

Stock Market Update

Equity

The National Bank's board made the decision to maintain the key interest rate at 25%. The regulator stated that keeping the rate at its current level promotes the attractiveness of assets denominated in hryvnia, which in turn helps to support stability in the currency market. The key rate of 25% exceeds the current inflation rate in Ukraine, which decreased to 21.3% in March. However, inflationary pressure remains significant. The reduction in inflation in annual terms is largely due to a high comparison base from last year. Overall, the National Bank improved its inflation forecast for 2023 - from 18.7% to 14.8%. Accordingly, the NBU expects inflation to decrease to 9.6% in 2024.

On the Ukrainian Exchange, there was a surge in indicative quotes for CentrErgo (CEEN) by 20% to UAH 4.45. However, the trading volumes remained subdued meaning there is no real buyers in the stock so far.

In Warsaw trading, the upward momentum Astarta (AST) continued with the AST stock rising 5.0% to PLN 30.45 over the week. Although the company's profits decreased sharply in 2022, the actual results were better than expected. Astarta's net profit was EUR 65mn for FY22, of which EUR 12.5mn are planned to be directed towards the payment of dividends to shareholders.

Other Ukrainian listed agro companies were mixed with Kernel (KER) edged down by 0.8% to PLN 18.12 and MHP (MHPC) adding by 0.6% to USD 3.43 per share.

London-listed iron ore miner Ferrexpo (FXPO) dropped by 4.2% to GBP 108 as the benchmark global iron ore prices are declining.

On the currency front, the hryvnia gained by 0.6% to 37.82 UAH/USD on the cash market.

Highlights

POLITICS AND ECONOMICS

- Zelenskiy Silent on Reelection Bid as War Horizon Extends into 2024

STOCKS IN THE NEWS

- Astarta Announces Dividend of PLN 2.31 Per Share from FY22 Profit Implied Yield of 7.6%

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	1604	4.5%	2.4%
RTS	1033	1.4%	6.4%
WIG20	1923	1.2%	7.2%
MSCI EM	977	-0.4%	2.1%
S&P 500	4169	0.9%	8.6%

FIXED INCOME

	Last	1W ch	YTD
NBU Key Rate	25.0%	0.0 p.p.	0.0 p.p.
UAH 1-year war bond	18.5%	0.0 p.p.	+2.5 p.p.
Ukraine-2026	107.0%	6.7 p.p.	25.3 p.p.
Ukraine-2034	54.7%	1.1 p.p.	9.3 p.p.

CASH EXCHANGE RATES

	Last, UAH	1W ch	YTD
USD/UAH	37.82	-0.6%	-6.8%
EUR/UAH	41.19	-1.1%	-3.1%

Source: Eavex Capital

Zelenskiy Silent on Reelection Bid as War Horizon Extends into 2024

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

NEWS

President Volodymyr Zelenskiy has to date made no official or informal statements about his intention to seek another term in office when his constitutional term ends in just over a year from now. Zelenskiy was sworn in as President on 19 May 2019, implying that a presidential election must take place in Ukraine by the end of May 2024. In his most recent public statements, Zelenskiy repeated his calls for Ukraine's Western allies to speed up deliveries of advanced weapons, including fighter jets and medium-range missiles, in order to help the country meet Zelenskiy's stated goal of ending the Russian occupation and restoring Ukraine's 1991 borders as soon as possible. However, leaked intelligence assessments from the US Department of Defense released last month indicate that Washington is taking a dim view of Ukraine's chances to recover a large amount of territory in the upcoming summer fighting season, thus increasing expectations that the conflict may continue into 2024 and beyond. US President Biden last week announced his own intention to seek re-election in November 2024, while Russian President Putin, whose constitutional term ends next March, has not made an official announcement about his plans.

