



# TOP Russian Venture Stories



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## YANDEX AND UBER COMPLETE MERGER IN RUSSIA AND NEIGHBORING COUNTRIES

*By Adrien Henni,  
East-West Digital News/February 7, 2018*

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Yandex, the NASDAQ-listed Russian search giant, and Uber announced today the completion of the merger of their respective ride-sharing and food delivery businesses in Russia and neighboring countries.

The deal, announced in July last year, was approved by the Russian antimonopoly authority in November.

At closing, Uber invested \$225 million and Yandex invested \$100 million in cash in the combined company, the valuation of which exceeds \$3.8 billion on a post money basis, according to Yandex's press release.

The combined business has more than \$400 million in cash on hand at closing. It is now held approximately 59.3% by Yandex, 36.9% by Uber, and 3.8% by employees of the group on a fully diluted basis.

Yandex also indicated that Tigran Khudaverdyan, ex-CEO of Yandex.Taxi, has become the CEO of the combined business. The members of the supervisory board include, from Yandex's side, John Boynton, Chairman of the Board of Yandex N.V.; Arkady Volozh, its co-founder and CEO; Greg Abovsky, its COO and CFO; and Vadim Marchuk, its Vice President, Corporate Development; as well, on Uber's side, as Cameron Poetzsch, Uber's VP of Corporate Development, Pierre-Dimitri Gore-Coty, its VP and Regional General Manager, EMEA, and Michelle DeBella, its Global Head of Internal Audit.

In a practical perspective for end users, the Yandex.Taxi and the Uber apps will operate as before. Users of both apps will enjoy „seamless global roaming“ across the two platforms: for example, „an Uber user arriving in Moscow from Paris will be able to order a Yandex.Taxi straight from their Uber app,“ according to Yandex.

The deal may appear as Uber's second retreat from a major market globally, as the US giant needs to improve revenue and narrow losses. In 2016, Uber left China in exchange for a 17.5% stake in rival Didi Chuxing, after losing more than \$2 billion battling its competitor.

### **A competitive market**

The size of the Russian taxi market is subject to various estimates, from \$3-4 billion (Gett), to more than \$8.4 billion in 2016 (VTB Capital data cited by Yandex). Informal rides by „gypsy cabs“ account for an additional volume of some \$1.9 billion, believe government experts cited by Yandex.

Uber arrived in Russia in 2013, but began developing there actively only in 2015. While visiting Moscow two years later, its Vice President Ryan Graves underlined the importance of Russia in Uber's strategy.

Yandex.Taxi was not the only competitor of the US giant on the Russian market. Gett, a global player launched in Israel in 2011, covered nearly 70 Russian cities as of late 2016.

In September 2016, the company announced a \$100 million investment plan until the end of 2017 to cover new Russian cities, aiming to control 50% of the Russian market. Two months later, the company received a \$100 million loan facility from Sberbank — which is a partner of Uber and even one of its shareholders via Sberbank's venture arm SBT Venture Capital.

A new entrant in the market is MTS, one of Russia's leading mobile operators.

Traditional taxi booking services should be mentioned too. Maxim, a leading player, operates in more than 130 Russian cities, according to media reports.

## FORT ROSS VENTURES LAUNCHES \$200 MILLION FUND TO HELP US STARTUPS ENTER RUSSIAN MARKET

*By Jane Kuhuk,  
Ukraine Digital News/April 25, 2018*

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Last week Fort Ross Ventures announced a \$200 million fund for US startups interested in the Russian market. Formerly known as Money Time, this venture fund is committed to support the „exponential success“ of US tech startups by „leveraging the potential of the enormous Russian marketplace.“

Fort Ross will target projects in the areas of fintech, artificial intelligence, cybersecurity, and ecommerce. Startups will benefit from financial support, as well as „advisory services aimed at helping startups understand the culture, politics, and financial regulations necessary to operate in Russia,“ reports VentureBeat.

„Fort Ross brings together Silicon Valley venture expertise with an extensive network of relationships across Russia’s largest commercial organizations. We help startups navigate and thrive in this lucrative, tech-savvy market while establishing an invaluable foothold for global growth,“ said Victor Orlovski, the fund’s managing partner in an official statement.

Previously Orlovski was CTO at Alfa Bank and Sberbank, Russia’s national savings bank.

Fort Ross also announced that Anurag Chandra, an experienced US venture investor and tech company executive, has joined the company.

