Stock Market Update

Equity

According to the new assessment, Ukraine's needs for recovery and reconstruction have increased to USD 411bn. Directly this year, the country will need USD 14bn of investments for priority reconstruction and restoration. Addressing these needs will require USD 11bn in funding, in addition to what the government has already provided in the 2023 state budget. The reconstruction and restoration costs are expected to span 10 years and will combine the needs of both public and private funds.

Meanwhile, to minimize risks to Ukraine's macro-financial stability in wartime, the National bank has been forced to update its decision, approved in May 2022, that enabled nonresidents, starting 1 April 2023, to repatriate abroad the funds invested in domestic government debt securities. Based on consultations with the IMF, the National bank has decided that it would be optimal under current conditions to ensure that foreign investors can transfer abroad the interest payments received after 1 April 2023 on domestic government debt securities. However, concerning the repatriation of principal repayments on these securities, the National bank is postponing a similar decision until a significant easing of the war and macroeconomic risks. According to rough estimates, interest repayments on domestic government debt to nonresident investors will amount to the equivalent of about USD 120mn (at the official exchange rate) by the end of the year. The estimated amount may increase if nonresident investors make additional purchases of domestic government debt securities with interest payments due after 1 April 2023. However, such transactions will not put significant pressure on Ukraine's international reserves. The National bank expects that by allowing the repatriation of interest payments, it will incentivize nonresidents to reinvest the repaid principal and accumulated hryvnia funds into new bonds. This will help develop the government bond market and ease the risks of direct monetary financing of the budget deficit by the central bank. A share of non-resident investors in total outstanding domestic bonds is currently 3.8%. The total amount of outstanding domestic bonds is UAH 1,439bn (USD 39.3bn).

On the Ukrainian Exchange, indicative quotes for CentrEnergo (CEEN) and Raiffeisen Bank (BAVL) were unchanged at UAH 4.70 and 30.5 kopecks per share.

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	1499	0.8%	-4.3%
RTS	978	3.1%	0.8%
WIG20	1670	-0.5%	-6.9%
MSCI EM	977	2.7%	2.1%
S&P 500	3971	1.4%	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	99.2%	-1.0 p.p.	17.5 p.p.
Ukraine-2034	51.9%	-1.5 p.p.	6.5 p.p.

CASH EXCHANGE RATE

	Last, UAH	1W ch	YTD
USD/UAH	38.30	-1.3%	-5.7%
EUR/UAH	41.15	0.0%	-3.2%

Source: Eavex Capital

Highlights

POLITICS AND ECONOMICS

- Russia's Donbass Offensive Stalls, but Zelenskiy Says Ukraine Lacks Weapons to Strike Back
- Ukraine to Receive IMF Support for USD 15.6bn for Four Years

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Russia's Donbass Offensive Stalls, but Zelenskiy Says Ukraine Lacks Weapons to Strike Back

by Will Ritter
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NEWS

The British Defense Ministry said on Saturday (Mar 25) that Russia's military offensive of recent months to capture additional territory in Eastern Ukraine has stalled out, and that the Kremlin has begun to re-position Russian forces into a defensive posture. After more than 2 months of all-out Russian attacks, the destroyed Donbass town of Bakhmut still remains in Ukrainian hands. The British report said that Russia is likely trying to shore up its defensive positions to the north of Bakhmut around Svatove, and to the south near Avdiyivka and Vugledar. However, also on Saturday, domestic and international media reported on comments by President Zelenskiy stating that Ukraine currently does not have enough weapons to launch its much-anticipated "spring counteroffensive" to take back occupied territory. Zelenskiy, in an interview with a Japanese outlet, called the situation in Eastern Ukraine "not good" and reproached Western governments for not providing tanks, artillery, and long-range rockets quickly enough.

COMMENTARY

At the current time, the war appears to be going badly for both Russia and Ukraine, with neither side anywhere near to achieving their maximalist objectives after more than a year of fighting. In our view, the British Defense Ministry is one of the more reliable and less politicized Western analytical outfits covering the war, and their assessment of the Russian military's condition is likely to be accurate. Meanwhile, there have been hints from some Western politicians that Ukraine will only get one opportunity at a counterattack in the next 4 to 5 months before the political landscape shifts decisively in favor of peace negotiations which could freeze the front lines of the war in place. For its part, the Biden administration has been mostly quiet on Ukraine this month in the wake of the US President's high-profile visit to Kyiv in mid-February. However, top US diplomat Tony Blinken made some rather pointed comments last week implying that the US does not believe that Ukraine will be able to restore its 1991 borders by military means. The key big-picture question, in our opinion, is what the trajectory of the conflict will be in the autumn if neither side achieves a big breakthrough by the end of the summer. Particularly intriguing is whether Zelenskiy might continue to signal openness to a Chinese-brokered peace plan over Western objections.

