

## Stock Market Update

### Equity

Quotes of major Ukrainian issuers remained largely unchanged. The indicative price for CentEnergy (CEEN) stood at UAH 9.60, while for Raiffeisen Bank (BAVL), it was 26 kopecks per share. Recently, the bank reported that its net profit reached UAH 5.2bn in 8M2023, which implies earnings per share of 8.46 kopecks. This means, that the forward-looking P/E for the BAVL stock is estimated at just 2.1x. However, we assume that Raiffeisen Bank's net interest margin will decrease next year as interest rates are declining in Ukraine.

Ferrexpo (FXPO) failed to gain momentum after the company announced a 15% increase in production of iron ore pellets in the third quarter compared to the second quarter. On the London Stock Exchange, Ferrexpo is trading at GBp 76 per share, valuing the company at approximately USD 560mn.

Meanwhile, on the Warsaw Stock Exchange, Kernel (KER) experienced a 1.9% decline, dropping to PLN 6.85, as the delisting process for the KER stock may conclude by the end of the month. A group of minority shareholders opposing the delisting and demanding a fair buyout price has announced their intention to file lawsuits against Kernel in the European Union. The estimated legal expenses for these lawsuits will amount to EUR 30,000. The minority shareholders will also seek to annul the additional issuance of Kernel shares, which was conducted at a low price and diluted the stake of minority shareholders.

Other Ukrainian agro companies listed in Warsaw were mixed. Sugar maker Astarta (AST) traded flat at PLN 30.30 per share while Agroton (AGT) slipped by 5.3% to PLN 2.69. On the upside, shell egg producer Ovostar (OVO) gained by 5.3% to PLN 65.00 on a thin deal volume.

## Highlights

### POLITICS AND ECONOMICS

- > Biden Considering Massive USD 100bn Ukraine Aid Package for 2024
- > Ukraine Moves Away From the Fixed Hryvnia Exchange Rate

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	2046	-4.6%	30.7%
RTS	987	-2.0%	1.7%
WIG20	1870	-2.3%	4.2%
MSCI EM	937	-1.7%	-2.1%
S&P 500	4308	0.5%	12.2%

### FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	20.0%	0.0 p.p.	-5.0 p.p.
UAH 1-year bond	17.6%	-0.2 p.p.	-1.0 p.p.
Ukraine-2026s	84.1%	9.1 p.p.	2.4 p.p.
Ukraine-2034s	37.2%	3.5 p.p.	-8.2 p.p.

### CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	38.25	0.7%	-5.8%
EUR/UAH	40.70	0.0%	-4.2%

Source: Eavex Capital

## Biden Considering Massive USD 100bn Ukraine Aid Package for 2024

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### NEWS

British news outlet The Telegraph reported on Saturday (Oct 7) that the administration of US President Biden is considering a massive one-time aid package to Ukraine of as much as USD 100bn for 2024, as a way to avoid repeated domestic criticism of the aid by opposition Republicans. The Telegraph cited an un-named “source familiar with the discussions” for the information, which was not immediately corroborated by national US media. The Telegraph’s source said that Biden would have to acquiesce to certain Republican domestic priorities in order to receive a vote on the Ukraine package in the House of Representatives, which is controlled by Republicans. Meanwhile, US media is reporting that Biden is expected to take on Republican skeptics by delivering a major speech in the next two weeks outlying the justifications for continuing to fund Ukraine. The speech is expected to be scheduled after House Republicans choose a new speaker to replace Kevin McCarthy, who was fired last week.

### COMMENTARY

In our view, the recent media narrative that US aid to Ukraine is in danger of being cut off due to Republican opposition is being heavily overdone. Around half of congressional Republicans strongly support the concept of aiding Ukraine’s defense against Russia (with many actually faulting Biden for not providing even more assistance). Given that almost the entire Democratic caucus supports the aid, this gives Ukraine an approximate three-fourths majority in the legislature to go along with the firm backing of the presidential administration. In our opinion, as long as Biden is in the White House (his term runs for 15 more months), Ukraine will continue to receive generous US funding, regardless of whether the money comes in a single large package or in piecemeal smaller ones, as has been the case this year. We also doubt claims in the pro-Russian information space that the new full-scale war between Israel and Hamas will push Ukraine off the US agenda; over the past two years, the Putin regime has repeatedly demonstrated wishful thinking about the supposed lack of US resolve to defend Ukraine. In our view, the attention placed on Republican opposition to the aid is obscuring the more important questions about the course of the war over the next 6 to 8 months, in the context of the apparent failure of Ukraine’s 2023 counteroffensive to recapture significant occupied territory. Russia’s economy has suffered much less than expected from Western sanctions, and the Putin regime apparently believes that its army is capable of new offensive operations to capture additional territory in Eastern Ukraine by the late winter or spring. It is actually the potential loss of more territory, rather than inability to retake areas that are already occupied, which represents the main threat to Ukraine’s political & investment climate in 2024, we think.

