



The Moscow Exchange 2Q20: trend normalization

MOSCOW EXCHANGE 2Q20 IFRS RESULTS BEAT EXPECTATIONS EXCLUDING RESERVE AND SLIGHTLY LOWER INCLUDING ONE-OFF RESERVE

- Total fee income: ₹8 bln (+21.8% yoy; +1% qoq) (+4% vs consensus);
- Net interest and other income: ₹4 bln (+10.5% yoy; +0.9% qoq) (+0.8% vs consensus);
- EBITDA: ₹9.3 bln (+13.6% yoy; +13.1% qoq) (+8.8% vs consensus);
- EBITDA adjusted for one-off provisions and movements in IFRS 9 allowance: ₹8.7 bln (+7.4% yoy; -4.3% qoq), slightly below consensus;
- Net profit: ₹6.8 bln (+15.5% yoy; +15.5% qoq) (+6.5% vs consensus);
- Adj. net profit ₹6.3 bln (+8.6% yoy; -3.9% qoq).

Movement towards normalization in growth rates of Fee & commission income...

which increased by 22% yoy (vs strong 29% yoy in 1Q20) and +1% qoq to ₹8 bln as volatility and trading volume is starting to normalize against 1Q20. Fee income accounted for two thirds of the exchange's operating income, which is close to the 70% target set in the long-term strategy.

...on the back of diverging fees dynamics qoq. Fee and commission income decreased: -13% qoq to ₹1 bln in the equities market; -5% qoq to ₹1 bln in the FX market; and -24% qoq to ₹0.8 bln in the derivatives market. Fee and commission advanced 18% qoq to ₹2 bln in the money market, and 8% qoq in the bond market even against a modest share of primary placements.

MONEY MARKET IS THE SECOND LARGEST BUSINESS SEGMENT

(account for 33% in 2Q20 operating income) - Net interest income declined: -10.5% yoy (vs +2.1% yoy in 1Q20), but increased qoq at a pace as did fee and commission income did: +0.9% qoq to ₹4 bln. The investment portfolio recovered qoq: +24% qoq and +24% yoy, to ₹938 bln, but at the income level the trend was offset by interest rates cuts in Russia.

LOWER END OF THE OPEX GROWTH FORECAST WAS SLIGHTLY RAISED

Operating expenses grew by 6.8% yoy in 2Q20 (against a 1.6% decline in 1Q20) to ₹4.1 bln, which is within the 6.0-8.5% yoy growth range announced in mid-May (the previous range was 6.5-9.5%). However, the management updated the forecast, slightly raising the lower end of the range, leaving the upper end unchanged, following the launch of financial marketplace: +7,0-8.5% yoy OPEX growth. The exchange will begin offering trial access to the financial marketplace in September.

