

Stock Market Update

Equity

The Ukrainian Exchange index (UX) took a hit this week, plummeting by 4.1% due to a significant 30% drop in the value of DonbasEnergO (DOEN) shares, now trading at UAH 6.87, following news of the company's intentions to liquidate via bankruptcy proceedings. Shareholders of DonbasEnergO will have their say on the matter during the extraordinary remote meeting on July 28.

Meanwhile, CentrEnergO (CEEN) shares also experienced a decline of 16% to UAH 3.70, ignoring potentially positive news of higher electricity price caps. The regulatory decision set price caps for the 'day ahead' and intraday markets as follows: from 00:00 to 07:00 – 3.00 UAH/kWh; from 07:00 to 19:00 – 5.60 UAH/kWh; from 19:00 to 23:00 – 7.20 UAH/kWh. Market participants argue that raising the price caps is justified during deficit hours when Ukraine's energy system does not import electricity and relies on emergency aid due to high import prices. Additionally, thermal generation has been operating at a loss under previous price caps for the past two years.

Among Ukrainian companies trading on foreign exchanges, Enwell Energy (formerly known as Regal Petroleum) suffered a substantial 10% drop to GBP 12.50 per share. This occurred because the company failed to publish its financial report for the previous year on time, leading to a temporary suspension of trading of its securities on the London Stock Exchange.

On a more positive note, Ferrexpo (FXPO) increased by 5.7% to GBP 89.50, while MHP (MHPC) shares remained steady at USD 3.75.

In Warsaw trading, Kernel (KER) declined by 4.4% to PLN 14.20 while Astarta (AST) gained by 3.1% to PLN 30.00 and Agrotan (AGT) advanced by 3.6% to PLN 3.46.

The cash exchange rate of the US dollar rose by 0.5% during the week, reaching 37.40 UAH/USD. The current bank rates stand at 36.75 UAH/USD for buying and 37.40 UAH/USD for selling.

Highlights

POLITICS AND ECONOMICS

- > CIA Director in Kyiv to Discuss War's Endgame; Danilov Criticizes West's "Illusions" on Russia
- > Ukraine's State and Guaranteed Debt Increases to USD 126bn in May, Compared to USD 112bn at the Start of the Year

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	1452	-4.1%	-7.3%
RTS	983	-5.5%	1.3%
WIG20	2060	1.2%	14.8%
MSCI EM	989	-0.3%	3.3%
S&P 500	4450	2.3%	15.9%

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	25.0%	0.0 p.p.	0.0 p.p.
UAH 1-year war bond	18.3%	-0.1 p.p.	+2.3 p.p.
Ukraine-2026	85.1%	-4.4 p.p.	3.4 p.p.
Ukraine-2034	38.9%	-2.3 p.p.	-6.5 p.p.

CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	37.40	0.5%	-7.9%
EUR/UAH	41.07	0.2%	-3.4%

Source: Eavex Capital

CIA Director in Kyiv to Discuss War's Endgame; Danilov Criticizes West's "Illusions" on Russia

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NEWS

US Central Intelligence Agency Director Bill Burns conducted an unannounced visit to Ukraine in mid-June during which he discussed the state of the war with President Zelenskiy's administration, the Washington Post reported on Saturday (Jul 1). The newspaper's article said that Burns was briefed about the Ukrainian government's ambitious plans to recapture substantial areas of Russian-occupied territory by this autumn (presumably in the south of the country) and then to force Moscow into negotiations by threatening to continue onward to Crimea. Meanwhile, in remarks published in the German outlet Bild on Sunday (Jul 2), the head of Ukraine's National Security & Defense Council (RNBO) Oleksiy Danilov said that Western countries need to let go of their illusions that Russia can continue to exist in its current form without breaking up into a collection of smaller states. Danilov was speaking in the aftermath of the aborted uprising against the Putin regime by members of the Yevgeniy Prigozhin-led Wagner private mercenary organization, which occurred on Jun 23-24. On the military front, Ukraine appeared to be in a pause phase of its counteroffensive in the south last week, with no major news of territory changing hands. However, there were reports of Ukrainian forces establishing a position on the east bank of Dnipro River in Kherson province (Ukraine already holds the west bank), which would represent the opening of a new front in the offensive if confirmed.

COMMENTARY

The so-called "Prigozhin coup" in Russia has raised hopes that a sudden collapse of the Putin regime could bring a quick and complete Ukrainian victory in the war. However, it is still impossible to predict not only how long Putin will remain in power, but also what kind of leader(s) would replace him were he to be deposed. We see that the latest comments of Danilov, who like all top Ukrainian security officials is a Zelenskiy appointee, appear to be in conflict with the public position of the Biden administration and other Western governments; Washington was at pains last week to state that it had nothing to do with the Wagner uprising and that "regime change" in the Kremlin is not a goal of the West's ongoing military assistance to Kyiv. We assume that the talks during Burns' visit probably went over a range of scenarios for the autumn, depending on how much success the counteroffensive sees in the next 2-3 months. What is currently not clear is the nature of the West's strategic outlook for the upcoming winter if Russia still occupies large tracts of Ukrainian territory when November arrives, or what security guarantees Ukraine would receive from the West in return for freezing the war. However, we believe that some clarity on the latter topic can be expected to emerge after next week's NATO summit in Lithuania on Jul 11-12.

