

Citymobil FAQs

Following our recent [blog](#) focused on latest developments and COVID-19 related impacts around Delivery Club, we would like to address the key questions around Citymobil, the key component of mobility vertical of O2O JV, [established](#) ~ six months ago with Sberbank as our partner.

Asset continues its expansion and market share gains, with rides approaching pre-COVID levels. Citymobil has also demonstrated significant diversification of the businesses during the pandemic, which didn't prevent it from improving its unit economics. More below in the form of **FAQs**.

Please contact our IR team at ir@corp.mail.ru for clarifications or any other topics around our company.

Q. What is the size of the Russian taxi market?

A.

- Russian taxi market was **~RUB780bn in size in 2019**, with a **51% aggregator share** according to consensus^a
- **2.7bn taxi rides were completed in Russia in 2019, up 5.3% YoY**
- Russia is the **fourth-largest contributor to global ride-on-demand** (taxi and carpool) **app downloads**, with an **11% share YTD** (up from 10% in 2019), only smaller than Brazil (16%), India (12%) and China (12%) but larger than the US (8%)

Q. What share do largest cities like Moscow hold in terms of rides and GMV?

A. Market remains rather concentrated, with **Moscow and St Petersburg accounting for ~40% of rides** and higher share of GMV given higher average check

Q. What is the average check on the local taxi market and how does it differ between Moscow and the regions?

A. According to the Moscow Transportation Department, average check in Moscow stood at **RUB417** as of the end of Q1 (-7% YoY), which includes a blended average of all types of rides across all classes. For the regions, average check is **below RUB200**

Q. What are the growth prospects for the local taxi market?

A.

- Consensus assumes market reaching **~RUB1.5tn in 2025**, rising to **>RUB2.7tn in 2030**, with **aggregators expected to increase market share to 85%+ level** in the long-run
- Potential market size excludes **other types of urban mobility** (car-sharing, public transport, micro-mobility etc), which mean TAM of **>RUB5tn in 2025**

Q. What is Citymobil's current market share, active user base and brand awareness?

A.

- CM was operating only in Moscow until October 2018, with low single digit market share on the total Russian ride-hailing market
- Today it is present in **23 cities** which account for **37% of Russian population** and is **aiming for double digit market share by the end of 2020**
- CM's monthly active user base increased by >3x as of 5M20 YoY to **~3.5mn at peak**
- **Brand awareness has grown by >10 p.p. since the beginning of 2019 reaching 84% in Q1**

Q. What is Citymobil's market share in Moscow versus other cities and near-term market share ambitions?

A.

- According to the Moscow Transportation Department, **CM held ~29% ride share in Moscow in April**. Although we estimate it to have been slightly lower, this is an independent measure of

^a UBS, Goldman Sachs, VTB Capital, Otkritie, Russian Government analytics, Citymobil Management

market share on the largest domestic ride-hailing market, where CM is seen as the second largest player

- CM is **top-3 in all cities of presence** and **top-2 in 17 out of 23** cities of presence. In many cities with population of 1mn+, CM holds **20%+ market share**
- Goal remains to be a **strong #2 local ride-hailing player overall by the end of 2020**, with potential for leadership in some markets
- In terms of downloads, CM is already number two, with **24% share as of 4M20** vs 44% for the market leader, with CM's **share rising from 14% last year** and share of the leader down from 49%
- In 2021 CM aims to further strengthen its position and become the first choice for urban mobility in a few regions

Q. What has been the trend in rides and GMV for Citymobil? What are the targets for 2020 and how have they been impacted by COVID-19?

A.

- CM reached **GMV of RUB3.6bn in Dec 2019**, with **RUB8.9bn GMV in Q4** and **RUB9.4bn in Q1 2020**
- In Q1 CM **grew rides by 3.7x YoY to 39.5mn**, including **14.1mn rides in March**, up 3.8x YoY and 4.4% MoM, with **>550k rides/day at peak in March**
- Ride growth is supported by ongoing expansion, with CM having rolled out to **three new 1M+ cities** (Voronezh, Rostov-on-Don, and Volgograd), one new 500k+ city (Tyumen) and a number of smaller towns in Moscow and Saint-Petersburg regions
- Ride numbers have also been supported by **VK Taxi integration**, providing **>30k rides** in peak days
- Facing the COVID outbreak, CM has revisited its growth plans for the rest of 2020, but not in terms of volume, rather in terms of structure. **CM still expects to more than triple rides in 2020**, but in the updated plan more growth is expected to come from new bets, such as package delivery, collaboration with Delivery Club, VK Taxi, Sber Promo and others. For example, delivery service, which has been launched in early April already brings **>10k orders in peak days** and is growing **double-digit WoW**

Q. What are the take-rates and how do they compare vs peers?

A.

