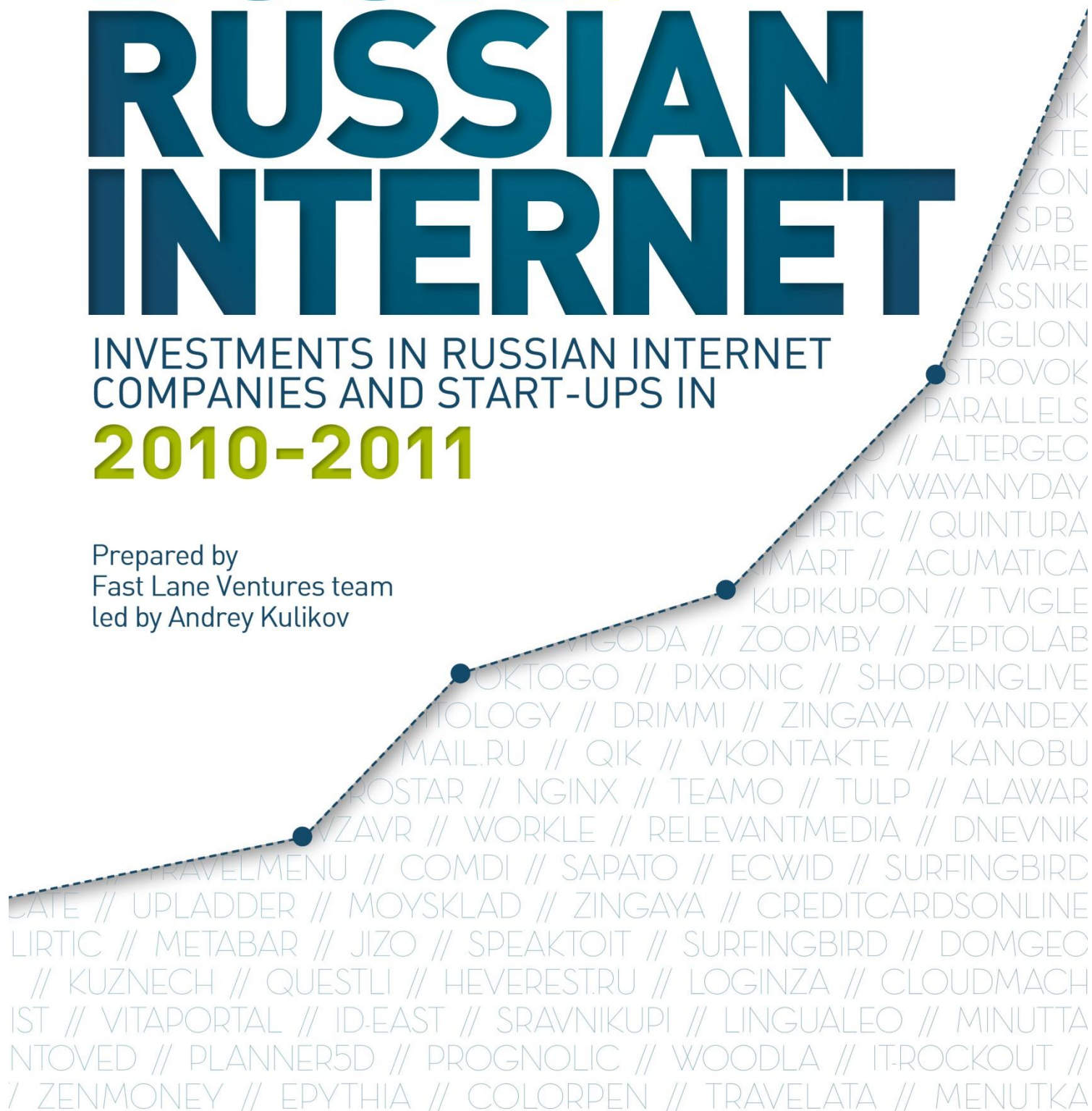


# DEAL BOOK<sup>OF</sup> RUSSIAN INTERNET

INVESTMENTS IN RUSSIAN INTERNET  
COMPANIES AND START-UPS IN  
**2010-2011**

Prepared by  
Fast Lane Ventures team  
led by Andrey Kulikov



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### *Contribution to research and acknowledgements*

# Foreword

This unique research is a compilation of detailed information about all the major deals conducted on the Russian internet market in 2010-2011. We have analyzed over 270 deals covering the past 2 years, structuring research into three parts:

- In depth details of funding major investors and trends
- Detailed deal table
- Opinions of leading industry players

This Research will be free in the future and we plan to update it on an annual basis.

We would be happy to receive corrections on any inaccuracies you may notice and to get updates on deals we may have missed. This data will be included in the next research, improving the level of details and quality.

