

Stock Market Update

Equity

The Ukrainian Exchange index (UX) decreased by 10% YoY in 2022 failing to track a real dramatic situation on the domestic stock market. The reason behind the UX index's poor reflection of the market was the inclusion of frozen for trading shares of Motor Sich (MSICH) into the index basket. Moreover, the UX index was not adjusted for the unprecedented obligatory transfer of all Motor Sich and UkrNafta (UNAF) shares to the government securities account for the country's defense goals. For a comparison of the UX index performance, there was a 39% YoY drop in the Russian RTS index, a 22% YoY decrease in the Polish WIG20, and a decline of 19% in the S&P500.

In individual stock movement, thermal power generator CentrEnergO (CEEN) slipped by 36% YoY from UAH 6.30 to UAH 4.00 per share as the company de-facto lost control over its Vuglegirsk Power Plant as it is now located on the occupied territory. The company has also a problem with low tariffs for electricity on the market leading to an accumulation of large operating losses. There are no official reports regarding CentrEnergO's P&L as reports publication were postponed due to martial law in Ukraine. However, an unofficial source indicated that back in peaceful 2021 CentrEnergO had a net loss of UAH 989mn as the electricity market structure in the country remained heavily regulated with a price cap for energy producers.

Among other UX index components, Raiffeisen Bank (BAVL) stock experienced a slump from 46 kopecks to 20 kopecks over the January-October period and then recovered to a level of 30 kopecks in December. The bank was profitable in 2022 despite an assessment that up to 30% of the Ukrainian banking system corporate loan portfolio could become non-performing as a result of the war risks.

In Warsaw trading, grain and sunflower oil exported Kernel (KER) had its share price plunge of 70% from PLN 58.70 to PLN 17.50 in 2022 as the company was forced to disinvest a part of the land bank, and had many challenges with agro shipments.

On the currency market, the UAH/USD cash rate jumped by almost 50% YoY from 27.30 to 40.80 UAH/USD in 2022. Meanwhile, the official exchange rate which is used for interbank operations grew by 34% YoY from 27.28 to 36.57 UAH/USD last year. There is a base case forecast that the average hryvnia exchange rate will be at 42.20 UAH/USD in 2023, implying a potential 13% devaluation for the Ukrainian currency this year.

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

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

MARKET INDEXES

	Last	1W ch	YTD
UX	1573	0.5%	0.5%
RTS	943	-2.8%	-2.8%
WIG20	1856	3.4%	3.4%
MSCI EM	988	3.2%	3.2%
S&P 500	3895	1.4%	1.4%

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	81.9%	0.2 p.p.	0.2 p.p.
Ukraine-2034	47.0%	1.6 p.p.	1.6 p.p.

CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	40.80	0.5%	0.5%
EUR/UAH	42.70	0.5%	0.5%

Source: Eavex Capital

Highlights

POLITICS AND ECONOMICS

- Ukrainian Exports Drop by 35% YoY to USD 44bn in 2022

Ukrainian Exports Drop by 35% YoY to USD 44bn in 2022

by Dmitry Churin
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NEWS

Ukrainian merchandise export dropped by 35% YoY to USD 44.1bn in 2022, according to preliminary data published by the government. In volume terms exports shrank by 38% to almost 100mn tonnes, including 16.3mn tonnes of agro exports through the Black Sea ports under the Grain Initiative that allowed shipments amid the war.

Corn was the largest export category bringing in USD 5.9bn (+1% YoY) to the country. Sunflower oil exports amounted to USD 5.5bn (-14% YoY) and sunflower seeds exports were 1.26bn (+33x YoY). The sunflower seeds export was an unusual thing as Ukraine has enough crushing capacities to process the whole sunflower harvest but the war risks and related logistic and energy problems led to lower utilization of the seed crushing facilities.

The export of wheat was 11.2mn tonnes (-44% YoY) for USD 2.6bn (-45% YoY) in 2022.

