

VK Company Limited

# Financial and operational results

Q2 2022



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# Key highlights Q2 2022

## Operational



75.7 mn

Vkontakte Russia MAU  
+5,5% YoY



37 mn

Odnoklassniki MAU



26 mn

Games MAU  
+25% YoY



11,3 mn

Education users <sup>(1)</sup>  
+44% YoY

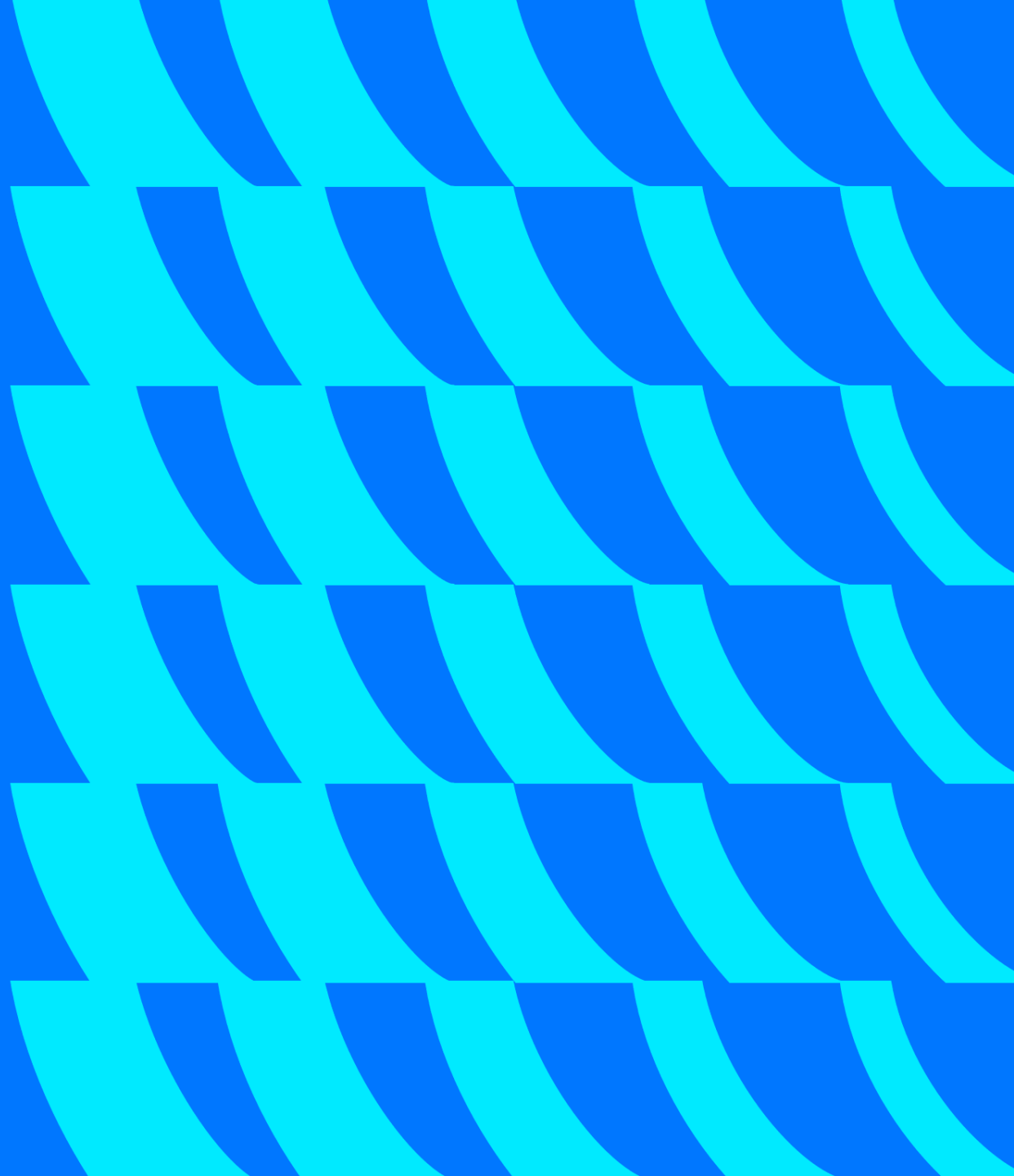
## Financial

RUB bn	Q2 2021	Q2 2022	YoY	6M 2021	6M 2022	YoY
Adjusted revenue	30.0	31.2	4%	58.3	62.1	6%
Adjusted EBITDA	6.7	4.2	-37%	12.7	7.2	-44%
Adjusted EBITDA margin, %	22.2%	13.5%	-9 p.p.	21.8%	11.5%	-10 p.p.
Adjusted net loss	-2.2	-3.4	na	-3.2	-10.8	na

Note: (1) Education users is the cumulative number of registered students on the educational platforms of Skillbox Holding Limited at the end of the period.

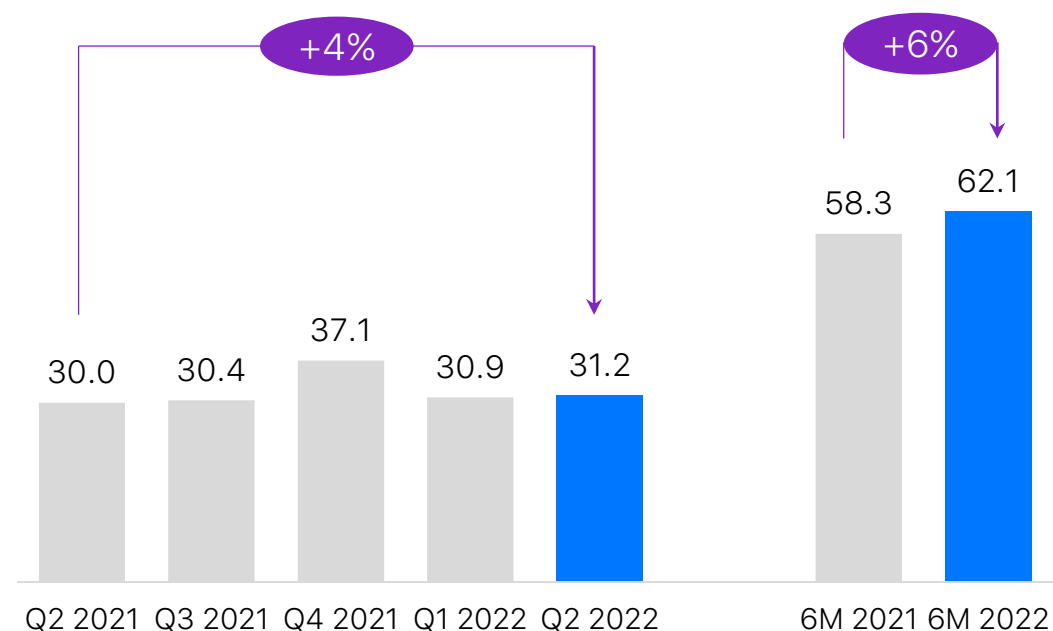
# Financials

## - results



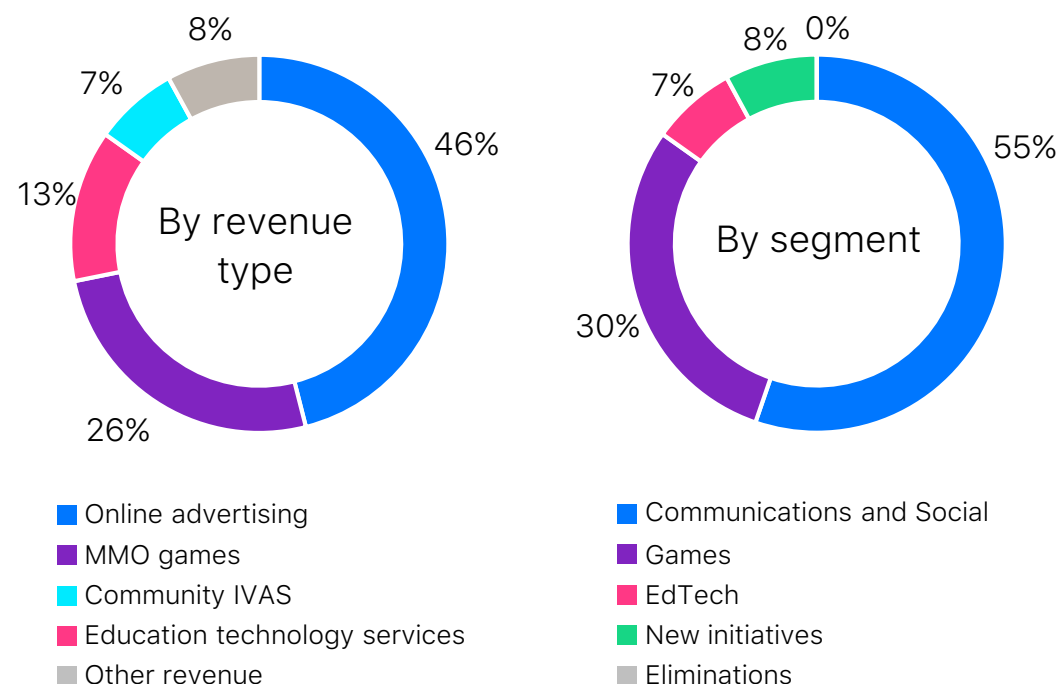
# Adjusted revenue dynamics and structure in Q2 2022

Adjusted revenue, RUB bn



+XX% Adjusted revenue growth YoY, %

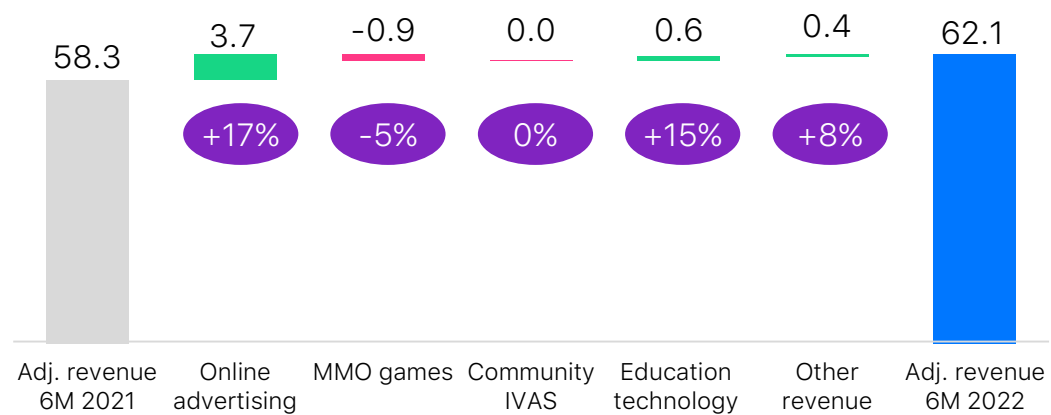
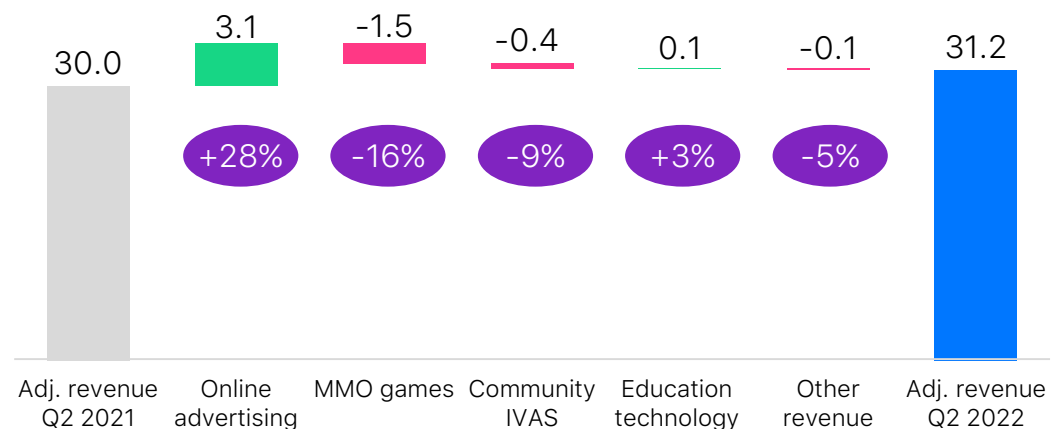
Adjusted revenue structure, % of total



