

## Stock Market Update

### Equity

Ukrainian stocks listed on London and Warsaw bourses experienced a certain rebound after touching depressed levels as a result of the Russian military invasion of Ukraine. Quotes for Kernel (KER) leapt 70% last week to PLN 35.40 after touching a bottom at PLN 18.80 on Mar 7. The current stock price implies an estimated trailing P/E of just 1.6x. The KER shares fell by 40% since the start of the year. Agroton (AGT) also grew from the bottom of PLN 3.96 to PLN 5.30. The AGT stock dropped by 22% YTD.

In London trading Ukrainian iron ore miner Ferrexpo (FXPO) advanced by 12% last week to GBp 168 per share (-44% YTD). Meanwhile, Ferrexpo reported that it suspended iron ore deliveries through its key Pivdeny Black Sea Port. Poultry maker MHP (MHPC) lost 0.8% to close at USD 3.50 (-48% YTD). The company missed the USD 11mn coupon payment on its Eurobonds on Mar 19. MHP said its working capital facilities that typically finance the sowing campaign can't be accessed due to liquidity constraints in Ukraine's banking system. The company experienced disruptions to production and sales as a result of the war, but its production facilities haven't suffered damage.

Kyiv-listed UkrNafta (UNAF) and CentrEnergO (CEEN) have not published any new operational update on how the companies tackling the war crisis.

Among macroeconomic data, UkrStat published an inflation figure for February saying that consumer prices grew by 1.6% MoM while on the yearly comparison they rose by 10.7%. We think that UkrStat's methodology has not reflected the sharp price increase for food in the country after Russia started the war.

On the currency front, the official hryvnia exchange rate remained frozen at 29.25 UAH/USD. An indicative exchange rate on the cash market stands at 32.50 UAH/USD, an increase of 19% YTD.

## Highlights

### POLITICS AND ECONOMICS

- › Zelenskiy Rejects Russian Demands on Crimea/Donbass, Calls for Talks

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/news/all/natsionalniy-bank-vidkriv-spetsrahnok-dlya-zboru-koshtiv-na-potrebi-armiyi](http://www.bank.gov.ua/en/news/all/natsionalniy-bank-vidkriv-spetsrahnok-dlya-zboru-koshtiv-na-potrebi-armiyi)

The National Bank also opened a fundraising account for Humanitarian Assistance to Ukrainians. Please see details under the link below:

[www.bank.gov.ua/en/news/all/natsionalniy-bank-vidkriv-rahunok-dlya-gumanitarnoyi-dopomogi-ukrayintsyam-postrajdalim-vid-rosiyskoyi-agresiyi](http://www.bank.gov.ua/en/news/all/natsionalniy-bank-vidkriv-rahunok-dlya-gumanitarnoyi-dopomogi-ukrayintsyam-postrajdalim-vid-rosiyskoyi-agresiyi)

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### TREND



### MARKET INDEXES

	Last	2W ch	YTD
UX	n/a	n/a	n/a
RTS	920	0.0%	-42.3%
WIG20	2099	3.2%	-7.4%
MSCI EM	1123	3.5%	-8.8%
S&P 500	4464	6.2%	-6.3%

### FIXED INCOME

	Last	1W ch	YTD
Ukraine-2026	40.2%	-14.8 p.p.	31.3 p.p.
Ukraine-2032	25.3%	-8.3 p.p.	16.1 p.p.

### CURRENCY

	Last, UAH	Since Feb 24	YTD
USD/UAH	32.50	-0.5%	19.0%
EUR/UAH	36.34	0.0%	17.4%

Source: Eavex Capital

## Zelenskiy Rejects Russian Demands on Crimea/Donbass, Calls for Talks

by Will Ritter  
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### NEWS

President Zelenskiy on Sunday (Mar 20) rejected the primary Russian conditions for an end to the Putin regime's 25-day-old invasion of Ukraine. Zelenskiy stated, in a response to CNN interviewer Fareed Zakaria's question about whether Ukraine is ready to recognize Russian sovereignty over occupied Crimea and the independence of occupied Donetsk & Lugansk, that "there are compromises for which we cannot be prepared as an independent country - any compromises related to our territorial integrity and our sovereignty". However, Zelenskiy also called for peace talks directly with Russian President Putin, saying, " I am ready for negotiations with [Putin]... if there is even a 1 percent chance for us to stop this war, I think that we need to take this chance."

