberate Kherson city in the near term. While such a development will provide a major victory boost for Ukraine, the fact remains that large chunks of the country's east and south are likely to remain occupied through the winter, when capturing territory becomes far more difficult.

What is clear is that despite the Russian army's poor overall performance, the Putin regime still holds the card of being able to conduct air attacks on Ukraine's civilian infrastructure away from the front, and in particular on Kyiv city, which raises the risks of escalation of the war. Political developments regarding the war are also unpredictable; Putin appears to be increasingly on the defensive in Russian domestic politics, both from war hawks who complain that he is not aggressive enough, and also from the general Russian population, which seems unwilling to make personal sacrifices for the war effort amid the recent conscription drive. After months of Russian claims that Western sanctions were having no effect, the reality of economic contraction is starting to arrive on Russians' doorstep.

Meanwhile, in the United States, it now looks likely that the opposition Republican Party will win the congressional elections on Nov 8, which could somewhat curb the Biden administration's ability to provide financial support to Ukraine after the new Congress takes office in mid-January.

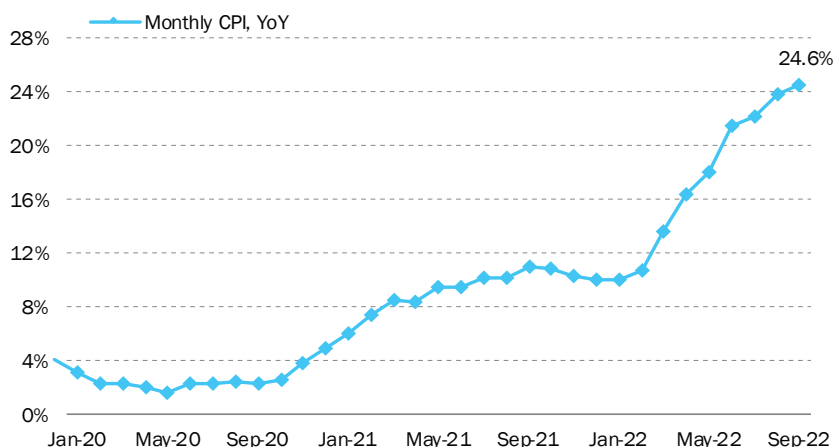
**Ukraine's Inflation Rises to 24.6% After Prices Increasing by 1.9% in September**

by Dmitry Churin  
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**NEWS**

Rolling 12-month consumer inflation in Ukraine rises to 24.6% in September from 23.8% in August after prices increased by 1.9% on the monthly basis, according to official data from UkrStat published last week. In the major CPI basket categories, food prices grew by 1.8% MoM in September (32.1% YoY) and transportation prices were up by 0.4% MoM (41.1% YoY).

**UKRAINE'S ROLLING 12-MONTH CPI**



Source: State Statistics Committee

**COMMENTARY**

Accelerated inflation figures remained a worldwide problem. Consumer prices in the US rose more than expected last month in a sign that the inflation fight in the world's largest economy is far from over. US inflation was 8.2% YoY in September. The rate is well above the central bank's 2% target and means the Federal Reserve is likely to continue to keep raising interest rates in an attempt to cool rising prices. Meanwhile, Eurostat estimates that inflation in the 19-country euro area reached 10.0% in September, up from 9.1% in August. The latest climb in prices was fuelled by energy – the cost of which is now 40.8% higher than during the same month last year. Baltic countries remain the most severely impacted with the inflation rates at 24.2%, 22.5% and 22.4% in Estonia, Lithuania and Latvia respectively. For comparison, the situation with prices in Turkey was even worse as Turkish annual inflation climbed to a new 24-year high of 83% in September, after the country's central bank surprised markets by cutting rates twice in the last two months to 12%.

The Ukrainian National Bank will hold the monetary board meeting on Thursday (Oct 20). We expect that the key rate will be unchanged at 25%, as the regulator admitted that the inflation figure for September came somewhat below the projection. Currently, Ukraine's financial market remained vulnerable to the war crisis with UAH-denominated government bonds experiencing no demand from investors at the offered 14% yield for the 1-year debt papers on the primary market. On the secondary market the same 1-year bond traded at a wide bid/ask spread and the yields, therefore, standing at 25%/19% (bid/ask).

**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	1407	-4.7%	-19.1%								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	114	-9.5%	-61.9%	752	581	24.0%	1.2	0.9	0.7	0.4	0.2
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	14.0	0.0%	-26.3%	38	-5	5.0%	4.5	7.3	-0.4	-0.5	0.0
<b>Specialized Machinery</b>												
Turboatom	TATM	2.1	0.0%	-27.8%	21	18	3.8%	2.5	6.8	0.4	0.9	0.4
Motor Sich	MSICH	5390	0.0%	0.0%	268	245	24.0%	8.5	11.5	2.4	2.7	0.7
<b>Oil &amp; Gas</b>												
UkrNafta	UNAF	198	-10.0%	-26.7%	257	236	3.0%	1.6	2.8	0.7	1.4	0.2
Enwell Energy (ex-Regal)	ENW	25.0	-7.6%	-28.7%	90	12	21.6%	28.1	1.8	0.5	0.2	0.1
<b>Power Utilities</b>												
Centrenergo	CEEN	4.40	-9.3%	-30.2%	39	9	21.7%	17.1	neg	0.5	neg	0.0
Donbasenergo	DOEN	12.25	0.0%	-57.8%	7	6	14.2%	6.4	neg	0.7	neg	0.0
<b>Consumer</b>												
MHP	MHPC	3.71	2.8%	-45.3%	392	1680	32.5%	neg	1.0	4.9	2.6	0.7
Kernel	KER	18.90	-5.1%	-67.8%	305	2020	61.8%	0.6	1.7	2.2	3.0	0.4
Astarta	AST	22.60	-1.3%	-46.7%	114	289	37.0%	13.8	10.9	2.4	2.1	0.6
Agroton	AGT	4.26	-1.8%	-37.4%	19	-1	25.0%	1.6	5.3	n/a	n/a	n/a
<b>Banks</b>												
Raiffeisen Bank Aval	BAVL	0.215	-5.3%	-53.3%	316		1.8%	2.1	1.8	0.7	0.6	0.07

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	1320	-115	320	168	-10.5%	24.3%	12.7%	-158	158	91	-14.4%	12.0%	6.9%
Regal Petroleum	RPT	50	47	121	22	22	78	44.0%	47.4%	64.4%	10	3	51	20.0%	6.7%	42.1%
<b>Electric Utilities</b>																
Centrenergo	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%
<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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