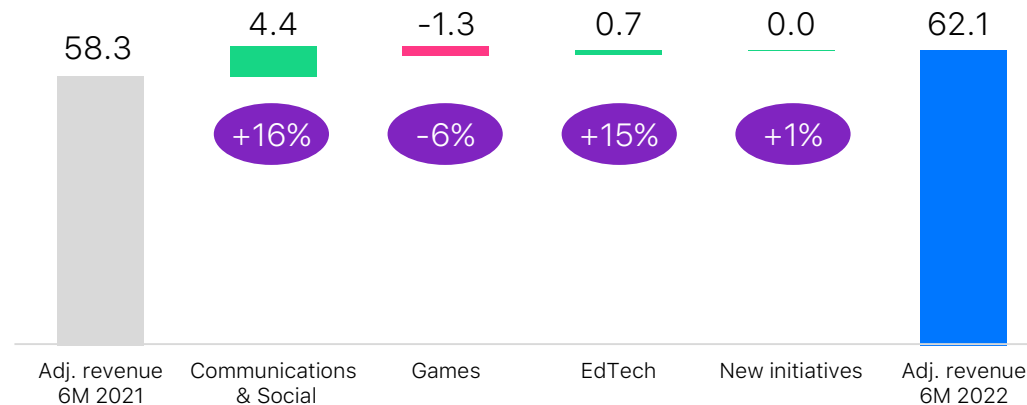
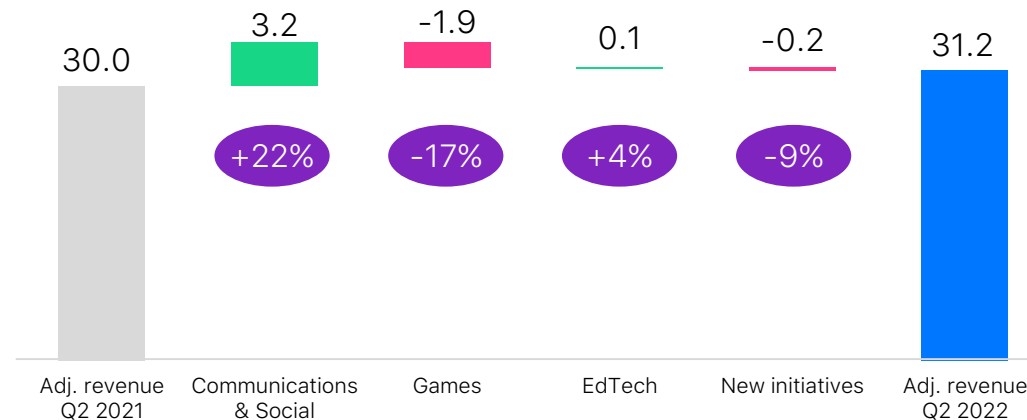
- Online advertising revenue was the key growth driver for adjusted revenue of the Group in Q2 2022 (+28% YoY).
- Among the segments, the best growth rate was shown by "Communications and Social" (+22% YoY).
- The "EdTech" segment also showed positive results despite the challenging macro backdrop (+4% YoY).

# Adjusted revenue drivers

Adjusted revenue dynamics by type, RUB bn



Adjusted revenue dynamics by segments, RUB bn <sup>(1)</sup>



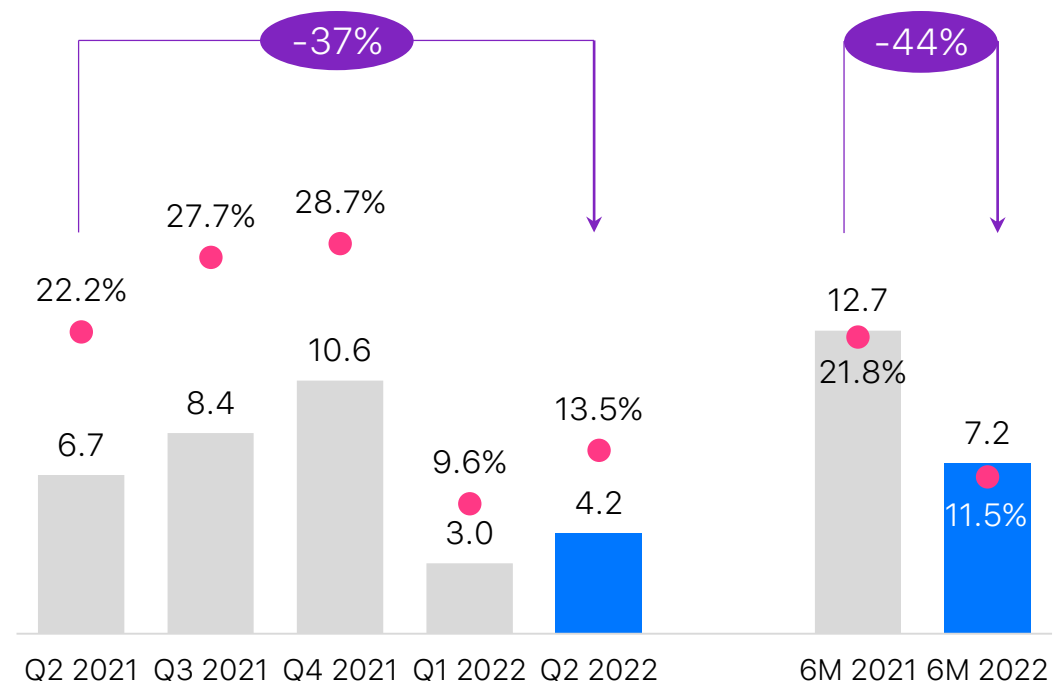
+XX% Adjusted revenue growth by type / segment YoY, %

Source: Internal data. Note: Adjusted revenue is a non-IFRS financial measure.

(1) On the charts with adjusted revenue dynamics by segments we do not show "Eliminations" to simplify the presentation as they have minimal impact on the numbers.

# Adjusted EBITDA dynamics in Q2 2022

Adjusted EBITDA, RUB bn



+XX% Adjusted EBITDA growth YoY, %

● Adjusted EBITDA margin, %

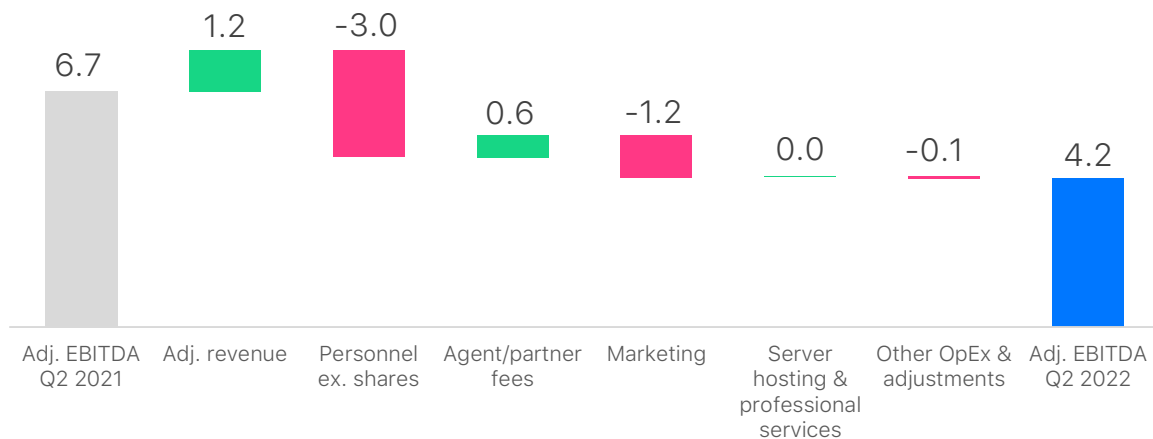
## Adjusted EBITDA drivers in Q2 2022

- ↑ Adjusted revenue growth
- ↑ Optimization of agent / partner fees, taking into account the decrease in gaming revenue
- ↓ Increase in personnel costs due to the headcount growth as part of an active launch of new products
- ↓ Growth in marketing expenses on existing and a range of new products

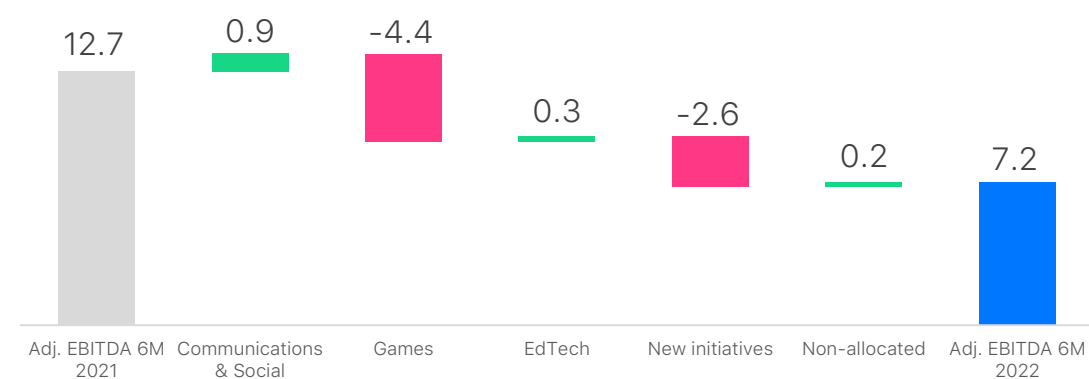
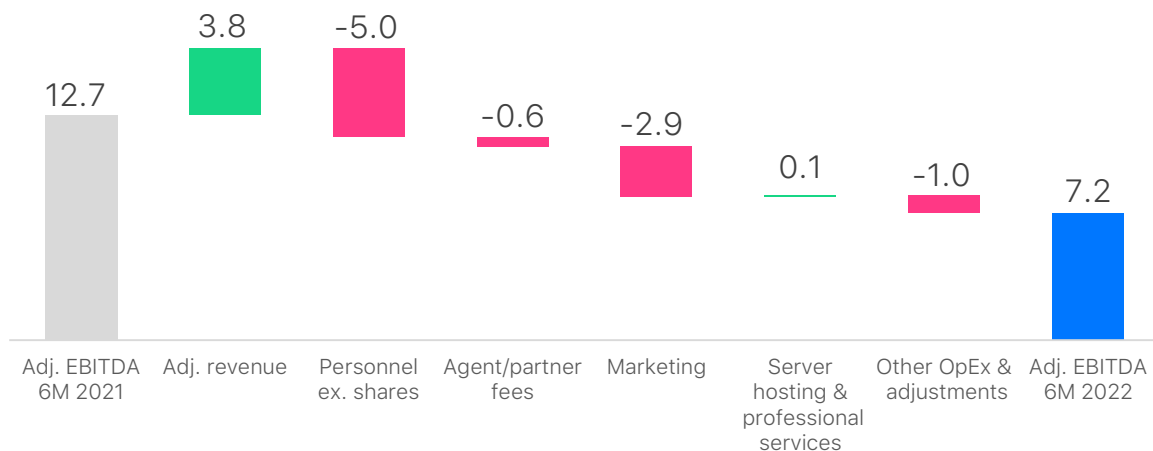
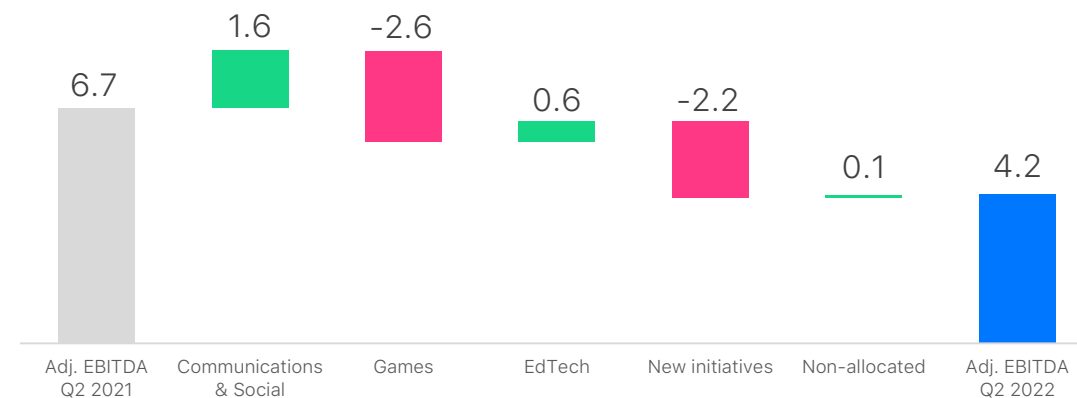


