

## Stock Market Update

### Equity

The National Bank's latest business survey said that the economic activity expectations improved in Ukraine despite the ongoing full-scale war. The successful restoration of the energy system, rebounding domestic demand, due to, among other things, the gradual return of Ukrainians from abroad, coupled with a stronger hryvnia, helped shape respondents' positive views about their business performance shortly. Construction companies reported the most noticeable improvement in their views compared to other sectors. For the first time in the last year and a half, companies in the sector expected growth in their performance results.

Among individual stocks listed on the Ukrainian Exchange, quotes for Raiffeisen Bank (BAVL) grew by 3.1% over the week to 33 kopecks after the bank's key financial results for 1Q23 beat expectations. Thermal power producer CentrEnergO (CEEN) did not react to the news that the government raised the household electricity tariffs for the first time since 2017 to help the energy sector. The CEEN stock decreased by 2.0% to UAH 5.00.

London-listed Enwell Energy (former Regal Petroleum) plunged by 38% to GBP 14.8 after the ex-right date for GBP 15.00 dividend per share. The company is paying about USD 60mn in dividends which we view as a signal that Enwell's investment strategy in Ukraine will be scaled back. On the Warsaw Stock Exchange, Ukrainian agro names were little active with Kernel (KER) rising by 2.2% to PLN 16.45 while Astarta (AST) declining by 1.2% to PLN 32.55 per share.

On the currency market, the hryvnia gained by 1.1% against the dollar on the cash market to close at 37.20 UAH/USD. Meanwhile, the National Bank continued to inject hard currency into the interbank market to balance the demand. The regulator sold USD 442mn from the FX reserves last week.

## Highlights

### POLITICS AND ECONOMICS

- > Sullivan: US Expects "Strategically Significant" Gains from Ukraine Offensive

### STOCKS IN THE NEWS

- > Raiffeisen Bank Ukraine Reports Net Profit of USD 56mn in 1Q23, Implying 3.35 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](http://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](http://www.bank.gov.ua/en/about/humanitarian-aid-to-ukraine)

[www.eavex.com.ua](http://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](http://www.u24.gov.ua)

## MARKET INDEXES

	Last	1W ch	YTD
UX	1731	-1.4%	10.5%
RTS	1051	-0.4%	8.3%
WIG20	2018	1.7%	12.5%
MSCI EM	984	1.1%	2.8%
S&P 500	4282	1.8%	11.5%

## 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%	-4.6 p.p.	14.4 p.p.
Ukraine-2034	49.5%	1.2 p.p.	4.1 p.p.

## CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	37.20	-1.1%	-8.4%
EUR/UAH	40.38	-1.1%	-5.0%

Source: Eavex Capital

## Sullivan: US Expects “Strategically Significant” Gains from Ukraine Offensive

by Will Ritter  
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### NEWS

US National Security Council director Jake Sullivan said that the Biden administration believes that “this [planned] counteroffensive will allow Ukraine to take strategically significant territory back from Russia”, in remarks which aired on Sunday (Jun 4) on US television outlet CNN. Sullivan declined to specify the areas which he expects Ukraine to recapture, saying “exactly how much [territory], in which places, will be up to the situation on the ground as the Ukrainians get this counteroffensive under way”. When asked whether the Biden administration expects Ukraine to enter negotiations on a peace deal or armistice by the end of 2023, Sullivan answered that “I am not going to put a timetable on it... but what I will say is this: President Zelenskiy himself has said that this war will end, ultimately, in diplomacy”. Meanwhile, on the ground, Ukrainian airstrikes were reported on Russian positions in the occupied cities of Melitopol and Berdyansk in Zaporizhia province in the south of the country over the weekend, while Russia was reported to have made minor gains at Mariynka on the front lines near Donetsk city.