## Inaccuracies spotted

This is the first issue of the DEAL BOOK of RUSSIAN INTERNET and the data included is as accurate as was possible to capture. We would be happy to receive corrections on deals and get updates on uncovered deals. The information provided will be used to make the next issue of the deal book more accurate.

**Submit correction:**



**Submit investment round:**



**Feedback:**

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Fast Lane Ventures LLC draws your attention to the fact that investment and financial operations on the Internet market are connected with business risk and relevant knowledge and experience are to be required hereto.

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# PART I. Research highlights and trends

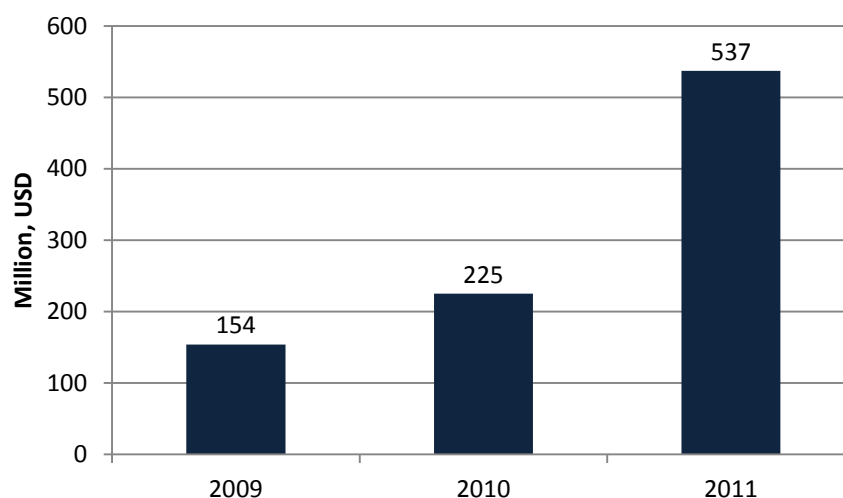
## Research highlights

- **Grant financing: starting up a company is cheap and feasible as never before**
  - \$20m was deployed as non-equity funding to almost 60 teams in Russia in 2010-2011, up from almost zero in previous years
  - Together with state-owned and privately held incubators operating actively, there is a lot of help and 'jump-start' opportunities available to high-quality, motivated teams
- **Seed: availability increased dramatically**
  - The number of companies that received seed funding increased four-fold, from 22 seed investments in 2010 to 90 investments in 2011
  - The average seed deal plummeted by 58% from \$400k in 2010 to \$166k in 2011
  - With the decline of the average size of seed investment, projects from 2010 and 2011 are expected to compete for the next round at the same time
  - There are six companies specializing in seed investments:
    - Runa Capital
    - Fast Lane Ventures
    - eBuro
    - Glavstart
    - Farminers
    - Projector Ventures
  - Access for regional teams to funds and expertise significantly increased in 2010-2011, thanks to Glavstart, Farminers and Projector Ventures
- **Later stage rounds: a real challenge for entrepreneurs**
  - Later stage activity increased twice at Round A and three times at later stages
  - Likewise for seed investments, this was accompanied by a decrease in average investment
  - Limited number of Russian funds operating at later stages
  - Later stage activity is fuelled by foreign VC's and angels
  - The key question for upcoming years is if Russia has enough growth stage funds and investors to cover the increased pipeline of seed-funded projects
- **Exits: feasible for giants, limited for smaller companies**
  - During 2010-2011, we analyzed 8 deals that can be qualified as exits and two as partial exits. So far exits are sporadic events, rather than flow of deals
  - In the period 2010-2011, we saw two exits that can be qualified as successful liquidity event stories – Darberry (acquired by Groupon) and Qik (acquired by Skype)
  - We estimate that almost half of exits are acquisitions of the team or technology
  - During the last 15 years of internet business in Russia, we haven't seen many exit success stories either
- **Total amount of investments both in start-ups and mature companies almost doubled**
  - We realize that as well as those that are reported, there are many non-transparent internet deals in Russia, so we give the sum of all reported deals and our educated estimation of other non-public deals
  - Reported deal volume of internet companies reached \$1.3bn in 2010 and \$2.15bn in 2011
  - Reported deal volume of internet start-ups reached \$225m in 2010 and \$540m in 2011
  - Since there are non-reported deals at each stage, the estimated amount of investment is larger. Please refer to the section 'adjustment for non-reported deals'

# Total amount of investments

*Investments into Russian internet start-ups more than tripled in 2009-2011*

**Dynamics of total deal volume in Russian internet start-ups**



Source: Fast Lane Ventures analysis (2010 and 2011 data), eVenture (2009 data)<sup>1</sup>

The following chart suggests a structure to navigate across Russia's funding eco-system. It is important to note that in this research we focus on fundraising into start-up companies, however investments into mature companies, such as Mail.ru, Yandex, Ozon, V Kontakte, Odnoklassniki are too big to ignore - in 2010-2011 Runet champions dominated investment landscape, accounting for ¾ of total deal volume.

