

Stock Market Update

Equity

The National Bank reported that as of the beginning of November, the overall capital adequacy ratio of Ukrainian banks was 25.3%, compared to the minimum acceptable value of 10%, indicating a relatively stable situation in the Ukrainian banking system. Among individual banks, Raiffeisen Bank has a capital adequacy ratio of 27.8%, Credit Agricole Bank 28.7%, and A-Bank 23.8%. A notable underperformance compared to the system average was observed in UkrEximBank, with a capital adequacy ratio dropping to 11.8%. There is a high likelihood that UkrEximBank will require recapitalization from the government. With the nationalization of Sens Bank, state-owned banks now constitute 53% of the banking system's net assets. The National Bank noted that lending to the real sector of the economy is mainly occurring within the 'Accessible Loans 5-7-9%' program, forming over 40% of the gross portfolio of hryvnia corporate loans at the end of the third quarter.

On the Ukrainian Exchange, indicative quotes for Raiffeisen Bank (BAVL) shares increased to the range of 26.0 - 35.0 kopecks (bid/ask) after the bank reported a net profit of UAH 3.0bn (4.9 kopecks per share) for the third quarter. On the downside, CentrEnergO (CEEN) dropped by 7.7% to UAH 6.00 (MCap USD 59mn).

Among Ukrainian agro companies, there was a mixed stock performance, with Kernel (KER) declining by 1.1% to PLN 7.16 (MCap of USD 527mn) while Astarta (AST) rising by 1.4% to PLN 28.95 (MCap of USD 177mn). Shares of poultry producer MHP (MHPC) were flat at USD 3.33 (MCap of USD 356mn).

In the interbank foreign exchange market, the National Bank sold USD 522mn last week, allowing it to maintain the official exchange rate of the hryvnia near the 36 UAH/USD mark. The cash exchange rate for the dollar is 37.6 UAH/USD.

Highlights

STOCKS IN THE NEWS

- Raiffeisen Bank Boosts Net Profit by 2.5x YoY to USD 168mn in 9M2023 Translating Into Profit of 10 kopecks per Share

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	1726	-6.0%	10.2%
RTS	1143	1.9%	17.8%
WIG20	2228	0.0%	24.2%
MSCI EM	988	3.8%	3.2%
S&P 500	4559	1.0%	18.7%

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	16.0%	0.0 p.p.	-9.0 p.p.
UAH 1-year bond	17.3%	0.0 p.p.	-1.2 p.p.
Ukraine-2026s	79.8%	0.9 p.p.	-1.9 p.p.
Ukraine-2034s	36.7%	0.0 p.p.	-8.7 p.p.

CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	37.60	-0.4%	-7.4%
EUR/UAH	40.90	0.0%	-3.8%

Source: Eavex Capital

Raiffeisen Bank Boosts Net Profit by 2.5x YoY to USD 168mn in 9M2023 Translating Into Profit of 10 kopecks per Share

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RAIFFEISEN BANK (BAVL UK)

Price: UAH 0.29 Market Cap: USD 494mn

	P/Assets	P/Book	P/E	Div. Yield
2022	0.12	1.1	11.5	0.0%
2023E	0.12	0.8	3.5	0.0%

NEWS

Raiffeisen Bank, the Ukrainian subsidiary of Vienna-based Raiffeisen International, boosted net profit by 2.5x YoY of UAH 6.14bn (USD 168mn) in 9M2023, implying earnings per share of 10 kopecks for the period. According to the bank's financial report, its gross interest income increased by 44% YoY in 9M2023, and net interest income rose by 41% YoY to UAH 12.35bn.

On the balance sheet side, Raiffeisen Bank's loan portfolio decreased by 13% YTD to UAH 53.5bn (USD 1.5bn), while its total assets grew by 9.5% YTD to UAH 182bn (USD 5.0bn) as the bank's securities portfolio expanded from UAH 25.4bn to UAH 41.8bn in 9M2023. Raiffeisen Bank's securities portfolio mainly consists of the Ukrainian government debt and the US Treasuries.