### COMMENTARY

Jake Sullivan is a rather unpopular figure in the pro-Ukrainian information space, as he is often viewed as the architect of the Biden administration’s sometimes-lukewarm stance on supporting President Zelenskiy’s war aims. These latest comments, which are conspicuously absent of any references to “Ukrainian victory” or the full restoration of Ukraine’s internationally recognized borders, are unlikely to improve Sullivan’s standing. In general, dissatisfaction with the Biden administration among Ukraine hawks appears to be on the rise, with the potential for confrontation within the West growing over what the desired endgame scenario of the war is. Sullivan’s refusal to put a timetable on negotiations confirms our view that, barring a sudden collapse of the Putin regime, hostilities are now likely to continue into 2024 or even beyond. We believe that the US is focused on helping Ukraine to make a successful push toward Berdyansk on the Azov seacoast, a movement which would cut off Russian supplies to the occupied parts of Kherson and Zaporizhia provinces, likely resulting in their liberation. With the fighting season lasting approximately until early- or mid-November, Ukraine has around 5 months to make these gains, we think.

**Raiffeisen Bank Ukraine Reports Net Profit of USD 56mn in 1Q23, Implying 3.35 Kopecks per Share**

by Dmitry Churin  
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**RAIFFEISEN BANK UKRAINE (BAVL)**

Price: UAH 0.33 Market Cap: USD 546mn

	P/Assets	P/Book	P/E	Div. Yield
2022	0.13	1.2	12.7	0.0%
2023E	0.12	0.9	3.7	0.0%

**NEWS**

Raiffeisen Bank Ukraine, the subsidiary of Austria-based Raiffeisen International, reported a net profit of UAH 2.06bn (USD 56mn) in 1Q23, compared to a net loss of UAH 129mn a year ago. The bank's earnings per share was 3.35 kopecks for 1Q23. On the top line, Raiffeisen Bank had a 64% YoY increase in gross interest income to UAH 4.8bn and the same increase in the net interest income to UAH 3.9bn.

The bank's loan portfolio declined by 5.9% to UAH 58bn from the start of the year and total assets decreased by 2.4% YTD to UAH 172bn (USD 4.7bn).

Raiffeisen Bank had a capital adequacy ratio of 22.9% in May compared to a minimum required capital adequacy of 10%.

**RAIFFEISEN BANK AVAL FINANCIALS**

UAH mn	1Q22	1Q23	YoY chg.
Gross interest income	2,920	4,798	64.3%
Net interest income	2,425	3,977	64.0%
Net income	-129	2,061	-/+
	31 Dec 2022	31 Mar 2023	YtD chg
Loan portfolio	61,822	58,177	-5.9%
Equity	17,055	19,116	12.1%
Total assets	176,549	172,272	-2.4%

Source: Company data.

**COMMENTARY**

In our view, Raiffeisen Bank delivered pretty solid financial results for 1Q23 as it managed to keep its interest margin high even in the circumstances of rising deposit rates. Also, there was a significant contribution to the top line from the bank's securities portfolio of UAH 41bn, which mostly consisted of government bonds and the National Bank's deposit certificates. In relative terms, Raiffeisen Bank's total loan portfolio accounted for 34% of total assets while the securities portfolio represented about 24% of assets. Taking into account, that the bank's assets look quite diversified, we assume that an expected rise in non-performing loans amid the war crisis in Ukraine would not possess a critical threat to Raiffeisen Bank's operation. However, we believe that the bank will not be able to earn the same high level of profit in the coming quarters. Our base case forecast foresees that Raiffeisen Bank will have a net profit of UAH 5.4bn (EPS 8.78 kopecks) for FY23 compared to a net profit of UAH 1.57bn (EPS 2.56 kopecks) for FY22.

Raiffeisen Bank decided not to pay dividends from FY22 profit due to administrative limitations imposed by the National Bank as a result of martial law in the country. Currently, we do not count on potential dividends from FY23 profit. However, if the war ends in the foreseeable future then Raiffeisen Bank is expected to return to a practice of paying out about 50% of profit in dividends. At the current share price of 33 kopecks, the market capitalization of Raiffeisen Bank Ukraine stands at USD 546mn. The bank's estimated forward-looking P/E multiple is 3.7x and the estimated P/B multiple is 0.9x.

