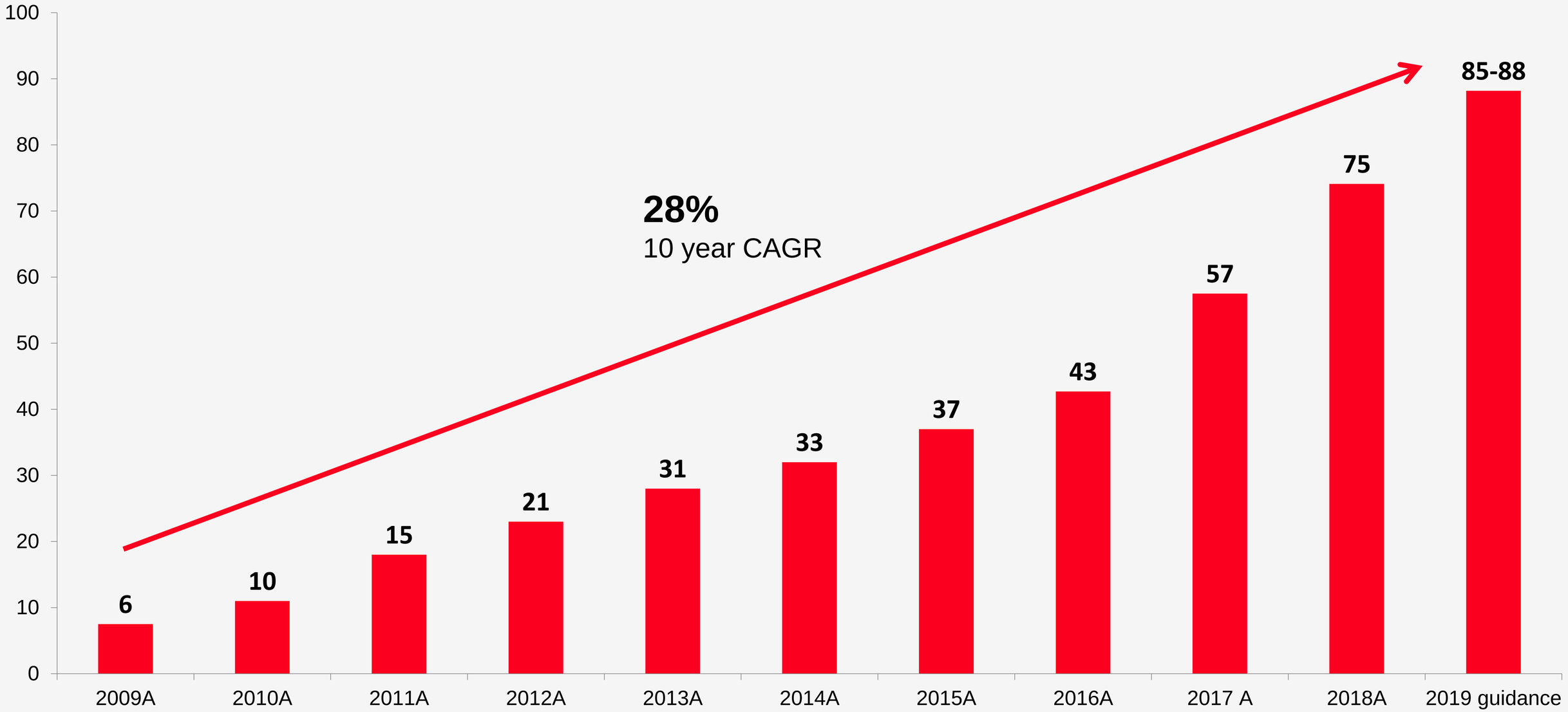
Mail.Ru Group

Building a leading internet eco-system

Mail has grown revenues 10x over 10 years



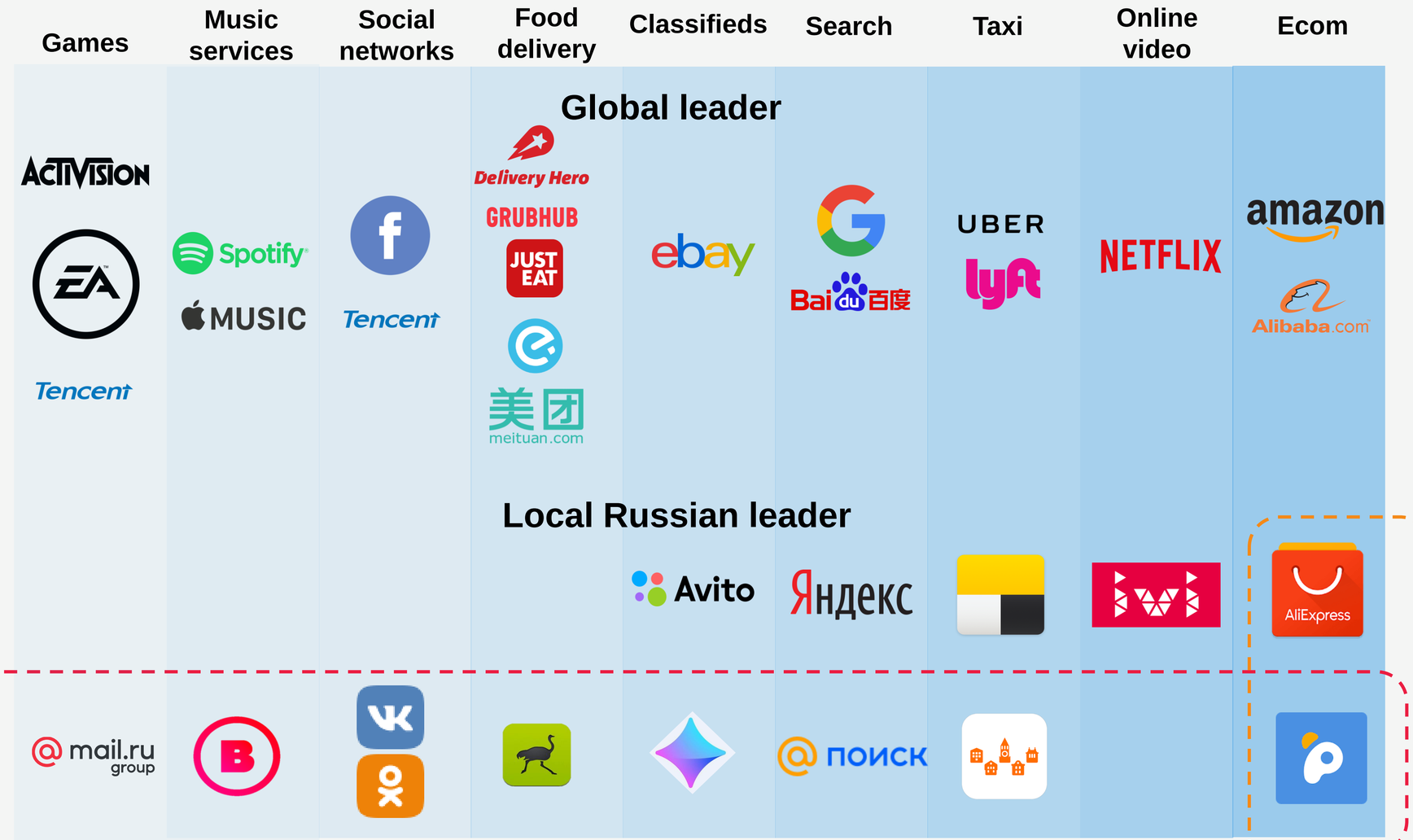
Source: Internal data

MRG started from email & portal and became leading social, gaming and e-commerce company in Russia

	Communications	Social	Gaming	E-commerce
Current status	*#1 E-mail service in RU* **Ahead of Gmail in Russia**	*#1 social network in RU* *#2 social network in RU* **Ahead of Facebook, Instagram and Twitter in Russia**	*#1 PC game in RU* *Successful mobile games developer* ... and other leading titles	*#1 restaurant food delivery service in RU* *Leading mobile classified in RU* *Fastest growing ride-hailing service in RU* *Emerging cross-border e-commerce player*
Main milestones	**Email and portal launched** 1998-2001	**Expanded into social** 2007	**Expanded into gaming** 2008	**Expanded into O2O and e-commerce** 2016-2018

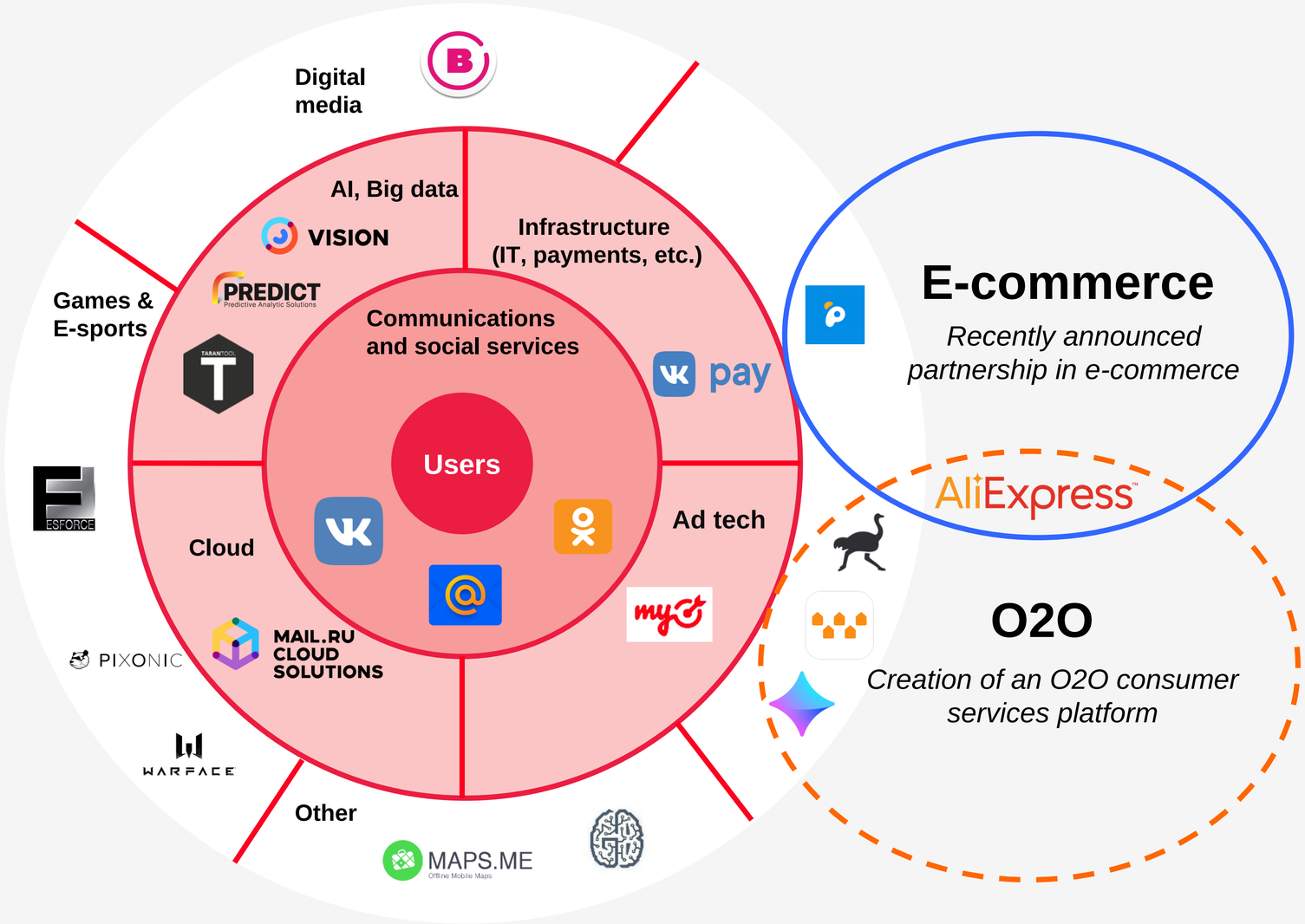
Source: Management estimates, public sources including Mediascope data for 0+ for web for OK

