

Stock Market Update

Equity

Ukrainian issuers' stocks exhibited mixed dynamics throughout the week, showing low correlation with global stock markets, which saw a significant drop in equity indices. Specifically, the S&P 500 index lost 2.9% for the week, while the MSCI index for emerging markets fell by 2.1%. The decision by the US Federal Reserve to leave the key interest rate unchanged at 5.5% was widely anticipated, but the regulator's comments regarding the possibility of further rate hikes to combat inflation raised concerns among most traders. The consensus among economists suggests a 50% probability of a 25-basis-point increase in the US key rate by the end of this year. Meanwhile, the yield on 10-year US Treasury bonds in the secondary market rose to 4.46% in response to the prospect of a higher key interest rate. 2-year US bonds were trading at a yield of 5.12%.

Ukraine's Eurobonds remained largely stable in price throughout the week, with the 10-year bond quotes hovering around 28 cents on the dollar, translating to a yield to maturity of 32%.

On the Ukrainian Exchange there was a sharp increase in indicative quotes for CentrEnergy (CEEN) soaring by 73% to UAH 9.60 per share. However, only one low-volume trade took place at this price. Raiffeisen Bank (BAVL) saw a 2.9% increase in quotes to 28 kopecks.

Among Ukrainian companies trading on foreign exchanges, there was continued turbulence in Ferrexpo (FXPO), which lost an additional 6.7%, trading at GBP 78 per share. The National Police reported illegal use of subsoil resources at one of Ferrexpo's mining plants, which was decidedly negative news for the company's shares.

Meanwhile, Kernel (KER) experienced a speculative rebound in its quotes, rising by 8.7% to PLN 6.90, while MHP (MHPC) shares saw a 0.3% decline to USD 3.48 ahead of the release of the company's financial results for the second quarter, scheduled for today.

Highlights

POLITICS AND ECONOMICS

- > Zelenskiy Expects Investment Flow on Back of Western Security Guarantees

STOCKS IN THE NEWS

- > Metinvest Posts EBITDA of USD 487mn in 1H2023 (-69% YoY)

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	2080	16.1%	32.8%
RTS	1000	-2.8%	3.0%
WIG20	1949	-1.3%	8.6%
MSCI EM	964	-2.1%	0.7%
S&P 500	4320	-2.9%	12.5%

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	20.0%	0.0 p.p.	-5.0 p.p.
UAH 1-year bond	17.8%	0.0 p.p.	-0.7 p.p.
Ukraine-2026s	70.8%	-0.2 p.p.	-10.9 p.p.
Ukraine-2034s	32.4%	2.1 p.p.	-13.0 p.p.

CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	38.15	0.1%	-6.0%
EUR/UAH	41.10	0.0%	-3.3%

Source: Eavex Capital

Zelenskiy Expects Investment Flow on Back of Western Security Guarantees

by Will Ritter
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NEWS

Following a trip to the US last week that took him to the United Nations General Assembly in New York and the White House in Washington, President Zelenskiy said on social media that he expects Ukraine to receive “large-scale investments” immediately after the end of war and the receipt by Ukraine of Western security guarantees. One of the business figures with whom Zelenskiy met last week was Michael Bloomberg, US government-affiliated outlet RFE/RL reported. At the meeting with President Biden, the US leader re-stated his firm commitment to supporting Ukraine against Russian aggression and preventing an outcome that could be seen as a victory for the Putin regime. In military news, Ukraine reported the recapture of two villages near Bakhmut in Donetsk province last week, and the country’s military intelligence announced that a missile strike was conducted against the general staff of Russia’s Black Sea Fleet in Sevastopol on Thursday (Sept 21). However, by most accounts, progress in the main counteroffensive against the Russian occupation in the southern province of Zaporizhia continued to be quite slow, with the New York Times reporting ongoing tension between Washington and Kyiv over the prioritization of resources between the eastern and southern fronts.

COMMENTARY

It appears that the Biden administration was content to allow Zelenskiy to set the agenda during the Washington visit, which nonetheless did not attract the same level of media focus that Zelenskiy’s previous trip to the US generated last December. In our opinion, Zelenskiy used this trip to rally support among Ukraine’s existing allies in the US government, rather than trying to win over skeptics. What is not clear to us is whether the current US tolerance for Ukraine’s lack of progress in the southern counteroffensive will last through the winter, or whether the Biden administration’s position might change in November when weather conditions essentially make recapturing territory impossible. In our view, Zelenskiy has only one path to the realization of his key stated goal of restoring Ukraine’s 1991 borders, and that is the removal of the Putin regime from power in the Kremlin. If Putin is not ousted in the near term, we see the most likely scenario as a military stalemate through the winter, followed by fresh attempts by Ukraine to retake ground in the spring & summer of 2024 with the help of Western F-16 fighter jets and possibly some of the longer-range missiles which Ukraine has thus far received in only limited quantities.

