

VK Company Limited

Financial and operational results

Q2 2022



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Agenda

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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

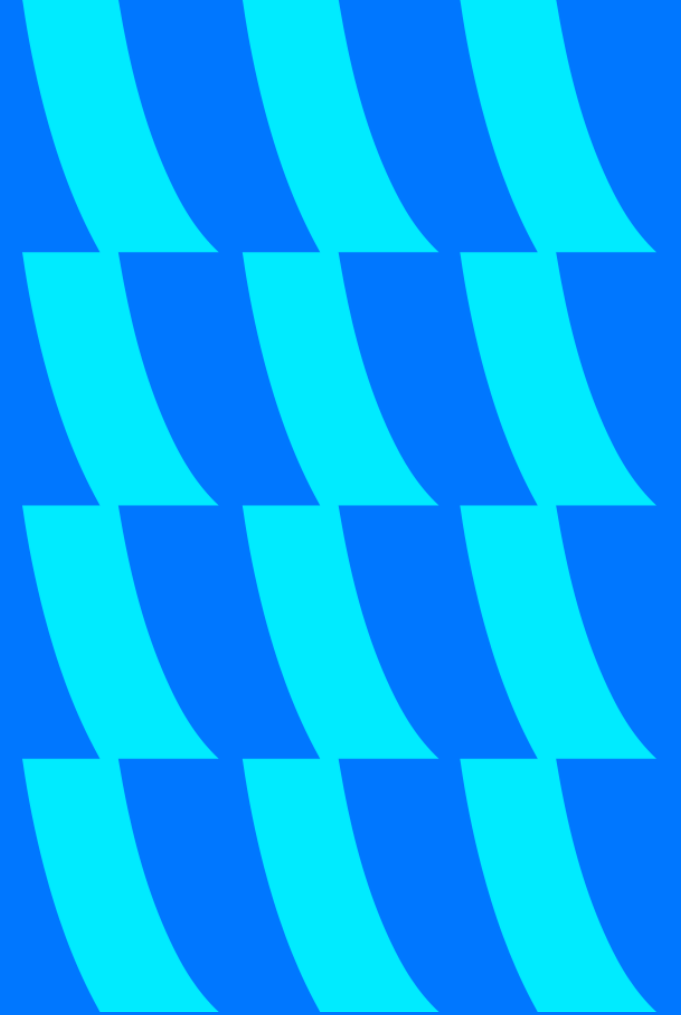
Education users ⁽¹⁾
+44% YoY

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

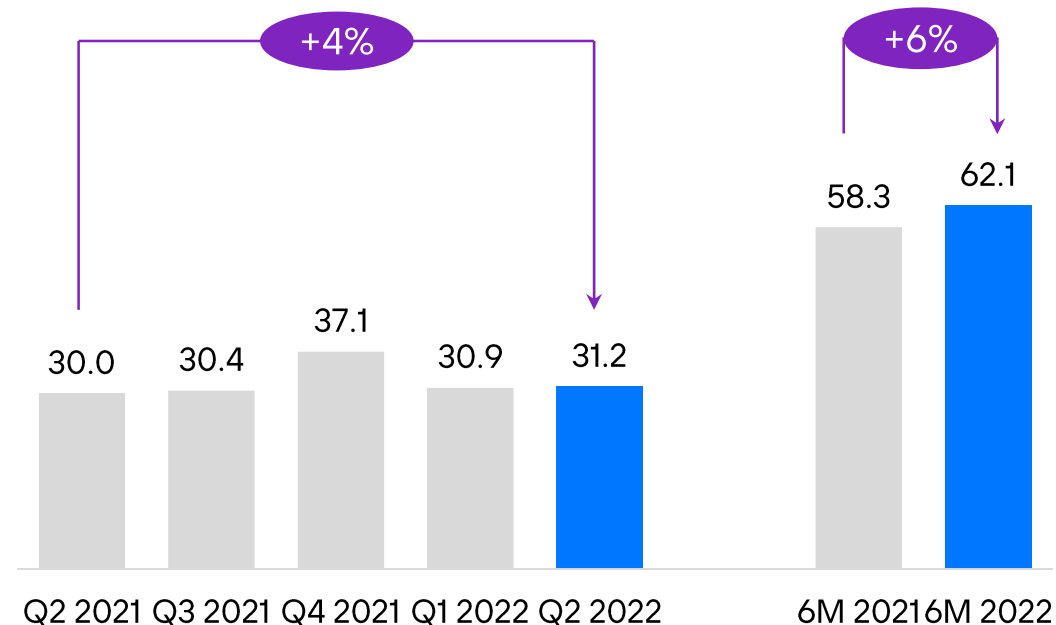
Note: (1) Education users is the cumulative number of registered students on the educational platforms of Skillbox Holding Limited at the end of the period.

Financials – results



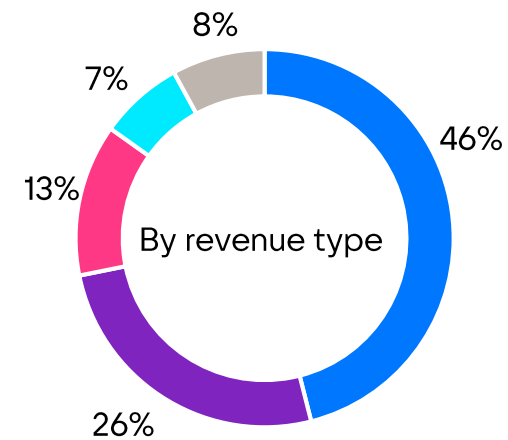
Adjusted revenue dynamics and structure in Q2 2022

Adjusted revenue, RUB bn

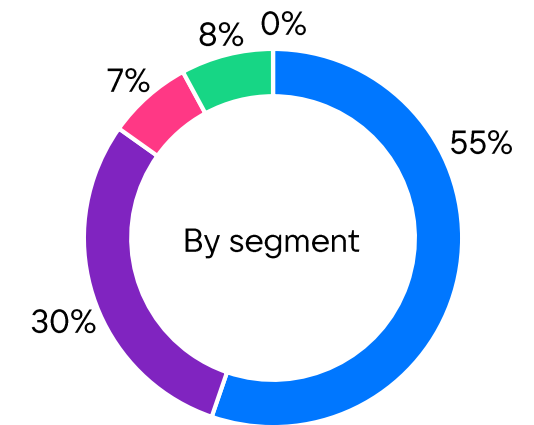


+XX% Adjusted revenue growth YoY, %

Adjusted revenue structure, % of total



■ Online advertising
■ MMO games
■ Community IVAS
■ Education technology services
■ Other revenue

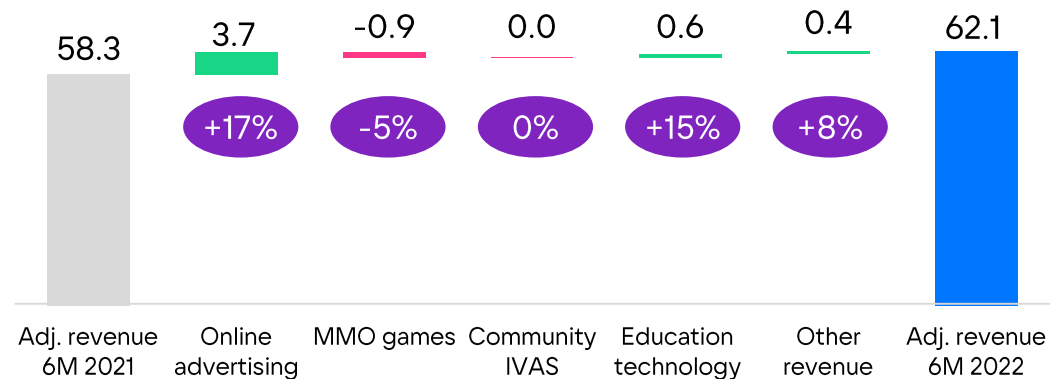
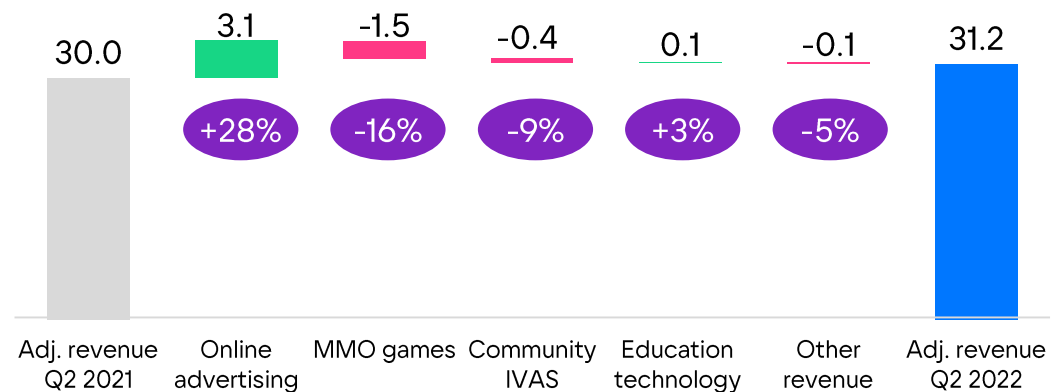


■ Communications and Social
■ Games
■ EdTech
■ New initiatives
■ Eliminations

- 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).

