

Stock Market Update

Equity

Group of Seven finance ministers once again condemned Russia's war in Ukraine on the eve of its one-year mark and pledged to increase financial support for Ukraine. G-7 finance ministers increased their budget to USD 39bn and reaffirmed their "unwavering support for Ukraine," calling Russia's aggression "illegal, unjustifiable and unprovoked" in a statement issued last week. The increase in funding will enable Ukraine to continue the delivery of basic services and carry out critical repairs of damaged infrastructure apart from stabilizing the economy. According to DTEK estimates, the country's energy industry suffered USD 6.8bn in losses during the year of the full-scale war. Since February 24, 2022, the power system has survived 14 massive missile attacks, 17 massive drone attacks, and 255 strikes on facilities. The company emphasized that the Russians were unable to disable Ukraine's energy industry with their attacks.

Despite certain positive signals from international partners regarding the reconstruction of Ukraine, quotes for CentrEnergO (CEEN) and DonbasEnergO (DOEN) continued to decrease due to the risks of uncontrolled bankruptcy of these companies. The CEEN stock plunged by 25% last week to UAH 2.40 while from the beginning of the year, the drop reached 40%.

Raiffeisen Bank (BAVL) was unchanged at 27 kopecks. In a recent interview, Raiffeisen Bank Ukraine CEO Oleksandr Pisaruk noted that the bank has formed UAH 9.5bn in reserves for credit risks. The bank's total corporate loan portfolio stands at UAH 65bn, therefore, in our opinion, the bank will be forced to continue forming reserves to cover non-performing loans. The bank's retail loan portfolio amounted to UAH 6.8bn, and a reserve of UAH 2.3bn has already been formed for the retail loan portfolio.

In Warsaw trading, Kernel (KER) gained by 5.6% to PLN 20.00 and Astarta (AST) rose by 4.5% to PLN 23.45.

Highlights

POLITICS AND ECONOMICS

- > China a Big Question as War Enters 2nd Year; Zelenskiy Hopes to Meet Xi

STOCKS IN THE NEWS

- > Metinvest Reports 69% YoY Drop in Steel Output to 2.9mn tonnes in 2022

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	1416	0.9%	-9.6%
RTS	914	-0.7%	-5.8%
WIG20	1807	-2.8%	0.7%
MSCI EM	982	-1.7%	2.6%
S&P 500	3970	-2.7%	3.4%

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	96.1%	4.3 p.p.	14.4 p.p.
Ukraine-2034	52.0%	2.3 p.p.	6.6 p.p.

CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	39.60	-0.7%	-2.5%
EUR/UAH	41.70	-1.4%	-1.9%

Source: Eavex Capital

China a Big Question as War Enters 2nd Year; Zelenskiy Hopes to Meet Xi

by Will Ritter
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NEWS

Top US officials, including President Biden and National Security Council head Jake Sullivan, publicly criticized a 12-point peace plan for Ukraine and Russia offered by the Chinese government over the weekend, following Friday's (Feb 24) first anniversary of the start of the Russian attack. In an interview that aired on Sunday (Feb 26) in the US, Biden said "I've seen nothing... that would be beneficial to anyone other than Russia, if the Chinese plan were followed." Also on Sunday, Sullivan complained that "China put forward this plan without having had a single conversation since the war began between President Xi and President Zelenskiy." However, Zelenskiy himself reacted more positively to the Chinese proposal, saying in Kyiv on Friday that "I believe that the fact that China has started talking about Ukraine is not bad... but the question is what follows the words." He called the prospect of a face-to-face meeting with Xi "useful".

COMMENTARY

There has been wide speculation in the Russian information space that the Chinese peace plan, which looks simply like a re-statement of China's prior non-committal position on the war, was deliberately designed to be rejected by Zelenskiy, thus freeing up Beijing to move toward a policy of openly supporting the Putin regime's war effort. For this reason, Zelenskiy may be taking a soft line in hopes of using diplomacy to play for time, as well as a high-profile opportunity for a meeting with Xi. It is already obvious that China has been de-facto helping to prop up the Russian economy, as Russia's GDP contraction for full-year 2022 was only 2%, a pitiful result for the West's sanctions policy; in our view, in order to pressure the Putin regime, Russia's GDP drop should be at least 10%. The most cynical view is that Beijing wants to see the war drag on for as long as possible, as Western energy sanctions are providing China with access to large discounts on Russian oil and gas. On the other hand, we think that the Russian hope and/or belief that Beijing actually supports Putin's imperial war aims in Ukraine is a delusion and a sign of the Kremlin's increasing desperation amid the West's hardening resolve in its refusal to yield to Putin's narrative. We assume that the most likely strategy of China in Ukraine is to try to play the US and Russia off against each other in order to weaken both of its rivals.