Main internet verticals in Russia are dominated by local players



Source: Management estimates, Internal data

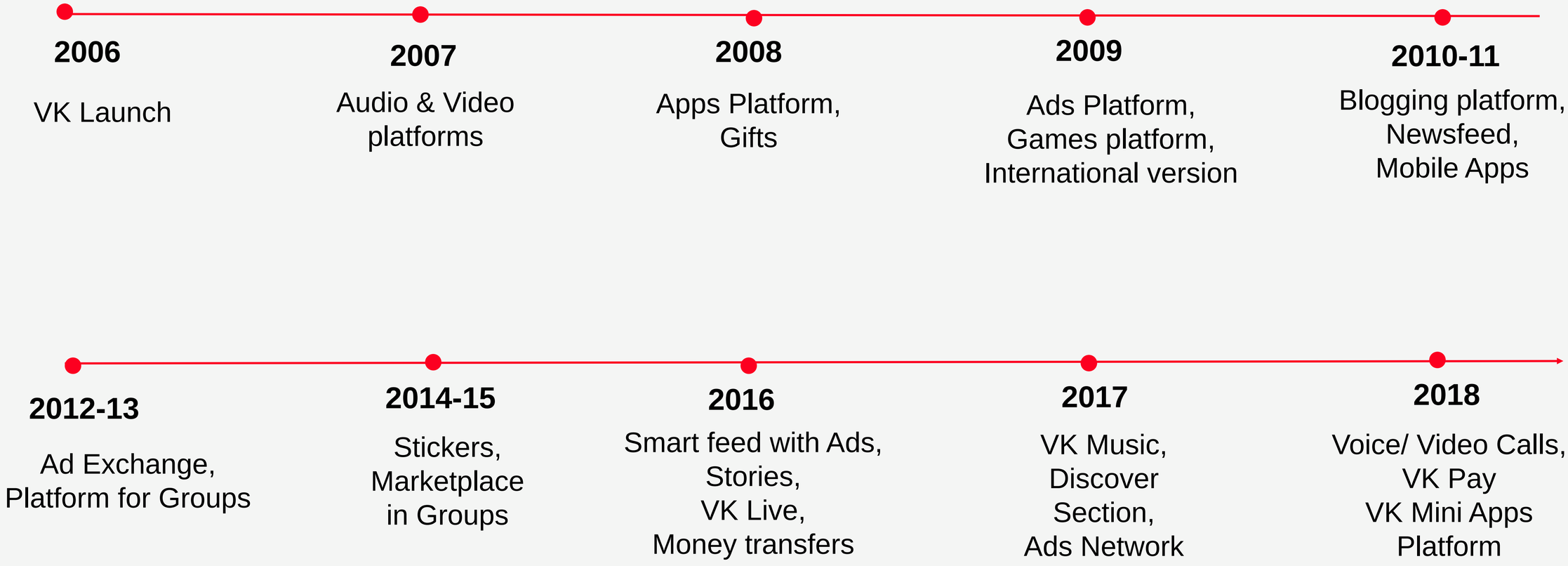
MRG is building an ecosystem powered by ~100M @mail.ru group users and developing partnerships to strengthen across verticals



Source: Internal data

VK – the largest communication platform in Russia and CIS

VK is focused on ongoing development of new functionality, which can be actively used by its major and already highly engaged audience

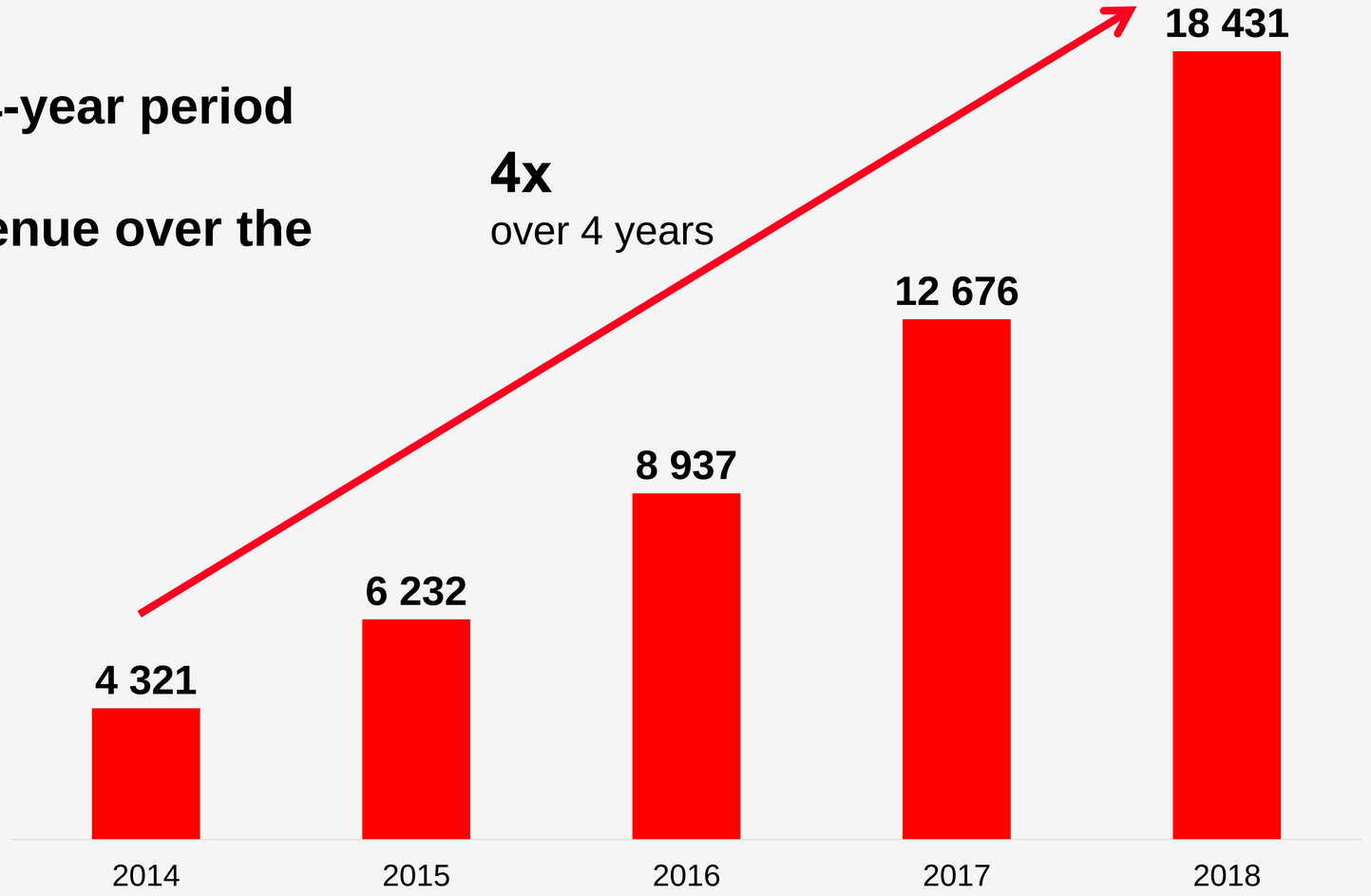


Source: Internal data

VK – growth continues

VK revenue grew 4x over a 4-year period

We expect to double VK revenue over the next 3-4 years



VK revenue, M RUB

Source: Internal data. For 2014, 2015 and 2016 revenue is presented under IAS 18 standard, for 2017 and 2018 - under IFRS 15.

VK / User engagement growth

Q1’19, YoY

+74%

Stories Viewed (to 17.7bn)

+41%

Comments Posted
(to 45.4m on iOS and Android)

+38%

Video Viewed
(to 55bn)

+53%

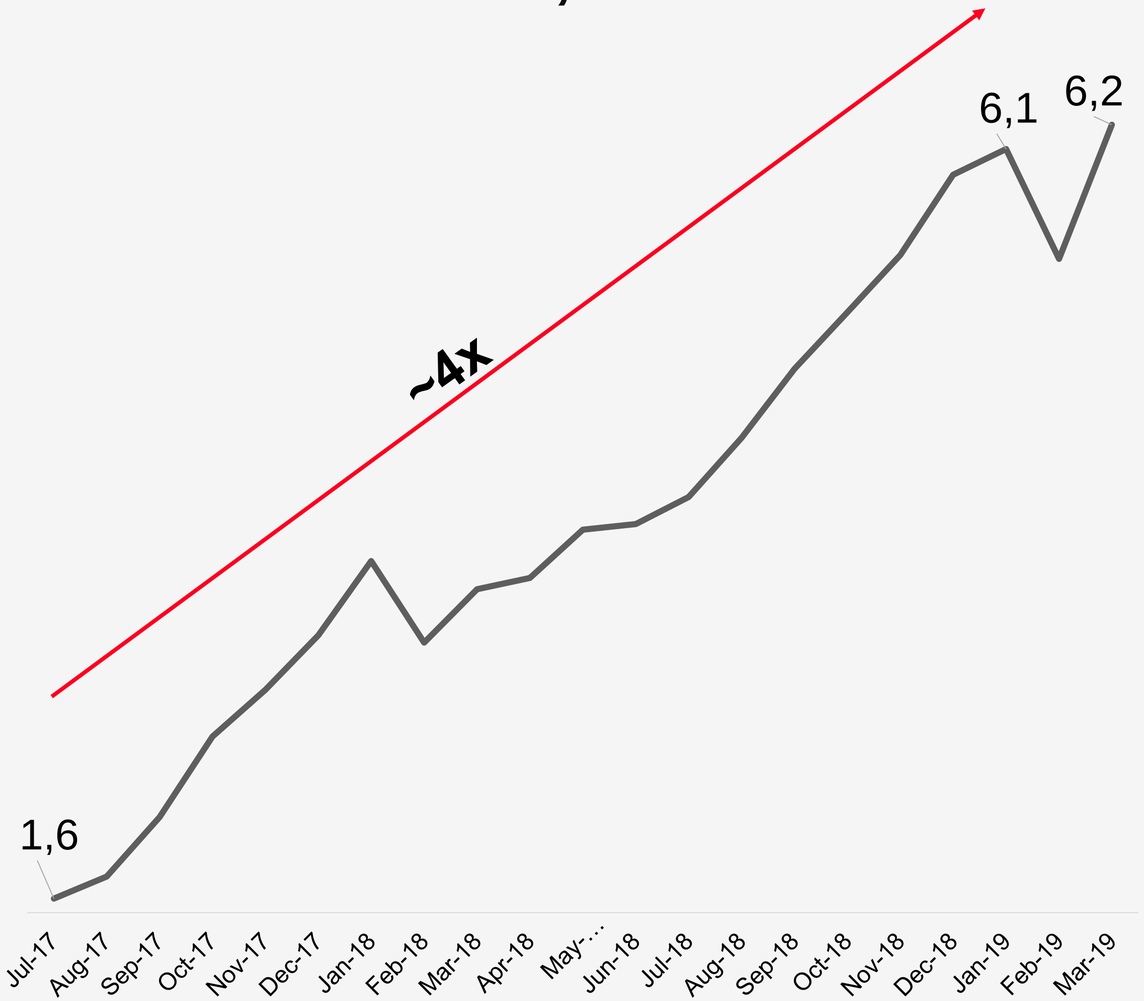
Messages Delivered (to 918bn, >10bn daily)

User engagement growth increases total time spent

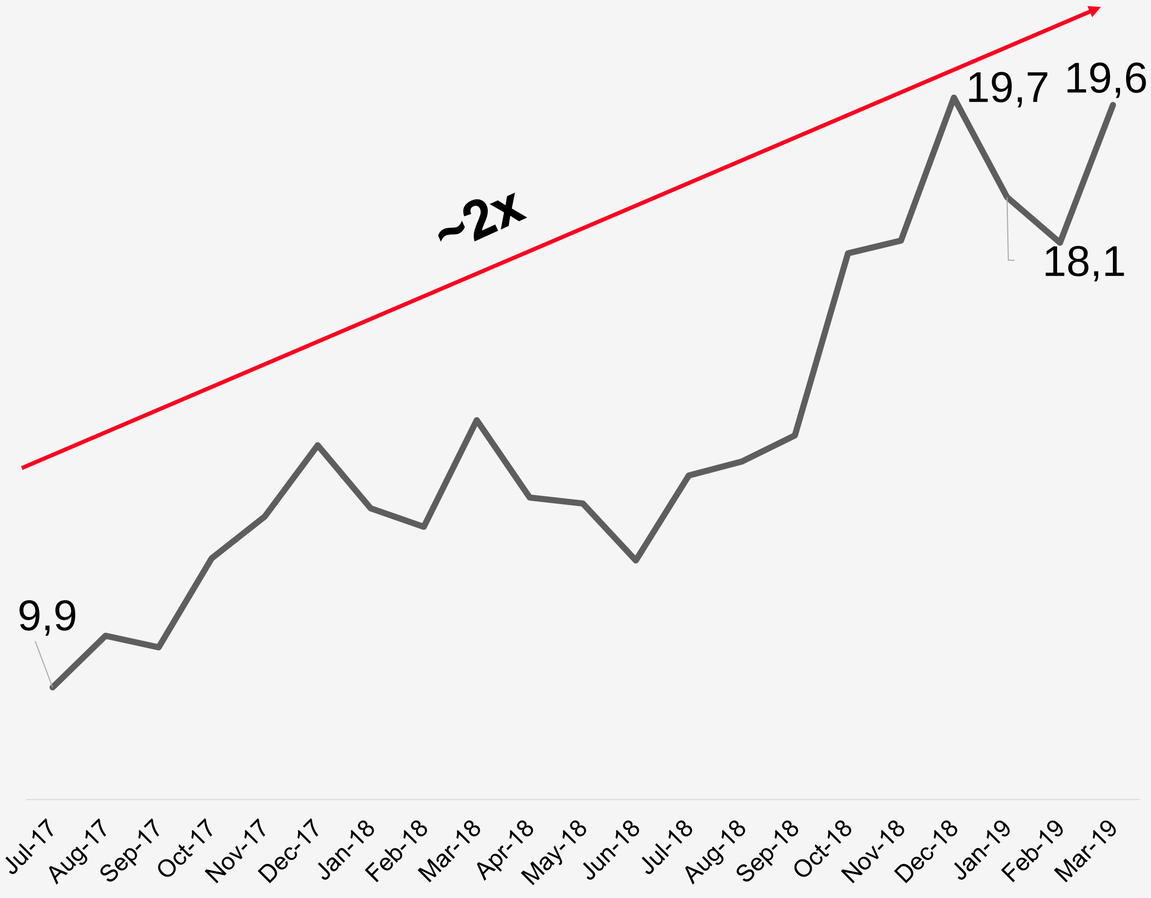
Source: Internal data

VK is actively developing video products: stories and video have grown – 4x and 2x respectively