LONG-TERM GROWTH POTENTIAL OFFSETS POSSIBLE NEGATIVE IMPLICATIONS OF THE CRISIS

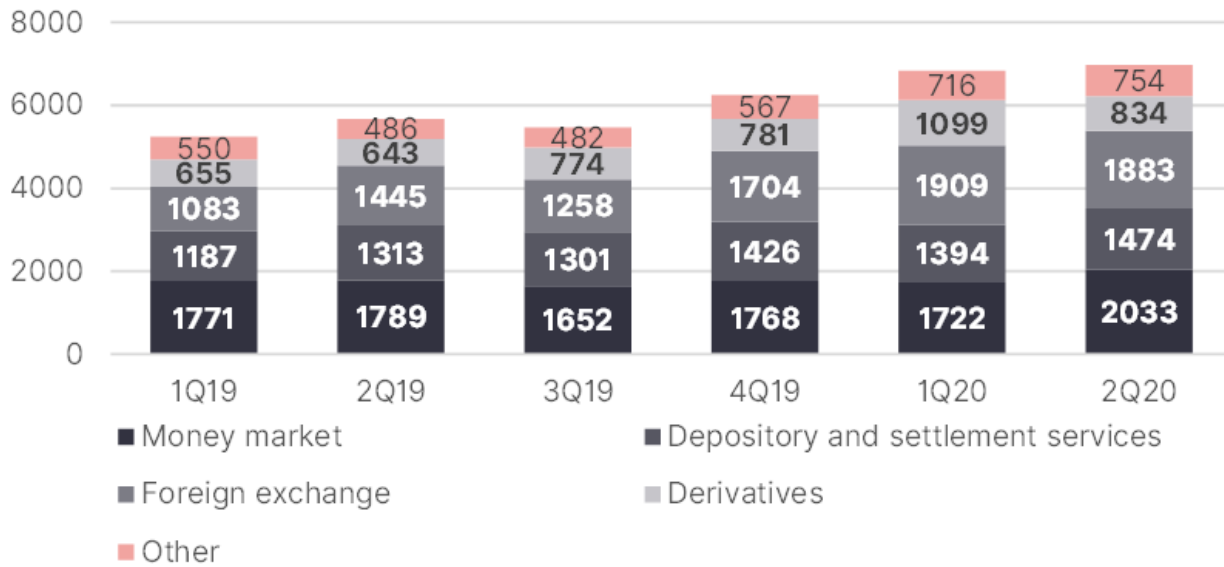
Business is driven by trading volume and the role of Fee & commissions has been increasing. Being technically part of the financial sector, the exchange is essentially seen as its infrastructure framework benefiting from both the booms and busts of the economy. Nevertheless, decline in disposable income in Russia will affect the main drivers of the last year's growth, trading activities of individuals. However, we believe that possible growth rates slowdown is offset by the structural undersaturation of the segment: most of the population is not yet actively involved in financial trading (the exchange had 5.9 mln of private investors as of mid-August). One third of the exchange's business depends on the interest rates.

RUB, bln	2Q19	1Q20	2Q20	Change q-o-q	Change y-o-y	Consensus	Deviation from consensus
Fee and commission income	6,6	7,9	8	1,0%	21,8%	7,7	4%
Net interest income (NII)	4,5	4	4	0,9%	-10,5%	4	0,8%
Operating income	11,1	12	12	0,3%	8,4%	11,7	2,6%
Operating expenses	3,9	3,7	4,1	12,5%	6,8%	4,1	0,3%
EBITDA	8,2	8,2	9,3	13,1%	13,6%	8,8	6,2%
Adj. EBITDA	8,1	9,1	8,7	-4,3%	7,4%		
Net profit	5,9	5,9	6,8	15,5%	15,5%	6,5	4,9%
Adj. net profit	5,8	6,6	6,3	-3,9%	8,6%		

Operating indicators In 2Q20, total trading volume across Moscow Exchange's markets grew by 9% yoy and declined by 3% qoq, to ₺219.04 trln.

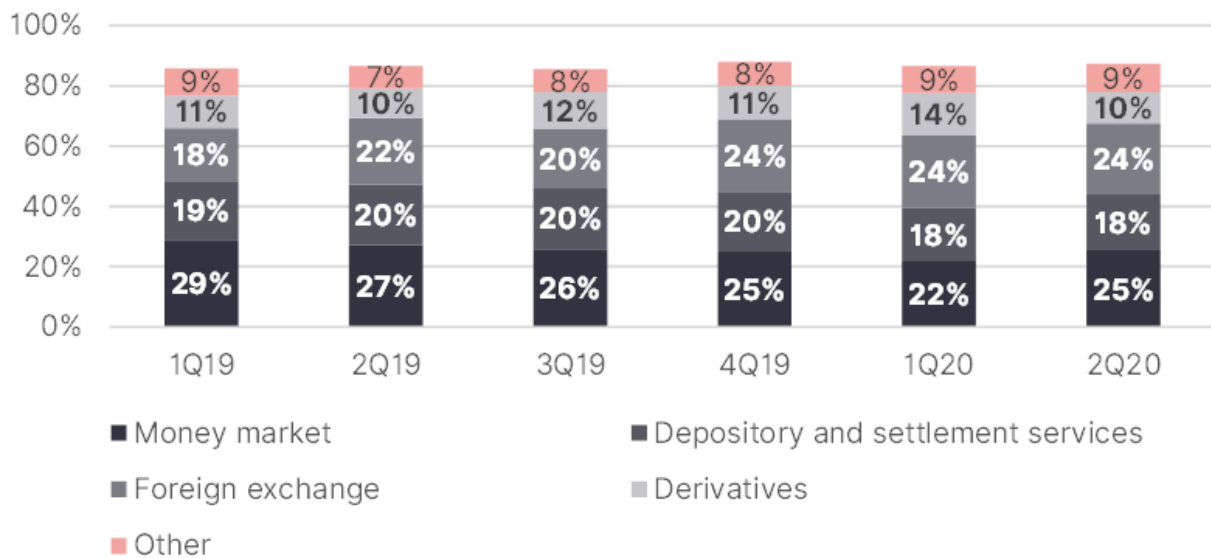
Nearly all business segments grew yoy: trading in the equities market (shares, bonds) amounted to ₺12.7 bln. (+19% yoy; -9% qoq); in the money market - ₺102.66 bln. (+22% yoy; +8% qoq); in the derivative market - ₺27.2 bln. (+42% yoy; -19% qoq); the FX market trading declined: (-6% yoy; -7% qoq) to ₺75.2 bln.

