

# Russian Equities Weekly

## June 22 – 26, 2020

	Week	YTD
<b>RTS Total return (TR) in USD</b>	-0.2%	-18.3%
<b>MSCI EM index TR in USD</b>	-0.1%	-9.4%
<b>MOEX index TR in RUB</b>		
Composite	0.1%	-8.0%
Blue chip	0.2%	-10.8%
Small and mid-cap	0.0%	-1.4%
<b>MOEX sector indices TR in RUB</b>		
Consumer Goods	2.8%	9.3%
Financial Services	1.1%	-5.6%
Metals & Mining	0.7%	10.2%
Oil & Gas	-1.6%	-18.8%
Power Utilities	-2.0%	10.1%
<b>FX</b>		
RUB/USD	-0.3%	-11.1%
RUB/EUR	-0.8%	-11.1%

Data as of June 26, 2020

TKB Investment Partners (JSC) calculations; Bloomberg

## IT sector in the spotlight

### Russian equity market dynamics

**Last week, the Russian equity market declined in line with the broader emerging markets (EM) index.** The RTS index lost 0.2%, while the MSCI EM index decreased by 0.1% (all figures in USD terms). News about new spikes of Covid-19 around the globe and fears of a second wave of the pandemic continued to have a negative effect on the markets. The Russian market came under additional pressure from Brent oil prices contracting by 4%.

**The consumer goods sector outperformed the broader market,** mainly thanks to Yandex, X5 Group, and Magnit, whose share prices rose by 8.7%, 8.7% and 5.0%, respectively, in rouble terms. Last week, Yandex announced its plans to buy out Sberbank's 45% share of Yandex.Market and sell its 25% share of Yandex.Money to Sberbank. The sale will end Yandex's non-compete obligations in fintech, allowing company to develop financial products on its own. The company is also considering buying out Uber's share in their joint venture. Additionally, Yandex reported preliminary results for Q2 2020 which exceeded investors' expectations. The rise in Yandex's share price should increase its expected weight in the MSCI Russia index after the company's inclusion in August. This should result in higher expected inflows from passive investors, which in turn should attract inflows from active investors. X5 Group and Magnit rose despite the lack of market-moving news.

**The power utilities sector was the worst performer overall,** mostly due to RusHydro and Lenenergo, whose shares declined by 8.1% and 5.2%, respectively. RusHydro declined as a result of profit-taking activities after previous share price growth. Lenenergo contracted despite the lack of fundamental news.

## Main Russian news

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**President Vladimir Putin announced additional support measures for the economy**, costing at approximately RUB 0.7 trillion roubles (~USD 10 billion).

- Corporate tax for IT companies will be reduced from 20% to 3% and their insurance payments will decline from 14% to 7.6%. This will allow IT companies to save approximately RUB 100 billion (about USD 1.4 billion) annually.
- Families with children under the age of 16 will receive another RUB 10 000 allowance per child in July (20% of the average wage in Russia). The total expected cost of this decision is RUB 280 billion (USD 4 billion).
- Parents who have children and who lost jobs because of the pandemic will continue receiving an allowance of RUB 3 000 (6% of the average wage in Russia) and increased unemployment benefits.
- An additional RUB 100 billion (about USD 1.4 billion) will be provided for subsidised loans to the industries hardest hit by the pandemic.
- Russia's regions will also receive RUB 100 billion (USD 1.4 billion) to help counter the pandemic's effects.

Additionally, starting from January 2021, income tax for those whose annual earnings are more than RUB 5 million (~USD 71 000) will increase from 13% to 15%. This move is expected to bring an additional RUB 60 billion (about USD 860 million) into the federal budget each year.

**Internet-related products and services company, Yandex, conducted successful a SPO, attracting a total of USD 1 billion.** Yandex doubled the volume of the offering, having placed USD 400 million instead of the originally planned USD 200 million. In addition, the company attracted USD 600 million through private placements to VTB, Ervington Investments Limited (ultimate beneficiary - R. Abramovich) and Treliscope Limited (ultimate beneficiaries - A. Abramov and A. Frolov). Under the SPO, shares were priced at USD 49.25, resulting in only a 2% discount to the market. Yandex stated that the **funds it has drawn in will be used to finance strategic initiatives across multiple sectors, including e-commerce.**

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## To watch...

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The vote on constitutional changes in Russia will take place later this week.

## Quarterly results: actual vs. consensus for EPS

(earnings per share), adjusted, (US dollars) \*

Major RTS index constituents	Q2 '19	Q3 '19	Q4 '19	Q1 '20
Lukoil	32.4%	40.1%	-1.3%	-
Gazprom	2.3%	15.6%	18.0%	-
Sberbank	0.5%	-	17.1%	-9.4%
Novatek	-0.9%	-	-23.4%	-40.6%
Tatneft	-1.3%	24.3%	-	23.4%
Magnit	-	-48.5%	154.4%	-12.5%
MTS	-7.8%	6.8%	-12.8%	64.1%
Alrosa	-9.1%	24.3%	12.6%	-
Severstal	-11.2%	-11.5%	12.8%	-81.6%
NLMK	0.3%	-43.6%	-33.5%	46.4%
Moscow Exchange	12.8%	1.4%	14.3%	9.7%
Magnitogorsk Iron & Steel	-83.2%	-14.3%	-	-87.9%
Phosagro	22.3%	11.8%	0.1%	-33.6%

\* based on Bloomberg consensus

	Actual figure is better than consensus by more than 5%
	Actual figure is worse than consensus by more than 5%
	The deviation of actual results from consensus is between -5% and +5%

Source: Bloomberg, TKB Investment Partners; data as of 26 June 2020

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