

Stock Market Update

Equity

Ukrainian stocks had a mixed performance over the week. However, some optimism in the domestic market was caused by a series of high-profile anti-corruption cases. In particular, the management of the Customs Service of Ukraine was dismissed on suspicion of corruption. In a general sense, the active fight against corruption of high-ranking officials should convince Ukraine's international partners to provide the country with more financial resources to overcome the problems caused by Russian military aggression. Negotiations are currently underway with the IMF on a new credit program for a period of three to four years, the volume of which will be from USD 14bn to USD 16bn, of which Ukraine can receive from USD 5bn to USD 7bn in the first year.

Among the heavyweight stocks of the Ukrainian Exchange index, the biggest gain was in CentrEnergO (CEEN). The CEEN stock rebounded by 17% to UAH 2.00 after a very significant drop from the level of UAH 4.00 at the beginning of the year. There was also a noticeable increase of 16% to UAH 14.2 in Krukiv Wagon (KVBZ). Over the past month, quotes for the KVBZ have risen by almost 30%, which we attributed to the expectation of certain changes in the structure of the company's owners, as 25% of the shares still belong to a beneficiary from Russia.

In London trading, MHP (MHPC) shares added 2.4% to USD 3.39 last week, while Ferrexpo (FXPO) fell 5.5% to GBP 160.

Warsaw-listed Kernel (KER) dropped by 5.2% to PLN 18.30 after reports that grain exports slowed from Ukraine in January. Inspections of ships carrying Ukrainian grain and other food exports have slowed to half their peak rate under a wartime agreement brokered by the United Nations. Some officials from the United States and Ukraine accuse Russia of deliberately slowing inspections, which a Russian official denied.

The hryvnia exchange rate on the cash market strengthened by 0.7% to UAH 40.20/dollar.

Highlights

STOCKS IN THE NEWS

- Raiffeisen Bank Ukraine Reports Net Profit of UAH 1.5bn (2.4 kopecks per share) for 2022, Which Is Almost Three Times Less Than for 2021

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

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	1393	8.6%	-11.0%
RTS	1002	1.0%	3.2%
WIG20	1906	-0.3%	6.2%
MSCI EM	1039	-1.1%	8.6%
S&P 500	4136	1.6%	7.7%

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	80.8%	1.2 p.p.	-0.9 p.p.
Ukraine-2034	44.7%	0.6 p.p.	-0.7 p.p.

CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	40.20	-0.7%	-1.0%
EUR/UAH	43.35	-0.6%	2.0%

Source: Eavex Capital

Raiffeisen Bank Ukraine Reports Net Profit of UAH 1.5bn (2.4 kopecks per share) for 2022, Which Is Almost Three Times Less Than for 2021

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RAIFFEISEN BANK (BAVL UK)

Price: UAH 0.315 Market Cap: USD 482mn

	P/Assets	P/Book	P/E	Div. Yield
2021	0.10	0.8	4.0	0.0%
2022	0.11	1.0	13.1	0.0%

NEWS

Raiffeisen Bank Ukraine ended 2022 with a net profit of UAH 1.5bn (approximately 2.4 kopecks per share), which is almost three times less than the result of the pre-war year, when the bank's net profit was UAH 4.6bn (7.9 kopecks per share).

The bank reported that the share of non-performing assets in the loan portfolio increased to 14% over the year. Unearned income from commission and interest transactions, in particular from cancellation of commissions and "credit holidays" for clients, is estimated by the bank at UAH 400mn.

The bank is sufficiently capitalized and complies with all regulations of the National Bank of Ukraine. It's capital adequacy ratio is 18.6% compared to a minimum level of 10% set by the regulator.

Even in the war conditions of 2022, the total credit portfolio of Raiffeisen Bank Ukraine grew by 1% YoY in UAH-terms to UAH 71.4bn. The bank focused its efforts on lending to the following sectors: the agricultural, logistics and retail trade, pharmaceuticals, and fuel supply. In 2022, the bank issued UAH 10bn in new loans. The bank ranks second in terms of the volume of concluded credit agreements under the "5-7-9%" state program that compensates part of the interest payment for the borrowers.

In 2022, Raiffeisen Bank ranked third in Ukraine in terms of network size, having 300 working branches, about 1,500 ATMs and over 27,000 POS terminals.

COMMENTARY

The financial result of Raiffeisen Bank for 2022 is preliminary, so we will wait for officially published data to assess the structure of the bank's balance sheet and the level of profitability of assets. So far, it is possible to draw a rather disappointing conclusion that Raiffeisen Bank generated a net loss of UAH 1.3bn in December, as according to data from the National Bank, Raiffeisen Bank's net profit for the January-November period amounted to UAH 2.8bn.

At the current share price of 31.5 kopecks, Raiffeisen Bank's market capitalization is USD 482mn. The P/E (price/earnings) multiplier for 2022 for the bank's shares is 13x, and the P/B (price/book) multiplier is 1.0x.

In our opinion, the share of non-performing loans in the structure of Raiffeisen Bank's portfolio may increase from 14% to 30%, which will lead to the need to form additional reserves, which in turn will worsen the financial result. Currently, we have a forecast that Raiffeisen Bank will post a net loss of UAH 2.2bn for 2023.

QUOTES AND MULTIPLES

	Ticker	Today, UAH*	Absolute performance		MCap USD mn	EV USD mn	Free float	P/E		EV/EBITDA		EV/Sales
			1W	YtD				2021	2022E	2021	2022E	2022E
UX Index	UX	1393	8.6%	-11.0%								
Iron Ore Mining												
Ferrexpo	FXPO	160	-5.5%	1.9%	1141	970	24.0%	1.3	neg	0.7	2.8	0.6
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	14.2	16.5%	29.2%	41	4	5.0%	neg	neg	--	--	--
Specialized Machinery												
Turboatom	TATM	2.9	0.0%	7.4%	30	28	3.8%	>50x	neg	1.2	2.9	1.0
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	17.8	1.4%	14.1%	69	-9	21.6%	1.3	1.3	--	--	--
Power Utilities												
Centrenergo	CEEN	2.00	17.6%	-50.1%	18	12	21.7%	neg	neg	neg	neg	0.1
Donbasenergo	DOEN	5.79	4.1%	-56.0%	3	3	14.2%	neg	neg	neg	neg	0.1
Consumer												
MHP	MHPC	3.39	2.4%	-9.6%	376	1664	32.5%	neg	neg	2.6	5.7	0.9
Kernel (FY21, FY22, FY23E)	KER	18.30	-5.2%	4.3%	343	1831	61.8%	neg	2.9	8.3	4.9	0.6
Astarta	AST	23.00	-2.7%	12.7%	132	325	37.0%	0.9	3.6	1.3	2.6	0.8
Agroton	AGT	3.35	0.0%	-2.6%	17	-3	25.0%	4.7	neg	--	--	--
Banks												
											Price/Book	Price/Assets
Raiffeisen Bank Aval	BAVL	0.315	16.7%	5.0%	482		1.8%	2.7	9.3	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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