

Stock Market Update

Equity

S&P 500 and Nasdaq closed November with the strongest monthly growth since July 2022. The stock rally was triggered by recently published macroeconomic data, including consumer spending statistics, indicating a decrease in inflation and supporting the notion that the Federal Reserve will conclude its “hawkish” monetary policy cycle and transition to lowering interest rates. The S&P 500 gained 0.8% last week, with a solid year-to-date increase of 19.6%.

On the major commodity markets, trading dynamics were mixed. Brent crude oil contracts fell by 2% to USD 78 per barrel for the week, despite OPEC+ countries planning to reduce production early next year. OPEC+ participants, including Saudi Arabia and Russia, account for over 40% of global oil production (approximately 43mn barrels per day). Meanwhile, gold prices rose by 2.7% for the week, reaching USD 2,062 per ounce.

Among Ukrainian companies traded on foreign exchanges, there was a noticeable decline in quotations. Ferrexpo's (FXPO) market capitalization fell by 7.6% to USD 564mn (-53% since the beginning of the year). Shares of MHP (MHPC) lost 2.7% for the week, closing at USD 3.24 (MCap of USD 347mn).

Kyiv-listed Raiffeisen Bank (BAVL) rose by 3.4% to 30 kopecks (MCap of USD 493mn), while thermal generation company CentrEnergO (CEEN) remained unchanged at UAH 6.00 per share (MCap of USD 59mn).

In the interbank market, the dollar exchange rate rose to 36.48 UAH/USD, while the cash rate, conversely, decreased to 37.45 UAH/USD, indicating a trend towards convergence between non-cash and cash rates to avoid unnecessary imbalances in the financial system.

Highlights

POLITICS AND ECONOMICS

- Ukraine's Domestic Politics Heat Up as Klitschko Criticizes Zelenskiy
- Ukraine Harvests 56mn Tonnes of Grain in 2023 Compared to Record High of 84mn Tonnes Seen in 2021

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	0.0%	10.2%
RTS	1095	-4.2%	12.8%
WIG20	2285	2.6%	27.3%
MSCI EM	982	-0.6%	2.6%
S&P 500	4594	0.8%	19.6%

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	83.1%	3.3 p.p.	1.4 p.p.
Ukraine-2034s	37.9%	1.2 p.p.	-7.5 p.p.

CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	37.45	-0.4%	-7.8%
EUR/UAH	40.65	-0.6%	-4.4%

Source: Eavex Capital

Ukraine's Domestic Politics Heat Up as Klitschko Criticizes Zelenskiy

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NEWS

Kyiv Mayor Vitaliy Klitschko sharply criticized President Zelenskiy in articles which appeared in prominent Western media outlets last week, in some of the most critical comments which Zelenskiy has faced from any domestic political rival since the start of the full-scale war against Russia 21 months ago. Klitschko was quoted by Germany's Der Spiegel as warning about a slide of Ukraine into autocracy, saying that "at some point we will no longer be any different from Russia, where everything depends on the whim of one man", in an article published on Friday (Dec 1). Klitschko also said that he and Zelenskiy have not met or spoken since the start of the war in February 2022, despite having offices which are only 800m apart in central Kyiv. Meanwhile, in a separate article published in Britain's The Telegraph, Klitschko agreed with Gen. Valeriy Zaluzhniy's assessment last month that the war with Russia has reached a stalemate, a view which reportedly angered Zelenskiy, leading to a public rebuke of the general by the presidential administration. "Sometimes people just don't want to hear the truth," the Telegraph article quoted Klitschko as saying. He also said that only the independence of mayors and regional governors is preventing Ukraine from becoming an autocratic state centered around Zelenskiy. "There is currently only one independent institution, but enormous pressure is being exerted on it: local self-government", he said. Former President Petro Poroshenko, another Zelenskiy rival, was also in the news last week, after the Ukrainian Security Service (SBU) blocked him at the border from traveling to Europe; the SBU said that Poroshenko was planning to meet with Hungarian Prime Minister Viktor Orban, who has opposed EU military aid to Ukraine, and that the meeting would be used by Russia for propaganda purposes. Poroshenko, who is a member of Parliament, claimed that the move was made for political reasons and called it "anti-Ukrainian sabotage".

COMMENTARY

For the first time since early 2022, we see some space opening up for domestic opposition to Zelenskiy, who enjoyed near-universal support and positive media coverage both in Ukraine and the West during the first year of the war but has seen his approval numbers decline somewhat in 2H23. Current polls still put Zelenskiy's approval above 60%, although we note that wartime polling is difficult and that the accuracy of such surveys is uncertain. The sniping at Zelenskiy comes against an uncertain backdrop for Ukraine's presidential election due next April; it is generally agreed that the election cannot be feasibly held in wartime, and that Zelenskiy's term in office will somehow be extended beyond the end of his constitutional mandate. If the election were held on time (i.e. 4 months from today), we believe that this would be to Zelenskiy's advantage, given the current extraordinary powers of his government under martial law.

