

## Stock Market Update

### Equity

For the third Monday in a row Russia is trying to attack Ukrainian energy infrastructure by using cruise missiles. The new strikes come after Moscow blamed Ukraine for a drone attack on its Black Sea Fleet in the annexed Crimea. Ukraine and its Western allies have repeatedly said that targeting civilian energy infrastructure amounted to war crimes.

Kyiv-listed stocks continued to trade mixed as liquidity remained at a low level. The UX index heavyweight CentrErgo (CEEN) dropped by 12% to close at UAH 4.50 after the state-run NaftoGaz threatened to cut the company from natural gas supply as it owed nearly UAH 2.7bn for previously delivered gas. CentrErgo, which is also majority state-owned, has not commented on the issue. On the upside, UkrNafta (UNAF) rose by 15% to UAH 229 per share.

Enwell Energy (former Regal), an independent natural gas producer in Ukraine, saw its shares up by 11% in London trading to GBP 27.9 after the company reported the completion of new well testing. With the strong results from the testing well, Enwell Energy intends to continue its planning for the development of the SC Licence, which will include the installation of flow lines, gas processing facilities and other production infrastructure, as well as the drilling of further wells.

On the Warsaw Exchange, Kernel (KER) fell 1.8% to PLN 16.50 ahead of Russia's withdrawal from the Black Sea grain export deal. Russia announced Saturday that it was suspending its involvement in the Black Sea Grain Initiative that was brokered in July and which allowed vital agricultural products to be exported from several Ukrainian ports.

On the OTC cash currency market, the hryvnia gained by 1.2% against the dollar to 40.00 UAH/USD. Meanwhile, the official exchange rate in the country remained fixed at 36.57 UAH/USD.

## Highlights

### POLITICS AND ECONOMICS

- National Bank Planning to Halt Direct Support of Ukrainian Budget in 2023

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)

### 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	1456	3.6%	-16.2%
RTS	1112	5.9%	-30.3%
WIG20	1531	8.5%	-32.5%
MSCI EM	845	-2.3%	-31.4%
S&P 500	3901	4.0%	-18.2%

### FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	25.0%	0.0 p.p.	+16.0 p.p.
UAH 1-year war bond	14.0%	0.0 p.p.	+3.0 p.p.
Ukraine-2026	93.0%	3.9 p.p.	84.1 p.p.
Ukraine-2034	55.7%	2.5 p.p.	46.5 p.p.

### CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	40.00	-1.2%	46.4%
EUR/UAH	39.20	0.5%	26.6%

Source: Eavex Capital

## National Bank Planning to Halt Direct Support of Ukrainian Budget in 2023

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### NEWS

The National Bank of Ukraine said that it would halt direct support of Ukraine's central budget in 2023. However, the National Bank will continue its intervention on the interbank currency market to prop up the hryvnia at its current temporary fixed rate against the dollar.

The National Bank spent UAH 330bn (USD 10.6bn) in form of direct government debt purchases since the Russian invasion of Ukraine on Feb 24. The Central Bank's support was necessary as the Finance Ministry was unable to find enough demand for the government domestic bonds through a primary weekly auction. The placement of domestic bonds through the auction brought in UAH 167bn to the national budget since the war started.

Ukraine's total proceeds to the national budget in form of borrowings and grants were UAH 1.25tr (USD 39bn) since Feb 24.

### COMMENTARY

In our view, there was an important message from the National Bank that it wants to stop de-facto money printing to finance the central budget spending. This should help to restrain consumer inflation which is running at a close of 30% this year. Moreover, it is a base-case forecast that inflation in Ukraine will be at 20% in 2023 before cooling down to 10% in 2024 and a 5% target in 2025.

Unfortunately, persisting inflation will remain a long headache for Ukraine as the high energy costs, which are mostly subsidized in the country, will need to be gradually passed on final consumers. This process could take several painful steps when electricity and natural gas prices for households are raised sharply. Nevertheless, the most concerning issue for Ukraine will be the war-related risks in foreseeable future. The country is suffering badly from Russian military aggression that destroys energy infrastructure, blocks sea roads and elevates defense expenditures to a level that Ukraine hardly could effort.