# Adjusted EBITDA drivers

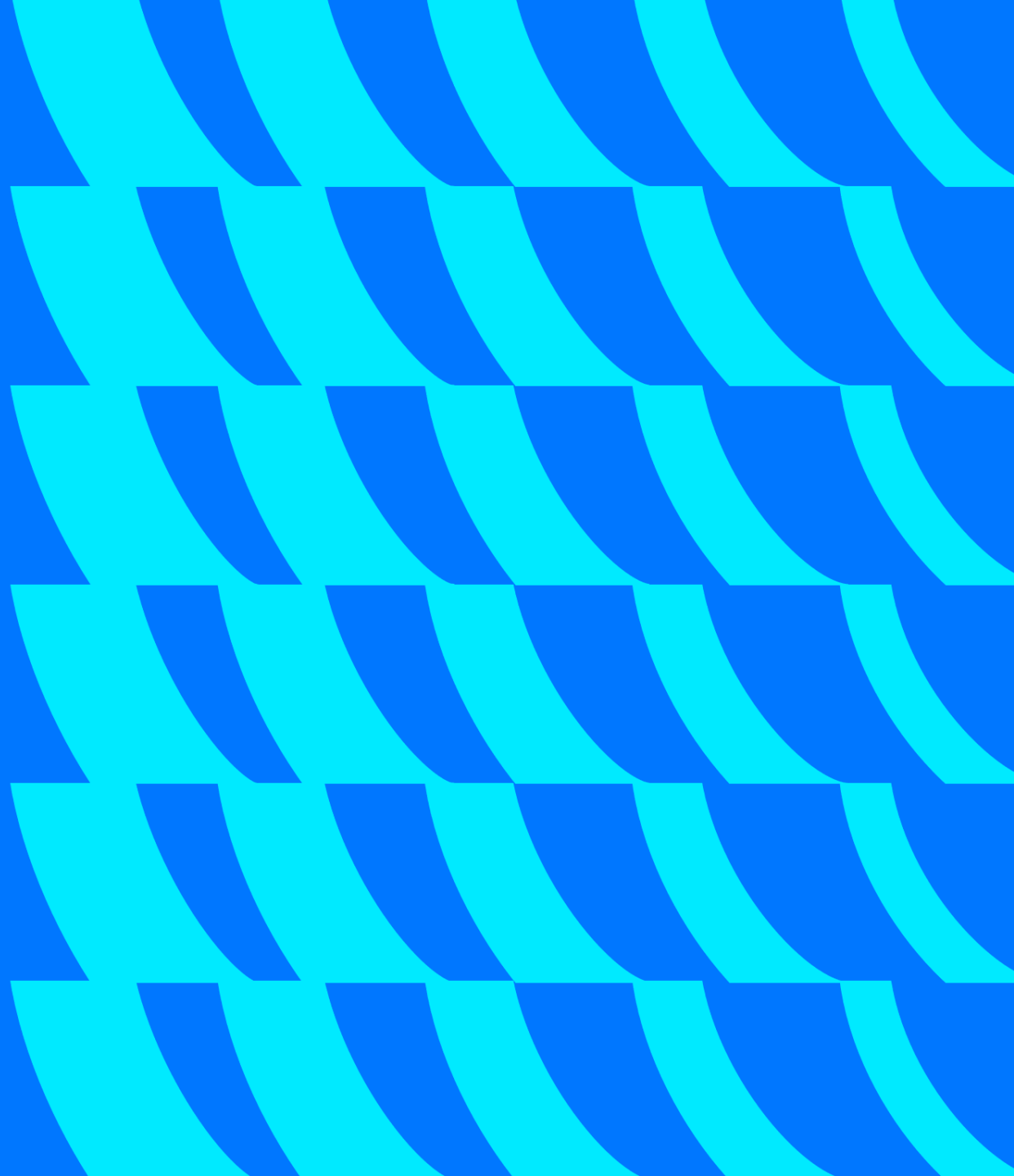
Adjusted EBITDA drivers, RUB bn



Adjusted EBITDA dynamics by segments, RUB bn

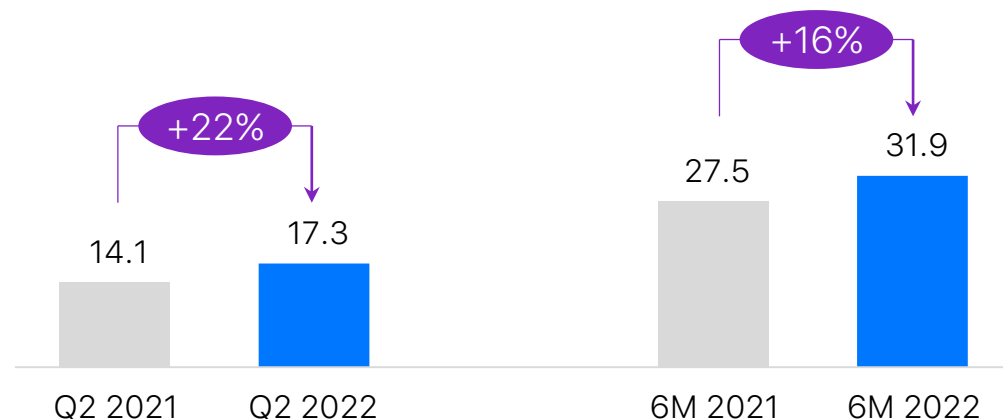


# Segments - results



# Communications & Social

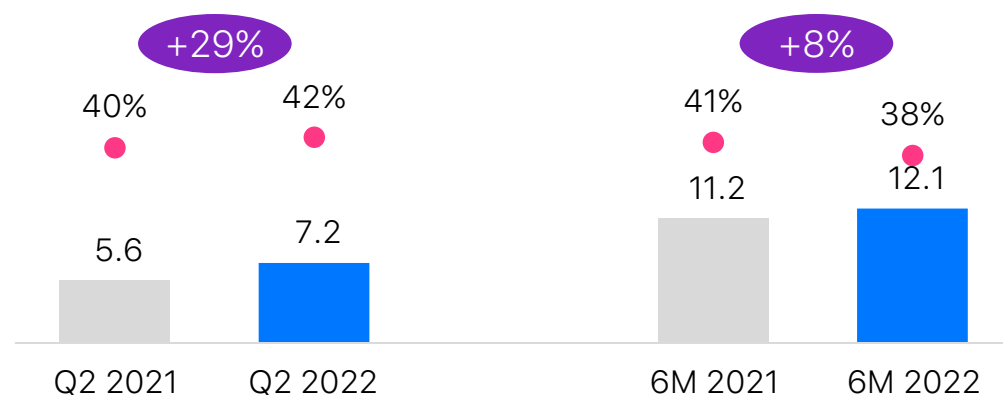
Adjusted revenue, RUB bn



Adjusted revenue drivers in Q2 2022

- ↑ Online advertising revenue growth
- ↑ Additional revenue from transferring recommendation platforms (Pulse and Relap) to the segment from 2022

Adjusted EBITDA, RUB bn



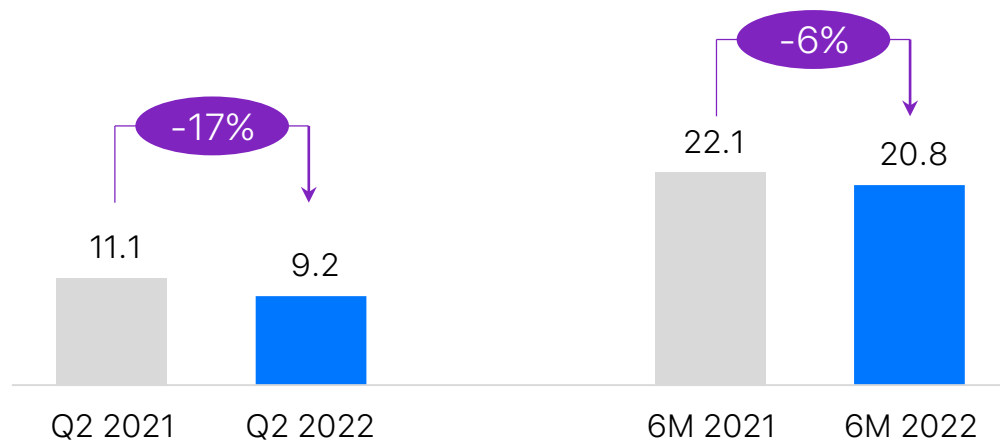
Adjusted EBITDA drivers in Q2 2022

- ↑ Revenue growth
- ↑ Decrease in agent / partner fees

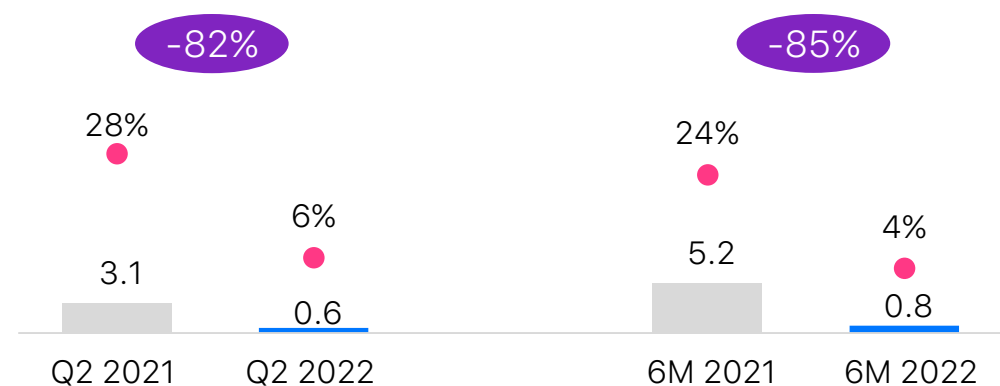
● Adjusted EBITDA margin, %

# Games

## Adjusted revenue, RUB bn



## Adjusted EBITDA, RUB bn



### Adjusted revenue drivers in Q2 2022

- ↓ RUB strengthening has negatively affected the international revenue denominated in foreign currency
- ↓ Mobile revenue decrease in Russia
- ↓ Relative maturity of a part of the gaming portfolio
- ↓ No new launches

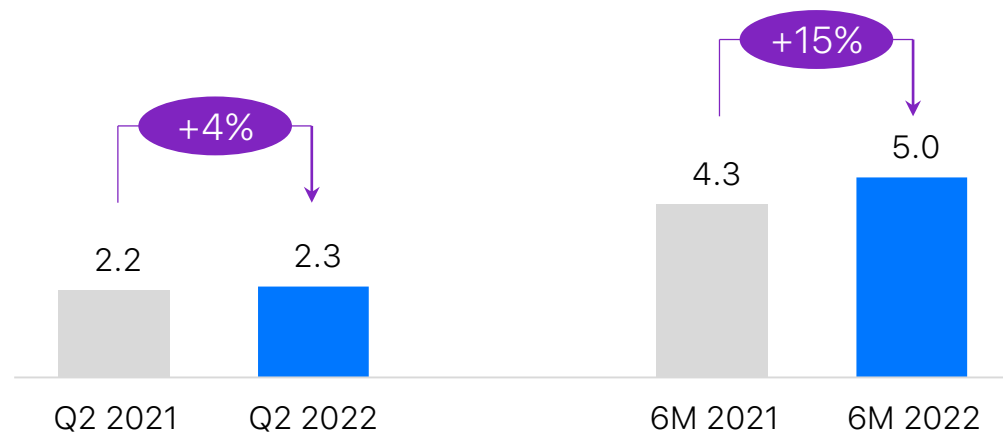
### Adjusted EBITDA drivers in Q2 2022

- ↓ Factors that influenced the adj. revenue (decrease in revenue)
- ↓ Marketing expenses on growth and supporting existing portfolio

● Adjusted EBITDA margin, %

# EdTech

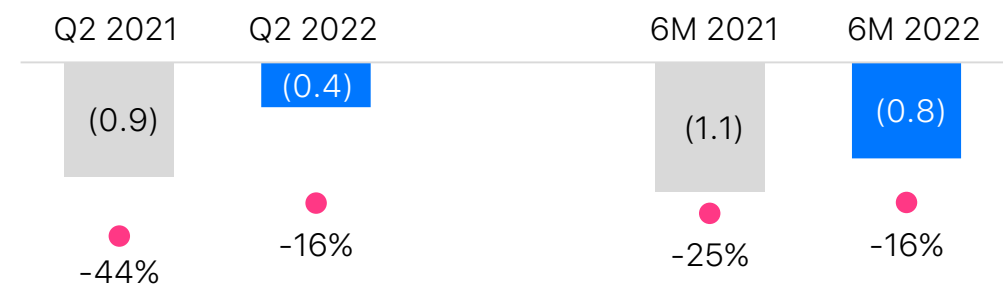
## Adjusted revenue, RUB bn



### Adjusted revenue drivers in Q2 2022

- ↑ Increased purchases of courses as a result of lower interest rates - due to better loans and freed up savings
- ↑ High demand for IT products
- ↓ Generally unfavorable macroeconomic environment

## Adjusted EBITDA, RUB bn



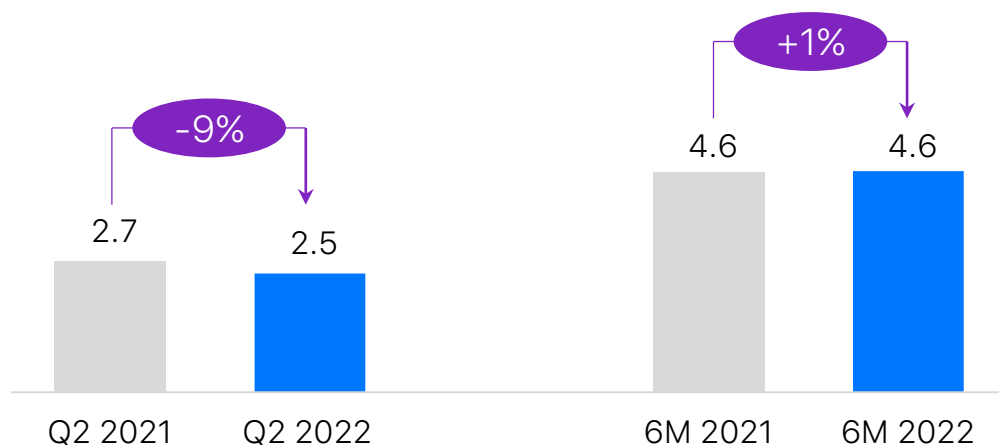
### Adjusted EBITDA drivers in Q2 2022

- ↑ Optimization of commercial expenses, incl. advertising
- ↑ Slowing growth in content related investments

