



# Venture Russia

## 1H 2018: Results



IN PARTNERSHIP WITH





# TABLE OF CONTENTS

<b>1.</b>	<b>Highlights: in a nutshell</b> .....	4
<b>2.</b>	<b>The Russian vc market in a 2 minute rundown</b> .....	7
<b>3.</b>	<b>Overview</b> .....	11
	Venture market overview.....	12
	Market structure: stages.....	13
	Software & Internet B2B.....	14
	Software & Internet B2C.....	15
	Market structure: investors.....	16
	Market structure: segments.....	17
<b>4.</b>	<b>In focus: sharing economy</b> .....	20
<b>5.</b>	<b>The global vc market: facts and figures</b> .....	25
	Deals dynamics.....	26
	Global deals structure by investment target.....	26
	Global deals structure by rounds.....	27
	Deals structure in Europe.....	28
<b>6.</b>	<b>Annexes</b> .....	30



Dear colleagues,

We are delighted to present to you our semiannual overview of the Russian VC market — this time for the first six months of 2018. Let me start by sharing a few critical comments from the authors.

First and foremost, I keep repeating that our market is far from transparent, and the deals we identify and analyze are not giving a complete picture. We cover an estimated 70-80% of the total transactions in the market; at the pre-seed and seed stages, most deals are hidden from view.

All the numbers and facts, as you will see, portray show this half-year period to be uneventful. No breaking news on deals (except, perhaps, Ozon and Gett that added vivacity), no „wow“ investments — we saw none of these (which doesn't mean, of course, that there's none in store for the rest of this year). The very early stages are still on the move, driven not only by the highly active angel investors but also by accelerators that are wide awake again with a renewed interest from both private investors and strategic players.

We in RB Partners bet with great confidence on the power of wise acceleration and have joined in the development of an accelerator called Core Station. Acceleration programs are likely to evolve as a point of VC market entry for a whole army of investors. I hope with full sincerity that reserved and cautious as it still appears, the interest in acceleration will come openly forth, maybe, in 2019. ICOs have not capsized the market, despite murmuring rumor of a collapse we once heard. What now looks so logical filled us with unease just a year ago. It's good to watch the market's biggest strategic players increase their active— not really vibrant, but active enough. These, of course, are Yandex and Mail.Ru, which we, as investors would routinely (and hopelessly) criticize for reluctance to invest. If looked at from a real investment standpoint, their activity is but a mere drop in a huge bucket; it is very important nonetheless. Another crucial trend: governmental support of the market. One can be sceptical about the state's direct and indirect investments; what appears clear, though, is that the authorities tend to back companies that develop certain services, such as car sharing. That's why we have approached investors in an effort to see if they would also like to invest in such start-ups — and we learned that they would. I hope that in our next report issue a few months from now we will be able to greet you with truly encouraging news.

I wish you an enjoyable and useful read.

**ARSENIY DABBAKH,**  
**Partner, RB Partners,**  
**Board Member, NAIMA**





# THE FIRST-EVER RESEARCH STUDY ABOUT THE CEE VENTURE & STARTUP SCENE

ALBANIA, ARMENIA,  
AZERBAIJAN, BELARUS,  
BOSNIA-HERZEGOVINA,  
BULGARIA, CROATIA,  
CZECH REPUBLIC,  
ESTONIA, GEORGIA,  
GREECE, HUNGARY,  
KAZAKHSTAN, KOSOVO,  
LATVIA, LITHUANIA,  
MACEDONIA, MOLDOVA,  
MONTENEGRO, POLAND,  
ROMANIA, RUSSIA,  
SERBIA, SLOVAKIA,  
SLOVENIA, UKRAINE



- Get fresh deal data from 25 countries of Central & Eastern Europe
- Discover the region's hottest tech spots and most attractive startups
- On-demand research and startup scouting services

<http://cee.ewdn.com>





1

## **HIGHLIGHTS:** IN A NUTSHELL




# 1

## HIGHLIGHTS: IN A NUTSHELL

**Below are the key conclusions we traditionally present as facts and numbers with as little expert interpretation as possible. It's yours to interpret changes as you see fit. So, here we are.**

- ✓ **The market has found stability**, showing no change over the past four quarters. The number of deals dropped yoy in 1H 2018.
- ✓ **Investments at the seed stage grew** considerably, a trend we have observe has been building up for a few years now. It's probably an increased interest from angel investors and accelerators that is responsible. The latter were involved in about 80% of all early stage investment deals. Venture funds were lackluster at this stage.
- ✓ **Across other stages, the deal amounts were smaller.** (For some deals, investment amounts were guessed through expert analysis.) We saw no growth in the number of deals, unfortunately, in spite of investors verbally committing to shell out funds. Certainly, questions arise as to the quality of investments in the early stages; conversion is still relatively low, but perhaps an improvement may take a few more years.
- ✓ **At the advanced stages, the average investment per deal grew.** Those few projects investors typically find attractive got beefed up with greater amounts rised than before.
- ✓ **Stagnant as it may seem across stages, the overall picture is somewhat prettified at maturity.** It's the first six months that saw Gett and Ozon close their impressive rounds which accounted for two-thirds of the entire investments in the market.
- ✓ Despite predictions, **ICOs did not dishearten the venture markets in Russia and globally.** Comparison between 1H 2018 and ICO-flooded 2H 2017 gives us a 50% shrinkage in the number of ICOs (with double the investment amounts, though, as the market has been maturing in line with expert forecasts, and unprofessional investors appear to have left it).
- ✓ **So, we have seen a relative calm over at least three year period**, characterized by a barely changing number of deals, bigger cheques, an increase at the early stages and slump at the mature stages, and eventual leveling with huge deals taken into account. On the other hand, it's good to know that despite all the threats which experts warn should reduce VCs to ashes (global crisis, offshore crackdown, sanctions, ICOs and whatnot) the market is still alive and steady.






# core station

**250+ unicorns** currently exist in the world  
We found the way to make it happen **in Russia**

## Join us today

Wide network of partners  
Access to private investors' community  
High-quality pipeline, diversified portfolio

 [t.me/corestation](https://t.me/corestation)

 [facebook.com/corestation](https://facebook.com/corestation)

 [corestation.ru](https://corestation.ru)





# 2

## **VC MARKET IN A 2 MINUTE RUNDOWN**



# 2 VC MARKET IN A 2 MINUTE RUNDOWN

Let's begin with stage-by-stage comparison between 1H 2018 and the same period last year.

What first leaps to the eye is an overall advance at the seed stage and at the maturity and growth stages. Let's take a closer look.

**Seed.** The number of seed deals was up from 68 to 81, a quite noticeable increase the Russian market. Investment amounts grew negligibly from \$4.1m to \$4.3m. The average investment per deal inched down from \$60K to \$50K. It's an increase in the number of deals that is worth looking at, we believe.

## Russia's VC market in a 2 minute rundown

	1H 2017 1H 2018	Number	Investment amounts. \$Mio	Average investment per deal. \$Mio	Investor structure
Seed	68 <b>81</b>		4.1 <b>4.3</b>	0.06 <b>0.05</b>	Seed
Start-up	27 <b>27</b>		22.9 <b>15.1</b>	0.85 <b>0.56</b>	Seed A B
Growth	29 <b>14</b>		13.7 <b>11.4</b>	0.47 <b>0.81</b>	Seed A B
Expansion	34 <b>14</b>		111.0 <b>59.7</b>	3.27 <b>4.26</b>	Seed A B
Maturity	4 <b>4</b>		75 <b>172</b>	18.8 <b>43</b>	Seed B C+
TOTAL*	162 <b>140</b>		227 <b>262</b>	1.4 <b>1.87</b>	Seed A B C+
Exits	12 <b>20</b>		133.2 <b>175.4</b>		
ICO**	5 <b>11</b>		153 <b>109</b>		

\* No exits included

\*\* Only Russian-based or Russia-focused ICO projects taken into account

# 2 VC MARKET IN A 2 MINUTE RUNDOWN

**Start-up.** The stage appears far from encouraging, with the number of deals unchanged (27) and the moneys and the average investment per deal shrunk from \$22.9m to \$15.1m and from \$850K to \$560K, respectively. The start-up and growth stages have traditionally been a sore point for the Russian market, and unfortunately, there's no sign of improvement.

**Growth.** This stage suffered an overall slump, too, with a dramatic nosedive from 29 to 14 in the number of deals. The investment amount contracted from \$13.7m to \$11.4m, while the average investment per deal — good news — skyrocketed from \$470K to \$810K. However, it's the decline that should be noted here; there are so few good companies that reach the stage.

**Expansion.** Sadness reigns here. The number of deals fell from 34 to 14, and so did the investment amount (from \$111m to \$59.7m). The average investment per deal inched up from \$3.27m to \$4.26m, which adds little sparkle.

**Maturity.** The stage has traditionally brought optimism, although it's obvious that one or two deals are enough to change everything here, so optimism is reserved — especially with the same four deals that we saw in 1H 2017. The investment amount and the average investment per deal grew substantially from \$75m to \$172m and from \$18.8m to \$43m, respectively.

As we draw conclusions, please note that the average investment per deal has grown across most of the stages, a sign of investors' willingness to spend. Nonetheless, there's a clear shortage of fundable companies, a reason why there are so few deals at almost all stages. Investors confirm the problem, when approached.

