

## Stock Market Update

### Equity

Ukrainian equities were mostly higher over the week after the IMF's management approved Ukraine's request for Program Monitoring with Board Involvement — the first arrangement of its kind — to maintain economic stability and catalyze donor financing. For the past 10 months, Ukraine has withstood the largest full-scale military aggression in Europe since World War II. Ukrainians have demonstrated fantastic resilience. The impact of the war is hard even to comprehend. According to preliminary estimates, Ukraine lost at least one-third of its GDP in 2022. Nevertheless, the country's economy adjusted to the war. New sectors of the economy were created that focused on supporting Ukraine's armed forces. Moreover, the banking system was strong and operated with no functional limitations during the whole war.

At the top of the UX index, Raiffeisen Bank (BAVL) surged by 20% to 32 kopecks per share last week. In other blue chips, CentrEnerg (CEEN) advanced by 3.8% to UAH 3.95 after the company appointed a new CEO Volodymyr Yegorov who previously worked as a deputy commercial director at DonbassEnerg (DOEN). The management shakeup at CentrEnerg could smooth the company's conflict regarding the natural gas supply from the state-giant NaftoGaz.

On the London Stock Exchange, Ukrainian iron ore miner Ferrexpo (FXPO) gained by 8.4% to GBp 173 as the company partly resumed its operations despite the very difficult situation with the electricity supply. MHP (MHPC) rose by 3.2% to USD 3.51 while Enwell Energy (former Regal) declined by 0.9% to GBp 16.2 after its auditor PwC resigned due to inability to service Enwell after the company's beneficiary owner Vadym Novinsky was included into the Ukrainian sanction list.

In Warsaw trading, Kernel (KER) shed by 2.5% to PLN 17.06, and Agroton (AGT) edged down by 1.2% to PLN 3.40.

The cash hryvnia exchange rate weakened by 1.5% over the week to 40.60 UAH/USD.

## Highlights

### POLITICS AND ECONOMICS

- > No Change in Biden Admin's Weapons Policy after Zelenskiy Visit
- > Ukraine Would Need to Import 5 billion cubic meters of Gas 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)

[www.eavex.com.ua](http://www.eavex.com.ua)

### 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	1579	10.8%	-9.2%
RTS	963	-7.2%	-39.7%
WIG20	1780	2.2%	-21.5%
MSCI EM	964	0.7%	-21.8%
S&P 500	3844	-0.2%	-19.3%

### 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	81.7%	2.4 p.p.	72.8 p.p.
Ukraine-2034	45.4%	1.1 p.p.	36.2 p.p.

### CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	40.60	1.5%	48.6%
EUR/UAH	42.50	1.0%	37.3%

Source: Eavex Capital

## No Change in Biden Admin's Weapons Policy after Zelenskiy Visit

by Will Ritter  
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### NEWS

The administration of US President Biden has declined to offer Ukraine advanced Abrams tanks, F-16 fighter jets, or so-called "ATACM" medium-range missiles following President Zelenskiy's high-profile visit to Washington last week. Zelenskiy has been asking for these weapons - in particular, the ATACMs - to help Ukraine recover territory occupied by Russia in the south and east of the country. News of Zelenskiy's trip to the US began to leak out on Tuesday evening (Dec 20), as he traveled by train to southeastern Poland to make the transatlantic flight. Zelenskiy met with Biden at the White House for about 3 hours, after which the two leaders gave a press conference together. Then in the evening, Zelenskiy delivered a prepared speech (in English) to a joint session of Congress, following in the footsteps of previous president Petro Poroshenko, who had received the same speaking opportunity back in September 2014.

### COMMENTARY

Zelenskiy's surprise visit to Washington last week brought major political benefits to both himself and Biden, although it provided no new clarity about a strategy or timeline for ending the war. The lack of any buildup ahead of the trip denied Zelenskiy the chance to play the enthusiasm of pro-Ukraine hawks in Congress against the more cautious approach of the Biden administration, and the timing right before the Christmas holidays also assured that it would quickly fall out of the news cycle. For Biden, Zelenskiy's appearance provided a potent rationale for the 10s of billions of dollars in aid which the US has sent to Ukraine this year, and should make it easier to keep the aid flowing in 2023 despite pockets of opposition from factions of the Republican party. For Zelenskiy, who is due to face re-election in only 16 months, such a grandiose reception from Ukraine's most important ally & sponsor would appear to put him in an unchallengeable position for a second presidential term. Regarding the current military situation, Biden's ongoing refusal to provide the ATACMs indicates that the US administration is not in a hurry to see Ukraine make large territorial gains this winter, and indeed, the situation along the front lines has largely settled into a stalemate since early November. One key question at the moment is whether the Russian army might try once again to attack Central Ukraine from Belarus, and what measures Ukraine and its allies are taking to guarantee that such a new escalation from the Putin regime would have no prospects of success.

