

Stock Market Update

Equity

The global financial markets entered a new period of turbulence following worse-than-expected inflation data in the U.S., casting doubt on the scenario of the Federal Reserve initiating a key interest rate cut in March. Consequently, the world's largest capitalized companies exhibited varied dynamics since the beginning of the year. Apple's stock fell by 3.9%, while Microsoft saw an increase of 3.2%. Companies in the oil and gas sector were predominantly under pressure due to negative factors last week, including a 1.5% decrease in the price of WTI crude oil to USD 73 per barrel.

Among Ukrainian companies traded on foreign exchanges, there was a noticeable change in the valuation of Ferrexpo (FXPO). Ferrexpo's stock slipped by 12% to GBP 72.7 (MCap of USD 552mn). Meanwhile, Astarta (AST) experienced growth of 5.6% to PLN 30.30 (MCap of USD 186mn). There are forecasts that Astarta will demonstrate a decent profit this year, giving the company a valuation of only 2.0x P/E (price/earnings ratio). Poultry producer MHP (MHPC) shed by 0.9% over the week to close at USD 3.30 (MCap of USD 353mn).

On the Ukrainian Exchange, the indicative price of Raiffeisen Bank (BAVL) remains at 32 kopecks per share (MCap of USD 507mn). Power utility company CentrEnergo (CEEN) rose by 4.7% to UAH 4.70 (MCap of USD 45mn).

In the interbank foreign exchange market, the peak exchange rate reached 38.28 UAH/USD last week. However, the hryvnia closed Friday's trading at 37.92. On the cash market, the national currency strengthened by 0.5% to 38.8 UAH/USD.

Highlights

POLITICS AND ECONOMICS

- > US to Press Zelenskiy on War Strategy in Davos; Yermak Says Ukraine Won't Accept Frozen Conflict
- > Inflation in Ukraine Ends at 5.1% YoY in 2023 after 26% YoY in 2022

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

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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	1682	-0.2%	-0.2%
RTS	1136	4.5%	4.9%
WIG20	2248	-1.2%	-4.0%
MSCI EM	996	-0.6%	-2.7%
S&P 500	4783	1.8%	0.3%

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	15.0%	0.0 p.p.	0.0 p.p.
UAH 1-year bond	16.8%	0.0 p.p.	0.0 p.p.
Ukraine-2026s	85.2%	-5.2 p.p.	-2.2 p.p.
Ukraine-2034s	37.2%	-2.4 p.p.	-1.5 p.p.

CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	38.80	-0.5%	2.1%
EUR/UAH	42.80	0.7%	1.9%

Source: Eavex Capital

US to Press Zelenskiy on War Strategy in Davos; Yermak Says Ukraine Won't Accept Frozen Conflict

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NEWS

The Biden administration's top national security official, Jake Sullivan, is expected to press President Zelenskiy on "sharpening Ukraine's plan" for fighting the war against Russia in 2024 at the World Economic Forum in Switzerland, Bloomberg News reported last week, citing unidentified officials close to the US government.

Bloomberg wrote that the US is concerned that a rivalry between Zelenskiy and the Ukrainian military's top general, Valeriy Zaluzhnyi, is hindering strategic war planning. Zelenskiy is due to arrive in Davos on Monday (Jan 15), where he will meet with various diplomats and financial industry figures, including JP Morgan Chase CEO Jamie Dimon, to discuss attracting reconstruction investments to Ukraine. Meanwhile, on Sunday (Jan 14), a meeting on Zelenskiy's "Ukrainian Peace Formula" was held in Davos ahead of the WEF opening, involving delegations from some 80 countries, with Ukraine represented by Zelenskiy administration chief of staff Andriy Yermak and Defense Minister Rustem Umerov. Bloomberg reported that the meeting, which was not attended by Russia or China, adjourned without agreeing on a clear path to move forward, and Yermak said that China's active participation in the peace process is needed. The key point of Zelenskiy's formula is the withdrawal of all Russian forces from Ukrainian territory back to the recognized borders of 1991. After the session, in remarks reported by the Ukrayinska Pravda domestic news outlet, Yermak said that "the President and his team will never agree and will not accept any freezing of the conflict... Ukraine needs a just peace". Yermak claimed that a frozen conflict is "unacceptable for Ukrainian society".