**Overview of number of deals and corresponding deal value in 2010 - 2011**

Deal stage	2010			2011		
	Total, USD	Number of deals	Average, USD	Total, USD	Number of deals	Average, USD
<b>Grant deals</b>						
Grant	17 000	2	8 500	19 547 000	59	331 305
<b>Venture deals</b>						
Seed	8 775 000	22	398 864	14 149 000	90	166 460
Round A	58 450 000	18	3 250 000	103 600 000	38	2 725 000
Round B	58 400 000	4	14 600 000	96 400 000	11	8 763 636
Round C	-	-	-	63 500 000	2	31 750 000
Round D	12 000 000	1	12 000 000	9 500 000	1	9 500 000
Unattributed	28 100 000	5	5 620 000	15 350 000	5	3 070 000
<b>Exits</b>						
Acquisitions <sup>2</sup>	59 000 000	4	14 750 000	192 600 000	4	48 150 000

<b>Deal volume associated with mature companies</b>						
Investments <sup>3</sup>	140 500 000	2	70 250 000	211 700 000	2	105 850 000
<b>IPO's</b>						
IPO's	912 000 000	1	912 000 000	1 448 000 000 <sup>4</sup>	2	724 000 000

Source: Fast Lane Ventures analysis

<sup>1</sup> Only reported deals, mature companies and IPO's excluded

<sup>2</sup> Including sales of stakes in companies, e.g. funds exits

<sup>3</sup> Investments into mature companies namely V Kontakte, Odnoklassniki, Ozon

<sup>4</sup> Including 5,217,405 shares of over-allotments at \$25

## Adjustment for non-reported deals

### *Many companies do not disclose financing rounds*

While reported deal volume in start-ups reached \$225m in 2010 and \$540m in 2011, the actual deal volume may have reached \$500m in 2010 and about \$1bn in 2011, double the figures we presented above. We came to this estimation after analysing non-transparent deals.

There is a lack of transparency in investments both for start-ups and for large companies in Russia. From our information, in 2010 59 deals were concluded, in 2011 this amount increased to 215.

The least transparent sector is 'seed' stage financing, because angels and funds prefer to avoid publicity. Together with information we collected, we estimate that annually there are 100-150 seed investments made by business angels and non-public holdings.

For larger scale investments there is still a problem with transparency. We found 20-30 large investments (in past 4-5 years) that have not been announced, such as now.ru, utkonos.ru, boutique.ru, wildberries.ru, bonsport.ru, autoscout24.ru, promenade.ru, bigbuzzy.ru, holodilnik.ru, quto.ru, zvooq.ru, bookmate.ru, etc.

Based on observations of non-reported deals at each stage, we estimate that the volume of such deals is approximately equal to the volume of deals with public information.

## Grant financing<sup>5</sup>

### *More 'free money' to start-ups than ever*

Grants are non-refundable, non-equity money provided by corporations, government authorities and development institutions to companies.

To our surprise, the rumored lack of seed stage capital availability hypothesis vanished as we began studying cases of grant funding. During 2010-2011 there was over \$20m of 'free money' injected into the most promising internet start-up teams. In total, 61 grants were proved to 53 companies (ShopPoints, Fidesys, Jelastic, SpeakTo, StartPack, Wheely received grants and contest prizes two times, and RealSpeaker – three times). The average grant totaled \$320k. It is worth mentioning that 59 grants were provided in 2011, compared to two in 2010.

The main grant providers are Skolkovo IT cluster, Microsoft, Start Fellows, and Department of science and industry policy and entrepreneurship in Moscow. Microsoft, while being a veteran grant provider in Russia, announced a further initiative of \$10k micro grants in addition to a regular program of seed funding of \$30-\$100k per company. In 2012, Microsoft expects minimum of 6 grants to be distributed to companies, which are positioned to completing their products.

The major problem with grant financing in Russia is low awareness among entrepreneurs, leading to a lower quality pipeline, with some grant providers approval ratio reaching 90%.

The deal table does not include 'mini-grants' of Skolkovo and grants provided by program 'start' by Fasie.

## Seed stage investing

### *Russia has no investors, start-ups say. Russia has no projects, investors reply. Not anymore - problem solved in 2011*

Seed stage funding exploded in 2010 and 2011 with 22 and 91 deals respectively. This dramatic increase in quantity was not followed by quality however – the average seed deal value fell by 58% from \$400k in 2010 to \$166k in 2011. The seed market was propelled 4 times by activity of conveyor seed investors like Glavstart, Fast Lane Ventures, Farminers, eBuro, Projector Ventures and angel investors.

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<sup>5</sup> We aggregated grants, competitions and other non-equity finding cases in this section.

Notably, almost all seed investment vehicles include some hands on involvement or mentoring, which probably reflects lack of trust, as well as a desire to have control over execution and project quality.