That's how that 12-month period ended: the number of deals down from 162 to 140 (even the seed stage did not help) and the investment amount and the average investment per deal up from \$227m to \$262m (a noticeable rise for the Russian market) and from \$1.4m to \$1.87m, respectively. Analyzing exits (also a long-standing pain in the neck for the market), we found that those nearly doubled in number from 12 to 20, another pleasant surprise for this market. In money terms, the growth may appear low-key (from \$133.2m to \$175.4m); however, if we slice this „pie“ up in percentage points, we will see that the situation is a bit better than it appeared. The overall market trends leave us divided as to what was good and what was bad with one vital indicator falling and another rising. „Balanced“ would be an appropriate tag for the situation. Market structure analysis that follows may shed some light on it.



The international standard  
for Russian venture news  
[www.ewdn.com/finance](http://www.ewdn.com/finance)



## **East-West Digital News**

***On-demand market research  
and startup scouting services  
in Russia and Eastern Europe***

East-West Digital News is the first international information and PR consulting company dedicated to the vibrant tech markets of Eastern Europe. Get in touch with us at [contact@ewdn.com](mailto:contact@ewdn.com)



3

## OVERVIEW



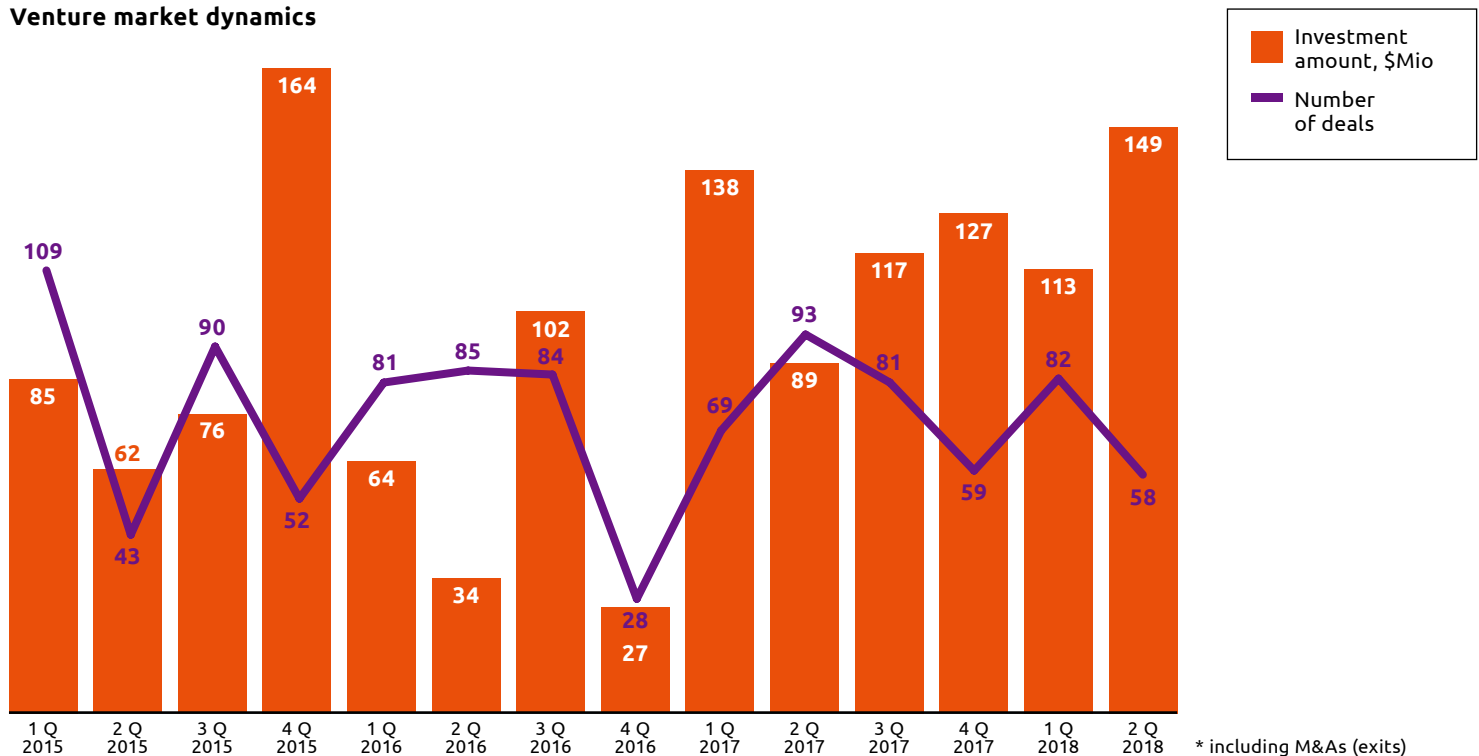
# 3 OVERVIEW

## Venture market overview

We continue overall assessment of the market situation. To do so, let's review it retrospectively over a three-year period retrospect, as shown on the chart below. Even a quick glance at the 1Q 2015-2Q 2018 period identifies the last four quarters as the most stable of all. No upsurge in the number of deals as we watched in 1Q 2015 (109); no explosive growth in the investment amount as in 4Q 2015 (\$164m); and no dramatic plunges in the indicators similar to those we saw in 4Q 2016 (28 and \$27m, respectively). If you take a closer look at the stats, you will see that the last quarters brought more than just stability — they brought noticeable growth. Let us hope that this is the basis for a real across-the-board growth in future (given continuous half-year increments in the investment amounts we have watched since 2016).



## Venture market dynamics





# 3 OVERVIEW

## Market structure: stages

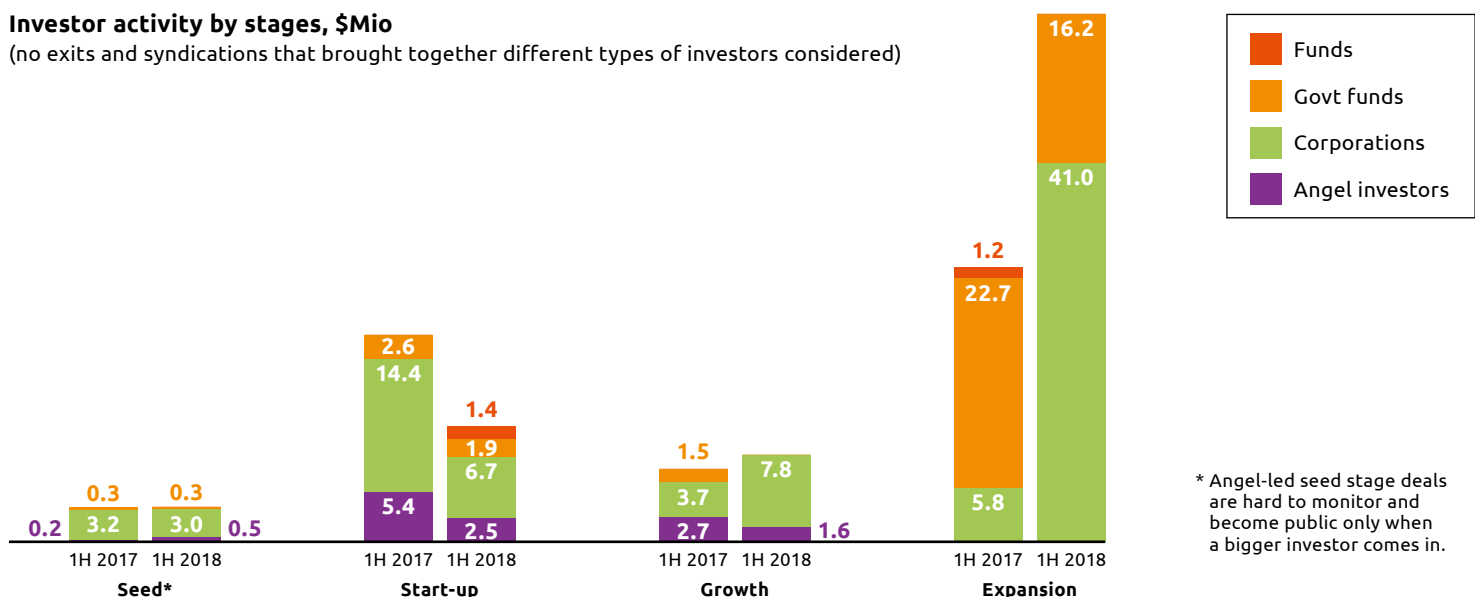
Half-year dynamics in the number of deals, across all stages, over a two-year period also gives us good food for thought. First of all, we see once again how stable the situation was, with 1H 2018 basically mirroring 2H 2017. However, internal stage dynamics differs a lot. We have never seen the seed stage grow so remarkably during the period markedly to 81. Never in the past 18 months did all the remaining stages plummet so dramatically. What is that? A foundation for a future explosive growth of quality projects and, subsequently, the advanced stages? Or a risk factor barring many funded early-stage projects from going up? It's hard to say now, but certain quantitative pressure from below is obvious, and we believe the questions will be answered in 1H 2019.

Stage-by-stage investor activity assessment reveals, first of all, bigger moneys across almost all stages, except start-up. Secondly, funds were on the rise, dominating start-up, growth and expansion. As a reminder, last year they were outperformed at these stages by corporations and angel investors. We hope this is a heartening sign of renewed verve from private venture capitalists.

