

Moscow Exchange

Company update: about Data and Tariffs

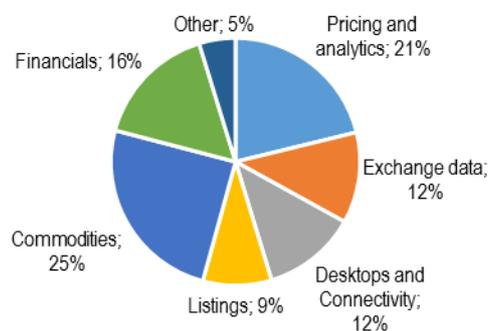
- Moscow Exchange met investors and analysis in London during the Moscow Exchange forum.** Earlier, the company released 3Q17 financials, which came close to our forecast and valuation. In 9M17, MOEX reported 5% YoY fee and commission income growth and 32% YoY decline of interest income. The result of 3Q17 included better figures and supported our full year estimates of total operating income at RUB39.9bn. The profit before tax declined 19% YoY in 3Q17 and by 22% in 9M17 against 18% decline in our model for FY17. The net income fell 18% YoY in 3Q17 and by 22% in 9M17 that is close to our 18% net income drop estimate for FY17. The November trading update presented lower derivatives volumes (down 27% YoY in Jan-Nov 2017) and lower than expected of balances of market participants (15% YoY reduction in Nov 2017).
- The Data revenue stream may become a new business line for MOEX.** The MOEX fee and commission revenue is well diversified by market segment, including FX, fixed income, equity, money market, derivatives and other commissions. The company expects the total commission versus interest income will be balanced at 60/40 in 2018 versus 56/44 in 9M17 due to lower interest rates suppressed by lower inflation. Apart from traditional value drivers like cost optimization, better access to the market for retail clients and corporate participants, product development, the management team is optimistic about the Data sale as a new driver for revenues. Currently, MOEX provides data free for users, including all market participants. Based on other exchanges' financials, data may represent an essential portion of MOEX revenue stream. Exchange data, Pricing and Analytics represented 33% in NYSE revenues, while Data sales accounted for 7% of Deutsche Bourse revenues in 3Q17. The sale of non-generic data, like value-added analytics, derivative market pricing and yields and other, may be advantageous for both market participants and the exchange. While the market transparency for the retail clients usually requires accessible generic data about issuers, pricing and volumes, and analytical coverage of issuers. We positively view this development.
- The next tariff increase is scheduled for Oct 2018.** The Oct 2018 tariff growth by market segment may account for 6% to 20% increase. The change will be lower for the money market (56%), and higher for FX swaps. Some of MOEX products are advantageous for market participants, including corporates who became more active in the REPO market. The balanced review of tariffs would likely be neutral for market participants. The tariff increase should help to eliminate the negative effect from expected interest rate reduction and lower balances of participants. The capex will be about RUB2.6bn in FY17, according to MOEX guidance, and stay within RUB2.5-3.0bn for the coming years.

Report date:	7 December 2017
Main exchange	MOEX
Rating	HOLD
Price, RUB	116.2
Target price, RUB	105.8
MCap, RUB bn	260.9
Free float, %	57.5%

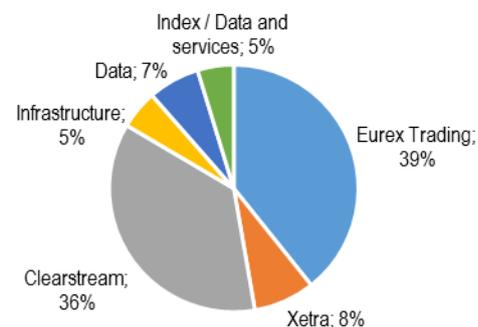
Description:
Moscow Exchange Group provides a unique platform for the Russian financial markets, including vertically-integrated infrastructure from pre-trading to the trading platform and post-trade services. Moscow Exchange integrates equities, bonds, derivatives, FX, commodities and money markets.

*as of 07/12/2017

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Figure 1. NYSE revenue structure in 3Q17

Source: Company data

Figure 2. Deutsche Bourse revenue structure in 3Q17

Source: Company data

Figure 3. Moscow Exchange income statement, 3Q17

RUB mn	3Q17	3Q16	YoY	9M17	9M16	YoY
Fee and commission income	5458,5	4749,4	15%	15416,8	14632,5	5%
Interest and other finance income	3850,6	5011,1	-23%	12075,3	17790,1	-32%
Interest expense	-133,1	-11,1	1099%	-666,6	-20,7	3120%
Net loss on financial assets available-for-sale	16	940,5	-98%	665,4	1144,7	-42%
Foreign exchange gains less losses	451,6	88,4	411%	1425,8	-242	-689%
Other operating income	13,6	6,1	123%	30,8	26,4	17%
Operating Income	9657,2	10784,4	-10%	28947,5	33331	-13%
Administrative and other operating expenses	1830,7	1547,7	18%	5246,1	4511,1	16%
Personnel expenses	1475,5	1432,7	3%	4555,6	4397,7	4%
Profit before tax	6351	7804	-19%	19145,8	24422,2	-22%
Income tax expense	1207,9	1514,2	-20%	3705,1	4745,2	-22%
Net profit	5143,1	6289,8	-18%	15440,7	19677	-22%

Source: Company data

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