Metinvest Manages to Post EBITDA of USD 487mn in 1H2023 (-69% YoY)

 by Dmitry Churin
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NEWS

Metinvest, Ukraine's largest metals & mining group, reported that its EBITDA dropped by 69% YoY to USD 487mn in 1H2023 as sales decreased by 33% YoY to USD 3.55bn in the period. The company posted a net profit of USD 47mn in 1H2023 compared to a net loss of USD 1.7bn in 1H2022 which was a result of damages caused by the first months of the war. For a clearer comparison, Metinvest had an outstanding net profit of USD 2.77bn in the pre-war 1H2021.

The company said its net debt to EBITDA ratio worsened to 1.9x as of June from 0.9x at the start of the year. Metinvest's net debt amounted to USD 1.56bn as of June 30. The company's export sales accounted for 67% of revenues in the reported period.

METINVEST FINANCIAL RESULTS

USD mn	1H2022	1H2023	YoY
Revenue	5,272	3,554	-33%
EBITDA adj*	1,558	487	-69%
<i>margin</i>	30%	14%	-16 p.p.
Net profit (loss)	-1,698	47	-/+
<i>net margin</i>	-32%	1.3%	+33 p.p.

	31 Dec 2022	30 Jun 2023	YtD
Total debt	2,077	1,910	-8%
Cash and equivalents	349	352	+1%
Net debt	1,728	1,558	-10%

*EBITDA adj figure does not include foreign exchange gains and losses and some other non-core expenses.

Source: Company Data

COMMENTARY

The overall consequence of the Russian invasion for the Ukrainian steel sector could be illustrated by the fact that the country's crude steel production used to be at 5.1mn tonnes in a quarter while the war cut this figure to 1.6mn tonnes. For Metinvest the metallurgical segment accounted for 68% and the mining segment accounted for 32% of total revenues in 1H2023. Meanwhile, on the EBITDA level, the metallurgical segment contributed 32% and the mining segment contributed 68% of the profit. Metinvest's EBITDA margin squeezed from 30% in 1H2022 to 14% in 1H2023 mainly due to lower average sales prices and decreased sales volumes in the reported period. The European market remained the core market for Metinvest with sales to Europe at USD 2.0bn accounting for 55% of the total revenues in 1H2023. Although Metinvest's sales in Ukraine decreased by 13% YoY to USD 1.2bn, the country's share in consolidated revenues grew by 8 p.p. to 33%. Sales to Asia fell by 63% YoY, mainly amid lower shipments of iron ore concentrate (down 98%) as a result of logistics constraints from Ukraine. Asia's share in overall revenues decreased by 3 p.p. to 3%.

The company said that it continued to serve its debt obligations properly, redeeming the principal amount of its Eurobonds due in April.

Metinvest-26s Eurobonds are traded at 67 cents on the dollar, implying a hefty yield to maturity of 29%.

Metinvest-29s have indicative quotes at 49 cents of the dollar (26% YTM).

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	2080	16.1%	32.8%								
Iron Ore Mining												
Ferrexpo	FXPO	78.1	-6.7%	-50.3%	570	439	25.5%	2.6	7.1	0.6	3.1	0.6
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	14.9	5.8%	35.3%	45	4	5.0%	neg	8.6	neg	0.4	0.0
Specialized Machinery												
Turboatom	TATM	6.7	32.9%	147.0%	74	71	3.8%	>50x	22.5	7.3	4.7	2.2
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	12.5	0.0%	-19.9%	49	-29	21.6%	0.9	1.2	--	--	--
Power Utilities												
Centrenergo	CEEN	9.60	73.0%	139.6%	93	93	21.7%	neg	34.0	neg	8.5	0.1
Donbasenergo	DOEN	40.00	0.0%	204.2%	25	25	0.0%	neg	neg	neg	neg	0.1
Agro sector												
MHP	MHPC	3.48	-0.3%	-7.2%	372	1555	33.7%	neg	2.7	4.1	3.8	0.6
Kernel (FY21, FY22, FY23E)	KER	6.89	8.7%	-60.7%	468	1516	61.8%	neg	1.0	6.9	2.1	0.4
Astarta	AST	31.50	-0.9%	54.4%	178	330	37.0%	2.6	2.1	2.0	1.7	0.5
Agroton	AGT	2.91	4.3%	-15.4%	15	-5	25.0%	neg	neg	--	--	--
Banks												
											Price/Book	Price/Assets
Raiffeisen Bank Aval	BAVL	0.280	2.9%	-6.7%	451		1.8%	10.5	3.2	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
Iron Ore Mining																
Ferrexpo	FXPO	2518	1248	750	1439	765	140	57.1%	61.3%	18.7%	871	220	80	34.6%	17.6%	10.7%
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	4211	571	466	591	348	314	389	179	43	142	31.3%	9.2%	24.1%

Source: Eavex Research

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