

Stock Market Update

Equity

The National Bank published an overview of the banking sector, in which it was noted that the net assets of Ukrainian banks increased by 18% YoY in UAH-terms to UAH 2.35 trillion in 2022. Given the weak demand for loans, banks mainly increased the volume of investments in the National Bank's certificates of deposit. The net corporate loan portfolio in hryvnia increased by only 0.5% YoY in 2022, while the foreign currency loan portfolio decreased by 24% YoY. The state support program "Affordable loans at 5-7-9% interest rate" remains the main driver of hryvnia corporate lending. The volume of the net retail loan portfolio in hryvnia decreased by 33% YoY last year. The main reason for the reduction is the increase in provisions for credit losses. The banking sector, despite significant deductions to reserves, received UAH 24.7bn in net profit in 2022. Among individual banks, Raiffeisen Bank Ukraine posted a net profit of UAH 1.5bn, and Credit Agricole Ukraine reported a rather marginal profit of UAH 31mn. There were very different financial results among state-owned banks, in particular, UkrGasBank had a net loss of UAH 2.8bn, UkrExim had a net loss of UAH 6.9bn, while Oschad posted a net profit of UAH 690mn, and PrivatBank showed a net profit of UAH 30bn, mainly due to interest income from its UAH-denominated government bonds in the portfolio. PrivatBank holds a total of UAH 236bn in government bonds (accounting for 43% of the bank's net assets).

The Raiffeisen Bank (BAVL) shares fell by 14% to 27 kopecks over the week on the Ukrainian Exchange. In contrast, CentrErgo (CEEN) rose by 12% to UAH 3.20.

Among stocks of Ukrainian agricultural companies, performance was mixed. MHP (MHPC) shares added 1.2% to USD 3.43, Kernel (KER) gained by 2.4% to PLN 18.9, while Agrotion (AGT) declined by 0.6% to PLN 3.23.

On the currency front, the hryvnia edged up by 0.3% to 39.88 UAH/USD on the OTC cash market. The hryvnia has strengthened by 1.8% from 40.60 UAH/USD since the start of the year.

Highlights

POLITICS AND ECONOMICS

- > The IMF on Track to Discuss Full-Fledged Financing Program for Ukraine

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	1403	22.9%	-10.4%
RTS	920	-5.3%	-5.2%
WIG20	1859	0.6%	3.6%
MSCI EM	999	-1.5%	4.4%
S&P 500	4079	-0.3%	6.2%

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	91.8%	7.5 p.p.	10.1 p.p.
Ukraine-2034	49.7%	3.1 p.p.	4.3 p.p.

CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	39.88	-0.3%	-1.8%
EUR/UAH	42.28	-0.6%	-0.5%

Source: Eavex Capital

The IMF on Track to Discuss Full-Fledged Financing Program for Ukraine

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NEWS

IMF staff and the Ukrainian authorities have reached a staff-level agreement on the first and final review under the Monitoring Program. This agreement, which is subject to IMF Management approval, paves the way to initiate discussions on a fully-fledged Fund-supported program. A fully-fledged IMF program would be supportive of the Ukrainian government's efforts toward EU accession. Ukrainian authorities are making progress in reforms to strengthen governance, anti-corruption, and rule of law, and lay the foundations for post-war growth.

The IMF's Monitoring Program included, among others, the following items:

- submission by the government to the parliament of a package of draft laws on taxes aimed at increasing revenues;
- appointment of the Supervisory Board of state-owned natural gas operator NaftoGaz;
- coordination of key elements of diagnostics of the banking sector.

Also, within the framework of the IMF Mission, the measures of the National Bank to increase the attractiveness of assets in the national currency and to reduce the risks of a significant liquidity surplus of the banking system for price and macro-financial stability were discussed. It was emphasized that the National Bank was right by raising mandatory reserve standards for the banking system.

The previous IMF's credit program for Ukraine ended prematurely due to the outbreak of a full-scale war. After that, the IMF allocated emergency aid to Ukraine in the amount of USD 2.7bn.

COMMENTARY

There are expectations that the IMF will allocate USD 16bn to Ukraine. However, such a decision would require changes in the IMF's lending rules to allow the fund to lend to a country at war. In an optimistic scenario, all technical issues and coordination can be implemented by the end of March. Accordingly, the first tranche under the new program might arrive in Ukraine in April.

Currently, the Finance Ministry estimates the deficit of the state budget in the amount of USD 38bn in 2023. Most of this amount is planned to be covered by the loan from the EU for EUR 18bn and aid from the US for USD 9.9bn, but there remains a gap of almost USD 10bn. Thus, there is a significant need for funds from a possible new credit program with the IMF.

According to information from the government, the share of foreign aid in financing the budget deficit is approximately 70%. This is primarily because, unlike last year, the National Bank does not buy back UAH-denominated government bonds, avoiding the hryvnia emission.

Separately, we note that the Ukrainian side has assured the IMF that it has no intention to impose additional currency or trade restrictions that could complicate difficulties with the country's balance of payments. Moreover, the authorities emphasized the hope of lifting the existing restrictions as soon as the situation normalizes. While we do not expect the National Bank to return to market exchange rate formation on the foreign exchange market this year, we do not rule out the scenario that the regulator will decide to change the fixed official exchange rate of the hryvnia to the dollar from 36.57 to 39.13 UAH/USD, i.e. by 7% in order to bring the market to a more balanced state.

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	1403	22.9%	-10.4%								
Iron Ore Mining												
Ferrexpo	FXPO	143	4.4%	-8.8%	1012	841	24.0%	1.2	neg	0.6	2.4	0.5
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	14.2	0.0%	29.2%	41	4	5.0%	neg	neg	--	--	--
Specialized Machinery												
Turboatom	TATM	3.2	6.7%	18.5%	34	31	3.8%	>50x	neg	1.4	3.2	1.1
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	18.5	-0.8%	19.0%	71	-6	21.6%	1.4	1.3	--	--	--
Power Utilities												
Centrenergo	CEEN	3.20	12.3%	-20.1%	30	24	21.7%	neg	neg	neg	neg	0.1
Donbasenergo	DOEN	2.31	-42.0%	-82.4%	1	1	14.2%	neg	neg	neg	neg	0.1
Consumer												
MHP	MHPC	3.43	1.2%	-8.5%	380	1668	32.5%	neg	neg	2.6	5.8	0.9
Kernel (FY21, FY22, FY23E)	KER	18.90	2.4%	7.8%	348	1836	61.8%	neg	2.9	8.3	5.0	0.6
Astarta	AST	22.45	3.5%	10.0%	126	319	37.0%	0.9	3.5	1.3	2.5	0.8
Agroton	AGT	3.23	-0.6%	-6.1%	16	-4	25.0%	4.5	neg	--	--	--
Banks												
Raiffeisen Bank Aval	BAVL	0.270	-14.3%	-10.0%	416		1.8%	2.3	8.0	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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