## Ukraine Would Need to Import 5 billion cubic meters of Gas in 2023

by Dmitry Churin  
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### NEWS

The International Monetary Fund (IMF) estimates that in 2023, Ukraine will need gas purchases in the amount of 5.0bn cubic meters (cu-m). In case there is no import then Ukraine will end this heating season with reserves of 6.0bn cu-m in the underground storages and will be able to increase them only to 8.5bn cu-m by the next heating season. Meanwhile, in case the gas imports are secured then the gas reserves at the end of this heating season will be at 9.0bn cu-m, and by the next season will grow to almost 14.0bn cu-m, which will be only by 0.5bn cu-m less than at the beginning of this heating season. Currently, the natural gas price for households in Ukraine is significantly lower than the import price. Therefore, the state-owned NaftoGaz will need to find about UAH 150bn (USD 3.6bn) in 2023 to cover the expected price gap.

### COMMENTARY

So far, it is difficult to predict which sources of additional financing Naftogaz will be able to find for gas imports. However, the government notes that the direct monetary support from the National Bank in 2023 will be used only as a last resort. Recently, NaftoGaz agreed to buy 350mn cu-m of gas from the Norwegian Equinor and 100mn cu-m purchased on the market from authorized EBRD sellers. Thus, there is hope that NaftoGaz will be able to continue to cooperate with international creditors on the issue of financing gas imports next year. Agreements on receiving funds from the EBRD (USD 300mn), Canada (USD 350mn), and Norway (USD 200mn) will allow the purchase of about 0.5bn cu-m of gas in January-February.

Separately, on December 22, the G7 Finance Ministers confirmed a joint approach to coordinated budgetary and economic support for Ukraine in 2023 and announced the mobilization of up to USD 32bn and continued efforts for further progress in this direction. The announced support package includes EUR 18bn from the EU, supplemented by a grant component from member states to cover interest costs, and another very significant package of support from the US, worth USD 9.9bn for the first nine months of next year. For comparison, this year, there was a USD 32.7bn in international support of the Ukrainian national budget after Russia started the war. Additional support to the Ukrainian government, state-owned enterprises, and the private sector through the European Bank for Reconstruction and Development, the International Finance Corporation, and the European Investment Bank amounted to USD 6.7bn in 2022.

We believe, that the strong financial support of Ukraine from the country's international partners will be a crucial factor for Ukraine's survival and then sustainable recovery from the dramatic consequences of the Russian unprovoked invasion.

**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				2021	2022E	2021	2022E	
UX Index	UX	1579	10.8%	-9.2%								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	173	8.4%	-42.3%	1231	1060	24.0%	1.4	neg	0.7	3.0	0.6
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	10.2	2.0%	-46.3%	29	-3	5.0%	5.5	neg	--	--	--
<b>Specialized Machinery</b>												
Turboatom	TATM	2.5	0.0%	-14.1%	26	23	3.8%	8.3	neg	1.1	2.4	0.8
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
<b>Oil &amp; Gas</b>												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	16.2	-0.9%	-53.9%	63	-15	21.6%	1.2	1.1	-0.2	-0.2	-0.1
<b>Power Utilities</b>												
Centrenergo	CEEN	3.95	3.9%	-37.3%	36	6	21.7%	neg	neg	neg	neg	0.1
Donbasenergo	DOEN	13.25	1.9%	-54.3%	8	7	14.2%	neg	neg	neg	neg	0.1
<b>Consumer</b>												
MHP	MHPC	3.51	3.2%	-48.2%	389	1677	32.5%	neg	neg	2.6	5.8	0.9
Kernel (FY21, FY22, FY23E)	KER	17.06	-2.5%	-70.9%	320	1808	61.8%	neg	2.7	8.2	4.9	0.6
Astarta	AST	20.80	1.5%	-50.9%	119	312	37.0%	0.8	3.3	1.3	2.5	0.8
Agroton	AGT	3.40	-1.2%	-50.0%	17	-3	25.0%	4.8	neg	--	--	--
<b>Banks</b>												
										Price/Book		Price/Assets
Raiffeisen Bank Aval	BAVL	0.320	20.8%	-30.4%	485		1.8%	2.7	9.3	0.8	1.0	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		
		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>																
Centrenerg	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 (FY21, FY22, FY23E)	KER	5595	5332	3200	806	220	370	14.4%	4.1%	11.6%	513	-41	120	9.2%	-0.8%	3.8%
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	510	271	348	314	151	179	52	33.2%	31.3%	10.2%

Source: Eavex Research

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