

Financial results review

2019 was another very successful year for the Exchange. MOEX delivered record double-digit growth of fee and commission income, which accounted for almost two-thirds of total operating income for the first time since the Company went public. The three largest contributors to F&C income were the Derivatives Market, Bond Market and Equity Market. Operating income increased by 8.3%,

while operating expenses added just 6.8%, below the Exchange's guidance of 8.0-10.0%. Adjusted EBITDA grew 8.6% YoY, with an adjusted EBITDA margin of 72.0%. Capex came in at RUB2.2 bln, in the middle of the RUB 2.0-2.5 bln guidance range. As-reported net profit climbed to RUB 20.2 bln.

Financial highlights

(RUB mln)

	2015	2016	2017	2018	2019	Change 2019/2018
Operating income	45,990.0	43,567.2	38,538.9	39,901.4	43,229.5	8.3%
Fee & commission income	17,784.0	19,797.6	21,207.6	23,647.1	26,181.4	10.7%
Net interest and other finance income	28,084.9	23,695.0	17,285.3	16,061.0	16,713.0	4.1%
Other operating income	121.1	74.6	46.0	193.3	335.1	73.4%
Operating expenses (excl. other operating expenses)	(11,271.9)	(12,259.4)	(13,431.8)	(14,453.7)	(15,435.3)	6.8%
Operating Profit (before other operating expenses)	34,718.1	31,307.8	25,107.1	25,447.7	27,794.2	9.2%
EBITDA (before other operating expenses)	36,519.0	33,602.1	28,059.6	27,712.0	28,726.7	3.7%
EBITDA margin, %	79.4	77.1	72.8	69.5	66.5	-3 p.p.
Other operating expenses	-	-	-	(1,075.2)	(2,614.8)	-
Net profit	27,852.1	25,182.6	20,255.2	19,720.3	20,200.6	2.4%
Basic earnings per share, RUB	12.51	11.22	9.02	8.76	8.96	2.3%

INCOME

Fee and commission income

In 2019, most major fee and commission income lines increased. Fee and commission income remained well diversified, with MOEX's largest market, the Money Market, accounting for 27% of the total. The three fastest growing

markets in 2019 were Derivatives (+23.0%), Bonds (+17.4%) and Equities (+17.2%), helping to strengthen the overall effective fee. The three largest contributors to the F&C line in absolute terms YoY were Depository & Settlement Services (+RUB 696.1 mln), Money Market (+RUB 589.7 mln) and Derivatives Market (+RUB 533.7 mln).

Fee and commission income structure

(RUB mln)

	2018	2019	Change 2019/2018 (RUB mln)	Change 2019/2018 (%)
Money Market	6,389.8	6,979.5	589.7	9.2
Settlement and Depository Services	4,530.7	5,226.8	696.1	15.4
FX Market	3,990.0	3,547.4	-442.6	-11.1
Derivatives Market	2,318.9	2,852.6	533.7	23.0
IT services, listing fees and other fees and commissions ¹	2,312.0	2,759.7	447.7	19.4
Bond Market	2,173.5	2,551.4	377.9	17.4
Equity Market	1,932.2	2,264.0	331.8	17.2

Money Market

Trading volumes declined by 4.9% YoY, while fee income grew by 9.2% YoY. Trading volumes contracted due to a decrease in a lower valued-added segment – the interdealer repo market (-26.6% YoY) – and an overall decrease in CCP repo (excluding GCC) market activity (-4.9% YoY). The increase of the effective fee was due to the greater share of high value-added GCC repo, a UCP-linked fee rate change and an extension of repo terms on a full-year basis.

FX Market

Trading volumes decreased by 11.5% YoY. At the same time, the EUR/USD currency pair became more popular on both the spot (+25.4% YoY) and swap (+33.5%) markets. The slight increase in the effective fee was due to UCP-linked fee rate change, offset by a growing percentage of swap transactions on the market.