It should be noted that at the advanced stages, the investment „pie“ grew more balanced; at start-up, all

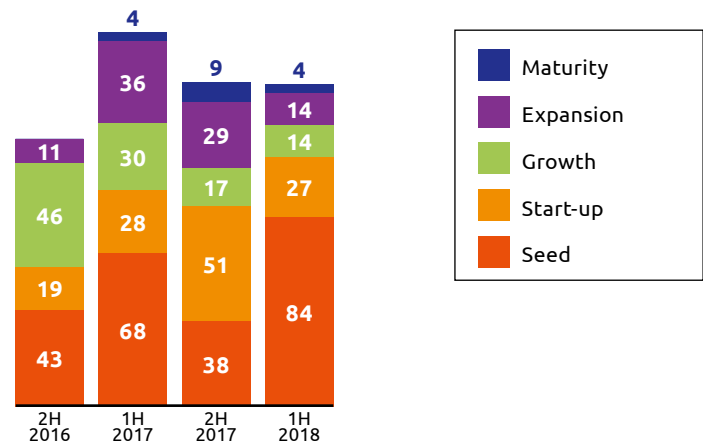
## Investor activity by stages, \$Mio

(no exits and syndications that brought together different types of investors considered)



\* Angel-led seed stage deals are hard to monitor and become public only when a bigger investor comes in.

## Venture deals dynamics at different stages of development



types of investors could be found which is a pleasant surprise. Corporations, too, found a good toehold at basically all stages.

# 3 OVERVIEW

## Software & Internet B2B

Software and the Internet are still second to none in investor preferences and so are worth special attention. Let's begin with B2B to identify destinations for investors' money, and the way it was invested.

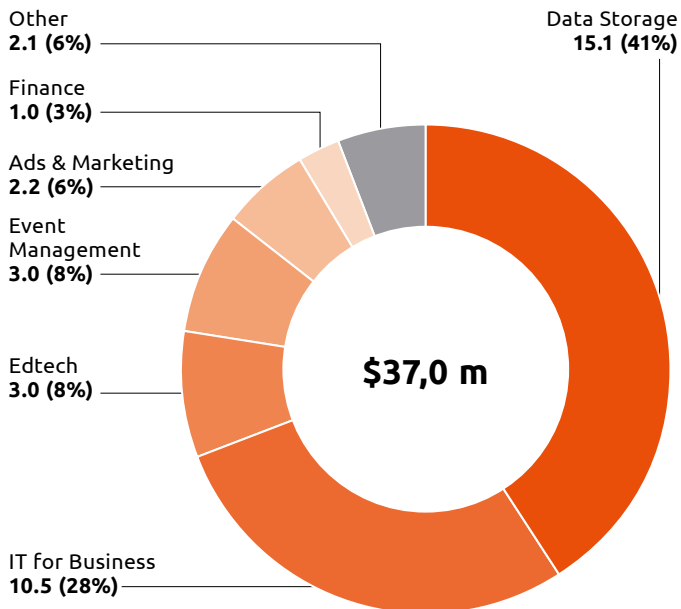
In money terms (\$37m total), Data Storage and IT for Business were the undisputed leaders (41% and 28%, respectively). Edtech and (unexpectedly!) Event Management followed with 8% each. Ads & Marketing, as well as Finance that used to be in the lead in previous years, trailed with 6% and 3%, respectively.

In the number of deals (50 total), Ads & Marketing and IT for Business assumed leadership with 12% and 23%, respectively, followed by Transport (6%).

## Exits in 1H 2018 in Software & Internet B2B

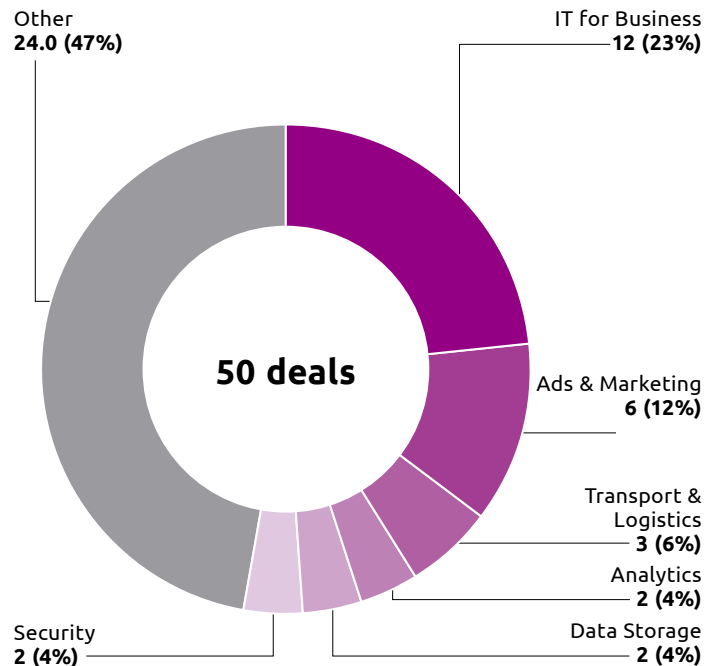
Project	Investor
Transas	Wärtsilä
Dialog	Sberbank
Amulex	iTech Capital II
Nalogia	European Legal Service
Tranzaptor	amoCRM
Solar Security	Rostelecom

## Deals structure by sector\*, \$Mio



\* ex M&A deals and exits

## Deals structure by sector\*, numbers



# 3 OVERVIEW

## Software & Internet B2C

In a similar assessment, of B2C what leaps to mind is how B2C with its \$212.9m in the volume of investment dwarfed B2B's \$37m. B2C outshone B2B in the number of deals as well, but not so overwhelmingly.

Another leadership reshuffle: Transport & Logistics (47%) followed by E-commerce (29%) were far ahead. Gaming accounted for 9%; but the rest, such as HR, Content, Health and Finance, typically fail to win the hearts of investors despite good press — and therefore look microscopic on the chart.

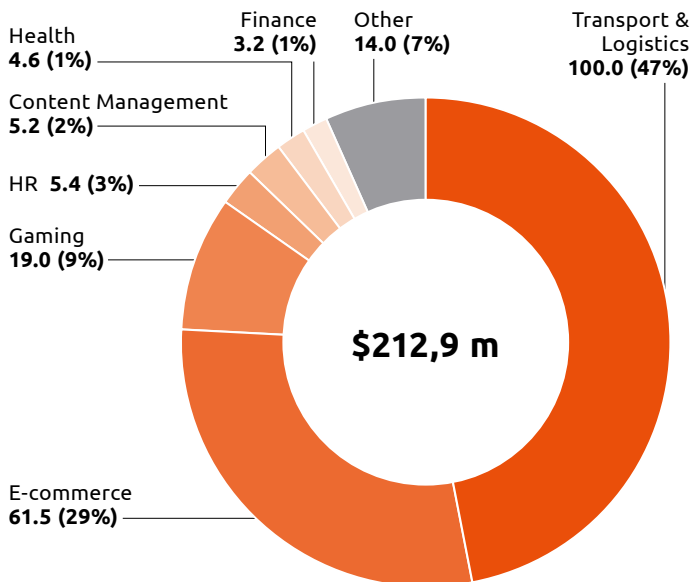
In the number of deals (76 total), Edtech and Transport were in the lead with 42% and 21%, respectively, whereas E-commerce only came third with 9%. Other categories, such as Finance, Industrial Tech, Health and Content, bigger than previous share, which was within the limits of error, and showed some potency.

So, we can see that investors appear intimately attached to the time-tested sectors and shun any risk even more vividly than in prior years.

### Largest exits in 1H 2018 in Software & Internet B2C

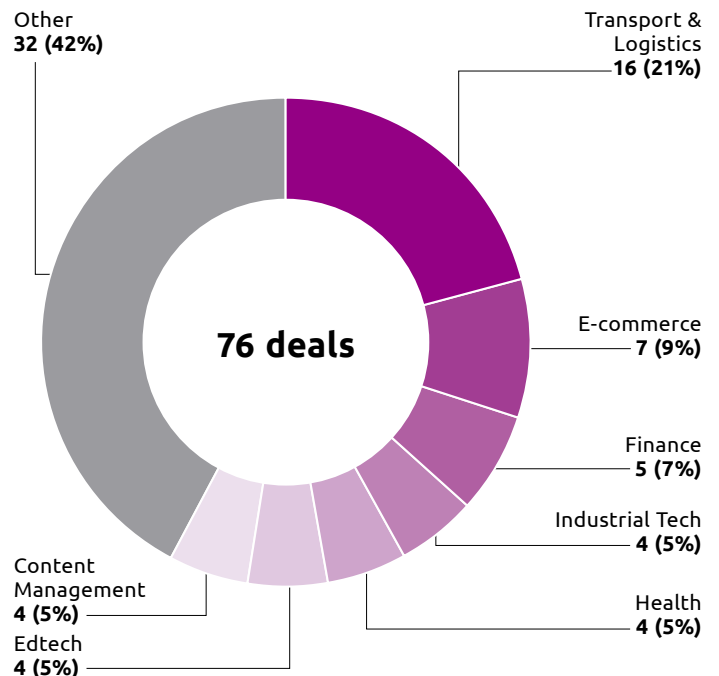
Project	Investor
Pay-Me	Alfa Bank
Larixon Jobs Network	Hearst Shkulev Media
Handybank	InfoWatch
Timepad	Sergey Solonin
33 Elephants	Mail.Ru
TradingView	Insight Venture Partners, Jump Capital, DRW Ventures
Technoinvestproekt	Megafon

Deals structure by sector\*, \$Mio



\* ex M&A deals and exits

Deals structure by sector\*, numbers





# 3 OVERVIEW

## Market structure: investors

We attempted to „try on“ the eyes of the investors and assess, by categories, how they were faring in the first six months of the year.