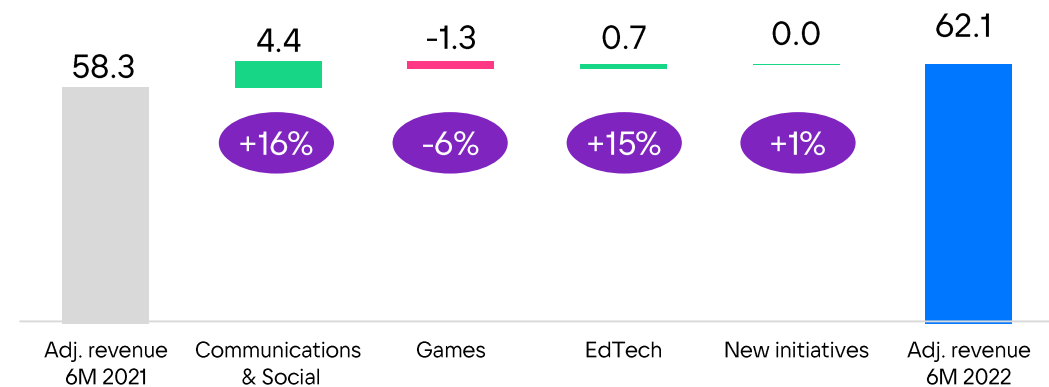
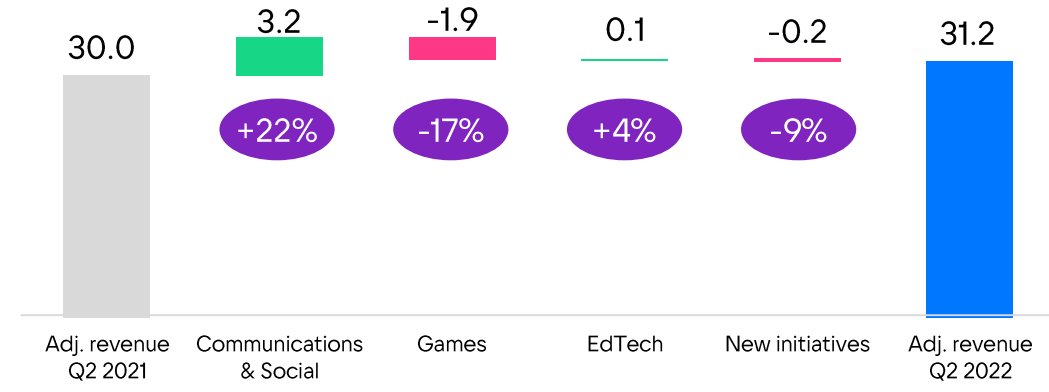
Adjusted revenue drivers

Adjusted revenue dynamics by type, RUB bn



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

Adjusted revenue dynamics by segments, RUB bn ⁽¹⁾

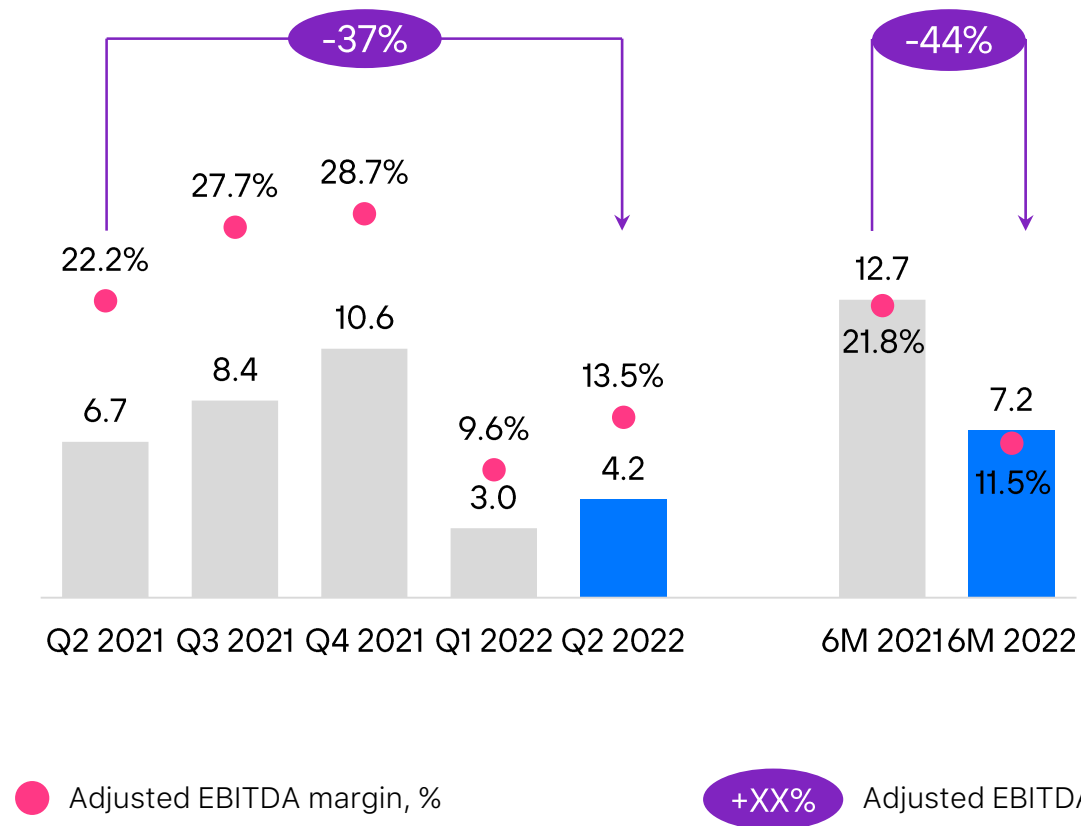


Source: Internal data. Note: Adjusted revenue is a non-IFRS financial measure.

(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

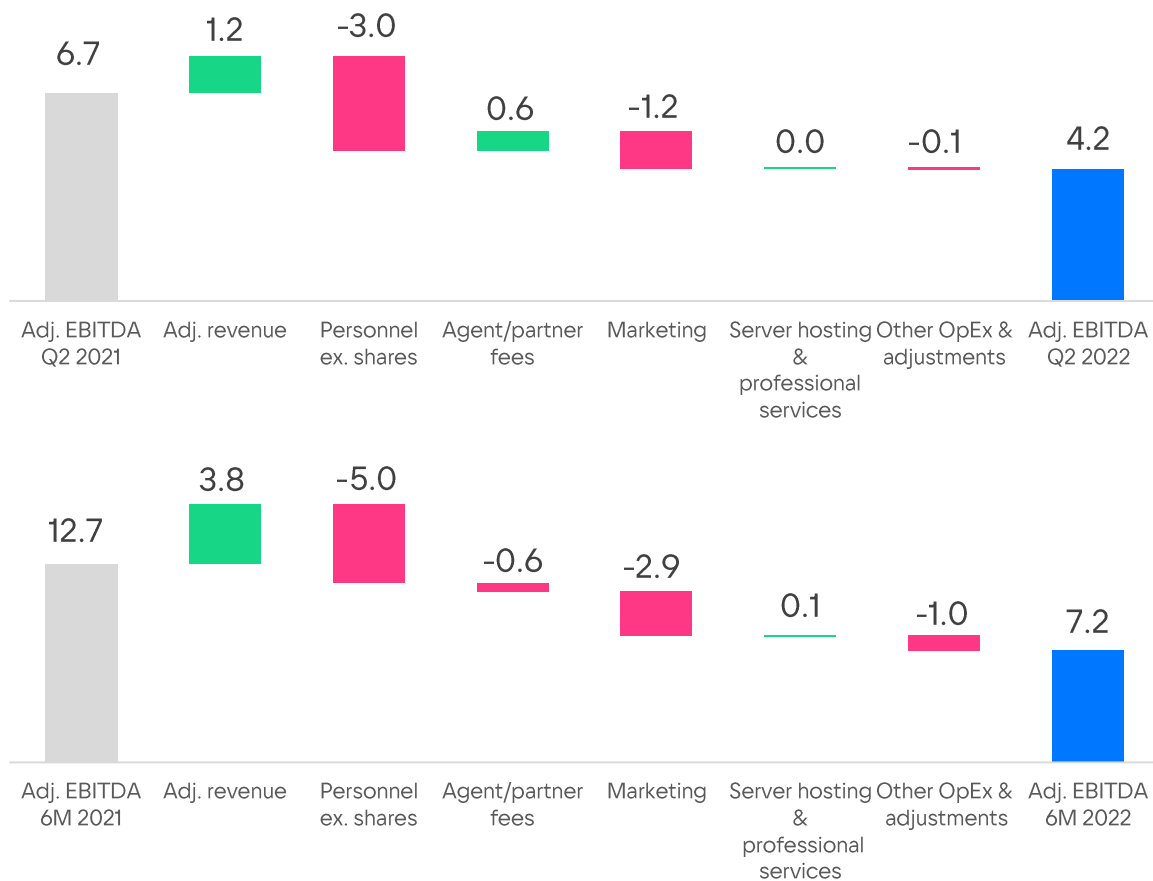


Adjusted EBITDA drivers in Q2 2022

- ↑ 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

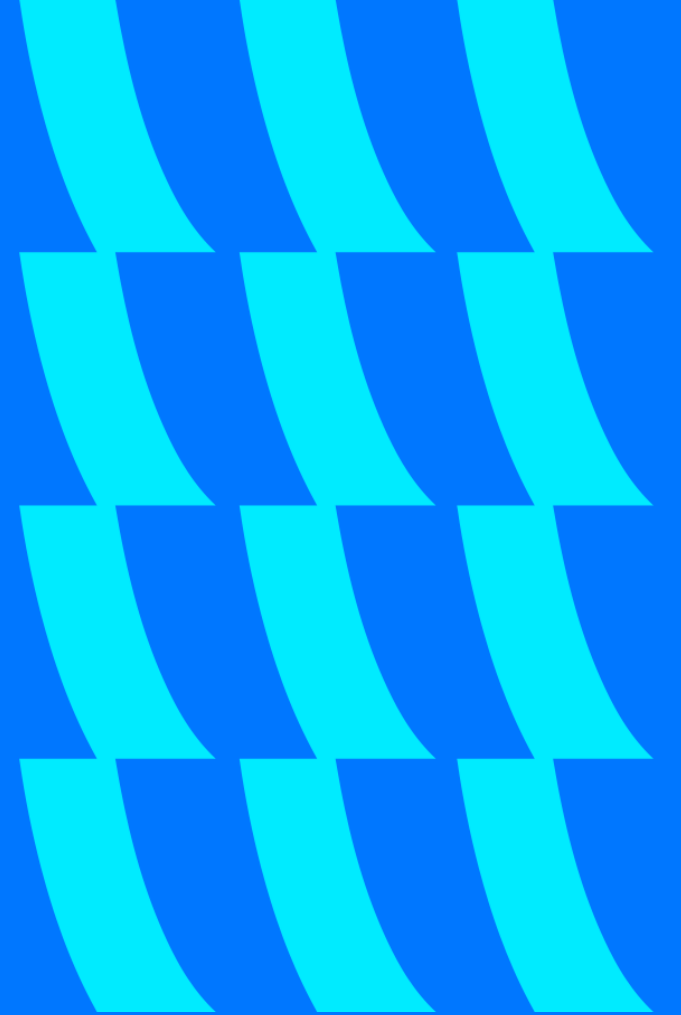


Adjusted EBITDA dynamics by segments, RUB bn



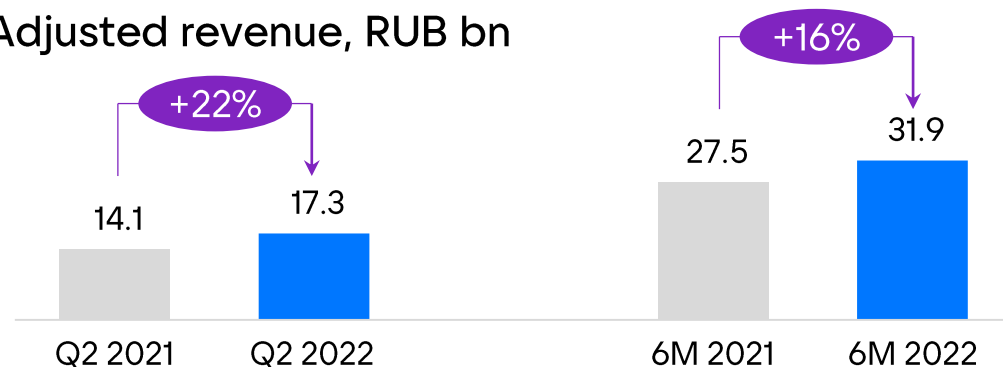
Source: Internal data. Note: Adjusted EBITDA is a non-IFRS financial measure.

