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YNDX - Q3 2019 Yandex NV Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to Yandex Third Quarter 2019 Financial Results Call. (Operator Instructions) I must also advise you the call is being recorded today, Friday the, 25th of October 2019. We'd now like to hand the call over to your speakers today. Please go ahead.

Katya Zhukova - *Yandex N.V. - IR Director*

Hello, everyone, and welcome to Yandex's Third Quarter 2019 Earnings Call. We distributed our earnings release earlier today. You can find its copy on our IR website as well as on the Newswire Services.

On the call today, we have Arkady Volozh, our Founder and Chief Executive Officer; Tigran Khudaverdyan, our Deputy Chief Executive Officer; and Greg Abovsky, Chief Operating and Chief Financial Officer.

The call will be recorded. The recording will be available on the IR website in a few hours. As usual, we've prepared a few supplementary slides, which are currently available on the website. Now I will quickly walk you through the safe harbor statement.

Various remarks that we make during this call about our future expectations, plans and prospects constitute forward-looking statements. Our actual results may differ materially from those indicated or suggested by these forward-looking statements as a result of various important factors, including those discussed in the Risk Factors section of our annual report on Form 20-F dated April 19, 2019, which are on file with the SEC and is available online.

In addition, any forward-looking statements represent our views only as of today and should not be relied upon as representing our views as of any subsequent date. Although we may elect to update the forward-looking statements at some point in the future, we specifically disclaim any obligation to do so even if our views change. Therefore, you should not rely on these forward-looking statements as representing our views as of any date subsequent to today.



During the call, we'll be referring to some non-GAAP financial measures. These non-GAAP financial measures are not prepared in accordance with U.S. GAAP. A reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures is provided in the earnings release we issued today.

And now I'm turning the call over to Arkady.

Arkady Volozh - *Yandex N.V. - Founder, CEO & Executive Director*

Thank you, Katya. And hello, everyone. We're very happy to be reporting a great set of results, and I will be handing over to the team to discuss them in more detail. But before that, I would like to discuss a couple of other issues relating to our business environment in which we are operating.

First of all, let me say a few words about the political and regulatory environment. As I have mentioned previously, there is a lot of discussion about how the Internet and tech sector should be regulated in Russia. Actually, this isn't something that is unique for Russia alone. We're seeing it around the world. And I'm sure you're following the discussion around the proposed foreign ownership law. I should say that in its original form, it was pretty damaging not just for us, but to the entire technology sector in Russia and probably beyond. But we and many others in both industry and government were quick to express our concerns about the initial draft. As of today, it looks like some of the concerns expressed have been taken on board.

But we really can't say yet how the law will end up. This is why we continue to be actively engaged in discussions around the law and our management and Board are proactively addressing potential concerns in this regard.

I'm not in a position to provide too much additional detail at this stage but I would like to stress a few points. First of all, as we look to address national interests, we want to do so in a way that supports our own business interests and the interests of all of our stakeholders. Second, if we do need to take relevant corporate actions, this will be subject to Board and shareholder approval. And we, of course, recognize the importance of ensuring that shareholders' economic interests are not diluted.

Lastly, although I have said it before, I would say again that I am extremely committed to this business and fully intend to continue to lead it together with the new generation of future leaders of the company, Tigran, Greg, Elena and the rest of the team.

Anyway, back to what I said at the beginning. It has been a great quarter for us and the business is in excellent shape. We continue to build and expand the company based on absolute world-class technology. There are so many examples of this. Just look at what we've done with self-driving cars, for example, making us one of the leading companies in the world in this field. We are able to compete with the top global players operating in Russia. And not just to compete, but to consistently come out on top.

Our competition with these global players is not only for market share but also for talent. And we have paved the business that the leading tech professions in Russia want to work for. It's a business that professionals stay in the country for and that professionals even come back to Russia for.