Seed investing is relatively cheap and can produce the highest return for investors, but such overproduction of seed companies may create a 'Round A bottleneck'. For now, there is no Round A investors ready to take up the demand for the increased pipeline.

Depending on the size of the team, seed investments of \$400k allow to fund a start-up to operate for 1 year. With the average size of seed investment declining by over 50%, the seed pipeline of both 2010 and 2011 may require additional funds in 2012, making competition for the next round tighter.

## Angel deals

### *The type of investments where there is least transparency*

Angel deals are one of the most opaque fields in the Russian venture capital community.

There are approximately 200 Russian business angels operating today, split into about 20 networks, deploying up-to \$10-15m of capital with an average ticket around \$150k<sup>6</sup> in Russia.<sup>7</sup>

Expert's estimates on the number of angel deals are between 20 to 60 deals per year, while the National Associations of Business Angels suggest that 60-80 angel deals took place in 2011. (Figures are supposed to include investments to all industries, including internet).

According to our research, there were 14 deals in 2010 with angels involved and 46 in 2011. However, one should keep in mind that most angel deals are not public.

In Europe, there are 20k business angels, deploying €3-4bn per year, and in the US there are 225-250k angel investors investing around \$23-25bn each year.<sup>8</sup>

In our view, angel investing has a big potential in the midterm perspective. This view is based on an emerging class of serial entrepreneurs, industry professionals with stock options at major internet companies and high income inequality combined with limited investment opportunities:

- **Serial entrepreneurs**
  - One of the reasons for the huge underperformance of angel financing in Russia is the fact that there are few people who have both money and expertise required for successful investing. The booming internet market and a large number of opportunities leads to the emergence of a first wave of entrepreneurs who possess experience in internet and resources to invest.
- **Industry professionals**
  - Russia has a lot of internet and high-tech industry professionals who will turn to experts with the capability to invest their own money into early stage companies. Such investors can not only bring vital funding, but provide in-depth expertise and mentoring to start-up companies.
- **High income inequality**
  - The Russian market can be characterized by high income inequality and less developed investment opportunities for private individuals, which in combination with huge buzz of internet will lead to more active investments into start-up companies.

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<sup>6</sup> Presumably, this figure includes deals on other industries, besides internet.

<sup>7</sup> National Associations of Business Angels

<sup>8</sup> National Associations of Business Angels

## Round A and later rounds

### *Real bottleneck of funding cycle*

During 2010-2011 we have observed 18 and 38 *Round A* deals respectively. More than 2x increase in the quantity of deals was followed by a 15% decrease in average deal volume.

At *later stages* (we aggregated Round B and later due to the relatively small amount of deals), we saw a similar pattern: the number of deals tripled, but the average ticket per company decreased by 26%.

Later stage activity is fuelled by foreign VC's and angels: at Round A, one-third of all deals happened with the participation of foreign investors; at later stages foreign angels and venture capital firms are involved in almost every deal.

There is a very limited number of later stage investors in Russia, and almost no foreign funds dedicated to Russia only. It is really challenging to receive Round A funding due to the smaller size of the Russian market and competition with foreign start-ups for investor attention. Our conclusion is that we expect investors will look for category champions and best teams, and that players that are not positioned to be market leaders will find it hard to raise capital.

## Unattributed

### *Investments that did not fall in previous categories*

There were 10 deals, totaling \$43m during the analyzed period that we moved to the unattributed category due to uncertainty over what would be the appropriate categorization using Round A-B-C terminology. These deals are Pre-IPO round in Yandex, later stage investment in Qik, investments in Comdi, Documentovod, Nival Network, and media-equity deal of RBC with iGlobe.

## Share of foreign capital and co-investment

### *Where money came from*

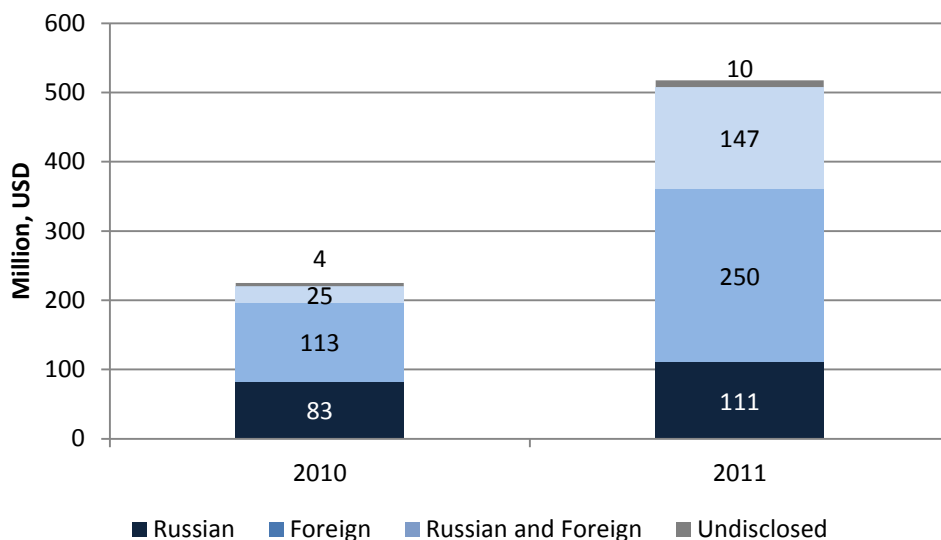
The vast majority of reported deals were originated by Russian investors; the underlying explanation for this is activity at the seed stage by angels and conveyor seed investors.