Segments – results



Communications & Social

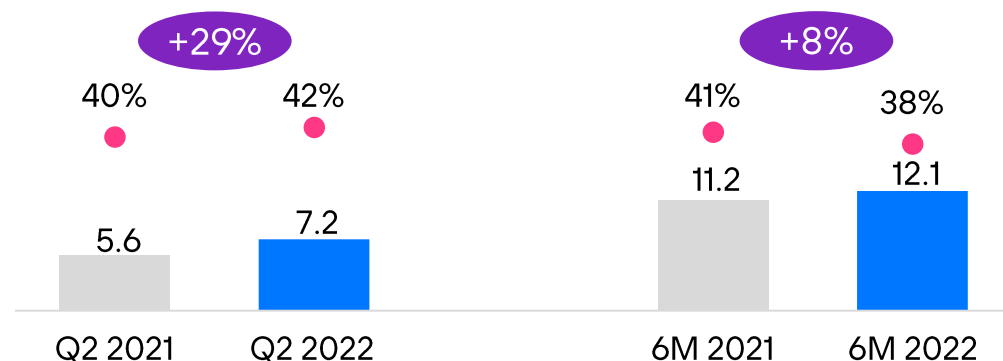
Adjusted revenue, RUB bn



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



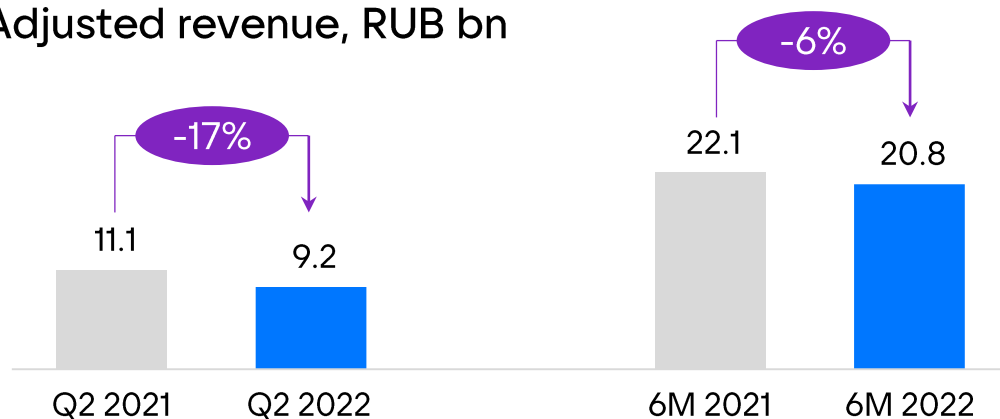
Adjusted EBITDA drivers in Q2 2022

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

● Adjusted EBITDA margin, %

Games

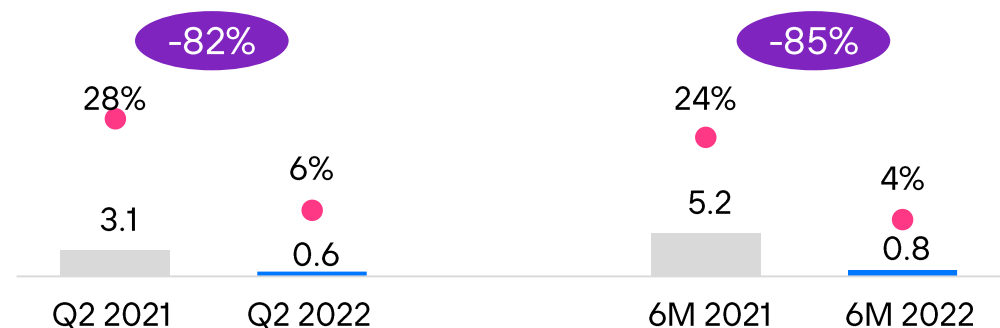
Adjusted revenue, RUB bn



Adjusted 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, RUB bn



Adjusted EBITDA drivers in Q2 2022

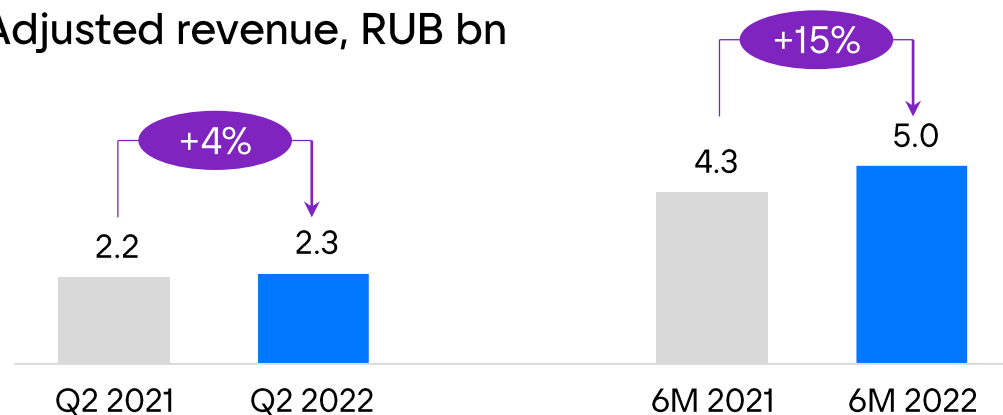
- ↓ Factors that influenced the adj. revenue (decrease in revenue)
- ↓ Marketing expenses on growth and supporting existing portfolio

● Adjusted EBITDA margin, %

Source: Internal data. Note: Games segment includes 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

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



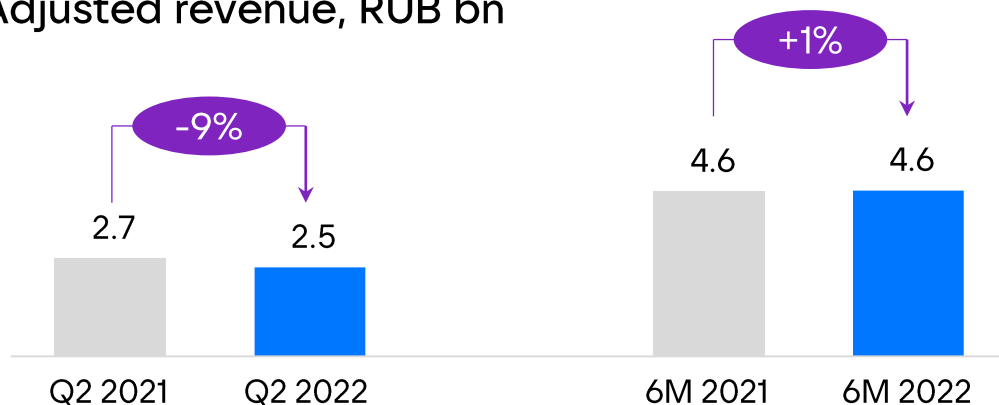
● Adjusted EBITDA margin, %

Adjusted EBITDA drivers in Q2 2022

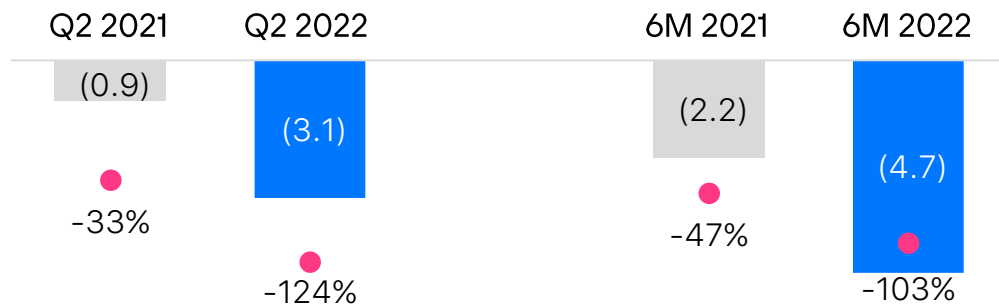
- ↑ Optimization of commercial expenses, incl. advertising
- ↑ Slowing growth in content related investments

New initiatives

Adjusted revenue, RUB bn



Adjusted EBITDA, RUB bn



● Adjusted EBITDA margin, %

Adjusted revenue drivers in Q2 2022

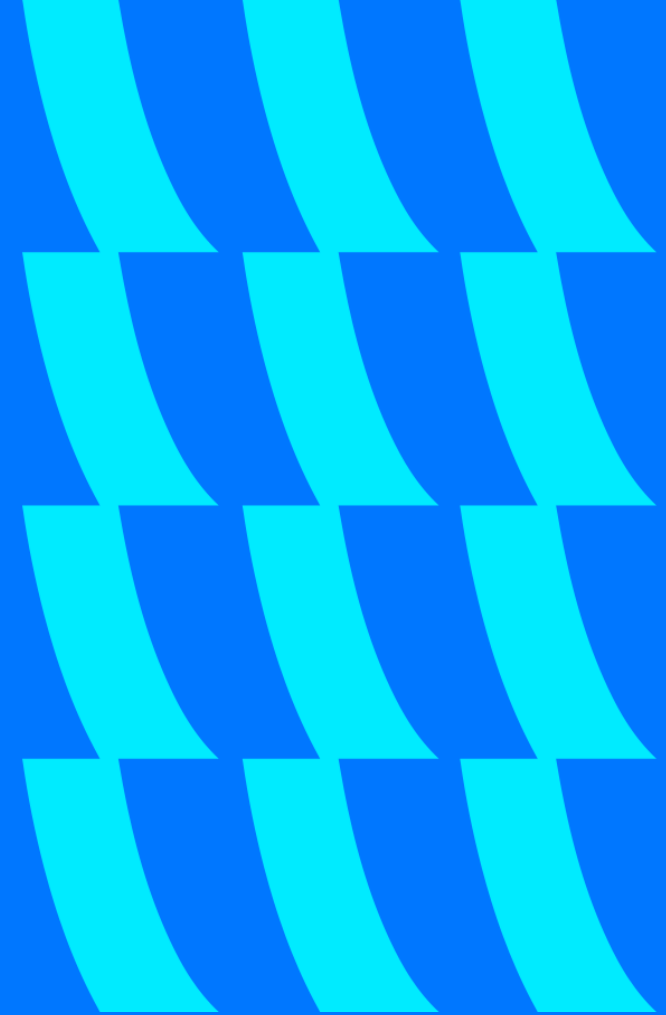
- ↑ B2B revenue growth by 46% YoY to above RUB 1bn (with VK Cloud Solutions being the main driver with revenue growth of 2x YoY)
- ↑ Revenue from recent launches (e.g. VK Play, VK Clips)
- ↑ Revenue from corporate communications services increased by more than 6x YoY
- ↓ Transfer of revenue from recommendation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