We are one of the real treasures of the Russian market, which is something like we're all very proud of. I could go on, but it's a results call, so I won't. Instead, let me pass the floor to Tigran and the team. Tigran, over to you.

Tigran Khudaverdyan - *Yandex N.V. - Deputy CEO & Director*

Thank you, Arkady, and thank you for joining our call today. As Arkady said, we delivered another strong quarter. In Q3, our consolidated revenues were up 38% year-on-year, driven by the solid growth of all our businesses.

Online advertising demonstrated robust results with 21% revenue growth year-on-year. This increase was primarily driven by 25% revenue growth of Yandex Properties represented by core search and Yandex websites. While core search gets (inaudible) continued growing in the high teens in



Q3, revenue increase of Yandex website, mainly driven by Zen, geo services, Mail and others, continued adding to Yandex Properties revenue growth.

In September, our personalized content feed platform, Zen, reached RUB 7.7 billion of NOI to revenue run rate, representing 62% growth year-on-year. User engagement continues to be strong. In September, the daily audience increased to 12.5 million users, up 66% versus September of last year and up 19% compared to June 2019.

We see solid growth of exclusive publisher content on Zen. Currently, its publisher content attracts approximately 2/3 of total colleagues and generates significantly higher level of social activity on the platform. In September, the users were adding over 260,000 comments on a daily basis. This is twice higher than in June. Content consumption has been increasing globally. Russia is not an exception, people increasingly use Instagram Messenger so we can watch recommended content. We see this trend clearly in our other contract recommendation services, which continue to enjoy growing user engagement.

Although each of these services is too small on a stand-alone basis, there was various user needs recommend personalized content and are important building blocks as we look to unify these products. Recently, we have launched another small experiment called Sloy. This is our augmented reality short video app, which allows users to create short videos, tag clothing and footwear, and share them on the platform.

Our computer vision technology automatically recognizes items and allows user to follow brands, comment and discuss videos and stack items. On social trends, we continue enjoying share gains in Android. Our share reached a new high of 53.1% on the platform in September. This is up 50 basis points from June 2019 and 360 bps from September 2018.

Our overall mobile sales share in September averaged 50.4%, growing 2,019 basis points year-on-year. As we said on previous calls, we continue to expect the growth rates of our mobile search share to moderate going forward. In Q3, mobile search traffic reached 57.3% of our total search traffic. Mobile revenues represented 46.3% of our (inaudible). In Q3, Taxi segment revenues grew 89% year-on-year, primarily reflecting the robust performance of our ridesharing business, in particular, driven by ride growth, software systemization and our corporate taxi service as well as growing contribution of our food delivery business.

Taxi segment adjusted EBITDA was RUB 170 million. In Q3, profitability of our ridesharing business was muted by investment in self-driving food tech and one-off effect of expenses relating to M&A.

In Q3, the number of rides increased 58% year-on-year, accelerating sequentially. Just to remind you, we provide drive growth excluding food deliveries.

Turning to food tech. In Q3, our food delivery service expanded beyond Russia to Kazakhstan, where we ran an experiment with ordering food right through the Yandex Taxi App. As of today, Yandex. Eats is available in 33 cities, providing users with access to 13,000 restaurants.

Now we go to autonomous vehicles. Recently, we have joined the self-driving car Million Mile Club. As of today, we are 1 of just 5 companies in the world that have driven over 1 million miles in autonomous mode on public roads. 3 of them are in the U.S., 1 is in China and 1 is from Russia. Each mile driven gives us vital real-world experience, which is a key element for building safe and efficient robo driver. Going forward, we plan to expand our fleet, accelerate miles driven and faster develop our autonomous driving technology.

With this, I'm turning the mic over to Greg.

Gregory Abovsky - Yandex N.V. - CFO & COO

Thank you, Tigran, and thank you all for joining our third quarter earnings call today. It was a good quarter. Our consolidated revenue grew 38% year-on-year in Q3. Online advertising revenues increased 21% year-on-year. Total TAC grew 9% year-on-year and amounted to 12.8% of total revenues, down 350 bps from Q3 2018 and down 70 bps sequentially.