Source: Fast Lane Ventures analysis. Note: excluding grants, undisclosed deals, deals with mature companies and IPO's

Russian seed investors are responsible for the high *number* of investments in Russian internet companies. However, when looking at the *volume* of capital deployed, foreign capital is driving this. In 2011, at least half of the deal volume was made by foreign capital; a further ¼ was made by co-investments between foreign and Russian investors.

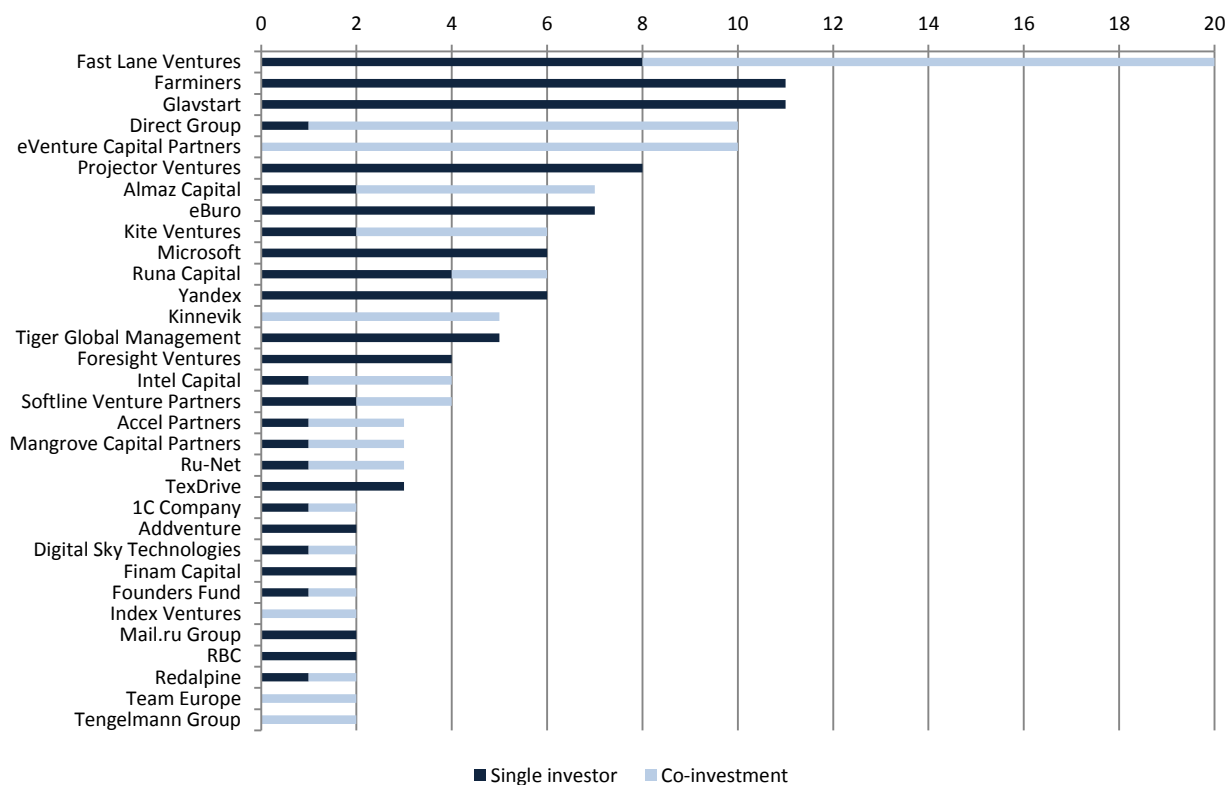
**Breakdown of capital deployed by origin of investor**



Source: Fast Lane Ventures analysis. Note: excluding grants, deals with mature companies and IPO's

Three key reasons for the large share of foreign capital in total deal volume are acquisitions (namely, Qik and Darberry), the participation of foreign VC's at later stages, and more frequently co-investments with Russian investors. The next chart illustrates how various firms are investing.

