

## Stock Market Update

### Equity

The Ukrainian stock market experienced only a minor move last week. However, among Ukrainian companies, shares of Astarta (AST) demonstrated the strongest performance, jumping 18% in price to PLN 37.5 last week. As a result, Astarta's market capitalization on the exchange has increased by 84% to USD 230mn since the beginning of the year. On the downside, Kernel (KER) continues to suffer ahead of delisting with the KER stock falling by 3.0% to PLN 13.64.

In London trading, Ferrexpo (FXPO) added by 2.0% to GBp 90.2 (MCap of USD 706mn) while MHP (MHPC) remained flat at USD 3.75 (MCap of USD 401mn).

Raiffeisen Bank (BAVL) added 3.1% to 29.5 kopecks following the National Bank's information that the assessment of credit losses in the banking system resulting from the consequences of Russian military aggression was lowered from 30% to 20% of the overall "pre-war" credit portfolio.

Among significant economic news this week, attention is drawn to events surrounding the "grain agreement." The United States has stated that "enormous diplomatic losses" await Moscow if the grain agreement, which expires on July 17th, is not extended. Currently, there is a possibility of both Russia's withdrawal from the grain initiative and its continuation. Recently, Turkish President Recep Tayyip Erdogan advocated for the necessity of extending the grain agreement and increasing its duration.

The cash exchange rate of the hryvnia remained almost unchanged at 37.20 UAH/USD throughout the week. The euro exchange rate increased by 1.4% to 41.50 UAH/EUR.

## Highlights

### POLITICS AND ECONOMICS

- > War's Endgame Still Unclear after NATO Summit as US, Ukraine Paper Over Differences
- > Ukraine's Headline Inflation Slows to 12.8% in June from of 15.3% in May

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)

### 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	1571	1.7%	0.3%
RTS	1014	3.9%	4.5%
WIG20	2127	4.5%	18.5%
MSCI EM	1028	4.9%	7.4%
S&P 500	4505	2.4%	17.3%

### 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%	0.0 p.p.	+2.3 p.p.
Ukraine-2026	76.5%	-11.5 p.p.	-5.2 p.p.
Ukraine-2034	32.4%	-7.6 p.p.	-13.0 p.p.

### CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	37.20	0.0%	-8.4%
EUR/UAH	41.50	1.4%	-2.4%

Source: Eavex Capital

## War's Endgame Still Unclear after NATO Summit as US, Ukraine Paper Over Differences

by Will Ritter  
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### NEWS

The annual summit meeting of NATO country leaders last week (Jul 11-12) in Lithuania was dominated by discussions of Ukraine's possible membership in the alliance. While NATO members issued an official public document stating that Ukraine will eventually join, President Zelenskiy was upset by language indicating that Ukraine must meet unspecified "conditions" prior to receiving an invitation. NATO also stipulated that Ukrainian membership is out of the question while Ukraine's war with Russia is ongoing, a concern which Zelenskiy acknowledged. The opposition to an immediate invitation for Ukraine was reported to be spearheaded by the US and Germany, the two largest countries in NATO. In military news, Ukraine's counteroffensive in the south of the country in Zaporizhia province has continued to see rather slow progress this month, with no major territorial advances amid reports of very heavy mining of frontline areas by Russia. However, Ukraine has still not committed its main reserves to the fight, while it looks for the optimal location for an attack, military analysts said.

### COMMENTARY

Although the Vilnius summit concluded with Zelenskiy walking back some of his harsh criticism of the West for not providing a clear path to NATO for Ukraine, it is clear that there is now an environment of considerable tension between Kyiv and Washington. After the summit, Zelenskiy's top advisor for messaging to Western audiences, Mykhailo Podolyak, reaffirmed the Ukrainian government's endgame goal of restoring Ukraine's 1991 borders and precipitating the collapse of the Putin regime in a post on social media. Podolyak also challenged the West, writing that "if our [Western] partners have other plans, what are they? Have the courage to name them publicly." Indeed, Biden administration officials have for months been repeating ambiguous slogans such as "we'll support Ukraine for as long as it takes" and "Putin has already lost", without revealing their specific views about an endgame. In our view, at the Vilnius summit, the Biden administration maneuvered to box Zelenskiy in between two contradictory goals: on the one hand, obtaining NATO membership as quickly as possible, and on the other, continuing the war for as long as necessary to reconstitute Ukraine's 1991 borders. Notably, in remarks at the summit, Czech president Petr Pavel - a strong supporter of Kyiv - stated that the results of the current counteroffensive will likely be used as the baseline for negotiations on ending the war this winter.

