

# Midlincoln Research

August - 10 2022

Company: Yandex NV  
Ticker: YNDX RM  
Rating: Overweight  
12 m TP 3957 Rub  
Upside 103%  
Analyst: Ovanes Oganisian

## Yandex – Engine for Growing Revenues

- Yandex reported an impressive set of results in Q2 2022 and H1 2022. Growth across every revenue segment is impressive and there is no sign of any negative impact on the reported numbers from the economic situation unfolding in Russia. It looks like if anything, digitization only increased and/or Yandex is successfully penetrating numerous economic sectors where off line business used to prevail, confirming its [@growingRevenues](#) tag.
- Yandex search and portal revenues increased 31% y-y in Q2 22, its E-commerce, mobility and delivery revenue increased 53% (and its the biggest segment of revenues since Q4 21), Plus and entertainment revenues grew 50% while other business units including SDG, Zen, Yandex Cloud, Edtech, Fintec and devices reported 107% growth y-o-y in Q2 22 driven mainly by cloud, edtech and devices.
- Profitability is also improving. Overall EBITDA in Q2 2022 increased 22% y-o-y driven by improved profitability of search. Also Yandex new regrouping of revenue lines shows positive EBITDA in Q2 almost in every revenue segment except for business grouped in other category. It will not be the same for the estimates of total EBITDA for FY22.
- Our valuation of Yandex has been mostly impacted by increased risk premia with WACC increase of 200bps to 15%. SDG and other fair value downgrade to 112bn rub leads to DCF fair value of 3502Rub and 12m TP of 3957 RUB implying 103% upside from current levels. The SOTP fair value has decreased to 4875Rub per share driven mostly by correction of tech international comparables which depressed valuation multiples used for fair value estimate.

Midlincoln estimate of SOTP Valuation for Yandex	Revenue E2022 Rub mn	EBITDA E2022	EV/ EBITDA	EV/ Sales	Implied EV Rub mn	Fy22EV / 21 Revenue or EBITDA
Search & Portal	199641	98406	11.0		1082466	25% Discount to Alphabet EV/EBITDA of 14.3
E-commerce, Mobility and Delivery	165876	-12734		1.5	250472.8	Average of Amazon(3) Alibaba (0.2) EV/Revenues
Yandex/Classifieds	8940	1718	3.0		26819	Ebay EV Revenue
Plus and Entertainment Svc	25160	-12109		3.5	88060	Netflix EV/Revenue
SDG and Other	19256	-11158			112500	Midlincoln estimate ( accounts for 25% correction from previous valuation)
Net Cash rub mn					22707	
Total fair value Rub mn					1583025	
Per share rub					4875	

Last Price

1948 RUB

EPS 2022E

-30 RUB

EPS Increase 2022E y-o-y

15 RUB

P/E 2023E

50.3

Market Capitalisation

632 RUB bn

Risk Free Rate

8.0%

Country Equity Risk Premium

7.0%

Cost of Debt

12.0%

Long Term Growth

6.0%

Beta Assumption

0.9

EV

655 Rub bn

Net Cash Rub bn

22.7

WACC Estimate

15.0%

Ev/EBITDA (2022E)

