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Yandex and Mail.ru Recommended Buys

By The Moscow Times

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Internet companies Yandex and Mail.ru could increase their revenues as online advertising growth accelerates from next year, JPMorgan Chase said Wednesday, recommending that investors buy the shares.

The country's advertising market is nearing the point at which online ads may grow significantly at the expense of print and outdoor media, Alexei Gogolev, a Moscow-based analyst at JPMorgan, wrote in an e-mailed report initiating coverage of Yandex.

The company, which operates Russia's most popular search engine, had its share price estimate set at $46, which is 42 percent higher than Tuesday's traded value.

Mail.ru, an investor in Facebook, had its price estimate increased to $57.02 from $51.7, a premium of 68 percent to its share value as of Wednesday morning in London.

Last month, the company increased its stake in Russian social networking site VKontakte to 39.99 percent, paying $112 million for an additional 7.4 percent.

Yandex, which makes most of its money through online advertising, raised $1.3 billion in May in one of the biggest technology initial public offerings worldwide this year.

It's now covered by analysts at six institutions — including Goldman Sachs Group and Deutsche Bank — five of which recommend that investors buy, according to data compiled by Bloomberg.

Europe's second-biggest Internet market by users generated revenue of $19 billion, or 1.6 percent of gross domestic product, in 2009, according to a report commissioned by Google. That may double to 3.7 percent by 2015, according to a May report by Boston Consulting Group.

Yandex and Mail.ru are "likely to overtake state-owned TV channels by daily reach of population" and may see a compounded annual growth rate of more than 40 percent between 2010 and 2013, Gogolev said in the report. Online ads accounted for 11 percent of total advertising in 2010, he said, adding that that will increase "once the audience share reaches a certain critical mass level."

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