

Stock Market Update

Equity

Quotes for CentrErgo (CEEN) have yet to respond to the news that the government is allocating UAH 1.5bn (USD 38mn) for the restoration of the Tripolskaya and Zmievskaya thermal power plants, which were heavily damaged by Russian missile strikes on Ukraine's critical infrastructure. CentrErgo's indicative stock price remains at UAH 2.68, with a market capitalization of just USD 25mn. The company's market capitalization has fallen by 40% since the beginning of the year. The technical director of CentrErgo stated that approximately 80% of the power plant equipment was destroyed. Debris clearing operations are ongoing and may continue until mid-summer, indicating a prolonged timeline for the plants' restoration.

Among Ukrainian agro stocks, Kernel (KER) saw a notable 15% increase to PLN 11.7, with a market capitalization of USD 874mn. Currently, there is ongoing litigation regarding the legality of the company's decision to issue additional shares at a price significantly below the market value, leading to substantial dilution of minority shareholders' stakes. Furthermore, the delisting process of Kernel's shares from the Warsaw Stock Exchange is on hold due to the stance of Poland's financial regulator on this contentious issue.

MHP (MHPC) shares continue to trade within a narrow range at USD 3.30 (MCap of USD 360mn). Ferrexpo (FXPO) shares dropped 3.6% over the week to GBP 47.00 (MCap of USD 350mn), despite global iron ore prices rising 8.4% over the past month to USD 117 per tonne.

The US stock market is once again reaching historic highs, with the S&P 500 index hitting new records. Investors have reacted positively to the latest inflation data, which shows signs of slowing, bringing closer the anticipated Federal Reserve decision to lower the key interest rate.

Highlights

POLITICS AND ECONOMICS

- Zelenskiy's 5-Year Presidential Term Expires Today
- Ukrainian Banks Increase Net Profit by 18% YoY to UAH 40bn (USD 1.0bn) in 1Q2024

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

www.eavex.com.ua

Kyiv, Ukraine.
research@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

MARKET INDEXES

	Last	1W ch	YTD
UX	1332	0.8%	-20.9%
RTS	1212	2.0%	11.9%
WIG20	2575	2.1%	9.9%
MSCI EM	1099	2.2%	7.3%
MSCI Global	795	1.7%	9.4%
S&P 500	5303	1.6%	11.2%

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	13.5%	0.0 p.p.	-1.5 p.p.
UAH 1-year bond	15.2%	-0.1 p.p.	-1.7 p.p.
Ukraine-2026s	90.0%	0.0 p.p.	2.6 p.p.
Ukraine-2034s	33.3%	0.3 p.p.	-5.4 p.p.

CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	39.95	-0.1%	5.1%
EUR/UAH	43.45	0.7%	3.5%

Source: Eavex Capital

Zelenskiy's 5-Year Presidential Term Expires Today

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

NEWS

President Volodymyr Zelenskiy's constitutional term in office expires on Monday (May 20), exactly 5 years after he assumed the post of Ukraine's head of state in 2019.

Due to the situation of martial law in the country, an election cannot legally be held, and Zelenskiy is expected to continue in office as acting president with full authority indefinitely. However, no specific announcements have been made on the topic by Zelenskiy or his administration.

The UK-based news outlet The Economist reported in an article on Thursday (May 16) that a group of MPs from Zelenskiy's Servant of the People party had urged the presidential administration in 2023 to seek a ruling from the Constitutional Court to validate Zelenskiy remaining in power after the expiration of his mandate, but that the administration declined to take this step.

COMMENTARY

While Zelenskiy appears to be on firm legal ground to remain in office beyond the end of his term, the optics of staying in power on a seemingly ad hoc basis, without any formal announcements, are not a good look, in our view.

With Zelenskiy and his administration, led by top aide Andriy Yermak, holding nearly full control over Parliament and the Cabinet of Ministers, the current lack of political competition in Ukraine is a situation that has not existed in the country since the early 1990s. At the moment it is impossible for us to predict when a presidential (and also parliamentary) election might take place, what the campaign might look like, and which candidates could be expected to take part.

Ukrainian Banks Increase Net Profit by 18% YoY to UAH 40bn (USD 1.0bn) in 1Q2024

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

NEWS

In the first quarter of 2024, Ukrainian banks posted a net profit of UAH 40.5 bn, an 18% increase from Q1 2023. The profit growth was primarily driven by higher interest income and significantly reduced provisions for non-performing loans. Among individual banks, the state-owned PrivatBank reported the highest profit at UAH 13.9bn, followed by Oschadbank with UAH 4.9bn.

Raiffeisen Bank posted a net profit of UAH 2.5bn, Credit Agricole reported UAH 2.0bn, and A-Bank earned UAH 506mn. In contrast, IndustrialBank suffered a net loss of UAH 12mn.