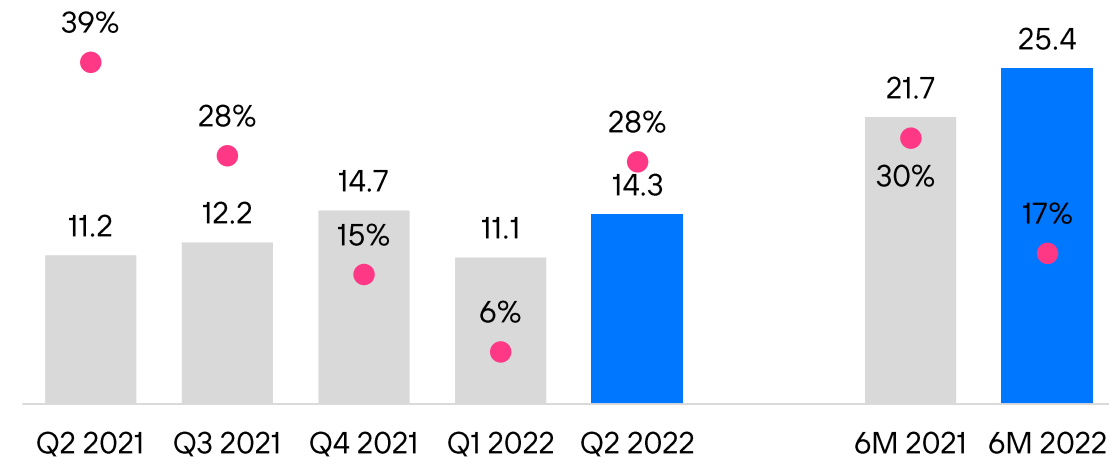
Consolidated assets

Q2 2022 highlights



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

Dynamics of online advertising revenue ⁽¹⁾

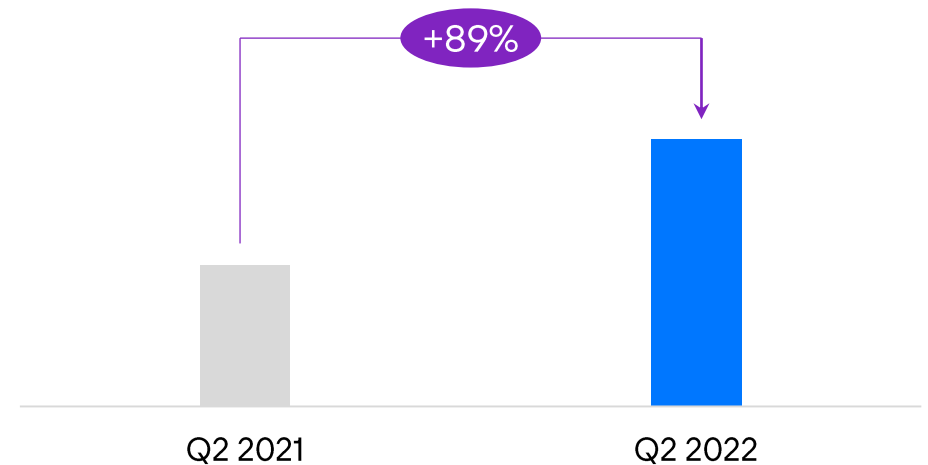


■ Revenue, RUB bn ● Revenue growth YoY, %

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

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

Growth in the number of SMB paying advertisers, %

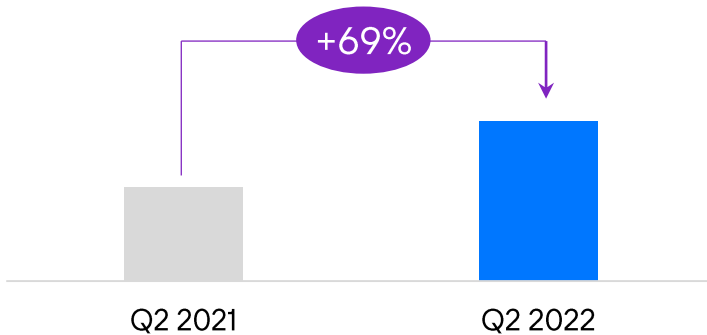


The largest categories of advertisers in Q2 2022 - by volume of ad spending across VK:

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

Advertising: key strategic segments

Performance ad revenue



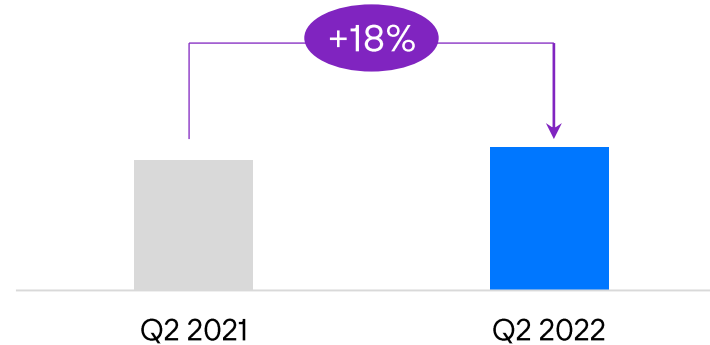
Strategic focus

Automation of advertising campaigns based on modern algorithms to increase ROI

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

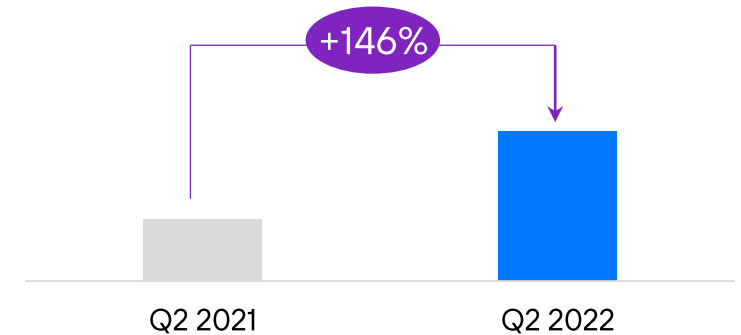
Video ad revenue ⁽¹⁾



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

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

SMB ad revenue



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

- 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 VK Реклама



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

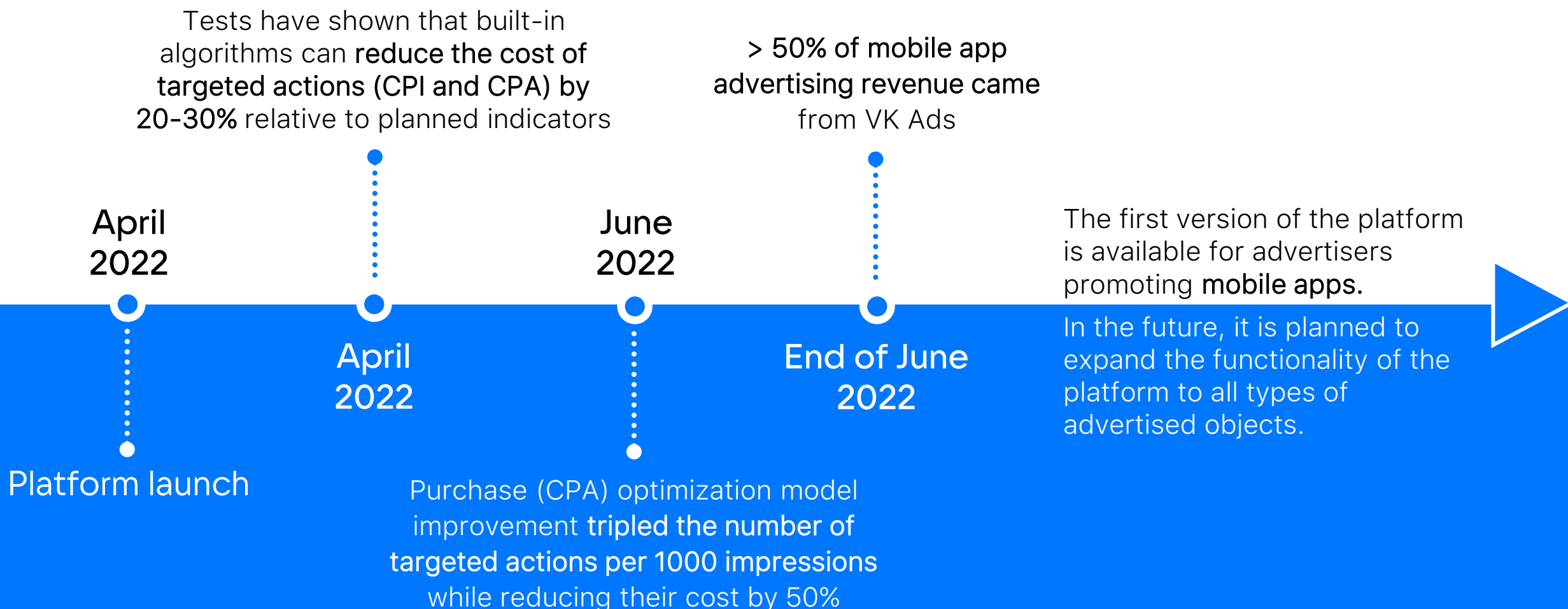
Automation of the creative development to maximize reach and select the most effective combinations



