MOSCOW EXCHANGE

MOEX 1Q 2025 IFRS results conference call

21 May 2025

Speakers:

- Anton Terentiev, Head of Investor Relations

Participants asking questions:

- Olga Naydenova, Sinara Bank
- Evgeny Kipnis, Alfa-Bank
- Gleb Poleshkin, ATON AM

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Anton Terentiev – Head of Investor Relations

Good afternoon everyone, and welcome to Moscow Exchange's 1Q 2025 IFRS results conference call. As usual, we will start with prepared remarks and then have a Q&A session. Please ask every question in both Russian and English. For the convenience of our audience, we will make transcripts available in both languages in the next few days.

Before we start, I would like to remind you that certain statements in this presentation and during the Q&A session may relate to future events and expectations and, as such, constitute forward-looking statements. Actual results may differ materially from these projections. The Company does not intend to update these statements prior to the next conference call. By now, you should have received the press release outlining our results. Our management presentation is available on the Company's website in the Investor Relations section.

Slide 2 is on the delivery on our strategic initiatives in 1Q 2025 and beyond.

First, the Exchange continues to add new products. Eight new Russian-law ETFs on bonds, equities, money market instruments and precious metals have begun trading on MOEX since our previous call, bringing the total count of Russian-law ETFs to 90. The Finuslugi platform has introduced a new product line in collaboration with Alfa-Capital – three authored mutual funds, i.e. managed by well-followed investment opinion leaders. Easy online access to mutual funds is a unique offering that Finuslugi has brought to facilitate the development of asset management industry. The Derivatives Market also has some new things to present. Two premium options on equities have been added on the Derivatives Market since our previous call, expanding the list of base equity assets for such contracts to 45. MOEX started trading in futures on Asian and tech equities, increasing the number of underlying global securities to 13. The launch of futures contracts on coffee beans broadens the range of underlying global commodities to 14. Also, three companies have placed 14 DFA issues of credit nature on MOEX platform since our previous conversation, raising a total of RUB 43.5 billion. These developments make the market more diversified and appealing to end-clients.

Second, we continue to work on new services. The number of securities available for morning and evening trading reached 174 and 419, respectively, reflecting the growing demand for extended market hours. Specifically, Equities, Bonds and Derivatives markets combined saw 20% of their volumes coming from extended market hours in 2025 YTD. Over 0.5 million clients have traded on weekend session of the Equities Market since its launch on 1 March 2025, generating nearly 6% of volumes on a given week. This is valid for equities traded every day of the week. An all-weather index tracking multiple asset classes, a new replacement bond index and a family of four target-date indexes became available, broadening the range of benchmarks for ETFs. The maximum term for interest rate swaps on RUSFAR expanded from 1 year to 10 years to meet client demand.

Third, we are developing our client base and partnerships. The number of retail clients on the Securities Market approached 36.7 million as of the end of April 2025. Over 1.5 million new clients have already onboarded since the beginning of this year. The number of individual investment accounts totalled six million. On the primary Bond Market, 128 corporates, including 12 newcomers, placed 285 bond issues, raising over RUB 2.47 trillion in 1Q 2025. The client base of the Bond Market expanded: non-qualified investors, who could only trade AAA rated corporate bonds, now have unrestricted access to A+ rated ones. Finally, the Supervisory Board recommended that the AGM approve a dividend of RUB 26.11 per share, corresponding to 75% of the Moscow Exchange's 2024 IFRS net profit.

Slide 3. Summary of 1Q 2025 financials. Operating income decreased by 16% YoY on the back of declining NII. Although fee income growth accelerated to 27% YoY, NII decreased by 48% YoY following a reduction of client balances. At the three preceding earnings calls, we highlighted risks of client balances' volatility and possible decline that would affect NII in 4Q 2024 and onwards. At the November 2024 call, we mentioned a decline of ruble client balances by a third compared to the run-rate of 2024. At the March 2025 call, we said that client balances had stabilised at about a half of the level observed in 2024 on average. Today, we reiterate this message. The consensus of covering analysts for 1Q 2025 NII was RUB 12.8 billion vs the actual of RUB 10.1 billion. However, if we add back the realised revaluation of the investment portfolio by RUB 0.4 billion and the effect of negative one-offs amounting to some RUB 2 billion, we will arrive at the NII of RUB 12.5 billion. This is in line with the consensus after adjustments. Further into the year, we expect that our efforts focused on increasing the efficiency of investments will bring results, and the quarterly NII will be above RUB 12.5 billion assuming stable client balances. Current split of money market instruments vs bonds in our ruble investment portfolio is 50/50. The HTM part of the bond portfolio has stood practically unchanged since we announced that we were done putting together this part of the portfolio at the 2Q 2024 earnings call. You can see this on the balance sheet.