29.85

EV/Revenue 2022E

1.39

Software and Services  
Russia

## Yandex highlights of financials up to Q2 2022

Rub mn		Q2 21	Growth y/y	Q3 21	y/y	Q4 21	y/y	FY 21	Growth y/y	Q1 22	y/y	Q2 22	y/y	H1 22
<b>Search &amp; Portal</b>	Sales	39212	54%	42437	33%	47747	31%	164342	32%	43834	25%	51233	31%	95067
Opex		20669		21501		23867		83876		25435		22772		48207
EBITDA		18543	47%	20936	49%	23880	50%	80466	49%	18399	42%	28461	56%	46860
<b>E-commerce, Mobility and Delivery</b>	Sales	37007	81%	42348	65%	52389	68%	165876	70%	54899	61%	56474	53%	111373
Opex		46069		52951		59654		195967		63102		54335		117437
EBITDA		-9062	-24%	-10603	-25%	-7265	-14%	-30091	-18%	-8203	-15%	2139	4%	-6064
including														
<b>Mobility</b>	Sales	18496	118%	22082	61%	26708	80%	85340	73%	26561	47%	29938	62%	56499
<b>E-commerce</b>	Sales	14429	52%	15355	63%	18576	45%	60561	57%	20745	70%	19653	36%	40398
<b>O2O</b>	Sales	4424	80%	5600	120%	8453	136%	22428	130%	8796	123%	7966	80%	16762
<b>Elims</b>		-342	n/m	-689	n/m	-1348	n/m	-2453	n/m	-1203	n/m	-1083	n/m	-2286
<b>Plus and Entertainment Svc</b>	Sales	4094	141%	4311	143%	6517	125%	18408	136%	5831	67%	6150	50%	11981
Opex		5826		5900		8403		24872		9002		8745		17747
EBITDA		-1732	-42%	-1589	-37%	-1886	-29%	-6464	-35%	-3171	-54%	-2595	-42%	-5766
<b>Classifieds</b>	Sales	1995	125%	2078	31%	2302	27%	8158	41%	2172	22%	2085	5%	4257
Opex		1267		1610		1817		6092		1895		1544		3439
EBITDA		728	36%	468	23%	485	21%	2066	25%	277	13%	541	26%	818
<b>Other</b>	Sales	4929	137%	6006	122%	8685	88%	24431	117%	7265	51%	10185	107%	17450
Opex		7708		9677		14258		38602		13392		13081		26473
EBITDA		-2779	-56%	-3671	-61%	-5573	-64%	-14171	-58%	-6127	-84%	-2896	-28%	-9023
Eliminations		-5835	115%	-5875	52%	-7311	33%	-25043	66%	-7991	33%	-8379	44%	-16370
<b>Total Revenues</b>		81402		91305		110329		356172		106010		117748		223758
<b>Total Opex</b>		75623		85681		100610		324028		104738		92054		196792
<b>EBITDA</b>		5779	7%	5624	6%	9719	9%	32144	9%	1272	1%	25694	22%	26966

Source: Yandex

## Yandex Revenue Model

Rub mn	2021	Y-Y Growth	2022	Y-Y	2023	Y-Y	2024	Y-Y	2025	Y-Y	2026	Y-Y	2027	Y-Y
Search & Portal Revenue	164342	32%	199641	21%	233580	17%	266281	14%	298234	12%	322093	8%	344640	7%
Opex	83876	0%	101235	21%	117432	16%	132698	13%	147295	11%	157606	7%	167062	6%
EBITDA	80466	49%	98406	22%	116147	18%	133582	15%	150939	13%	164487	9%	177577	8%
E-commerce, Mobility and Delivery Revenue	165876	70%	233883	41%	315742	35%	413623	31%	525301	27%	625108	19%	731376	17%
Opex	195967	0%	246618	26%	315671	28%	410372	30%	517069	26%	610141	18%	707763	16%
EBITDA	-30091	-18%	-12734		72		3251	28%	8232	16%	14967	82%	23613	58%
			0											
Mobility	85340	73%	118648	39%	149520	26%	168972	13%	179964	7%	185817	3%	188839	2%
			0											
E-commerce	60561	57%	84836	40%	107506	27%	121870	13%	130011	7%	134354	3%	136598	2%
			0											
O2O	22428	130%	35200	57%	48564	38%	57783	19%	63267	9%	66269	5%	67842	2%
			0											
Elims	-2453	n/m	-4801	96%	-5473	14%	-5856	7%	-6061	4%	-6167	2%	-6221	1%
			0											
Plus and Entertainment Svc	18408	136%	25160	37%	31313	24%	35141	12%	37289	6%	38429	3%	39017	2%
Opex	24872	0%	37269	50%	49652	33%	57902	17%	62711	8%	65316	4%	66673	2%
EBITDA	-6464	-35%	-12109	87%	-18340	51%	-22760	24%	-25422	12%	-26887	6%	-27656	3%
Classifieds	8158	41%	8940	10%	9744	9%	10183	5%	10412	2%	10529	1%	10588	1%
Opex	6092	0%	7222	19%	8115	12%	8617	6%	8883	3%	9020	2%	9090	1%
EBITDA	2066	25%	1718	-17%	1629	-5%	1566	-4%	1529	-2%	1509	-1%	1498	-1%
Other	24431	117%	36645	50%	50204	37%	62253	24%	69723	12%	73906	6%	76123	3%
Opex	38602	0%	55593	44%	75607	36%	92996	23%	103691	12%	109653	6%	112806	3%
EBITDA	-14171	-58%	-18948	34%	-25403	34%	-30744	21%	-33968	10%	-35747	5%	-36682	3%
Eliminations	-25043	66%	-34377	37%	-37815	10%	-39705	5%	-40698	3%	-41207	1%	-41464	1%
Total Revenues	356172	0%	469892	32%	602768	28%	747774	24%	900261	20%	1028859	14%	1160280	13%
Total Opex	324028	0%	447936	38%	566477	26%	702585	24%	839649	20%	951737	13%	1063394	12%
EBITDA	32144	9%	21955	-32%	36291	65%	45189	25%	60612	34%	77122	27%	96886	26%