Smart targeting

Displaying ads based on user preferences

VK Ads: first results



VKontakte: growth of audience and engagement

Leading social network in Russia

Average daily views in Q2 2022

Russia

MAU

75.7 mn

Q2 average

▲ +5,5% YoY

Russia

DAU

49.1 mn

Q2 average

▲ +4,5% YoY

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 ⁽¹⁾

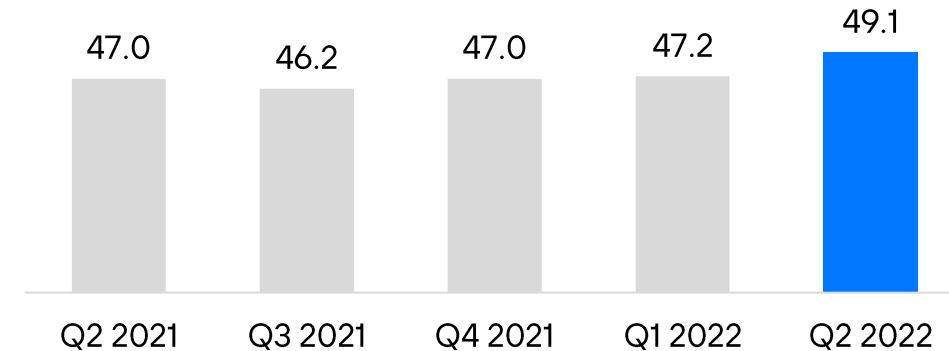
47.1

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

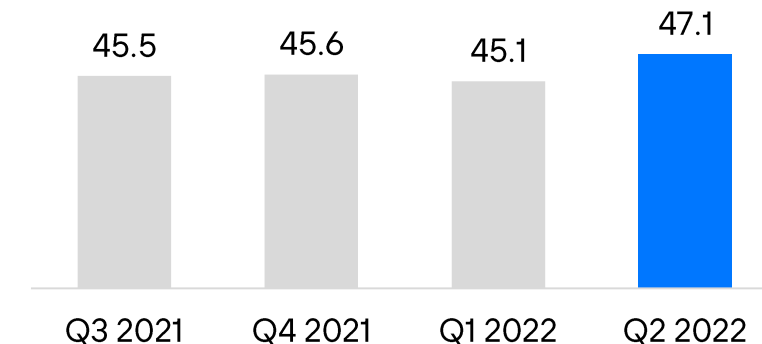
53%

of Russian internet
users – VKontakte
daily reach in June ⁽¹⁾

VKontakte Russia DAU, mn



Average time spent on VKontakte, minutes per user ⁽²⁾



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

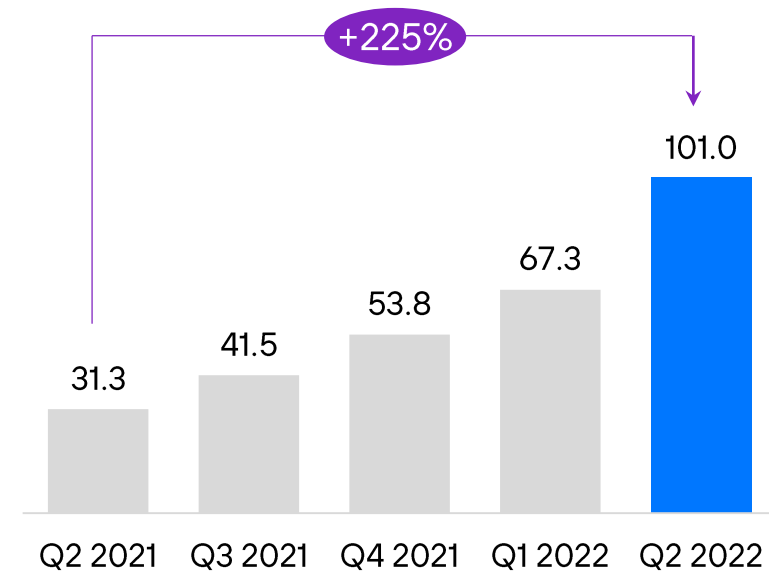
+37%

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

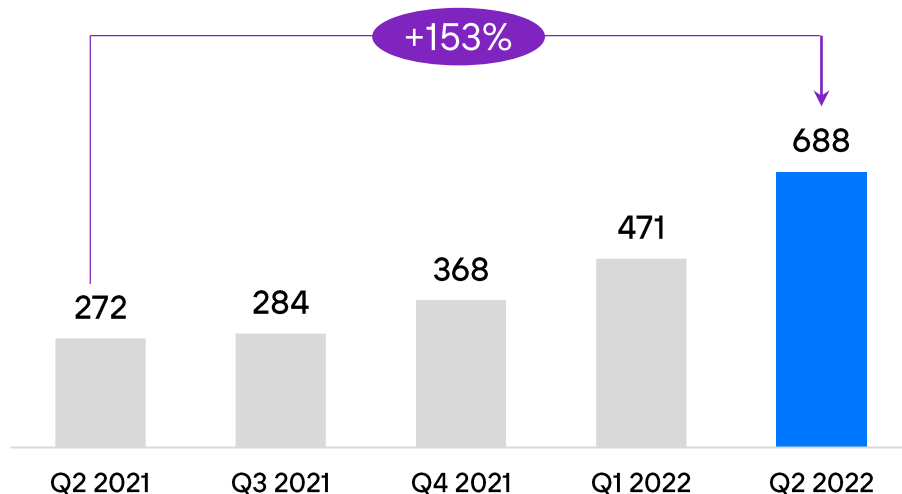
4.4x

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

Source: Internal data. The YoY growth is shown for Q2 2022 vs. Q2 2021 unless stated otherwise.

VK Video: further growth of video consumption

2.35 bn

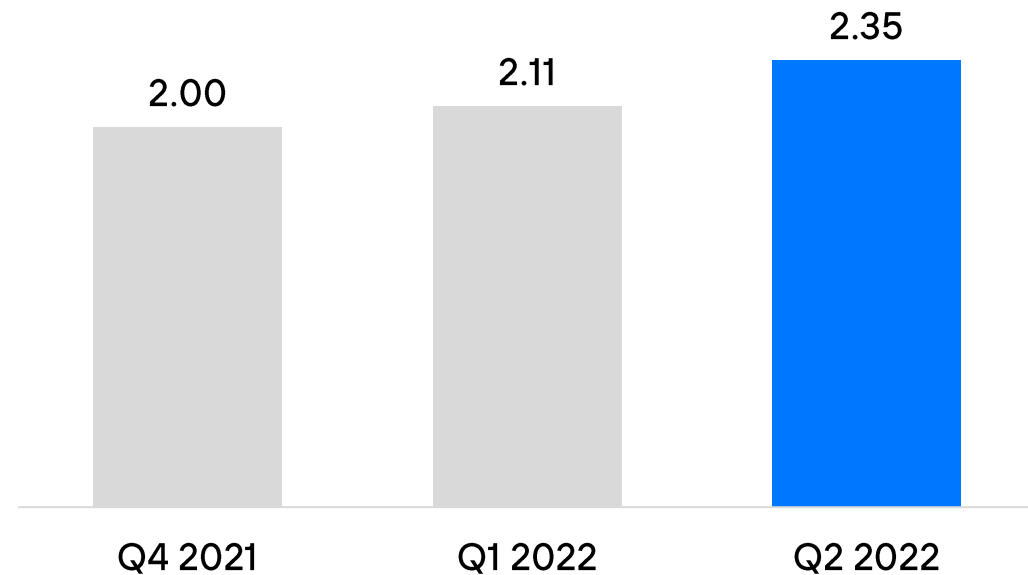
Average daily views of VK Video in Q2 2022

1.07 bn

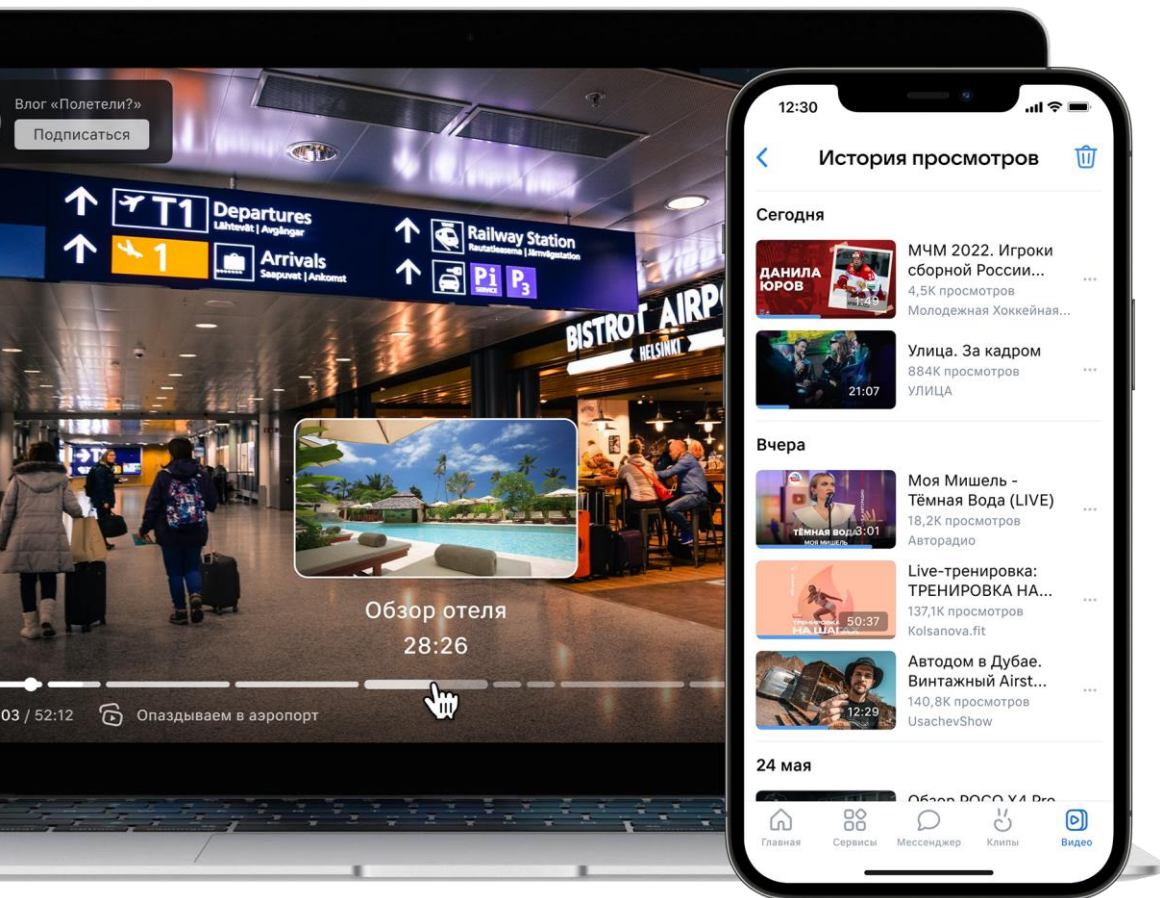
Average daily views within VKontakte (excl. VK Clips) in Q2 2022