COMMENTARY

It has been clear for some time now that Zelenskiy's government is at odds with the Biden administration over the war strategy for 2024. The US wants Ukraine to shore up its defenses to prevent the loss of any more territory, while Zelenskiy wants to focus on high-profile attacks away from the front lines which he hopes will keep Ukraine in the public eye of the West and increase domestic pressure on the Putin regime inside Russia.

We suspect that "sharpening Ukraine's plan" is US code-phrasing for scaling back Zelenskiy's ambitions for this year, while Yermak's hard-line statement that the current Ukrainian government will "never accept a frozen conflict" appears to be a shot aimed at the Biden administration, and perhaps at Jake Sullivan in particular; a strategy focused on defense for all of 2024 indeed looks like the beginning of a frozen conflict, even if Washington avoids the use of the term.

In our opinion, Ukraine will definitely receive both of the proposed Western aid packages of USD 60bn from the US and EUR 50bn from the European Union in the coming months. However, such a level of support will not be enough for Ukraine to conduct offensive operations to recapture large amounts of occupied territory, in our view, particularly in light of Ukraine's problems with military manpower. This means that uncertainty about the endgame of the war will continue for the foreseeable future, and we do not expect the Biden administration to change its policy of declining to publicly confront Zelenskiy and Yermak over the two sides' divergent war goals. Ultimately, expectations for new strategic developments at Davos are low, and the likely more important part of the WEF for Ukraine will be Zelenskiy's meetings with investors.

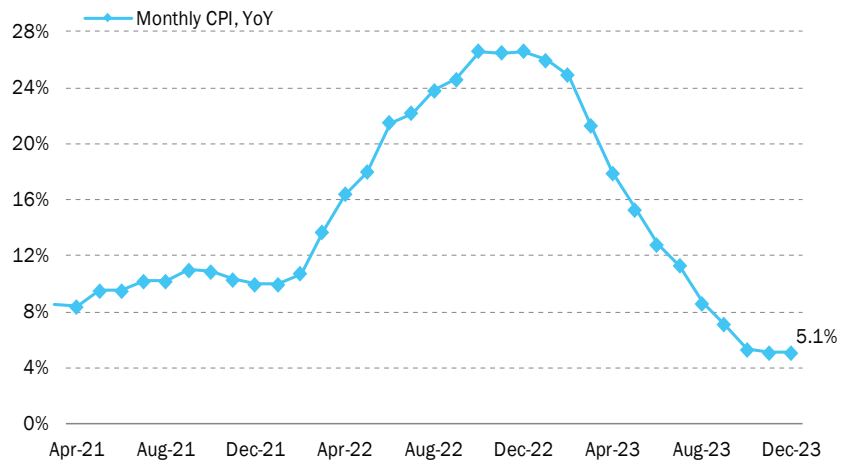
Inflation in Ukraine Ends at 5.1% YoY in 2023 after 26% YoY in 2022

by Dmitry Churin
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NEWS

Rolling 12-month consumer inflation in Ukraine was at a three-year low of 5.1% YoY after being at 26% YoY back in 2022 and at 10% in 2021. On a month-on-month basis, UkrStat registered an inflation of 0.7% in December as food prices grew by a notable 1.9% MoM. On the downside, petroleum prices in Ukraine decreased by 4.0% MoM, bringing a yearly increase to just 2.7%.

UKRAINE'S ROLLING 12-MONTH CPI



Source: State Statistics Committee

COMMENTARY

The slowdown in the pace of inflation in Ukraine came along with global factors of lower commodity prices. In particular, the benchmark Brent crude dropped by 7.5% YoY while wheat prices fell by a whopping 19% YoY in 2023.

