

Stock Market Update

Equity

Ukrainian stocks continued to demonstrate mixed performance amid a lack of clear understanding of what would be the endgame in the war started by Russia a year ago. The Ukrainian military reported heavy Russian shelling all along the frontline last week and said 16 settlements had been bombarded near the city of Bakhmut, in Donetsk, where intense battles are being fought. The military said its forces had repelled Russian attacks in the country's Donetsk, Kharkiv, Luhansk, and Zaporizhia regions. Ukrainian officials had been expecting a renewed offensive in the days leading up to the first anniversary of Russia's invasion of the country, on Feb. 24, given the penchant for military symbolism and anniversaries in Moscow.

On the Ukrainian Exchange, shares of thermal power producer CentrErgo (CEEN) rebounded by as much as 42% to UAH 2.95 after a steep drop seen earlier this month. Raiffeisen Bank (BAVL) was flat at 31.50 kopecks, and DonbasErgo (DOEN) plunged by 31% to UAH 3.98 amid uncertainty what will be results of the company's bankruptcy case filed last year.

In London trading, iron ore miner Ferrexpo (FXPO) slipped by 14% to GBP 137 per share after news that the company's Poltava Mine got its banking account frozen due to an allegation of production tax payment avoidance. The company will try to unblock its banking accounts in court. Meanwhile, Enwell Energy (former Regal) gained by 5.1% to GBP 18.70, and MHP (MHPC) was unchanged at USD 3.39.

Kernel (KER) edged up by 0.9% to PLN 18.46 while Astarta (AST) fell by 5.7% to PLN 21.70.

On the currency front, the hryvnia strengthened by 0.5% to 40.00 UAH/USD (cash rate). The National Bank said that its foreign currency reserves increased by 5% MoM in January to USD 29.9bn. The government received financial aid from Ukrainian allies of USD 4.3bn last month while the National Bank's interventions on the interbank market to support the hryvnia amounted to USD 3.1bn in January.

Highlights

POLITICS AND ECONOMICS

- > Russia Seeing Only Limited Gains from New Donbass Offensive
- > Another Missile Attack on Ukrainian Energy Infrastructure Damages Several Thermal Power Plants

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	1142	-18.0%	-27.1%
RTS	972	-3.0%	0.1%
WIG20	1848	-3.0%	3.0%
MSCI EM	1014	-2.4%	6.0%
S&P 500	4090	-1.1%	6.5%

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	84.3%	3.5 p.p.	2.6 p.p.
Ukraine-2034	46.6%	1.9 p.p.	1.2 p.p.

CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	40.00	-0.5%	-1.5%
EUR/UAH	42.55	-1.8%	0.1%

Source: Eavex Capital

Russia Seeing Only Limited Gains from New Donbass Offensive

by Will Ritter
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NEWS

Russian forces saw minor territorial gains last week in Donetsk and Lugansk provinces from what both Ukrainian and US military analysts have been calling a new Russian offensive operation in Eastern Ukraine drawn on manpower from new conscripts. The British Defense Ministry reported that Russian gains have been limited to several hundred meters per week in the vicinity of Bakhmut (northern Donetsk province) and along the Svatove-Kreminna line (western Lugansk province). The Russian army has also been attacking further south at Avdiyivka and Vugledar, but has not been able to capture these towns. Meanwhile, away from the front, Russia launched another round of missile & drone strikes at civilian infrastructure targets in Central & Western Ukraine on Friday (Feb 10), the first large wave of such attacks in nearly a month. Video appeared of a water-borne drone attempting to destroy a key railroad bridge near Odessa in the southwest of the country, but the bridge withstood the explosion.

COMMENTARY

This offensive, particularly as it pertains to the Svatove-Kreminna line, is the first time that Russia has been able to regain the initiative in the war in over 6 months, since it captured Lysichansk at the end of June. However, most Western military analysts are reporting that the Russian forces lack the strength & quality to make any quick major gains, as muddy conditions predominate along the front amid what has been a rather warm and wet winter. Chances also appear to be fading for a near-term Ukrainian offensive to try to retake territory in the south, specifically in the direction of the key city of Melitopol in Zaporizhia province. In the US, the Biden administration is still keeping its cards close to its chest in terms of how it sees the endgame of the war, while continuing to withhold the so-called "ATACMS" 300-km-range missiles which Kyiv says it needs in order to be able to break the current stalemate. With the first anniversary of the war approaching at the end of this month, both sides appear as far as ever from achieving their maximalist goals, implying that the war could turn into a long-term test of endurance in the absence of a compromise settlement.

