

## Stock Market Update

### Equity

On December 14, Ukraine secured its third tranche of financing amounting to approximately USD 900mn from the IMF. This brings Ukraine's total funding raised under the IMF program to around USD 4.5bn out of the envisaged USD 15.6bn. In total, international partners have provided USD 38.4bn this year, including nearly USD 18bn from the EU and USD 11bn from the US. Additionally, significant assistance of USD 1.8bn and USD 1.5bn came from Canada and Japan, respectively.

Looking ahead to the period from 2024 to 2027, Ukraine anticipates receiving direct budgetary support from the EU totaling EUR 50bn. The government considers the "principled decision" to create the Ukrainian Fund for this amount have already been achieved. However, EU leaders have scheduled an extraordinary summit in January to address this matter, as Hungarian Prime Minister Viktor Orbán has prevented the adoption of the corresponding EU budget decision this month.

The interbank exchange rate for the dollar increased by 27 kopecks to 37.05 UAH/USD. Meanwhile, the cash rate only rose by 10 kopecks to 37.50 UAH/USD. Considering that the average difference between the purchase and sale price of cash dollars is 50 kopecks, it can be asserted that the current disparity between the non-cash and cash rates is insignificant. Forecasts indicate that the average interbank dollar rate will be in the range of 39 to 40 UAH/USD in 2024.

In the Ukrainian stock market, there was a mixed dynamic. Quotes for MHP (MHPC) continued to decline to a new low since 2009. Over the week, the price of MHP fell by 3.5% to USD 2.99 per share (MCap of USD 320mn). Ferrexpo's (FXPO) shares experienced a 7.3% increase to GBP 76.1 (MCap of USD 578mn). An unexpected 18% upward rebound to PLN 8.51 occurred for Kernel's (KER) shares (MCap of USD 631mn). Most likely, the main shareholder of Kernel started buying shares on the exchange, leading to a sharp increase in quotations. The majority shareholder needs to acquire less than 1% to bring his stake to 95%.

## Highlights

### POLITICS AND ECONOMICS

- > US Wants Ukraine to Focus on Territorial Defense in 2024; Aid Package Expected in January
- > National Bank Lowers Key Rate from 16% to 15% Delivering Fourth Rate Cut in 2023 From the Level of 25%

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	1679	0.0%	7.2%
RTS	1060	0.6%	9.2%
WIG20	2320	0.6%	29.3%
MSCI EM	1001	2.7%	4.6%
S&P 500	4719	2.5%	22.9%

### FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	15.0%	-1.0 p.p.	-10.0 p.p.
UAH 1-year bond	16.9%	0.0 p.p.	-1.6 p.p.
Ukraine-2026s	81.8%	-2.1 p.p.	0.1 p.p.
Ukraine-2034s	36.9%	0.0 p.p.	-8.5 p.p.

### CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	37.50	0.3%	-7.6%
EUR/UAH	41.00	1.0%	-3.5%

Source: Eavex Capital

## US Wants Ukraine to Focus on Territorial Defense in 2024; Aid Package Expected in January

by Will Ritter  
w.ritter@eavex.com.ua

### NEWS

US defense officials believe that Ukraine should focus on a “hold and build” strategy in 2024 that emphasizes maintaining control over government-held territory in the face of new efforts by Russia to expand its occupation of southern & eastern Ukraine, the New York Times reported last week ahead of President Zelenskiy’s visit to Washington. The strategy would also involve ramping up Ukraine’s domestic defense industry to make it more self-sufficient. Zelenskiy, who traveled with his administration chief Andriy Yermak to lobby for immediate approval of US President Biden’s proposed USD 60bn aid package for Ukraine, hit a brick wall during his Tuesday (Dec 12) meetings with members of Congress and was unable to push the package through due to unrelated US domestic political issues. However, news reports coming out of Washington on Sunday (Dec 17) indicated that there is a high chance of a compromise on these issues (which involve US border security & immigration policy) by the time Congress returns to full session on Jan 8. The Ukraine aid package is supported in principle by approximately 3/4 of congressional members, i.e. nearly all Democrats and about half of Republicans. Meanwhile, in Brussels, an EUR 50bn package for Ukraine from the European Union failed to pass after Hungary’s prime minister Victor Orban used his veto to block it; however, Orban abstained on a measure to open talks on Ukraine’s membership in the EU, allowing it to go through.