Stories, #B views



Video, #B views



Source: Internal data

VK / Users are highly engaged with communities

Number of monthly unique users communicating with communities

22M

+37% YoY

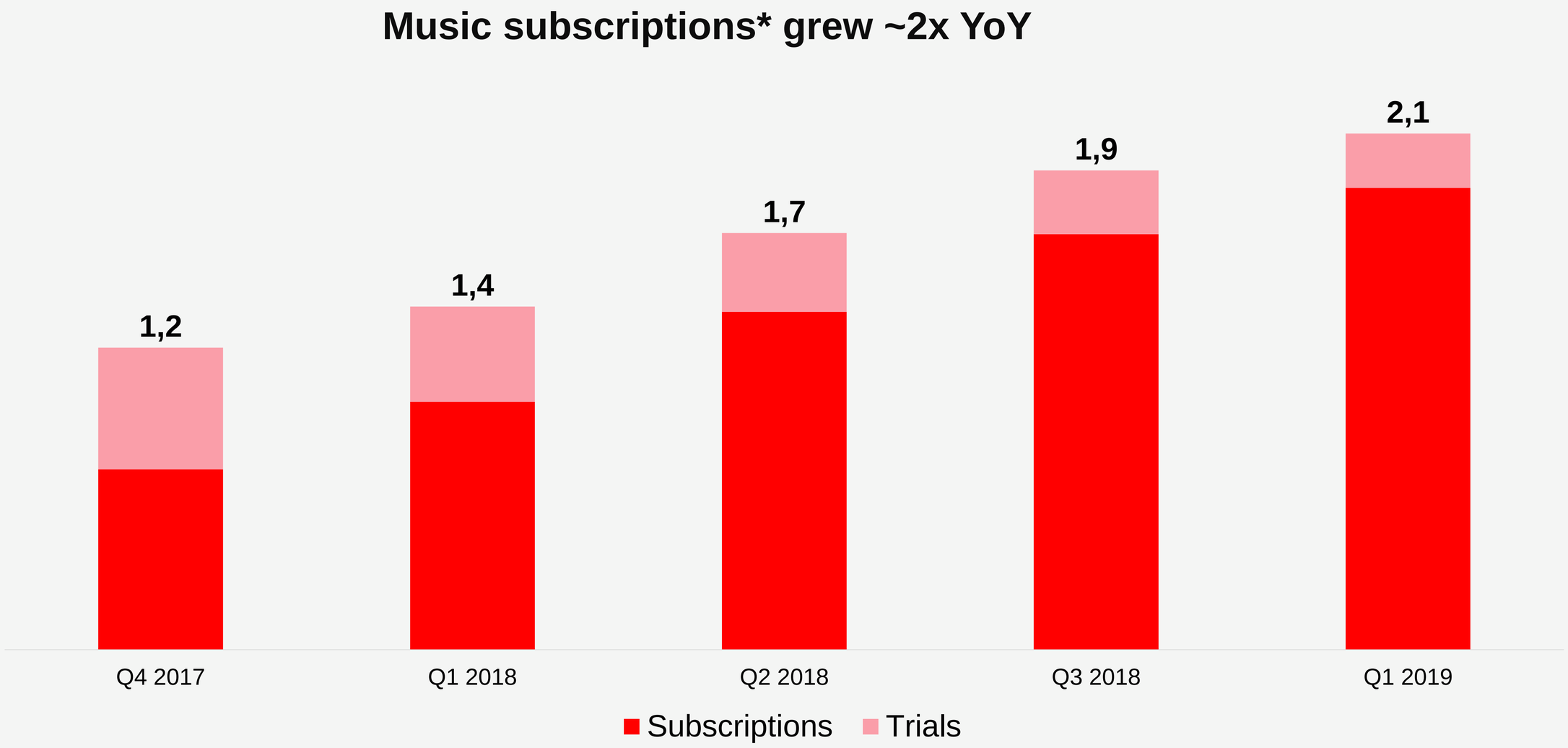
Number of messages sent to communities monthly

1.6B

2x YoY

Source: Internal data, March 2019

Music grew ~2x



* Based on aggregate numbers of VK, OK, UMA and excludes inactivated telco bundles

VK Strategy – Focus Areas

- **Content platform**

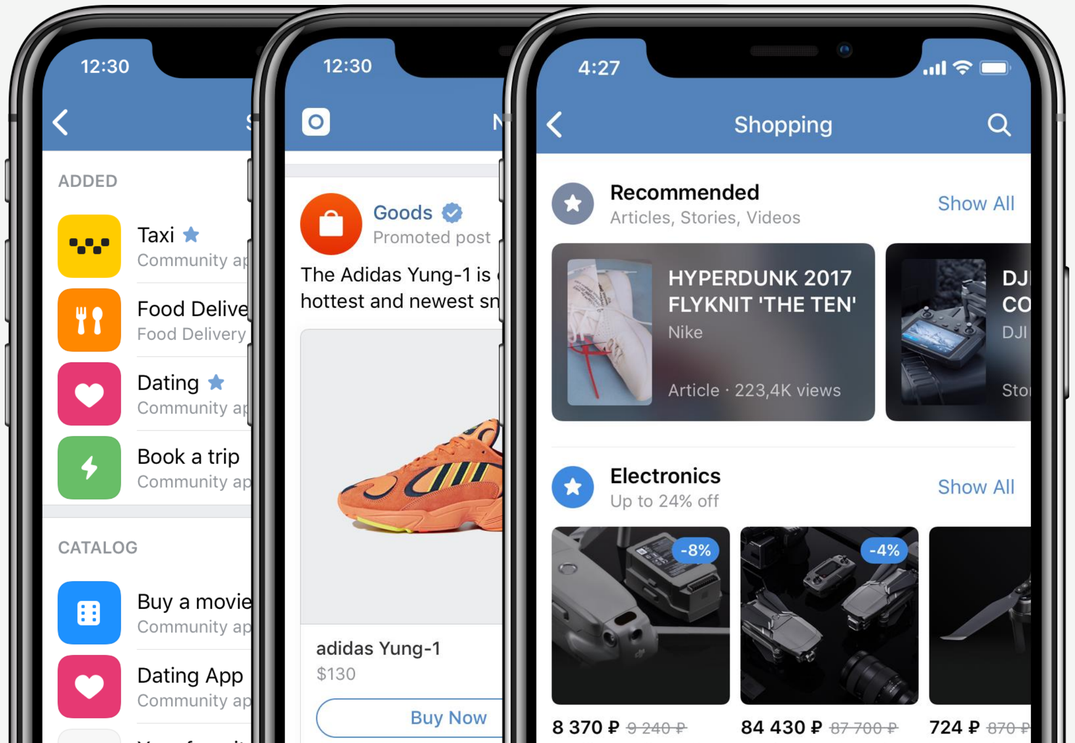
Further development of content recommendations, stories and music products

- **VK Mini Apps**

Launch of further products and services natively embedded into VK mobile app and desktop, base for ecommerce

- **Social commerce and SMEs**

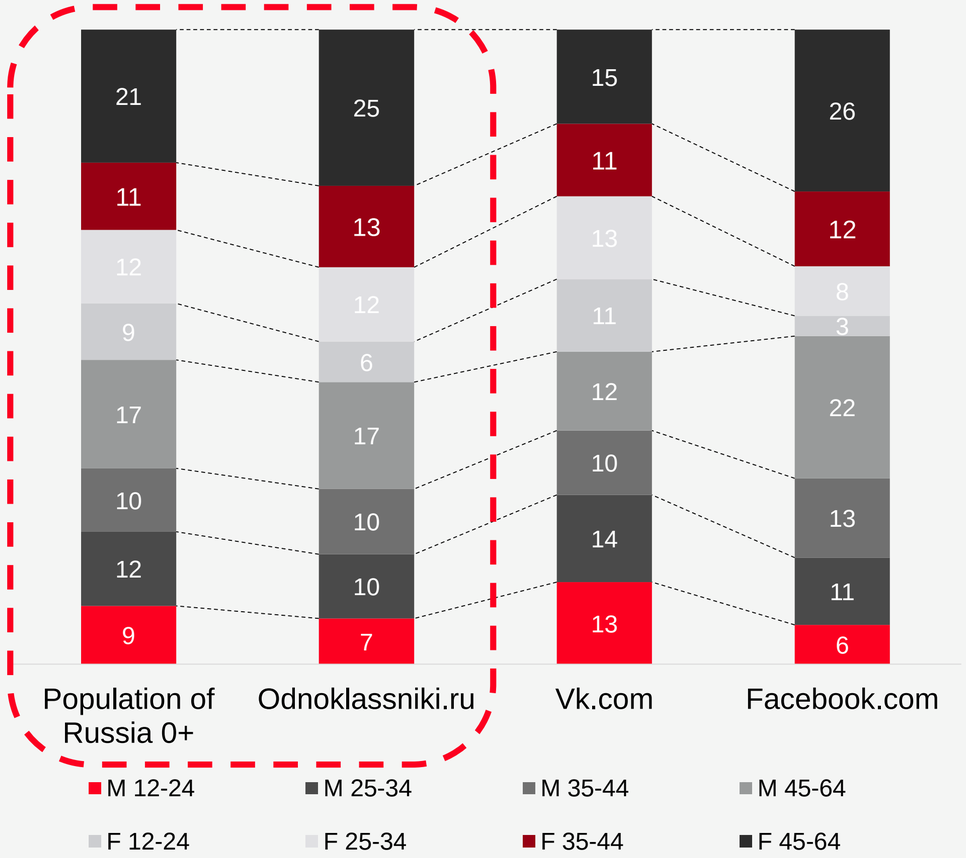
Development of shopping center, product distribution, integration with groups and payment products



OK – Unique social and entertainment platform launched in 2006

Unique audience structure

OK audience structure reflects overall RU population structure, and is attractive to majority of advertisers



Unique user relationships

In OK people are showing their real life with real emotions

OK users mostly communicate with close relatives/friends and actively express emotions

+103%
In presents sent YoY as of Q1-19 (**to 6.5bn**)