Fee and commission income



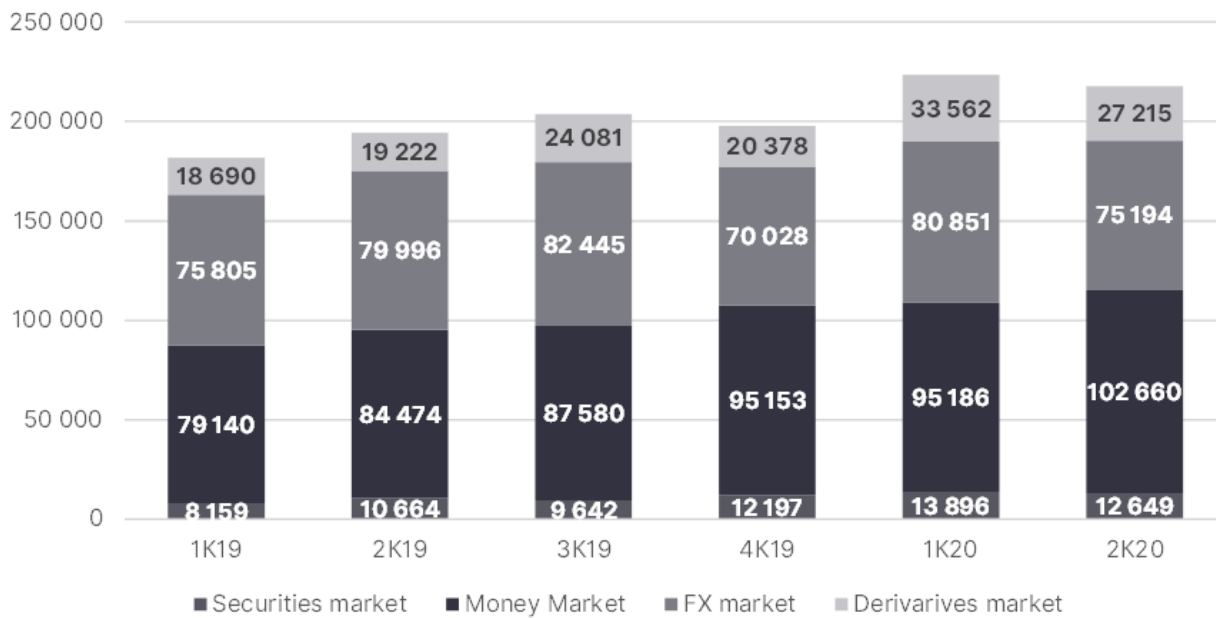
Source: Moscow Exchange, ITI Capital

Fee and commission income



Source: Moscow Exchange, ITI Capital

Trading volume, RUB bln



Source: Moscow Exchange, ITI Capital

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