
Yandex's joint venture with Uber to buy smaller Russian taxi firm's assets

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Russian internet company Yandex's joint venture with Uber has agreed to buy Russian taxi firm Vezet's core business, further cementing Yandex's role as a major online taxi operator in Russia and neighboring countries.

Taxi, ride sharing and car sharing services have been booming in Russia over the last couple of years after a number of foreign and domestic players invested in online platforms for such businesses.

Yandex, widely known as "Russia's Google" for its array of online services from internet search to email and taxi reservations, said on Monday that the joint venture, MLU B.V., has agreed to acquire the Vezet Group's IP and call centers in Russia.

Yandex was a rival of Uber in Russia's fragmented taxi market until 2017 when they joined forces and set up MLU, with Yandex becoming the controlling shareholder.

MLU now operates across Russia, Armenia, Azerbaijan, Belarus, Georgia and other countries and has expanded into other businesses including food delivery.

Yandex is even considering an initial public offering (IPO) of MLU.

Yandex said MLU will issue new shares to help pay for the Vezet assets, representing up to 3.6% of the issued share capital of the company and up to \$71.5 million in cash. It did not give more details of how much MLU will pay for the assets but said the companies expect to close the deal by the end of 2019.

Yandex.Taxi dominates the taxi market in Russia, but there is still room for other players as demand for taxis is growing with the entry of user-friendly online platforms, Gevork Vermishyan, chief executive of Russia's second biggest phone operator Megafon, told Reuters in an interview published earlier this month. Megafon invested in Yandex.Taxi's smaller rival, CityMobil, last year.

Investment in russian regions

Vezet group operates in 123 Russian cities under the Vezet, Taxi Saturn, Fasten and Red Taxi brands. Other big online competitors of Yandex.Taxi in Russia include private

taxi company Maxim and Israeli Gett.

Under the deal, MLU plans to invest about 8 billion rubles (\$127 million) in the Russian regions over the next three years, Yandex said in a statement.

Yandex will own 56.2% of MLU after the deal and Uber 35.0%, while about 5.3% will be held by employees under the MLU equity incentive plan.

Yandex's shares were up 0.5% in early trade in New York.

"If the deal takes place, I think it will be positive for Yandex, because the company is strengthening its position in the taxi market and increasing market share," Vladimir Beshpalov from VTB Capital said.

Russia's Mail.ru Group, which gave a loan to Vezet last summer and has a right to veto the deal, said it had not yet agreed to Yandex. Taxi acquiring Vezet assets.

"Consent has not been given as of now, therefore we consider the announcement premature," the company said. Vezet said the deal did not violate the terms of the loan.

"We intend to strictly comply with all our agreements with Mail.ru Group," Vezet's press service said. Vezet's management will stay in place and business will continue as usual.

"The deal refers to assets in Russia. We also have business in Czech Republic and Kazakhstan," Vezet said.

(Reuters)