Ukraine to Receive IMF Support for USD 15.6bn for Four Years

by Dmitry Churin
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NEWS

According to the results of the negotiations with the IMF, which took place in Warsaw, an agreement was reached at the staff level regarding the new support program for Ukraine in the amount of USD 15.6bn for a period of 4 years. The staff-level agreement, which is expected to be approved by the IMF's Board of Directors in the coming weeks, means that the IMF continues to support Ukraine and is expected to help mobilize large-scale financing from Ukraine's international donors and partners.

Given the extremely high level of uncertainty caused by russia's war against Ukraine, the new IMF program will be implemented in two stages. At the first stage, efforts will be aimed at strengthening financial stability. At the second stage, attention will shift to more expansive reforms aimed at restoring and rebuilding Ukraine.

The first stage (12-18 months) involves:

- strengthening fiscal, external, price and financial stability by strengthening revenue mobilization;
- avoiding monetary financing and focusing on financing from domestic debt markets;
- promoting long-term financial stability, including by preparing a deeper assessment of the state of the banking sector and continuing to promote the independence of the National Bank.

The second stage includes:

- reforms aimed at recovery and reconstruction;
- measures aimed at supporting Ukraine's accession to the EU;
- increasing financial stability and accelerating long-term growth.

During the second stage, Ukraine is expected to return to the policy that was carried out before the russian war against Ukraine, in particular to a flexible exchange rate.

COMMENTARY

Undoubtedly, the agreement with the IMF regarding the new support program is an important achievement of Ukraine in the search for financial resources in the current difficult time for the country. However, as a result of the noticeable increase in interest rates around the world, the rate on loans from the IMF has also increased. Neither the IMF nor the Ministry of Finance disclosed what the rate will be under the new program, but based on the data contained on the official website of the IMF, the current rate for SDR (special drawing rights) is 3.36%. In addition, for the Extended Fund Facility (EFF) program, the base rate stands at SDR rate + 100 points. Moreover, the rate increases by 200 points if the amount of the loan exceeds 187.5% of the country's quota in the IMF. The new program for Ukraine is 577% of the quota (SDR 11.6bn). Thus, the expected interest rate on financing from the IMF will be approximately 6.36% and this is without taking into account the commission of 0.5% when receiving each tranche from the IMF. As a conclusion, we can summarize that in the medium term, Ukraine will have a heavy burden on the budget in the form of debt service payments.

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	1499	0.8%	-4.3%								
Iron Ore Mining												
Ferrexpo	FXPO	113	-6.5%	-28.1%	825	719	24.0%	0.9	3.7	0.5	0.9	0.6
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	13.5	0.2%	23.0%	41	4	5.0%	neg	neg	--	--	--
Specialized Machinery												
Turboatom	TATM	3.2	-1.5%	18.5%	35	32	3.8%	>50x	neg	1.5	3.3	1.2
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	19.7	-3.5%	26.9%	77	0	21.6%	1.5	1.4	--	--	--
Power Utilities												
Centrenergo	CEEN	4.70	0.0%	17.3%	45	39	21.7%	neg	neg	neg	neg	0.1
Donbasenergo	DOEN	5.01	9.2%	-61.9%	3	3	14.2%	neg	neg	neg	neg	0.1
Agro sector												
MHP	MHPC	3.52	2.3%	-6.1%	390	1678	32.5%	neg	neg	2.6	5.8	0.9
Kernel (FY21, FY22, FY23E)	KER	18.46	-1.1%	5.2%	328	1816	61.8%	neg	1.2	8.3	3.6	0.6
Astarta	AST	23.80	5.8%	16.7%	136	330	37.0%	0.9	3.8	1.4	2.6	0.8
Agroton	AGT	3.31	4.4%	-3.8%	16	-3	25.0%	4.7	neg	--	--	--
Banks										**Price/Book**		**Price/Assets**
Raiffeisen Bank Aval	BAVL	0.305	0.0%	1.7%	490		1.8%	2.7	11.9	0.9	1.1	0.12

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%
Agro sector																
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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