The fund expects to announce the first two investments from the new \$200 million fund in the coming weeks.

In late 2017, in cooperation with Sberbank and the Internet Initiatives Development Fund (IIDF, or FRIL, Russia’s largest early-stage startup investment fund), the fund launched a platform called Global Pitch in a bid to help Russian tech entrepreneurs develop in the USA.

Through its previous \$100 million fund, Fort Ross invested in GridGain, Moven, eToro, Uber and NetGuardians.

Sources: Fort Ross Ventures, VentureBeat

## RUSSIAN E-COMMERCE APPEAL: OZON SHAREHOLDERS TO INJECT UP TO \$92 MILLION IN THE COMPANY

By Adrien Henni,  
*East-West Digital News/March 7, 2018*

Ozon Holdings, one of the most established Russian e-commerce companies,— sometimes dubbed, with some exaggeration, ‘the Russian Amazon,’ — will receive 3.5 billion rubles and possibly up to 5.25 billion (\$61 million and up to \$92 million at the current exchange rate) from its existing shareholders.

The better part of the capital injection will come from MTS, which invested in Ozon in 2014, and Baring Vostok, an early investor in the company.

A leading Russian mobile operator and an active investor in the digital field, MTS is committed to invest 1.15 billion rubles around (\$20 million) in exchange for an additional stake in the company (13.7%, up from 11.2%). An optional capital injection of 582 billion rubles (\$10 million) could further bring its share to 14.7%, according to MTS’s press release.

„Since [we invested in the company in] 2014, Ozon has seen exceptional revenue growth and improved operational performance. Now, however, is an opportune time to expand, and we believe that Ozon can use the additional resources to increase its reach and further improve its efficiency,” said Alexei Kornya, VP Finance, Investment, Mergers and Acquisitions at MTS.

„We boost our own e-commerce efforts and pursue our 3D strategy by expanding the digital services available to our

clients,” he added, reminding the recent acquisition of two online ticketing services.

### Giant capital injections

Ozon’s \$150 million round of funding in 2014 came as the largest one in the history of Russian e-commerce — and has remained so to date, putting aside Sberbank’s \$500 million investment last year in a joint venture with Yandex.

Three years earlier, in September 2011, Ozon had raised \$100 million from a consortium comprising Russian funds and the Japanese e-commerce giant Rakuten.

The company was founded in 1998, with an initial focus



Ozon has developed one of the largest e-commerce logistics networks across Russia. (Photo credit: Ozon).



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on books, CDs and DVDs. The site enlarged its positioning in the mid-2000s — following the example of Amazon — with consumer electronics, cameras and mobile phones and later added children’s goods and travel products.

Ozon launched Ozon Travel in 2009; acquired Sapato.ru, a major online retailer of shoes and accessories, in 2012; and took control of Litres, the Russian e-book leader, two years later.

The company has also developed an in-house fulfillment and delivery network which encompasses several hundreds of cities in Russia with more than 2,500 pick-up points. A major part of Ozon’s successive fundings have gone to developing further these logistics capacities — and the capital injections announced today will be no exception.

Ozon now claims 3.2 million unique buyers.

According to EWDN’s Russian E-Commerce Report, online sales in 2016 exceeded \$26 billion, growing more than 20% year-on-year. Included in this figure are some \$16 billion for physical goods and \$10 billion for online travel, according to Data Insight. The cross-border segment is the fastest growing, up 26% by value and 80% by the number of parcels and small packages, and exceeded \$4 billion for physical goods alone, according to Russian Post and industry association NAMO. The 2017 numbers are not available yet.

## MTS ACQUIRES TWO EVENT TICKETING COMPANIES, AIMS FOR MARKET LEADERSHIP

*By Jane Kuhuk,  
East-West Digital News/February 19, 2018*

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Last week MTS, a leading Russian mobile operator, announced the acquisition of a 100% share in Ticketland.ru and a 78.2% share in Ponominalu.ru, two leading event ticket operators in the Russian market.

MTS says it expects to establish itself as a leading ticket operator in Russia. The deal „will allow the company to broaden its suite of digital services and integrate a key new product into its existing loyalty program and mobile app ecosystem,” says the company’s press release.

„Buying a ticket to a live event — whether it is a concert or a theater production— should absolutely be done through a smartphone. The convenience is too great not to bring these types of services to our customers, and it is obvious that MTS — with its size, scale and scope — should be at the forefront, driving growth in a significant market throughout Russia,” commented Vyacheslav Nikolaev, Vice President for marketing at MTS.