Derivatives Market

Derivatives delivered 23.0% YoY growth of fee and commission income. However, trading volumes decreased by 7.7% YoY, with FX derivatives showing a visible contraction (-23.7% YoY). Commodity futures volumes (+31.6% YoY) helped to mitigate the effect of this decline. This mix improvement, together with the UCP-linked fee rate increase helped achieve record annual fee income of RUB 2.85 bln.

Equity Market

The total capitalization of the Equities Market at the end of 2019 was RUB 49.02 trln (USD 791.52 bln). Fee and commission income from the Equities Market grew by 17.2% YoY on the back of a 14.9% YoY increase in trading volumes.

¹ The amount of fees and commissions for the sale of software and technical services, information services, listing services and other fee income.

Bond Market

Fee income from the Bond Market increased 17.4% YoY amid more modest growth (+5.4% YoY) of trading volumes (excluding overnight bonds). The effective fee in the Bond Market was supported by a higher proportion of corporate bonds in the primary market.

IT services, listing fees and other fees and commissions

Listing and other services doubled thanks to an increase in market activity. Sales of software and technological services added 29.6% YoY on the back of tariff unification and migration of KASE to MOEX's trading and settlement platform. Information services increased by 8.5% YoY. Other fee income, a line that includes the contribution from the Grain Market, declined by 33.3% YoY.

Net interest and other finance income

Realized revaluation gains on the investment portfolio supported NII performance for the year (+4.1%). Core NII slightly declined (-3.7%) due to the expansionary monetary policy of the Russian Central Bank and the Federal Reserve.

EXPENSES

Expense structure (RUB mln)

	2018	2019	Change 2019/2018 (RUB mln)	Change 2019/2018 (%)
General and administrative expenses	7,941.4	8,321.4	380	4.8
Depreciation of property and equipment	1,343.9	1,200.5	-143.4	-10.7
Amortization of intangible assets	1,995.6	2,346.8	351.2	17.6
Equipment and intangible assets maintenance	1,205.5	1,381.4	175.9	14.6
Professional services	572.6	538.4	-34.2	-6.0
Taxes (other than income tax)	554.3	603.9	49.6	8.9
Market maker fees	517.0	674.6	157.6	30.5
Other administrative and other expenses	257.2	224.7	-32.5	-12.6
Registrar and foreign depository services	292.3	312.6	20.3	6.9
Rent and office maintenance	484.6	318.4	-166.2	-34.3
Communication services	104.7	82.8	-21.9	-20.9
Information services	237.6	307.3	69.7	29.3
Advertising costs	376.1	330.0	-46.1	-12.3
Personnel expenses	6,512.3	7,113.9	601.6	9.2
Employees benefits except for share-based payments	5,250.8	5,890.1	639.3	12.2
Payroll related taxes	975.7	1,128.8	153.1	15.7
Share-based payment expense on equity settled instruments	273.3	71.0	-202.3	-74.0
Share-based payment expense on cash settled instruments	12.5	24.0	11.5	92.0

Opex for 2019 added 6.8% YoY, below the guidance range of 8.0–10.0%. Adjusted for pass-through grain expenses, opex increased by 8.0% YoY. The increase was mainly driven by a rise of personnel expenses following salary updates and an increase in the number of employees. Amortization of intangible assets increased by 17.6% due to amortization of obsolete software. The guidance range for opex in 2020 is 6.5–9.5%.

Capital expenditures

Capex for the year was RUB 2.20 bln, all of which went toward purchases of equipment and software as well as software development.

Cash and cash equivalents

The cash position¹ at the end of 2019 was RUB 92.96 bln. The company had no debt as of the end of the year.

¹ Cash position is calculated as the sum of Cash and cash equivalents, Financial assets at fair value through profit and loss, Due from financial institutions, Financial assets at fair value through other comprehensive income, Current tax prepayments and Other financial assets less Balances of market participants, Overnight bank loans, Distributions payable to holders of securities, Margin account, Liabilities related to assets held for sale, Current tax payables and Other financial liabilities.