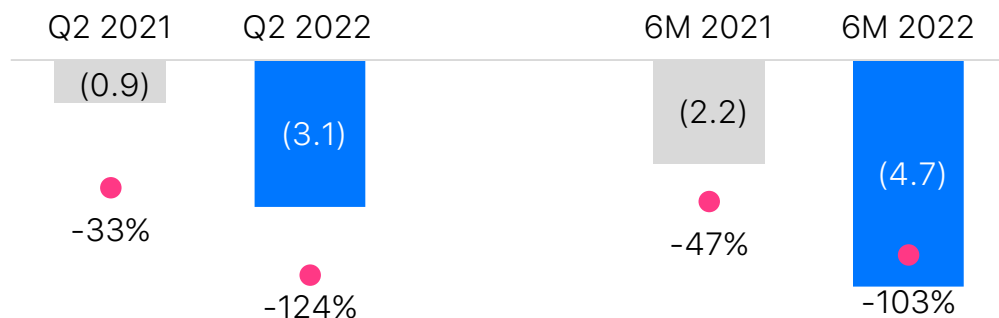
● Adjusted EBITDA margin, %

# New initiatives

## Adjusted revenue, RUB bn



## Adjusted EBITDA, RUB bn



● Adjusted EBITDA margin, %

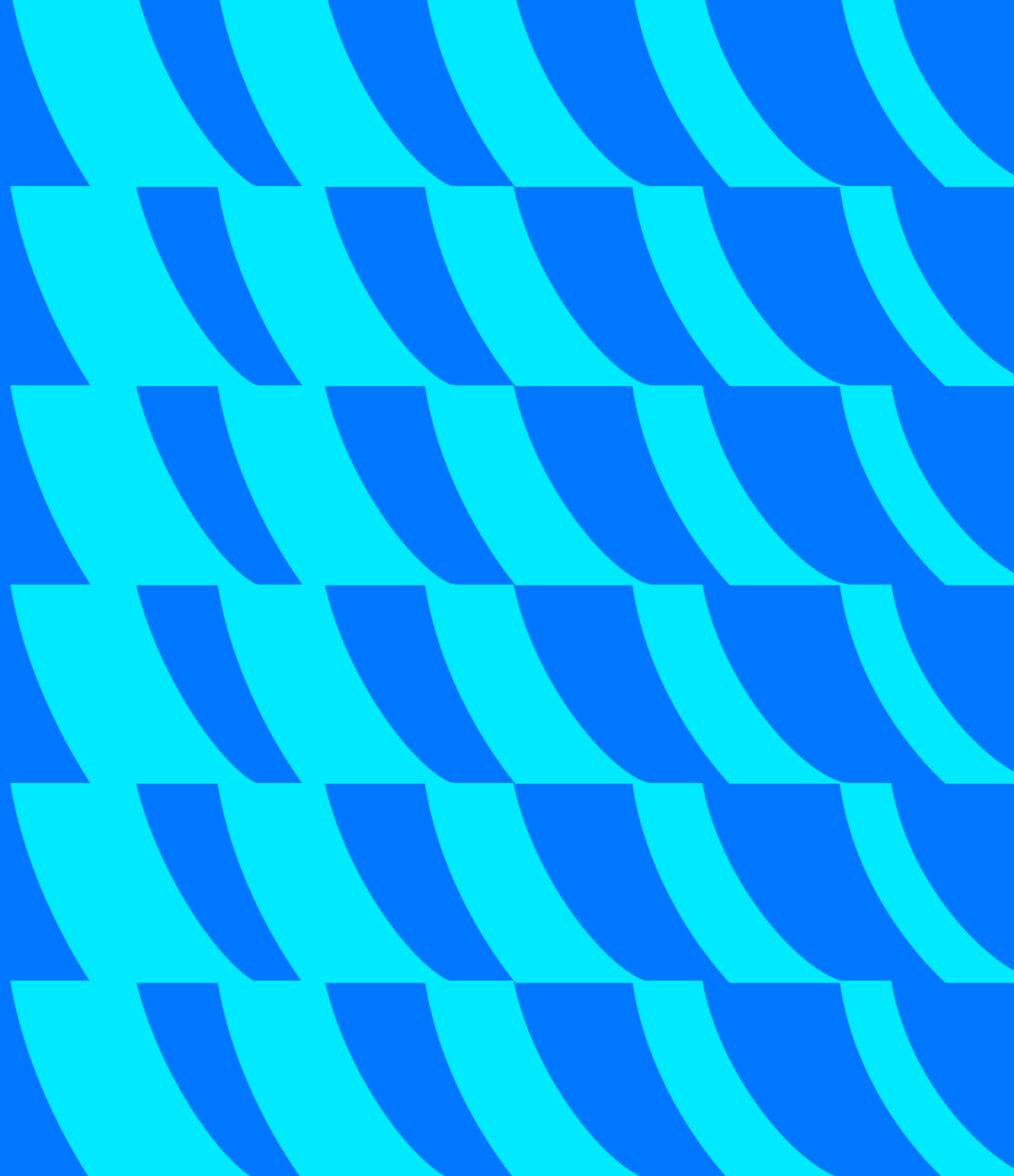
### Adjusted revenue drivers in Q2 2022

- ↑ B2B revenue growth by 46% YoY to above RUB 1bn (with VK Cloud Solutions being the main driver with revenue growth of 2x YoY)
- ↑ Revenue from recent launches (e.g. VK Play, VK Clips)
- ↑ Revenue from corporate communications services increased by more than 6x YoY
- ↓ Transfer of revenue from recommendation systems from "New initiatives" to "Communications & Social" segment

### Adjusted EBITDA drivers in Q2 2022

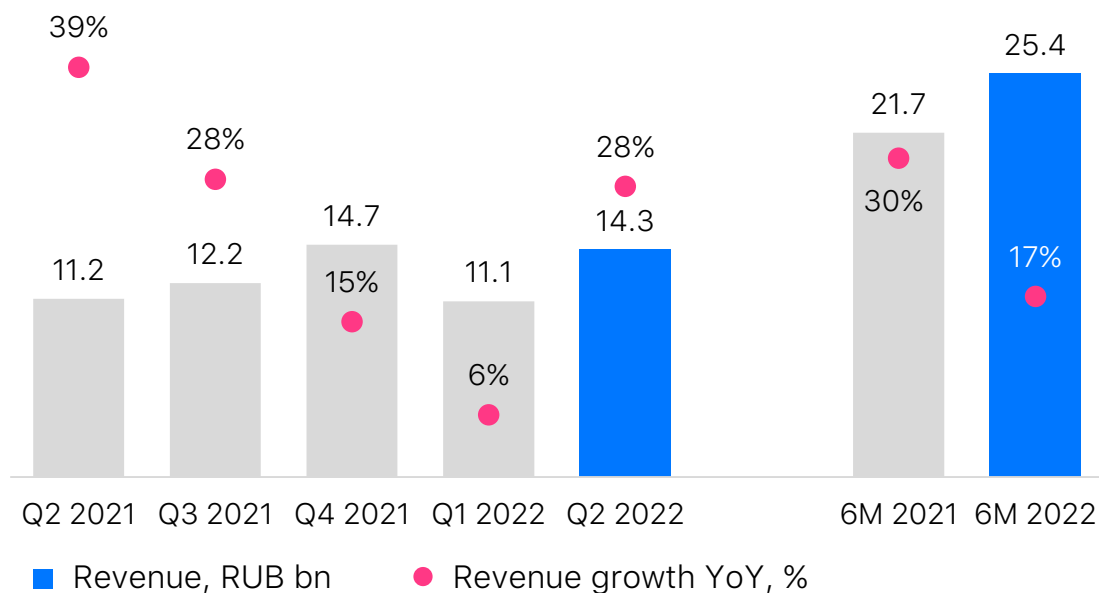
- ↓ Growth of investments related to VK Play, VK Clips, RuStore, VK Calls and other new initiatives
- ↓ Uneven distribution of B2B revenue and costs during the year (timing of revenue receipts)

# Consolidated assets: Q2 2022 highlights

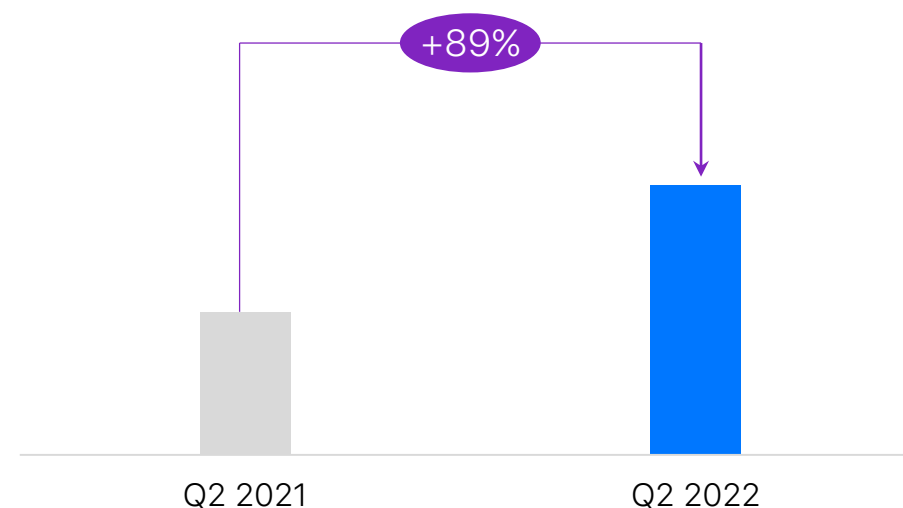


# Advertising: growth in the number of advertisers and focus on Performance advertising and SMB

Dynamics of online advertising revenue <sup>(1)</sup>



Growth in the number of SMB paying advertisers, %



Key drivers in Q2 2022 - in terms of growth among advertiser categories:

- Real estate
- E-commerce
- Education and jobs
- Home and beauty

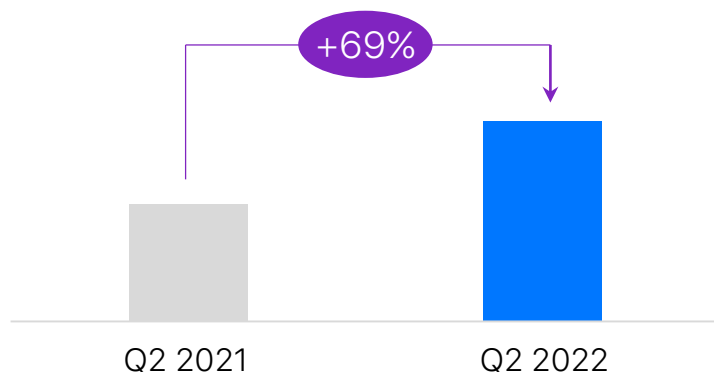
The largest categories of advertisers in Q2 2022 - by volume of ad spending across VK:

- E-commerce
- Banking and financial services
- Leisure and entertainment (incl. streaming services)
- FMCG

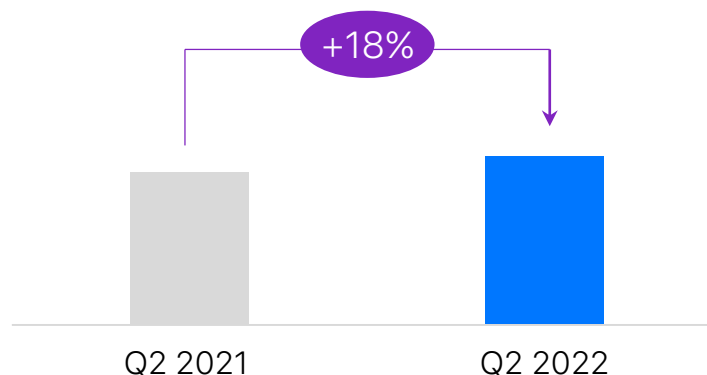


# Advertising: key strategic segments

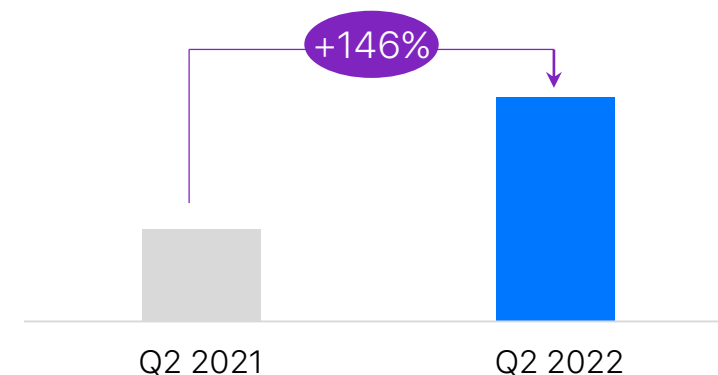
## Performance ad revenue



## Video ad revenue <sup>(1)</sup>



## SMB ad revenue



### Strategic focus

Automation of advertising campaigns based on modern algorithms to increase ROI

Wide range of ad formats for monetization of our growing video inventory

Wide range of simple business tools incl. highly-efficient ad products

### Recent product updates

- Support for the promotion of mobile apps from RuStore in VK Ads and optimization for installs without the use of external trackers
- Creating audiences based on own lists of users in VK Ads and uploading to the account as a unified list
- Quick support in VK Ads via online chat based on VK Messenger

- "Skip" button in 5 seconds after starting watching video ads on the VK Video platform

- Improving the ads appearance for VKontakte feed towards conciseness to increase efficiency and ease of interaction
- Updating the ad moderation rules: bringing them to generally accepted standards in the market, improving the quality of content

# VK Ads – new unified advertising platform



## High efficiency

**Automated bid management** minimizes the number of manual actions and gives access to a larger target audience that previously remained outside the price range



## Ease of management

**New 3-level campaign structure** simplifies hypothesis testing and budget management



## Versatile ads

**Automation of the creative development** to maximize reach and select the most effective combinations



## Smart targeting

**Displaying ads based on user preferences**

# VK Ads: first results

Tests have shown that built-in algorithms can **reduce the cost of targeted actions (CPI and CPA) by 20-30%** relative to planned indicators

**> 50%** of mobile app advertising revenue came from VK Ads

The first version of the platform is available for advertisers promoting **mobile apps**.

