Mail.ru Group Limited
AER JV launch overview and read-through

5 June 2019
1. Following the signing of the Framework Agreement in September 2018, Alibaba Group, MegaFon, Mail.ru Group and RDIF have signed definitive documents for AliExpress Russia joint venture (“AER”), to be established on the basis of the existing e-commerce businesses of AliExpress and Pandao. JV aims to create a self-governed and self-sustainable business with unmatched value proposition for merchants, consumers and internet users across Russia and the CIS and accelerate development of Russia and the region’s growing digital economy

2. Federal Antimonopoly Service (“FAS”) approval has been received

3. AER is already the leader in e-commerce in brand perception, SKU*, GMV**, sales, traffic

4. Market remains fragmented, with ~50% market share for top-10 players, which provides for market consolidation opportunities for a well-funded JV

5. Russians use domestic and cross-border platforms, which makes JV uniquely positioned, with room for further geographic and product expansion in order to further grow

6. AER will be majority owned by Russian shareholders and overseen by a Board of Directors with representation from Alibaba Group, MegaFon, RDIF and Mail.ru Group

7. JV allows for deep integration of e-commerce into social experience of Russian Internet users

8. JV shall be managed by two Co-CEOs, one of which will be nominated by Alibaba and another by Mail.ru Group and approved by the BoD

9. Alibaba Group becomes 9.97% direct shareholder of Mail.ru Group as part of the transaction

Source: Internal data, Deloitte. *SKU = stock-keeping unit, **GMV = gross merchandise value
Russian e-commerce – supportive backdrop

Together with our partners, we see multiple attractive features around domestic e-commerce market, including:

1. **Solid foundation:** Russia’s >76% Internet penetration (vs 54% in China), > 50% smartphone penetration and 2.5 issued bank cards per person on average are combined with ~4% e-commerce penetration. MS estimates $37bn local e-commerce market size by 2021, with 25% CAGR vs 13% in 2014-17, with penetration rising to 10% with cross-border being ~40% of the market and with a 17% increase in annual spend per online shopper to RUB30.9k. Euromonitor expects 18.5% growth CAGR for the market in 2018-23E

2. **Very low penetration:** According to Data Insight, market grew by 21% YoY in 2018. Yet, e-commerce penetration is at ~4% ($18bn incl $5.4bn cross-border share) vs 17% in China, 13% in the US, 4.7% in Brazil or 12% globally. E-commerce accounts for 4.5% of GDP in China or 7.9% in the UK, it stands at 2.5% in Russia

3. **Low average check sizes:** Russian online shoppers currently have an average online B2C check of RUB3,970. Current environment appeals to cross-border businesses given lower average check (orders grew 34% YoY in 2018 vs +18% for domestic e-commerce and +29% and +18% in RUB terms), while access to a wide selection of SKUs positions us for trading up

4. **Rising level of market activity with uptick in investments from our competitions provides for the development of the entire ecosystem.** Being well-funded post transaction, we intend to actively participate in the process of development of domestic e-commerce market, boosting convenience and availability for the user

5. **Fragmented market:** with top-4 players holding only ~27% share vs 63% in the US or 84% in China. This provides sizeable opportunity for value creation for the leader. MS estimates $10bn valuation opportunity for the leader, assuming $41bn long-term GMV when ecommerce penetration reaches 13% of retail

Source: Internal data, Morgan Stanley Research: Russia eCommerce: Last but not least (Sept 21, 2018), Sberbank – 2018 report, Data Insight – 2018 report
AER JV deal creates the long-term leader in Russian e-commerce

- **RDIF**
  - 12.9%
  - Cash investments

- **AER JV**
  - 24.3%
  - Pandao
  - Aliexpress Russia
  - Synergies with MRG ecosystem
  - Cash investments

- **MRG**
  - 15.0%
  - Cash investments

- **MegaFon**
  - 47.8%
  - MegaFon swaps its 9.97% stake in MRG for a 24.3% stake in AER JV

- **Alibaba**
  - 47.8%
  - Cash investments

Source: Internal data, based on economic rights with RDIF call option exercised
**AER JV deal structure**

**Mail.ru Group, RDIF and Alibaba Group invest in AER**

**Mail.ru Group**
- **Contributes Pandao and synergies** with MRG ecosystem to the JV
- **Invests $182mn**, which includes **budget to be spent by AER on Mail.ru Group's advertising platforms**

**Alibaba Group**
- **Invests $100mn** in AER and **contributes AliExpress to the JV**

**RDIF**
- **Invests $100mn** into the JV and may further acquire additional JV shares from Alibaba for $194mn

**MegaFon share swap with Alibaba Group**
- **Swaps it’s 9.97% economic stake in MRG** for a 24.3% economic stake
- **Alibaba becomes direct shareholder of MRG**

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**Economic and voting interests at closing:**

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<th>Economic rights</th>
<th>Voting rights</th>
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<tr>
<td>BABA</td>
<td>55.7%</td>
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<td>RDIF</td>
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<td>MRG</td>
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<td>Total</td>
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Source: Internal data. * In addition, RDIF may enter an option agreement to purchase up to 4.0% of the Aliexpress Russia JV common equity from MegaFon
Management & Corporate Governance

Mail.ru Group will be making significant contribution into day-to-day management of the JV

Board of Directors

• The AliExpress Russia JV will be majority owned by Russian shareholders, overseen by a Board of Directors with representation from Alibaba Group, MegaFon, RDIF and Mail.ru Group

The company will be managed by 2 Co-CEOs

• Co-CEO from Russian side will be nominated by Mail.ru Group
• Another Co-CEO will be nominated by Alibaba
• Co-CEOs are to be approved by the board

Source: Internal data
Strategic Cooperation Agreement Between MRG and AER

MRG provides

Product integrations
• Deep and exclusive integration of AER product into MRG’s social networks (VK, OK) and into Mail.ru Portal & E-mail

Marketing and advertising
• Advertising and marketing of AER through MRG advertising and marketing platforms on arm’s length basis

MRG receives

• New revenue stream for VK/ OK/ Mail.ru Portal & E-mail from sale of AER goods through Product integrations (revenue share based)
• Advertising and marketing contract with AER

Source: Internal data
Strategically, e-commerce experience is to be integrated in the key activities inside Mail.ru Group’s social platforms

- Integrate shopping experience in the social context by involving users into engaging mechanics
- Promote social shopping as a lifestyle enhancing experience
- Make influencers and communities our partners and give them tools to engage users in shopping by content creation
- Establish entry points 2-3 clicks from anywhere inside the social networks
- Make user journey as native as possible and minimize friction in the shopping process
- Use social data, content interaction data, user social graph and ad reaction data to enrich user profile
- Provide integrations for merchants and cover all businesses on the social platforms with easy-to-use tools to increase their sales

Source: Internal data
VK/OK and AliExpress

• VK/OK and AliExpress are expanding their collaboration. The entire AliExpress marketplace is being integrated into our social networks

• The test version of the marketplace on VK Apps is being tested

• Over the next few months, VK/OK users will get access to the entire AliExpress marketplace

• Purchases can be paid for using VK Pay or other payment methods

Source: Internal data
Mail.ru Group – shareholder structure following the deal - backed by leading internet companies

- Mail.ru Group is the largest internet business in Russia in terms of reach with c.50% of Mail.ru GDRs listed on LSE
- Blue-chip shareholder base post deal to include Naspers, Tencent and also Alibaba

Source: Internal data
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