### COMMENTARY

Although Zelenskiy’s star has faded somewhat in the US in recent months compared to his 2022 status, he still enjoys substantial influence as a recognizable figure, and last week’s visit likely helped to solidify Kyiv’s chances to receive the much-needed aid package as quickly as possible. However, the US focus on defending territory could clash with the Zelenskiy government’s desire to stay on the offensive to recover occupied territories and conduct high-profile strikes on Russian targets in Crimea and elsewhere that generate Western news coverage, the New York Times reported. Tension is also likely to persist over whether or not the full restoration of Ukraine’s 1991 borders should be a precondition for ending the war; at his joint press conference with Zelenskiy following their Tuesday meeting, Biden said that he wants Ukraine to “win” the war, but he notably declined to endorse territorial restoration as a key component of victory. Another complicating factor for 2024 is that the 81-year-old Biden’s own political future looks unclear; with 13 months remaining in his term, he faces mounting questions about his age and substantial challenges in his reelection bid. As predictions made in early 2023 of Russian military weakness and inability to withstand Western economic sanctions have turned out to be inaccurate, we have to state our concern that 2024 may not be the last year of the war, and that investors must take the long view in terms of getting in on the action of rebuilding Ukraine’s economy.

**National Bank Lowers Key Rate from 16% to 15% Delivering Fourth Rate Cut in 2023 From the Level of 25%**

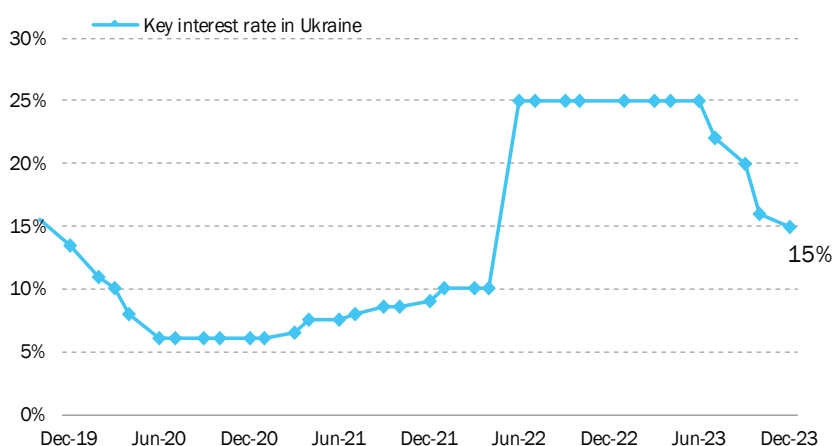
by Dmitry Churin  
d.churin@eavex.com.ua

**NEWS**

The National Bank of Ukraine lowered its key policy rate from 16.0% to 15.0%, according to the regulator’s official statement released on Dec 14. It was the fourth interest rate cut this year from the level of 25%. The National Bank commenting on its decision said that the monetary policy was eased due to slower inflation which ending at 5.1% YoY in November, down from 26% at the start of the year.

The National Bank said that an average retail deposit rate in commercial banks currently stood at 14.7% while the yield for the government bonds were even higher at 16.0% - 19.7% for the debt papers with maturity up to 2027. The regulator set its overnight deposit rate at 15% and the rate for the three-months deposit certificates set at 19%. The refinancing rate was set at 21%.