In the future, it is planned to expand the functionality of the platform to all types of advertised objects.

April  
2022

April  
2022

June  
2022

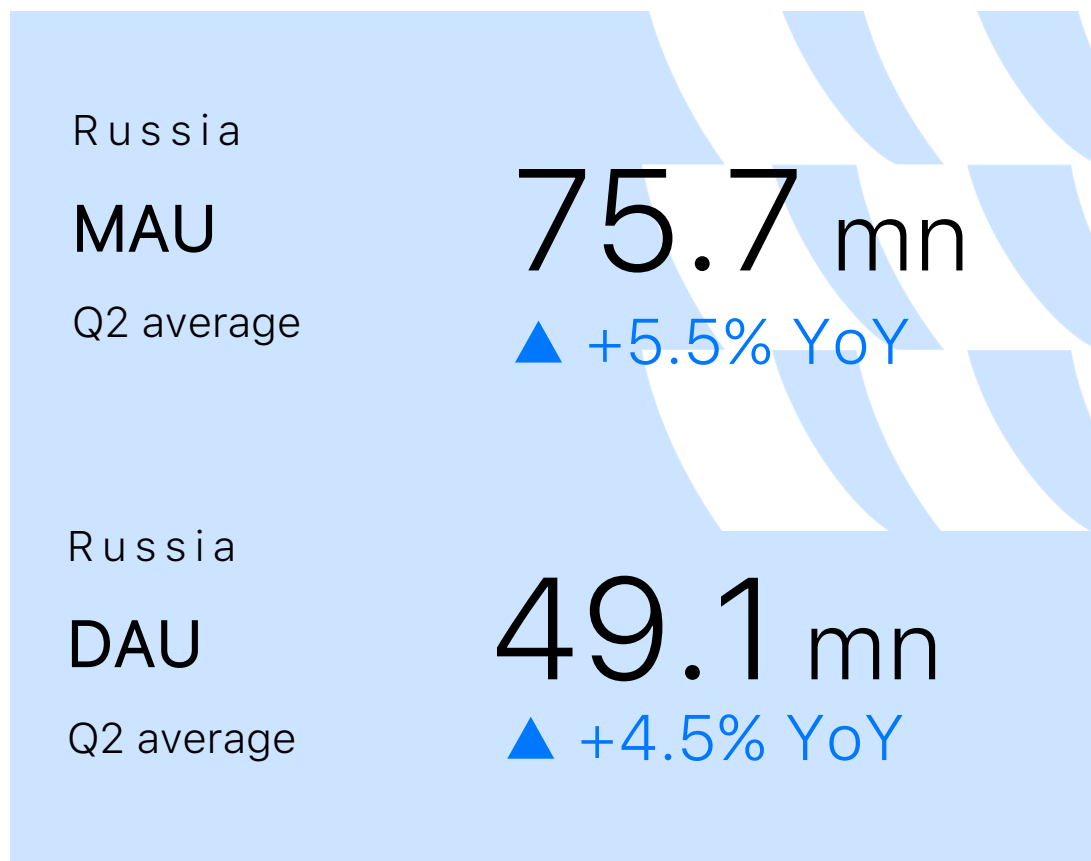
End of  
June 2022

Platform  
launch

Purchase (CPA) optimization model improvement **tripled the number of targeted actions per 1000 impressions** while reducing their cost by 50%

# VKontakte: growth of audience and engagement

## Leading social network in Russia



## Average daily views in Q2 2022

VK Video 2.35 bn

Video inside VKontakte 1.07 bn  
▲ +43% YoY

VK Clips 688 mn  
▲ +153% YoY

# VKontakte: growth of audience and engagement

## 65%

VKontakte users access the social network daily

## 83%

of Russian internet users – VKontakte monthly reach <sup>(1)</sup>

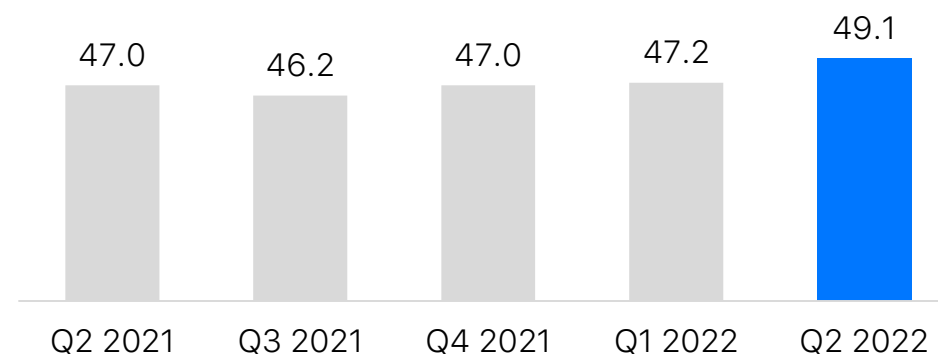
## 47.1

Minutes per day – average time spent of VKontakte users in Q2 2022 <sup>(2)</sup>

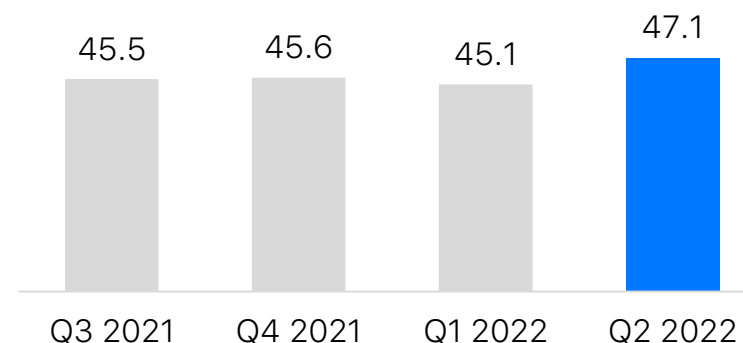
## 53%

of Russian internet users – VKontakte daily reach in June <sup>(1)</sup>

VKontakte Russia DAU, mn



Average time spent on VKontakte, minutes per user<sup>(2)</sup>



50 major product updates launched in Q2 2022

# VKontakte authors: growth in content creation and consumption

**+24%**

Growth YoY in the number of created communities

**2.2x**

Growth YoY in community income with official monetization tools

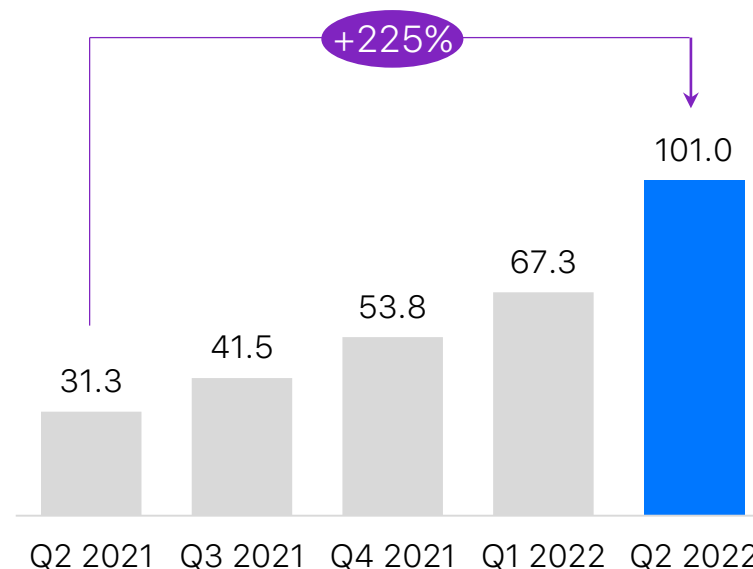
**+37%**

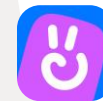
Growth YoY in feed views

**2.4x**

Growth in the number of subscribers who transfer funds through VK Donut

Revenue from communities using VK Donut, RUB mn





# VK Clips: a separate mobile app and a new recommendation system

## 688 mn

Average daily views  
in Q2 2022

+153% YoY

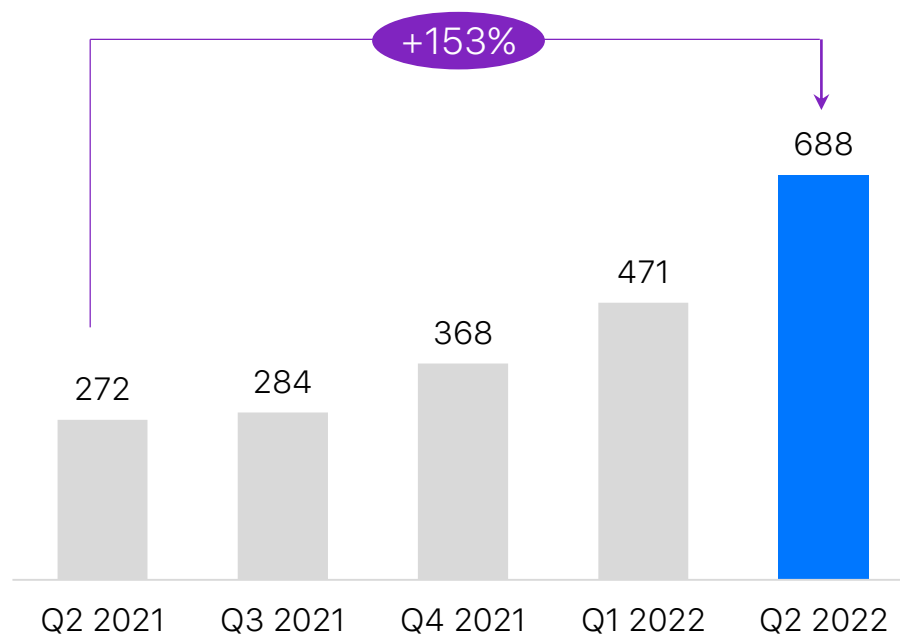
## 4.4x

Growth YoY in the number  
of published clips

## 2.3x

Growth YoY in the  
number of active authors

Average daily views, mn



### Separate mobile app for VK Clips launched

- with new 60 FPS camera, Full HD quality and video support up to 180 seconds
- thanks to the launch, the number of video clips published increased by 13%

### New recommendation system launched

- 33% more users watch 100 or more clips in a row vs. the previous algorithm



# VK Video: further growth of video consumption

2.35 bn

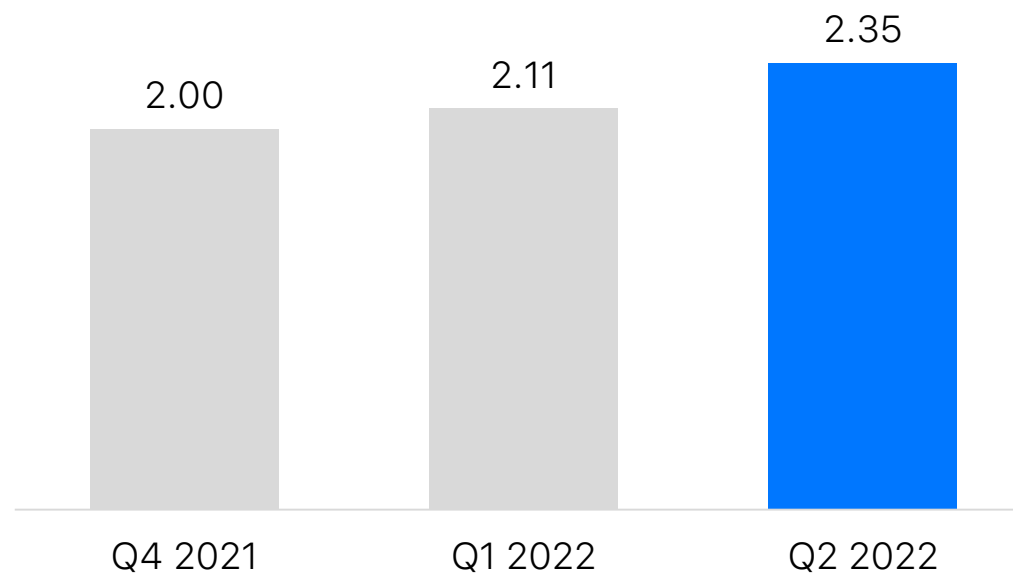
Average daily views of  
VK Video in Q2 2022