Another Missile Attack on Ukrainian Energy Infrastructure Damages Several Thermal Power Plants

by Dmitry Churin
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NEWS

As a result of the Russian shelling last week, several Ukrainian Thermal Power Plants suffered damages, according to the report from DTEK Energy, the country's largest private electricity producer. The Group said that its facilities were attacked 27 times since September when Russian missile attacks started to target Ukrainian civilian infrastructure.

Besides thermal power plants, there was also damage to Ukrainian hydroelectric generation facilities, and the high-voltage transmission lines in six regions, according to the Energy Ministry report. The situation with electricity supply was the worst in Zaporizhia, Kharkiv, and Khmelnytsky provinces last week.

The state operator of the energy system UkrEnergo was making emergency outages across Ukraine to minimize the negative consequences of the Russian missile attack.

COMMENTARY

The massive attack of the Russians on the energy system of Ukraine continues to inflict a strong negative impact on the country's economy. Most large industrial enterprises were forced to scale back production amid the interruption of electricity supply. The latest survey conducted by the Business Association unveiled that the shortage of electricity forced 66% of the companies in Ukraine to change the operational schedule and reduce production volumes. The power outages forced businesses to start the direct import of electricity. In particular, there was information that prominent companies, namely Imperial Tobacco, Farmak, Coca Cola, Interpipe, began to purchase electricity abroad. However, the technical capacity for electricity imports is limited, so the demand for import capacity almost twice exceeds the limit. In pricing terms, electricity in Slovakia costs about UAH 6,300 MW/hour, while in Ukraine the price is UAH 3,250 MW/hour.

Currently, the Ukrainian government is working on the possibility of increasing the capacity for the import of electricity, but in any case, it will be not enough to compensate for the deficit, which is in the electricity supply in the country.

Shares of thermal electricity producer CentrEnergo (CEEN) jumped by 42% to UAH 2.85 last week. However, the CEEN stock remained well below the level of UAH 4.00 it started the year. We think, that CentrEnergo's investment attractiveness was hurt badly after the company's Vuglegirsk Power Plant was occupied by Russian in the Donbas province. CentrEnergo is also suffering from high coal and natural gas costs leading to poor financial performance.

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	1142	-18.0%	-27.1%									
Iron Ore Mining													
	Ferrexpo	FXPO	137	-14.3%	-12.7%	978	807	24.0%	1.1	neg	0.6	2.3	0.5
Railcar Manufacturing													
	Kryukiv Wagon	KVBZ	14.2	0.0%	29.2%	41	4	5.0%	neg	neg	--	--	--
Specialized Machinery													
	Turboatom	TATM	3.0	3.4%	11.1%	32	29	3.8%	>50x	neg	1.3	3.0	1.0
	Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas													
	UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
	Enwell Energy (ex-Regal)	ENW	18.7	5.1%	19.9%	72	-5	21.6%	1.4	1.3	--	--	--
Power Utilities													
	Centrenergo	CEEN	2.85	42.5%	-28.9%	26	20	21.7%	neg	neg	neg	neg	0.1
	Donbasenergo	DOEN	3.98	-31.3%	-69.7%	2	2	14.2%	neg	neg	neg	neg	0.1
Consumer													
	MHP	MHPC	3.39	0.0%	-9.6%	376	1664	32.5%	neg	neg	2.6	5.7	0.9
	Kernel (FY21, FY22, FY23E)	KER	18.46	0.9%	5.2%	346	1834	61.8%	neg	2.9	8.3	5.0	0.6
	Astarta	AST	21.70	-5.7%	6.4%	124	317	37.0%	0.8	3.4	1.3	2.5	0.8
	Agroton	AGT	3.25	-3.0%	-5.5%	16	-4	25.0%	4.6	neg	--	--	--
Banks													
	Raiffeisen Bank Aval	BAVL	0.315	0.0%	5.0%	483		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																
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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