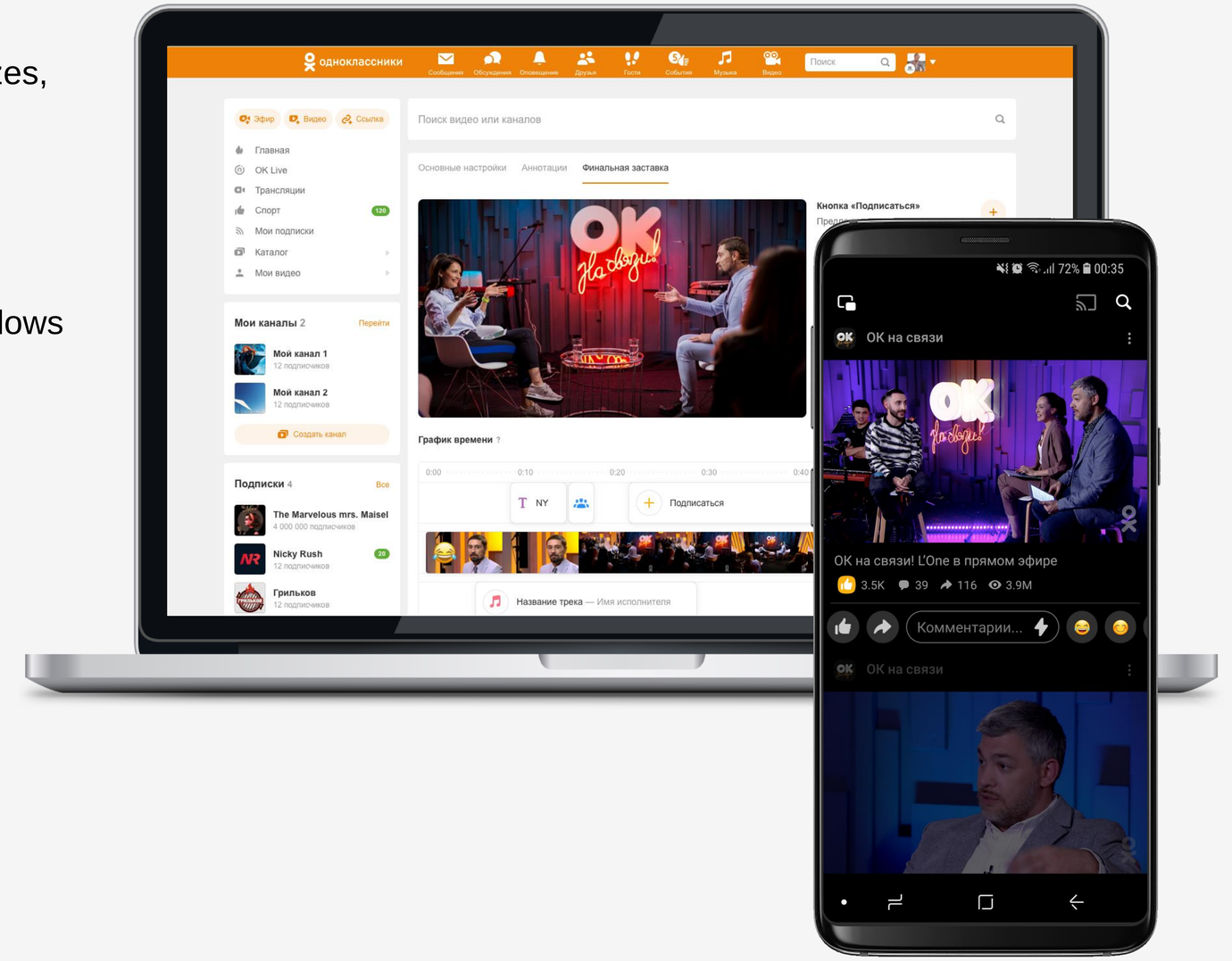
+14x
In stickers sent YoY as of Q1-19 (**to 331mn**)

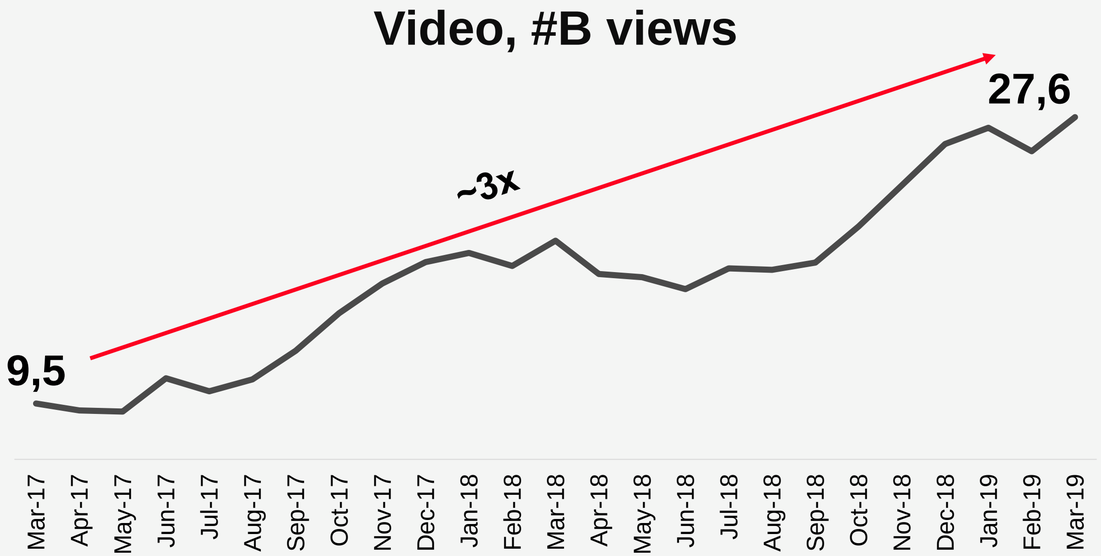
+2x
postcards sent YoY as of Q1-19 (**to 16.3mn**)

Source: Mediascope, Desktop, Russia 0+, January 2019, % of Monthly Reach

OK video views grew 3x

- ”Creative studio”, a new platform for all video content creators
- The platform supports interactive mechanics such as polls, quizzes, clickable descriptions and texts which can be added to the video content
- An updated video storefront with anonymous access and search options
- A smart Videos Feed in mobile apps with an auto-play feature allows viewing video playlists either Ai-generated or related to certain Channels or Groups results +10% views

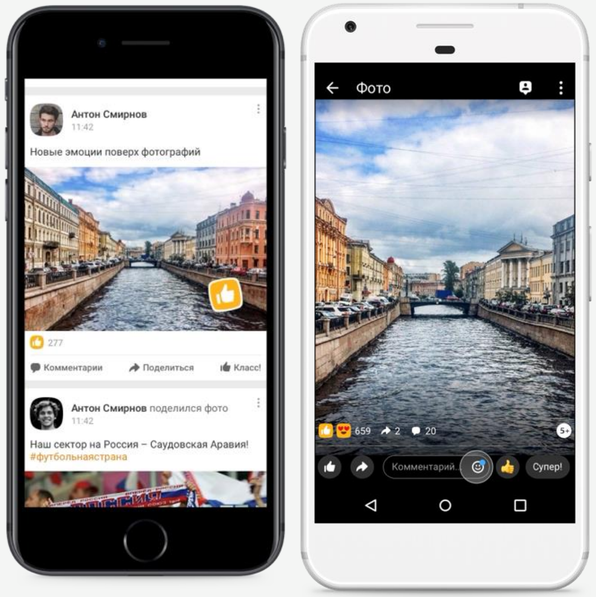




Source: Internal data

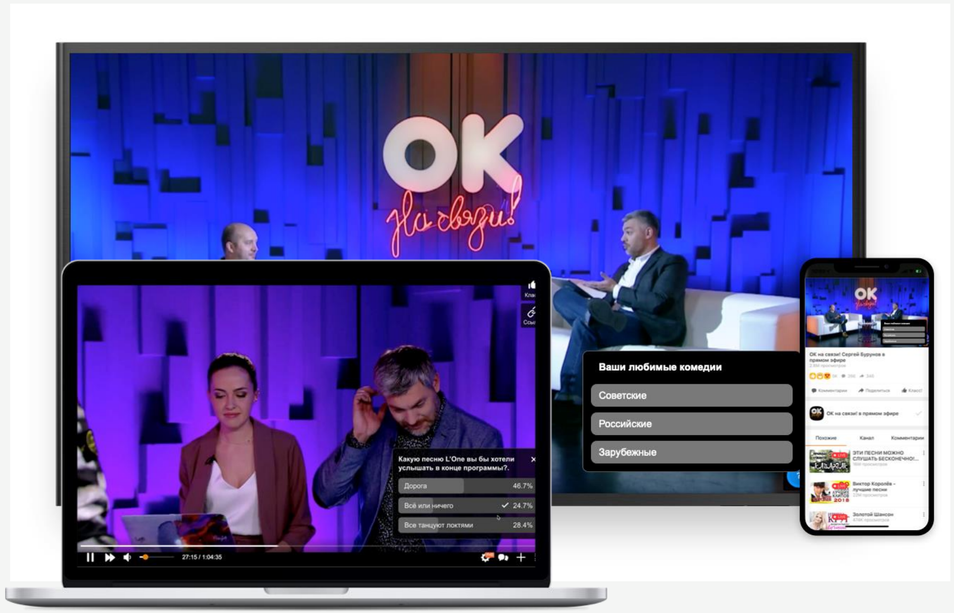
OK Strategy – 2019 Focus Areas

Emotions exchange



Continue to boost user engagement with new tools, fast feedback, paywall reduction

Video platform



New video smart technologies and showcase, “Creative studio” for video creators and professionals, first digital TV

Games

Community development for game, acquisition of new mobile games

Source: Internal data

Advertising – additional upside (1/3): new models

	oCPM *launched in 2018*	Context targeting *launched in 2018*
New models launched		
Results for MRG	• 2-3% of total ad sales • Avg CPM growth -150%	• Budgets grew x2 since launch • Based on search queries on MRG platforms (Youla, VK, OK, etc). • 15% - CPM increase
Plans	• Introduce for events – sell to all categories /clients	• Adding new data sources, targetings improvement • Further improvement of advertising technology
Benchmark	• Facebook ads delivery and bidding optimization has proven to work well across a wide range of audiences and industries. • Facebook's revenue growth is driven mainly by ARPU: DAU in 2018 grew 10% YoY, whereas ad revenue surged 38%.	• Context advertising has set Amazon's ad business on a path to rapid growth: from $3bn in 2016 to ~$10bn in 2018. • According to eMarketer, Amazon is now the #3 digital ad platform in the US with a market share expected to grow from 4.1% in 2018 up to 7.0% in 2020.

Source: Internal data, Peer reports

Advertising – additional upside (2/3): new initiatives

	Hyperlocal targeting	Performance retail
New initiatives		
Results for MRG	• SME – 27% of total VK ads sales (30% YoY) • 3x efficiency improvement in 2018 (radius decreased), geo budgets increased by 261%	• Budget grew 4x during 2H18 • Focus on moving offline retail trade-marketing budgets to online
Plan for 2019	• Adding new data sources, targetings improvement • Further improvement of advertising technology • Continue focus on SME	• Increase demand for the technology • Launch direct cashbacks in VK and OK
Benchmark	• Facebook has ~5m advertisers, the majority of which are small and medium sized businesses	• Total trade-marketing capacity is RUB 500B in 2018 • Even small share of this market may bring billions of new revenues to MRG

Source: Internal data, Peer reports

Advertising – additional upside (3/3): Advertising network

MRG Advertising network

9% Share of network revenue in total ads revenue

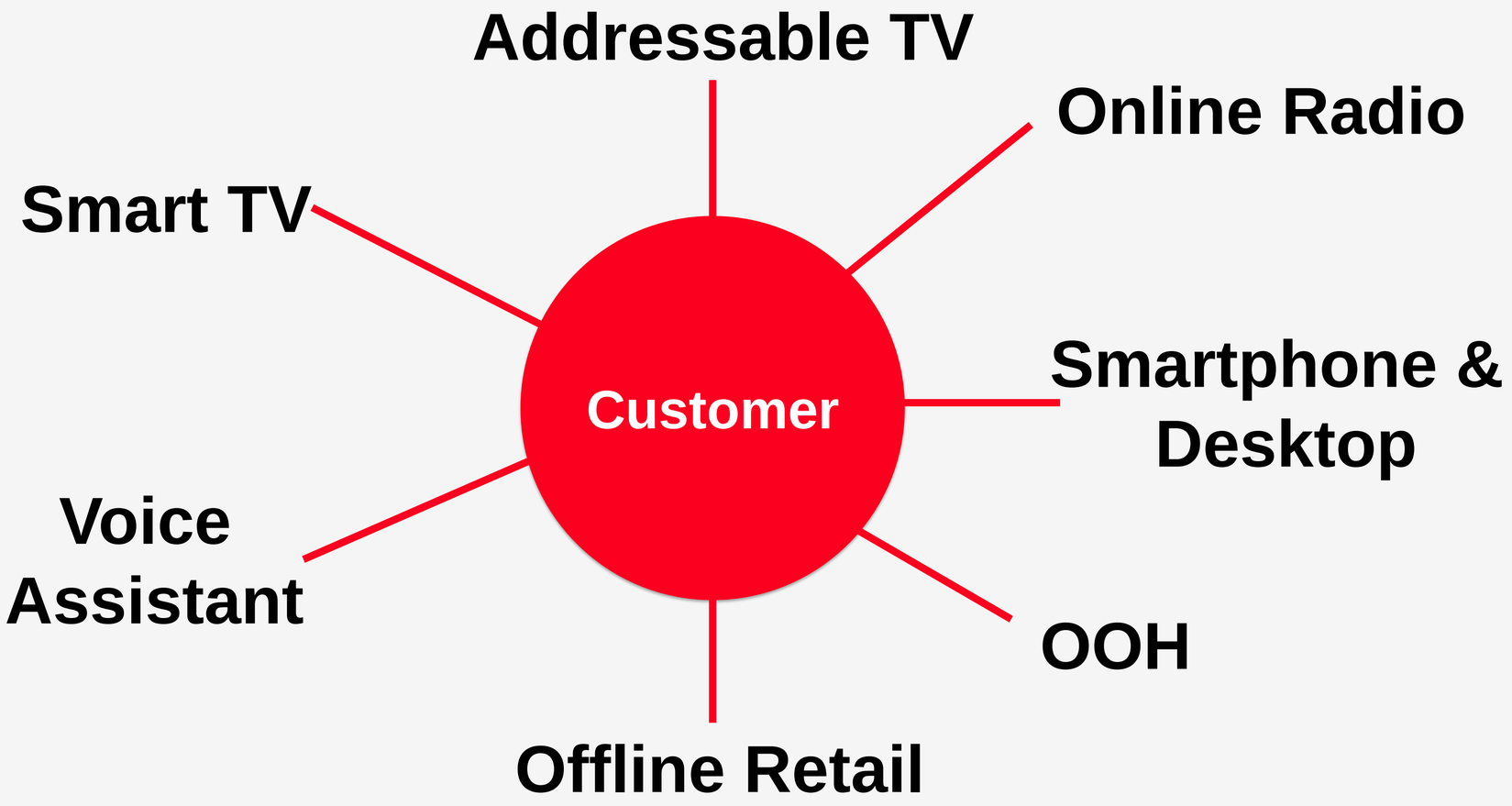
2x Ad network's revenue increase vs 2017

+32% Increase in number of ads network's partners vs 2017

- In 2019 we plan to improve quality of traffic on partner websites, according to the global standards in terms of viewability, anti-fraud, etc. that will boost revenue.
- Yandex Ad Network and Google Network account for 23% and 17% respectively.