1.07 bn

Average daily views within  
VKontakte (excl. VK Clips) in Q2  
2022

+43% YoY

Average daily views, bn







# VK Video: product updates in Q2 2022

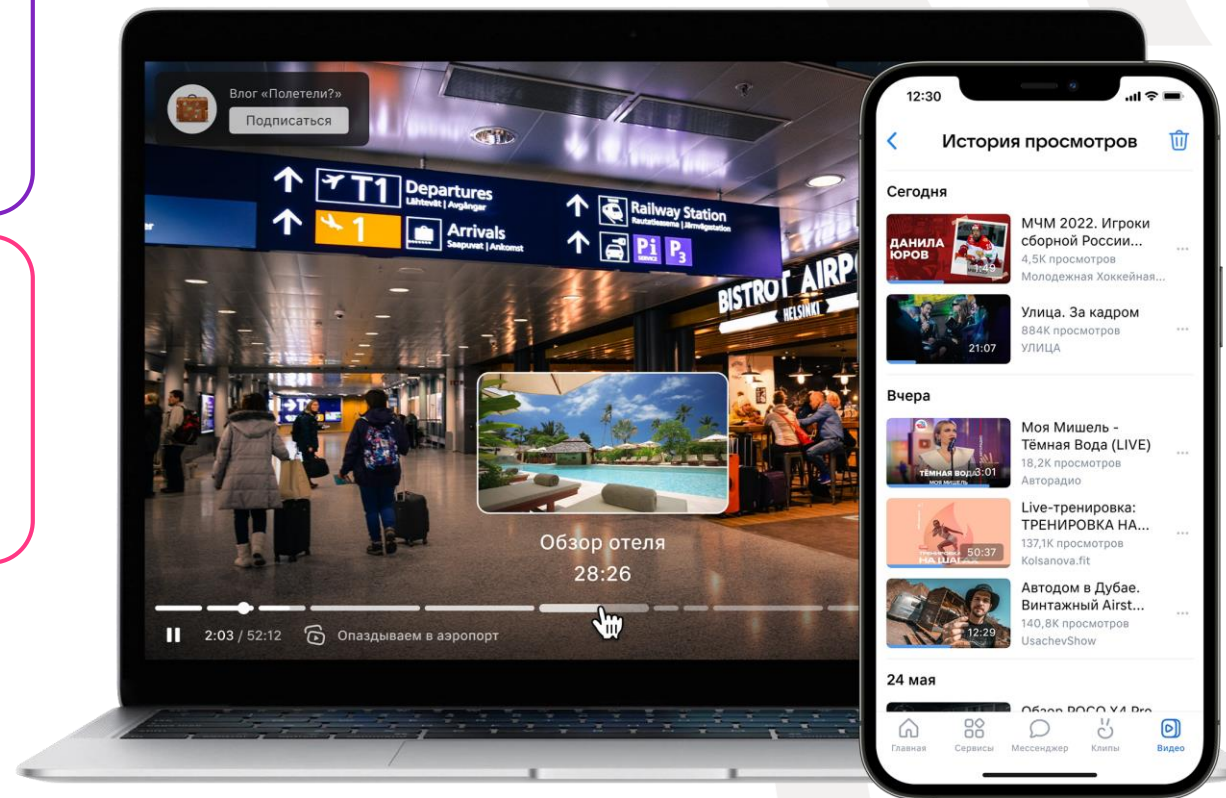
Instant video processing technology launched – content is available to users immediately after upload

Watch history, video timecodes and personalized video covers launched

Functionality to automatically increase the resolution and frame rate up to 60 FPS in videos launched

Vkontakte opened VK Video platform technologies and access to its infrastructure to developers of IT services

Data transfer technology based on the new Internet protocol HTTP / 3 to speed up the delivery of video content implemented



# VK Calls and VK Messenger

Separate mobile app for unlimited video conferencing launched — VK Calls



Separate communication mobile app launched — VK Messenger



Automatic number identification has been added to the VK Calls app



VoiceOver function for visually impaired users launched in VK Calls



Improved audio quality in VK Calls by 15% in unstable network conditions

## Лёгкий и быстрый в любых условиях

На связи друзья из ВКонтакте и телефонной книги

Общайтесь в привычных чатах и пишите новым контактам

Звонки с аудио и видео

Созванивайтесь в любой момент: услышать близких или что-то показать коллеге

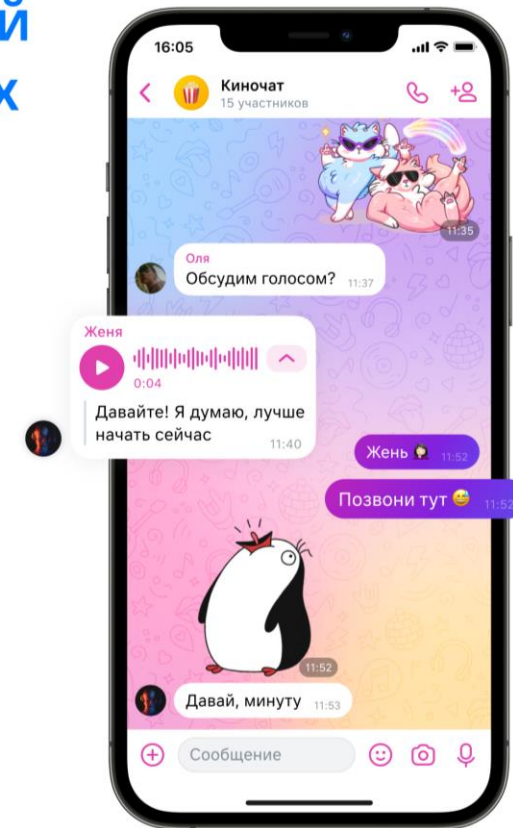
Расшифровка голосовых

Читайте, когда неудобно слушать

Настройки для каждого

Выбирайте фоны в чатах, управляйте онлайн-статусом, включайте тёмную тему

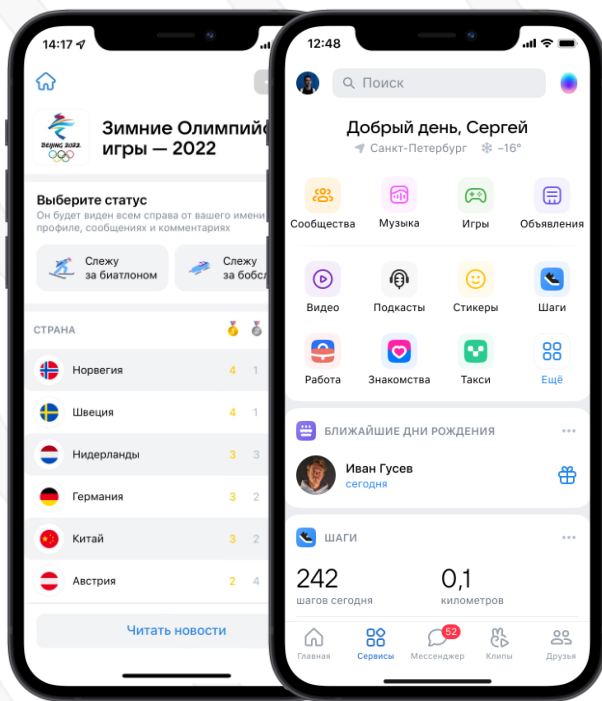
**VK Мессенджер**



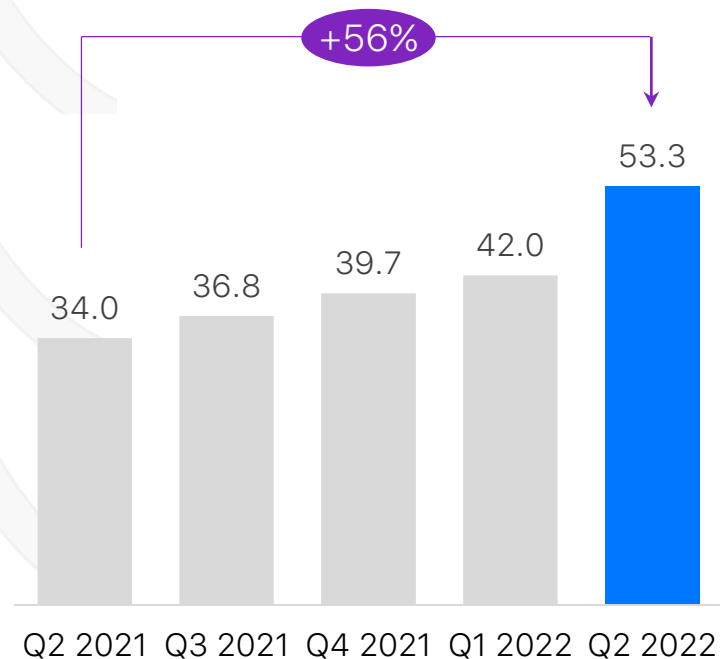
# VK Mini Apps: further activity growth

## 2.9x

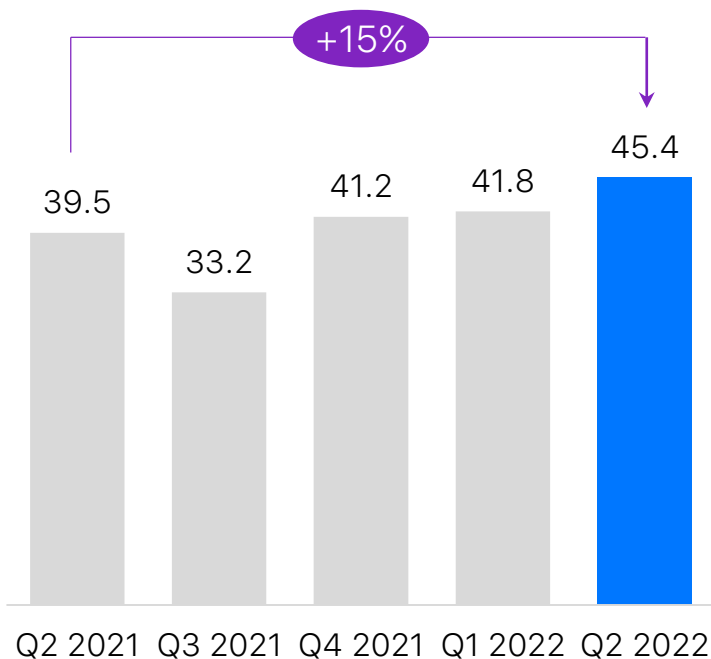
Growth YoY in in-apps ads revenue



Number of VK Mini Apps, k



VK Mini Apps MAU, mn





# OK: social and entertainment platform

## Q2 2022 highlights

37 mn

Average MAU in Russia

+35%

New user registrations

+67%

New groups

## Users sent

552 mn

Postcards



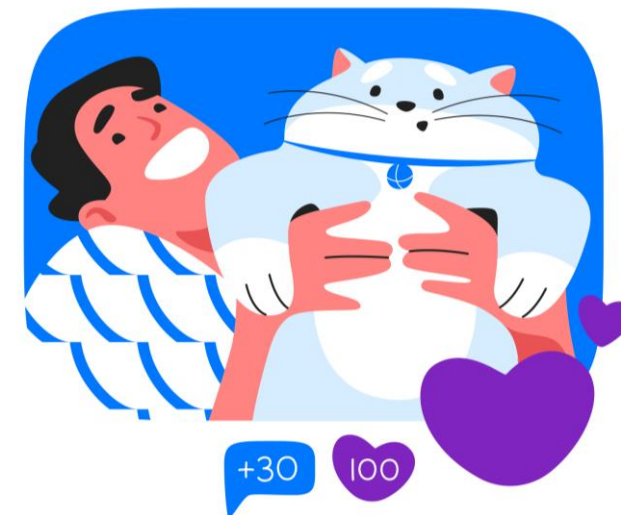
570 mn

Stickers



7.5 bn

Virtual gifts



25-45 y.o.

Focus age group

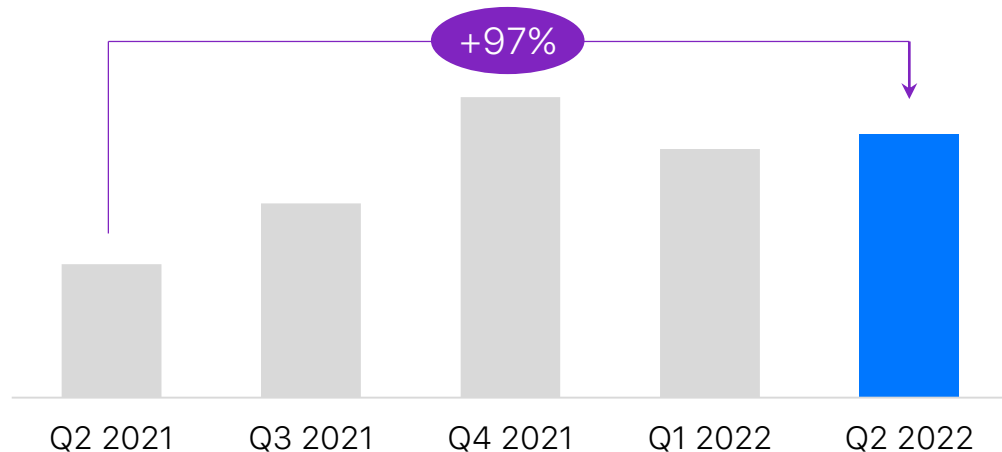


# OK: focus on games and ad platform development

2x 

YoY growth in payments to game developers for placing ads in their projects in Q2 2022

