

Stock Market Update

Equity

London and Warsaw listed Ukrainian equities declined last week as the country's Defense Minister Oleksii Reznikov said Ukraine was "entering a new — long-term — phase of the war." Meanwhile, Russian occupation authorities continue to face administrative problems that prevent Russia from establishing full control over occupied territories in Ukraine.

Iron ore producer Ferrexpo (FXPO) dropped by 3.4% to GBP 147 despite the announcement that the company intended to pay an additional dividend of 6.6 cents per share from FY21 profit. We estimate a dividend yield at 3.7% taking into account the FXPO stock current price. In other names, Kernel (KER) edged down by 0.5% to PLN 23.88 while Agroton (AGT) advanced by 6.1% to PLN 4.88.

On the Ukrainian stock market trading in stocks and bonds remained suspended as the country is under martial law.

The Finance Ministry offered a new issue of the special UAH-denominated bonds with a yield of 11.5% and maturity in October 2023. However, investors' demand for Ukrainian government debt papers remained moderate prompting the National Bank to inject UAH 30bn into the special bond last week which de-facto direct financing of the national budget. Local and foreign investors can purchase the special Ukrainian bond through licensed brokers or banks.

On the OTC cash market, the hryvnia devaluated by 6.6% over the week to trade at 34.50 UAH/USD. Operations on the interbank currency market remained restricted and conducted close to the official exchange rate which was frozen at 29.25 UAH/USD.

Highlights

POLITICS AND ECONOMICS

- > Russians Pushed Out of Kharkiv but Still Hold Southeast Coast; Donbass Offensive Bogs Down
- > Official Inflation in Ukraine Rises to 16.4% YoY in April from 13.7% YoY in March

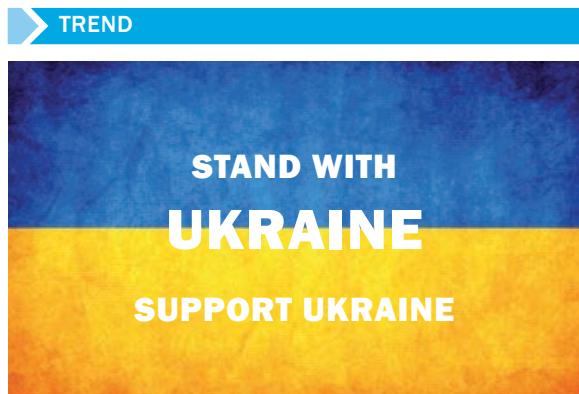
The National Bank of Ukraine has opened a special fundraising account to support the Armed Forces of Ukraine. Please find more at the National Bank's official website under the link below:

www.bank.gov.ua/en/news/all/natsionalniy-bank-vidkriv-spetsrahunok-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

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TREND			
MARKET INDEXES			
	Last	1W ch	YTD
UX	n/a	n/a	n/a
RTS	1132	4.0%	-29.1%
WIG20	1766	0.1%	-22.1%
MSCI EM	1004	-5.6%	-18.5%
S&P 500	4024	-2.4%	-15.6%

FIXED INCOME			
	Last	1W ch	YTD
NBU Key Rate	10.0%	0.0 p.p.	+1.0 p.p.
UAH 1-year war bond	11.0%	0.0 p.p.	0.0 p.p.
Ukraine-2026	40.3%	-6.1 p.p.	31.4 p.p.
Ukraine-2032	28.3%	-1.7 p.p.	19.1 p.p.

CURRENCY			
	Last, UAH	1W ch	YTD
USD/UAH	34.50	6.6%	26.3%
EUR/UAH	35.88	5.1%	15.9%

Source: Eavex Capital

Russians Pushed Out of Kharkiv but Still Hold Southeast Coast; Donbass Offensive Bogs Down

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NEWS

Ukraine's armed forces appeared to be on the verge of a major victory in northeastern Ukraine late last week, as there were reports that Russian forces have been pushed from the outskirts of the city of Kharkiv all the way back to the Russian border some 30km away. Kharkiv had suffered from heavy Russian bombardment since the earliest days of the war starting in late February. Ukrainian forces were preparing for a counter-offensive to try to recapture the eastern parts of Kharkiv province, including the key town of Izyum, US & domestic media reported. Meanwhile, the focus of Russian offensive action has shifted south to the besieged city of Severodonetsk, which along with neighboring Lysichansk is the last city in Lugansk province remaining under Ukrainian control. Russian efforts to capture the cities of Slavyansk and Kramatorsk in northern Donetsk province appear to have stalled, and even in Russian-held Mariupol on the southeast coast, Ukrainian forces are still holding out in the Azovstal steel plant. However, the southeastern cities of Melitopol and Berdyansk in Zaporizhia province appear to be firmly under Russian occupation, with reports that the ruble has been introduced as legal tender there. In Kyiv on Saturday (May 14), President Zelenskiy was visited by top US Republican party Senator Mitch McConnell in a show of support ahead of the expected passage of a massive USD 40bn package for Ukraine containing military, economic, and humanitarian aid introduced by the Biden administration.