By integrating the two companies in its operations, MTS intends „to soon be in a leading position in this intriguing, developing market,” said Nikolaev.

The operator sees online ticketing „as a natural complement to its efforts to expand its core digital services under its 3D strategy.”

MTS aims to develop products that lie outside the traditional telecom sector. The operator offers more than 25 mobile applications (MTS Taxi, MTS Music, MTS Books, etc.), B2B cloud solutions, data analysis based on Big Data, cybersecurity systems and telemedicine services.

In a separate move last month, MTS announced the acquisition of Gambit Esports, an important international eSports club, for an undisclosed amount. Gambit Esports has four teams participating in the most popular cyber game disciplines.

A top company in the Russian event ticketing market, Ticketland.ru is the owner of the largest distribution network in Moscow and benefits from active website and mobile app sales channels. It has been fully acquired for 3.25 billion rubles (\$56 million at the current exchange rate), including net debt, according to the press release.

Meanwhile, Ponominalu.ru was valued at 495 million rubles (\$8.5 million at the current exchange rate), including net debt. Mikhail Minin, the founder and CEO of Ponominalu.ru, will remain with the company and retain a 21.8% stake with an option to sell it to MTS expiring in 2020.

With nearly 1.5 million monthly users, Ponominalu.ru sells tickets to over 5,000 entertainment events annually. Besides, the company provides event organizers with an IT platform for ticket management and a range of online marketing tools to attract new audience.

Ponominalu has reportedly shown constant growth for the past five years. It is among top five leading companies selling tickets to entertainment events in Russia and the concert market leader in Moscow, says Buran Venture Capital, a venture fund with Russian roots, which has sold its stake to MTS.

Among the competitors of Ponominalu and Ticketland is service Kassir.ru. In 2016, the Russian online ticket service acquired Belarusian Kvitki.by and Lithuanian Bilietai.lt. The latter transaction amounted to €5.5 million.

Sources: MTS, Buran Venture Capital

## STARTA VENTURES LAUNCHES HYBRID FUND TO INVEST VIA SMART CONTRACT SECURITY TOKENS

*By East-West Digital News/April 9, 2018*

Starta Ventures, a tech investment group with Russian roots operating internationally, has launched a venture fund with original characteristics. Investors may not only join the new fund, dubbed Starta Capital Fund II, as LPs, they may also take directly their own equity stake in any company in which the fund will invest.

This mechanism is based on smart contract security tokens which are „aligned with equity stakes in the companies,“ the fund stated.

Alexey Girin, co-founder and general partner of Starta Ventures, hopes to „attract through this syndicated investment mechanism, three to five times as much co-investment capital than the value of the fund itself.“

When joining a deal, co-investors will be requested to pay a setup fee and an up to 15% fee on exits or sales. Meanwhile, Starta Capital Fund II will not charge management fees to its LPs — another original characteristic of this fund.

The fund will invest up to \$200,000 at the seed stage and up to \$1 million in rounds A, not including co-investors.

### **From Eastern Europe to New York City**

„We'll focus on high-tech startups with global potential from Eastern Europe — which includes Russia, Belarus, Ukraine, Poland, Estonia, Lithuania, Latvia and others,“ said fund representative Elena Shushunova in an exchange with East-West Digital News.

Blockchain startups at the pre-ICO stage are among the targets: „Thus, we hope to receive additional exit opportunities as the tokens issued by the startups will be listed token exchanges.“

Starta Capital Fund II is also interested in HR-tech, medtech, fintech, adtech and media, with a preference for those based on AI technologies and blockchain.

The fund is in the process of raising funds with a \$20 million target. Under plans, the first deals will be completed in May.

The Starta Ventures group includes Starta Capital Fund I (launched in 2013), the Starta Accelerator in New York (launched in 2015, completed an ICO in 2017), a blockchain startup accelerator named Token Rockets, and a co-working space named Sputnik Space, also located in New York.

## DRIVEN BY INDUSTRY BOOM, ESPORTS STARTUP PLAY2LIVE RAISES \$30 MILLION IN ICO

*By East-West Digital News/March 21, 2018*

As ICO activity shows no sign of slow down in the region, Play2Live has announced the completion of a token sale which it claims generated the equivalent of \$30 million in less than two months. Launched last year, this startup with roots in Belarus and Russia offers an original approach to eSports in terms of both technology and business models.