Source: Internal data, Peer reports

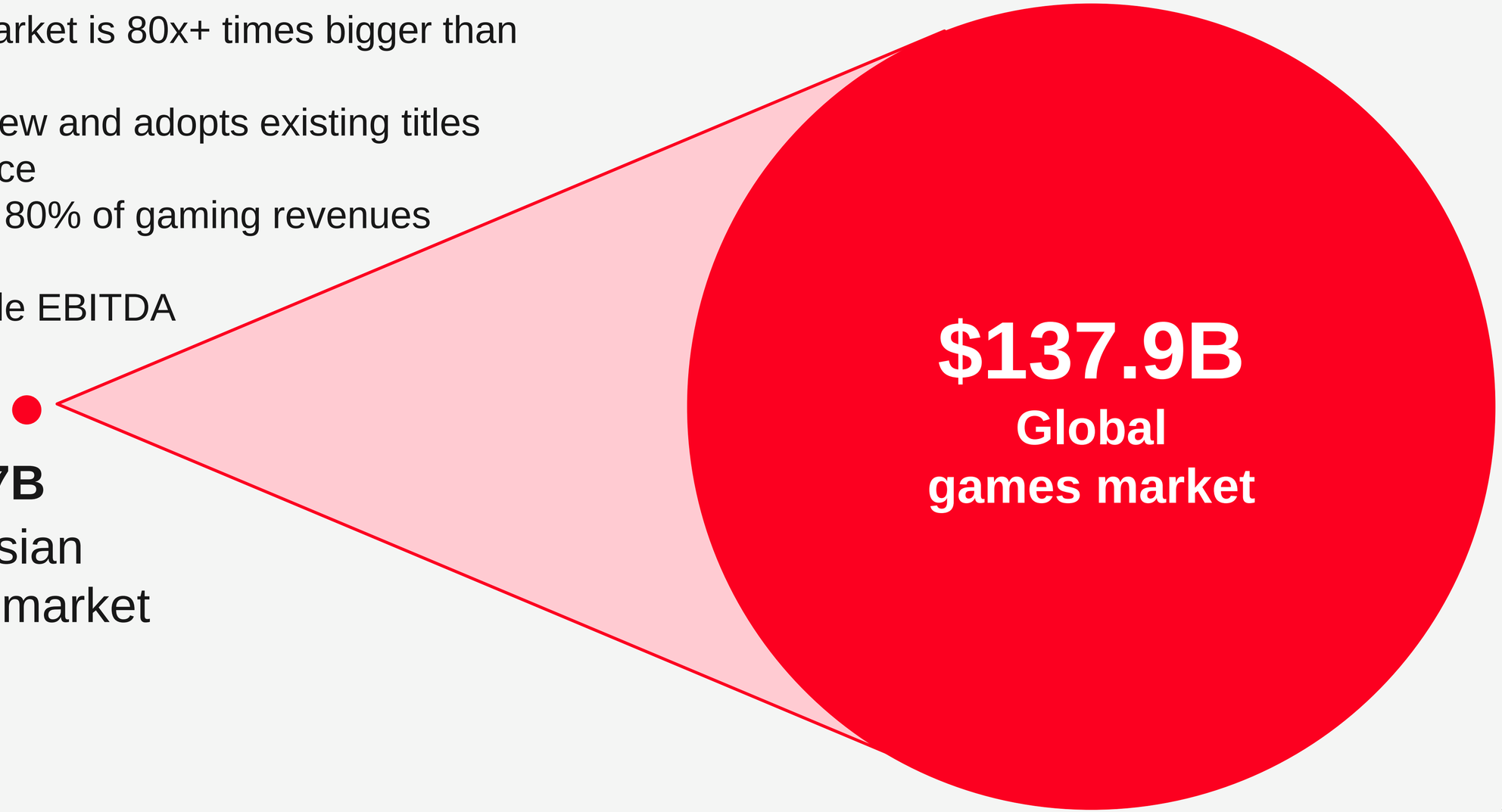
Advertising – building omnichannel reach tools



Source: Internal data

Online games MRG focuses on global expansion

- Global games market is 80x+ times bigger than Russian
- MRG develops new and adopts existing titles for global audience
- Target is to draw 80% of gaming revenues from abroad
- Target is to double EBITDA within 4 years



$1.7B

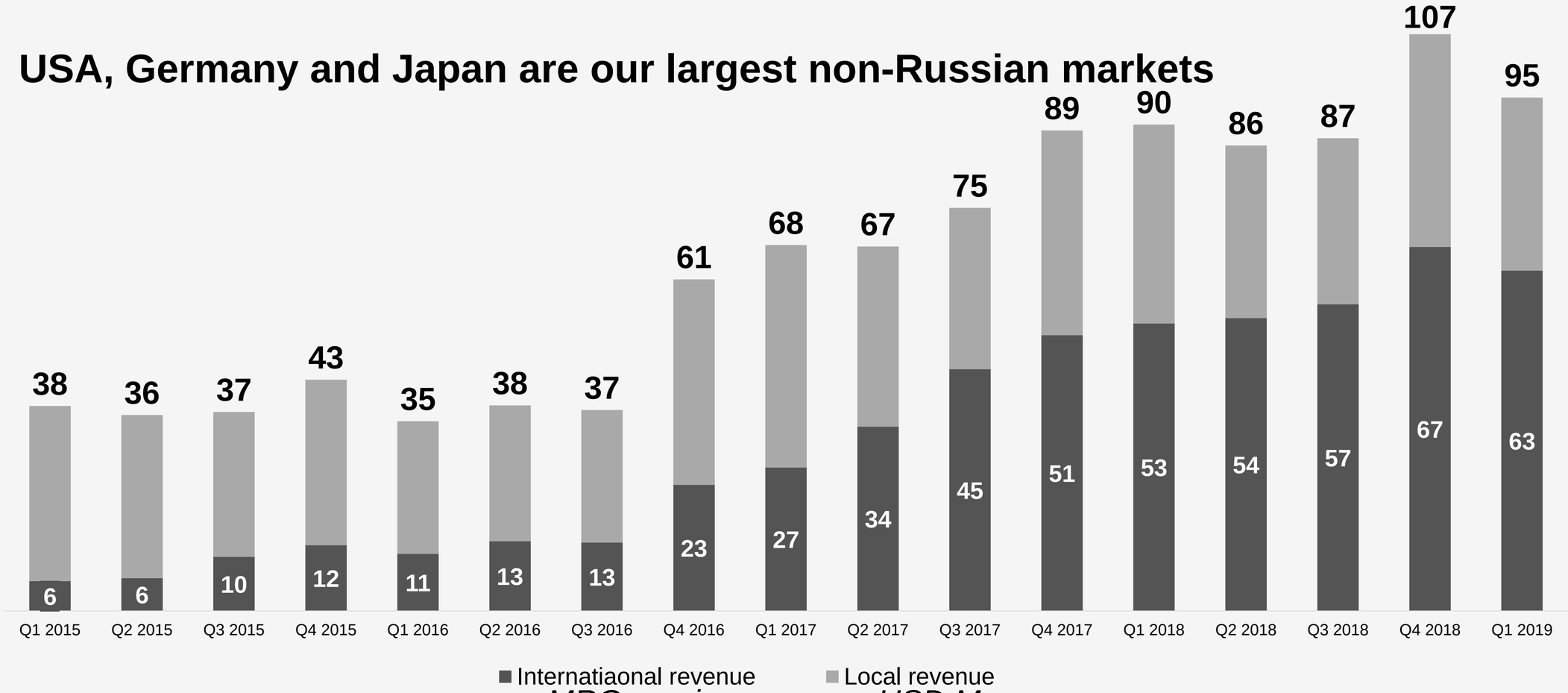
Russian
games market

Source: NewZoo - 2018 review report

MRG international gaming revenue increased 1.5x vs 2017

- **MRG international gaming revenue in Q1 2019 surpassed 66% of total MRG gaming revenue and >20% of MRG total group revenue**

- **USA, Germany and Japan are our largest non-Russian markets**



MRG gaming revenue, USD M

Source: Internal data

Games Business 360° Strategy

@ mail.ru group

Developing

72 titles launched*

Hustle Castle

LEFT TO SURVIVE

SKYFORGE

Allods Online

HAWK: Freedom Squadron

Легенда

10 titles in development

Lisensing

55 titles launched

WARFACE

ArcheAge

Perfect World

LOST ARK

CONQUEROR'S BLADE

CROSSFIRE

2 titles in pipeline

Acquiring

2 studios

PIXONIC

bit GAMES

Investing

13 studios in portfolio

PANZERDOG

RED BRIX WALL

Integra Games

mobirate we made your game

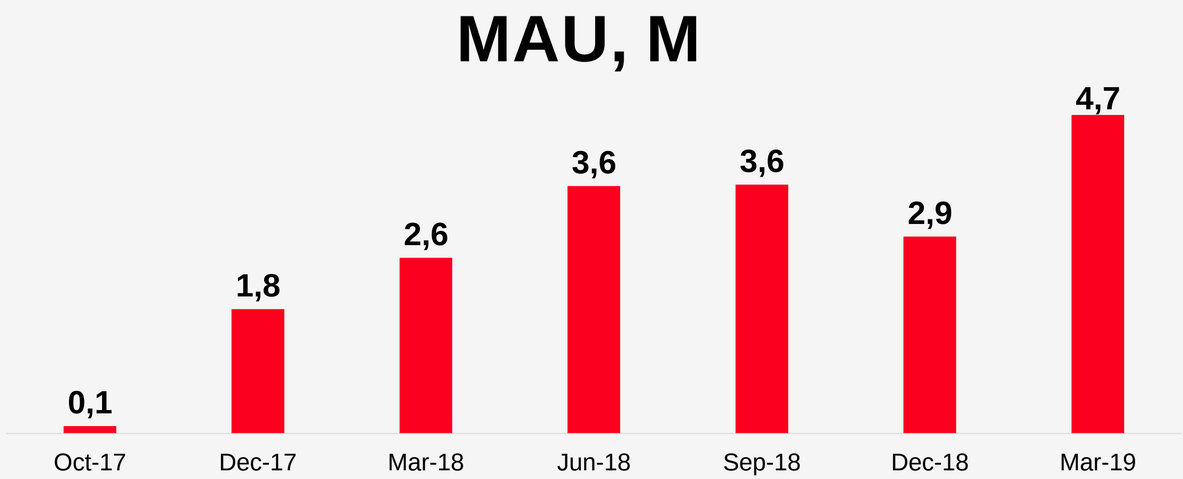
27 studios in investigation

* Since 2014

Source: Internal data

Hustle Castle case study – our top-growing gaming project

- Hustle Castle became our top-earning gaming project by the end of 2018
- It has 40 million users across the globe
- 91% of players are outside Russia
- It is showing high retention and monetization indicators
- Hastle Catsle had MAU of 4.7M in Mar-2019