**Co-investment in 2010-2011, number of deals**



Source: Fast Lane Ventures analysis. Note: non-reported and angel investments not included

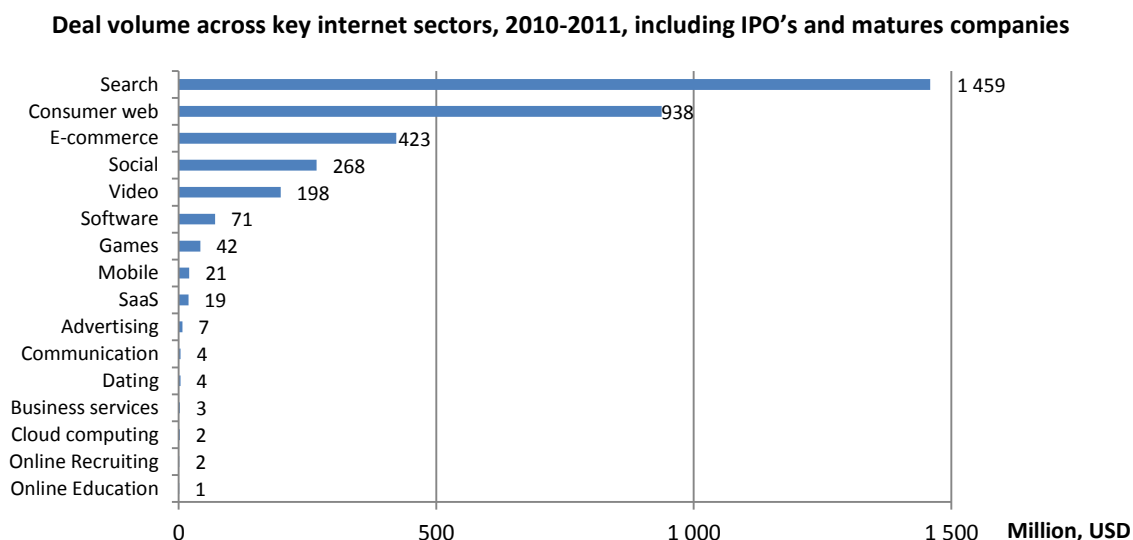
# Sectorial breakdown

## Search, Consumer web and E-commerce are key sectors by volume

The three pillars of the Russian internet, no different from other markets, are search, consumer and e-commerce. Of course, Yandex and Mail.ru IPOs is dominating this picture in 2010-2011, unlike e-commerce investments, which are of more continuous nature and were present in 2009 and will remain significant in 2012.

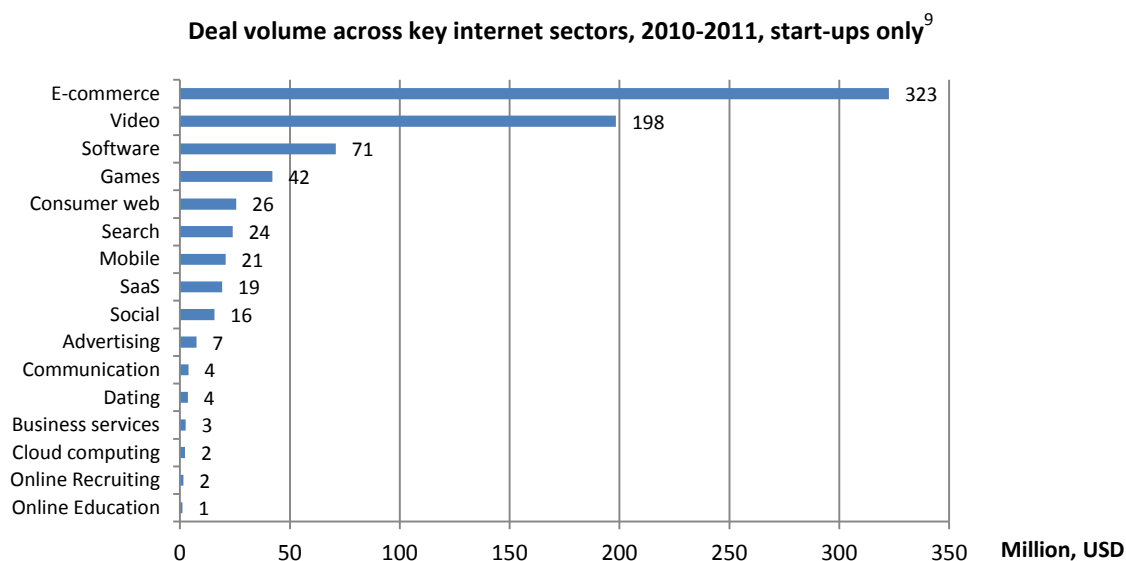
An important observation is the very low comparable scale of sectors, such as advertising, communication, dating, B2B services, cloud computing, online recruiting and education.

The table below represents the deal volume across all stages of companies and all types of deals in 2010-2011.