The platform wants to attract eSports aficionados by increasing Internet speed. To achieve this goal, Play2Live is set to deploy blockchain-based decentralized P2P networks. In the scheme, only one user gets data from the traditional centralized CDN, and all users then share content with each other. Thus users of the same content join together to pool their resources and bandwidth.

The startup also aims to „create a new economy“ based on a revenue-sharing model.

„Streamers will be able to monetize their content in 11 ways instead of only the four or five on existing streaming platforms. They can earn right from their very first stream, regardless of the size of their follower base,“ Play2Live’s founder and CEO Alexey Burdyko told East-West Digital News.

Viewers, on their side, can monetize their content in several ways — a first in the eSports video-streaming industry, Play2Live claims.

„They can earn tokens by watching ads, performing tasks set by streamers, voting for content, and sharing their internet bandwidth via peer-to-peer CDN,“ Burdyko explains.

Called Level Up Coin (LUC), these tokens will be the only means of payment in use on the platform. They can be used to buy games from partner stores, participate in tournaments, bet on teams and competitions or make donations directly to streamers.

The tokens can also be converted to other cryptocurrencies or to fiat money through a gateway/API.

Play2Live says it works with tournament organizers to set up tournaments that match the wishes of users — and also organizes its own. For example, by the end of February 2018, Play2Live will host the world’s first eSports tournament with a crypto prize pool in Minsk, Belarus.

Viewers can thus influence the content and end-results of tournaments: for a few LUCs, they can vote for the teams they’d like to see competing against each other and have their say on the tournament format, commentators and even locations.

Meanwhile, streamers can set tasks for viewers — such as watching other streamers or watching ads — and reward them for completed tasks.

„We treat streamers as B2B partners, incentivizing them to attract new viewers and offering other forms of monetization,“ says Burdyko.

### **Industry veterans go ICO**

Play2Live’s founders aren’t new to eSports. Before launching Play2Live in June 2017, Alexey Burdyko founded one of the largest eSports holdings in the region, the Minsk-based Game Show Media Holding. This company was valued by EY at \$36.8 million in 2016, according to the entrepreneur.



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Burdyko has also organized eSports tournaments, including intercontinental eSports show matches, and headed GSL.tv, a Lithuanian tournament platform.

In November 2017 Play2Live released its minimum viable product (MVP); two months later, the company launched 24/7 live rebroadcasts in six languages — English, Korean, Japanese, Spanish, Russian and Chinese.

In addition, Play2Live has already started an early adopters program for streamers and eSports fans in their official Telegram-chats that allows users holding their own streams to provide a full live-streaming experience.

The startup claims to have raised the equivalent of \$18 million over a few weeks in January 2018 through private and public token pre-sale events, then another \$12 million (hard cap) in the last stage of its ICO in March.

## **Amid industry boom**

Play2Live arrived on the market at a time when the global eSports industry is booming.

In 2017, the industry reached \$1.5 billion and is forecasted to grow up to \$ 2.3 billion in 2020, according to data from Superdata Research cited by Russian mobile phone company MTS.

Russia, in turn, is among the front runners of the global eSports industry. A study by PayPal and Superdata Research revealed that the Russian eSports market is the second largest in Europe after Sweden, amounting to \$35.4 million in 2016.

Major local players have set their eye on this market, making large investments and major acquisitions.

Thus, in 2015, Russian billionaire Alisher Usmanov announced an investment of “\$100 million or more” in Virtus.pro.

More recently Winstrike, a Russian globally-oriented eSports company, attracted \$10 million from private investor Nikolai Belykh and several business angels.

In early 2018, Mail.Ru Group — an LSE-listed Internet company which controls the largest Russian-language social networks and a range of online gaming companies — announced the full acquisition of ESforce.

This company owns two world-class clubs (SK and Virtus Pro) and controls a plethora of websites and social media groups as well as video production studios, an event company, global database, trading and analytics platforms.

Just days before, MTS, a leading Russian mobile operator, announced the acquisition of Gambit Esports for an undisclosed amount. With its four teams (16 players in total), Gambit Esports participates in the most popular cyber game disciplines, repeatedly earning world and European championship titles.

## RUSSIA'S LARGEST STARTUP FUND CELEBRATES 5 YEARS OF OPERATIONS

*By Jane Kuhuk, Adrien Henni,  
East-West Digital News/June 13, 2018*

The Internet Initiatives Development Fund (IIDF, or FRII in Russian), Russia's biggest fund for early-stage startups, has announced the results of its operations since inception.