Government funds were languid when industrial tech or biotech projects came into view.

Corporations invested lavishly in software and the Internet in the B2C segment and very cautiously in industrial tech. Logic speaks for itself. Except two or three big and well-known Internet companies, most of the strategic investors here are large-scale banking and industrial groups, so they invest in what they deem strategically interesting.

As usual, angel investors placed a good deal of faith in Software & Internet B2C, which is quite understandable with small investments per deal, clear business models, a large number of projects, and good enough liquidity.

Venture funds generously backed software and the Internet both in B2B and B2C, and just tested the waters in industrial tech.

We come up with a fairly conservative picture as a result.

Investor activity analysis helps us see that funds were more aggressive than in 2017 when they watched angel investors and corporations take the lead. This time corporations only (and predictably) rivaled the funds at the B and C rounds. The jury is still out on why angel investors slowed down this year.

As we noted in the very beginning, the average investment per deal swelled noticeably in 1H, except the start-up stage.

### Biggest venture deals in 1H 2018

Project	Investor	Amount (\$Mio)	Sector
Neurogaming	Wargaming, Vrtech	16	Games
Ozon	Baring Vostok, MTC	61	E-commerce
TradingView	Insight Venture Partners, Jump Capital, DRW Ventures	33	Analytics
Ixcellerate	Goldman Sachs	15	Data Storage
Gett	Access Industries, Baring Vostok, MCI, Volkswagen Group	80	Transport & Logistics

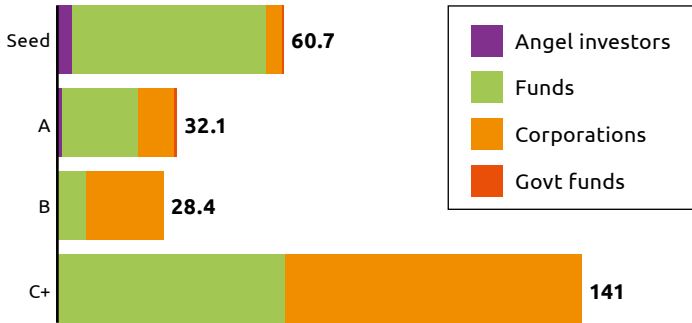
### Market structure: investors, \$Mio (ex exits)



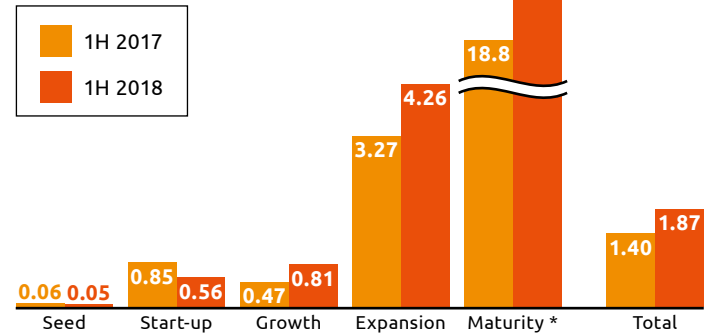
\*Deals with mixed investor types come within a group that prevails by investment volume in a round

# 3 OVERVIEW

Venture investments by rounds, 1H 2018, \$Mio (ex exits)



Average investment per deal by stages, \$Mio

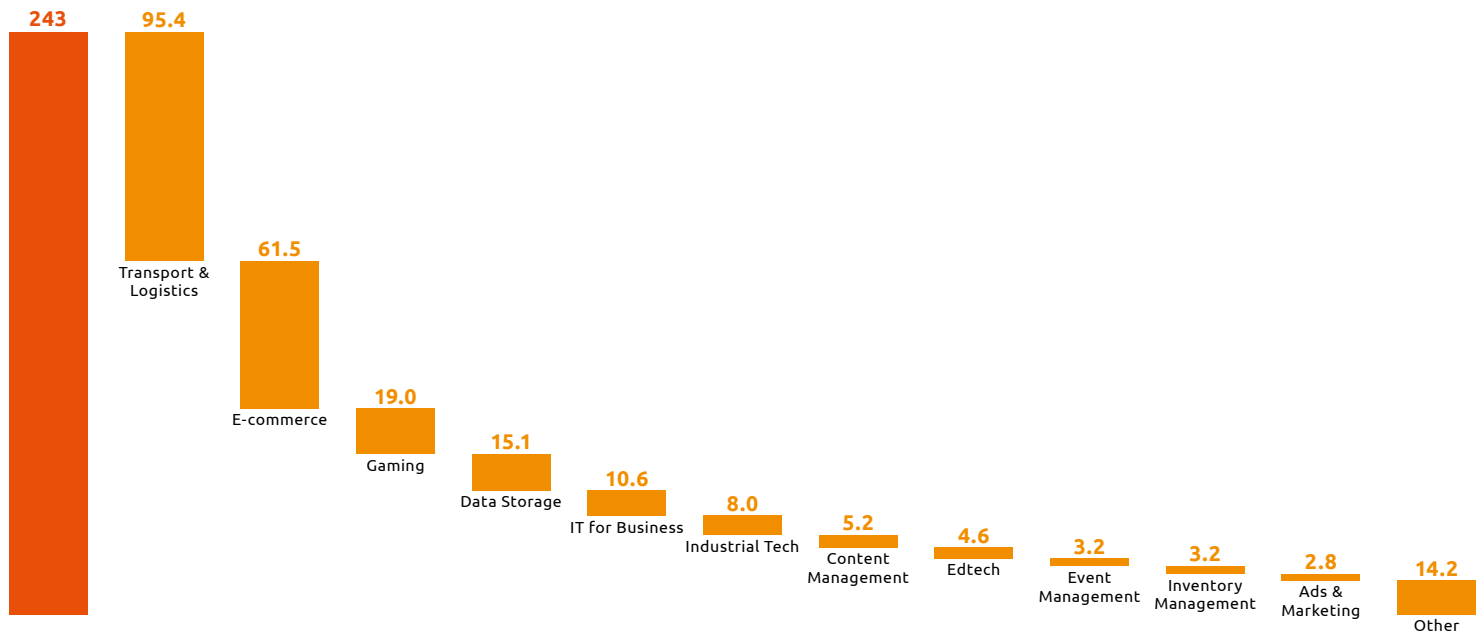


## Market structure: segments

In this section we tried to figure out how \$243m worth of total investment was distributed across segments. Unarguably in the lead were Transport & Logistics and E-commerce (\$95m and \$62m, respectively). Gaming, Data Storage and IT for Business composed the second largest investor magnet with \$19m, \$15m and \$11m, respectively. Other segments attracted less than \$10m.

Industrial tech with \$8m is worth a separate mention. Overall, IT domination was even more distinct than ever, and none of the non-IT segments came close to contesting leadership — unlike the previous years when we saw biotech creeping shyly up only to get nearly lost this year. Let us reiterate that investors have become more conservative; they choose iron-clad, time-tested

Market structure: segments, \$Mio (ex exits)



# 3 OVERVIEW

bets on segments which can hardly even be referred to as venture, like e-commerce, or ones from the real economy, such as logistics and transport. They invest in the segments that promise good market volumes, a factor that is easier to evaluate on proven playgroups.

Foreseeing market potential is key, and to a certain extent it's also a market stability factor.

Such is the epitome of these six months: near-stagnation balance that can pass for stability.

## List of exits

Date	Project	Investor	Amount (\$Mio)	Company stage
Jan 18	Lumminotech	Georgy Kuznetsov	0.1**	Seed
Jan 18	Pay-Me	Alfa Bank	5**	Growth
Jan 18	Larixon Jobs Network	Hearst Shkulev Media	8	Expansion
Jan 18	Gambit Esports	MTS	5**	Growth
Feb 18	Deal Way	Epicstars	0.5**	Start-up
Feb 18	Ticketland	MTS	53	Mature
Jan 18	Ponominalu.ru	MTS	8	Expansion
Feb 18	Handybank	InfoWatch	4	Expansion
Feb 18	Timepad	Sergey Solonin	10	Expansion
Mar 18	Brandspotter	Youscan	3**	Mature
Mar 18	Transas	Wärtsilä	0.25	Start-up
Mar 18	Dialog	Sberbank	1**	Start-up
Apr 18	33 Elephants	Mail.Ru	3**	Mature
Apr 18	Amulex	iTech Capital II	2	Growth
Apr 18	Nalogia	European Legal Service	1**	Mature
Apr 18	Telemir	ER-Telecom Holding	5**	Mature
Apr 18	Tranzaptor	AmoCRM	0.5**	Start-up
May 18	TradingView	Insight Venture Partners, Jump Capital, DRW Ventures	33	Mature
May 18	Solar Security	Rostelecom	23	Mature
Jun 18	Technoinvestproekt	Megafon	10	Expansion

\* including deals with complete or partial buyout

\*\* amount estimation by RB Partners



National Alternative Investment  
Management Association

National Alternative Investment Management Association is an industry body focused on promoting long-term capital in Russia. We work with the professional community, regulators, media and the public to increase awareness of alternative investments as a source of value creation and foster the development of capital markets in our country.

**We focus on PE and VC investing, real estate and infrastructure, hedge funds, and impact investing.**

We get support from leading investment funds, audit and legal firms, international SROs and other financial market players that are our members and partners.

