

Stock Market Update

Equity

On March 16, the National Bank decided to keep the key policy rate at 25%. According to the regulator, this step will prop up the attractiveness of hryvnia savings and will contribute to maintaining the stability of the foreign exchange market. At the same time, the National Bank lowered the overnight deposit certificate rate for banks to 20% in order to encourage banks to increase the share of time deposits, as the ability of banks to invest in the National Bank's three-month deposit certificates at 25% will depend on the volumes of hryvnia household deposit portfolios formed by banks. The next meeting of the Board of the National Bank on monetary policy will be held on April 27.

Consumer inflation in Ukraine is slowing down for the second month in a row and at the end of February amounted to 24.9% in annual terms. The decline in inflation began earlier than the National Bank predicted. Directly in monthly terms, consumer prices increased by 0.7% in February, which gives hope for more restrained inflation at the end of this year.

Among the main Ukrainian listed companies, we note a further sharp increase in quotes for CentrErgo (CEEN) by 31% to UAH 4.70. But this increase in quotes again occurs without significant transaction volumes. Raiffeisen Bank (BAVL) declined by 1.6% over the week to 30.5 kopecks.

On the London Stock Exchange, iron ore company Ferrexpo lost 10% to trade at GBp 121 per share, ignoring the release of the company's better-than-expected 2022 financial results. Perhaps some of the negativity of investors towards the company relates to the fact that Ferrexpo's main beneficiary has reduced its stake in the company from 50.3% to 49.5%. It is possible that this action was for a purpose that the main beneficiary does not own a controlling stake for legal reasons (the main beneficiary of Ferrexpo is currently under investigation).

Highlights

STOCKS IN THE NEWS

- Ferrexpo's Net Profit Plunges Four Times to USD 220mn 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	1487	2.0%	-5.0%
RTS	949	0.6%	-2.2%
WIG20	1678	-6.7%	-6.5%
MSCI EM	951	-0.4%	-0.6%
S&P 500	3916	1.4%	2.0%

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	100.2%	0.1 p.p.	18.5 p.p.
Ukraine-2034	53.4%	0.9 p.p.	8.0 p.p.

CURRENCY

	Last, UAH	1W ch	YTD
USD/UAH	38.80	0.8%	-4.4%
EUR/UAH	41.14	0.8%	-3.2%

Source: Eavex Capital

Ferrexpo's Net Profit Plunges Four Times to USD 220mn in 2022

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FERREXPO (FXPO LN)

Price: GBp 121 Market Cap: USD 883mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2021	0.5	0.3	1.0	0.5	35.8%
2022	0.7	0.6	4.0	1.0	8.9%

NEWS

Poltava-based, London-listed Ferrexpo, a large global exporter of iron ore pellets, reported a 75% YoY plunge in its full-year 2022 net profit to USD 220mn (GBp 30.6 per share), according to financials published on Mar 15. Revenue dropped by half to USD 1.25bn, due to a sharp decrease in sales volume amid a problem with logistics after Russian invasion of Ukraine. The company's EBITDA fell by 47% YoY to USD 765mn. Ferrexpo's average production cash pellet cost from in-house ore (C1 cost) rose by 49% YoY to USD 83 per tonne. Ferrexpo finished last year with a net cash position of USD 103mn. The company said its CapEx amounted to USD 161mn in 2022, with a range of sustaining and expansion projects progressing in 2022, despite the war in Ukraine (CapEx for 2021 was USD 361mn).

On the dividend side, total dividends paid to date in respect of 2022 are 13.2 US cents (2021 total: 52.8 US cents). To date, Ferrexpo has announced dividends in respect of the 2022 financial year representing 55% of the company's free cash flow in 2022 (Ferrexpo has the policy to allocate about 30% of free cash flow on dividends).

FERREXPO FINANCIAL RESULTS

USD mn	2021	2022	YoY
Revenue	2,518	1,248	-50%
EBITDA	1,439	765	-47%
<i>margin</i>	57%	61%	+4 p.p.
Net profit	871	220	-75%
<i>margin</i>	34.6%	17.6%	-17.0 p.p.

	31 Dec 2021	31 Dec 2022
Net debt to EBITDA	no debt	no debt

Source: Company Data

COMMENTARY

Ferrexpo's net profit for 2022 exceeded our expectations as the company had an operational FX gain of USD 339mn. On the non-operational side, Ferrexpo's impairment loss and write-offs were recorded at USD 260mn due to the lower carrying value of assets. Nevertheless, the actual net profit in the equivalent of GBp 30.6 per share indicated a P/E of 4.0x while EV/EBITDA for 2022 was just 1.0x. Although Ferrexpo looks undervalued by the market, there are still several crucial risks for the company which limit the upside. Besides the war risks, Ferrexpo also bears the political risk related to certain claims to the company's beneficiary owner Konstantin Zhevago. Mr. Zhevago was arrested on December 27 at the French ski resort Courchevel. He was wanted for allegedly embezzling and money laundering linked to the disappearance of USD 113mn from Finance & Credit, his former bank that went bankrupt in 2015. A decision on whether he should be sent to Ukraine to face embezzlement charges is expected on March 30.

Operationally, Ferrexpo produced in line with accessible markets, with the closure of Ukraine's access to the Black Sea placing a significant impediment in the company's ability to access seaborne markets. However, Ferrexpo continued to deliver in 2022 to European customers. Ferrexpo's sales volume dropped by 46% to 6.2mn tonnes in 2022. Meanwhile, the average Platts 1 65% Fe iron ore fines price declined by 25% YoY last year to USD 139 per tonne.

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	1487	2.0%	-5.0%								
Iron Ore Mining												
Ferrexpo	FXPO	121	-10.6%	-23.2%	882	776	24.0%	1.0	4.0	0.5	1.0	0.6
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	13.5	0.0%	22.7%	40	3	5.0%	neg	neg	--	--	--
Specialized Machinery												
Turboatom	TATM	3.3	16.9%	20.4%	36	33	3.8%	>50x	neg	1.5	3.4	1.2
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	20.5	-2.4%	31.5%	80	3	21.6%	1.6	1.5	--	--	--
Power Utilities												
Centrenergo	CEEN	4.70	30.9%	17.3%	45	39	21.7%	neg	neg	neg	neg	0.1
Donbasenergo	DOEN	4.59	47.6%	-65.1%	3	3	14.2%	neg	neg	neg	neg	0.1
Consumer												
MHP	MHPC	3.44	2.7%	-8.3%	381	1669	32.5%	neg	neg	2.6	5.8	0.9
Kernel (FY21, FY22, FY23E)	KER	18.67	0.6%	6.4%	328	1816	61.8%	neg	1.2	8.3	3.6	0.6
Astarta	AST	22.50	-8.9%	10.3%	128	321	37.0%	0.9	3.5	1.3	2.6	0.8
Agroton	AGT	3.17	-0.9%	-7.8%	16	-4	25.0%	4.4	neg	--	--	--
Banks												
											Price/Book	Price/Assets
Raiffeisen Bank Aval	BAVL	0.305	-1.6%	1.7%	487		1.8%	2.7	11.9	0.9	1.0	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	1248	859	1,439	765	50.5%	57.1%	61.3%	635	871	220	37.4%	34.6%	17.6%
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	510	14.4%	4.1%	15.9%	513	-41	270	9.2%	-0.8%	8.4%
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	464	271	348	314	151	179	41	33.2%	31.3%	8.8%

Source: Eavex Research

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