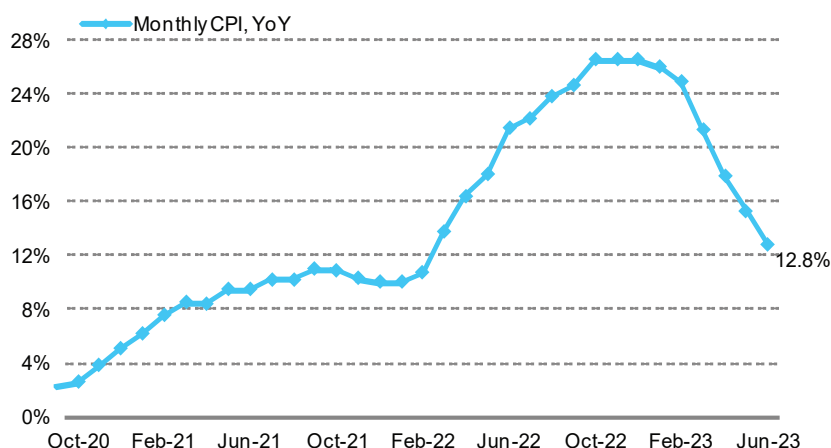
**Ukraine's Headline Inflation Slows to 12.8% in June from of 15.3% in May**

by Dmitry Churin  
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**NEWS**

Rolling 12-month consumer inflation in Ukraine slows to 12.8% in June from 15.3% in May, according to official data from UkrStat published last week. On a month-on-month basis, inflation was 0.8% in June driven by a one-time 70% hike in regulated electricity prices for households. The aggregate food category had only a marginal 0.1% increase. Bread prices declined by 0.6% MoM while meat prices grew by 1.9% MoM in June. The National Bank has a forecast that the consumer inflation in Ukraine will end in 2023 at 14.8% after the inflation of 26.6% in 2022.

**UKRAINE'S ROLLING 12-MONTH CPI**



Source: State Statistics Committee

**COMMENTARY**

Consumer inflation in Ukraine has a slower pace than expected this year. Earlier there was a forecast of 18.7% inflation for 2023. We believe that one of the main factors behind restrained price growth is a strong hryvnia. The interbank exchange rate remained frozen at 36.57 UAH/USD while the cash exchange rate improved from 40.60 UAH/USD at the beginning of the year to a current level of 37.20 UAH/USD. Therefore it was a revaluation of 8.4% of the hryvnia on the cash market so far this year.

In July, the single most notable factor for consumer inflation in Ukraine was an increase in petroleum prices in the country after the government returned full taxation for petroleum products after a period of lower duties which were in place from March 2022 to June 2023 due to war-related reasons. The petroleum prices in Ukraine rose by 6.4% in the first half of July. Higher fuel costs will lead to a certain increase for consumer categories across the board.

The Ukrainian economy is showing remarkable resilience and recent economic developments point to a gradual economic recovery in 2023. Although the outlook remains highly uncertain as exceptionally high war-related uncertainty persists. US Treasury Secretary Janet Yellen during a G20 finance ministers' summit in India said that redoubling support for war-stricken Ukraine is the "single best" way to aid the global economy. Japan's Finance Minister Shunichi Suzuki, speaking after a G7 meeting of ministers, "reconfirmed the G7's unshakeable support" to Ukraine.

**QUOTES AND MULTIPLES**

	Ticker	Today, UAH*	Absolute performance		MCap USD mn	EV USD mn	Free float	P/E		EV/EBITDA		EV/Sales
			1W	YtD				2022	2023E	2022	2023E	2023E
UX Index	UX	1571	1.7%	0.3%								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	90.2	2.0%	-42.7%	706	600	25.5%	3.2	4.2	0.8	0.9	0.5
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	14.0	0.0%	27.3%	43	3	5.0%	neg	8.3	neg	0.3	0.0
<b>Specialized Machinery</b>												
Turboatom	TATM	3.0	16.1%	9.3%	34	31	3.8%	>50x	10.2	3.2	2.0	0.9
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
<b>Oil &amp; Gas</b>												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	12.5	0.0%	-19.9%	52	-25	21.6%	1.0	1.3	--	--	--
<b>Power Utilities</b>												
Centrenergo	CEEN	5.23	-0.6%	30.5%	52	52	21.7%	neg	19.0	neg	4.7	0.1
Donbasenergo	DOEN	8.49	21.3%	-35.4%	5	5	0.0%	neg	neg	neg	neg	0.1
<b>Agro sector</b>												
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	13.64	-3.0%	-22.2%	266	1314	61.8%	neg	0.9	6.0	2.1	0.4
Astarta	AST	37.50	18.3%	83.8%	231	383	37.0%	3.4	2.7	2.3	1.9	0.6
Agroton	AGT	3.33	-1.8%	-3.2%	18	-1	25.0%	neg	neg	--	--	--
<b>Banks</b>												
											<b>Price/Book</b>	<b>Price/Assets</b>
Raiffeisen Bank Aval	BAVL	0.295	3.1%	-1.7%	488		1.8%	11.3	3.3	1.0	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
<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>																
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%
<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	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
<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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