

## Stock Market Update

### Equity

In the world of Ukrainian business, for the second consecutive month, a cautious evaluation of current performance and near-term growth prospects prevails. This is evidenced by the latest survey data on business activity expectations. Among specific sectors, there is a degree of optimism in trade and construction, while industrial and service sector enterprises express expectations below the neutral level. Thus, a slow economic recovery is observed due to the continued negative impact of Russian aggression.

Turning to the stock market, major Ukrainian stocks trading on foreign exchanges displayed mixed dynamics last week. Ferrexpo's market capitalization increased by 1.6% to reach USD 580mn, corresponding to a share price of GBP 78. Earlier this year, Ferrexpo's stock price was at the level of GBP 175.

As for MHP (MHPC) the indicative price decreased by 3.5% to USD 3.62 despite the company said it increased its presence in the Middle East market by establishing the joint venture with Saudi Arabian Tanmiah Food Company.

On the Warsaw Stock Exchange, the decline in Kernel's shares continues, directly linked to the unfriendly actions of the company's main shareholder towards minority stakeholders. An additional share issuance by Kernel at an artificially low price equivalent to PLN 1.15 led to the dilution of minority shareholders from 20% to approximately 6%. The price of Kernel's shares on the exchange dropped from PLN 11 to PLN 7.5 (-32%) in a week, with a 58% loss in value since the beginning of the year.

Regarding stocks listed on the Ukrainian Exchange, there were no significant changes. Indicative quotes for CentrEnergo (CEEN) stand at UAH 5.50H. The last deal for Raiffeisen Bank (BAVL) shares was at 27 kopecks.

## Highlights

### POLITICS AND ECONOMICS

- Ukraine Dissatisfied with G20 Statement after New Delhi Summit
- Ukraine's Headline Inflation Slows to 8.6% in August from Peak of 26.6% Seen in December

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	1736	10.6%	10.9%
RTS	1012	-4.1%	4.3%
WIG20	1934	-5.7%	7.8%
MSCI EM	974	0.3%	1.8%
S&P 500	4457	-1.3%	16.1%

### FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	22.0%	0.0 p.p.	-3.0 p.p.
UAH 1-year war bond	17.8%	0.0 p.p.	+1.8 p.p.
Ukraine-2026	73.5%	-2.1 p.p.	-8.2 p.p.
Ukraine-2034	33.5%	-0.1 p.p.	-11.9 p.p.

### CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	37.90	0.0%	-6.7%
EUR/UAH	41.00	-1.2%	-3.5%

Source: Eavex Capital

## Ukraine Dissatisfied with G20 Statement after New Delhi Summit

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### NEWS

Ukraine's Foreign Ministry reacted angrily to a consensus statement from the Group of 20 nations' summit held in India on Saturday (Sept 8) which stopped short of condemning Russia's war against Ukraine. The statement read, "On the war in Ukraine, all nations must refrain from threat or use of force to seek territorial acquisition against the territorial integrity and sovereignty or political independence of any state... there were different views and assessments [among the G20] of the situation." Foreign Ministry spokesman Oleg Nikolenko wrote on social media that "in terms of Russia's aggression against Ukraine, the G20 has nothing to be proud of." In other developments, President Zelenskiy reiterated his opposition to holding peace negotiations with Russia in two separate interviews with Western media late last week, while top US general Mark Milley stated that Ukraine "has about 30 to 45 days left" before weather begins to interfere with the ongoing counteroffensive to retake Russian-held territory in Zaporizhia province in the south of the country.

### COMMENTARY

The relatively soft-on-Russia tone of the G20 statement reflected the Biden administration's and the EU's unwillingness to push too hard on the countries of the "global South", some of which have offered only lukewarm support to Ukraine since the Russian invasion began 18 months ago. These nations, led by summit host India, maintain lucrative economic ties with Russia and are disinclined to put their relationship with Moscow at risk by siding openly with Ukraine in diplomatic matters. In general, as it becomes increasingly clear that Ukraine's counteroffensive will not succeed in reaching the Azov coastline before the end of the fighting season, Zelenskiy and his government are refocusing on a longer-term view of the war. There are expectations that Ukraine may receive US-made F-16 fighter jets by the end of the 2023-24 winter, and also some hints that the Biden administration could provide medium-range missiles known as ATACMs, which Kyiv has long sought. This strongly implies that the US expects Zelenskiy to continue Ukraine's efforts to recapture territory well into 2024. However, the level of financing that Kyiv will receive from the West next year is a major question mark, with unidentified US officials already having predicted that this year's aid outlay of some USD 70bn in American assistance is unlikely to be repeated.