Source: Midlincoln

## Yandex DCF Model

Fields mn\$, % and mn rub (after 2020)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	1612.8	2041.7	2712.0	3034	356171	469892	602768	747774	900261	1028859	1160280
Opex	1392.6	1708.4	2330.0	2809	369448	478296	596837	732945	870009	982097	1093754
Operating Profit	220.2	333.3	381.9	226	-13277	-8405	5931	14829	30252	46762	66526
Operating Margin	14%	16%	14%	7%	0%	-2%	1%	2%	3%	5%	6%
Interest, FX (neg - income)	-21.5	-505.7	28.5	-291	-6054	-9734	-9759	-8365	-6970	-6970	-6970
PTP	241.7	839.0	353.4	517	-7223	1329	15690	23194	37222	53733	73496
Pretax Margin	15%	41%	13%	17%	0%	0%	3%	3%	4%	5%	6%
Tax Rate	33%	63%	37%	20%	0%	0%	20%	20%	20%	20%	20%
Net Income	160.8	310.1	222.5	101	-14653	-9962	12552	18555	29778	42986	58797
Net Margin	10%	15%	8%	3%	-4%	-2%	2%	2%	3%	4%	5%
EPS	0.0	0.0	0.0	0	-45	-31	39	57	92	132	181
DPS	0.0	0.0	0.0	0	0	0	0	0	0	0	0
Payout vs. Free Cash	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Dividends total	0%	0%	0%								
EBITDA	483.8	614.9	752.6	606	32144	21955	36291	45189	60612	185817	188839
Ebitda Margin	30%	30%	28%	20%	9%	5%	6%	6%	7%	18%	16%
Op.Cash	407.6	451.2	686.2	453	9293	33654	37736	48135	66363	194870	201845
Op.Cash to Revenue	25%	22%	25%	15%	3%	7%	6%	6%	7%	19%	17%
Capex	-212.4	-453.0	-317.6	-341	-55640	-53014	-50363	-47845	-45453	-43180	-41021
Capex/Revenue	-13%	-22%	-12%	-11%	-16%	-11%	-8%	-6%	-5%	-4%	-4%
FCF	195.2	-1.8	368.6	112	-46347	-19360	-12628	290	20910	151690	160824
FCF to Revenue	12%	0%	14%	4%	-13%	-4%	-2%	0%	2%	15%	14%
EV TO T12M EBIT	30.1	46.7	29.4	36	-75	-119	169	68	33	21	15
EV/EBITDA	17.2	21.3	15.9	18	31	46	28	22	17	5	5
EV	8330.7	13084.9	11973.6	10913	1001973	1001973	1001973	1001973	1001973	1001973	1001973
EBIT	220.2	333.3	381.9	226	-13277	-8405	5931	14829	30252	46762	66526
D&A	263.6	281.5	370.7	380	24111	30360	30360	30360	30360	30360	30360
WC Req	16.7	140.4	-93.1	28	165	1693	1693	1693	1693	1693	1693
Period					0.0	0.5	1.5	2.5	3.5	4.5	5.5
Discounted FCF Rub mn					-46347	-18069	-10266	205	12899	81511	75278
WACC	15%										
Terminal Growth	6%										
Terminal Value	906760	Rub mn									
Sum of dcf	95212	Rub mn									
EV	1001973	Rub mn									
Net Debt	-22707	Rub mn									
SDG Value	112500	Rub mn									
TP Market Cap mn\$	1137180	Rub mn									
Number of ords	325	mn									
Fair Value Ord \$	3502										
12 month TP	3957										

Source: Midlincoln

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