RAIFFEISEN BANK FINANCIALS

UAH mn	9M2022	9M2023	YoY chg.
Gross interest income	10,208	14,731	+44.3%
Net interest income	8,750	12,350	+41.1%
Net income	2,395	6,136	+156%
	31 Dec 2022	30 Sept 2023	
Loan portfolio	61,686	53,456	-13.3%
Equity	17,055	23,185	+35.9%
Total assets	166,261	182,050	+9.5%

Source: Company data.

COMMENTARY

Raiffeisen Bank managed to increase its net profit by 71% YoY to UAH 3.0bn (USD 82mn) in 3Q2023, almost twice beating our forecast. The bank's EPS for the quarter was a solid 4.9 kopecks, compared to EPS of 1.7 kopecks for 2Q2023. However, we are leaving unchanged our full-year projection for EPS of 8.8 kopecks as the bank is going to pay an extra income tax this year due to a temporary change in the banking tax regulation. Currently, we do not expect any dividend from Raiffeisen Bank, while it could not be ruled out that the bank to return to a practice of a hefty 50% dividend payout when martial law will be terminated in Ukraine.

We continue to view Raiffeisen Bank's business model as quite conservative as the loan portfolio to clients accounted for only 29% of total assets. Moreover, the bank has decreased its loan portfolio since the start of the year concentrating on operations with the government debt and the National Bank's deposit certificates. In a time when there is an almost risk-free opportunity to earn a 17% yield in the government debt and up to 20% yield in the deposit certificates, there is no motivation for the bank to increase lending to corporate or retail clients. Raiffeisen Bank held UAH 37bn in the National Bank's deposit certificates at the end of 3Q2023, which accounted for 21% of the total assets.

Raiffeisen Bank's loan portfolio is dominated by large corporate loans which account for 80% of the gross portfolio. The bank has formed loan loss reserves of UAH 11bn covering almost 17% of the outstanding loans.

Indicative quotes for Raiffeisen Bank on the Ukrainian Exchange stood at 29 kopecks last week (MCap of USD 494mn). In terms of Price-to-Book, the bank is valued at 0.8x and Price-to-Earnings of 3.5x. The BAVL stock has declined by 3.3% this year.

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	1726	-6.0%	10.2%								
Iron Ore Mining												
Ferrexpo	FXPO	80.5	-0.2%	-48.8%	606	475	25.5%	2.8	7.6	0.6	3.4	0.6
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	14.9	0.0%	35.3%	45	5	5.0%	neg	8.7	neg	0.5	0.1
Specialized Machinery												
Turboatom	TATM	6.2	0.0%	130.7%	70	67	3.8%	>50x	21.3	6.9	4.5	2.0
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	12.5	0.0%	-19.9%	50	-27	21.6%	0.9	1.3	--	--	--
Power Utilities												
Centrenergo	CEEN	6.00	-7.7%	49.7%	59	59	21.7%	neg	21.6	neg	5.4	0.1
Donbasenergo	DOEN	13.00	-31.6%	-1.1%	8	8	0.0%	neg	neg	neg	neg	0.1
Agro sector												
MHP	MHPC	3.33	0.0%	-11.2%	356	1457	33.7%	neg	3.4	3.8	3.6	0.5
Kernel (FY21, FY22, FY23E)	KER	7.16	-1.1%	-59.2%	527	1575	61.8%	neg	1.1	7.2	2.2	0.4
Astarta	AST	28.95	1.4%	41.9%	177	329	37.0%	2.6	2.1	2.0	1.7	0.5
Agroton	AGT	2.99	0.7%	-13.1%	16	-3	25.0%	neg	neg	--	--	--
Banks												
											Price/Book	Price/Assets
Raiffeisen Bank Aval	BAVL	0.290	3.6%	-3.3%	474		1.8%	11.0	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
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	1250	1203	211	-72	171	16.0%	-5.7%	14.2%	91	-141	112	6.9%	-11.3%	9.3%
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																
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%
Agro sector																
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
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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