NAIMA is part of the EMPEA Industry Partner Network and supporter of the Institute of Modern Arbitration.

**The Association's core activities include:**

- Developing industry-focused education projects, putting together a certification system for alternative investment managers, and delivering ongoing research on long-term capital markets.
- Hosting industry-wide events in Russia and abroad.
- Lobbying for a more investor-friendly legal environment.

More information about NAIMA you can find on  
[www.naima-russia.org/en/](http://www.naima-russia.org/en/)





4

**IN FOCUS:**  
SHARING ECONOMY



# 4 IN FOCUS: SHARING ECONOMY

Surveying fund managers for their opinions on the most important investment trends has become a tradition for our reports. Keeping it up, some of Russia's most active VCs talked this time about sharing economy, a trend that has been gaining momentum both in Russian and globally.

That taxi integrators and car sharing services have been spiritedly developing across bigger cities in Russia corroborates the viability of the trend — and so do some deals, still modest in size, yet important in prospects, such as a new round of YouDo funding (that came in the wake of last years' sprightly acquisitions by Yandex and Mail.ru). Moreover, we are probably facing a tendency that is little short of revolutionary, comparable in implications to the advent of social networks. In fact, what the sharing economy is trying to do is challenge conventional economics. What we have seen so far is the endorsement of commonality in a society that is relatively free to consume but not own — a concept that runs counter to the very logic of capitalism and the private property values.

We approached ten managing partners at actively investing funds for their views of the new trend's upsides and risks. Here's a result in a generalized form.

## 1 Which segments of the sharing economy appear most attractive for an investor?

That's how the respondents replied. They are still wary and bet first and foremost on segments that would bring no surprise.

Attractiveness, %



## 2 What segments promise explosion potential within 2–3 years?

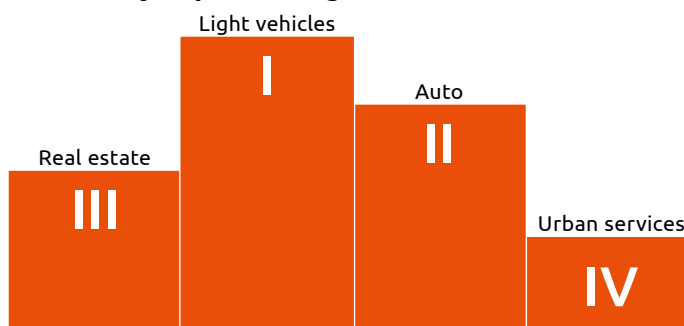
We think the following response deserves to be quoted as is.

„The shared mobility segment is facing a fundamental change. More sectors are scrambling to match the success of taxi and car sharing verticals. In China and the U. S., it took just a few months for several companies in the micro-mobility segment to make a splash in short distance transportation services. Bicycles are currently the vehicle of choice in more than 50% of on-demand trips in China. In the U. S., it took Bird and Lime less than two years to raise \$415m and \$467m, respectively, for the global scaling of services offered with the help of their proprietary electrical scooters and bicycles. What about other countries? Europe, for example, does not have strong local players yet, leaving newcomers a perfect chance to emerge as champions and show us growth very soon.

Such companies already compete with conventional taxi aggregators and are aggressively carving out a market share in the short-distance trips segment. This is exactly why Meituan Dianping, a \$50+bn Chinese giant, this past April shelled out \$2.7bn for Mobike, a short-term bicycle rent service, and is now using the asset as the foundation for a new taxi service to vie with their fellow-countrymen from Didi Chuxing.

Turning on-demand mobility services into multimodal solutions is another key trend. Any user will surely find it more

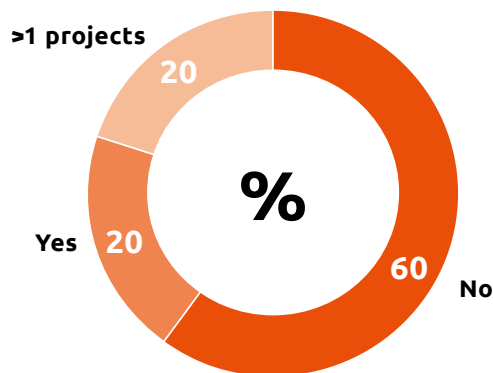
Potentially explosive segments



# 4 IN FOCUS: SHARING ECONOMY

convenient to utilize a single app with a variety of options rather than switch between several different platforms. With that in mind Uber overlooks the cannibalization of its core business and steps up a new service to enable short-term rent of electrically driven bicycles and scooters. This gives nascent start-ups (with a strong team available, of course) a unique chance to outsmart „old wave“ leaders; we have watched success stories unfold in the world’s two most competitive venture markets.”

## 3 Do you have sharing economy projects in your portfolio?



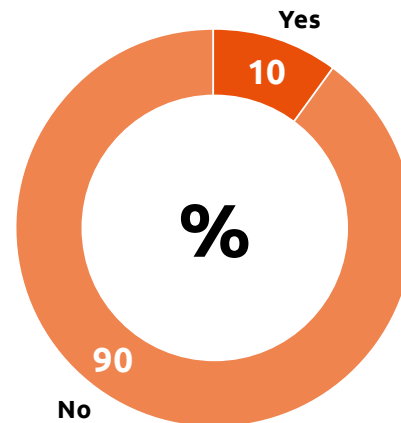
To probe into funds’ true interest in the sharing economy segment, we asked if they had such projects in their portfolios. That’s how the respondents replied, giving detail if „yes.“

The following responses will explain why the „no“ answer was prevalent. The quality and quantity of such projects still leave much to be desired.

## 4 Do you see any increase in the number of start-ups from these segments which seek funding in the market?

We found it critical to assess whether sharing economy start-up projects do really grow or stagnate. Take a look at how the respondents answered question 4.

Some added in a comment that, „The number of sharing economy start-ups remains relatively unchanged; what



changes, though, is the specific focus start-ups choose for the development of their solutions.“ As a result, we can see a strong investor interest and an inadequate pipeline of projects.

## 5 Evaluate the average quality of new start-ups in the segment from 1 to 5.



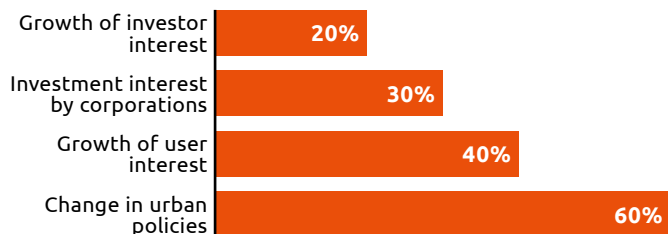
Even with the lack of start-ups, those available have yet to earn high regard among investors.

## 6 What are the external factors that can impact the development of the sharing economy model in Russia within the next 12 months?

Investors believe in the authorities and the users but place little faith in themselves and strategic investors. There are exceptions, though, as exemplified by the following answer: „Yandex with its Yandex.Taxi has found a firm foothold in Russia; with its huge user base and strong product team it can launch additional services. One of the most recent success stories was the start of Yandex. Drive, an ambitious endeavor that has caused Moscow’s car sharing players to consolidate. Also, change of consumer

# 4 IN FOCUS: SHARING ECONOMY

## External factors that can influence the sharing economy model in Russia

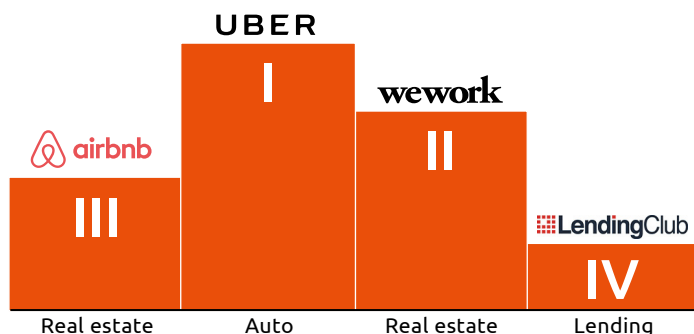


preferences can trigger the emergence of new niches. For example, subscription-based long-term car rent is a yet-untapped option in Russia and could be a potentially sizable niche market. That said, the odds against new local players ever emerging in Russia without a strategic helper are high.”

## 7 Your top list of the world’s most interesting companies (by order of incidence of answers)?

Some also gave less prevalent answers which were nonetheless interesting to note: Stitch Fix („one of the few companies to go public and grow lucrative”); Yard Club (an example from an untrodden segment of heavy machinery); Molisan, JJ Umbrella, Sharing E Umbrella or Bamboo Shoots, an array of Chinese companies that rent out umbrellas, of which a respondent said, „These are things that always come to mind when it’s pouring rain and you have none with you.”