### COMMENTARY

Zelenskiy has been extremely successful in rallying Western media, politicians, and businesses to Ukraine's side over the past 3 weeks to oppose what can only be characterized as a shocking war of fascism started by Putin and his regime on Feb 24. However, despite Ukraine's impressive military performance thus far, we are concerned about the apparent lack of a clear endgame strategy from Zelenskiy, given the increasing devastation seen in Ukrainian cities, the displacement and trauma of millions of citizens, and the chaos & disruption in the economy amid the ongoing war. It also appears to us that top Western diplomats do not understand what Zelenskiy's strategy is, as none have made clear comments about the trajectory of peace talks, which have thus far yielded no discernible results. In our view, Putin is unlikely to back off his demands on Crimea and the DNR/LNR as long as the Russian army occupies much additional new territory in the south of Ukraine and is in a position to physically threaten Kyiv. Therefore, in refusing these Russian demands, Zelenskiy and his team seem to be betting on one of two unlikely events to come to Ukraine's rescue - either the direct military involvement of NATO in the war, or the collapse of the Putin regime in Moscow. In our view, the best outcome that Ukraine can realistically hope for is hard security guarantees from the West, Russian withdrawal from all territory that has been captured since Feb 24, and reparations for the destruction caused by Russia's military. Such an outcome can only be achieved via a diplomatic solution by acknowledging Russian control over the pre-war occupied territories, we think. Although holding out for regime change in the Kremlin is a tempting prospect for Russia hawks with a maximalist outlook, we do not believe that Ukrainian civilians should be forced to suffer any more than they already have in the service of this ambition.

**QUOTES AND MULTIPLES**

	Ticker	Today, UAH*	Absolute performance		MCap USD mn	EV USD mn	Free float	P/E		EV/EBITDA		EV/Sales 2021E
			1W	YtD				2020	2021E	2020	2021E	
UX Index	UX	n/a	n/a	n/a								
<b>Iron Ore Mining</b>												
Ferrexpo	FXPO	168	11.9%	-43.9%	1303	1299	24.0%	2.1	1.2	1.5	0.9	0.6
<b>Railcar Manufacturing</b>												
Kryukiv Wagon	KVBZ	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Specialized Machinery</b>												
Turboatom	TATM	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Motor Sich	MSICH	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Oil &amp; Gas</b>												
UkrNafta	UNAF	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Enwell Energy (ex-Regal)	ENW	21.5	13.2%	-38.6%	91	37	21.6%	30.3	10.1	1.4	1.2	0.6
<b>Power Utilities</b>												
Centrenergo	CEEN	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Donbasenergo	DOEN	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Consumer</b>												
MHP	MHPC	3.50	-0.8%	-48.4%	370	1661	32.5%	neg	1.3	4.9	2.7	0.7
Kernel	KER	35.40	71.0%	-39.7%	661	1497	61.8%	1.3	1.6	1.6	1.8	0.3
Astarta	AST	25.25	29.1%	-40.4%	148	323	37.0%	17.9	14.1	2.7	2.4	0.6
Agroton	AGT	5.30	2.3%	-22.1%	27	2	25.0%	2.3	2.1	0.1	0.1	0.0
<b>Banks</b>												
Raiffeisen Bank Aval	BAVL	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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		
		2019	2020	2021E	2019	2020	2021E	2019	2020	2021E	2019	2020	2021E	2019	2020	2021E
<b>Iron Ore Mining</b>																
Ferrexpo	FXPO	1507	1700	2300	586	859	1,450	38.9%	50.5%	63.0%	403	635	1,100	26.7%	37.4%	47.8%
<b>Railcar Manufacturing</b>																
Kryukiv Wagon	KVBZ	292	223	192	38	13	10	13.0%	5.9%	5.2%	31	9	5	10.5%	3.8%	2.7%
<b>Specialized Machinery</b>																
Turboatom	TATM	110	105	52	49	52	21	45.0%	49.1%	40.7%	12	8	3	11.1%	8.0%	6.0%
Motor Sich	MSICH	358	353	338	19	102	90	5.2%	29.1%	26.5%	-14	32	23	-3.8%	8.9%	6.9%
<b>Oil &amp; Gas</b>																
Ukrnafta	UNAF	1098	1319	1286	-115	320	291	-10.5%	24.3%	22.6%	-158	158	186	-14.4%	12.0%	14.4%
Regal Petroleum	RPT	50	55	62	22	26	30	44.0%	47.3%	48.4%	10	3	9	20.0%	5.5%	14.5%
<b>Electric Utilities</b>																
Centrenergo	CEEN	589	764	513	-69	17	-12	-11.7%	2.2%	-2.3%	-77	2	-31	-13.1%	0.3%	-6.0%
Donbasenergo	DOEN	249	256	258	8	9	-1	3.1%	3.3%	-0.6%	-3	1	-8	-1.1%	0.4%	-3.0%
<b>Consumer</b>																
MHP	MHPC	2056	1911	2236	376	340	620	18.3%	17.8%	27.7%	215	-133	290	10.5%	-7.0%	13.0%
Kernel (FY19, FY20, FY21)	KER	4107	5647	5082	443	929	836	10.8%	16.5%	16.5%	118	513	410	2.9%	9.1%	8.1%
Astarta	AST	497	484	517	86	122	136	17.4%	25.1%	26.3%	2	8	11	0.4%	1.7%	2.0%
Agroton	AGT	54	68	74	2	33	31	4.1%	48.2%	41.3%	5	12	13	9.5%	17.4%	17.4%
<b>Banks</b>																
		Total Assets			Total Equity			Total Income			Net Profit			Return on Equity		
Raiffeisen Bank Aval	BAVL	3495	3795	4216	550	456	516	280	271	260	185	151	178	33.6%	33.2%	34.5%

Source: Eavex Research

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