Payments to game developers for advertising in their projects



+22%

Unique paying users in the OK's internal advertising account based on myTarget

Promotion of businesses in OK is gaining momentum





# OK: solid traction in Moments

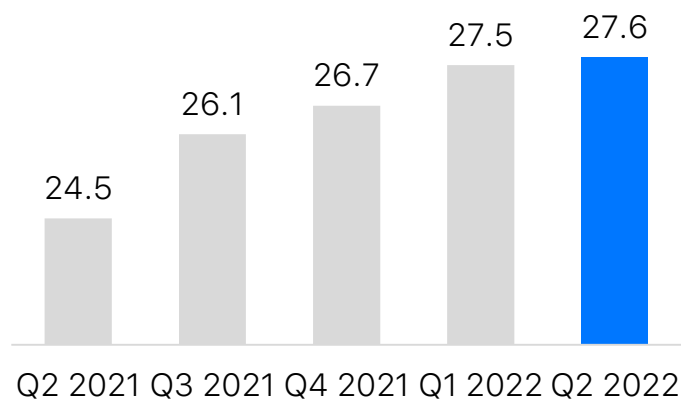
Moments highlights in Q2 2022

27.6 mn

MAU

+13% YoY

MAU, mn

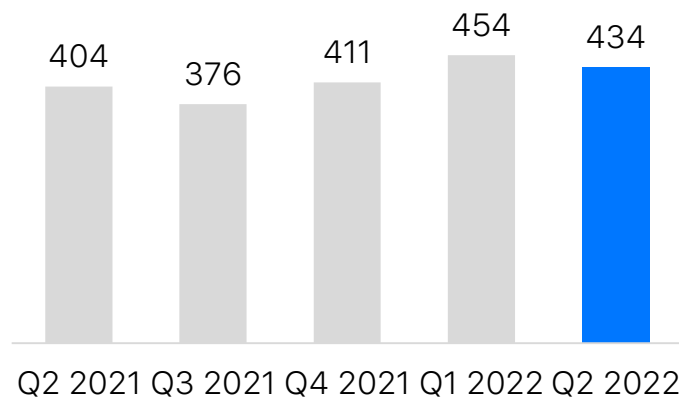


434 mn

Monthly views

+7% YoY

Views, mn



27 mn  
Average monthly  
reactions



# Games: revenue structure

30%

share of Games revenue  
in the Adjusted revenue  
of the Group

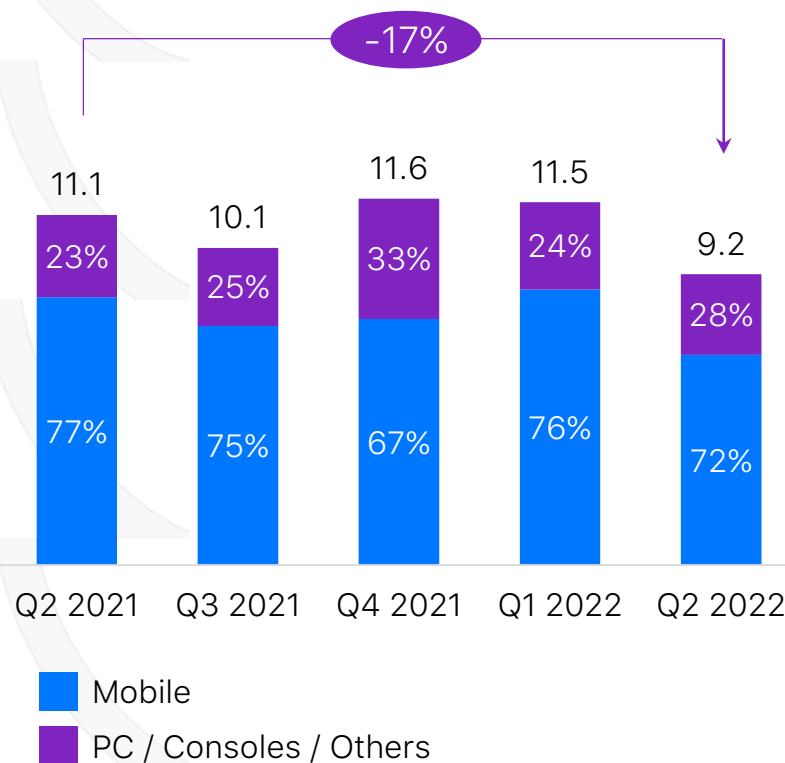
72%

of revenues came from  
mobile in Q2 2022

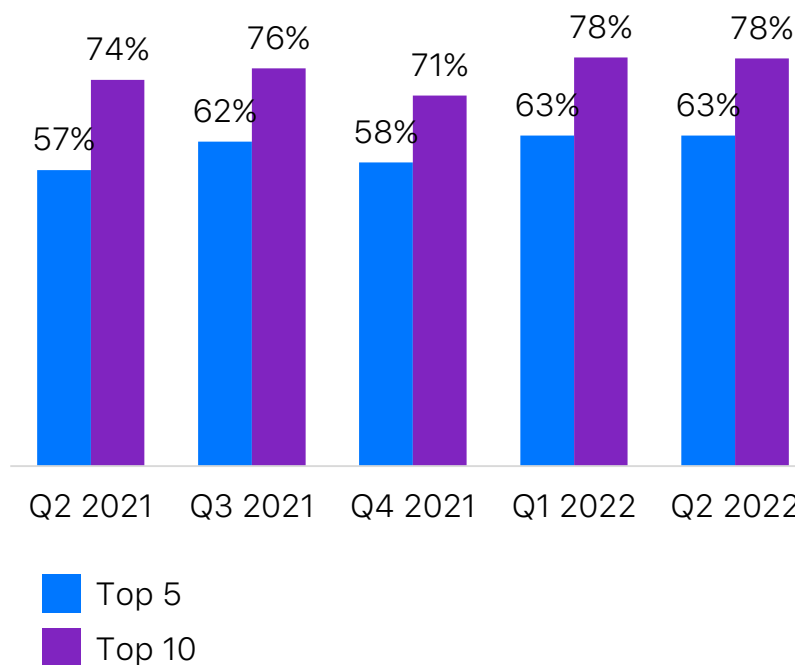
78%

of Bookings generated by  
Top 10 titles in Q2 2022

Bookings split by platform, RUB bn



Concentration of bookings among titles





# Games: key highlights

26 mn

Average MAU in Q2 2022

+25% YoY growth driver by hyper-casual games, excluding them MAU remained roughly at last year's level (+0.6%)

3.8%

Share of paying users

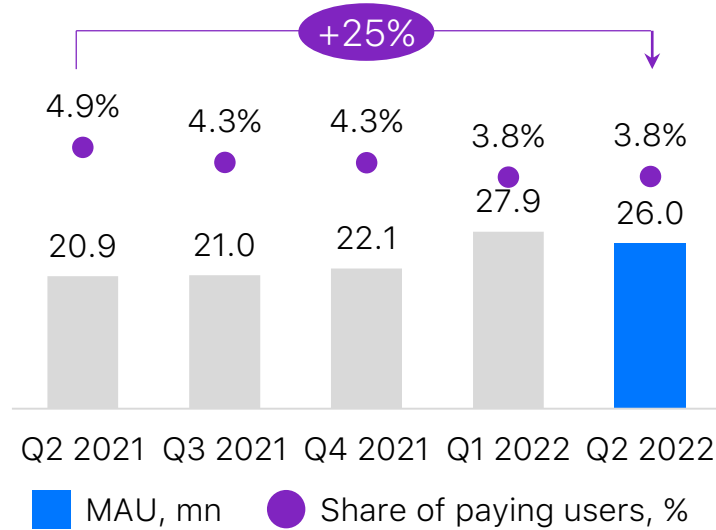
(-1.1) p.p. YoY due to the increase in the audience of hyper-casual games, without them the share remained stable

119 RUB

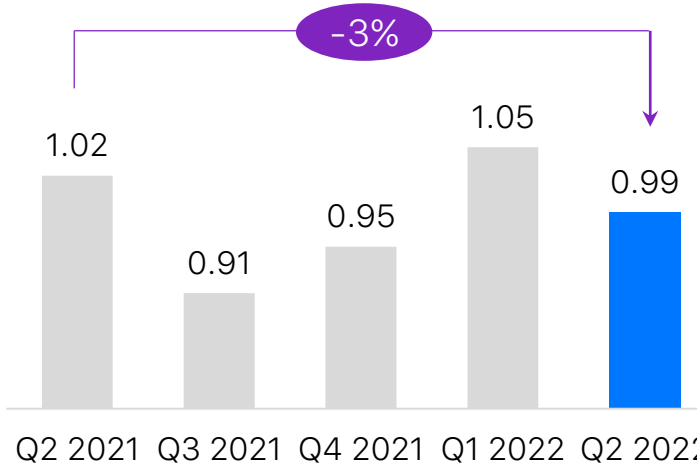
Monthly ABPU

33% decrease YoY due to Ruble strengthening and growth of casual projects

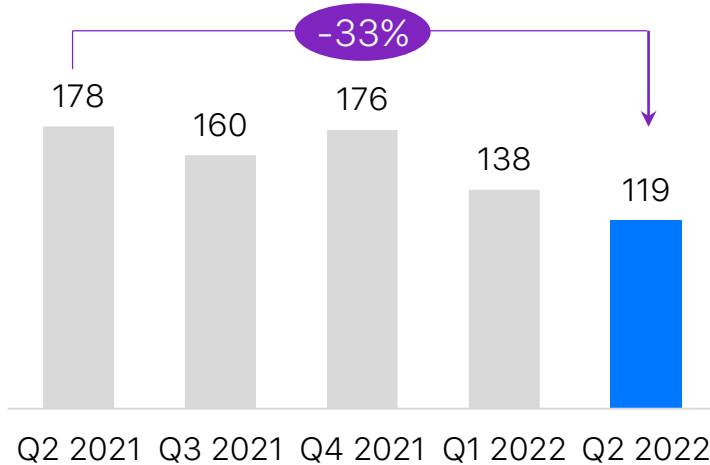
Average MAU and share of paying users



Average number of paying users, mn



Monthly ABPU, RUB <sup>(1)</sup>



Source: Internal data. The YoY growth is shown for Q2 2022 vs. Q2 2021 unless stated otherwise. Note: (1) Monthly Average Bookings Per User (ABPU) is calculated as Games bookings divided by average MAU in the corresponding quarter and 3.



# EdTech: customer base growth

11.3 mn

Combined cumulative registered learners on VK's educational platforms

1,4x growth YoY

480 k

New registrations in Q2 2022

419 k

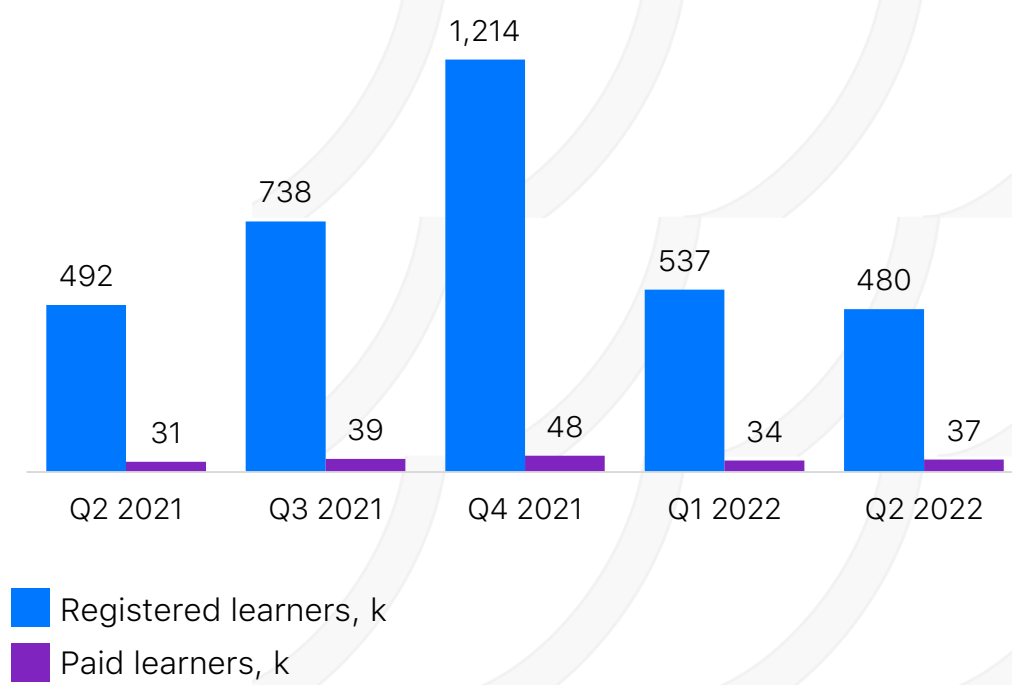
Cumulative number of paying learners

1,8x growth YoY

37 k

New paid learners in Q2 2022

New users of VK's educational platforms <sup>(1)</sup>





# New initiatives: VK Play

A single point of access to game content - the VK Play platform was launched in beta in April 2022