Operating expenses grew 32% YoY and 2.5% QoQ. The YoY growth is mainly explained by the increase in personnel expenses and marketing spending. We will dissect the OPEX growth later in the presentation. Cost-to-income ratio amounted to 45%. Adjusted EBITDA was down 32% YoY and stood at a margin of 61%. Adjusted net income decreased by 40% YoY, and adjusted return on equity amounted to 17.3%.

Slide 4. Diversified fee and commission income. Fee income grew by 27% YoY. The structure of fee income remains well-diversified. The single largest constituent was the Money Market, which accounted for 24% of the total. Let me now go line by line.

On the Money Market, fees grew by 35% YoY, while volumes increased by 37%. The slight discrepancy between fees and volumes is due to a combination of factors that virtually netted each other out. The increase in the share of value-added CCP repo, including GCC, in the volumes' mix supported the effective fee. The decrease in repo terms had a negative effect. The average on-exchange repo term was down 32% YoY to 3.1 days. The GCC repo term decreased by 33% YoY to 2.6 days. The strong accumulated position in Russian-law money market ETFs supports the GCC repo segment.

Fee income on the Equities Market grew 84% YoY on the back of a nearly identical 86% YoY increase in trading volumes. Extended market hours trading accounted for 25% of volumes in 1Q 2025. Trading velocity amounted to 86% in 1Q compared to 80% in the previous quarter. Over 3.9 million clients were active every month during the quarter, in line with the previous quarter.

On the Derivatives Market, fees improved by 55% YoY on the back of a similar increase in trading volumes of 60%. The discrepancy between fees and volumes is explained by the change in the trading volumes' mix. It shifted towards index contracts, while shares of commodity and FX contracts declined by 6 p.p. and 8 p.p., respectively. The volumes of commodity derivative contracts improved by 29% and volumes of FX derivative contracts went up 35%. At the same time, index derivatives' volumes surged nearly five-fold and their share improved by 15 p.p. The resulting effect on the effective fee was slightly negative. The share of options in the volumes' mix stood virtually intact YoY and amounted to 3%.

Fees and commissions from the Depository and Settlement decreased by 3.1% YoY. Average value of assets on deposits was up 1.9% YoY. The discrepancy between growth rates of fees and assets is the result of business lines beyond safekeeping, primarily clearing and collateral management services – i.e. money market operations at the NSD, which visibly declined in volumes YoY.

On the Fixed Income market, fees were up 88% YoY, while trading volumes added 66%. This is largely explained by the elevated secondary market activity. Primary market volumes excluding overnight bonds were up 58% YoY, driven by fixed-coupon bonds. Secondary trading volumes surged by 74% YoY on the back of a similar increase in OFZ and other bonds' volumes.

Finuslugi revenue improved by 70% YoY and 36% QoQ, surpassing the RUB 1 billion mark for the first time. On a YoY basis, revenue of the deposit segment performed particularly well.

The ITSLOFI line includes IT Services, Listing and other fee income. Sales of software and technical services added 5.7% YoY. Sales of information services practically halved as major foreign clients exited this market. Listing and other services improved by 50% YoY as activity on the primary bond market was strong during the quarter.

Slide 5. Operating expenses in 1Q 2025 (excluding provisions). Operating expenses in 1Q 2025 increased by 32% YoY, largely due to the growth in personnel and marketing expenses. On a quarterly basis, OPEX added 2.5%. Personnel expenses grew by 21% YoY because of new hires and selective wage revisions. The employee headcount was up 28% YoY and 3.1% QoQ. New hires are mostly related to the development of strategic projects like Finuslugi and DFAs as well as the overall strengthening of our IT function.

