

Stock Market Update

Equity

The National Bank expects a slight increase in the real GDP of Ukraine by 0.3% this year. According to the results of 2022, the country's economy fell by 30% YoY, while in the fourth quarter, the fall amounted to 35% YoY. The most difficult situation at the end of last year was in the metallurgy and the machinery sectors, as enterprises in these industries are very energy-intensive and were unable to adapt to the energy terror from Russia. At the same time, the forecast assumes that during 2023 it will be possible to avoid significant additional destruction of the energy infrastructure, and business and the government will take effective measures to restore already destroyed capacities.

Given the already announced volumes of international aid and progress in negotiations with the IMF, the total amount of official financing to Ukraine in 2023 may exceed USD 38bn. This will make it possible to avoid emission financing of the budget deficit in 2023 and support the country's FX reserves at a sufficient level, even in conditions of longer preservation of high security risks. It is expected that by the end of 2023, the Ukrainian FX reserves will amount to USD 27bn, compared to USD 28.5bn at the start of the year.

The National Bank continues to sell the hard currency from reserves to meet demand on the interbank market. Over the past week, the regulator's interventions amounted to USD 664mn. Since the beginning of the year, the National Bank has already sold USD 2.7bn. The increase in interventions was fully compensated by the receipt of international aid. At the meeting of the board of the NBU on monetary policy, it was decided to keep the key rate at the current level of 25%. The updated inflation forecast predicts that the consumer price index in Ukraine will decrease from 26.6% to 18.7% by the end of this year.

On the Ukrainian Exchange there was a further sharp drop in CentrErgo (CEEN), which fell by 43% to UAH 1.7 over the week. At the beginning of the year, the CEEN stock traded at UAH 4.00.

Quotes for Raiffeisen Bank (BAVL) fell by 10% to 27 kopecks last week. On the upside, Kryukiv Wagon (KVBZ) rose by 2.5% to UAH 12.9.

Highlights

POLITICS AND ECONOMICS

- Scholz Firm in Refusal to Offer Ukraine Fighter Jets
- The National Bank Publishes Updated Macro Forecasts for 2023-2025

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	1283	-8.8%	-18.1%
RTS	992	0.0%	2.2%
WIG20	1911	1.0%	6.5%
MSCI EM	1051	1.4%	9.8%
S&P 500	4070	2.5%	6.0%

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	25.0%	0.0 p.p.	0.0 p.p.
UAH 1-year war bond	18.5%	0.0 p.p.	+2.5 p.p.
Ukraine-2026	79.6%	-0.1 p.p.	-2.1 p.p.
Ukraine-2034	44.1%	-1.7 p.p.	-1.3 p.p.

CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	40.47	0.1%	-0.3%
EUR/UAH	43.63	0.7%	2.7%

Source: Eavex Capital

**Scholz Firm in Refusal to Offer
Ukraine Fighter Jets**

by Will Ritter
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NEWS

German Chancellor Olaf Scholz stated that his government is opposed to providing fighter aircraft to Ukraine, in comments made during an interview with Berlin's Tagesspiegel daily newspaper published on Sunday (Jan 29). The comments came less than a week after Scholz appeared to outmaneuver the United States by essentially forcing Washington to give Ukraine advanced Abrams tanks as a precondition for Germany allowing its own Leopard 2 tanks to be sent to Kyiv. The US administration had long been reluctant to provide the Abrams model. Scholz stated in the Tagesspiegel interview that "the question of combat aircraft does not arise at all... if, as soon as a decision [on tanks] has been made, the next debate [on providing fighter jets] starts in Germany, this does not look very serious, and shakes the confidence of the citizens in government decisions." Scholz appeared to be pushing back against a fresh public relations campaign from Ukrainian officials stating that Kyiv now expects to quickly receive Western fighter jets as well as powerful medium-range missiles to boost the war effort.