12 k

Simple browser games

500+

Games available via cloud  
incl. games on other  
platforms

100+

Paid premium games

90+

Client free-to-play  
games

>92%

Russian streamers work  
with our tools

95/5%

Game developer  
commission

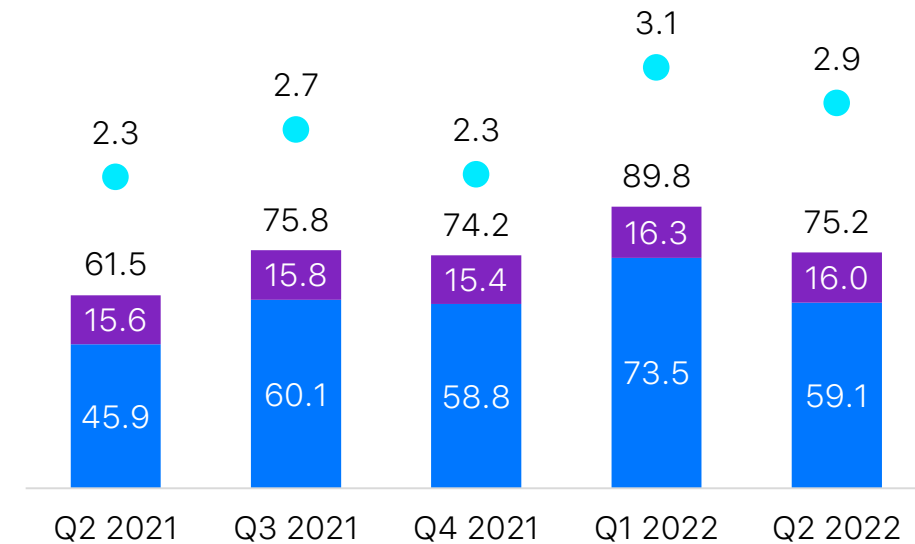


# Appendix

1. Leverage
2. Additional indicators (CAPEX and headcount)
3. Shareholder structure
4. Glossary and segment composition

# Leverage

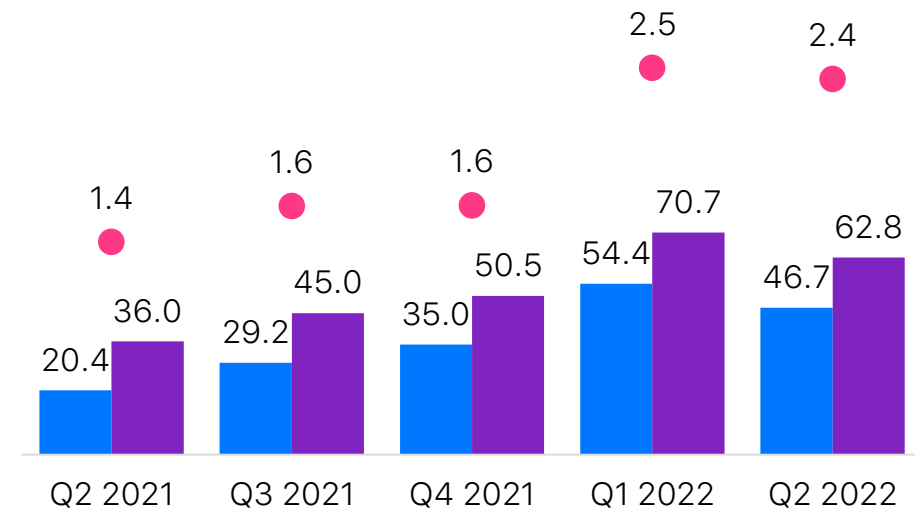
Total debt, RUB bn



Total debt

- Loans and convertible bonds
- Lease liabilities (LL)
- Total debt (incl. LL) / Adjusted EBITDA LTM

Net debt, RUB bn

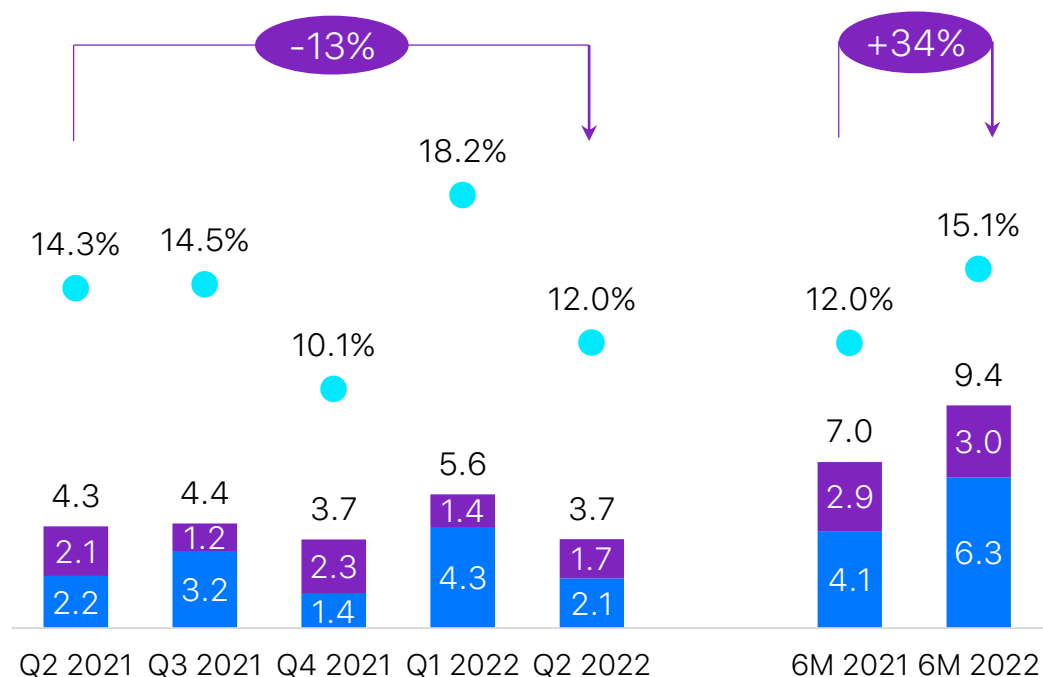


Net debt

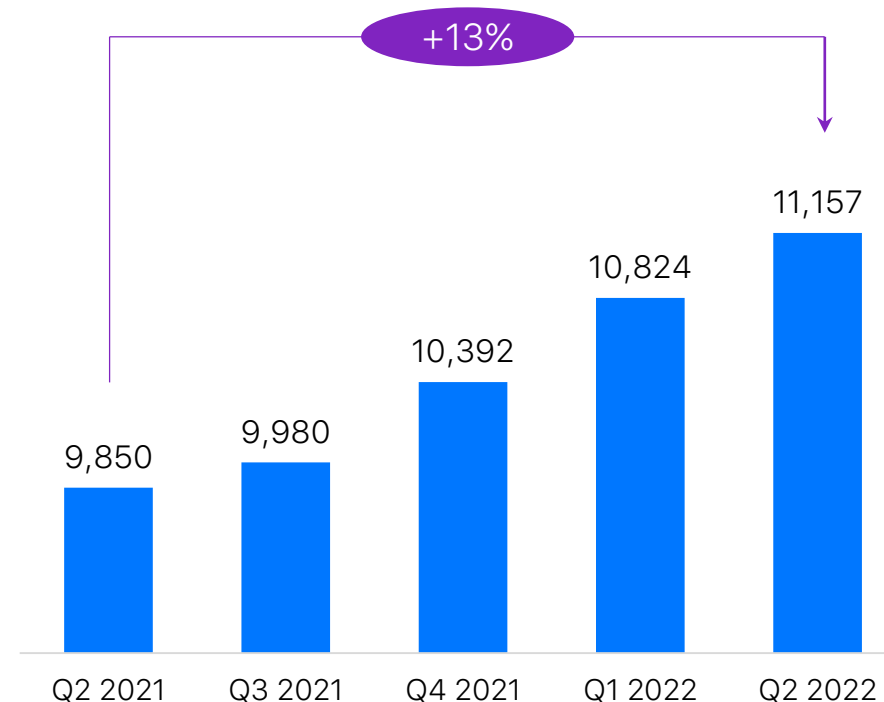
- Not including lease liabilities (LL)
- Including lease liabilities
- Net debt (incl. LL) / Adjusted EBITDA LTM

# Additional indicators

Investments (cash CAPEX), RUB bn



Headcount, people <sup>(1)</sup>



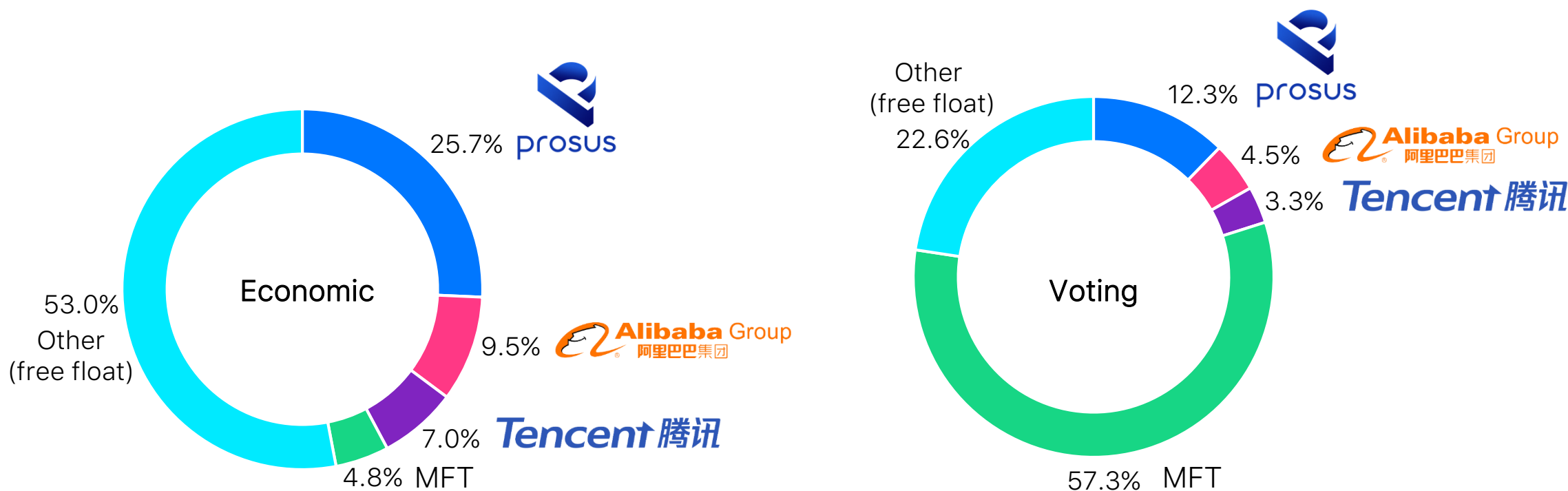
Cash paid for

■ Property and equipment

■ Intangible assets

● CAPEX / Adjusted revenue

# Shareholder structure



## Notes:

1. Total **239 375 040** shares issued, **226 136 827** shares outstanding – excl. 13 238 213 DRs (5,5% of total), held within Mail.ru Employee Benefit Trustees Limited (non-voting) to be used for existing and future management options programs.
2. Naspers holding is realized via Prosus since 3Q19.
3. MFT shareholder structure (11,500,100 Class A shares): SOGAZ (45%), Gazprom Media Holding (45%), Rostec (10%).
4. VK GDRs are trading on London Stock Exchange (since Nov 5, 2010) as well as Moscow Stock Exchange (since July 2, 2020).

# Glossary

## Key terms

**MAU** – monthly active users.

**DAU** – daily active users.

**Community IVAS** – user payments for social media services, including gifts, music subscription, in-game purchases.

**MMO games** – massively multiplayer online games.

**F2P** (Free-to-play) games – games that give players access to a significant portion of their content without paying or do not require paying to continue playing.

**B2P** (Buy-to-play) games – games that can only be played by purchasing the game.

**Monthly ABPU** - monthly average bookings per user – is calculated as Games bookings divided by average MAU in the corresponding quarter and divided by 3.

**Bookings** - revenue adjusted for changes in deferred revenue or Adjusted revenue.

**B2B** (Business-to-business) – products and services for business clients.

**SMB** – small and medium business.

**Branding** advertising aims to introduce the brand/product/service to as many people as possible.

**Performance** advertising aims to bring the client to the site or mobile app and encourage her to place an order, apply, etc.

# Segment composition

## Segments include:

### Communications and Social

Social networks (VKontakte, OK and My World), email (Mail.ru), music and video services (VK Music and VK Video), instant messaging (VK Messenger), portal (main page and media projects), search, content recommendation platforms Pulse and Relap <sup>(1)</sup>.

It earns revenues from advertising, commissions from application developers based on the respective applications' revenue, user payments for virtual gifts, stickers and music subscriptions.

(1) Since 2022, previously these services were part of the New Initiatives segment.

### Games

Online gaming services, incl MMO, social and mobile games, games streaming and platform solutions, games for PC, consoles and mobile devices, game studios, cloud gaming business, monetization services (DonationAlerts and Boosty.to).

It earns substantially all revenues from sale of virtual in-game items to users (F2P) or sale of digital copies of the games (B2P), royalties for games and gaming solutions licensed to third-party online game operators, in-game advertising and revenues from streaming services and gaming platform services.

### EdTech

Consolidated education businesses presented by Skillbox Holding Limited which includes Skillbox (100%), GeekBrains (100%), SkillFactory (63.75%), Mentorama (90%), Lerna (70%).

The businesses earn substantially all revenues from educational services.

### New initiatives

Experimental and early stage products, incl. location-based classified Youla, VK Classifieds, B2B services (incl. VK Cloud Solutions), smart speakers (Capsule and Capsule Mini), Marusya voice assistant, VK Clips, VK Calls, VK Play, ecosystem products, etc.

For further information please contact:  
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