- **In Moscow and St Petersburg CM's gross take rates average ~20%**, while **in the regions they range between 14% and 17%** depending on the level of maturity of the market and unit economics
- In most regions CM's gross take rate is either lower or at the level of that of major competitors
- **YTD CM has significantly improved net take rates** due to major optimization of incentives. Despite heavy investment into growth **CM has now reached positive net take rate levels in a number of geographies**

Q. What was the COVID-19 impact on the market as well as Citymobil's GMV and take-rate?

A.

- COVID-19 and related mobility restrictions resulted in the 15% YoY decline in **ROD app downloads in Russia for 4M20**, which has however been less severe than in many other countries given the 20-50% declines seen in China, the US, India, and Indonesia, for example
- **Rides for CM were down ~40% at peak**, when lockdowns were put into effect across Russia, with the **bottom seen on the week of March 30**
- What provided for a more muted drop in Russia is perhaps more limited exposure **to airport rides** (<1% of rides of CM pre-COVID), **comfort-class rides** (<5% of rides of CM pre-COVID) as well as **corporate rides** (CM has almost no exposure in this segment) as B2B services in ride-hailing in Russia remain relatively underdeveloped
- Moscow has seen a **deeper decline** at peak given the severity of lockdowns, including introduction of the QR-code system on April 15 in addition to stay-at-home regime in place since the end of March. In the meantime, many regions were down **~10% in terms of rides vs pre-COVID levels at peak**

- **Moscow and Moscow region accounted for a material minority of GMV and ~25% of rides**, heading into COVID-19. Hence, **decline in GMV at peak was ~45%** given the impact from Moscow, which is the highest average bill market
- Average check and GMV were also impacted by absence of many long-hail ride use cases like airport transfers or blocking of business services by the authorities in light of the lockdown as well as a lower share of trips with surge pricing
- There were **no major changes in CM's gross take rate** related to COVID-19. Changes which occurred were planned well in advance and were strategic in nature. CM demonstrated a significant improvement in **net take rate optimizing total incentives in May by 30% vs March**

Q. How much recovery has Citymobil seen since lockdown removal?

A.

- Ride numbers started to recover as the non-working regime in Russia was terminated as of May 12th, with ongoing WoW recovery and **total rides back to ~96%** vs pre-covid level during the first week of June
- GMV recovery has been slower than recovery in rides as the lockdown regime has been in effect in Moscow until June 14th. Nevertheless, since the beginning of May CM saw a **high double-digit recovery in rides in Moscow** as businesses started to reopen, which resulted in significant improvements in average check across the platform

Q. What has been the differences in progression in rides and take rates between regions and Moscow? Any notable changes YTD?

A.

- During the peak of COVID-19 locally **regions have been performing better than Moscow**. When Moscow rides were down ~50%, regions were down ~10%, with a few (e.g. Krasnoyarsk, Krasnodar) even outperforming pre-COVID levels at the time
- Take rates in the regions have been lower than in Moscow given that CM has been present in Moscow for 13 years and entered all regions but Yaroslavl maximum a year ago
- **In Q1 Citymobil raised gross take rates in Moscow and Saint-Petersburg to ~20% (+3 p.p.)**, which has had a significant **positive impact on contribution margin** in both cities. **Minor uplifts in take rates also took place across all regions**, with still room for broader increases

Q. Are there any profitable regions for Citymobil?

A.

- **In Q1 and Q2 unit economics were positive in Moscow and some regions with gross margin per trip growing by ~30% QoQ** across the platform
- Most regions remains in the negative territory as they have only been launched recently: **in October 2018 all CM rides came from Moscow**. CM launched **15 new cities in 2019** and another **four YTD** and this is in addition to another 18 locations launched in Moscow region last year with another four YTD, so **most cities are in operation for less than a year**
- Yet, despite the adverse impact of COVID-19 CM managed to improve **contribution per trip by >50% in May vs March**
- CM expects 3-4 more regions to reach positive contribution by the beginning of Q3, which means that **in Q3 >50% of GMV could be contribution positive**

Q. What is the target market share for the company in Russia in the long-run and how many players should stay in the market in 5-10 years?