Source: Fast Lane Ventures analysis. Note: including all deals and IPO's, Mail.ru classified in 'consumer web' category

While the table above is about champions, excluding mature companies from calculations gives an interesting perspective which can be interpreted as areas where it is more likely to look for current or future success stories. The table below represents the deal volume associated with start-ups in 2010-2011, excluding Mail.ru, Yandex, Ozon, Vkontakte and Odnoklassniki.



Source: Fast Lane Ventures analysis. Note: excluding mature companies and IPO's

<sup>9</sup> Excluding: Mail.ru, Yandex, Ozon, Vkontakte, and Odnoklassniki.

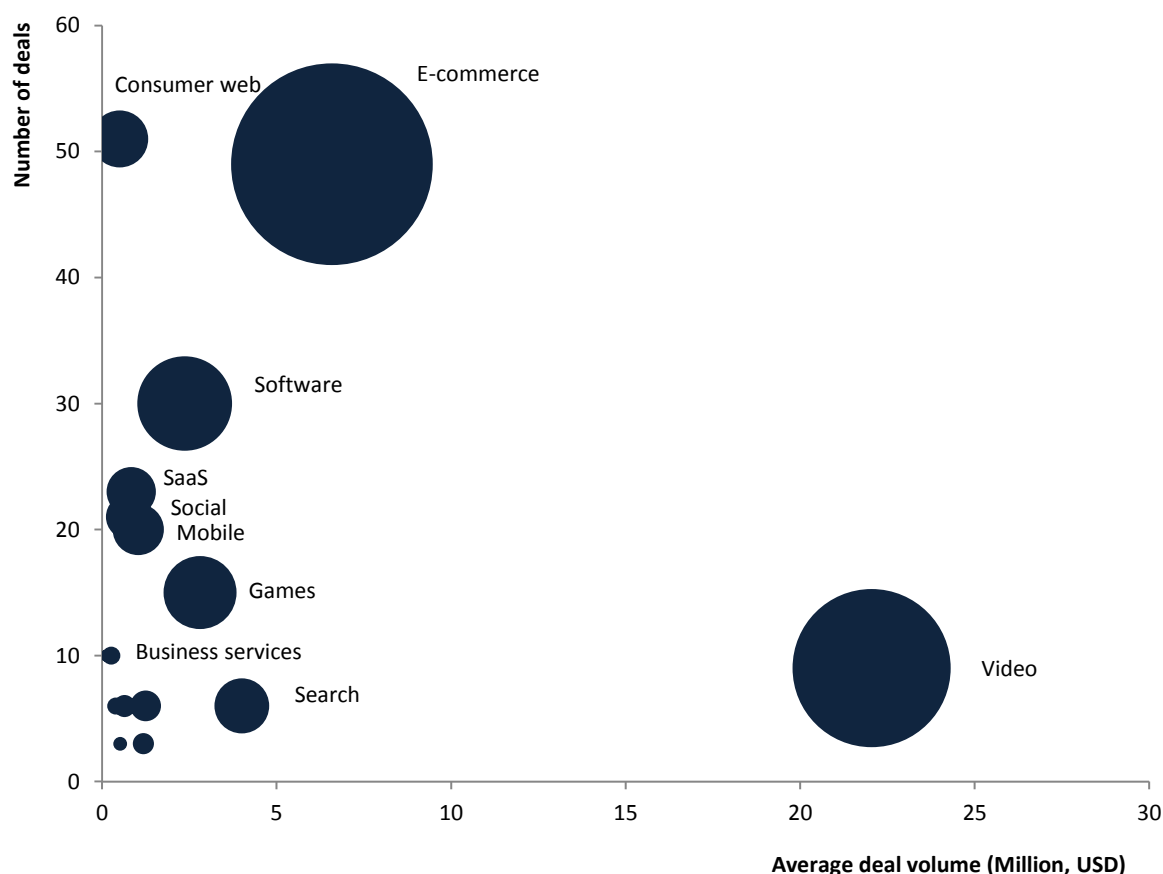
E-commerce is still a notable destination, while video (driven by Qik exit and ivi.ru investment) and software (featuring number of companies, including Parallels) occupy the top 3.

Advertising, communication, dating, B2B services, cloud computing, online recruiting and education are hard to trace even at the start-up level.

Mobile is an area worth paying particular attention to – despite being a rather young area, it climbed to the top 7.

Another perspective is deal volume across sectors, together with number of deals and average round, present in the next chart.

**Deal volume, number of deals, and average deal size across key internet sectors, 2010-2011, start-ups only<sup>10</sup>**



Source: Fast Lane Ventures analysis. Note: excluding mature companies and IPOs

## E-commerce

### *A favorable destination for investors – detailed view*

Besides sounding IPOs, Russia as an investment opportunity was associated with two main figures – 50,8m of unique visitors per month<sup>11</sup> and an approximately \$11bn e-commerce market size.

E-commerce start-ups attracted \$344m of investment,<sup>12</sup> which we classified under four major categories:

1. E-commerce: plain e-commerce, including private sales
2. Collective buying: daily deals, and other forms of collective buying
3. Travel: travel services sold online

<sup>10</sup> Excluding Mail.ru, Yandex, Ozon, V Kontakte, Odnoklassniki.