Traffic acquisition costs related to our partner advertising network increased 2% year-on-year. Traffic acquisition costs related to distribution partners grew 26% year-on-year, mainly on the back of Android growth. In Q3, distribution TAC averaged 7.7% of Yandex properties revenues, which is 20 basis points lower compared to Q2.

Turning to our cost structure. In Q3, total OpEx, excluding TAC and G&A, grew 54% year-on-year. Excluding stock-based comp, operating expenses also increased 54%. This growth was primarily driven by increased cost of sales, including costs related to drive and our corporate taxi services, investments in content within Media Services as well as costs related to our food delivery business and IoT devices.

As of September 30, we had 9,588 employees, up 6% compared to June 30, primarily reflecting new hires in Taxi, Search and Portal, and Geo services. On a year-over-year basis, our headcount was 8% higher. In Q3, our personnel costs amounted to 18% of total revenues. G&A expense in Q3 increased 21% year-on-year. The growth mainly reflected our investments in servers and data center equipment in one of our data centers as well as costs related to purchases of office and other equipment.

Our consolidated adjusted EBITDA grew 29% year-on-year. This quarter, the impact from ForEx was a gain of RUB 254 million related to depreciation of the Russian rubbles during Q3 from 63.1 to the dollar to 64.4 to the dollar. Adjusted net income in Q3 was up 12% year-over-year. Adjusted net income margin was 15.3%.

Our CapEx was 12% of total Q3 revenues. We reiterate our outlook for CapEx this year. We expect our CapEx, excluding new HQ expenditures, to be in the low teens as a percent of total revenues in 2019.

Now let me turn to the performance of our business units. Search and Portal delivered strong results despite tougher comps with revenues growing 20.7% year-on-year. Our IoT initiatives contributed 100 basis points to Search and Portal revenue growth. Adjusted EBITDA of Search and Portal grew 23% year-on-year in Q3 and its adjusted EBITDA margin was 49.6%, up 80 bps compared with a year ago. Excluding IoT, adjusted EBITDA margin of Search and Portal was 50.7%, up 1.6 percentage points from Q3 of 2018.

Margin improvement was mainly due to the slowdown of traffic acquisition cost growth on both ad network and distribution partner fronts as well as savings in advertising and marketing. We now expect our adjusted EBITDA margin of Search and Portal in 2019 to be roughly in line with the previous year. Excluding IoT, we anticipate that adjusted EBITDA margin of our core business will be up slightly on a year-over-year basis.

Turning to Classifieds. Revenue of our Classifieds business grew 39% year-over-year in Q3. The growth was mainly driven by the revenues generated from listing fees and VAS, which increased 88% year-on-year. Adjusted EBITDA of Classifieds was RUB 43 million.

On to Media Services. In Q3, Media Services revenue grew 123% year-on-year, mainly reflecting the growth of our subscription services and video advertising driven by KinoPoisk. Media Services adjusted EBITDA loss was RUB 636 million, mainly as a result of our ongoing investments in content, costs related to advertising and marketing as well as new hires on the back of business growth.

Yandex.Music continued to strengthen in position in the music streaming market in Russia with 2.7 million subscribers as of today. This is compared to 2 million subscribers that we reported on the call in July. The rapid growth of our subscriber base mainly reflected recent initiatives related to Yandex. Plus, in particular, the launch of a family subscription as well as new markets such as Kazakhstan and Belarus.

We're also building momentum with KinoPoisk, extending the content library as well as the list of partners such as CVS and AMC. Currently, KinoPoisk's streaming catalog includes about 9,000 movies and TV shows, while we expect a number of viewing subscribers to reach 500,000 in October, including subscribers of Yandex. Plus.