A.

- CM targets to be a **#2 player with at least 20%** market share in all regions of presence **by the end of 2020, and become one of the overall market leaders** in the long-run
- CM is not targeting a specific number in terms of market share as it is important how much each incremental point in share costs to the business as CM seeks profitable growth
- There are hundreds of players on the domestic taxi market. Market will further consolidate, with **>50% of the market** likely to be held by **2-3 players** in the long-run

Q. What is the split of operating costs between fixed and variable?

A. **2/3 of CM's costs are variable**, which is why it was able to improve unit economics even during peak of COVID through cost-cutting, improving **contribution per trip by >50% in May vs March**

Q. **When can the business can reach EBITDA-break even?**

A.

- CM would like to **refrain from committing to specific EBITDA break-even timeline at this stage** given all the moving parts, including competition, COVID and risks of follow-up flare ups in addition to the fact that our business remains in heavy rollout phase
- In addition to scaling regional presence, **CM is also at the center of mobility vertical within O2O JV**, which means that **we look at our mobility assets holistically**, with units like **YouDrive also within the perimeter**. Given the target deep integration within mobility assets of O2O JV, we will likely be talking about **break-even timelines for mobility as a whole**, but today are early days for that
- In the short-run, we are focused on improving trend in losses, improving unit economics, while demonstrating further market share gains in our effort to build credibility by consistently meeting short-term commitments
- At the same time, when O2O JV was created last December, one of the strategic goals was suggested as an **IPO of this business in 3-5 years**, which means that we anticipate appealing economics for the JV as a whole on the given time horizon

Q. **What are the key competitive advantages of Citymobil?**

A.

- **Access to ecosystems of Sberbank and Mail.ru Group**, which provide CM with the **largest audience reach**, both online and offline:
 - Sberbank has 93mn active retail clients and 14.2k offline branches, with VK offering >71mn MAU, Sberbank ~48mn and ~43mn at OK. All these apps are among the most downloaded and popular in Russia
 - Sberbank clients have 124mn debit cards, while VK offers VK Pay
- Sber ID and VK Connect offer **convenient entry points** for new users
- Spasibo and Combo are well-established digital **loyalty programs**. CM has already joined Spasibo with it >43mn members and 115 partners in various consumer segments which supports continued customer base growth. It will soon get access to VK Connect
- Access to **superior technological stacks** as well as **financial expertise**
- Ability to offer **superior leasing product to taxi fleet operators**, including through access to Sberleasing
- Good relations **with fleet partners** and **strong focus on drivers**, including through **access to taxi houses, dedicated 24/7 voice support for drivers** etc

Q. **Are there any Citymobil features, which are unique for consumers?**

A.

- CM is at the heart of **VK Taxi** mini app within VK, which saw **>31k rides in peak days in May**, which means a major competitive advantage given potential access to ~100mn monthly users of VK. VK also allows for integration into unique social mechanics to order a taxi (ex., taxi orders from chats, sharing ride costs with friends, connecting taxi order to locations in groups and chats, etc.)
- Access to the ecosystems of Sberbank and MRG allows for unique **marketing campaigns** (ex. Spin the City / "Raskruti Gorod") to engage the audiences across all companies within the two ecosystems
- CM was the first aggregator in Europe to launch **vending services** insides vehicles, with snacks, drinks and other items available for its customers

Q. **How large is the share of drivers working exclusively on Citymobil's platform?**

A.

- We can judge the overlap in driver bases relying only on indirect indicators, such as the share of branded cars, drivers of which are far less likely to use multiple apps

- **In late 2019 ~85% of CM drivers were “multi-appers”**. By improving the motivation system for branded drivers **CM organically cut this share to 80% by the end of Q1**
- **In April CM saw a sharp 10% uplift in the share of drivers that use its app exclusively**. CM retained already loyal drivers and managed to attract new supply, as the number of active branded cars grew both in absolute and relative terms
- **As of the end of May ~30% of drivers were using exclusively CM app**. This share is aggregated across the entire platform and tends to be lower in Moscow vs regions

Q. What have been the key CM’s COVID-19 relates support initiatives and what were the associated costs?

A. CM has taken multiple measures to provide continuous support for partners, drivers, clients, employees and the community in light of the pandemic:

- CM created a **support fund of ~RUB3mn for drivers** who had been diagnosed with COVID-19, **launched disinfection stations for vehicles** and installed **plastic dividing fences** into cars to separate riders and drivers and therefore boost comfort and safety levels
- CM has provided **>35k promo codes** for doctors and donors in **57 hospitals** across Russia
- CM clients who had to leave home during lockdown completed **>1.2mn rides** with up to **30%** discount from home and back
- CM has been **informing drivers** in Moscow and Moscow region that they require digital passes to be able to take orders in light of specific local COVID-19 limitations
- YouDrive allowed users to use their vehicles for **self-isolation** purposes rather than for driving in addition to **hygiene-focused measures**
- **Office staff has been working remotely** since March

Overall, these **measures cost >RUB100mn** and CM remains committed to continue to support all its users and partners going fwd until health risks remain in place

Q. What have been the key operational changes at CM due to the COVID-19 pandemic?

A. CM has been making efforts around operational and platform improvements in light of pressure on passenger rides:

- CM optimized **client/driver acquisition** and **retention** costs, **rental**, **call center** and other costs
- CM has **significantly improved platform efficiency by developing a new order dispatch algorithm**. It has resulted in reduction of average ETA and overall better customer experience for riders and higher utilization & hourly earnings for drivers
- CM has been working with its taxi park partners to help **reduce lease payments by up to 80%**

Overall, despite all the challenges and extra costs related to multiple COVID-19 related initiatives, **in May, CM increased contribution per trip by ~50% vs March**

Q. How might the rider behavior change post-COVID in Russia?

A.

- Every market has own specifics and countries are different in terms of severity of the pandemic, which is reflected in the magnitude of declines ride markets have seen
- There are examples like the US or China where rides were down 75% to 90% from peak given the level of lockdowns. Severe shocks can result in more significant behavioral changes given the perceived magnitude of health risks. Such shock was much less severe in Russia
- Given health risks, we have seen in some markets a **shift towards own cars as well as walking or usage of bicycles or scooters** as this allows to reduce level of hygiene control and reduce level of interaction with others. In Russia this is a bit more challenging as the average **commute is 80 minutes/day, incl 102 minutes in Moscow** which means that people live far from school or work. Plus, local climate makes related transition more challenging. Also, **car ownership in Russia is much lower** than in markets like the US and macro pressure is unlikely to result in a spike in car ownership, with local car sales expected to **fall by 8% in 2020**, according to AEB
- On the other hand, we have seen in other markets a **shift away from using public transportation like metro or buses towards ride-hailing** as a safer type of public transportation given less human interaction. This trend seems realistic for Russia based on the pace of recovery in rides we have been seeing so far

- There could also be a shift towards **more active usage of car sharing** for those who do not own a vehicle, especially if the right level of hygiene is supported by operators or in case of longer-term rental. Plus, it is more affordable than buying own car or taking a taxi
- Overall, **we already see ride-hailing returning to normalcy** faster than many other markets and expect that ride-hailing will be a relative beneficiary vs other means of public transport and **should return to growth faster than many other markets will**

Q. Logistics services/parcels – does CM see this as a sustainable part of its business? If so, what would be the target split on B2B vs B2C in 5-10 years?

A.

- CM's goal is to **provide a diversified mobility service** covering as many urban transportation cases as possible over time and COVID has rather accelerated some of our initiatives
- Parcel delivery service will remain in place post COVID-19 as one of the ways how CM can continue to boost driver utilization while broadening the scope of services we are able to provide to users, simplifying their daily lives at an attractive price point
- Although currently CM enjoys high **double digits growth of B2C delivery**, in the mid-term they see **higher potential in B2B delivery and retail partnerships**. Despite the recent launch, CM already sees solid growth numbers and strong interest from potential vendors

Q. What are the unit economics of parcel deliveries and can this business generate comparable profitability vs B2C?

A.

- **From the very launch parcel delivery has demonstrated positive unit economics** due to lower levels of rider and driver subsidies vs that for taxi rides as well as higher average bill
- CM plans to further develop parcel delivery and sees it as a part of a larger delivery business unit in O2O JV, with parcel delivery volume rising **2x WoW in recent weeks and being among the major drivers behind the fast recovery in rides we have seen**
- YouDrive also offers package delivery services to its users in Moscow. Currently the service is offered exclusively to B2B clients with Samokat being the major customer. In April-May service was offered at the discounted rate, but in the scope of a few months YD plans to **hit positive unit economics on this stream of business**

Q. What are the synergies with the food delivery businesses of O2O JV like Delivery Club, Samokat or SberMarket, if any?

A.