FINANCIAL RESULTS OF UKRAINIAN BANKS			
UAH bn	1Q2023	1Q2024	YoY
Total revenue	104.4	120.7	+16%
Total expenses	70.1	80.2	+14%
Net profit	34.4	40.5	+18%
<i>net margin</i>	33%	34%	+1 p.p.
Net assets	2,428	2,986	+23%

Source: National Bank.

COMMENTARY

The primary source of interest income for Ukrainian banks remains investments in low-risk instruments such as domestic government bonds and National Bank deposit certificates. Income from the government bonds accounted for 26% of total bank income. Overall, Ukrainian banks earned UAH 34bn in interest income from lending to individuals and businesses in 1Q2024, a 13% increase from the same period in 2023. However, declining interest rates on new loans have reduced the profitability of corporate loan portfolios.

Total net assets of the 63 active banks in Ukraine grew by 23% over the year to UAH 3.0tn (USD 75bn). The regulatory capital of the banks stood at UAH 256 mn, with a capital adequacy ratio of 20.4%, well above the minimum required level of 10%.

In the asset structure of banks, loans to individuals and businesses constitute only 23.7%. The banks' securities portfolio, primarily government bonds, accounts for 40.3% of their assets. The low share of loans in banks' asset structures indicates very restrained lending activity, attributed to high interest rates and significant wartime risks.

Raiffeisen Bank (BAVL) shares are trading at 24 kopecks on the exchange, with a market capitalization of USD 369mn. In the first quarter, Raiffeisen Bank reported a net profit of 4.1 kopecks per share. This profit exceeds our forecasts, as we expected an annual profit of 6.5 kopecks per share for 2024.

Eurobonds of OschadBank (2025) and UkreximBank (2025) are trading on the exchange at indicative prices of 92 cents on the dollar, yielding around 20% to maturity.

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	1332	0.8%	-20.9%								
Iron Ore Mining												
Ferrexpo	FXPO	46.9	-3.6%	-48.1%	350	219	25.5%	4.4	2.9	1.6	1.3	0.3
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	14.9	0.0%	0.0%	43	27	5.0%	14.4	11.9	3.8	3.5	0.5
Oil & Gas												
Enwell Energy (ex-Regal)	ENW	19.3	0.7%	22.4%	77	44	21.6%	2.8	2.3	0.9	0.8	0.5
Power Utilities												
Centrenergo	CEEN	2.68	0.0%	-40.3%	25	25	21.7%	neg	neg	neg	neg	n/a
Agro sector												
MHP	MHPC	3.35	-0.6%	4.7%	359	1,460	33.7%	2.5	2.4	3.3	3.0	0.5
Kernel (FY22, FY23, FY24E)	KER	11.68	15.2%	27.7%	874	1,469	5.4%	neg	2.4	2.7	2.2	0.4
Astarta	AST	26.55	-3.5%	-7.5%	165	323	37.0%	2.0	1.8	1.6	1.5	0.5
Banks												
										Price/Book	Price/Assets	
Raiffeisen Bank Aval	BAVL	0.24	0.0%	-25.0%	369		1.8%	2.6	3.6	0.6	0.6	0.09

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	5303	1.6%	11.2%								
Technology sector												
Apple	AAPL	190	3.8%	-1.3%	2,963,892	3,025,892		30.6	33.7	22.8	26.3	8.1
Microsoft	MSFT	420	1.4%	11.7%	3,120,180	3,158,180		36.2	42.5	24.7	26.8	14.0
Palantir Technologies	PLTR	21.76	5.6%	26.7%	47,057	44,013		224.1	134.4	160.6	88.0	16.0
Electric Utilities												
American Electric Power	AEP	92.67	1.2%	14.1%	48,231	90,567		21.9	20.1	12.6	11.3	4.5
Dominion Energy	D	53.50	0.9%	13.8%	44,769	87,292		23.4	26.3	12.8	11.0	4.7
Oil & Gas												
Exxon Mobil	XOM	119.60	1.4%	19.6%	481,390	482,700		13.4	10.5	6.5	5.7	1.4
Devon Energy	DVN	49.62	-1.0%	9.5%	31,608	37,434		8.4	7.5	4.9	4.8	2.1
PBF Energy	PBF	51.47	6.2%	17.1%	6,290	6,460		2.9	2.3	1.8	1.4	0.2
Transportation												
Nordic American Tankers	NAT	4.26	2.9%	1.4%	889	1,075		9.0	7.3	6.0	6.9	2.1
Pharmaceutical												
Pfizer	PFE	28.64	2.3%	-0.5%	161,701	181,701		76.3	20.7	18.9	8.7	2.8
Bristol-Myers Squibb	BMJ	44.03	-2.0%	-14.2%	90,570	122,170		11.0	60.4	6.3	61.1	2.7

