

Stock Market Update

Equity

The Ukrainian Exchange Index Committee was forced to recalculate the index last week in order to correct a technical error caused by a random deal with Kernel (KER) shares at a price of UAH 544 (PLN 64), which was approximately three times higher than the market price. As a result, the UX index was corrected by 28% to 1538 points.

Indicative quotes for CentrEnergO (CEEN) fell by 21% to UAH 3.44 after the company reported a net loss of UAH 7.2bn in 2022. On the upside, the shares of Raiffeisen Bank (BAVL) performed better than the market, rising by 3.3% to 31 kopecks.

On the Warsaw Stock Exchange, there was a notable increase in demand for Astarta (AST) shares, which rose in price by 7.9% to PLN 26.00. Since the beginning of the year, Astarta shares have already gained 27%.

In London trading Ukrainian iron ore miner Ferrexpo (FXPO) shed by 0.6% to GBp 117 despite positive news that that company manages to improve production results for 1Q23 after the poor volumes delivered in the 4Q22 amid power supply disruptions in Ukraine.

The cash market exchange rate remained at 37.60 UAH/USD. The information that country's foreign exchange reserves had grown to USD 31.9bn had a positive impact on the hryvnia. The current level of FX reserves is the highest since 2011. In March, reserves increased by 10% due to inflows from international partners and smaller net currency sales by the central bank and moderate foreign debt repayments. The National Bank's net currency sales decreased last month by USD 783mn compared to February, to USD 1.67bn. The reduction in NBU intervention volumes on the interbank market allows us to assume that the regulator will continue to maintain the current fixed exchange rate of 36.57 UAH/USD in the coming months. However, we expect that in about six months, the National Bank will need to devalue the hryvnia by about 7% to 39.12 UAH/USD in order to artificially increase budget revenues in hryvnia terms from the international aid and custom duties.

Highlights

POLITICS AND ECONOMICS

- > Concerns Rise Over Air Defenses as Ukraine Hangs on in Bakhmut

STOCKS IN THE NEWS

- > CentrEnergO Reports UAH 7.2bn Net Loss for 2022, Translating to a Loss of UAH 19.34 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

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	1538	-28.1%	-1.8%
RTS	975	-2.2%	0.5%
WIG20	1754	-0.2%	-2.3%
MSCI EM	987	-0.3%	3.1%
S&P 500	4105	0.4%	6.9%

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	101.2%	1.0 p.p.	19.5 p.p.
Ukraine-2034	52.2%	0.6 p.p.	6.8 p.p.

CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	37.60	0.1%	-7.4%
EUR/UAH	40.85	0.6%	-3.9%

Source: Eavex Capital

Concerns Rise Over Air Defenses as Ukraine Hangs on in Bakhmut

by Will Ritter
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NEWS

Leaked documents from the US Department of Defense indicate that the Pentagon is worried about a degradation of Ukrainian air defenses which could allow Russia to gain air superiority and change the course of the war, the New York Times reported on Sunday (Apr 9). One of the documents, which were compiled by the Pentagon using various US intelligence sources, stated that Ukraine's inventory of Soviet-made S-300 missiles to neutralize Russian fighter jets is likely to run out as soon as the beginning of May. The information was dated as of Feb 28. The documents appear to be a leak rather than a hack, with photographs of the physical papers posted on various social media platforms starting about one month ago. However, the leak only became widely noticed last week. The US Federal Bureau of Investigation is examining the possible sources of what is being called a major security breach. US outlet CNN reported that Ukraine has adjusted some of its military plans due to the leak, although the Zelenskiy administration's communications point man Mykhailo Podolyak stated on social media that many of the documents are fake and "have nothing to do with Ukraine's real plans". Pro-Russian sources also disparaged the authenticity of the documents and called the leak a US & NATO disinformation operation. Meanwhile, on the front in Eastern Ukraine, Ukrainian forces are reported to still control the west side of the embattled Donetsk province town of Bakhmut, although Russian forces have taken the east side and the center. Very heavy fighting is also reported in the Ukrainian strongholds of Avdiyivka and Mariynka near Donetsk city.

COMMENTARY

Despite Podolyak's publicly stated view, it seems that the emerging general US media & intelligence consensus is that the leaked documents are indeed real. Given that the documents disclose Ukraine's critical need for more air defense help, a revelation which could increase political pressure on Western governments to provide such systems, it cannot be excluded that the leak could have been perpetrated by someone with pro-Ukrainian intentions. The release of classified information stating that the US has very deep penetrations into Russian military & security agencies is also positive for Ukraine, we think, as it is damaging to Russian morale. On the other hand, the news about the air defense situation is sure to raise new questions about Ukraine's ability to execute its long-touted "spring offensive". We continue to believe that Zelenskiy is running on a tight political timeline, with only about 4 to 5 months remaining for Ukraine to make territorial gains before Western governments will need to make a decision about the level of financing & military aid which they are prepared to commit to a possible second full winter of the war, as both Ukraine and Russia remain very far from achieving their stated maximalist objectives.