## Top Four of the world’s most interesting companies

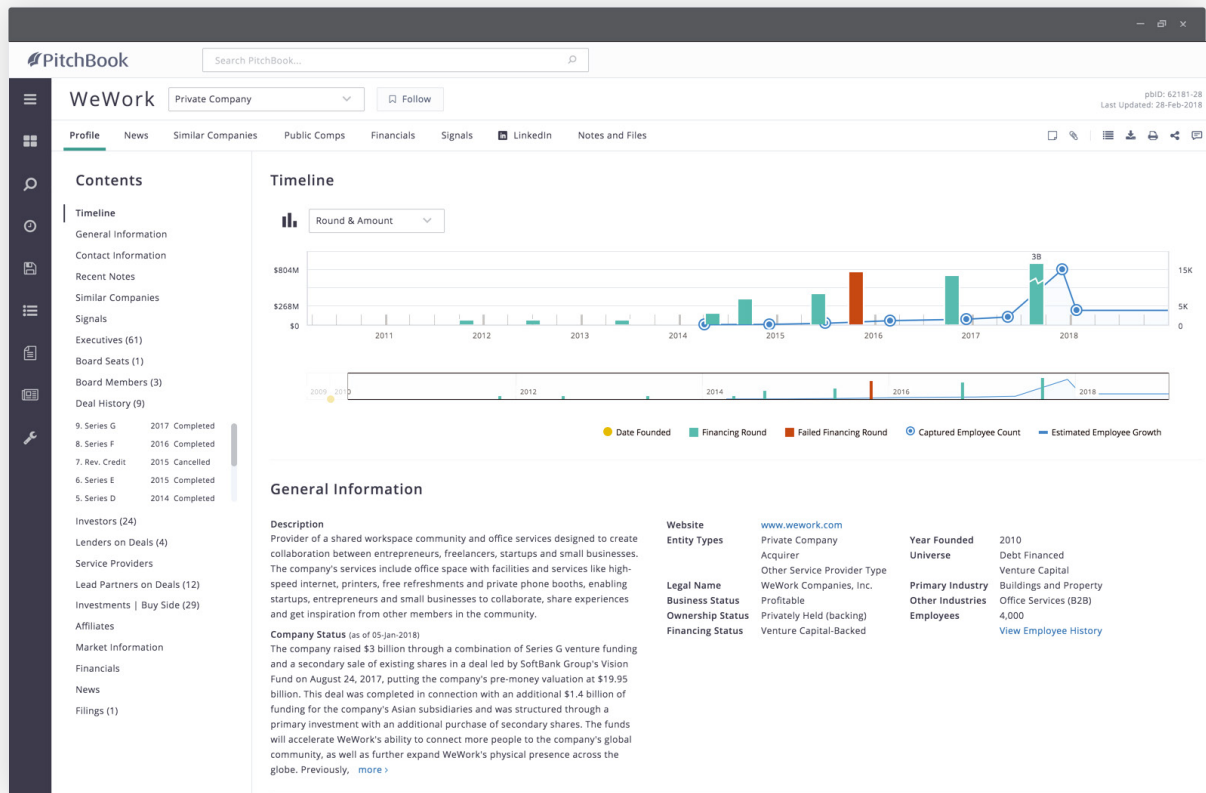


We also asked the respondents to list interesting deals in the sharing economy segments in the past year. We got few answers, frankly speaking.

In a nutshell: we have to admit that in spite of a relatively strong investor interest in the sharing economy segment, and of clear and reasonable expectations, it’s the start-up side that is a downside today. The pipeline of such projects is not growing, as the investors feel, and neither is their quality.



# Fundraise faster. Invest smarter. Make your next move the right move.



PitchBook plays key role in Russia's private market ecosystem by supporting leading investors and service providers in the deal making process. We provide comprehensive data on the private and public markets – including companies, investors, funds, investments, exits and people – to help global business professionals discover and execute opportunities with confidence.

“After a long research process, we’ve chosen the PitchBook platform as the best data source on startups and investors. It really helps us to understand industry benchmarks and market landscape in each potential investment case.”

Request Your Free Trial: [demoEMEA@pitchbook.com](mailto:demoEMEA@pitchbook.com)

London Tel: +44.203.890.4928



**Viktor Chervyakov**

Investment Director,  
Skolkovo Ventures



5

# THE GLOBAL VC MARKET: FACTS AND FIGURES

In collaboration with PitchBook



Venture Russia  
1H 2018: Results

# 5 THE GLOBAL VC MARKET: FACTS AND FIGURES

## Deals dynamics

The global venture market is on the move as ever. Although it keeps nurturing new technology titans, it appeared to make a pause a year or so ago. Analysis of the market dynamics makes a downward trend unmistakable. Over the past two years the number of deals has shrunk by 1,400 (15%). The investment amounts have shown the opposite move, doubling since 2H 2016. On the backdrop of a highly unfortunate 2H 2017, the first six months of this year looked optimistic. In this respect, the Russian VC scene, which accounts for less than 1% in the global stats, follows suit.

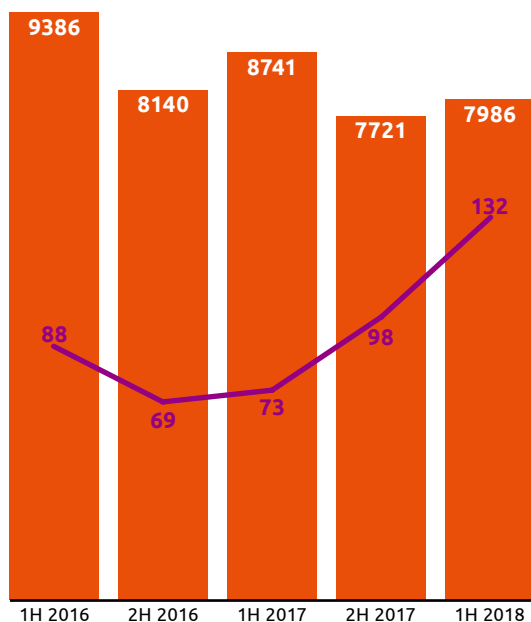
Exits, too, have shown a 13% decline (by 112 deals) with nearly double the investment amounts.

Exits by overall volume already beat the entire 2017 by 200%. International investors are wary; global VC risks are swelling; many well-established businesses are overvalued; and attempts to identify a future „star“ among start-ups get increasingly costly.

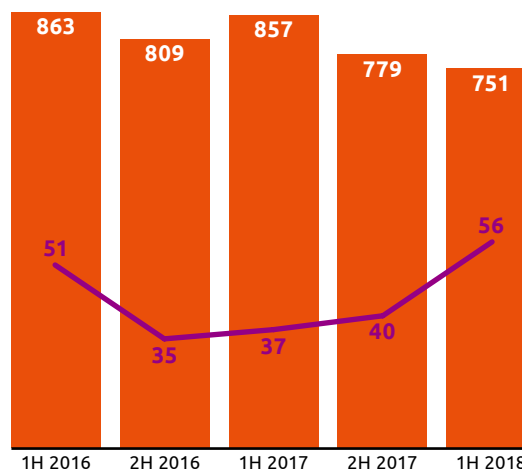
## Global deals structure by investment target

The deals structure has barely changed in the world. What is worth noting is the investors resetting their sights on the traditional IT lure (growth to 48% from 45% in the prior period; there used to be times when every second dollar from investors cultivated that sector). Also, B2B projects saw investor is affection fade by 8%.

Global deals dynamics (ex exits)



Global exits dynamics



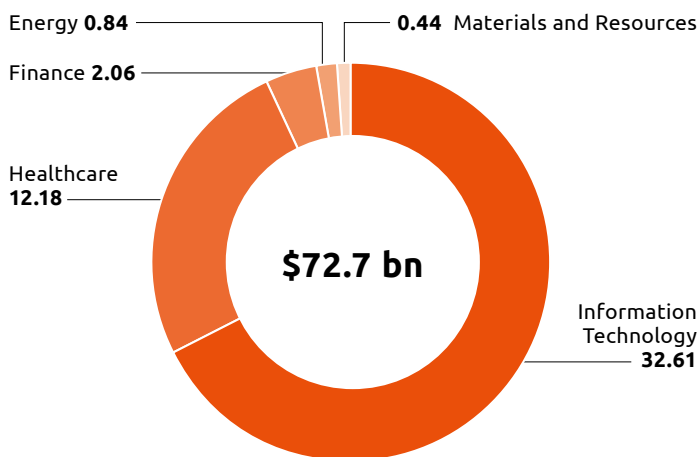
# 5 THE GLOBAL VC MARKET: FACTS AND FIGURES

## Global deals structure by rounds

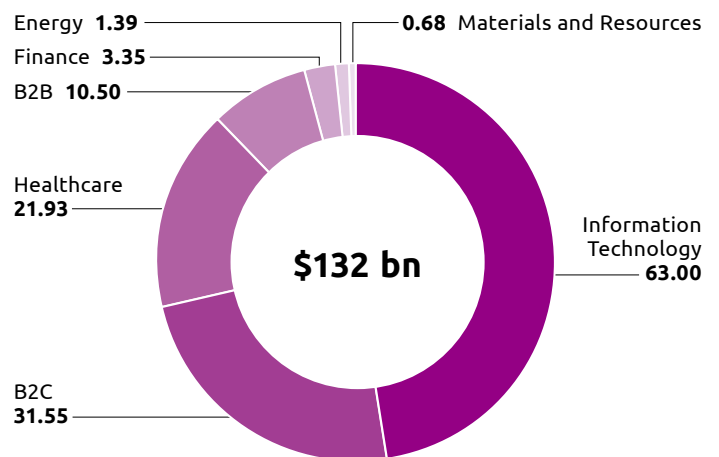
We saw a considerable change in investments by rounds in the reporting period. Investors showed lavishness with mature (C) stage projects and aloofness with all the rest, yet another sign of investor wariness across the globe. The Russian market acted closely in sync with the global trends; a substantial increase in mature stage investments was one of its main drivers in 1H 2018.

The number of investors having an itch for buying into later-stage companies have grown in numbers, analysts emphasize. The reporting period corroborated the trend compellingly. Corporations, too, keep their eyes fixed on the market; they took part in 80+% of all the deals in 1H 2018.