Turning to Other Bets and Experiments. In Q3, revenues of Other Bets and Experiments represented by Yandex. Drive, Yandex. Zen, Geo services, Cloud and Education were RUB 4.1 billion and grew 176% year-on-year driven by Yandex. Drive, Geo and Zen. Adjusted EBITDA loss of Other Bets and Experiments was RUB 1.2 billion, primarily as a result of our investments in Drive and cloud.

In Q3, Yandex.Drive increased its total fleet to 16,500 cars and became the second largest car sharing service in the world in terms of fleet size.

On Geo front, in Q3, geo services revenues continued to double year-on-year, primarily driven by local-based advertising revenues, which increased almost 4x while the number of SMB clients tripled compared with last year. Connected cars remain a key area of focus for us within the Yandex ecosystem.

Starting in Q3, new Geely Atlas Cars, as well as Honda Creta and Kia Cerato, have been equipped with Yandex. Auto. Now getting back to corporate matters.

We ended the quarter with approximately RUB 85.4 billion in cash and cash equivalents, which is approximately \$1.3 billion at the exchange rate as of September 30. This includes the cash of Yandex. Taxi, which amounted to RUB 25.7 billion or \$400 million as of September 30.

Turning to guidance. Based on the recent solid performance of our businesses, we increased the outlook for a consolidated revenue on ex Yandex. Market basis and now expect it to grow 36% to 38% year-over-year. Also, we increased the lower range of the previous guidance of our Search and Portal business and now expect it to grow in the range of 20% to 21% year-over-year in 2019.

With this, I'm turning the mic to the operator for the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question we have today comes from the line of Lloyd Walmsley from Deutsche Bank.

Lloyd Wharton Walmsley - Deutsche Bank AG, Research Division - Research Analyst

Two, if I can. First, just in the ad business. It looks like you saw a big pickup in paid click growth. So wondering if there's anything you can share with us on what drove that? And kind of how you see that impacting, I guess, the broader ad business? And then secondly, on the taxi business. Can you give us a sense for what drove the ride growth acceleration there in the quarter? And then how we should just think about the trade-off between investments and profitability going forward?

Gregory Abovsky - Yandex N.V. - CFO & COO

Lloyd, it's Greg. I'll probably take your second question first on the Taxi business. In terms of ride growth, I think it's just been sort of solid execution driven by strong performance in the regions and acceleration of growth in the major capitals in Moscow and St. Petersburg. So it's sort of strength across the board, which we've seen in Q3.

In terms of sort of the investments. As we've talked about before, there's a few major buckets within the Taxi segment for us. Obviously, you have the ridesharing business, which is present in 18 countries, including Russia. Some of the countries that we've entered more recently are still unprofitable while Russia and CIS are obviously solidly profitable and will obviously remain so. Beyond ride hailing, there's the Eats business, which we continue to invest in and we're seeing, obviously, very good results and very good traction in that segment for us. And there's also the self-driving initiative. And there, obviously, it's a pre-revenue stage. We are -- have a lot of self-driving cars that are on the road and that have deployed, they're accumulating miles. We just very recently surpassed a very important milestone where we reached 1 million self-driven miles driven on city streets. And I think there's only about 5 companies in the world which can make that claim. So it's engineers, and it's getting more and more miles under your belt. So that's kind of -- those are the main investment areas.

And obviously, ride hailing is the -- sort of the source of funding for all of them. And then turning back to your question about the ads business. Look, it's just a question of improvements in targeting as usual and continued traction that we're getting from particularly our own properties.



As you saw, we post -- we're posting extremely strong results in Zen, which is our social platform, social news feed platform. It is now RUB 7.6 billion revenue run rate, which is extremely impressive, I think, and it's growing close to 60% year-on-year, which is all very impressive. And so all of those properties are generating a ton of clicks. And the trade-off that we're making is we're trading off clicks for CPCs, which leads to higher returns for advertisers, which is something that we always want to do.