71M RUB

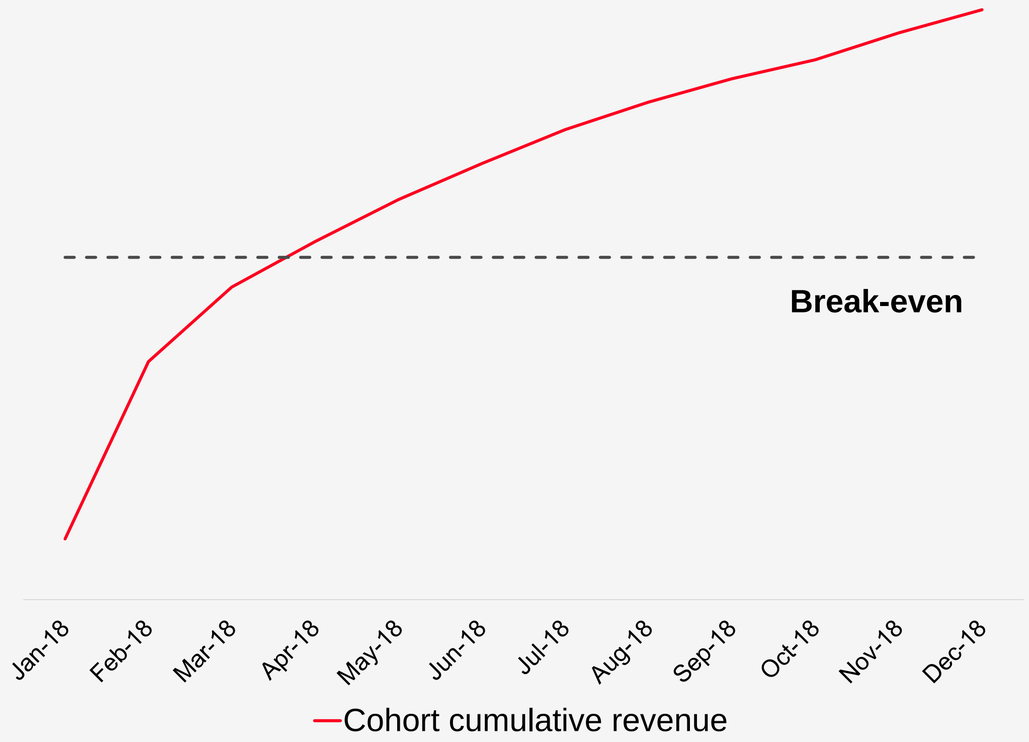
Daily revenue record reached in Dec'18

Source: Internal data

Hustle castle case study – turning investments into EBITDA

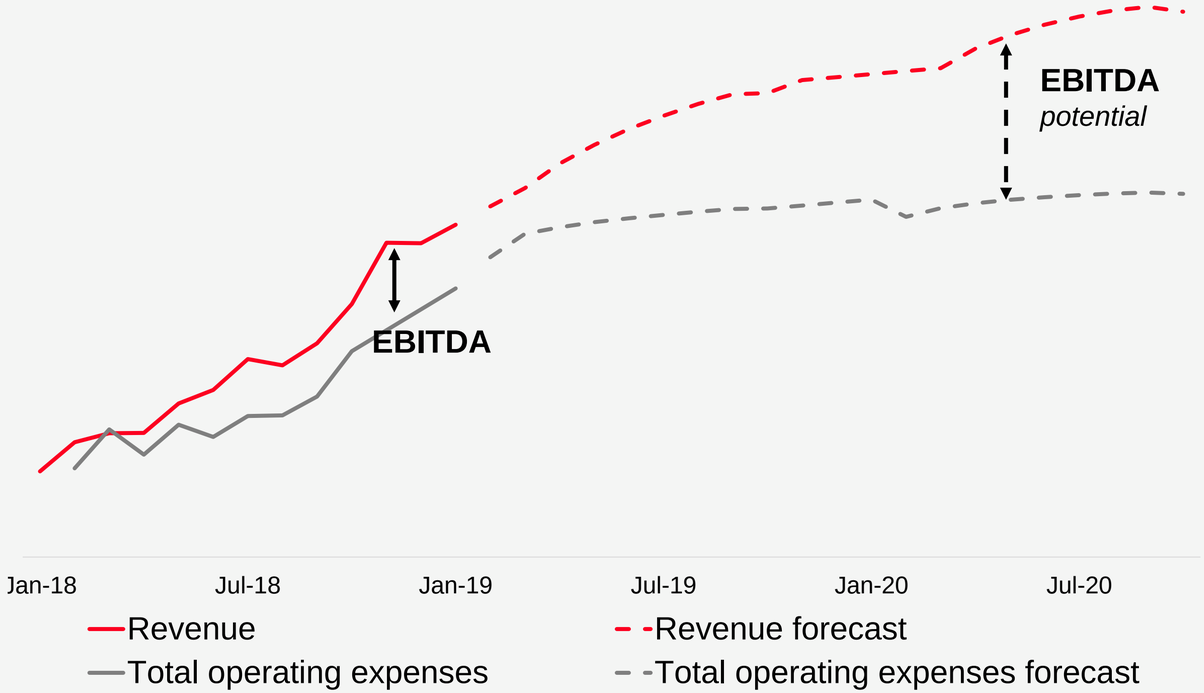
Revenue cohorts

- Reaching marketing break-even in 4 months of cohorts living in game
- 12m revenue ~ 1.5x marketing investments



Potential

- 20% margin on a 2nd year of operations
- Forecasted growth of EBITDA in future periods due to dramatic revenue growth and accumulation of loyal core audience
- Opportunity to grow EBITDA in the moment with help of marketing optimization



Source: Internal data and estimates

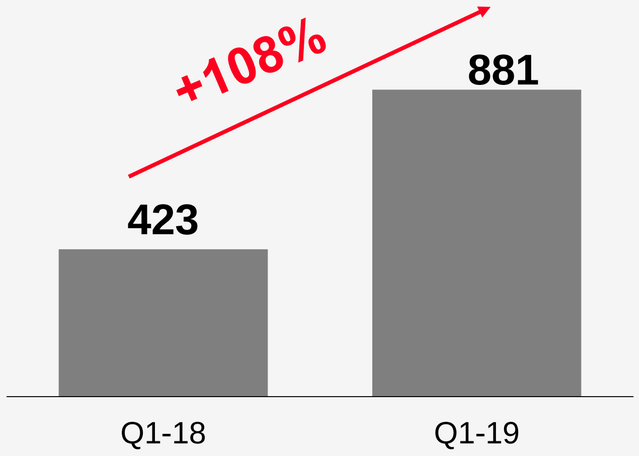
MRG is developing a market leading O2O services @ mail.ru group platform with a goal to deliver superior growth

These are high growth and high frequency businesses with a potential to achieve a high margin

Delivery Club

Largest Russian online food delivery business

Revenue (RUB m)

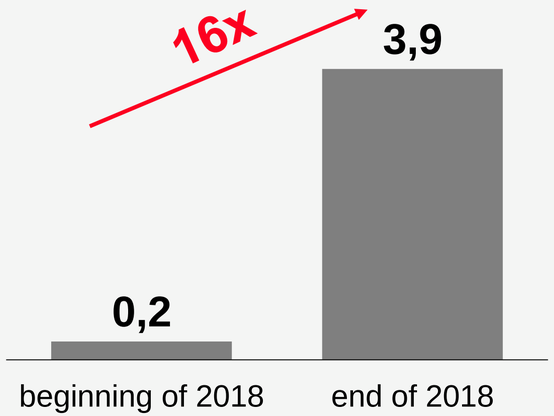


Delivery Club's revenue growth accelerated to above 100% in 2019

Citymobil

Fast-growing ride-hailing service

Number of monthly rides (m)

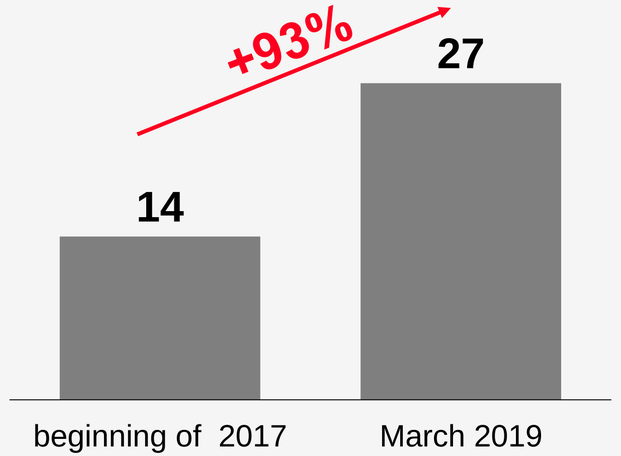


Citymobil's # of rides has grown 16x times since the beginning of 2018 becoming No2 player in Moscow

Youla

Leading mobile location based marketplace

MAU: web + app (m)



Youla became market leader in mobile classifieds just 3 years since foundation with +93% MAU growth since January 2017

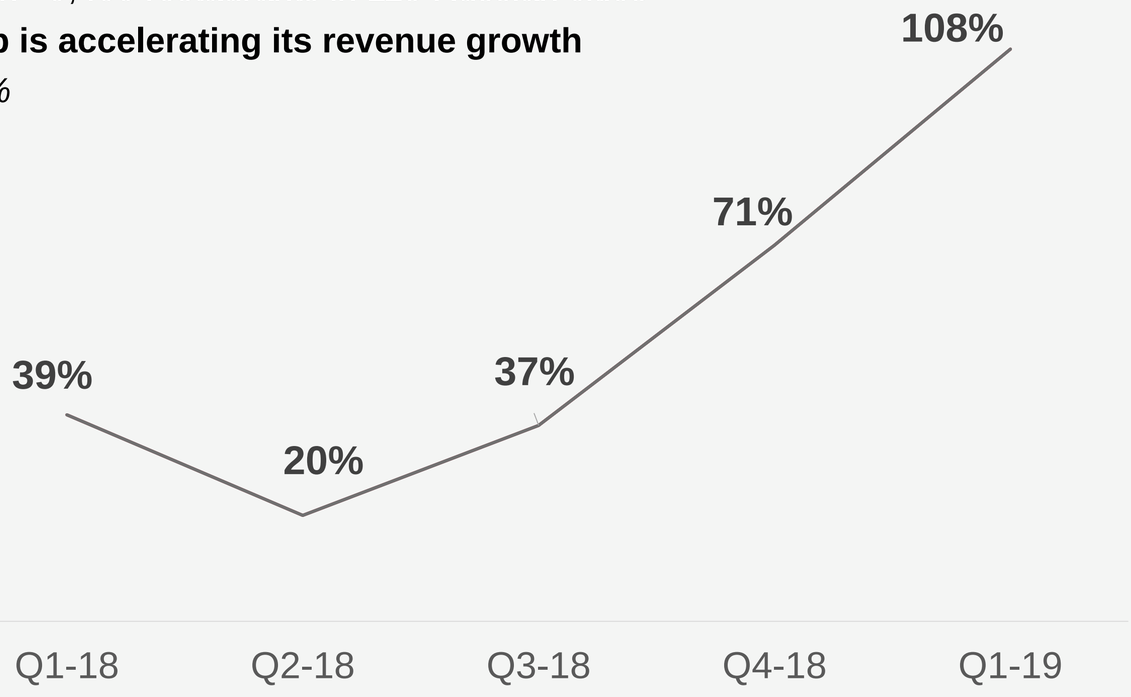
Source: Internal data

Delivery Club
Russia's Food delivery leader

- Delivery Club is a leading Russian restaurant food delivery company, which was acquired by MRG at the end of 2016
- In May 2017 MRG acquired Zaka Zaka in a goal to consolidate local food delivery aggregator market
- Own delivery was launched in early 2016 in an attempt to expand market share. Now it accounts for above 30% of orders. Courier fleet is to be used for last mile delivery of e-commerce verticals in the future
- In 2018 DC signed partnerships with 3 major QSR chains: McDonald's, KFC and Burger King
- DC works with ~9,400 restaurants in 115 Russian cities

Delivery club is accelerating its revenue growth

YoY growth,%

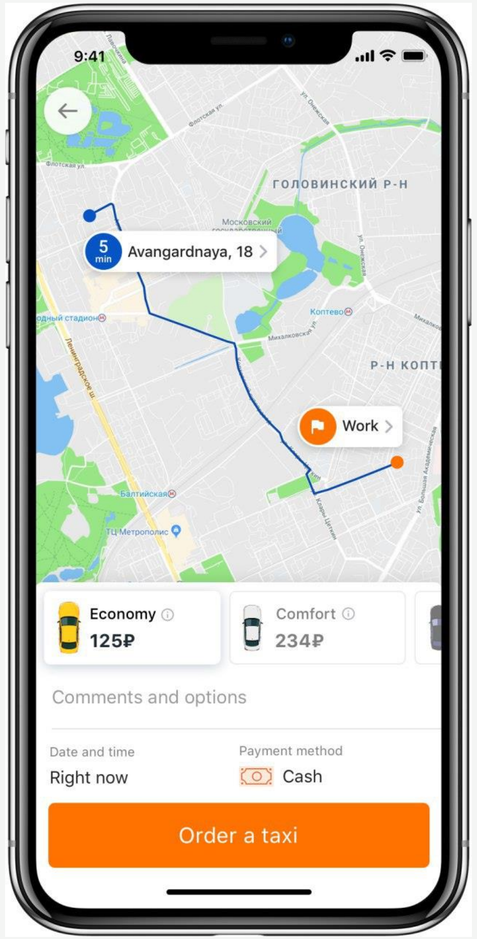


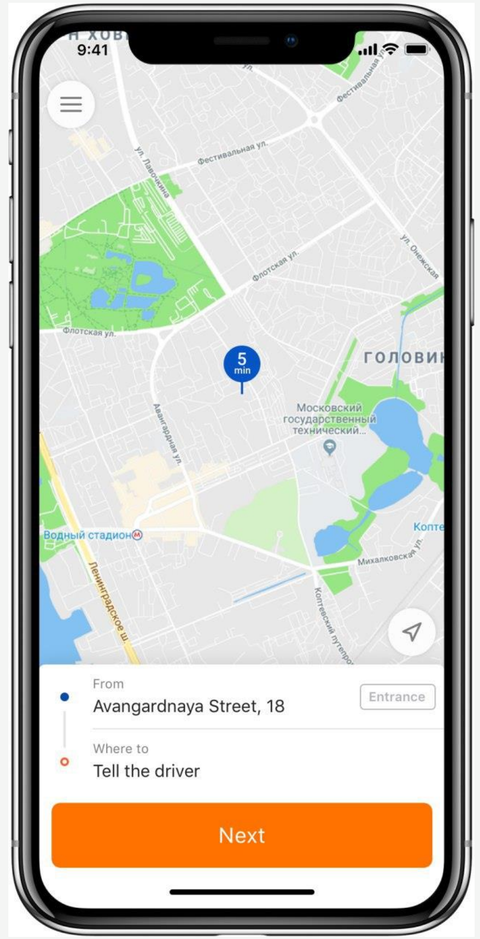
Partnerships with 3 major QSR chains signed

