

Stock Market Update

Equity

On the Warsaw Stock Exchange, Ukrainian agro companies stocks saw a decline. Kernel (KER) shares dropped by 1.9% to PLN 12.7 following reports that some of the company's assets at the port of Chornomorsk were damaged in recent Russian drone attacks.

The IMC stock suffered a 5% decline to PLN 10.4 (MCap of USD 88mn) and Milkiland (MLK) slipped by 11% to PLN 1.1 (MCap of USD 9mn).

In London trading, iron ore mine Ferrexpo (FXPO) shed by 1.4% to GBP 44.7 (MCap of USD 350mn) as the company reported a 16% QoQ decrease in production in 3Q2024, which was a result of electricity supply disruptions in the country as Russia continued to attack Ukrainian critical infrastructure.

In the interbank currency market, the hryvnia maintained relative stability last week, supported by the National Bank's efforts to balance supply and demand. The regulator sold USD 877mn from the FX reserves over the past week, USD 150mn more than the previous week.

Ukraine's foreign exchange reserves decreased by 8.1% in September, totaling USD 38.9bn. The National Bank's interventions in the currency market amounted to USD 3.2bn during the month.

The increasing trend of NBU interventions may point to fundamental pressures on the hryvnia. As such, the forecast of a devaluation to 43.50 UAH/USD over the coming months remains the baseline scenario.

In the Russian's war against Ukraine developments, Ukrainian officials have been urging Kyiv's allies for months to let Ukraine fire Western missiles, including long-range US ATACMS and British Storm Shadows, deep into Russia to limit Moscow's ability to launch attacks.

With Ukraine losing key towns to gradually advancing Russian forces in the country's east, the war is entering one of the most dangerous phases to date.

Highlights

POLITICS AND ECONOMICS

- > Stoltenberg Implies Ukraine Could Trade Territory for Security; Rammstein Meeting Delayed Until after US Vote
- > September Inflation in Ukraine Rises to 8.6% YoY Amid Economic Strain

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

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	1194	0.0%	-29.1%
RTS	903	-3.0%	-16.6%
WIG20	2334	1.9%	-0.3%
MSCI EM	1159	-1.7%	13.2%
MSCI Global	853	0.7%	17.3%
S&P 500	5815	1.1%	21.9%

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	13.0%	0.0 p.p.	-2.0 p.p.
UAH 1-year bond yield	14.6%	-0.1 p.p.	-2.2 p.p.
Ukraine-2029 yield	16.5%	0.9 p.p.	1.6 p.p.
Ukraine-2036 yield	10.9%	0.2 p.p.	0.5 p.p.

CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	41.45	0.0%	9.1%
EUR/UAH	45.60	-0.7%	8.6%

Source: Eavex Capital

Stoltenberg Implies Ukraine Could Trade Territory for Security; Rammstein Meeting Delayed Until after US Vote

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NEWS

Recently-departed NATO Secretary-General Jens Stoltenberg cited Finland's success in shutting down Russian aggression as a possible example for Ukraine last week, in comments published in the Financial Times. Speaking in the context of Ukraine's defense, Stoltenberg, whose 10-year term at NATO ended on Sept 30, said that Finland's 1939-1940 "brave war" against the Soviet Union's invasion "ended with them giving up 10% of their territory... but they got a secure border". He said Finland achieved a successful outcome by imposing high costs on the Soviet army.

President Zelenskiy has up to now been adamant that Ukraine is unwilling to accept Russian occupation of any land which was part of independent Ukraine's original 1991 borders in a hypothetical peace deal. However, the topic has been in the media this month, after another Financial Times article on Oct 1 quoted an unnamed Western official as saying that "land for NATO membership is the only game in town... It's the only strategy on the table". In what was seen as a setback for Zelenskiy, a meeting of Ukraine's military donors in Germany (the "Rammstein format") scheduled for Oct 12 was postponed after US President Biden announced that he was unable to attend due to a weather emergency. Although Biden's visit to Germany has been rescheduled for this Friday (Oct 18), German media is reporting that the Rammstein meeting will be put off until after the US presidential election on Nov 5.