Operator

(Operator Instructions) The next question we have today comes from the line of Cesar Tiron from Bank of America.

Cesar Adrian Tiron - BofA Merrill Lynch, Research Division - Research Analyst

I have 3 questions, please, sorry about that. The first one would be on the core search. Can you please explain the acceleration of paid clicks and the decline of CPC on a year-on-year basis? Is it mainly driven by mobile? Second question, I would like to follow up on the Taxi margins. Could you please give some color on the sequential decline of the Taxi margins? Is it mainly due to autonomous? Or is it more due to food delivery? We've seen the strong top line, which was posted by one of your competitors yesterday. Just wondering if it has anything to do with it? And the third question. I just had to follow-up on the legislation. I know it's always very difficult to forecast how long it can take to enact legislation. But do you happen to have a view as to how long it can take the Duma to finalize this legislation and whether it can be possible that you propose a solution around the ownership to authorities, which would make Yandex exempt from the list of companies that would be considered by the current legislation?

Gregory Abovsky - Yandex N.V. - CFO & COO

On core search and specifically with CPCs, unpaid clicks, I just answered a similar question for Lloyd. And so in addition to what I said there, which is very good traction that we're seeing in Yandex's owned and operated properties, specifically Zen, we're also obviously benefiting to a great extent from mobile, which is allowing us to drive much higher CPCs -- sorry, much higher clicks. On to Taxi margins.

So on Taxi margins, there's a couple of things, as I was saying, that are part of the Taxi segment for us. It's obviously the ride hailing business in Russia, ride hailing business outside of Russia, which is 17 other countries. It is food business, Yandex. Eats, and it's also the self-driving initiative, where it's pre-revenue stage and there's obviously substantial investment there in terms of engineering resources and in terms of accumulating miles and educating the algorithms.

What I can tell you is if you look at the Russian ride hailing segment, our EBITDA grew sequentially, which is obviously a very nice thing to see. Our pace of investments accelerated in self-driving and it also accelerated in each -- on a sequential basis from Q2 to Q3. And also, we had some one-off items that Tigran mentioned in his prepared remarks.

And then, finally, on to legislation. Obviously, we can't say anything with respect to timing, but -- it's not something that's in our control. And look, I think at this point, we feel like if the law would be adopted in the form that it currently is in, obviously, there's a lot of people, both in government and the industry that came out and criticized it in its current form. There's been rumors circling around that potentially, the next draft of the law would incorporate some of those concerns and that those concerns will be taken on board. But obviously, we don't know how exactly everything will shape up.

And what I can also say is we continue to be actively engaged in discussions around this law and then both our management and our Board are proactively addressing any potential concerns in this regard.

Operator

The next question today comes from the line of Miriam Adisa from Morgan Stanley.



Miriam Anuoluwapo Adisa - *Morgan Stanley, Research Division - Equity Analyst*

Three questions from me. Firstly, just on the ad network. You saw quite a bit of a slowdown there. Could you just expand on what's driving the slowdown? And would you expect further deceleration in the fourth quarter, given comps are a bit tougher? Secondly then on your market share. So the overall market share was down sequentially despite the gains on Android. So can you describe the trend you're seeing on iOS? And to what extent that was driven by seasonality? And then, thirdly, on the self-driving segment. To the extent that you have visibility, can you talk about at which point you think you need to significantly step up investments relative to where you are today?

Gregory Abovsky - *Yandex N.V. - CFO & COO*

On the ad network, yes, you're quite right that the comps do get tougher in Q4. And so we do expect that the rate of growth will slow. I think the rate of growth within the ad network segment has been fairly constant from a 2-year stack basis. So if you sort of look through the tougher comps, nothing is really changing there. But it's -- our expectations for ad network, in other words, for Q4 are fairly muted.

In terms of market share, I would say that we're extremely happy with our market share trends. What we're seeing is that in September, our Android was 53%, and we expect it to be even higher one day, October -- the month October finishes up. So in some ways, we're kind of ahead of our own internal projections in terms of where we wanted to be with Android share.