+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

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

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

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

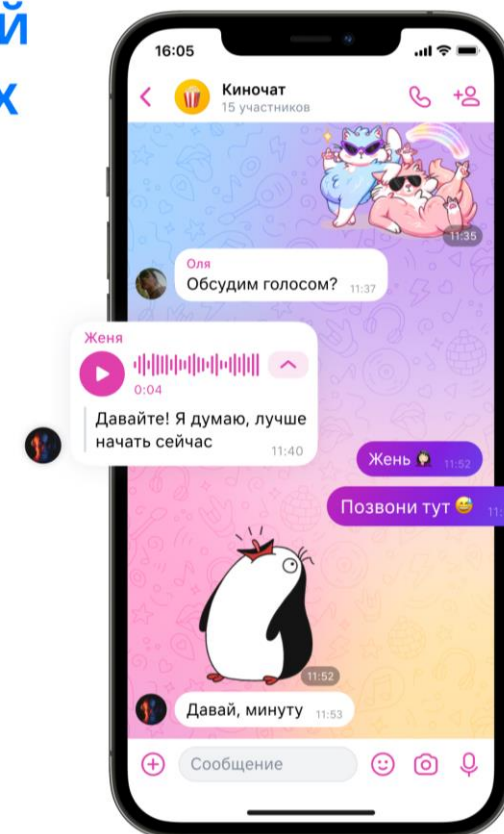
 **Расшифровка голосовых**

Читайте, когда неудобно слушать

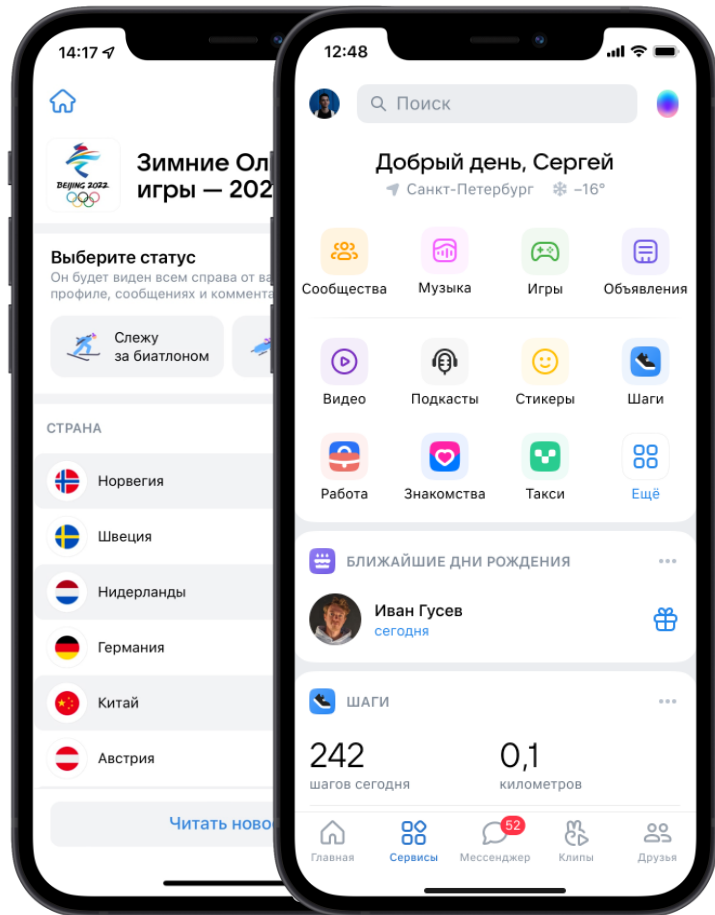
 **Настройки для каждого**

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

 **VK Мессенджер**

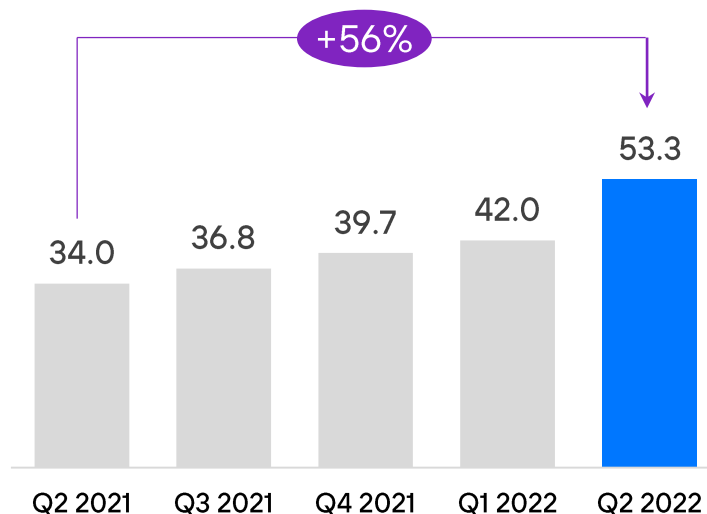


VK Mini Apps: further activity growth

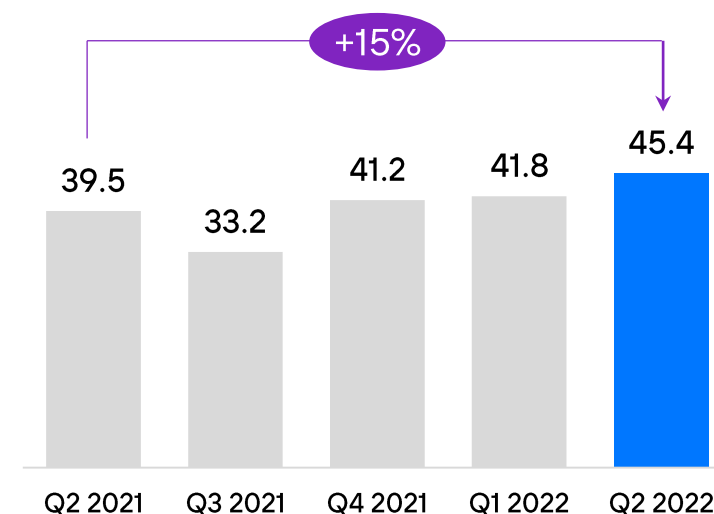


2.9x Growth YoY in in-apps ads revenue

Number of VK Mini Apps, k



VK Mini Apps MAU, mn



Source: Internal data. The YoY growth is shown for Q2 2022 vs. Q2 2021 unless stated otherwise.

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



Focus on games and ad platform development



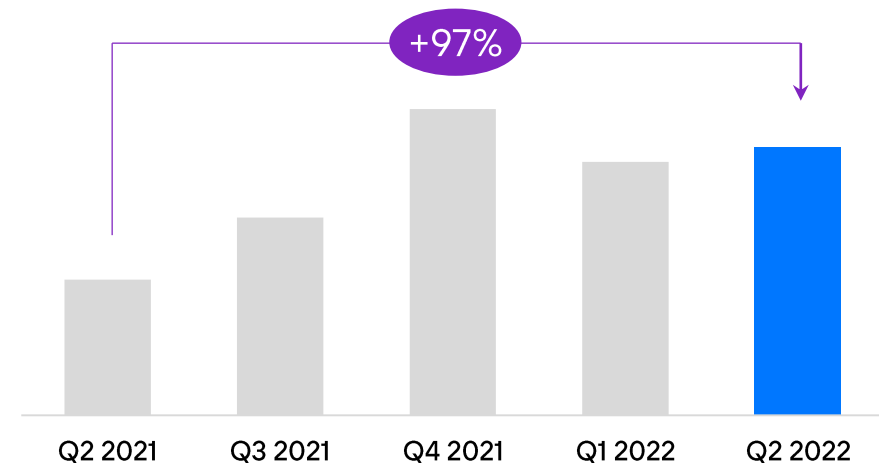
2x

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

+22%

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

Payments to game developers for advertising in their projects



Solid traction in Moments



Moments highlights in Q2 2022

27.6 mn

MAU
+13% YoY

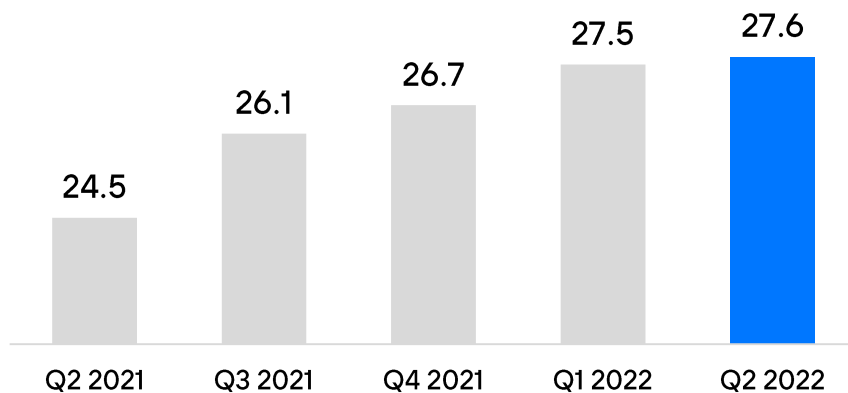
434 mn

Monthly views
+7% YoY

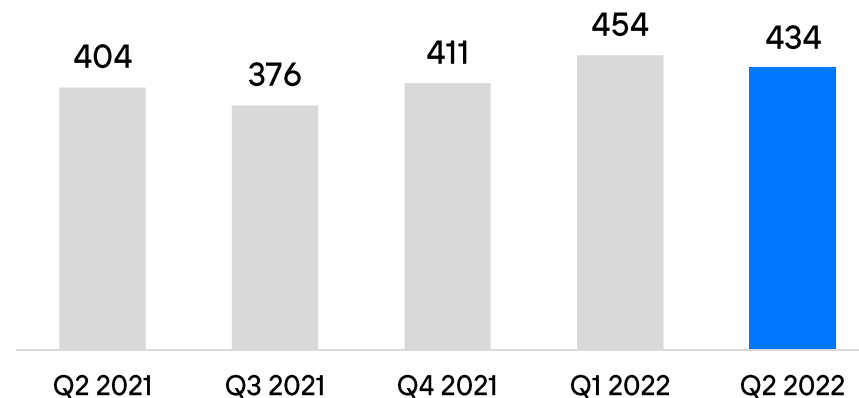
27 mn

Average monthly
reactions

MAU, mn



Views, mn



Source: Internal data. The YoY growth is shown for Q2 2022 vs. Q2 2021 unless stated otherwise. Note: Moments is a service with disappearing photo and video.

