

Stock Market Update

Equity

The Financial Stability Council at the Ministry of Finance has approved the concept of a new Strategy for the development of the financial sector, which was developed in accordance with the Memorandum of Economic Policies between Ukraine and the IMF. Among the key elements of the strategy is the assessment of banking sector stability. Based on its results, the ways to safely unwind the extraordinary measures implemented in Ukraine during the early months of the full-scale invasion, as well as priorities for resolving non-performing loans, will be determined. The share of non-performing loans (NPL) in the country's banking sector stood at 38.8% at the end of 1Q23, increasing by 0.7 p.p. compared to 38.1% on January 1. The volume of non-performing loans increased by UAH 2 bn to UAH 434bn over the quarter. Banks continue to recognize credit losses, with provisions for loans exceeding UAH 107bn since the start of the full-scale war, accounting for over 13% of the credit portfolio that banks held at the end of February 2022. Potential losses to the loan portfolio due to the Russian aggression could reach 30%. The total volume of loans in the Ukrainian banking system decreased by UAH 14.5bn or 1% to UAH 1.12 trillion (USD 31bn) in the 1Q23.

On the Ukrainian Stock Exchange, quotes for Raiffeisen Bank (BAVL) remained at 30 kopecks. The bank's MCap was at UAH 492mn. The P/B ratio stands at 1.1x, which can be considered a fairly good multiple under current conditions. Raiffeisen Bank reported a net profit of about UAH 2.1bn (USD 56mn), translating to a net profit of 3.4 kopecks per share. Therefore, if we anticipate that the bank can earn a profit of 10 kopecks per share this year, it could provide significant upside for the BAVL stock. In the previous year, the bank recorded a modest profit of UAH 1.6bn (2.6 kopecks per share).

Among other stocks of Ukrainian issuers, notable growth of indicative quotes by 20% to 4.80 UAH was observed for CentErgo (CEEN), but the actual trading volumes were minimal.

Highlights

POLITICS AND ECONOMICS

- > Zelenskiy, Scholz Showcase Improved Ties Despite Fighter Jet Refusal
- > Ukraine's Headline Inflation Slows to 17.9% in April from Peak of 26.6% Seen in December

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	1718	5.9%	9.7%
RTS	1038	0.4%	6.9%
WIG20	1939	1.4%	8.1%
MSCI EM	973	-0.8%	1.7%
S&P 500	4124	-0.3%	7.4%

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	109.9%	0.3 p.p.	28.2 p.p.
Ukraine-2034	56.4%	0.6 p.p.	11.0 p.p.

CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	37.51	-0.3%	-7.6%
EUR/UAH	41.21	-0.8%	-3.0%

Source: Eavex Capital

Zelenskiy, Scholz Showcase Improved Ties Despite Fighter Jet Refusal

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NEWS

President Zelenskiy embarked on a tour of Western European capitals late last week, visiting Rome, Berlin, and Paris, with an additional stop today (May 15) in London. The trip, Zelenskiy's longest abroad since the start of the full-scale war last winter, brought promises of new tranches of military aid from the largest EU member states. Notably, it was Zelenskiy's first wartime visit to Germany after a period of poor Ukrainian-German relations that saw Kyiv accuse the government of Chancellor Olaf Scholz of deliberately slow-walking military assistance and even of prioritizing economic relations with Russia.

During the visit, at which Zelenskiy was received by Scholz with military honors, Germany announced its largest military aid package for Ukraine to date, worth USD 3bn, making the country Ukraine's largest donor after the United States. However, Scholz refused to move from his previous position of declining to provide Ukraine with fighter aircraft, despite Zelenskiy's statement that he believes in a "European coalition" to strengthen Ukraine's air force.

COMMENTARY

Zelenskiy's European diplomatic offensive is clearly aimed at shoring up Western support in the context of the possible extension of the war's time horizon into 2024 and beyond. Showing that the major Western countries are prepared to continue funding Ukraine indefinitely strikes a psychological blow against the Putin regime in Moscow, which has been counting on its ability to outlast the West's attention span. In general, if the war is costing each side an estimated 150-200bn per year, this is currently seen as a relatively cheap price for the West, but an enormous one for Russia as a percentage of GDP.

However, Ukraine and the West continue to be at odds over the war's endgame, with Zelenskiy and his government playing for the maximalist outcome of the collapse of the Putin regime and the full restoration of Ukraine's 1991 borders, while none of the major Western governments (and most notably the US) have explicitly endorsed this goal, instead stating vaguely that the war will end with negotiations. We believe that the current fighting season (i.e. the next 3-4 months) will offer a stern test of the domestic stability of the Putin regime amid likely Russian battlefield defeats and at least some territorial gains by Ukraine in its expected counteroffensive in the south and/or the east of the country.