COMMENTARY

Scholz appears to be taking a more assertive posture following his diplomatic victory which saw the US commit to arming Ukraine with the best tanks in its arsenal. With this maneuver, Scholz also exposed the Biden administration as the real source of the West's policy of slow-walking weapons to Ukraine, for which Scholz had been receiving most of the criticism up to now. We continue to believe that there is a discrepancy between the Biden administration's declared policy on the war (indefinite support for Kyiv to continue to try to recapture all the occupied territories) and its de-facto policy (to help Kyiv recapture some, but not all of the occupied territories, and then to press for negotiations with the Putin regime). There have been increasing references this month to a possible endgame for the war in which Ukraine would be offered membership in NATO as compensation for not being able to fully restore its pre-2014 borders. However, such proposals remain highly theoretical amid active heavy fighting near the front lines, including Bakhmut and Vugledar in Donetsk province, and missile strikes on eastern & southern cities which killed at least a dozen people last week. In our view, the biggest challenge facing Ukraine in the next 3 months will not be recapturing territory, but rather preventing Putin's mobilization-bolstered army from making additional gains in Donetsk and Zaporizhia provinces. However, we disagree with the assessments stating that time is not on Ukraine's side in the conflict; even with only minimal advances that hold the current lines, Kyiv can force Russia to pay an increasingly heavy price in terms of manpower and military equipment, while Russia remains under Western sanctions which are slowly but steadily eating away at the country's economic base and foreign currency reserves.

The National Bank Publishes Updated Macro Forecasts for 2023-2025

by Dmitry Churin
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NEWS

The National Bank has prepared a new forecast for the main macroeconomic indicators for 2023-2025. According to the presentation, real GDP growth this year will be only 0.3% compared to the 4% growth forecast that was hoped for back in October. The most influential negative factor remains military risks and the destruction of part of the country's energy infrastructure. In nominal terms, the Ukrainian GDP this year may amount to USD 142bn. For 2024 and 2025, Ukraine's GDP is forecasted to grow by 4.1% and 6.4%, respectively.

FORECAST				
	2022	2023E	2024E	2025E
Real GDP change	-30.3%	+0.3%	+4.1%	+6.4%
Nominal GDP (USD bn)	132	142	157	178
Inflation, YoY	26.6%	18.7%	10.4%	6.7%
Current account balance	8.6	-20.4	-8.4	-5.5
FX reserves	28.5	27.0	31.0	34.6

Source: The National Bank of Ukraine

COMMENTARY

Among individual macro indicators, the National Bank pays special attention to the deterioration of the forecast for the current account of Ukraine's balance of payments for 2023. The updated scenarios predict a current account deficit of USD 20bn this year, compared to a current account surplus of USD 8.6bn in 2022. The basis for more pessimistic estimates is the need for additional fuel imports to provide additional sources of energy during power outages. In addition, there are still big problems in the metallurgical industry due to very limited export opportunities, as sea routes remain blocked. For 2024, the National Bank also predicts a current account deficit, but in a smaller volume of USD 8.4bn.

Separately, the National Bank emphasized that starting from March 11, rates will be increased on the formation of mandatory reserves for bank deposits in both national and foreign currencies. The regulator expects that these measures will help reduce the liquidity surplus in the banking system. This, in turn, will encourage banks to compete more actively for deposits and, accordingly, will contribute to an increase in rates for hryvnia assets and an increase in the term deposits. As a result, the stability of the foreign exchange market will increase, and the National Bank will be able to ease administrative restrictions on the foreign exchange market.

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	1283	-8.8%	-18.1%								
Iron Ore Mining												
Ferrexpo	FXPO	170	-2.5%	7.8%	1237	1066	24.0%	1.4	neg	0.7	3.0	0.6
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	12.2	2.5%	10.9%	35	-2	5.0%	neg	neg	--	--	--
Specialized Machinery												
Turboatom	TATM	2.9	0.0%	7.4%	30	27	3.8%	>50x	neg	1.2	2.8	1.0
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	17.5	8.7%	12.5%	70	-8	21.6%	1.4	1.3	--	--	--
Power Utilities												
Centrenergo	CEEN	1.70	-43.0%	-57.6%	16	9	21.7%	neg	neg	neg	neg	0.1
Donbasenergo	DOEN	5.56	-38.3%	-57.7%	3	3	14.2%	neg	neg	neg	neg	0.1
Consumer												
MHP	MHPC	3.31	-8.1%	-11.7%	367	1655	32.5%	neg	neg	2.6	5.7	0.9
Kernel (FY21, FY22, FY23E)	KER	19.30	5.5%	10.0%	365	1853	61.8%	neg	3.0	8.4	5.0	0.6
Astarta	AST	23.65	6.3%	15.9%	137	330	37.0%	0.9	3.8	1.4	2.6	0.8
Agroton	AGT	3.35	1.8%	-2.6%	17	-3	25.0%	4.8	neg	--	--	--
Banks												
										Price/Book		Price/Assets
Raiffeisen Bank Aval	BAVL	0.270	-10.0%	-10.0%	410		1.8%	2.3	7.9	0.7	0.8	0.10

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																
Centrenergo	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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