Games: revenue structure



30%

share of Games revenue in the Adjusted revenue of the Group

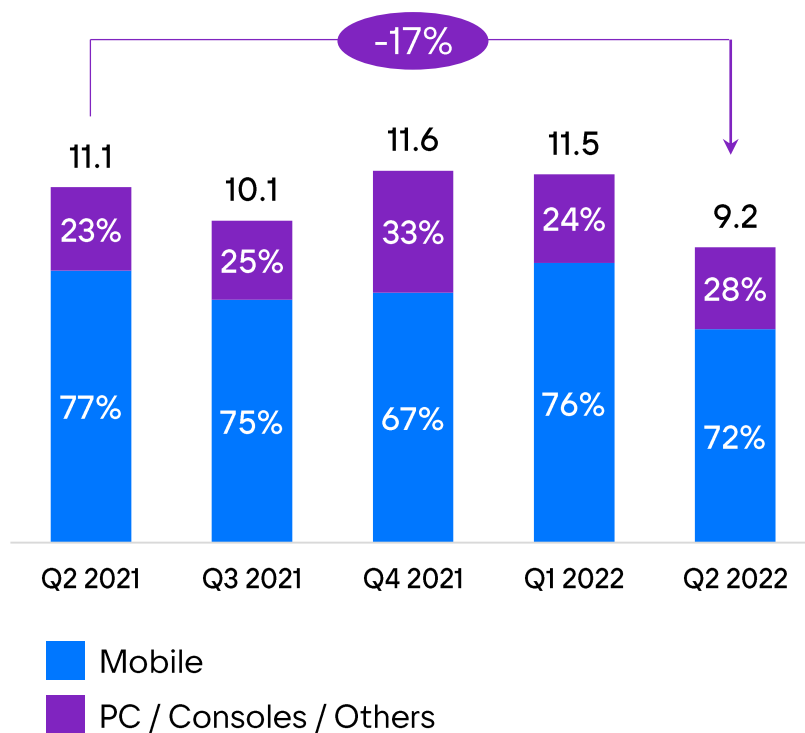
72%

of revenues came from mobile in Q2 2022

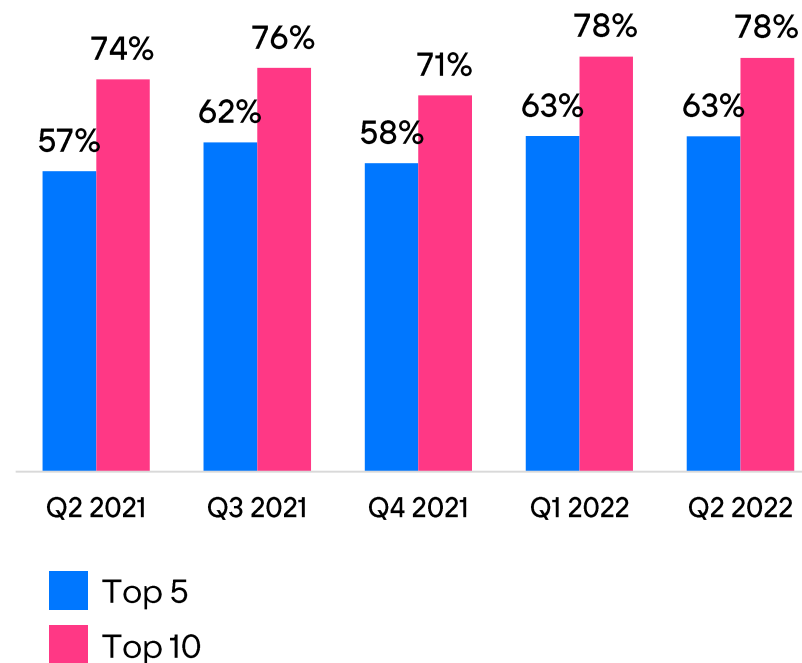
78%

of Bookings generated by Top 10 titles in Q2 2022

Bookings split by platform, RUB bn



Concentration of bookings among titles



Games: key highlights

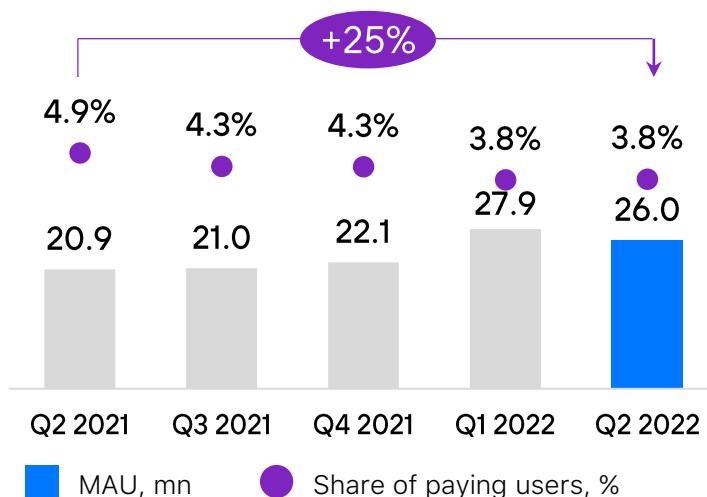


26 mn

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%)

Average MAU and share of paying users

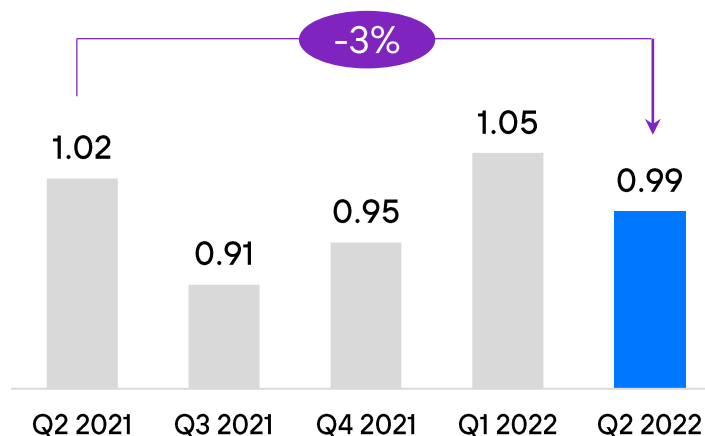


3.8%

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

Average number of paying users, mn

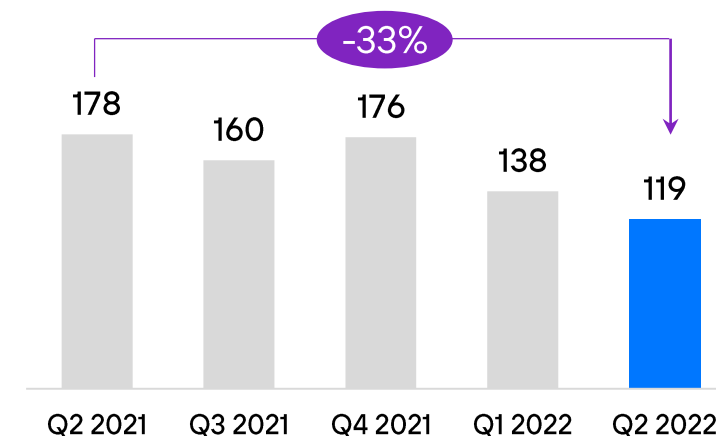


119 RUB

Monthly ABPU

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

Monthly ABPU, RUB ⁽¹⁾



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

S

11.3 mn

Combined cumulative registered learners on VK's educational platforms

1,4x growth YoY

419 k

Cumulative number of paying learners

1,8x growth YoY

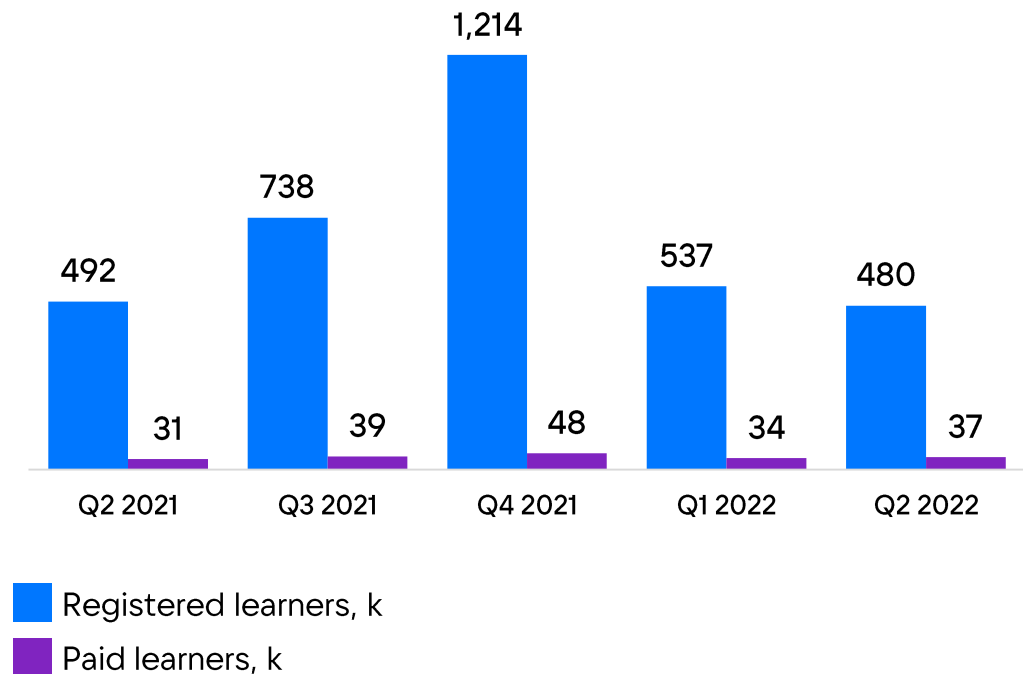
480 k.