Source: Internal data

Citymobil
MRG's bet on ride-hailing market

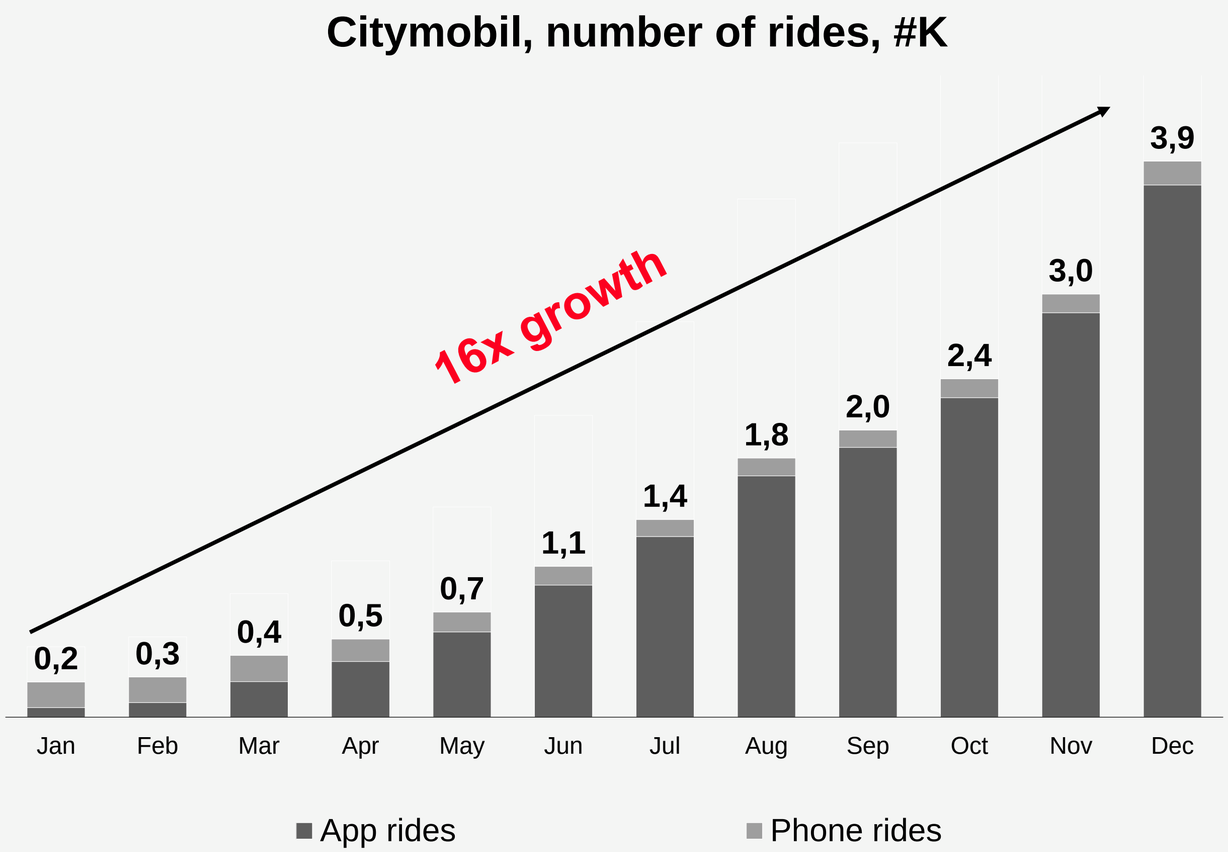
- **In 2018 the Co received investments from MRG**
- **Within 6 months it became #2 player in the most competitive Moscow market** with the help of MRG's strong marketing support and expertise, access to MRG Big Data, assistance from internal AI/ML team and other proprietary technologies
- Citymobil **reached 24.5% share of Moscow market by December 2018 vs 14% as of 1H 2018**, gaining share from all the other players
- Comission level has recently increased
- MRG owns strategic minority share in the company and does not consolidate it into own financial accounts

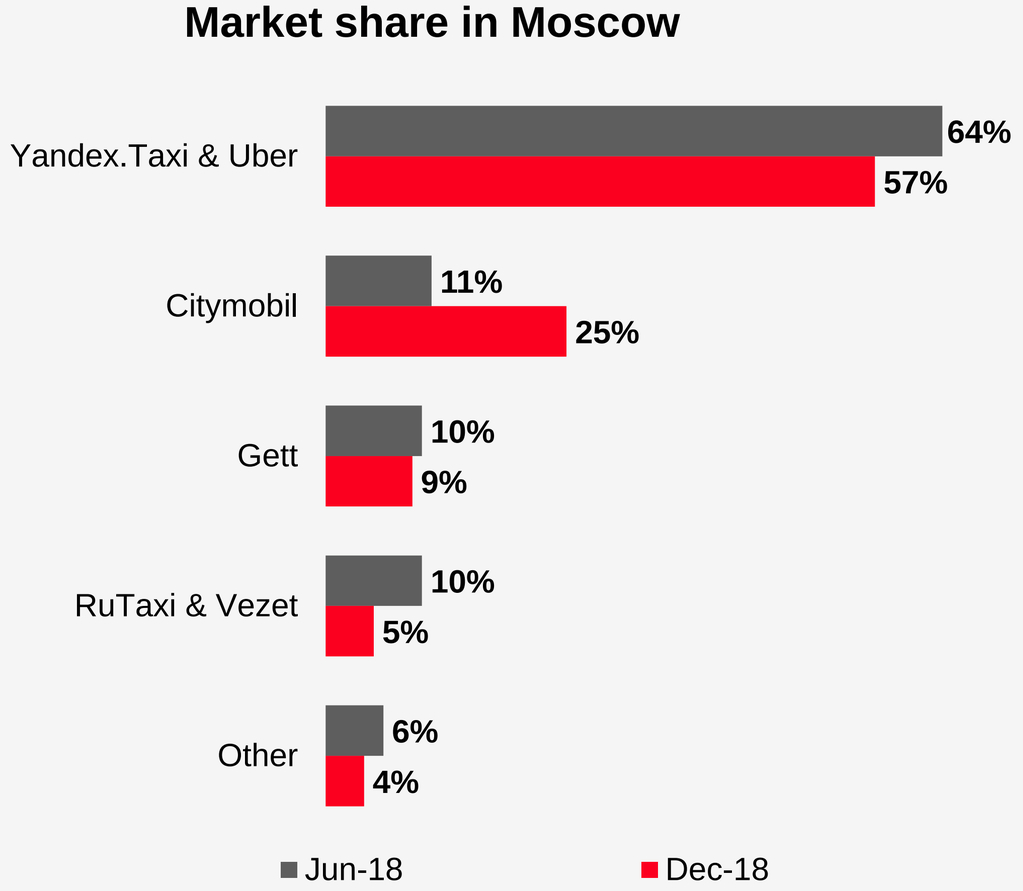




Source: Company internal data, Transportation Department of Moscow statistics

Citymobil is actively conquering market share in Moscow





Source: Internal data, Transportation Department of Moscow statistics

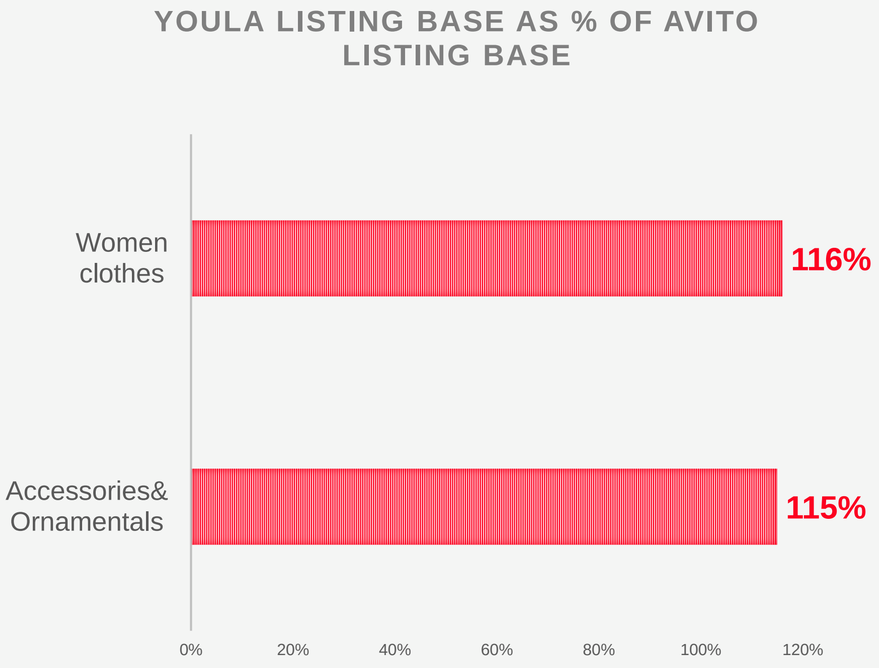
Youla
Leading mobile classifieds in Russia

- During the past 12 months Youla managed to build leading position in several general categories
- First monetization tests started at the end of 2017 and in 2018 revenue surpassed RUR 1bn with a target of around RUR 2bn in 2019
- Q1 2019 revenue was up 2.7x Y-o-Y to RUR384m
- Listings grew by 30% YoY to 33m in March

27M **Mar’19 MAU**

~2x growth over 2 years

Targeting the most active audience – women, Youla overtook Avito in some General’ key categories



Source: Internal data

Youla
Leading multi-vertical online-classifieds business

Competitive landscape

Focus on one vertical	Online		CIAN.RU, hh.ru HeadHunter, auto.ru
	Offline	Real Estate:	Миэль
		Auto:	MAJOR Автомобильный холдинг
		HR:	KELLY, ancor
Multi-vertical platform	Online		Youla, Avito

Comparison with the closest competitor

	Youla	Avito
App MAU[1]		
- cities with population of 700k+	4.7m	5.4m
- cities with population of 100k+	8.6m	10.6m
App DAU[1]		
- cities with population of 700k+	1.6m	1.5m
- cities with population of 100k+	2.6m	2.8m
Listings	33m	52m
AppStore app rating	4.8	3.8
GooglePlay app rating	4.7	4.5

Source: Youla analysis as of 1Q'19.
Note: 1) Mediascope, Feb'19.