## Ukraine Moves Away From the Fixed Hryvnia Exchange Rate

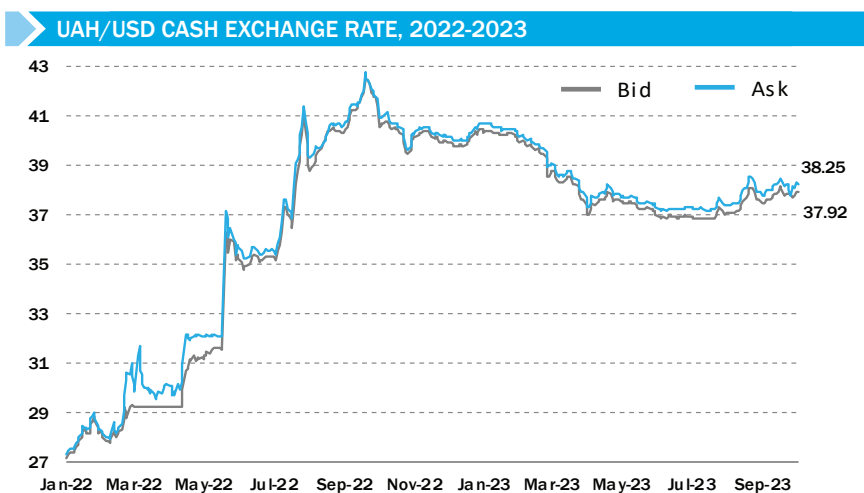
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### NEWS

Last week, the National Bank of Ukraine (NBU) transitioned to a new mechanism for setting the exchange rate of the hryvnia against the dollar, abandoning the fixed rate of 36.57 UAH/USD that had been in place since July 2022.

The NBU chose an opportune moment to shift towards a more flexible exchange rate for the national currency. Firstly, the regulator had prepared the financial market for this step by gradually removing some of the administrative restrictions on the foreign exchange market. Secondly, the NBU conducted additional oversight of the cash currency circulation sector to reduce the risks associated with purely speculative operations by prominent players in this market.

The official exchange rate of the dollar against the hryvnia increased by only 5 kopecks to 36.62 UAH/USD within the week. The cash market also maintains relative stability with selling rates at 38.25 UAH/USD.



Source: National Bank of Ukraine

### COMMENTARY

To address some market jitters, the NBU is prepared to increase currency sales. However, regardless of the situation, the regulator has no motivation to maintain the exchange rate at its current level, as a moderate devaluation is expected to have a positive impact on Ukrainian exporters and help curtail excessive imports.

Considering the global backdrop where the US dollar has been strengthening against other major currencies in recent months, we should be prepared to see a higher exchange rate of the dollar against the hryvnia. The baseline scenario suggests the dollar may rise to the 39 UAH/USD mark on the interbank market by the end of this year.

Given the current economic conditions, the NBU maintains strict control over the interbank foreign exchange market. It is likely that the NBU will pursue a policy of gradually reducing the volume of currency sales to find a relatively market-driven exchange rate for the national currency. Last week, the regulator sold USD 1.16bn on the interbank market to balance supply and demand for currency. So far this year, the NBU has already sold USD 20.4bn on the market.

As of the beginning of this month, the NBU's foreign exchange reserves stood at USD 39.7bn. In September, reserves decreased by 1.7% due to NBU interventions in currency sales.

**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	2046	-4.6%	30.7%								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	76.1	-0.1%	-51.6%	555	424	25.5%	2.5	6.9	0.6	3.0	0.6
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	14.9	0.0%	35.3%	45	4	5.0%	neg	8.6	neg	0.4	0.0
<b>Specialized Machinery</b>												
Turboatom	TATM	9.5	0.0%	251.9%	105	102	3.8%	>50x	32.0	10.5	6.8	3.1
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
<b>Oil &amp; Gas</b>												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	12.5	0.0%	-19.9%	49	-29	21.6%	0.9	1.2	--	--	--
<b>Power Utilities</b>												
Centrenergo	CEEN	9.60	0.0%	139.6%	93	93	21.7%	neg	33.9	neg	8.5	0.1
Donbasenergo	DOEN	40.00	0.0%	204.2%	25	25	0.0%	neg	neg	neg	neg	0.1
<b>Agro sector</b>												
MHP	MHPC	3.37	-0.6%	-10.1%	361	1398	33.7%	neg	3.4	3.6	3.4	0.5
Kernel (FY21, FY22, FY23E)	KER	6.85	-1.9%	-60.9%	464	1512	61.8%	neg	1.0	6.9	2.1	0.4
Astarta	AST	30.30	0.0%	48.5%	171	323	37.0%	2.5	2.0	2.0	1.6	0.5
Agroton	AGT	2.69	-5.3%	-21.8%	13	-6	25.0%	neg	neg	--	--	--
<b>Banks</b>												
											<b>Price/Book</b>	<b>Price/Assets</b>
Raiffeisen Bank Aval	BAVL	0.260	-7.1%	-13.3%	418		1.8%	9.7	2.9	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>																
Centrenergy	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	105	16.6%	-8.7%	3.8%
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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