- **DC** has been integrated into CM app as well as **VK Taxi** in May
- Since May CM drivers have been delivering **long-distance orders for DC**, therefore expanding DC's delivery zones
- In June CM has launched a pilot integration with **Samokat**, so that a broader mix of food options are accessible for order and delivery using CM app
- CM serves as delivery partner for **SberMarket** and is discussing integration opportunities with a few other ecosystem projects (incl. **Sberlogistics, Youla and AliExpress**)

Q. Any synergies with Youdrive?

A. **CM is natively integrated into YouDrive app** - users can order CM taxi to reach their YouDrive vehicle. Deeper integration between the two services is targeted over time, including cross-usage of fleet between the two as our long-term vision assumes that the two services shall work as a **unified urban mobility platform with fleet-as-a-service features**

Q. What are the synergies with the broader ecosystems of Mail.ru Group and Sberbank?

A. There are already multiple examples of synergies, which have been exploited:

- **Sber ID** was integrated into Citymobil App back in November for easier and faster new customer onboarding by using their Sberbank Online registration details with planned integration with **VK Connect**, unified ID of Mail.ru Group in 1H
- **VK Taxi** integration within VK
- CM has completed multiple promo projects with **Sberbank Online** and Sberbank's ecosystem partners like Okko

- CM has been promoted across **Sberbank's ATM network** since October
- CM has been integrated into **loyalty programs** of both partners – Spasibo and Combo, in the near future we plan to further develop integrations with subscriptions of both ecosystems
- We have developed and launched **Citypark**, which is a complex leasing product for our fleet partners. The program provides attractive terms on car leasing, financing and reimbursement for branding —exclusively for Citymobil fleet partners. **Citypark** was launched in March, with **>1000 cars** leased since

Q. Is Citymobil managed independently from the JV? Who are the key members of its management team? Where do they come from and what are their main focus areas currently?

A.

- O2O JV assets are split into two major verticals – mobility and foodtech, which are run independently by their management teams
- Vitaly Bedarev is in charge of the mobility vertical, which currently includes Citymobil and YouDrive, with the goal to create a diversified and integrated urban mobility player
- **Management team has not changed since the formation of O2O JV** on asset level, albeit teams have expanded significantly in light of ongoing business growth, with >50 newcomers since the beginning of April into CM despite COVID-19 pressures
- All members of the CM management team have vast experience in the mobility sector:
 - Vitaly Bedarev is ex-head of Uber Moscow. Under Vitaly's management Uber Moscow grew >3x in rides and >2x in market share less than in 1 year
 - Boris Golikov is CEO and founder of YouDrive and a few other projects in the field of urban mobility
 - Aram Arakelian is CEO and founder of Citymobil who has led the company since its foundation in 2007
- Management is focused on further maintaining solid growth at controlled unit economics, while executing on a unified mobility strategy and leveraging synergies within O2O JV and with its shareholders

For further information please contact:

Investors

Tatiana Volochkovich

Phone: +7 495 725 6357 extension: 3434

Mobile: +7 905 594 6604

E-mail: t.volochkovich@corp.mail.ru

Press:

Sergei Luchin

Mobile: +7 (925) 347-83-81

E-mail: s.luchin@corp.mail.ru

About Mail.ru Group:

Mail.ru Group (MAIL, listed since November 5, 2010) is the largest internet business in Russia in terms of total daily audience (Mediascope WEB-Index Desktop&Mobile, Russia 0+, population aged 12+, March 2020).

Mail.ru Group is developing the leading domestic internet communications and entertainment platform. The company owns Russia's two largest Russian language social networks, VKontakte (VK) and Odnoklassniki (OK), leading email service, one of Russia's largest internet portals (Mail.ru), and four instant messaging services. The company also holds the international gaming brand MY.GAMES, with a portfolio of hundreds of popular games for a range of platforms and over 540 million users worldwide. In 2019, Mail.ru Group Tech Lab was launched with a primary focus on technology and innovation development.

Mail.ru Group is a shareholder of AliExpress Russia JV along with Alibaba Group, MegaFon and Russian Direct Investment Fund. The company partners with Sberbank to jointly develop O2O service platform targeting food delivery and taxi markets.