**QUOTES AND MULTIPLES**

	Ticker	Today, UAH*	Absolute performance		MCap USD mn	EV USD mn	Free float	P/E		EV/EBITDA		EV/Sales 2023E
			1W	YtD				2022	2023E	2022	2023E	
UX Index	UX	1731	-1.4%	10.5%								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	100	1.6%	-36.3%	743	637	25.5%	3.4	4.4	0.8	1.0	0.6
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	17.1	-22.2%	55.4%	53	12	5.0%	neg	10.1	neg	1.2	0.1
<b>Specialized Machinery</b>												
Turboatom	TATM	4.0	0.0%	49.6%	46	43	3.8%	>50x	14.0	4.4	2.9	1.3
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
<b>Oil &amp; Gas</b>												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	14.8	-38.5%	-5.1%	59	-19	21.6%	1.1	1.5	--	--	--
<b>Power Utilities</b>												
Centrenergo	CEEN	5.00	-2.0%	24.8%	50	50	21.7%	neg	18.2	neg	4.5	0.1
Donbasenergo	DOEN	29.07	-16.4%	121.1%	18	18	0.0%	neg	neg	neg	neg	0.1
<b>Agro sector</b>												
MHP	MHPC	3.74	-1.3%	-0.3%	400	1583	33.7%	neg	2.9	4.1	3.9	0.6
Kernel (FY21, FY22, FY23E)	KER	16.45	2.2%	-6.2%	303	1351	61.8%	neg	1.0	6.1	2.2	0.4
Astarta	AST	32.55	-1.2%	59.6%	189	341	37.0%	2.8	2.2	2.1	1.7	0.5
Agroton	AGT	3.30	-3.8%	-4.1%	17	-3	25.0%	neg	neg	--	--	--
<b>Banks</b>												
											<b>Price/Book</b>	<b>Price/Assets</b>
Raiffeisen Bank Aval	BAVL	0.330	3.1%	10.0%	546		1.8%	12.7	3.7	1.2	0.9	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		
		2021	2022	2023E	2021	2022	2023E	2021	2022	2023E	2021	2022	2023E	2021	2022	2023E
<b>Iron Ore Mining</b>																
Ferrexpo	FXPO	2518	1248	1100	1,439	765	650	57.1%	61.3%	59.1%	871	220	170	34.6%	17.6%	15.5%
<b>Railcar Manufacturing</b>																
Kryukiv Wagon	KVBZ	94	78	85	-5	-1	10	-5.7%	-1.8%	11.8%	-8	-5	5	-9.0%	-6.8%	6.1%
<b>Specialized Machinery</b>																
Turboatom	TATM	55	28	33	22	10	15	40.7%	34.4%	45.8%	0	-2	3	0.5%	-5.6%	10.0%
Motor Sich	MSICH	338	200	109	90	40	37	26.5%	19.8%	33.5%	23	-7	6	6.9%	-3.6%	5.5%
<b>Oil &amp; Gas</b>																
Ukrnafta	UNAF	1320	844	875	168	83	171	12.7%	9.8%	19.5%	91	22	112	6.9%	2.6%	12.8%
Regal Petroleum	RPT	121	131	120	78	86	82	64.4%	65.7%	68.3%	51	55	40	42.1%	41.9%	33.3%
<b>Electric Utilities</b>																
Centrenergy	CEEN	460	323	200	-33	-171	11	-7.1%	-53.0%	5.5%	-38	-224	3	-8.2%	-69.3%	1.4%
Donbasenergo	DOEN	128	142	101	-13	-4	4	-10.5%	-2.6%	4.3%	-16	-15	-5	-12.9%	-10.7%	-5.4%
<b>Agro sector</b>																
MHP	MHPC	2372	2642	2774	648	384	410	27.3%	14.5%	14.8%	393	-231	140	16.6%	-8.7%	5.0%
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	590	538	628	242	163	199	41.0%	30.3%	31.7%	147	69	85	24.9%	12.8%	13.5%
Agroton	AGT	41	20	4	8	-6	-7	19.8%	neg	neg	4	-40	-10	8.7%	neg	neg
<b>Banks</b>																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	4829	4238	4375	571	466	614	348	314	405	179	43	148	31.3%	9.2%	24.1%

Source: Eavex Research

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