Email & Portal

Mail.ru – email service

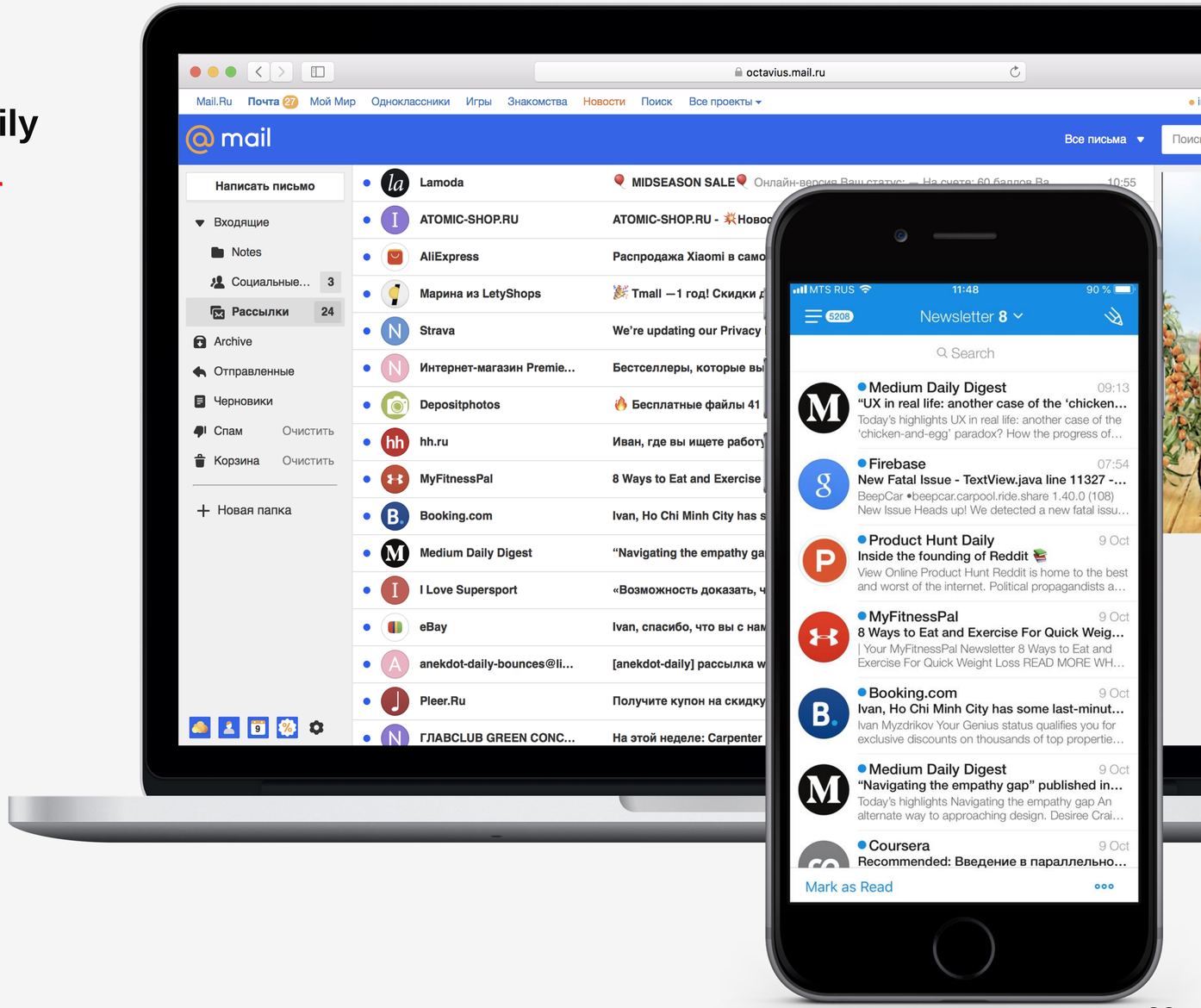
- **#1 email service in Russia**
- **103M active accounts, 700M messages sent daily**

User centric approach and strategy to meet modern user requirements:

- **Manage ecommerce and social networks mail flow**
  - Transactional messages categorization
  - Orders grouping by order ID
- **Shift from notification only to solving daily problems**
  - C2C money transfer
  - Mobile phone account top up, fines payment
  - Pay button in message
- **Tools to guarantee data privacy and permanent access**

Pulse (beta in Jan’19)

- **Recommendations feed offering personalized content based on user preferences**
- **1.2M DAU**



Source: Internal data

Big Data and ML
Leading solutions implemented within MRG as well as accessible for 3rd parties

PREDICT
Predictive Analytic Solutions

Predictive analytics solutions for business

Sophisticated predictive models, recommendations systems, segmentation and personalization tools based on MRG Big Data and proprietary technologies

TARANTOOL

Data base management solution

Proprietary in-memory Data Base management solution with performance benchmarks* beating global analogs. Originally developed for internal MRG needs (used in 60%+ MRG products)

MAIL.RU CLOUD SOLUTIONS

Cloud solutions for business

Emerging player building cloud infrastructure and data storage as well as Big Data as a service, Backup as a service and GPU-based computing in the cloud for RU market

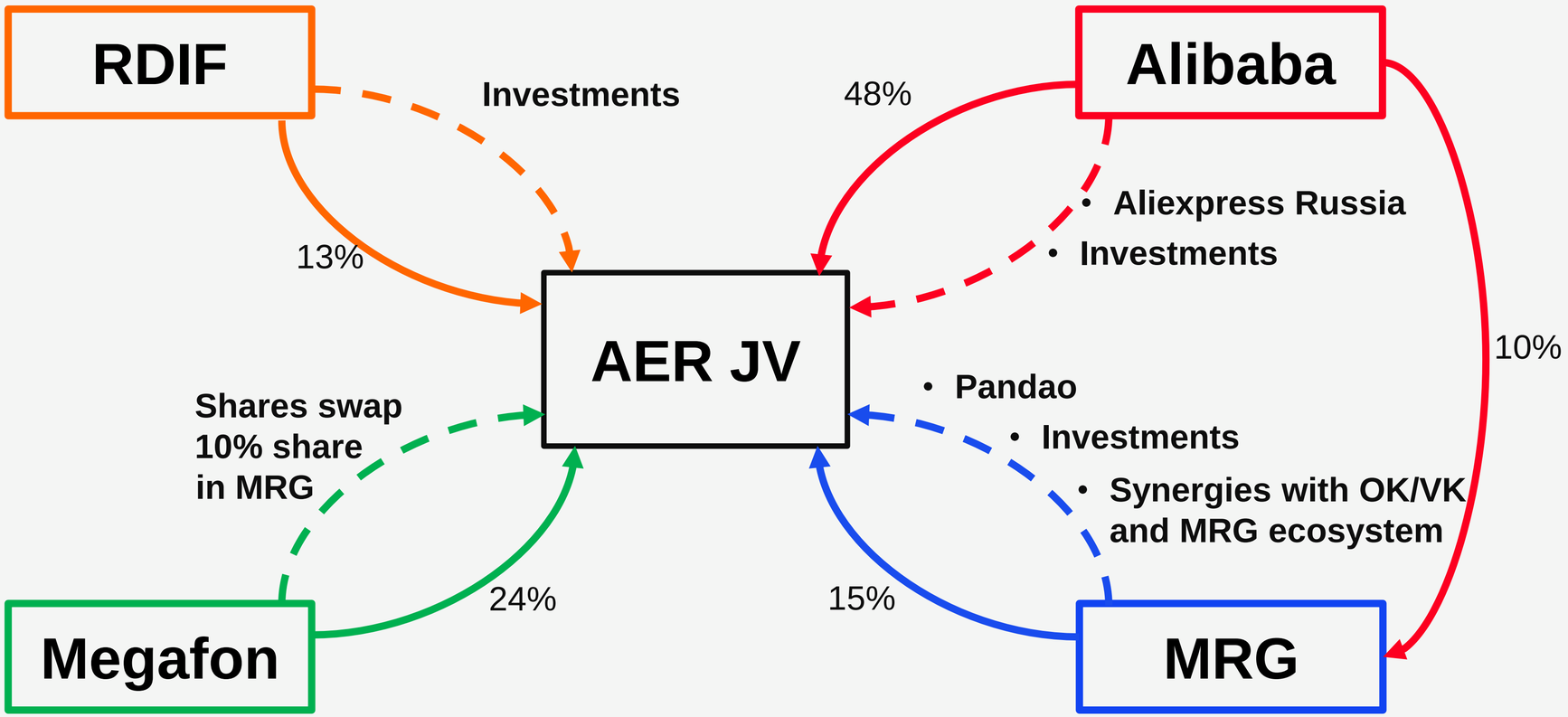
VISION

Face and objects recognition solution

Technology focused on recognition of any objects, faces, scenes within photo/video stream using AI and ML as well as documents stream recognition

* Based on performance-tests and benchmarks available in public access

AER JV deal creates leading Russian e-commerce player



N1 e-commerce business in Russia

Source: Public data

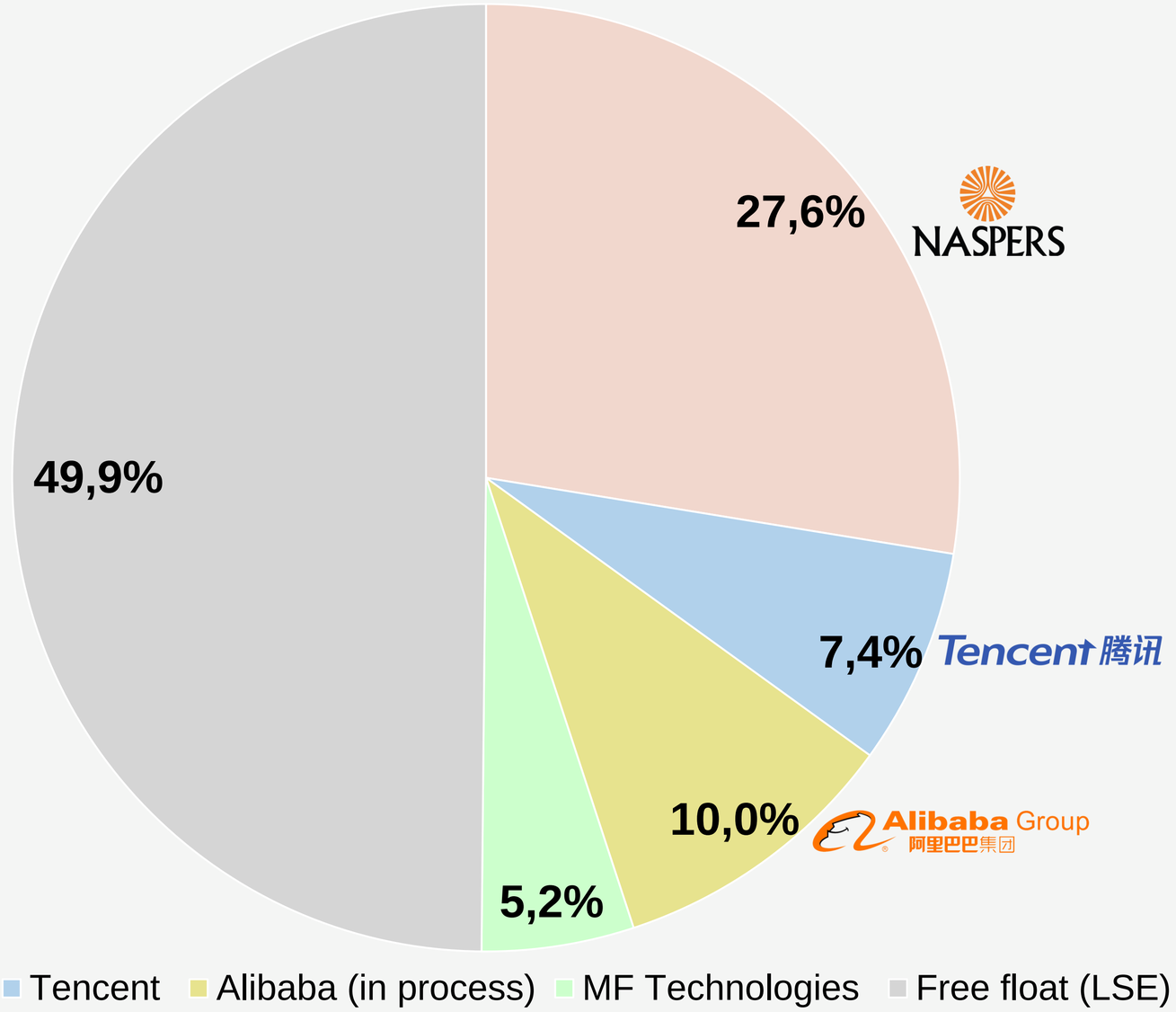
E-commerce experience to be integrated in the key activities inside social platforms

- **Integrate shopping experience in the social context** by involving users into engaging mechanics
- **Promote social shopping** as a lifestyle enhancing experience
- **Make influencers and communities our partners** and give them tools to engage users in shopping by content creation
- **Establish entry points 2-3 clicks from anywhere** inside the social networks
- **Make user journey as native as possible** and minimize friction in the shopping process
- **Use social data, content interaction data, user social graph and ad reaction data to enrich user profile**
- **Provide integrations for merchants** and cover all businesses on the social platforms with easy-to-use tools to **increase their sales**
- **Final stage of development and ongoing tests of AER mini app within VK platform**

Source: Internal data

Mail.ru Group is backed by leading internet companies

- Mail.ru is the largest internet business in Russia with c.50% of Mail.ru GDRs listed on LSE
- Blue-chip shareholder base includes Naspers, Tencent and Alibaba (in process)



Source: Public data, including public information around target AER transaction

Mail.ru Shareholder structure

	NASPERS	МегаФон	Tencent 腾讯	MFT	Freefloat
Economic	27.6%	10%	7.4%	5.2%	49.8%
Voting	12.4%	4.5%	3.3%	58.9%	20.9%

MF shares to move to AliBaba on closing of JV

USM/MF votes (54%) in MFT now delegated to CEO (Russia) of Mail.Ru.

Source: Public data

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