Ukraine's State and Guaranteed Debt Increases to USD 126bn in May, Compared to USD 112bn at the Start of the Year

by Dmitry Churin
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NEWS

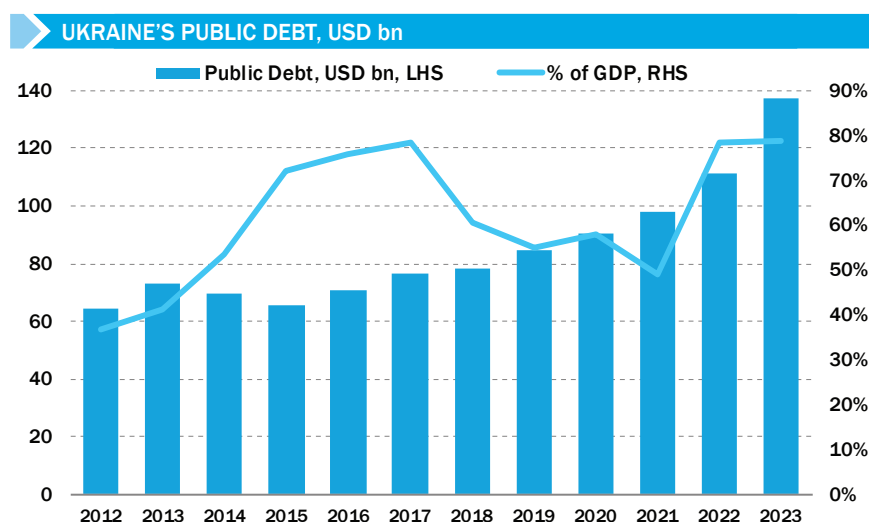
Ukraine's state and guaranteed debt increased by USD 14.2bn in USD terms to USD 126bn in Jan-May, according to the latest data from the Finance Ministry released last week. The country's public debt falls into three main categories:

- the domestic debt of an equivalent of USD 39.7bn;
- outstanding Eurobonds with maturity over 2024-2034 in the amount of USD 22.7bn;
- IMF loans of USD 16.2bn.

These categories represent around 63% of the public debt.

In a currency breakdown, domestic UAH-denominated debt represented an equivalent of USD 37.7bn, or 30% of total debt. The USD- and EUR-denominated debt represented 27% and 26% respectively.

In May alone, the state and guaranteed debt of Ukraine grew by USD 1.3bn or by 1.0%.



Source: Finance Ministry of Ukraine

COMMENTARY

Ukrainian international partners continued to support the country in this difficult time of unprecedented Russian aggression. In 2022 Ukraine received a total of USD 32bn from foreign allies and in 1H23 the financial aid has already reached USD 22.7bn with a significant part in form of grants. In June, a 40% out of USD 3 bn received foreign financing was in form of grants.

It is also important that the loans provided by the EU have a payback period of 35 years and the interest on these loans is compensated by the EU states.

Ukraine has to spend an equivalent of USD 9.8bn for servicing and repayment of the debt by the end of this year, including UAH 274bn (USD 7.5bn) for payments related to domestic bonds. We assume that a major part of domestic bonds will be refinanced through the placement of new bonds. The Finance Ministry has to raise an average of UAH 10.5bn through the primary weekly bond auctions. The latest bond auction held on Jun 27 brought in an equivalent of UAH 7.8bn to the national budget. The weekly bond auction proceeds will be a quite precise indicator of the government's ability to roll-over its domestic debt.

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	1452	-4.1%	-7.3%								
Iron Ore Mining												
Ferrexpo	FXPO	89.5	5.7%	-43.1%	680	574	25.5%	3.1	4.0	0.8	0.9	0.5
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	14.0	0.0%	27.3%	43	2	5.0%	neg	8.3	neg	0.2	0.0
Specialized Machinery												
Turboatom	TATM	2.5	0.0%	-5.9%	29	26	3.8%	>50x	8.7	2.7	1.7	0.8
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	12.5	-10.1%	-19.9%	51	-27	21.6%	0.9	1.3	--	--	--
Power Utilities												
Centrenergo	CEEN	3.70	-15.9%	-7.7%	37	36	21.7%	neg	13.4	neg	3.3	0.1
Donbasenergo	DOEN	6.87	-31.3%	-47.8%	4	4	0.0%	neg	neg	neg	neg	0.1
Agro sector												
MHP	MHPC	3.75	0.0%	0.0%	401	1584	33.7%	neg	2.9	4.1	3.9	0.6
Kernel (FY21, FY22, FY23E)	KER	14.20	-4.4%	-19.0%	270	1318	61.8%	neg	0.6	6.0	1.8	0.4
Astarta	AST	30.00	3.1%	47.1%	180	332	37.0%	2.6	2.1	2.0	1.7	0.5
Agroton	AGT	3.46	3.6%	0.6%	18	-1	25.0%	neg	neg	--	--	--
Banks												
Raiffeisen Bank Aval	BAVL	0.300	0.0%	0.0%	493		1.8%	11.5	3.3	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	720	14.4%	4.1%	20.0%	513	-41	480	9.2%	-0.8%	13.3%
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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