New registrations in Q2 2022

37 k

New paid learners in Q2 2022

New users of VK's educational platforms ⁽¹⁾



Source: Internal data. The YoY growth is shown for Q2 2022 vs. Q2 2021 unless stated otherwise. Note: (1) Registered users have access to the platform (both with free of charge and paid access). Historical numbers might be adjusted as Skillbox Holding Limited is refining and improving approaches to the measurement of operational metrics.

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%

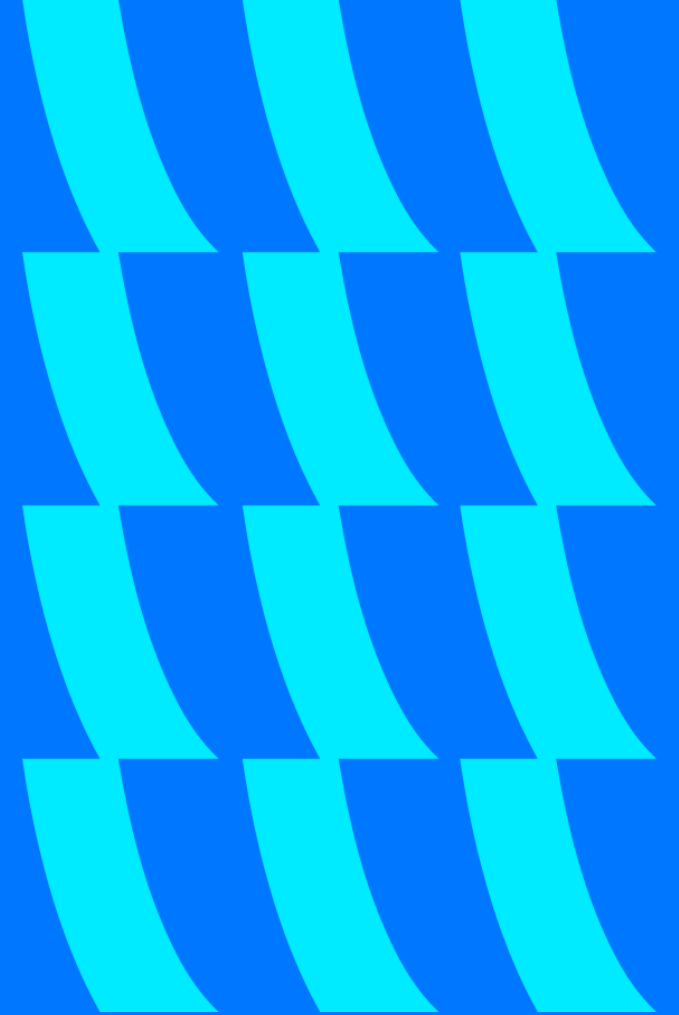
Russian streamers work with
our tools

95/5%

Game developer
commission

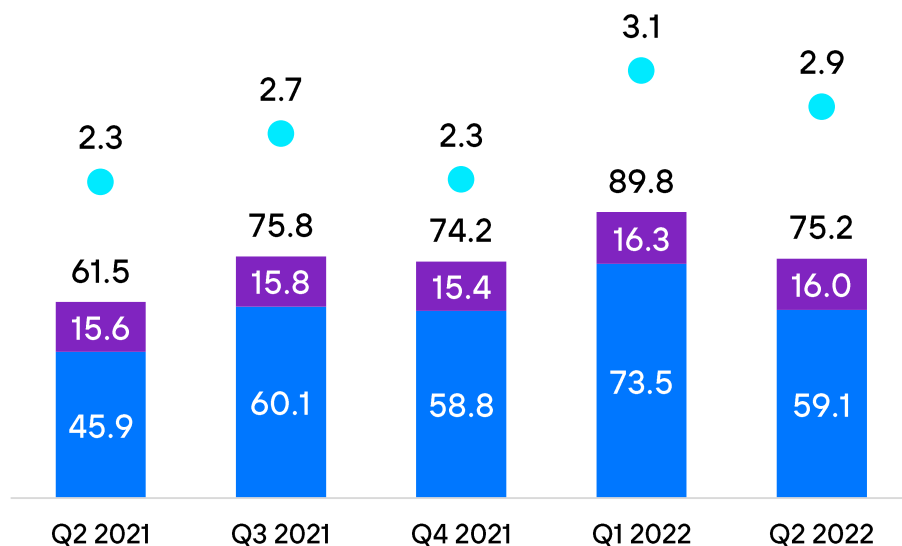
Appendix

- Leverage
- Additional indicators (CAPEX and headcount)
- Shareholder structure
- Glossary and segment composition



Leverage

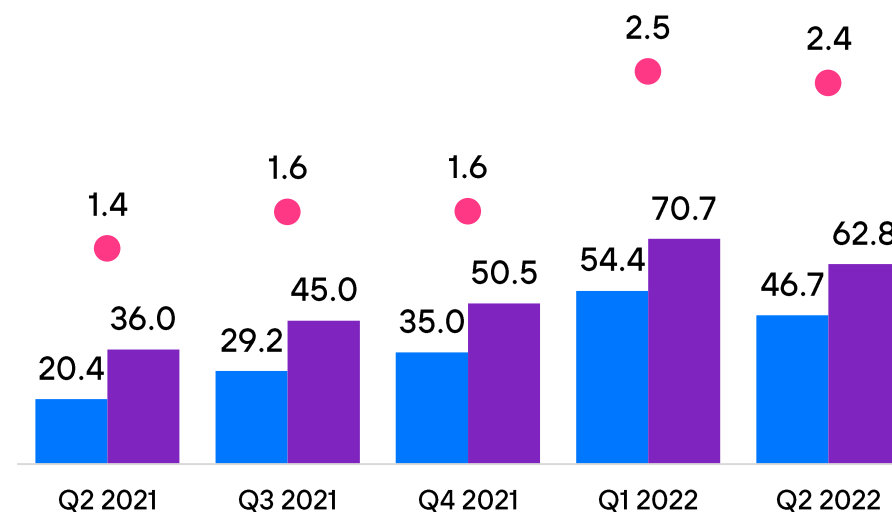
Total debt, RUB bn



Total debt

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

Net debt, RUB bn

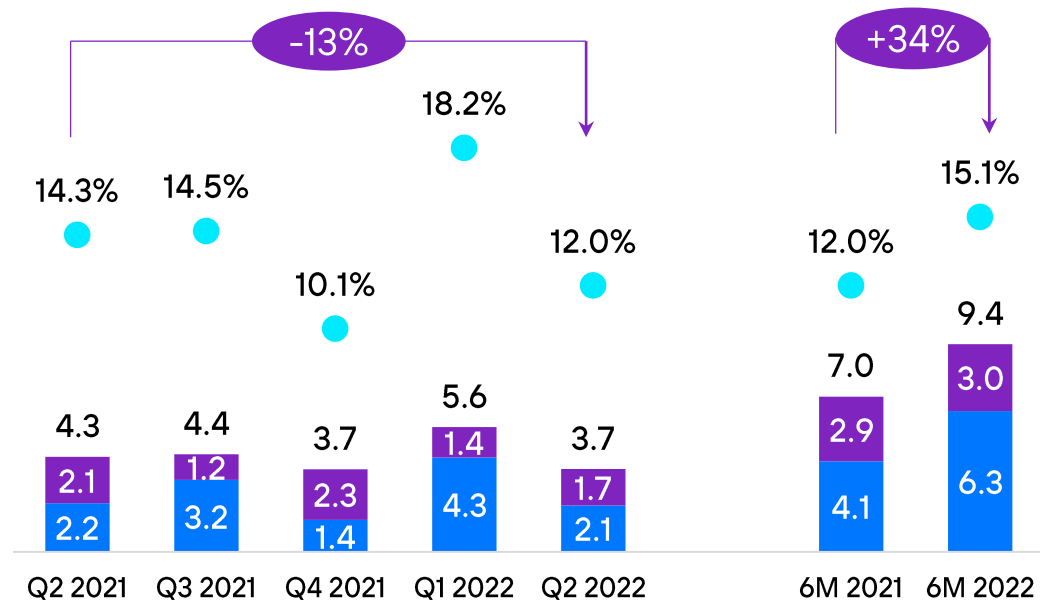


Net debt

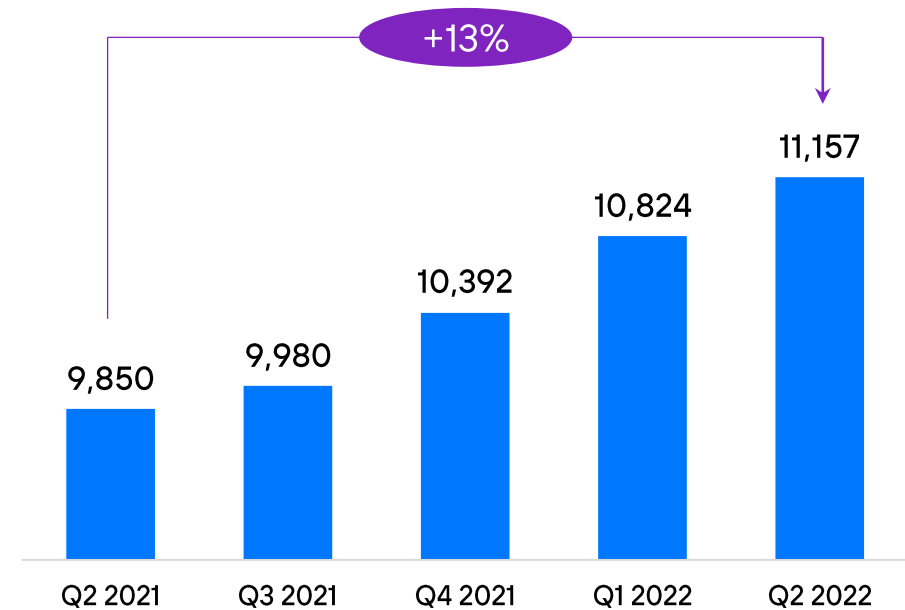
- Not including lease liabilities (LL)
- Including lease liabilities
- Net debt (incl. LL) / Adjusted EBITDA LTM

Additional indicators

Investments (cash CAPEX), RUB bn



Headcount, people ⁽¹⁾



Cash investments to

- Property and equipment
- Intangible assets
- CAPEX / Adjusted revenue

Source: Internal data. Notes: (1) data for consolidated assets, end of period.

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 (1). 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.

Thank you

For further information please contact:
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