And then in terms of our overall share, it's basically [hunched]. You obviously have continuing increase in mobile as a percentage of the total. And structurally, our share in mobile is lower than our share in desktop. As you know, our share on desktop is around 68%. And then iOS has been more or less hunched. I think it was maybe down 50 basis points or so. Nothing dramatic.

And with respect to your last question on the pace of investments in self-driving, it's not a step function. But we do expect that the level of investment in self-driving will increase over time. We feel like we're making really good progress and we're very happy with the performance there. And so we do look to hire more engineers and increase the size of our self-driving fleet.

Operator

The next question today comes from the line of Slava Degtyarev from Goldman Sachs.

Slava Degtyarev - *Goldman Sachs Group Inc., Research Division - Analyst*

Firstly, how would you describe the competitive impact of Citi Mobile across the cities where they recently entered? Do you see their behavior different from what they achieved in Moscow, for example? And secondly, also on Taxi, how do you see regulatory environment developing in the taxi markets? Any progress on the taxi law hearings?

Gregory Abovsky - *Yandex N.V. - CFO & COO*

Slava, on the competitive front, I think it just varies city by city. I think if I saw the number correctly, I think Citi Mobile reported that their rides grew 160% year-on-year in Q3. Our rides grew 58% year-on-year. And obviously, our size is substantially larger. And so we're not growing off of a tiny base.

What I think the experience has like I said, been different from city to city. They've had some success in very small cities, but generally, it's a normal competitive environment. And I think the market for taxi continues to be highly competitive. I think it's still sort of early days and the market is very, very large. And I think there's still lots and lots of TAM available for the taking.



On the regulatory front, there's no updates. It's an evolving situation. And we're obviously in contact with regulators to discuss whatever concerns or suggestions they may have.

Operator

The next question today comes from the line of Masha Kahn from HSBC.

Maria Leonidovna Kahn - *HSBC, Research Division - Senior Analyst of TMT*

And congratulations on your results. I had a question about taxi subsidies going forward. Shall we expect an increase in taxi subsidies? So the first question. And secondly, could you talk a little bit about unit economics of your food business? You mentioned it improved in Q2. Can we just get an understanding whether some of the areas are profitable and whether there's a path to profitability there? And third question, actually, on Zen, Mail reported that their content recommendation platform Pulse achieved over 30 million now. Could you talk a little bit about difference between Pulse and Zen?

Gregory Abovsky - *Yandex N.V. - CFO & COO*

On the subsidies question, look, it's obviously -- it's a highly competitive market, and we use subsidies as one of the tools to stimulate either more riders or more drivers to come on the platform. It's sort of as simple as that. And having much greater density, having a much larger footprint is super helpful. On top of that, you have the entire technological stack that we've developed over the last 8 years. Actually, Taxi celebrates its eighth birthday today. So we have a massive amount of experience under our belts. We invested a lot in optimizing all the routing, all the algorithms and maximizing earnings per hour for drivers, which is what allows you, in the end, to essentially compete with a lower level of subsidies and more efficiently.

And on top of that, obviously, we have multiple brands that we can use as we position them, vis-à-vis, the consumers. On the unit economics of food, they're improving and we're very happy with the progress we're seeing. We're seeing extremely strong growth in our food delivery business. It's up massively year-over-year. And we're certainly, in certain areas, we are getting to positive unit economics. And I think this market is large, and we're excited that it's being expanded as we speak.

And then on the question of Zen versus Pulse. We are -- in Zen, we're seeing obviously very strong traction. Currently, Zen has 12.5 million daily average users and 59 million monthly average users, which is obviously a very strong position for an algo based social recommendation platform.

Maria Leonidovna Kahn - *HSBC, Research Division - Senior Analyst of TMT*

Could you compare a little bit about -- with Pulse? In terms of how the accommodation engine works?