COMMENTARY

Despite being far from a universally popular figure domestically, Zelenskiy currently faces no significant organized political opposition in Ukraine, and we doubt that any candidate could appear who would be capable of unseating him. However, the process by which Zelenskiy extends his term is important, as a sham election or a cancellation of the vote on the grounds of martial law would undermine Ukraine's democratic credentials and open Zelenskiy up to charges of simply being a Ukrainian version of [Belarusian dictator] Lukashenko or Putin. We are quite skeptical of the view that Zelenskiy could face major political fallout from the potential failure of the upcoming counteroffensive, as we think that Zelenskiy would likely be able to pass the blame for a continued battlefield stalemate onto Western allies for slow-walking the delivery of weapons. Nonetheless, expectations remain that Ukraine should at least be able to recover some of the occupied territory in the south of the country this summer, in particular the city of Melitopol in Zaporizhia province, which is an important road transport hub between the Russian-occupied part of Donetsk province and Crimea. Even a limited success of the counteroffensive in parts of Zaporizhia and Kherson would be likely to raise domestic political pressure on the Putin regime inside Russia, we think. As for the US election, a great deal of uncertainty remains over whether Biden will really run (due to his age) and who his Republican opponent might be, as current Republican front-runner Donald Trump is facing severe legal problems. In our estimation, an establishment Republican president would be likely to pursue a Ukraine policy quite similar to that of the Biden administration.

Astarta Announces Dividend of PLN 2.31 Per Share from FY22 Profit Implying Yield of 7.6%

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

▶ ASTARTA (AST PW)

Price: PLN 30.45 Market Cap: USD 179mn

	P/B	EV/S	P/E	EV/EBITDA	Div. Yield
2022	0.3	0.6	2.6	2.1	7.6%
2023E	0.3	0.6	2.1	1.7	9.1%

NEWS

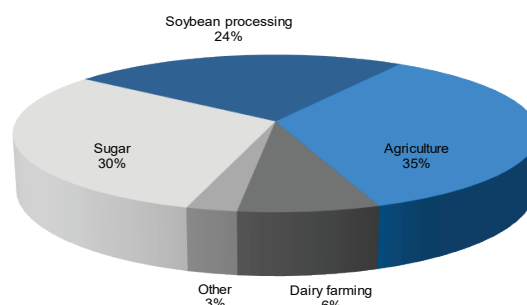
Kyiv-based Astarta Holding, Ukraine's largest sugar producer, proposed a EUR 0.5 (PLN 2.31) dividend per share from FY22 net profit. The company's annual shareholders meeting will take place on May 24. The aggregate dividend amount will be EUR 12.5mn from FY22 profit of EUR 65.2mn. The dividend payout is to be 19%. Astarta reported a 47% drop in net profit to EUR 65.2mn in 2022 as EBITDA fell by 23% YoY to EUR 155mn. Meanwhile, on the top line, the company managed to raise revenue by 3.8% to EUR 510mn. Exports contributed EUR 278mn, or 54% of the consolidated revenues (44% in FY21). Astarta's net debt stood at EUR 152mn at the end of last year. The company's net debt to EBITDA ratio was 1.0x as of end-2022.

▶ ASTARTA FINANCIALS

EUR mn	2021	2022	chg.
Net revenue	491	510	+3.8%
EBITDA	202	155	-23.2%
margin	41.0%	30.3%	-10.7 p.p.
Net Income	123	65.2	-46.8%
net margin	24.9%	12.8%	-12.2 p.p.

Source: Company data.

▶ REVENUE BREAKDOWN



Source: Company data.

COMMENTARY

Astarta beat our forecast, posting EPS of PLN 12.3 in FY22 compared to our prediction of EPS of PLN 7.00 for the year. This means that the AST stock has a trailing P/E of just 2.6x. Moreover, the high sugar prices should boost Astarta's financial results for FY23 which means that the forward-looking P/E for the AST stock is currently standing at as low as 2.1x.

Quotes for Astarta have already surged by 49% since the start of the year and still have a visible upside.

In the segment breakdown, sugar sales contributed about 30% to Astarta's revenue. Astarta retained its market position with a 21% share in domestic sugar production in 2022. Agriculture production and soybean processing segments added 35% and 24% to the company's revenue respectively in 2022.

Astarta's Warsaw-listed stock closed at PLN 30.45 on Friday (Apr 28). The stock has 52 weeks low at PLN 17.2 in July 2022 and registered a 52 weeks high of PLN 32.60 last week.

