

Stock Market Update

Equity

In the global financial markets, a period of noticeable optimism among investors persists, primarily driven by expectations of interest rate cuts in 2024. Confirmation of this scenario is evident in the actual decline in the yield of U.S. 10-year bonds from 5% in October to the current level of 3.9%. Meanwhile, the key interest rate of the U.S. Federal Reserve remains in the range of 5.25% to 5.50%. Currently, the market, with a 90% probability, is pricing in the forecast that the Fed will commence a rate-cutting cycle in March.

The S&P 500 index added 0.7% last week and has increased by 24% since the beginning of the year.

An additional boost to stock prices comes from the increased activity in M&A. In the pharmaceutical sector, biopharmaceutical company Bristol Myers Squibb announced the acquisition of Karuna Therapeutics for USD 14bn. Karuna's key asset is KarXT, an experimental drug with a promising innovative action. The drug is currently in the final stages of testing, with plans for its use in the treatment of neurological disorders, including Alzheimer's disease.

For Ukrainian public companies, 2023 has been predominantly negative. The most notable and dramatic story for investors has been the stock price dynamics of agro company Kernel (KER). Since the beginning of the year, the company's stock value has halved from PLN 18.00 to PLN 9.65, as the company's main owner initiated the delisting process from the Warsaw Stock Exchange. Among other major Ukrainian agro companies, there has been mixed performance in stock prices. MHP's (MHPC) securities lost 16% since the beginning of the year, while Astarta's (AST) shares increased by 38%.

Highlights

POLITICS AND ECONOMICS

- › The IMF Predicts Ukraine's GDP Growth at 4.0% YoY in 2024 with Inflation of 9.5% 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

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	1737	3.5%	10.9%
RTS	1057	-0.3%	8.9%
WIG20	2346	1.1%	30.7%
MSCI EM	992	-0.9%	3.7%
S&P 500	4754	0.7%	23.8%

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	15.0%	0.0 p.p.	-10.0 p.p.
UAH 1-year bond	16.8%	-0.1 p.p.	-1.7 p.p.
Ukraine-2026s	87.4%	5.6 p.p.	5.7 p.p.
Ukraine-2034s	38.7%	1.8 p.p.	-6.7 p.p.

CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	37.80	0.8%	-6.9%
EUR/UAH	41.80	2.0%	-1.6%

Source: Eavex Capital

The IMF Predicts Ukraine's GDP Growth at 4.0% YoY in 2024 with Inflation of 9.5% YoY

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NEWS

The IMF forecasted that Ukraine's economy would grow by 4.0% YoY in 2024 and then rise by 6.5% in 2025 with the inflation would be at 9.5% YoY and 6.5% YoY respectively. The IMF did not provide its forecast for the hryvnia exchange rate.

In the summary, the IMF said that russia's war in Ukraine continued to have a devastating economic and humanitarian impact. The frontlines remain stalled as combat continues in eastern and southern Ukraine. Despite the resilience of the Ukrainian people and the authorities' skillful policymaking to maintain macroeconomic and financial stability, continuous external support is critical to help restore medium-term external viability, prepare the country for post-war recovery and reconstruction, and facilitate Ukraine's path to EU accession for which the European Commission has recommended opening accession negotiations.

MACROECONOMIC FORECAST FOR UKRAINE			
	2023	2024	2025
GDP growth, YoY	4.5%	4.0%	6.5%
Consumer inflation, YoY	6.0%	9.5%	6.5%
Balance of payments (percent of GDP)			
Current account balance	-4.6%	-7.1%	-9.0%
Foreign direct investment	1.9%	1.2%	2.5%

Source: IMF.

COMMENTARY

Forecasts for Ukraine's economic recovery improved due to the country's ability to better defend its energy infrastructure from constant russian missile attacks. The countrywide blackouts seen last autumn/winter season have not repeated this time allowing the real sector to improve performance. However, Ukraine is experiencing a lack of foreign direct investments (FDI) as the war risks are still in place. The IMF estimated that Ukraine's FDI would be at just 1.9% of GDP this year, which in the absolute figure is about USD 3.3bn (including USD 2.5bn of reinvestments of existing foreign businesses in the country). So, the FDI flow remains very thin to spur the heavy industries. This backdrop is reflected in worsening current account projections with a current account deficit rising to 7.1% of GDP in 2024 and to 9.0% in 2025. Unfortunately, we see a situation in which Ukraine increases imports of food products despite having a solid own food&beverages sector.

Earlier this year, the World Bank estimated that the cost of Ukraine's reconstruction and recovery stood at USD 411bn over the next 10 years and combines both needs for public and private funds. The highest estimated needs are in transport, housing, energy, explosive hazard management, and agriculture. This analysis is helping the government of Ukraine and donors to identify the priorities for recovery while continuing to support the provision of core services like health, education and social protection.

The IMF estimated that Ukraine's national budget deficit would be USD 42bn in 2024 (20% of GDP), narrowing to USD 24bn (10.2% of GDP) in 2025. The external government financing is expected to be a primary source for covering the budget gap in 2024-2025.

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	1737	3.5%	10.9%								
Iron Ore Mining												
Ferrexpo	FXPO	82.2	8.0%	-47.7%	624	493	25.5%	2.8	7.8	0.6	3.5	0.7
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	6.6	5.9%	144.4%	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%	51	-27	21.6%	0.9	1.3	--	--	--
Power Utilities												
Centrenergo	CEEN	4.49	0.0%	12.1%	44	44	21.7%	neg	16.0	neg	4.0	0.1
Donbasenergo	DOEN	8.24	-6.0%	-37.3%	5	5	0.0%	neg	neg	neg	neg	0.1
Agro sector												
MHP	MHPC	3.14	5.0%	-16.3%	336	1437	33.7%	neg	3.2	3.7	3.5	0.5
Kernel (FY21, FY22, FY23E)	KER	9.65	13.4%	-45.0%	719	1767	61.8%	neg	1.5	8.0	2.5	0.5
Astarta	AST	28.10	-1.4%	37.7%	174	326	37.0%	2.5	2.1	2.0	1.6	0.5
Agroton	AGT	2.54	-9.3%	-26.2%	14	-6	25.0%	neg	neg	--	--	--
Banks												
											Price/Book	Price/Assets
Raiffeisen Bank Aval	BAVL	0.330	10.0%	10.0%	537		1.8%	12.5	3.8	1.2	0.9	0.13

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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