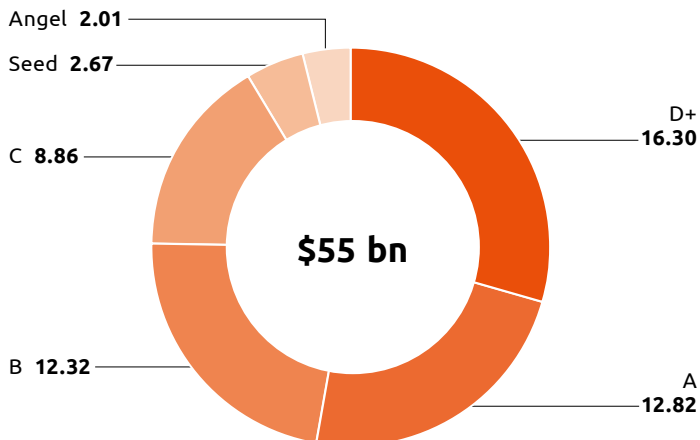
Global deals structure by sectors in 1H 2017



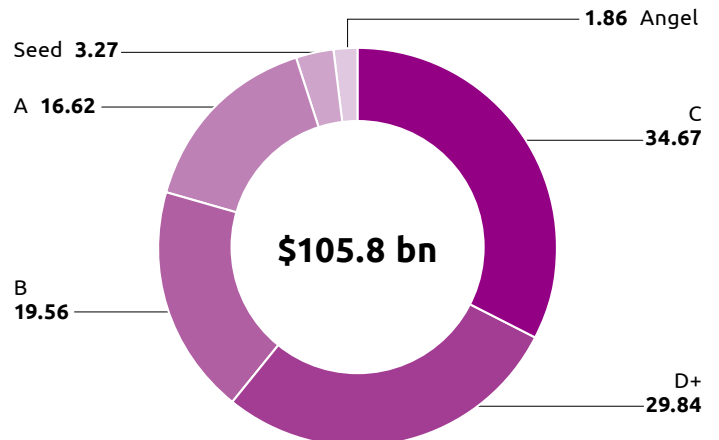
Global deals structure by sectors in 1H 2018



Global deals structure by rounds in 1H 2017



Global deals structure by rounds in 1H 2018





# 5 THE GLOBAL VC MARKET: FACTS AND FIGURES

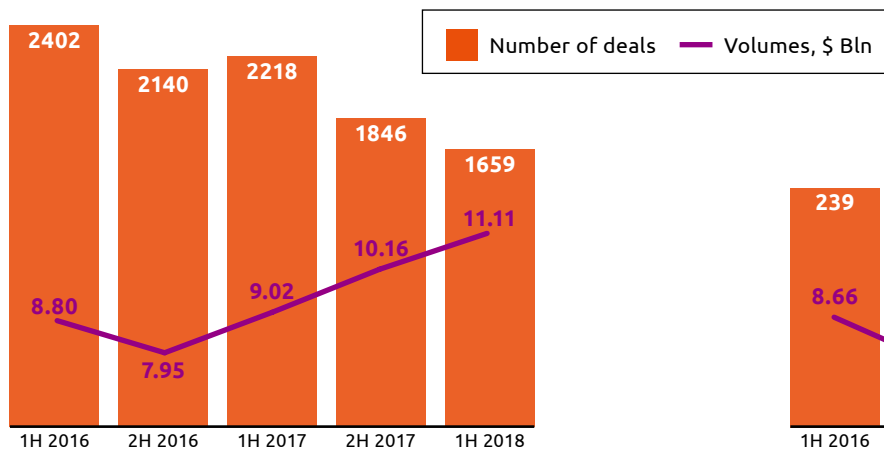
## Deals structure in Europe

Europe is not a leader among global VCs. The global market has long been dominated by the U. S. (more than 50%), and China with its current 25% is the stalwart runner-up. Russia plays actively on the European playground, with Russian funds vigorously looking for companies here, and therefore we take a genuine interest in how the continent is faring.

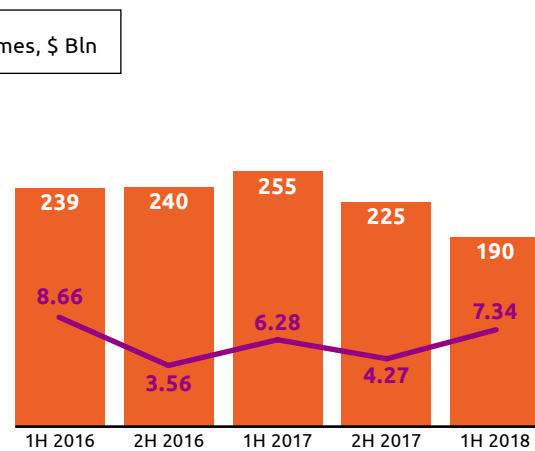
The European market is naturally affected by global market dependency — and currently to an extent greater than the international average. The number of

deals dropped by a quarter within a year, spiraling down on a 50% six-month decrease in the EU's Nordic countries. The leaders in Europe's investment race are more or less the same as before. The UK and Ireland were still in the lead in 1H, favored, among other things, for the investor-friendly British law. Germany, Switzerland and Austria outshone the Nordic states in attracting investments. It's premature, though, to talk about any irreversible change, as Germany, for example, also experienced in 1H 2018 a 20% yoy decline in the number of deals.

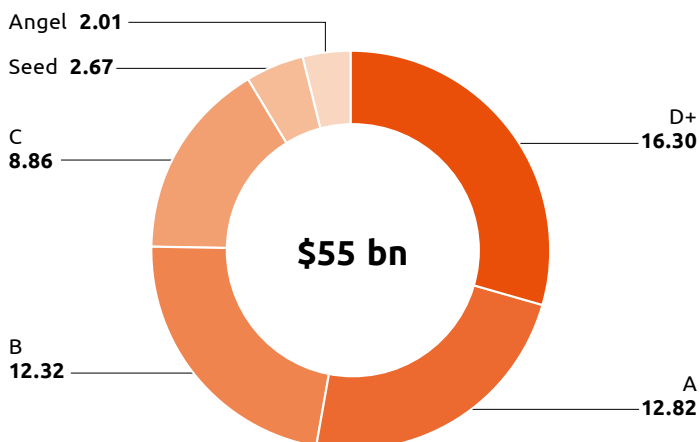
### Deals dynamics in Europe (ex exits)



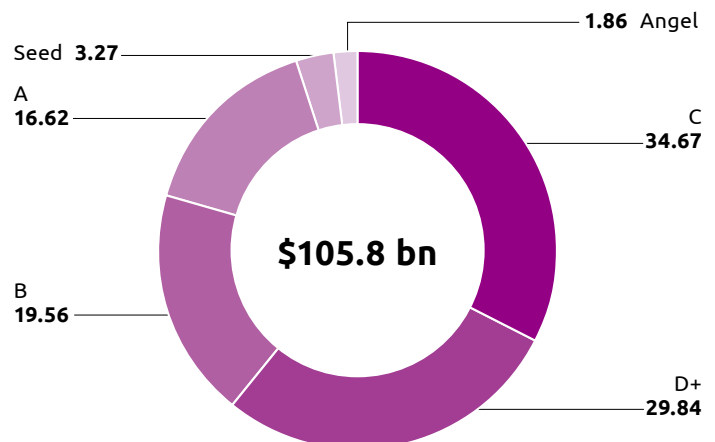
### Exits dynamics in Europe



### Deals structure in Europe by rounds in 1H 2017



### Deals structure in Europe by rounds in 1H 2018



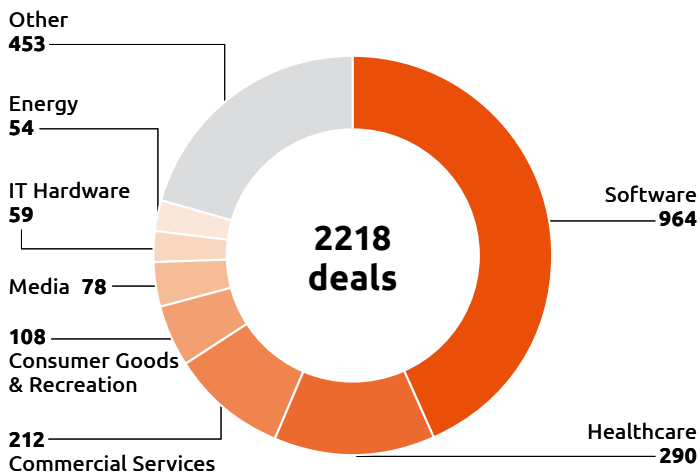
# 5 THE GLOBAL VC MARKET: FACTS AND FIGURES

The 1H deals structure by sectors changed perceptibly on a year-on-year basis. IT projects are irrefutably in the lead; investors stepped up IT investment by another 40%. The media and biotech/medicine segments also showed robustness, with investments swelling by nearly 100% and 80%, respectively. Other segments were basically overlooked and keep waiting in the wings. The commercial services segment lost much of its prior appeal for investors, ending up with just \$413m in investments vs. \$680m in the earlier period.

