

Stock Market Update

Equity

The Ukrainian Exchange index rose by 1.4% to 1756 points during the week, driven by a sharp increase in quotes of CentrEnerg (CEEN) by 24% to UAH 6.18 per share. Thus, the indicative quotes of CentrEnerg have increased by 50% since the beginning of the year, from the level of UAH 4.00 to the level of UAH 6.00. Among the positive news for the country's energy market, it is worth noting that approximately 700mn cubic meters of gas were injected into underground gas storage facilities in May. According to the gas pipeline operator UkrTransgaz, as of June 9th, gas reserves in Ukrainian underground storage facilities amount to 9.7bn cubic meters. Ukraine intends to inject 14.5bn cubic meters of gas into storage facilities before the start of the next heating season. Domestic gas production volumes could provide approximately 3.5bn cubic meters by early October. This means that the need for gas imports amounts to a reasonably acceptable 1.3bn cubic meters for the next four months. The current price of natural gas on European exchanges is about USD 370 per thousand cubic meters.

On the London Stock Exchange, Ferrexpo continued to lose its market capitalization. The price of Ferrexpo shares dropped by 2.8% to GBP 97 during the week. Since the beginning of the year, the decline amounts to 38%. Shares of MHP (MHPC) saw a slight rise of 0.3% to USD 3.75.

In Warsaw trading, Ukrainian sugar producer Astarta (AST) slipped by 1.2% to PLN 32.15 while low-liquidity Agroton (AGT) advanced by 5.2% to PLN 3.47.

The hryvnia gained by 0.4% on the cash market to trade at 37.05 UAH/USD. The situation on the interbank currency market was more balanced last week, allowing the National Bank to limit interventions to USD 292mn, compared to USD 442mn over the preceding week. Overall, since the beginning of the year, the National Bank has sold USD 11bn from the country's FX reserves.

Highlights

POLITICS AND ECONOMICS

- Ukraine's GDP Down 10.5% YoY in 1Q While on Quarterly Basis Growth Stands at 2.4%

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	1756	1.4%	12.1%
RTS	1032	-1.8%	6.3%
WIG20	2050	1.6%	14.2%
MSCI EM	1002	1.8%	4.7%
S&P 500	4298	0.4%	11.9%

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	25.0%	0.0 p.p.	0.0 p.p.
UAH 1-year war bond	18.4%	-0.1 p.p.	+2.4 p.p.
Ukraine-2026	104.5%	8.4 p.p.	22.8 p.p.
Ukraine-2034	50.0%	0.5 p.p.	4.6 p.p.

CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	37.05	-0.4%	-8.7%
EUR/UAH	40.45	0.2%	-4.8%

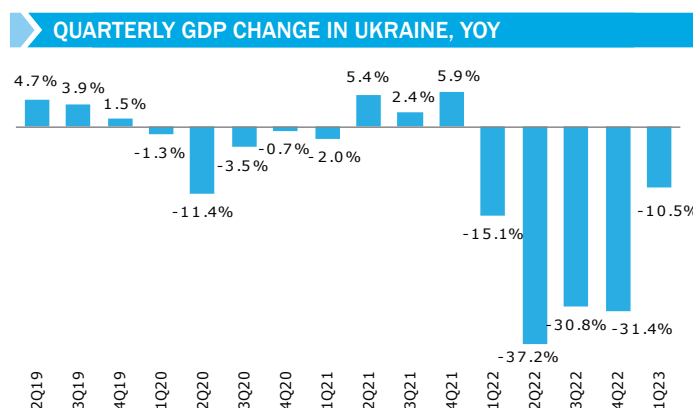
Source: Eavex Capital

Ukraine's GDP Down 10.5% YoY in 1Q While on Quarterly Basis Growth Stands at 2.4%

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NEWS

Ukraine's gross domestic product fell by 10.5% YoY in 1Q23 after the drops of 31.4% YoY seen in 4Q22 and 30.8% YoY in 3Q22, according to preliminary data from the State Statistics Committee (UkrStat) published on Jun 9. The data also showed that the country's seasonally-adjusted GDP grew by 2.4% on a quarterly basis in the period. The National Bank sticks to the forecast that Ukraine's economy will grow by 2% this year and then accelerate growth to 4.3% in 2024.



