

Mobile Operator Considers Buying 'Russian Netflix'

By [bne IntelliNews](#)

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The rush to create the Russian Netflix has intensified. **Pixabay**

One of Russia's "big four" operators [MobileTeleSystems](#) (MTS) is considering the acquisition of 36 percent of the so-called "Russian Netflix," online cinema provider ivi, for 20 billion rubles (\$309million), the RBC news website [reported](#), citing unnamed sources.

The news confirms that the "rush to create the Russian Netflix has intensified", Sberbank CIB commented, adding that internet major [Yandex](#) has also expanded its video content services portfolio.

Since its launch in 2009, ivi.ru — known just as "Ivy" in Russia — has rapidly become the country's main site for watching movies legally. Revenues have doubled every year and the company is widely seen as a candidate for an eventual billion-dollar IPO in the not too distant future.

"We are positioned in the movie business and closer to Netflix than [US online TV broadcaster] Hulu, but we also have some TV shows, music and a kids' portal. But movies are our main thing," Oleg Tumanov, CEO and chairman of ivi.ru, said in a rare and exclusive [interview](#) with bne IntelliNews in 2013.

The company has come on in leaps and bounds since then. It posted a 62 percent year-on-year increase in revenues to 3.94 billion rubles in 2018, outgrowing a market that expanded by 45 percent. Some 70 percent of ivi's revenue comes from user payments, which is the top growing category for the company, with 87 percent year-on-year gain, with the remainder being mostly ad revenue.

For MTS, ivi could be a valuable addition to its non-mobile portfolio of services, continuing non-core acquisitions such as ticket services Ticketland.ru and Ponominalu.ru, Sberbank said.

The ivi deal "would be in line with MTS's strategy for strengthening its expertise in adjacent areas via acquisitions," [BCS Global Markets](#) said, seeing the 20 billion ruble price tag suggesting 5 times 2018 revenue as reasonable.

At the same time, the deal could pressure MTS's free cash flow, Sberbank warned, pointing out a similar pattern already seen as a result of the operator's mergers and acquisitions activity in 2018.

MTS posted strong revenue growth under international financial reporting standards in the fourth quarter of 2018, with the top line, earnings, and bottom line all coming in above the consensus expectations. The company managed to keep its mobile service revenue in Russia growing, despite facing a full quarter of intra-country roaming cancellation.

Russia's media market in general is growing fast, driven by the burgeoning e-commerce sector. The media market expanded by 12 percent year-on-year to 468.7 billion rubles in 2018, according to estimates from the Association of Russian Advertisers (AKAR), VTBC Capital (VTBC) said in a note on March 11.

AKAR has revised its approach to presenting Russian media market estimates. As many media market players distribute their content via different mediums, AKAR has decided to break down the market estimates by content type.

According to AKAR's new approach, the internet services segment showed the fastest growth, rising 22 percent to account for 38 percent of the market in 2018.*MT*

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