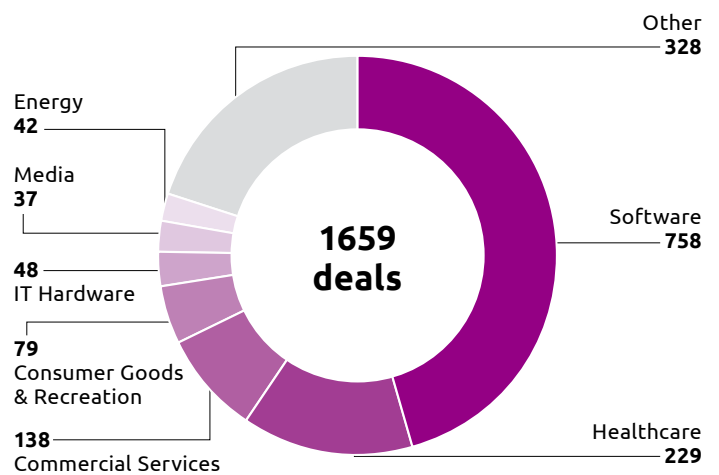
With an overall decline in the number of deals, investors' sector preferences changed just slightly. Carried away by a new fondness for biotech and software projects, some investors backed those with money they had meant for other sectors.

Such were the trends that governed the global and European VC life in 1H 2018.

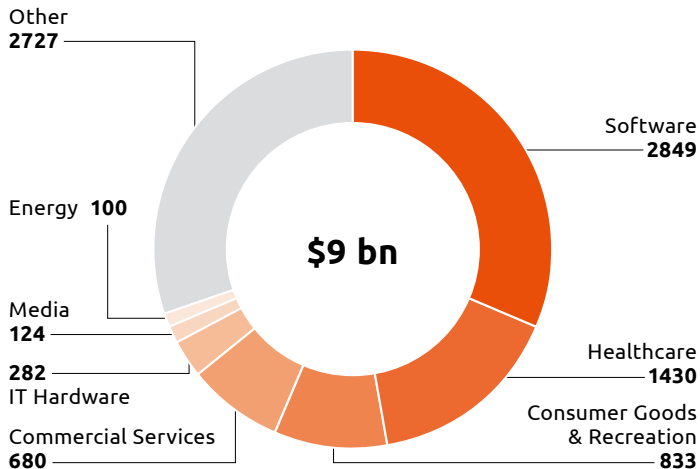
Deals structure in Europe by sectors in 1H 2017



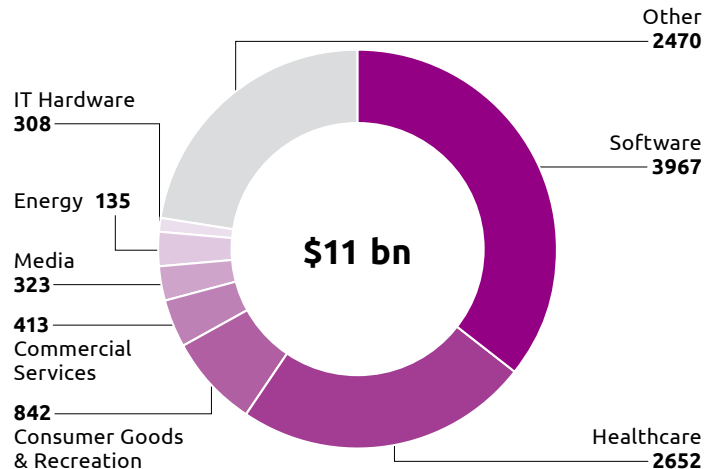
Deals structure in Europe by sectors in 1H 2018



Deals structure in Europe by sectors in 1H 2017



Deals structure in Europe by sectors in 1H 2018





# 6

## **ANNEXES:**

Reference List; Methodology;  
Terms & Definitions; Partners List;  
Contacts





## REFERENCE LIST

1. Crunchbase
2. RBC
3. Corporate and investment funds data





# METHODOLOGY

**In this Report, we used methodological recommendations that have been put together by the Russian Venture Capital Association (RVCA) and domestic venture capitalists. The „venture investment“ term describes an investment of up to \$100m (at an official ruble/dollar rate current at the time of writing) in risky technology projects that promise an IRR of at least 15%.**

„Investment“ is referred to as a purchase of a shareholding or charter capital in a privately-held legal entity and/or access to a convertible loan under various payback terms. An investment can come from both funds (as legal entities under Russian or foreign jurisdiction possessing enough capital from one or more sources to invest in privately held companies and promoting themselves as such in the market) and private individuals/groups of such individuals.

When assessing volumes and dynamics for the Russian VC market, we exclusively took into account venture investments in companies that predominantly operate in Russia. Deals involving Russian investors and investment recipients that are focused on markets beyond Russia were not considered in this Report as contributors to the overall value of Russia's VC market.

Investment-related information used in this Report is first and foremost the information that became publicly available through the media, blogs, corporate websites, public presentations and start-up databases. In any other instance, we contact a newsmaker, or source, for confirmation.

Describing „corporations“ in this Report, we refer to corporate funds whose capital comes from corporate founder's internal sources and whose investment activity is not limited to exclusively supporting affiliated companies.

Analyzing the overall value of Russia's VC market, we did not consider exits and investments in market infrastructure. Token placements (ICOs) were also singled out for separate analysis. „Investment in market infrastructure“ is referred to as investment in venture funds, business incubators, accelerator programs, technoparks and other institutions that operate in

As an exception, we might consider deals with a bigger price tag if investees are innovative high-tech companies.

the VC market but are not venture companies. When assessing the VC market, we also took into account grants and investment loans. While a grant is a gratis subsidy for R&D, we did consider them as contributions, alongside repayable investments, to the development of commercially driven venture projects.

„Seed“ is the very first round of investment when a developer raises funds to set up a company.

„Rounds A, B, C, etc.“ are later stage rounds to raise additional funding.

The letter „A“ indicates a round that immediately follows seed; „B“ means next one, etc. Beyond C, „C+“ is used to designate further rounds.

„Exit“ is referred to as a special type of deal which results in no additional investment in a project; instead, one or more shareholders sell their stakes to a strategic investor or in an IPO.

For the purposes of this Report, four venture project development stages are singled out:

- ✓ Seed, when a project exists on paper or in labs only.
- ✓ Start-up, with a legal entity being set up or already operational in its infancy, no sales achieved.
- ✓ Growth, when new production begins, a product is being marketed; initial small sales done.
- ✓ Expansion, with a boost in output and sales, an increase in market share and office space, etc.





# TERMS & DEFINITIONS

Development stages for an investable start-up:

## **Seed**

An early development stage between the formulation of an idea and the building of a team, new hypotheses verification, and the start of commercial activity.

## **Start-up**

An early development stage, at which a company begins ongoing and full-fledged commercial activity with sales proceeds and plans for growth.

## **Growth**

A hyperactive company development stage, when commercial hypotheses are corroborated and the business needs external funding for explosive growth.

## **Expansion**

A hyperactive company development stage, when the company steps up business and enters into new markets.

## **Maturity**

A stage of sustained and unremitting growth — less dynamic, perhaps, than at the previous stages, which reduces investment risks considerably.

For the purposes of this Report, all venture projects come within seven sectors, including Biotech, Industrial Tech, Computer Tech & Equipment, Other Tech, Software & Internet B2B, Software & Internet B2C, and Other IT. The first four form the Technology macrosector, and the rest form the IT macrosector.

**BIOTECH:** projects in the field of healthcare, pharma, diagnostics and medical equipment.

**INDUSTRIAL TECH:** laser, energy-related, space, robotics, environmental protection and other technologies for use in industry.

**COMPUTER TECH & EQUIPMENT:** telecom, data storage, mobile tech, computer hardware.

**SOFTWARE & INTERNET B2B:** apps and web-based services with legal entities as customers. This subsector includes, among other things, business management and marketing solutions and IT product development.

**SOFTWARE & INTERNET B2C:** apps and web-based services with individuals as customers. This subsector includes e-commerce, content providing, search, consumer finance, education, games, social networks and other consumer-focused services.

---

The Deals List is based on information published in media reports, open databases (Rusbase, AngelList and others), as well as on proprietary information from RB Partners. The date of a deal indicated in the appended Table is the date of a deal announcement in the media, the blogosphere or company reports, unless the other is specified. The deal value is exactly the publicly announced investment amount for a project, including investment amounts to come; no payment division by tranches or other transaction closing particulars are considered.





## ABOUT RB PARTNERS



MEMBER OF  
**GLOBALSCOPE**  
INTERNATIONAL M&A ADVISORS

RB Partners is an investment group of companies established in 2004. Managing Partners of the Group held top positions in the largest Russian financial institutions (Alfa Group, Interros Group, VTB, Basic Element, Deutsche UFG, The Sputnik Group, Uralsib Capital) and in international auditing and consulting companies (PwC and EY).

RB Partners provides services in the area of M&A and corporate finance to midcap companies in the former Soviet Union, as well as venture capital fundraising to innovative companies.

Since 2004, the company has successfully completed over 90 M&A projects exceeding \$2.5bn and has invested in four IT companies in the former USSR countries.

In 2010, the RB Partners Group became a member of the Globalscope International Association that specializes in M&A and corporate finance services and includes 55 investment banking advisory firms from 47 countries around the world. Thomson Reuters has kept Globalscope on its Top 35 list of global investment consultancies for the past five years.



# PARTNERS LIST

## PARTNERS



National Alternative Investment  
Management Association



## SPECIAL THANKS:

Dmitry Falaleyev,  
Nikolay Bogunov







# CONTACTS



**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

---

© 2018 RB Partners  
[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)

