

Stock Market Update

Equity

There was a downturn in the stocks of most Ukrainian agro companies, due to a reaction from traders on Russia's exit from the grain agreement. This agreement had allowed for the safe export of grains from Ukrainian ports. Quotes for poultry producer and exporter MHP (MHPC) dropped by 4.0% to USD 3.60 per share. Sugar maker Astarta (AST) declined by 5.7%, and Agroton (AGT) suffered losses of 4.5%.

The situation looked even bleaker for Kernel (KER), which plummeted by 6.3% to PLN 12.78. The company reported significant damage to its assets at the port of Chornomorsk due to a massive missile attack carried out by Russia. Kernel is currently assessing the extent of the damages, but preliminary data suggest that it will take at least a year to rebuild the destruction. In addition to the infrastructure damage, the attack in the night of July 19th resulted in the partial destruction and damage of 60,000 tonnes of grain stored at the port of Chornomorsk.

Over the past 12 months (from July 2022 to June 2023), Kernel exported 3.8mn tonnes of grain, which is half of what was exported during the period from July 2021 to June 2022.

In the macroeconomic headlines, the government's report revealed that during the first half of this year, a staggering UAH 672bn was allocated for military needs, while tax revenues to the budget amounted to UAH 600bn. These figures once again underscore the exorbitant cost Ukraine is compelled to bear in countering Russian aggression. International partners of Ukraine have already provided direct budgetary support amounting to USD 23.6bn (UAH 863bn) this year.

The hryvnia cash exchange rate remains relatively stable, within the range of bid/ask of 36.55/37.15 UAH/USD. Over the course of the week, the National Bank sold USD 590mn from the FX reserves on the interbank market to balance the demand for foreign currency.

Highlights

POLITICS AND ECONOMICS

- > Russia Quits Black Sea Grain Initiative to Hurt the World

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	1607	2.3%	2.6%
RTS	1019	0.5%	5.0%
WIG20	2155	1.3%	20.1%
MSCI EM	1028	0.0%	7.4%
S&P 500	4536	0.7%	18.1%

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	73.6%	-2.9 p.p.	-8.1 p.p.
Ukraine-2034	33.5%	1.1 p.p.	-11.9 p.p.

CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	37.15	-0.1%	-8.5%
EUR/UAH	41.55	0.1%	-2.2%

Source: Eavex Capital

russia Quits Black Sea Grain Initiative to Hurt the World

by Dmitry Churin
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NEWS

russia declared the cessation of its participation in the grain agreement, which allowed the export of Ukrainian grain from Black Sea ports. The grain corridor ceased functioning on July 18. Essentially, moscow has been slowly killing the grain deal, prolonging its existence from one extension to another. No formal documents were signed between Ukraine and russia; both countries inked deals with Turkey and the United Nations instead. As a consequence of the halt in maritime grain exports from Ukraine, wheat prices on global exchanges reacted with an approximate 3% increase.

According to UN data, the grain agreement enabled Ukraine to export 32.9mn tonnes of agricultural products, including 17mn tonnes of corn, 9mn tonnes of wheat, as well as nearly 2mn tonnes of sunflower meal and sunflower oil.

In May, russia released demands for the extension of the grain agreement, threatening to withdraw from it if these demands were not met:

- Reintegrate russia Agro bank into SWIFT.
- Unblock access to ports in Western countries (that imposed sanctions) and provide insurance for russian vessels.
- Restore ammonia pipeline shipments from Tolyatti to Odessa through Ukrainian territory.
- Unfreeze assets of russian companies involved in agricultural production and fertilizers.
- Resume shipments of spare parts for agricultural machinery.

COMMENTARY

In Europe, russia's "cynical move" to halt the grain agreement has been condemned. The EU will continue to facilitate the supply of Ukrainian grain to global markets. Ukraine can transport grain by rail, trucks, and through Danube river ports, amounting to a total capacity of up to 5mn tonnes per month. However, these methods cannot match the same efficiency as the Black Sea grain corridor, which saw an average monthly export of 4 mn tonnes during autumn.

Soon, Ukraine may face the challenge of exporting tens of millions of tons of new harvest grain. The problem is further complicated by export restrictions on Ukrainian grain imposed by Poland, Hungary, Slovakia, Romania, and Bulgaria following protests from local farmers. These restrictions are set to remain in place until at least September.

The United States Agency for International Development (USAID) has announced that Ukraine will receive an additional USD 250mn in aid to support farmers affected by the grain export blockade.

According to information from players in the agricultural market, Ukraine currently has approximately 9mn tonnes of temporary grain stocks, and there are sufficient storage capacities even with the beginning of the new harvest. In total, Ukraine has elevators with a storage capacity of 44mn tonnes of grain.

From January to May, Ukraine exported food products totaling USD 10.2bn, accounting for 65% of the country's total merchandise exports during that period.

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	1607	2.3%	2.6%								
Iron Ore Mining												
Ferrexpo	FXPO	95.0	5.3%	-39.6%	733	627	25.5%	3.3	4.3	0.8	1.0	0.6
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	14.0	0.0%	27.3%	43	3	5.0%	neg	8.3	neg	0.3	0.0
Specialized Machinery												
Turboatom	TATM	3.6	23.4%	34.8%	41	39	3.8%	>50x	12.6	4.0	2.6	1.2
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	12.5	0.0%	-19.9%	51	-26	21.6%	0.9	1.3	--	--	--
Power Utilities												
Centrenergo	CEEN	5.26	0.6%	31.3%	52	52	21.7%	neg	19.1	neg	4.8	0.1
Donbasenergo	DOEN	14.39	69.5%	9.4%	9	9	0.0%	neg	neg	neg	neg	0.1
Agro sector												
MHP	MHPC	3.60	-4.0%	-4.0%	385	1568	33.7%	neg	2.8	4.1	3.8	0.6
Kernel (FY21, FY22, FY23E)	KER	12.78	-6.3%	-27.1%	247	1295	61.8%	neg	0.5	5.9	1.8	0.4
Astarta	AST	35.35	-5.7%	73.3%	215	367	37.0%	3.1	2.5	2.3	1.8	0.6
Agroton	AGT	3.18	-4.5%	-7.6%	17	-2	25.0%	neg	neg	--	--	--
Banks												
											Price/Book	Price/Assets
Raiffeisen Bank Aval	BAVL	0.300	1.7%	0.0%	497		1.8%	11.5	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	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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