Metinvest Reports 69% YoY Drop in Steel Output to 2.9mn tonnes in 2022

by Dmitry Churin
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NEWS

Ukrainian largest steel&mining group Metinvest reported that its crude steel output dropped by 69% YoY to 2.9mn tonnes in 2022, compared to the output of 9.5mn tonnes back in 2021. On 24 February 2022, Russia launched a full-scale military invasion of Ukraine which resulted in a halt of Metinvest's production plants in Mariupol, Avdiivka, and Zaporizhzhia, including Azovstal, Ilyich Steel, Avdiivka Coke, and Zaporizhzhia Coke. The Group's plants in Zaporizhzhia resumed their production operations later. Because of the war, Metinvest's facilities in Mariupol have been occupied. The Group's plants in Ukraine, apart from those in Mariupol and Avdiivka, continue to operate at different capacity utilization levels subject to security, electricity, logistics, and economic factors.

METINVEST OPERATIONAL HIGHLIGHTS			
'000 tonnes	2021	2022	YoY chg.
Crude steel	9,533	2,918	-69%
Iron ore concentrate (total)	31,341	10,712	-66%
Coking coal concentrate (total)	5,542	4,959	-11%

Source: Company data.

COMMENTARY

In our view, Metinvest is a clear victim of the Russian war as Azovstal and Ilych Steel were lost for an unpredictable period. Metinvest's crude steel output in 4Q22 was just 250,000 tonnes which were produced at Kamet Steel, a plant in Central Ukraine that was acquired by Metinvest in 2021. Kamet Steel produces 1.56mn tonnes of crude steel in 2022, compared to 933,000 tonnes in 2021. Kamet Steel is much smaller than Azovstal or Ilych Steel as back in 2021 each of these plants produced about 4.3mn tonnes of steel.

In 2022, the output of Metinvest's iron ore mines fell by 66% to 10.7mn tonnes, compared to 31.3mn tonnes in 2021. As a result of the war, intragroup consumption of iron ore plummeted after the shutdown of the Mariupol steelmakers. Moreover, iron ore output in Ukraine has been negatively affected by constraints on export logistics amid the blockade of the country's Black Sea ports.

Metinvest has four plants in European countries and a coal mining business in the US. After the Russian war started, these facilities have been operating as standalone businesses. Re-rolling plants of the Group outside Ukraine procure semi-finished products by themselves and sell finished goods. The same scheme was applied to the mines in the US. Previously, Metinvest's coking coal from the US mine went to Ukraine, but now almost everything is sold either to the US or South America or shipped to European markets.

Eurobonds of Metinvest with maturity in 2026 have indicative quotes at 53 cents on the dollar, implying a 35% yield to maturity. Metinvest-26s issue traded well below the sovereign yield curve as Ukraine-26s Eurobond has a yield of 96% as the war risks remain too high for the country.

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	1416	0.9%	-9.6%								
Iron Ore Mining												
Ferrexpo	FXPO	148	3.1%	-6.0%	1035	864	24.0%	1.2	neg	0.6	2.5	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	-6.3%	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	18.2	-1.9%	16.7%	69	-8	21.6%	1.4	1.3	--	--	--
Power Utilities												
Centrenergo	CEEN	2.40	-25.0%	-40.1%	22	16	21.7%	neg	neg	neg	neg	0.1
Donbasenergo	DOEN	1.90	-17.7%	-85.6%	1	1	14.2%	neg	neg	neg	neg	0.1
Consumer												
MHP	MHPC	3.46	0.9%	-7.7%	383	1671	32.5%	neg	neg	2.6	5.8	0.9
Kernel (FY21, FY22, FY23E)	KER	19.96	5.6%	13.8%	365	1853	61.8%	neg	3.0	8.4	5.0	0.6
Astarta	AST	23.45	4.5%	15.0%	131	324	37.0%	0.9	3.6	1.3	2.6	0.8
Agroton	AGT	3.15	-2.5%	-8.4%	15	-4	25.0%	4.3	neg	--	--	--
Banks												
											Price/Book	Price/Assets
Raiffeisen Bank Aval	BAVL	0.270	0.0%	-10.0%	419		1.8%	2.3	8.1	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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