For 2024 we project that inflation in Ukraine would be 8.0% as the expected hryvnia devaluation from 36.6 UAH/USD to the level of 40.5 UAH/USD will trigger a price increase in most consumer categories. Currently, the official hryvnia exchange rate hovered at 38 UAH/USD.

The National Bank cut its key interest rate from 25% to 15% in 2023. The consensus forecast indicates that the key rate will be cut further to 11.5% this year. Meanwhile, global monetary trends also support the idea of the cycle of more dovish policy from regulators. The US Fed is expected to start cutting the key rate in March. However, policymakers may not be quite as eager to start cutting interest rates as soon as March after fresh data showed inflation ticked up in December. The US consumer price index rose 0.3% in December after increasing 0.1% in November. From a year earlier, consumer prices rose 3.4%, more than the 3.2% economists polled had expected.

U.S. central bankers want more confirmation that inflation is on a firm path toward their 2% goal before they reduce the policy rate, now in the 5.25%-5.5% range. Meanwhile, the U.S. sovereign yield curve remained inverted as the 2-year Treasuries traded at 4.14% and the 10-year note traded at 3.95%.

The Ukrainian Finance Ministry continued to offer the 1-year UAH-denominated government bond at 16.8% and the 3-year debt at 18.6%. The USD-denominated domestic bond is offered at 4.66%.

QUOTES AND MULTIPLES FOR SELECTED UKRAINIAN LISTED COMPANIES

	Ticker	Today, UAH*	Absolute performance		MCap USD mn	EV USD mn	Free float	P/E		EV/EBITDA		EV/Sales 2024E
			1W	YtD				2023	2024E	2023	2024E	
UX Index	UX	1682	-0.2%	-0.2%								
Iron Ore Mining												
Ferrexpo	FXPO	72.7	-12.3%	-19.5%	552	421	25.5%	6.9	4.6	3.0	2.5	0.5
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	14.9	0.0%	0.0%	44	29	5.0%	14.8	12.3	4.0	3.7	0.5
Oil & Gas												
Enwell Energy (ex-Regal)	ENW	16.6	3.6%	5.6%	68	34	21.6%	2.4	2.0	0.7	0.6	0.4
Power Utilities												
Centrenergo	CEEN	4.70	4.7%	4.7%	45	45	21.7%	neg	16.4	neg	4.1	0.1
Agro sector												
MHP	MHPC	3.30	-0.9%	3.1%	353	1 454	33.7%	3.4	5.0	3.5	3.5	0.6
Kernel (FY21, FY22, FY23E)	KER	9.27	-1.6%	1.3%	683	1 278	5.4%	neg	1.8	2.4	1.9	0.3
Astarta	AST	30.30	5.6%	5.6%	186	344	37.0%	2.2	2.0	1.7	1.6	0.5
Banks												
Raiffeisen Bank Aval	BAVL	0.32	0.0%	0.0%	507		1.8%	3.6	4.9	0.9	0.9	0.12

Source: UX. PFTS. LSE. WSE. Eavex Research
* companies listed abroad are in traded currency