Advertising and marketing costs increased by 104% YoY to stimulate further growth of the Finuslugi client base. The performance of Finuslugi, which generated RUB 1.3 billion of fees in 1Q 2025, confirms the point that the platform's value proposition is particularly appealing in the current interest rate environment. Therefore, it makes sense to continue expanding our client base via active marketing. The 112% YoY growth in professional services expense is mostly driven by the revision of third-party tariffs. Market makers' fees added 51% as trading activity surged across markets.

D&A and IT maintenance grew by 44% YoY, while D&A alone added 39% YoY. IT maintenance costs rose by 61% YoY due to the implementation of the software and hardware renewal programme.

The FY 2025 OPEX growth guidance remains in the range of 20–30%. The approximate split of the OPEX growth rate is as follows: 1/4 relates to personnel expenses, 1/3 to IT maintenance and other G&A, while the rest is allocated to marketing. The acceleration of marketing spend is driven by the development of the Finuslugi platform. CAPEX explains the IT maintenance component. Personnel expenses growth is linked to new hires on strategic projects and strengthening of existing business lines. Net of marketing expenses, the 2025 OPEX growth range settles in the mid- to high teens area, which is broadly in line with historical levels adjusted for CPI.

The 1Q 2025 CAPEX amounted to RUB 1.4 billion and was spent on purchases of software and equipment, as well as software development. The 2025 CAPEX guidance range remains at RUB 14–16 billion. The actual spending depends on the implementation of the software and hardware renewal programme.

This concludes the overview of our results. We are now ready to take your questions.

Operator

Thank you, ladies and gentlemen, we are happy to take your questions. Our first question comes from Evgeny Kipnis, Alfa-Bank. Please go ahead.

Evgeny Kipnis – Alfa-Bank

My first question is on your NII dynamics in 1Q 2025. Thank you very much for the insightful comment on factors that drove this line in 1Q. Could you please add more colour on the factor not observed by analysts when preparing estimates for 1Q? What impacted NII in 1Q? Thank you.

Anton Terentiev – Head of Investor Relations

Hello Evgeny. Thank you for your question. We outlined two factors: RUB 0.4 billion and RUB 2 billion one-offs. I can provide a very brief comment on the realised revaluation worth RUB 0.4 billion. We reallocated the resources to increase possible further returns. We increased the efficiency of our investments in this part of the portfolio. As for RUB 2 billion in one-offs, unfortunately, I cannot provide you with details apart from the fact that this is a one-off.

Evgeny Kipnis – Alfa-Bank

My second question is on your approach to dividend distribution. Considering that your earnings in 2025 are unlikely to reach the levels of 2024 given the current dynamics, is it realistic for us to expect that the potential amount of MOEX' DPS for 2025 will not be lower than that of 2024? That said, your NCC ratio is materially above the levels that you have historically considered as comfortable. Thank you.

Anton Terentiev – Head of Investor Relations

I could give you a substantial answer to that question if the Supervisory Board had given me a relevant statement before the call, but I do not have that statement. I can just remind you about the process. The dividend discussion starts late in the year and continues in 1Q before the Supervisory Board comes up with a recommendation for the AGM. It is too early to talk about the next year's dividends, as the AGM has yet to approve this year's dividend. However, if you look back at our history of dividend distribution, you will see that before 2022, we had had stable or growing payout ratios for many years. As we resumed paying dividends, we increased the dividend payout ratio every year, which suggests that the Supervisory Board is generally inclined to stick to the same payout ratio or increase it if the opportunity arises. That is the conclusion we can draw from our historical figures.

Evgeny Kipnis – Alfa-Bank

Thank you.

Operator

Thank you. Our next question comes from Olga Naydenova, Sinara Bank.

Olga Naydenova – Sinara Bank

I have two questions regarding OPEX. What is your hiring target for this year or strategic target for the next few years? When would you consider the marketing expenses of Finuslugi as meeting your targets? What criteria need to be met for you to decide that the project requires less marketing? Thank you.

Anton Terentiev – Head of Investor Relations

Let us start with your first question on personnel. The increase in headcount is part of the business plan, which serves as a basis for the 20–30% OPEX growth forecast that we have just reiterated for this year. I can only reconfirm that new hires are mostly related to the development of our strategic projects like Finuslugi, DFAs and others, as well as the overall strengthening of our IT function. To sum up, it is not a miracle that the headcount is growing, and it is clear why it is growing. It is not coming on top of the guidance, it is within the guidance. One more point is that we hire people to build skill sets and technological platforms, which enable us to scale up the product offering. We build the basis for future growth. Once we are done with building the basis, we will start to reap the benefits.