COMMENTARY

Stoltenberg has been one of the most loyal Western supporters of Zelenskiy's government over the past two years. In our view, his public suggestion that the full restoration of Ukraine's 1991 borders is not a realistic near-term objective reflects a shifting of the ground in Western messaging about the war which has occurred over the last few months.

We now believe that Zelenskiy will have to abandon - sooner rather than later - his insistence that all Russian forces must be withdrawn from Ukrainian territory before peace talks can begin.

However, all major decisions are clearly being put on hold until the US presidential election is settled. If Republican Donald Trump returns to the White House for a second (non-consecutive) term, it is expected that there will be a complete renegotiation of the conditions upon which the US provides financial and military support to Ukraine. Trump has promised to bring a quick end to the war, but the key question is how he would manage to force Russian President Putin to the table, given the maximalist nature of Putin's demands.

On the other hand, a victory by Democratic candidate Kamala Harris could result in a continuation of the Biden administration's generous, albeit rather ambiguous, Ukraine support strategy. Current prediction markets give Trump a narrow lead of about 55-45 in probability of victory, while most polling results indicate that the race is too close to call.

September Inflation in Ukraine Rises to 8.6% YoY Amid Economic Strain

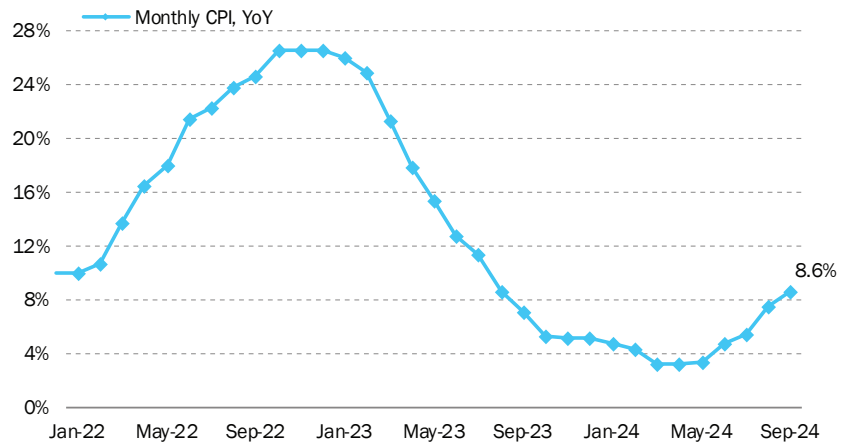
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NEWS

Ukraine’s consumer inflation rate saw a significant uptick in September 2024 to 1.5% MoM, reflecting mounting economic challenges. According to the latest data from UkrStat the annual inflation rate accelerated to 8.6%, driven by increasing costs in energy, food, and transport. This marks a notable rise from the 7.5% rate recorded in August, exacerbated by the lingering effects of the war, supply chain disruptions, and global commodity price volatility.

The primary contributors to inflation were utilities prices, which soared by 18.7% YoY, and healthcare costs, which spiked by 11.9% YoY, as Ukraine continues to grapple with disruptions in key infrastructure due to ongoing military actions. The National Bank has maintained a tight monetary policy stance, with the policy rate unchanged at 13%, aimed at curbing inflationary pressures.

UKRAINE’S ROLLING 12-MONTH CPI



Source: State Statistics Committee

COMMENTARY

In the short to medium term, inflation is expected to remain elevated. The trajectory will depend heavily on factors such as energy prices and the pace of post-war rebuilding efforts. With food and energy constituting the bulk of price pressures, any disruptions in the agricultural sector or energy infrastructure could see inflation spike further.