Gregory Abovsky - *Yandex N.V. - CFO & COO*

I haven't used Pulse myself. I'm a frequent user of Zen. I think Zen is very good at providing you very interesting content for you to read. And obviously, we distributed very widely across Yandex properties. It's present on Yandex's homepage. It's present in our browser. It's present in our mobile app, and it has its stand-alone app.

And very frequently, I find myself kind of going down the rabbit hole of spending -- before I know, it's spending over an hour, just reading the various content that Zen is showing to me, which I think is a very strong demonstration of the sophistication of its algorithms.



Operator

(Operator Instructions) The next question comes from the line of Vladimir Bespalov from VTB Capital.

Vladimir Bespalov - *VTB Capital, Research Division - Analyst of Industrials, Transportation, Infrastructure, Chemicals & Equities and Internet Analyst*

Congratulations on these numbers. I have a number of questions. First, maybe you could update us on your hardware initiatives, in particular, some time ago, you signed a big deal with Renault and Nissan afterwards. So maybe you could say when you start delivering those and how this might impact actually your margins in Search and Portal going forward. Then I would like also to ask you about your potential investments in content production in Media Services. What are you planning there? How big this could be? And in general, maybe you could update on the development of Media Services. And sorry, if I missed something, but maybe could you give us the gross revenue for food delivery business for the quarter and maybe the run rate for GMV, if you could.

Gregory Abovsky - *Yandex N.V. - CFO & COO*

Sure, Vladimir. So on the hardware initiative, if you're speaking about specifically Yandex. Auto platform and the deal that we signed with Renault, I do believe that it either has already started shipping or will start shipping soon. The way that, that deal works is it's a software deal. We're actually selling them is software licenses, not the hardware itself.

If you're referring to hardware within the Search and Portal segment, that primarily concerns with smart speakers. And those are something that do pressure margins, as we talked about. And particularly in Q3, the effect of smart speakers and other IoT devices on Search and Portal revenues was about 100 basis points. And we have a new speaker that we just announced very recently called Station Mini, which is a much smaller form factor. It's about \$60 and it's available at retail.

In terms of Media Services, I would say that we're extremely happy with that business. The number of subscriptions have been growing rapidly. We have 2.7 million music subscribers. We are obviously using that to drive Yandex. Plus subscriptions, which provides you with an access to the whole ecosystem of Yandex products.

And with respect to content investments, we do expect those to step up, as we've been saying in the past. And we think that, that is a very interesting and exciting business.

And finally, with respect to your question about Food. So the revenue in the food delivery business was -- one second -- yes. So the annualized run rate in Q3 was RUB 3.3 billion.

Operator

(Operator Instructions) The next question comes from the line of David Ferguson from Renaissance Capital.

David Ferguson - *Renaissance Capital, Research Division - Deputy Head of Research & Equity Research Analyst*

Two questions, please. Could you give us ride growth for Taxi, Russia only, so excluding CIS and other new markets? That's the first question. And then second question, going back to unit economics in food. Can you talk about where you think sort of long-term profitability can be for the first-party model? That's it.

Gregory Abovsky - *Yandex N.V. - CFO & COO*

Sure, David. So for Russia only rides growth, it was 49%. And then on your second question, where do we think that margins could get to in first party. Look, I think this is a difficult business. Obviously, we don't expect margins in that business to be as high because, obviously, you will have to pay couriers and such. It's not like a marketplace business, and I think this is something you're consistently seeing across the world as you're looking at 2 different primary models of food delivery, first party and third party.

Operator

(Operator Instructions) There are no further questions over the phone today. Please continue.

Katya Zhukova - *Yandex N.V. - IR Director*

So thank you so much to join in our call today. If you have any further questions, please reach out to us. You know how to find the IR team. Thank you. Bye-bye.

Operator

Thank you very much. That does conclude the conference for today. Thank you for participating. You may all disconnect.

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