**NATIONAL BANK KEY POLICY RATE**



Source: National Bank of Ukraine

**COMMENTARY**

The National Bank continued to declare a goal to make the hryvnia an attractive asset to avoid an unnecessary dollarization of the economy. The high interest rates for the National Bank’s certificates of deposits and high yield offered by the government bonds created almost a risk free opportunity for banks to direct retail deposits into these quasi-sovereign financial instruments. This leads to a very restrained lending policy for the real sector, limiting business to attract financial resources at affordable price. However, the government provided subsidies for certain businesses in form of special commercial lending programs at interest rate up to 9%. As a result, almost a half of corporate lending in Ukraine runs through the special government program, as a regular banking programs remain too expensive with the rates topping as much as 32%. A similar situation is observed in mortgages as de-facto only subsidized mortgages for veterans and state employees at 3% are available in the market.

The next National Bank’s monetary policy Board meeting will be held on January 25. We think that the National Bank will hold its key rate at 15% next month.

In the medium term, the regulator targets the inflation rate at 6.0% and the key rate at 11.1%. The National Bank also forecasts GDP growth at 3.6% in 2024 and 6.0% in 2025.

**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	1679	0.0%	7.2%								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	76.1	7.3%	-51.6%	578	447	25.5%	2.6	7.2	0.6	3.2	0.6
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	14.9	0.0%	35.3%	46	5	5.0%	neg	8.8	neg	0.5	0.1
<b>Specialized Machinery</b>												
Turboatom	TATM	6.2	0.0%	130.7%	70	67	3.8%	>50x	21.4	7.0	4.5	2.1
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
<b>Oil &amp; Gas</b>												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	12.5	0.0%	-19.9%	51	-27	21.6%	0.9	1.3	--	--	--
<b>Power Utilities</b>												
Centrenergo	CEEN	4.49	0.0%	12.1%	44	44	21.7%	neg	16.2	neg	4.0	0.1
Donbasenergo	DOEN	8.77	-0.2%	-33.3%	6	6	0.0%	neg	neg	neg	neg	0.1
<b>Agro sector</b>												
MHP	MHPC	2.99	-3.5%	-20.3%	320	1421	33.7%	neg	3.0	3.7	3.5	0.5
Kernel (FY21, FY22, FY23E)	KER	8.51	18.2%	-51.5%	631	1679	61.8%	neg	1.3	7.6	2.3	0.5
Astarta	AST	28.50	-0.9%	39.7%	176	328	37.0%	2.6	2.1	2.0	1.6	0.5
Agroton	AGT	2.80	0.0%	-18.6%	15	-4	25.0%	neg	neg	--	--	--
<b>Banks</b>												
											<b>Price/Book</b>	<b>Price/Assets</b>
Raiffeisen Bank Aval	BAVL	0.300	0.0%	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
<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	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%
<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

**Eavex Capital**

7 Klovsky uzviz, 16th Floor  
Carnegie Center  
Kyiv, 01021, Ukraine

Telephone: +38 044 590 5454

E-mail: [research@eavex.com.ua](mailto:research@eavex.com.ua)

Web-page: [www.eavex.com.ua](http://www.eavex.com.ua)

Yuriy Yakovenko  
**Chairman of the Board**

**SALES & TRADING**

Pavel Korovitskiy  
**Managing Director**  
**Equity and Fixed Income**  
[p.korovitsky@eavex.com.ua](mailto:p.korovitsky@eavex.com.ua)

**RESEARCH**

Dmitry Churin  
**Head of Research**  
[d.churin@eavex.com.ua](mailto:d.churin@eavex.com.ua)

Investing in emerging markets' securities may entail certain risks. There may be limited information available on such securities. Securities of emerging markets' companies may be less liquid and their prices more volatile than securities of comparable developed markets' companies. In addition, exchange rate movements may have an adverse effect on the value of an investment.

This document is based on data we deem to be reliable, though we do not guarantee its accuracy or completeness and make no warranties regarding results from its usage. Forecasts are estimates by specialists working for us, and actual events may turn out to be fundamentally different due to unforeseen circumstances. This document is provided for information purposes only.

Copyright 2023 Eavex Capital. All rights reserved.

Securities and Stock Market State Commission licence, issued 06.10.2015