**QUOTES AND MULTIPLES**

	Ticker	Today, UAH*	Absolute performance		MCap USD mn	EV USD mn	Free float	P/E		EV/EBITDA		EV/Sales 2022E
			1W	YtD				2021E	2022E	2021E	2022E	
UX Index	UX	1456	3.6%	-16.2%								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	103	-13.2%	-65.7%	695	524	24.0%	0.8	neg	0.4	1.5	0.3
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	11.3	0.0%	-40.8%	32	-11	5.0%	6.2	neg	-1.1	7.9	-0.1
<b>Specialized Machinery</b>												
Turboatom	TATM	2.3	0.0%	-21.0%	24	21	3.8%	7.7	neg	1.0	2.2	0.8
Motor Sich	MSICH	5390	0.0%	0.0%	280	265	24.0%	12.0	neg	3.0	6.7	1.3
<b>Oil &amp; Gas</b>												
UkrNafta	UNAF	229	14.5%	-15.2%	310	289	3.0%	3.4	14.2	1.7	5.1	0.3
Enwell Energy (ex-Regal)	ENW	27.9	11.2%	-20.3%	103	26	21.6%	2.0	1.9	0.3	0.3	0.2
<b>Power Utilities</b>												
Centrenergo	CEEN	4.50	-11.8%	-28.6%	42	12	21.7%	-1.3	neg	neg	neg	0.1
Donbasenergo	DOEN	12.25	0.0%	-57.8%	7	6	14.2%	-0.9	neg	neg	neg	0.1
<b>Consumer</b>												
MHP	MHPC	3.21	-5.6%	-52.7%	339	1627	32.5%	neg	neg	2.5	5.6	0.9
Kernel	KER	16.49	-1.8%	-71.9%	277	1992	61.8%	1.5	2.3	2.9	5.4	0.9
Astarta	AST	19.56	0.3%	-53.9%	103	296	37.0%	0.7	2.8	1.2	2.4	0.7
Agroton	AGT	3.53	-7.1%	-48.1%	16	-4	25.0%	4.6	neg	n/a	n/a	n/a
<b>Banks</b>												
Raiffeisen Bank Aval	BAVL	0.220	4.8%	-52.2%	338		1.8%	1.9	neg	0.6	0.9	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		
		2020	2021E	2022E	2020	2021E	2022E	2020	2021E	2022E	2020	2021E	2022E	2020	2021E	2022E
<b>Iron Ore Mining</b>																
Ferrexpo	FXPO	1700	2518	1650	859	1,439	350	50.5%	57.1%	21.2%	635	871	-110	37.4%	34.6%	-6.7%
<b>Railcar Manufacturing</b>																
Kryukiv Wagon	KVBZ	223	192	78	13	10	-1	5.9%	5.2%	-1.8%	9	5	-5	3.8%	2.7%	-6.8%
<b>Specialized Machinery</b>																
Turboatom	TATM	105	52	28	52	21	10	49.1%	40.7%	34.4%	8	3	-2	8.0%	6.0%	-5.6%
Motor Sich	MSICH	353	338	200	102	90	40	29.1%	26.5%	19.8%	32	23	-7	8.9%	6.9%	-3.6%
<b>Oil &amp; Gas</b>																
Ukrnafta	UNAF	1319	1320	844	320	168	56	24.3%	12.7%	6.7%	158	91	22	12.0%	6.9%	2.6%
Regal Petroleum	RPT	47	121	131	22	78	86	47.4%	64.4%	65.7%	3	51	55	6.7%	42.1%	41.9%
<b>Electric Utilities</b>																
Centrenergo	CEEN	764	517	388	17	-12	-16	2.2%	-2.3%	-4.2%	2	-31	-38	0.3%	-6.0%	-9.7%
Donbasenergo	DOEN	256	260	144	9	-1	-4	3.3%	-0.6%	-2.6%	1	-8	-15	0.4%	-3.0%	-10.7%
<b>Consumer</b>																
MHP	MHPC	1911	2372	1898	340	648	290	17.8%	27.3%	15.3%	-133	393	-300	-7.0%	16.6%	-15.8%
Kernel (FY19, FY20, FY21)	KER	5647	5365	2300	929	678	370	16.5%	12.6%	16.1%	513	180	120	9.1%	3.4%	5.2%
Astarta	AST	490	590	404	134	242	125	27.3%	41.0%	31.0%	10	147	36	2.1%	24.9%	9.0%
Agroton	AGT	68	41	20	33	8	-6	48.2%	19.8%	-30.0%	12	4	-40	17.4%	8.7%	neg
<b>Banks</b>																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	3795	4829	4238	456	571	390	271	348	314	151	179	-68	33.2%	31.3%	-17.5%

Source: Eavex Research

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