QUOTES AND MULTIPLES

	Ticker	Today, UAH*	Absolute performance		MCap USD mn	EV USD mn	Free float	P/E		EV/EBITDA		EV/Sales 2022E
			1W	YtD				2021	2022E	2021	2022E	
UX Index	UX	1604	4.5%	2.4%								
Iron Ore Mining												
Ferrexpo	FXPO	108	-4.2%	-31.2%	815	709	24.0%	0.9	3.7	0.5	0.9	0.6
Railcar Manufacturing												
Kryukiv Wagon	KVBZ	20.4	10.8%	85.8%	62	25	5.0%	neg	neg	--	--	--
Specialized Machinery												
Turboatom	TATM	3.4	16.8%	26.3%	38	35	3.8%	>50x	neg	1.6	3.6	1.3
Motor Sich	MSICH	--	--	--	--	--	--	--	--	--	--	--
Oil & Gas												
UkrNafta	UNAF	--	--	--	--	--	--	--	--	--	--	--
Enwell Energy (ex-Regal)	ENW	18.2	-3.6%	16.7%	73	-4	21.6%	1.4	1.3	--	--	--
Power Utilities												
Centrenergo	CEEN	4.45	20.3%	11.1%	43	43	21.7%	neg	neg	neg	neg	0.1
Donbasenergo	DOEN	24.44	25.7%	85.9%	15	15	0.0%	neg	neg	neg	neg	0.1
Agro sector												
MHP	MHPC	3.43	0.6%	-8.5%	380	1617	32.5%	neg	neg	2.5	4.2	0.6
Kernel (FY21, FY22, FY23E)	KER	18.12	-0.8%	3.3%	337	1385	61.8%	neg	1.2	6.3	2.2	0.4
Astarta	AST	30.45	5.0%	49.3%	179	331	37.0%	1.2	2.6	1.4	2.0	0.6
Agroton	AGT	3.27	3.2%	-4.9%	17	-3	25.0%	4.8	neg	--	--	--
Banks												
											Price/Book	Price/Assets
Raiffeisen Bank Aval	BAVL	0.290	0.9%	-3.3%	472		1.8%	2.6	11.0	0.8	1.0	0.11

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		
		2020	2021	2022E	2020	2021	2022E	2020	2021	2022E	2020	2021	2022E	2020	2021	2022E
Iron Ore Mining																
Ferrexpo	FXPO	1700	2518	1248	859	1,439	765	50.5%	57.1%	61.3%	635	871	220	37.4%	34.6%	17.6%
Railcar Manufacturing																
Kryukiv Wagon	KVBZ	124	94	78	7	-5	-1	5.5%	-5.7%	-1.8%	3	-8	-5	2.2%	-9.0%	-6.8%
Specialized Machinery																
Turboatom	TATM	105	55	28	52	22	10	49.1%	40.7%	34.4%	8	0	-2	8.0%	0.5%	-5.6%
Motor Sich	MSICH	353	338	200	102	90	40	29.1%	26.5%	19.8%	32	23	-7	8.9%	6.9%	-3.6%
Oil & Gas																
Ukrnafta	UNAF	1319	1320	844	320	168	56	24.3%	12.7%	6.7%	158	91	22	12.0%	6.9%	2.6%
Regal Petroleum	RPT	47	121	131	22	78	86	47.4%	64.4%	65.7%	3	51	55	6.7%	42.1%	41.9%
Electric Utilities																
Centrenergo	CEEN	764	460	323	17	-33	-171	2.2%	-7.1%	-53.0%	2	-38	-224	0.3%	-8.2%	-69.3%
Donbasenergo	DOEN	256	128	142	9	-13	-4	3.3%	-10.5%	-2.6%	1	-16	-15	0.4%	-12.9%	-10.7%
Agro sector																
MHP	MHPC	1911	2372	2642	340	648	384	17.8%	27.3%	14.5%	-133	393	-231	-7.0%	16.6%	-8.7%
Kernel (FY21, FY22, FY23E)	KER	5595	5332	3600	806	220	620	14.4%	4.1%	17.2%	513	-41	290	9.2%	-0.8%	8.1%
Astarta	AST	490	590	538	134	242	163	27.3%	41.0%	30.3%	10	147	69	2.1%	24.9%	12.8%
Agroton	AGT	68	41	20	33	8	-6	48.2%	19.8%	-30.0%	12	4	-40	17.4%	8.7%	neg
Banks		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	3795	4829	4238	456	571	466	271	348	314	151	179	43	33.2%	31.3%	9.2%

Source: Eavex Research

Eavex Capital

7 Klovisky 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 2023 Eavex Capital. All rights reserved.

Securities and Stock Market State Commission licence, issued 06.10.2015