Historically strong Ukrainian export categories, steel and steel products, suffered much last year after the dramatic destruction of the Mariupol-based Azovstal Steel Plant and Ilych Steel Plant. Currently, the city of Mariupol remains occupied by russia. Ukrainian steel product exports plunged by 72% YoY in 2022.

In the geographic breakdown, the main Ukrainian exports went to the EU (USD 27.9bn) accounting for 63% of the total merchandise exports in 2022. In individual country destinations, large exports were to Poland (USD 6.6bn), Romania (USD 3.8bn), Hungary (USD 2.27bn), Germany (USD 2.23bn), Italy (USD 1.5bn), and to Spain (USD 1.5bn). Other important destinations were Turkey (USD 2.9bn) and China (USD 2.46bn).

COMMENTARY

The significant contraction in Ukrainian exports was a reflection of the war started by russia and as a consequence the inability to use the seaports for shipments. For example, the export of iron ore fell by 46% as there was only limited technical opportunity to change the shipment routes. In contrast, the export of poultry meat declined by only a moderate 10% YoY in volume terms while in value terms poultry exports even increased by 19% YoY to USD 852mn.

Although the figures were preliminary, the estimated Ukrainian merchandise trade deficit was USD 14bn for 2022. Therefore, the country's balance of payment needed injection through the financial account. In wartime, Ukraine can attract external financing only through the help of international partners and allies.

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	1573	0.5%	0.5%								
Iron Ore Mining												
Ferrexpo	FXPO	169	7.5%	7.5%	1204	1033	24.0%	1.4	neg	0.7	3.0	0.6
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	11.0	0.0%	0.0%	31	-6	5.0%	neg	neg	--	--	--
Specialized Machinery												
Turboatom	TATM	2.8	3.7%	3.7%	29	27	3.8%		neg	1.2	2.7	0.9
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	14.5	-6.8%	-6.8%	56	-21	21.6%	1.1	1.0	--	--	--
Power Utilities												
Centrenergo	CEEN	4.00	-0.2%	-0.2%	37	31	21.7%	neg	neg	neg	neg	0.1
Donbasenergo	DOEN	11.92	-9.4%	-9.4%	7	7	14.2%	neg	neg	neg	neg	0.1
Consumer												
MHP	MHPC	3.74	-0.3%	-0.3%	414	1702	32.5%	neg	neg	2.6	5.9	0.9
Kernel (FY21, FY22, FY23E)	KER	18.49	5.4%	5.4%	336	1824	61.8%	neg	2.8	8.3	4.9	0.6
Astarta	AST	22.20	8.8%	8.8%	123	316	37.0%	0.8	3.4	1.3	2.5	0.8
Agroton	AGT	3.62	5.2%	5.2%	17	-2	25.0%	4.9	neg	--	--	--
Banks												
Raiffeisen Bank Aval	BAVL	0.310	3.3%	3.3%	474		1.8%	2.7	9.1	0.8	0.9	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	2021	2022E	2020	2021	2022E	2020	2021	2022E	2020	2021	2022E	2020	2021	2022E
Iron Ore Mining																
Ferrexpo	FXPO	1700	2518	1650	859	1,439	350	50.5%	57.1%	21.2%	635	871	-110	37.4%	34.6%	-6.7%
Railcar Manufacturing																
Kryukiv Wagon	KVBZ	124	94	78	7	-5	-1	5.5%	-5.7%	-1.8%	3	-8	-5	2.2%	-9.0%	-6.8%
Specialized Machinery																
Turboatom	TATM	105	55	28	52	22	10	49.1%	40.7%	34.4%	8	0	-2	8.0%	0.5%	-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%
Oil & Gas																
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%
Electric Utilities																
Centrenergy	CEEN	764	460	388	17	-33	-16	2.2%	-7.1%	-4.2%	2	-36	-38	0.3%	-7.9%	-9.7%
Donbasenergo	DOEN	256	128	144	9	-13	-4	3.3%	-10.5%	-2.6%	1	-16	-15	0.4%	-12.9%	-10.7%
Consumer																
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
Banks																
		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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