The second question is about the Finuslugi marketing. Finuslugi revenues reached a new high in 1Q 2025, and we believe the platform's revenues will continue to grow, both due to the expansion of the product offering and the influx of customers. We see marketing events and promotions as a catalyst for the platform's development, and this is why we have been allocating resources there. We have to spend a considerable amount of time to build brand recognition and audience. The Finuslugi team sees the growth in the number of clients – the client base is expanding day by day, many hundreds of thousands or millions of clients are already using certain services. Observing this trend, the team can evaluate whether the marketing spending is still effective. If the trend suddenly starts to reach saturation, the rate of marketing expenditures will have to be reassessed. The main focus here is on building up the audience, the client base is our priority thus far.

Olga Naydenova – Sinara Bank

As a follow-up, would you be so kind as to disclose the client base or the client base dynamics for Finuslugi, so that we could also look at it?

Anton Terentiev – Head of Investor Relations

Thank you for the question. This is the number one question about Finuslugi that we've been getting since autumn 2020. Unfortunately, we are not there yet. The disclosure we have for Finuslugi is limited to information we have in our financial statements where you can see the segment note with all the financials, but we do not provide a lot of operational data for Finuslugi. They may report selected figures in their Telegram channel, but that is about it.

Olga Naydenova – Sinara Bank

Could you share any targets in terms of the number of personnel, if you can disclose them?

Anton Terentiev – Head of Investor Relations

This number is embedded in the OPEX guidance. That is all I can tell you at the moment. We can play with its components, but the OPEX guidance stands. The growth in personnel is in this figure.

Operator

Thank you. Ladies and gentlemen, as a reminder, if you wish to ask a question, please press Raise Hand, "*9" on your telephone keypad or use the Q&A button.

Anton Terentiev – Head of Investor Relations

While we are waiting for more questions, I will read out questions from the text interface.

Gleb Poleshkin – ATON AM (question submitted in writing)

What are Finuslugi margins at the moment, its operational and net profits, and when will Finuslugi start generating net income?

Anton Terentiev – Head of Investor Relations

I will refer you to our segment note in our financials books. The Finuslugi platform has a negative pre-tax income. You can do some numbers there and see the margins. At the moment Finuslugi has a negative pre-tax income. If we check the marketing figures, we will see that if we discontinue marketing for Finuslugi (while leaving the marketing spending for other business units), the platform will go breakeven instantly, overnight. But the point is to grow the business. Finuslugi will eventually reach the breakeven level. Let us imagine that the breakeven has already been reached. According to the segment note I have just mentioned, this would yield a pre-tax profit increase of around 8%. Although it is meaningful, this difference matches the scale of forecasting uncertainty. From a financial perspective, our investment case is practically the same, but in terms of the business model, having the Finuslugi platform opens up completely different opportunities. Firstly, we provide access to the full range of financial instruments used by the client, both exchange-traded and non-exchange. It is a one-stop shop. Moreover, we have become much closer to the client, and we can be the client's go-to tool for daily use. Secondly, we have built a MOEX-guided bridge from simple, non-exchange products to more complex exchange-traded products. We will continue expanding our product offering, including DFAs. Thirdly, Finuslugi will continue to grow as a standalone business line. In a high interest rate environment, the value proposition of the platform, as we have discussed, is very attractive to clients in terms of flexible management of their finances and getting the best rates available, sometimes at a significant margin over their base bank. Fourthly, Finuslugi is a kind of counterbalance, or insurance against financial ecosystems that are actively developing in the market and seek to completely envelope and lock in the end customer.

Operator

We have no further questions.

Anton Terentiev – Head of Investor Relations

I do not see any follow-ups on the line and I do not see any questions in the text interface. I will proceed with the concluding remarks. Thank you everyone for joining our call today. We have had quite an audience. Dozens of people from the market have joined to listen to us. Thank you all very much for closely following our investment case, your insightful questions, and keeping your forecasts on us. Let us stay in touch and reconnect during our next quarter's financials webcast.

Operator

Ladies and gentlemen, this concludes our call for today. You may now disconnect.