The recent increase in the military levy from 1.5% to 5.0% will also spur the inflation from the cost side. For employers, this means they will pay an additional 3.5 percentage points in taxes on employees’ official salaries, but the personal income tax rate will remain at 18%. The single social contribution of 22%, paid by employers, will also remain unchanged. The new military tax rate will also apply to citizens’ interest income from bank deposits. Previously taxed at 19.5%, this income will now be subject to a 23% tax. The Ministry of Finance estimates that the tax increases starting this month will generate UAH 27.3bn (USD 670mn) in 2024 and UAH 108bn (USD 2.6bn) in 2025.

The tax increase, which is definitely is a politically unpopular move, should help the government to raise funds for the grueling military effort against russia. While Ukraine receives substantial military aid from its allies in the form of weapons, along with significant financial support for social expenses and reconstruction, it must cover the salaries of its service members and domestic arms production from its own revenues.

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	1194	0.0%	-29.1%								
Iron Ore Mining												
Ferrexpo	FXPO	44.7	-1.4%	-50.5%	350	219	25.5%	4.4	2.9	1.6	1.3	0.3
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	15.2	0.0%	1.9%	42	27	5.0%	14.1	11.7	3.7	3.4	0.5
Oil & Gas												
Enwell Energy (ex-Regal)	ENW	19.0	3.3%	20.6%	80	-14	21.6%	2.9	2.3	na	na	na
Power Utilities												
Centrenergo	CEEN	3.72	0.0%	-17.1%	33	33	21.7%	neg	neg	neg	neg	n/a
Agro sector												
MHP	MHPC	4.00	0.3%	25.0%	428	1,529	33.7%	3.0	5.7	3.4	3.3	0.5
Kernel (FY22, FY23, FY24E)	KER	12.70	-1.9%	38.8%	951	1,546	5.4%	neg	2.6	2.8	2.3	0.4
Astarta	AST	30.85	0.8%	7.5%	192	350	37.0%	2.3	2.1	1.8	1.7	0.5
Banks												
Raiffeisen Bank Aval	BAVL	0.25	0.0%	-21.9%	371		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	5815	1.1%	21.9%								
Technology sector												
Apple	AAPL	228	0.5%	18.4%	3,556,671	3,618,671		36.7	40.4	27.2	31.5	9.6
Microsoft	MSFT	416	0.0%	10.6%	3,090,464	3,128,464		35.9	42.0	24.5	26.5	13.9
Palantir Technologies	PLTR	43.50	8.7%	153.3%	94,070	91,026		448.0	268.8	332.2	182.1	33.1
Electric Utilities												
American Electric Power	AEP	98.25	-1.8%	21.0%	51,135	93,471		23.2	21.3	13.0	11.7	4.7
Dominion Energy	D	56.22	-3.5%	19.6%	47,045	89,568		24.6	27.7	13.2	11.3	4.9
Oil & Gas												
Exxon Mobil	XOM	123.60	-1.0%	23.6%	554,470	555,780		15.4	12.1	7.5	6.5	1.6
Devon Energy	DVN	42.96	1.3%	-5.2%	27,366	33,192		7.3	6.5	4.3	4.3	1.9
PBF Energy	PBF	33.14	0.4%	-24.6%	4,050	4,220		1.9	4.8	1.2	4.4	0.1
Transportation												
Nordic American Tankers	NAT	3.66	-3.4%	-12.9%	764	950		7.7	6.3	5.3	6.1	1.8
Pharmaceutical												
Pfizer	PFE	29.16	2.0%	1.3%	164,637	184,637		77.7	21.1	19.2	8.8	2.9
Bristol-Myers Squibb	BMJ	52.20	-3.3%	1.7%	107,375	138,975		13.1	71.6	7.2	69.5	3.0

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%	na	-224	-25	-316	-69.3%	na	na
Agro sector																
MHP	MHPC	2,642	3,021	3,100	384	445	465	14.5%	14.7%	15.0%	-231	142	75	-8.7%	4.7%	2.4%
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	35,700	3,811	3,540	950	8.1%	9.2%	7.7%	2,876	2,140	850	6.1%	5.6%	2.4%
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

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