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Search Engine Yandex Shows Allegiance With Moscow Listing

By The Moscow Times

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Former economy minister German Gref (L) and Arkady Volozh, Chief Executive Officer of Yandex.

Shares in Russian internet search engine Yandex will begin trading in Moscow on Wednesday in a move that will please the Kremlin and could shield the Nasdaq-listed company from any tightening of Ukraine-related sanctions against Russia.

Russian President Vladimir Putin has led a drive to promote the Moscow Exchange and woo Russian companies that have chosen to float on foreign stock markets such as London and New York to widen their shareholder base and boost valuations.

Yandex will remain listed on the tech-heavy Nasdaq in the U.S., but its Moscow debut will open the door to Russian investors and funds that are only allowed to invest within Russia, CEO Arkady Volozh said.

No new shares will be offered, but Volozh pointed out that the company's stock will now be tradeable almost 24 hours a day.

As part of Moscow's stock market initiative, the government is also pushing for companies with offshore entities to re-register at home and pay taxes in Russia.

The campaign has gathered momentum since the West imposed sanctions against some Russian individuals and companies over Moscow's annexation of the Ukrainian region of Crimea.

"It's here that almost all our servers are, it's here that we pay taxes and now we are also trading here," Volozh told reporters Tuesday.

Yandex certainly holds a dominant position in Russia, where its 60 percent market share far exceeds the 27 percent held by global market leader Google.

Outside Influence

But the company's shares tumbled 5 percent on April 24 after Putin said the Internet was a CIA project and suggested there had been too much outside influence on Yandex. The company is registered in the Netherlands and has a large foreign shareholder base by virtue of its Nasdaq listing.

Less than two weeks later Yandex nominated the CEO of state-run Sberbank, former economy minister German Gref, as a new nonexecutive board member, citing the need to lobby more effectively in a climate of tighter regulation of Internet companies in Russia.

Russia, with the largest Web audience in Europe, has tightened monitoring of user-generated content since activists used social networks to organize protests over the 2011 parliamentary election that handed victory to Putin's United Russia party.

Authorities can now block sites distributing content such as child pornography, but critics say the tighter controls could also be used to increase censorship. Putin also signed a law forcing bloggers with a large audience to register with the mass media watchdog.

His opponents say the Kremlin wants to silence dissent on the Internet, a rare platform for opposition in a country where state television channels dominate the airwaves.

Political Risk

Alexander Vengranovich, an analyst at the Otkritie brokerage, said the Moscow listing was positive for Yandex because it could ease political risks and potentially lead to inclusion in the MSCI Russia index, a benchmark for emerging market investors worldwide.

"A Russian listing diversifies Yandex's risks in the event of further sanctions for Russian companies trading in the U.S., which was a concern for investors, and shows loyalty to the government."

Anastasia Obukhova, an analyst at VTB Capital, said the listing should help to overcome "politicized sentiment" over Russian internet businesses, providing some relief for U.S. investors with large exposure to such companies.

Yandex raised $1.4 billion in an oversubscribed initial public offering in New York three years ago. It reported net profit of about $400 million last year on revenue of $1.2 billion.

Yandex had indicated in February that its board would support an additional listing in Moscow, while London-listed Russian rival Mail.Ru announced that it intended to seek a Moscow listing in the near future.

Yandex also announced Tuesday that its board had authorized the gradual repurchase of convertible bonds due to mature in 2018. The 1.125 percent bonds are convertible into company stock or cash, or a combination of both, at maturity.

The company did not specify the extent of the bond repurchase plans but it also said it could extend its share buyback program to 18 million shares from 15 million, after which it could start paying dividends for the first time.

Yandex has already repurchased $500-600 million of its shares from the market, CEO Volozh said.

See also:

Search Engine Yandex to Start Trading Shares in Moscow