The fund launched in mid-2013 as an instrument to support the emergence of a strong startup industry in Russia. It initially received the equivalent of \$200 million — a huge sum if considering the relatively modest size of the Russian startup market, especially at that time.

However, due to the ruble's sharp depreciation since then, the current value of the fund's capital has shrunk by around 50%.

The creation of the fund came as an initiative by President Putin; however, the IIDF is not financed by the government. It presents itself as a classic venture fund without disclosing the identity of its LPs. According to insiders, large state corporations are among its backers.

### **„A full-fledged ecosystem“**

Since its inception, the fund has invested 3.18 billion rubles (roughly \$50 million at the current exchange rate) in 367 startups. As of May 2017, the fund's portfolio was valued at 4.36 billion rubles (roughly \$69 million), which is 41% more than the money which the fund injected in the companies.

The IIDF has been Russia's most active venture fund with 43% of all venture deals in 2017.

Slightly more than half of the fund's portfolio companies are from Moscow (187) and Saint Petersburg (39). Top five regions represented in the portfolio are the Sverdlovsk, Novosibirsk and Tomsk regions, accounting for around 13% of startups. When it comes to the amount of invested funding, Moscow (55%) and Saint Petersburg (19%) are leading the list. Next come the Perm, Novosibirsk and Voronezh regions, startups of which attracted almost 14% of investment from the IIDF.

Beyond simply funding startups, the fund claims to have built „a full-fledged support ecosystem,“ which IIDF Director Kirill Varlamov described as follows in a recent interview with EWDN:

„We hold a range of educational events across Russia — thus last year 28,000 people took part in 265 IIDFF events. We develop the angel investment market through special training programs as well as through the crowdfunding platform StartTrack, which the market leader with more than 2,000 participating investors to date.“

StartTrack claims to have become the leader of the crowd investment market with over 800 million rubles (roughly \$12.6 million) turnover in 2017. The total turnover of the platform reached 1.5 billion rubles (some \$23.7 million) since its launch in 2013.

### **Massive acceleration**

IIDF also supports an acceleration program, which Varlamov says was „inspired from the experience of the most successful funds and accelerators in the world.“ Thousands of teams have participated in this program, which gathers a community of experts in the fields of IT, sales, marketing and technology.

Over 95% of the fund's portfolio companies participated in this accelerator. The companies which managed to reach their KPIs attracted the next seed investment round, which amounted to up to 25 million rubles (almost \$400,000) per company. These companies include Stafory, Hot WiFi, Brandquad, UNIM, HoloGroup, Sticker. Place, KidsWay, DocsInBox, Zig-Zag, UseDesk, TalkBank, Convead, MMOGuard and others.

A variety of players and groups are involved in IIDF activities, „from local or international corporations, to industry associations, to students or even children in entire regions,” Varlamov said.

Besides, the IIDF's experts has been used by lawmakers when drafting regulating IT market regulations and legal frameworks for entrepreneurs and investors, he underlined.

## **80% survival rate**

The fund has mostly invested in the companies in the field of artificial intelligence and machine learning, which account for 13% of its portfolio. Other supported fields include e-commerce, healthtech and fintech.

As of 2017, among the IIDF's leading startups in terms of revenue were Knopka Zhizni („Life's button") with 240 million rubles (around \$3.8 million), Cinemood (\$3.2 million), FlowWow with 290 million rubles (almost \$4.6 million), and UBIC Technologies with almost 100 million rubles (almost \$1.6 million).

Over 80% of the IIDF's portfolio companies are still alive, while 63 companies ceased their operations and another 15 startups are likely do so. In total 111.3 million rubles (some \$1.7 million), or 3% of the IIDF's total investment, amounts, was injected in these projects.

Source: IIDF

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**Moscow, Russia**  
2 Smolensky Blvd, 119034

**Tashkent, Uzbekistan**  
4B Afrosiab St., of. 205

**St. Petersburg, Russia**  
15 Chapaeva St., 197101

**Almaty, Kazakhstan**  
24 Zhandosova St., of. 15

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[www.rbpartners.ru](http://www.rbpartners.ru)

Arseniy Dabbakh  
Partner

Mob: +7 (903) 596-37-92  
Tel: +7 (495) 726-59-17  
[DabbakhAD@rbpartners.ru](mailto:DabbakhAD@rbpartners.ru)