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Russia’s Yandex Agrees $5.5Bln Deal For Tinkoff Bank

Two sides have reached agreement in principle on mega merger.

By Jake Cordell

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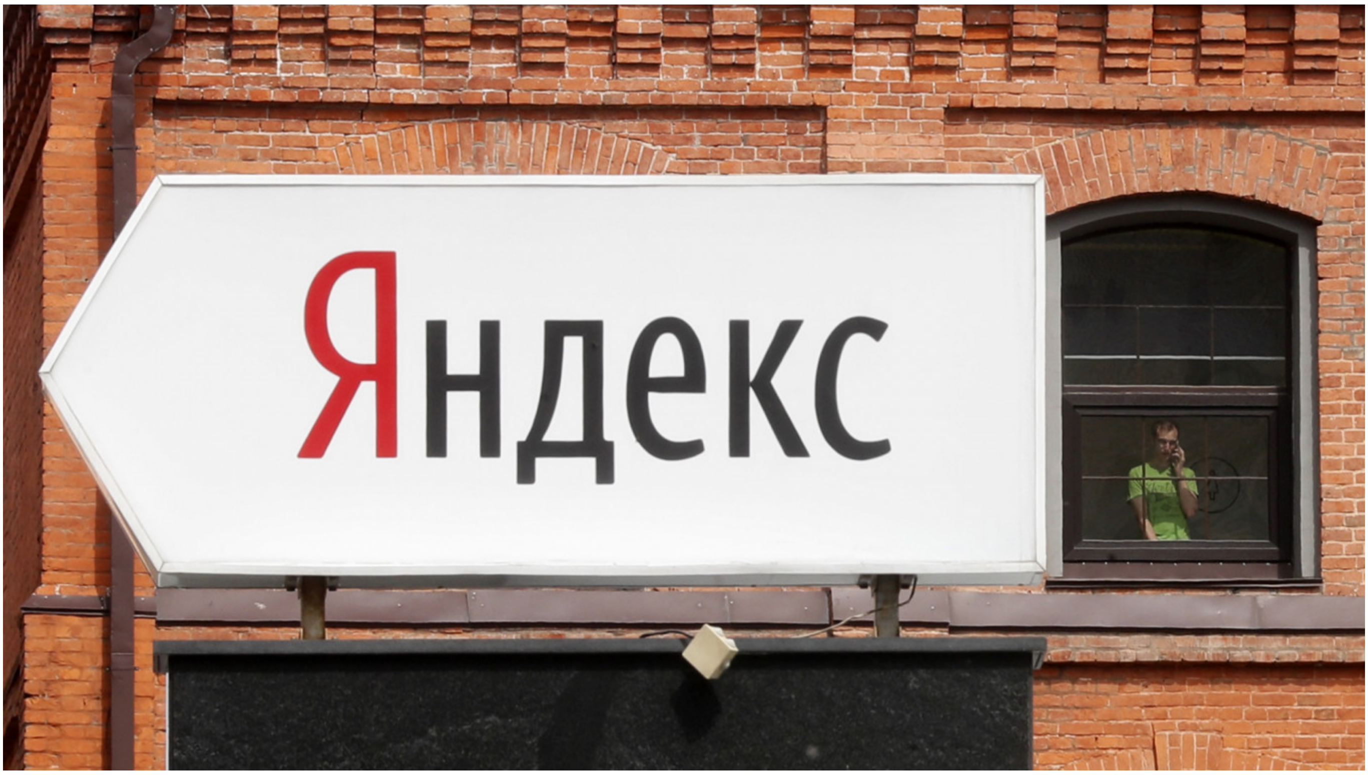

Yandex is often referred to as "Russia's Google" **EPA**

Yandex — Russia’s largest technology company — is set to buy challenger bank Tinkoff in a $5.5 billion deal that would become one of the most high-profile Russian tie-ups in recent corporate history.

In an announcement to the London Stock Exchange posted Tuesday evening after the end of trading, Tinkoff said the two sides “have come to an agreement in principle” on the proposed takeover.

Yandex would purchase Tinkoff shares at $27.64 each — a 6% premium on Tinkoff’s closing price Tuesday. The deal would cover "100% of Tinkoff’s share capital," Yandex said in a separate statement Tuesday evening.

Yandex shares — listed on the U.S. Nasdaq exchange — jumped 3.5% higher on the news.

Both companies have seen their share prices climb rapidly since the start of the coronavirus pandemic, setting all-time highs in recent weeks.

Related article: Russia's Tinkoff Banking on Rapid Expansion

The technology giant, often dubbed "Russia's Google," recently ended a joint venture with the country's largest bank, state-owned Sberbank, in financial services — a breakup which freed Yandex to look at alternative business lines in the sphere. Since then its top managers have repeatedly talked up the prospects and potential of entering the financial sector.

Tinkoff is Russia's largest online challenger bank, founded by — and named after — oligarch Oleg Tinkov. It has been growing aggressively in recent years, with profits almost doubling to 36 billion rubles in 2019 (around $570 million at the time).

Yandex posted profits of $180 million in 2019 on $2.8 billion of revenues — the majority of which came from its lucrative search arm, where the company dominates the Russian market. More than one of every two rubles of online advertising in Russia is spent with Yandex. It also boasts Russia's top ride-hailing service, Yandex Taxi, as well as fast-growing ventures in food delivery, carsharing and self-driving cars.

Billionaire Tinkov first publicly suggested a deal between the two firms at the St. Petersburg International Economic Forum (SPIEF) in 2019, telling Yandex founder Arkady Volozh a combined Yandex-Tinkoff tech and financial services giant could be worth $20 billion. Yandex's market capitalization has since passed that level on its own.

Tinkov has stepped back from the business in recent years. In March, the U.S. Securities and Exchange Commission (SEC) charged him with tax fraud for allegedly concealing $1 billion in assets and just weeks later he confirmed he was being treated in London for acute leukaemia.

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Yandex has also caught the unfavorable attention of regulators. Last year a Russian lawmaker introduced draft legislation which would have limited foreign ownership of Russian technology companies — a proposal which was interpreted as specifically aimed at U.S.-listed Yandex and which sent shares crashing.

The firm eventually struck a compromise under which a new "public interest foundation" was established with a Kremlin-approved board of directors holding a veto over significant ownership changes and control of the firm's intellectual property and its customer data.

Tinkoff said the proposed takeover would be subject to Cyrpriot law, as the bank is headquartered on the Mediterranean island. Yandex shareholders will also be required to vote on the deal before it can be finalized.

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