Ukraine Harvests 56mn Tonnes of Grain in 2023 Compared to Record High of 84mn Tonnes Seen in 2021

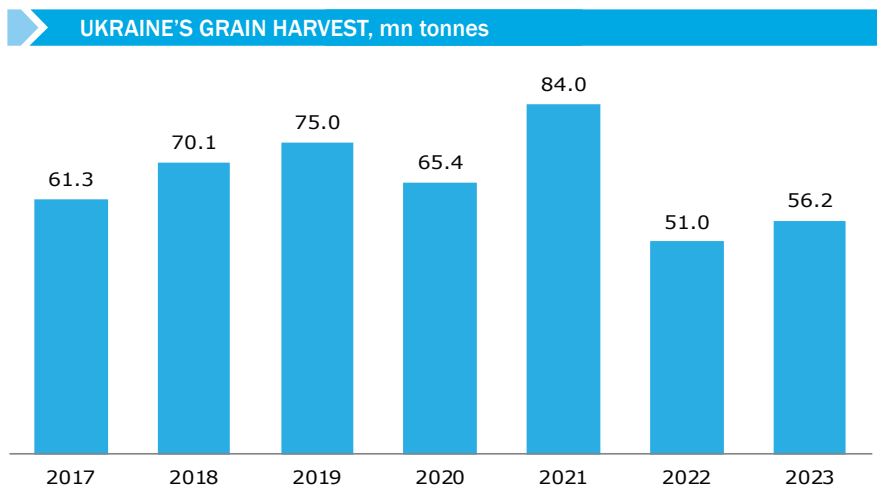
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NEWS

Ukraine has harvested 56mn tonnes of grain in 2023 compared to a record-high grain harvest of 84mn tonnes in 2021. The grain harvest in 2022 was 51mn tonnes.

The Agriculture Ministry reported that this year’s grain harvest included 22.5mn tonnes of wheat, 5.9mn tonnes of barley, 26.1mn tonnes of corn, and smaller volumes of other grains. The average wheat yield was reported at 4.8 tonnes per hectare (ha) and the average corn yield was 7.6 tonnes/ha.

The world’s total wheat harvest in 2023 is forecasted at 785mn tonnes. Therefore, Ukraine accounts for 2.9% of the global wheat output.



Source: The Agriculture Ministry of Ukraine

COMMENTARY

Food and agro-product exports accounted for 62% of Ukraine’s total merchandise exports in 10M2023. In absolute terms, food and agro exports brought in USD 17.7bn to the country in January-October.

Ukraine could export 34.7mn tonnes of grain in 2023-24, including 13mn tonnes of wheat and 19mn tonnes of corn. Since Russia left the Black Sea Grain initiative in July, which had allowed for the safe export of grain from the region, Ukraine has established a “humanitarian corridor.” The grain initiative was established to allow for exports following Russia’s February 2022 invasion of Ukraine. The route runs along Ukraine’s southwest Black Sea coast in Romanian waters and toward Turkey. As of November, Ukraine had exported 4 mn tonnes through the corridor. Therefore, Ukraine continues to be a significant supplier of food commodities for the world. However, the continuing effects of the war, including constrained access to fields and low farm-gate prices, along with less-than-ideal weather conditions, are seen engendering a reduction in the wheat area.

Prices for wheat on the European market fell to a near two-year low pressured by strong competition. Contracts for the benchmark December milling wheat on Paris-based Euronext traded at a level of USD 240 per tonne.

Although prices for soft commodities are currently quite low and export logistics from Ukraine are complicated, the Ukrainian agro sector remains the core driver for the country’s economic recovery with GDP growing by 5.5% YoY in 10M2023.

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	0.0%	10.2%								
Iron Ore Mining												
Ferrexpo	FXPO	74.3	-7.6%	-52.7%	564	433	25.5%	2.6	7.1	0.6	3.1	0.6
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	14.9	0.0%	35.3%	46	5	5.0%	neg	8.8	neg	0.5	0.1
Specialized Machinery												
Turboatom	TATM	6.2	0.0%	130.7%	70	67	3.8%	>50x	21.4	7.0	4.5	2.1
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	12.5	0.0%	-19.9%	51	-27	21.6%	0.9	1.3	--	--	--
Power Utilities												
Centrenergo	CEEN	6.00	0.0%	49.7%	59	59	21.7%	neg	21.6	neg	5.4	0.1
Donbasenergo	DOEN	9.00	-30.8%	-31.6%	6	6	0.0%	neg	neg	neg	neg	0.1
Agro sector												
MHP	MHPC	3.24	-2.7%	-13.6%	347	1448	33.7%	neg	3.3	3.8	3.5	0.5
Kernel (FY21, FY22, FY23E)	KER	7.30	2.0%	-58.4%	540	1588	61.8%	neg	1.1	7.2	2.2	0.4
Astarta	AST	29.05	0.3%	42.4%	179	331	37.0%	2.6	2.1	2.0	1.7	0.5
Agroton	AGT	2.97	-0.7%	-13.7%	16	-3	25.0%	neg	neg	--	--	--
Banks												
Raiffeisen Bank Aval	BAVL	0.300	3.4%	0.0%	493		1.8%	11.5	3.5	1.1	0.8	0.12

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																
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	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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