COMMENTARY

The past week has been marked by increasing optimism that "Ukraine can win this war", as stated by NATO chief Jens Stoltenberg. Nonetheless, the precise definition of "victory" remains unclear, with the Ukrainian government stating that victory can only be the expulsion of Russian forces back to the pre-2014 borders, while Western officials have been notably more reluctant to embrace a scenario that would see offensive Ukrainian military operations to recapture Crimea and the cities of the eastern Donbass. Such operations would carry a clear risk of wider escalation by the Kremlin, most military analysts agree. French President Macron came under particularly harsh criticism from Zelenskiy after stating that that a deal should be made which allows Russian President Putin to "save face". We believe that if Ukraine continues to see relative successes in repelling Russian attacks in the next 4 to 6 weeks, tensions between Kyiv and the West (as well as within the West) over the desired endgame of the war could start to increase. In Moscow, meanwhile, it is unclear how high the Kremlin's tolerance for indefinite war and punishing economic sanctions might be amid some emerging signs of frustration that Putin's "special operation" is not going according to plan.

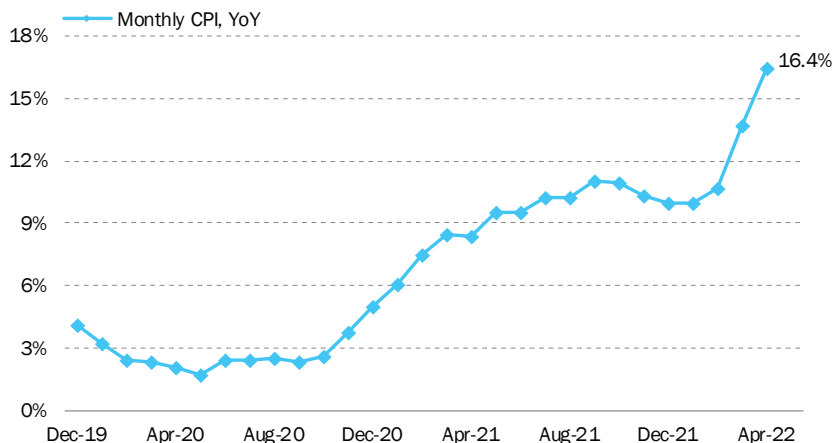
Official Inflation in Ukraine Rises to 16.4% YoY in April from 13.7% YoY in March

by Dmitry Churin
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NEWS

Rolling 12-month consumer inflation in Ukraine rises to 16.4% in April from a 13.7% registered in March, according to official data from UkrStat published last week. April's CPI increase on a month-on-month basis was a notable 3.1%. In the major CPI basket components, bread prices increased by 6.8% MoM while utility service prices were virtually unchanged as the government imposed strict administrative regulations.

UKRAINE'S ROLLING 12-MONTH CPI



Source: State Statistics Committee

COMMENTARY

In our view, the official inflation figure failed to reflect the real situation in Ukraine. There was a spike in petroleum prices in the country which resulted in a visible price increase for all kinds of final consumer goods. Also, consumer prices in different Ukrainian regions became sharply different due to the ongoing Russian invasion. Nevertheless, we do admire the government's and the National Bank's efforts to restrain inflation in this dramatic war period. There have been several administrative measures imposed to keep electricity prices for households unchanged. However, rising unemployment and migration due to the war reduced electricity bill collection even at the frozen artificially low price. Therefore, Ukraine's energy sector is in a serious crisis.

Data for producer price performance in Ukraine was suspended from publication and will start to be released only after three months from the end of martial law in Ukraine.

Russian attack on Ukraine takes a toll on the economy of all European countries. Inflation in the eurozone hit a new record. Spurred by skyrocketing energy prices, annual inflation soared to 7.5% YoY in April, according to EuroStat. In the US inflation is also running at an eye-watering 8.3% YoY.

Concerned over the possibility of even higher heating, electricity and auto fuel prices, European governments have so far held back from halting energy imports from Russia as part of the unprecedented sanctions they have imposed on it over its invasion of Ukraine. But there is a fear the war may lead to an interruption of oil or gas supplies from Russia, pushing prices even higher.

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								
Iron Ore Mining												
Ferrexpo	FXPO	147	-3.4%	-50.9%	1064	947	24.0%	1.7	1.2	1.1	0.7	0.4
Railcar Manufacturing												
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
Specialized Machinery												
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
Oil & Gas												
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	23.1	-2.9%	-34.0%	91	37	21.6%	30.4	10.1	1.4	1.2	0.6
Power Utilities												
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
Consumer												
MHP	MHPC	4.01	-6.5%	-40.9%	424	1654	32.5%	neg	1.1	4.9	2.6	0.7
Kernel	KER	23.88	-0.5%	-59.3%	423	1974	61.8%	0.8	1.0	2.1	2.4	0.4
Astarta	AST	21.20	-7.4%	-50.0%	118	293	37.0%	14.3	11.2	2.4	2.2	0.6
Agroton	AGT	4.88	6.1%	-28.2%	23	-1	25.0%	2.0	1.8	0.0	0.0	0.0
Banks												
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
Iron Ore Mining																
Ferrexpo	FXPO	1507	1700	2518	586	859	1,439	38.9%	50.5%	57.1%	403	635	871	26.7%	37.4%	34.6%
Railcar Manufacturing																
Kryukiv Wagon	KVBZ	292	223	192	38	13	10	13.0%	5.9%	5.2%	31	9	5	10.5%	3.8%	2.7%
Specialized Machinery																
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%
Oil & Gas																
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%
Electric Utilities																
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%
Consumer																
MHP	MHPC	2056	1911	2372	376	340	648	18.3%	17.8%	27.3%	215	-133	393	10.5%	-7.0%	16.6%
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%
Banks																
		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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