Source: State Statistics Committee, Eavex Research

COMMENTARY

The 1Q GDP number comes better than the expected figure of -13.5% YoY. We attribute the somewhat smaller GDP drop to resilience in consumer spending even amid the war crisis in the country. Moreover, the government tried to prop up the economy by launching an infrastructure rebuilding effort in Kharkiv province which was hit hard during the first months of the russian full-scale invasion. Russia's all-out war in Ukraine has resulted in over USD 150bn in damages, according to the Kyiv School of Economics. The impact of the Kakhovka Dam flood has not been taken into account yet.

Currently, it is projected that Ukraine's GDP would rebound by 15.9% YoY in 2Q23 after a disastrous 37.2% plunge seen in 2Q22 due to the active phase of fighting against the Russian invasion. The country continues to rely on foreign aid to cover the large central budget deficit. In May, Ukraine received USD 3.3bn of foreign financing. This includes a USD 1.6bn loan from the EU, a USD 1.25bn grant from the US, and a USD 384mn loan from the World Bank. In June, Ukraine should receive the second tranche of a loan from the IMF in the amount of USD 900mn. Since the start of 2023, Ukraine has received USD 19.8bn from international allies.

In other economic statistics, consumer inflation came at 15.3% YoY in May slowing down from 17.9% YoY in April. On a month-on-month basis, the inflation was 0.5% in May due to a 0.9% MoM increase in food prices. The pace of inflation remains in line with projections meaning that the CPI figure for the year would be in the range of 14% - 16%. However, there will be a certain acceleration in the inflation pace in the coming months as a result of a sharp 57% hike in the fixed electricity tariff for households.

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	1756	1.4%	12.1%								
Iron Ore Mining												
Ferrexpo	FXPO	97	-2.8%	-38.0%	734	628	25.5%	3.3	4.3	0.8	1.0	0.6
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	14.0	-18.1%	27.3%	43	3	5.0%	neg	8.3	neg	0.3	0.0
Specialized Machinery												
Turboatom	TATM	3.4	-15.1%	27.0%	39	36	3.8%	>50x	11.9	3.7	2.4	1.1
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	12.5	-15.1%	-19.4%	51	-27	21.6%	0.9	1.3	--	--	--
Power Utilities												
Centrenergo	CEEN	6.18	23.6%	54.2%	62	61	21.7%	neg	22.5	neg	5.6	0.1
Donbasenergo	DOEN	22.00	-24.3%	67.3%	14	14	0.0%	neg	neg	neg	neg	0.1
Agro sector												
MHP	MHPC	3.75	0.3%	0.0%	401	1584	33.7%	neg	2.9	4.1	3.9	0.6
Kernel (FY21, FY22, FY23E)	KER	16.15	-1.8%	-7.9%	303	1351	61.8%	neg	1.0	6.1	2.2	0.4
Astarta	AST	32.15	-1.2%	57.6%	190	342	37.0%	2.8	2.2	2.1	1.7	0.5
Agroton	AGT	3.47	5.2%	0.9%	18	-1	25.0%	neg	neg	--	--	--
Banks												
Raiffeisen Bank Aval	BAVL	0.300	-9.1%	0.0%	498		1.8%	11.6	3.4	1.1	0.8	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		
		2021	2022	2023E	2021	2022	2023E	2021	2022	2023E	2021	2022	2023E	2021	2022	2023E
Iron Ore Mining																
Ferrexpo	FXPO	2518	1248	1100	1,439	765	650	57.1%	61.3%	59.1%	871	220	170	34.6%	17.6%	15.5%
Railcar Manufacturing																
Kryukiv Wagon	KVBZ	94	78	85	-5	-1	10	-5.7%	-1.8%	11.8%	-8	-5	5	-9.0%	-6.8%	6.1%
Specialized Machinery																
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%
Oil & Gas																
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%
Electric Utilities																
Centrenergo	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%
Agro sector																
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
Banks																
		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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