Source: Bloomberg

MAIN FINANCIAL FORECASTS FOR UKRAINIAN COMPANIES, USD mn

		Net Sales			EBITDA			EBITDA margin			Net Profit			Net Profit margin		
		2022	2023	2024E	2022	2023	2024E	2022	2023	2024E	2022	2023	2024E	2022	2023	2024E
Iron Ore Mining																
Ferrexpo	FXPO	1,248	750	850	765	140	170	61.3%	18.7%	20.0%	220	80	120	17.6%	10.7%	14.1%
Railcar Manufacturing																
Kryukiv Wagon	KVBZ	111	84	56	5	7	8	4.4%	8.5%	13.9%	1	3	4	1.1%	3.5%	6.4%
Oil & Gas																
Regal Petroleum	RPT	131	80	95	86	49	57	65.7%	61.3%	60.0%	55	28	34	41.9%	35.0%	35.8%
Electric Utilities																
Centrenerg	CEEN	323	427	89	-171	-18	-189	-53.0%	-4.1%	-213.1%	-224	-25	-316	-69.3%	-5.8%	neg
Agro sector																
MHP	MHPC	2,642	3,021	3,150	384	445	480	14.5%	14.7%	15.2%	-231	142	150	-8.7%	4.7%	4.8%
Kernel (FY22, FY23, FY24E)	KER	5,332	3,455	3,800	220	544	680	4.1%	15.7%	17.9%	-41	299	370	-0.8%	8.7%	9.7%
Astarta	AST	561	628	688	170	199	211	30.3%	31.7%	30.7%	72	85	94	12.8%	13.5%	13.6%
Banks																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	4,238	4,211	4,231	466	591	575	314	389	385	43	142	103	9.2%	24.1%	17.8%

Source: Eavex Research

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

		Net Sales			EBITDA			EBITDA margin			Net Profit			Net Profit margin		
		2022	2023	2024E	2022	2023	2024E	2022	2023	2024E	2022	2023	2024E	2022	2023	2024E
Technology sector																
Apple	AAPL	383,285	383,000	375,000	125,820	133,000	115,000	32.8%	34.7%	30.7%	96,995	97,000	88,000	25.3%	25.3%	23.5%
Microsoft	MSFT	211,915	236,500	225,000	102,384	127,700	118,000	48.3%	54.0%	52.4%	72,361	86,200	73,500	34.1%	36.4%	32.7%
Palantir Technologies	PLTR	1,906	2,225	2,750	-334	274	500	-17.5%	12.3%	18.2%	-374	210	350	-19.6%	9.4%	12.7%
Electric Utilities																
American Electric Power	AEP	19,640	18,950	20,100	7,102	7,200	8,000	36.2%	38.0%	39.8%	2,307	2,200	2,400	11.7%	11.6%	11.9%
Dominion Energy	D	17,174	14,400	18,450	4,849	6,800	7,900	28.2%	47.2%	42.8%	994	1,910	1,700	5.8%	13.3%	9.2%
Oil & Gas																
Exxon Mobil	XOM	398,675	335,000	350,000	102,591	74,300	85,000	25.7%	22.2%	24.3%	55,740	36,000	46,000	14.0%	10.7%	13.1%
Devon Energy	DVN	19,169	15,300	17,500	10,368	7,700	7,750	54.1%	50.3%	44.3%	6,015	3,750	4,200	31.4%	24.5%	24.0%
PBF Energy	PBF	46,830	38,300	38,000	3,811	3,540	4,500	8.1%	9.2%	11.8%	2,876	2,140	2,750	6.1%	5.6%	7.2%
Transportation																
Nordic American Tankers	NAT	339	392	520	42	179	155	12.4%	45.7%	29.8%	15	99	122	4.4%	25.3%	23.5%
Pharmaceutical																
Pfizer	PFE	100,330	58,500	64,200	39,576	9,600	21,000	39.4%	16.4%	32.7%	31,372	2,120	7,800	31.3%	3.6%	12.1%
Bristol-Myers Squibb	BMJ	46,159	45,000	45,600	18,540	19,400	2,000	40.2%	43.1%	4.4%	6,327	8,220	1,500	13.7%	18.3%	3.3%

Source: Bloomberg

Eavex Capital

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

Telephone: +38 044 590 5454

E-mail: research@eavex.com.ua

Web-page: 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

RESEARCH
Dmitry Churin
Head of Research
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 2024 Eavex Capital. All rights reserved.

Securities and Stock Market State Commission licence, issued 06.10.2015