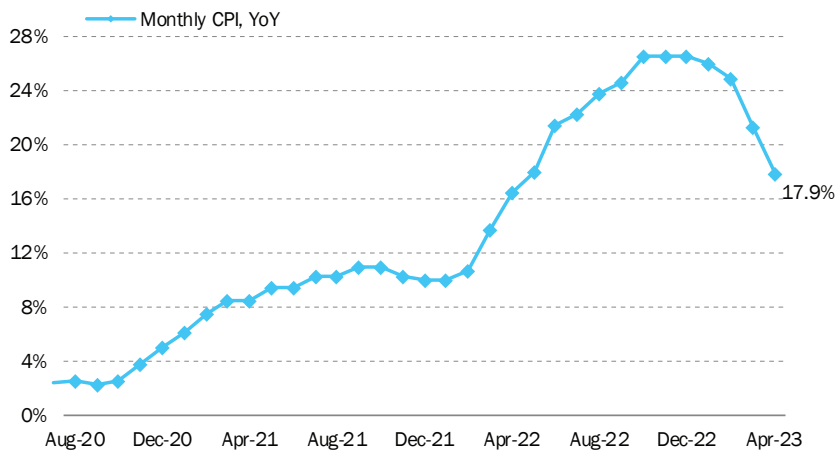
Ukraine's Headline Inflation Slows to 17.9% in April from Peak of 26.6% Seen in December

by Dmitry Churin
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NEWS

Rolling 12-month consumer inflation in Ukraine slows to 17.9% in April from the peak of 26.6% seen in December, according to official data from UkrStat published last week. On a month-on-month basis, inflation was 0.2% in April on the back of a 0.4% increase in food prices. Meanwhile, the transportation price category decreased by 0.7% MoM due to a 2.4% MoM decline in fuel prices for final consumers.

UKRAINE'S ROLLING 12-MONTH CPI



Source: State Statistics Committee

COMMENTARY

The inflation index trajectory became firmly downward providing an argument to expect a further slowdown in the pace of consumer prices increase in Ukraine. Currently, the base case forecast for this year's inflation is 14.8% with a scenario of inflation in the range of 9% - 12% in 2024. Inflation pressures stand to ease despite the revival of economic activity and the pursuit of a loose fiscal policy. This outlook is based on the assumption that security risks will decline in intensity with the arrival of 2024, and takes into account the continued recovery of logistics chains and production capacities in Ukraine.

Monetary conditions in the country will remain rather tight for a protracted time even if cuts to the key policy rate that stands at 25% begin in the fourth quarter. The National Bank admitted that it might ease its monetary policy faster than the current forecast envisages in case the country receives enough FX inflows and the FX market conditions would be favorable.

Recently UkrStat conducted a planned review of the consumer basket that goes into the calculation of the CPI. The revision was aimed at further approximating the index to households' actual expenditures and aligning domestic statistics with global standards. A key innovation that resulted from the review was the inclusion of owner-occupied housing costs (expenses related to purchasing, maintaining, and inhabiting a dwelling) into the CPI. Previously, the index had incorporated only a portion of such costs. Up until now, these changes have had no significant impact on the inflation gauge. This is due to the incremental share of owner-occupied housing costs in the CPI (just 0.43% in 2023). According to data from other countries, however, the weight and impact of this component on overall indicators of inflation may rise.

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	1718	5.9%	9.7%								
Iron Ore Mining												
Ferrexpo	FXPO	105	-4.7%	-33.4%	783	677	24.0%	0.9	3.6	0.5	0.9	0.5
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	24.0	-1.9%	118.0%	73	36	5.0%	neg	neg	--	--	--
Specialized Machinery												
Turboatom	TATM	4.9	42.8%	80.4%	55	52	3.8%	>50x	neg	2.3	5.4	1.8
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	18.8	1.5%	20.9%	75	-2	21.6%	1.5	1.4	--	--	--
Power Utilities												
Centrenergo	CEEN	4.80	20.0%	19.8%	47	47	21.7%	neg	neg	neg	neg	0.1
Donbasenergo	DOEN	36.98	7.4%	181.2%	23	23	0.0%	neg	neg	neg	neg	0.1
Agro sector												
MHP	MHPC	3.41	-1.4%	-9.1%	378	1615	32.5%	neg	neg	2.5	4.2	0.6
Kernel (FY21, FY22, FY23E)	KER	17.31	-4.7%	-1.3%	321	1369	61.8%	neg	1.1	6.2	2.2	0.4
Astarta	AST	33.95	0.1%	66.4%	199	351	37.0%	1.4	2.9	1.5	2.2	0.7
Agroton	AGT	3.40	-1.2%	-1.2%	18	-2	25.0%	5.0	neg	--	--	--
Banks												
											Price/Book	Price/Assets
Raiffeisen Bank Aval	BAVL	0.300	3.4%	0.0%	492		1.8%	2.8	11.4	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	2642	340	648	384	17.8%	27.3%	14.5%	-133	393	-231	-7.0%	16.6%	-8.7%
Kernel (FY21, FY22, FY23E)	KER	5595	5332	3600	806	220	620	14.4%	4.1%	17.2%	513	-41	290	9.2%	-0.8%	8.1%
Astarta	AST	490	590	538	134	242	163	27.3%	41.0%	30.3%	10	147	69	2.1%	24.9%	12.8%
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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