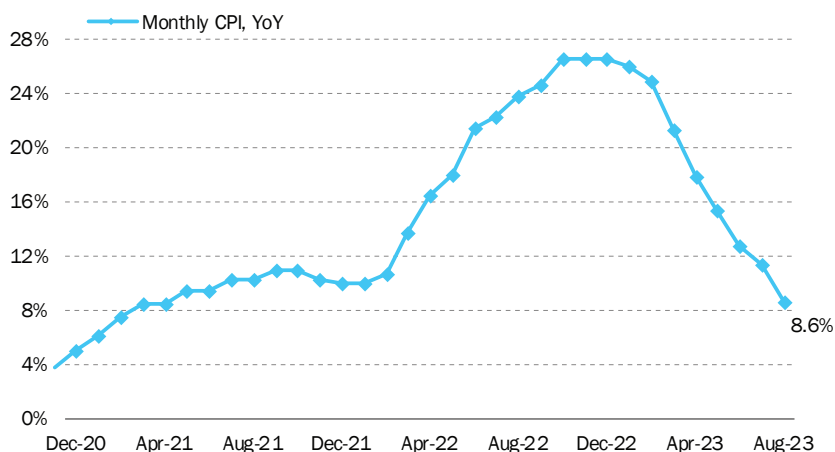
**Ukraine's Headline Inflation Slows to 8.6% in August from Peak of 26.6% Seen in December**

by Dmitry Churin  
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**NEWS**

Rolling 12-month consumer inflation in Ukraine slowed to 8.6% in August from the peak of 26.6% seen in December, according to official data from UkrStat published last week. On a month-on-month basis, UkrStat registered a deflation of 1.4% in August on the back of a 3.9% decline in food prices, which was a seasonal pattern as vegetables dropped in price by 37% MoM and fruit prices fell by 4.2% MoM. Meanwhile, the petroleum prices grew by 7.4% MoM amid rising global oil prices. The benchmark Brent crude surged from the level of USD 73 in late July to the current level of USD 90 per barrel.

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



Source: State Statistics Committee

**COMMENTARY**

Although low inflation or deflation is a seasonal pattern for August, the actual deflation figure for the month exceeded expectations. We assumed that higher petroleum prices would have translated into higher prices for most consumer categories. So far this assumption has not been realized, but for September and October, the pace of inflation could accelerate, in our view.

The headline inflation of 8.6% in Ukraine looks much better than the earlier forecast of inflation at 14%. However, it is still not clear whether the inflation number can finish in the single digits this year as the start of the heating season could bring an additional boost for consumer prices across the board to reflect the energy costs for business. Currently, the consensus forecast for 12-month inflation in Ukraine is 12.5%.

In other macroeconomic data, there was a report that the Ukrainian grain harvest has already reached 29mn tonnes this year. The country was forced to reduce its sown area by 20% this year due to the war. However, this negative factor was partly compensated by a higher grain yield this year. The grain exports bring almost USD 2.0bn for Ukraine every month. An average wheat yield stands at 4.7 tonnes per hectare. The overall grain and oil seed harvest in Ukraine could top 80mn tonnes in 2023, including 28mn tonnes of corn, 22mn tonnes of wheat, and 14mn tonnes of sunflower seeds.

Agro export from Ukraine in the 2023/24 season is forecasted at 49mn tonnes compared to 58mn tonnes in the 2022/23 season.

**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	1736	10.6%	10.9%								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	77.7	1.6%	-50.6%	581	450	25.5%	2.6	7.3	0.6	3.2	0.6
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	14.1	0.0%	27.8%	42	2	5.0%	neg	8.2	neg	0.2	0.0
<b>Specialized Machinery</b>												
Turboatom	TATM	4.4	5.8%	62.2%	49	46	3.8%	>50x	14.8	4.7	3.0	1.4
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
<b>Oil &amp; Gas</b>												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	12.5	0.0%	-19.9%	50	-27	21.6%	0.9	1.2	--	--	--
<b>Power Utilities</b>												
Centrenergo	CEEN	5.55	13.5%	38.5%	54	54	21.7%	neg	19.7	neg	4.9	0.1
Donbasenergo	DOEN	25.14	-3.9%	91.2%	16	16	0.0%	neg	neg	neg	neg	0.1
<b>Agro sector</b>												
MHP	MHPC	3.62	-3.5%	-3.5%	387	1570	33.7%	neg	2.8	4.1	3.8	0.6
Kernel (FY21, FY22, FY23E)	KER	7.46	-32.3%	-57.5%	509	1557	61.8%	neg	1.1	7.1	2.2	0.4
Astarta	AST	31.55	-5.7%	54.7%	179	331	37.0%	2.6	2.1	2.0	1.7	0.5
Agroton	AGT	2.75	-1.1%	-20.1%	14	-6	25.0%	neg	neg	--	--	--
<b>Banks</b>												
											<b>Price/Book</b>	<b>Price/Assets</b>
Raiffeisen Bank Aval	BAVL	0.272	-6.1%	-9.3%	440		1.8%	10.2	3.1	0.9	0.7	0.10

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	750	1439	765	140	57.1%	61.3%	18.7%	871	220	80	34.6%	17.6%	10.7%
<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	4211	571	466	591	348	314	389	179	43	142	31.3%	9.2%	24.1%

Source: Eavex Research

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