QUOTES AND MULTIPLES FOR SELECTED U.S. COMPANIES

	Ticker	Price USD	Absolute performance		MCap USD mn	EV USD mn	P/E		EV/EBITDA		EV/Sales 2024E	
			1W	YtD			2023	2024E	2023	2024E		
Индекс S&P 500	S&P 500	4783	1.8%	0.3%								
Technology sector												
Apple	AAPL	185	2.2%	-3.9%	2,885,895	2,947,895		30.4	32.8	23.4	25.6	7.9
Microsoft	MSFT	388	5.7%	3.2%	2,882,452	2,920,452		37.0	39.2	25.4	24.7	13.0
Palantir Technologies	PLTR	16.76	4.9%	-2.4%	36,244	33,200		226.5	103.6	123.0	66.4	12.1
Electric Utilities												
American Electric Power	AEP	81.50	-3.1%	0.3%	42,417	84,753		18.9	17.7	11.8	10.6	4.2
Dominion Energy	D	47.33	-3.5%	0.7%	39,606	82,129		24.4	23.3	10.9	10.4	4.5
Oil & Gas												
Exxon Mobil	XOM	99.95	-2.6%	0.0%	402,299	403,609		9.6	8.7	5.0	4.7	1.2
Devon Energy	DEV	42.77	-6.9%	-5.6%	27,244	33,070		7.1	6.5	4.3	3.9	1.9
PBF Energy	PBF	42.86	2.0%	-2.5%	5,237	5,407		1.7	1.9	1.1	1.2	0.1
Transportation												
Nordic American Tankers	NAT	4.46	-2.2%	6.2%	931	1,117		8.1	7.6	7.6	7.2	2.1
Pharmaceutical												
Pfizer	PFE	28.70	-2.6%	-0.3%	162,040	182,040		15.4	13.8	9.9	8.7	2.5
Bristol-Myers Squibb	BMJ	51.30	-1.8%	0.0%	105,524	137,124		12.7	12.1	7.0	6.8	3.0

Source: Bloomberg

MAIN FINANCIAL FORECASTS FOR UKRAINIAN COMPANIES, USD mn

		Net Sales			EBITDA			EBITDA margin			Net Profit			Net Profit margin		
		2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
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%
Oil & Gas																
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																
Centrenerg	CEEN	460	323	200	-33	-171	11	-7.1%	-53.0%	5.5%	-38	-224	3	-8.2%	-69.3%	1.4%
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 (FY22, FY23, FY24E)	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%
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

FINANCIAL FORECASTS FOR SELECTED U.S. COMPANIES, USD mn

		Net Sales			EBITDA			EBITDA margin			Net Profit			Net Profit margin		
		2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
Technology sector																
Apple	AAPL	383,285	378,000	375,000	125,820	126,000	115,000	32.8%	33.3%	30.7%	96,995	95,000	88,000	25.3%	25.1%	23.5%
Microsoft	MSFT	211,915	219,000	225,000	102,384	115,000	118,000	48.3%	52.5%	52.4%	72,361	77,800	73,500	34.1%	35.5%	32.7%
Palantir Technologies	PLTR	1,906	2,300	2,750	-334	270	350	-17.5%	11.7%	12.7%	-374	160	240	-19.6%	7.0%	8.7%
Electric Utilities																
American Electric Power	AEP	19,640	19,300	20,100	7,102	7,200	8,000	36.2%	37.3%	39.8%	2,307	2,250	2,400	11.7%	11.7%	11.9%
Dominion Energy	D	17,174	18,050	18,450	4,849	7,550	7,900	28.2%	41.8%	42.8%	994	1,620	1,700	5.8%	9.0%	9.2%
Oil & Gas																
Exxon Mobil	XOM	398,675	348,000	350,000	102,591	80,000	85,000	25.7%	23.0%	24.3%	55,740	42,000	46,000	14.0%	12.1%	13.1%
Devon Energy	DVN	19,169	15,600	17,500	10,368	7,700	8,400	54.1%	49.4%	48.0%	6,015	3,850	4,200	31.4%	24.7%	24.0%
PBF Energy	PBF	46,830	42,000	38,000	3,811	4,785	4,500	8.1%	11.4%	11.8%	2,876	3,100	2,750	6.1%	7.4%	7.2%
Transportation																
Nordic American Tankers	NAT	339	450	520	42	147	155	12.4%	32.7%	29.8%	15	115	122	4.4%	25.6%	23.5%
Pharmaceutical																
Pfizer	PFE	100,330	69,000	73,000	39,576	18,400	21,000	39.4%	26.7%	28.8%	31,372	10,500	11,700	31.3%	15.2%	16.0%
Bristol-Myers Squibb	BMJ	46,159	44,900	45,600	18,540	19,600	20,200	40.2%	43.7%	44.3%	6,327	8,300	8,750	13.7%	18.5%	19.2%

Source: Bloomberg

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