CentrEnergO Reports UAH 7.2bn Net Loss for 2022, Translating to a Loss of UAH 19.34 per share

by Dmitry Churin
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CENTRENERGO (CEEN)

Price: UAH 3.44 Market Cap: USD 34mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2022	neg	0.1	neg	neg	0.0%
2023	neg	0.2	12.3	3.1	0.0%

NEWS

Thermal electricity generation company CentrEnergO (CEEN), which is 78% owned by the government, reported a net loss of UAH 7.24bn for 2022, which is approximately seven times more than the net loss of UAH 1.03bn for 2021. The relevant information was disclosed in a notice of remote shareholder meetings of CentrEnergO, scheduled for April 28. Among other financial indicators, it was noted that the equity of CentrEnergO became negative (UAH -4.5bn) as of December 31, 2022, compared to equity of UAH 2.5bn as of December 31, 2021. Meanwhile, the company's total assets increased over the past year from UAH 9.4bn to UAH 12.4bn, which was the result of the accumulation of accounts receivable in the amount of UAH 5.7bn. At the same time, current liabilities of CentrEnergO increased over the year from UAH 6.0bn to UAH 16.3bn. The company has not yet officially published financial statements for either 2021 or 2022, stating that the respective reports will be provided within three months after the end or cancellation of martial law in Ukraine.

CENTRENERGO FINANCIAL RESULTS

USD mn	2021	2022	YoY
Revenue	12,559	10,445	-16.8%
EBITDA	-892	-5,537	-/-
margin	-7.1%	-53.0%	-45.9 p.p.
Net profit (loss)	-1,034	-7,235	-/-
margin	-8.2%	-69.3%	-61.0 p.p.

Source: Youcontrol

COMMENTARY

The financial results of CentrEnergO turned out to be worse than expected, emphasizing the company's difficult situation after losing control over the Vuglegirsk Thermal Power Plant (which accounted about 45% of CentrEnergO's capacity) in July 2022. In terms of per-share calculation, the net loss amounted to UAH 19.34 for 2022 compared to a net loss of UAH 2.68 per share for 2021. In addition to poor financial results, CentrEnergO also accumulates significant debts to suppliers (UAH 10.7bn) and other debts. In particular, according to data from the Youcontrol system, the tax debt of CentrEnergO as of the beginning of this year amounted to UAH 2.7bn. Despite the current significant problems of CentrEnergO, there is hope that the company will be able to end this year with a rather small profit of UAH 100mn, which will be 27 kopecks per share. In December 2022, the company was headed by a new CEO, Volodymyr Yehorov, who will try to lead CentrEnergO out of its difficult situation.

There are hopes that CentrEnergO as a state-owned company of strategic importance will receive direct financial assistance from Ukraine's international partners.

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	1538	-28.1%	-1.8%								
Iron Ore Mining												
Ferrexpo	FXPO	117	-0.6%	-25.5%	862	756	24.0%	1.0	3.9	0.5	1.0	0.6
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	14.7	7.6%	33.2%	45	8	5.0%	neg	neg	--	--	--
Specialized Machinery												
Turboatom	TATM	2.9	-4.9%	7.0%	32	30	3.8%	>50x	neg	1.3	3.1	1.1
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	20.8	2.6%	33.8%	82	5	21.6%	1.6	1.5	--	--	--
Power Utilities												
Centrenergo	CEEN	3.44	-21.3%	-14.2%	34	34	21.7%	neg	neg	neg	neg	0.1
Donbasenergo	DOEN	12.44	105.6%	-5.4%	8	8	14.2%	neg	neg	neg	neg	0.1
Agro sector												
MHP	MHPC	3.30	0.6%	-12.0%	366	1654	32.5%	neg	neg	2.6	5.7	0.9
Kernel (FY21, FY22, FY23E)	KER	18.54	0.5%	5.7%	335	1823	61.8%	neg	1.2	8.3	3.6	0.6
Astarta	AST	26.00	7.9%	27.5%	152	345	37.0%	1.0	4.2	1.4	2.8	0.9
Agroton	AGT	3.18	-3.0%	-7.6%	16	-4	25.0%	4.6	neg	--	--	--
Banks												
											Price/Book	Price/Assets
Raiffeisen Bank Aval	BAVL	0.310	3.3%	3.3%	507		1.8%	2.8	11.8	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																
Centrenergy	CEEN	764	460	323	17	-33	-171	2.2%	-7.1%	-53.0%	2	-38	-224	0.3%	-8.2%	-69.3%
Donbasenergo	DOEN	256	128	142	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	466	271	348	314	151	179	43	33.2%	31.3%	9.2%

Source: Eavex Research

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