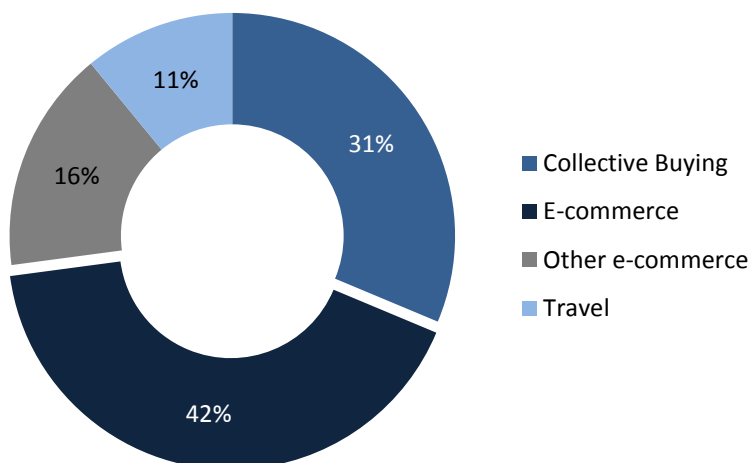
<sup>11</sup> Comscore, September 2011

<sup>12</sup> Excluding Ozon

4. Other e-commerce: we included here peer-to-peer commerce, facilitation of e-commerce which is not consumer oriented, and other start-ups involved in e-commerce.

Surprisingly, the completely new 'collective buying' story attracted around one third of deal volume in 2010-2011, reaching almost the same size as classic e-commerce (42%).

**Breakdown of investments in Russian e-commerce, 2010-2011<sup>13</sup>**



*Source: Fast Lane Ventures analysis. Note: Ozon.ru is excluded*

With \$1m minimum rounds and average round of \$9,5m vs. \$2,5m in all other categories,<sup>14</sup> plain e-commerce is definitely a 'big player's game'. The reasons for this are high investments in inventory, large size of teams, high marketing and branding costs accompanied by slow improvement of unit economics. Additional pressure is brought by Russia-specific factors such as payment issues (low plastic card adoption and dominance of COD<sup>15</sup>) and fulfillment costs (which is more expensive comparing to EU and US).

The number of verticals, attractive to VS's and not occupied by strong players (like grocery, office supplies, electronics, auto parts) is very limited, but we probably will see big deals in children's goods and clothes, furniture, DIY, cosmetics and sporting goods in upcoming months. Private label e-commerce is another story, which is likely to develop in upcoming years, disrupting classic categories such as home improvement goods, clothes, shoes, etc.

On the bright side, there is a lot of optimism about Russian e-commerce: low online penetration in most e-commerce categories, some room to build category champions and promising growth rates in internet usage, all accompanied by positive macro fundamentals. Together with improving plastic cards adoption and logistics this promises a bright future for survivors.

Western VC's (Intel Capital, eVenture Capital Partners, Kinnevik, Accel Partners, Mangrove Capital Partners, Tiger Global Management) favor Russian e-commerce companies – approximately half of deals in e-commerce happened with direct involvement or participation of foreign VC's or angels.

<sup>13</sup> Excluding Ozon.ru

<sup>14</sup> Excluding grants

<sup>15</sup> Cash on delivery

# Exits in the Russian market

## *So far exits are sporadic events, rather than flow of deals*

We observed 8 deals that can be qualified as exits and two more deals where funds sold stakes, which can be qualified as 'partial exits'.

One of the major observations is that the exit strategy relying on acquisition by foreign internet companies have yet to prove itself. During the last two years only Groupon acquired Darberry, the Russian start-up that copied the global daily deals leader.

A significant trend is the big share of exits as acquisitions of technologies and teams. It can be illustrated by the biggest exist in Russian market in 2010-2011 - acquisition of Qik by Skype and early stage acquisitions by Yandex, with the main reasoning being the desire to incorporate teams and technologies within their larger business.

We expect that this trend would be changed by companies such as Parallels, Acumatica, Acronis, Nginx, Jelastec and Rock Flow Dynamics which would seek for exit as standalone technology-driven companies, rather than technology only.

It should be noted, that some companies facilitated exit later via Mail.ru IPO (e.g Astrum, HeadHunter, etc.) and are not present in current table.

A closing remark is that exits in Russia are not low-hanging fruits - it took Mail.ru, Yandex and SPB software more than ten years to make their exits.

### Overview of exits in Russian internet market in 2010-2011

Company	Deal size	Investors	Date	Round	Description
Qik (qik.com)	150 000 000	Skype	Jun-2011	Acquisition	Qik was founded in 2006 to enable mobile phone users to share live video with their friends, family and communities on the web and on their phones.
Darberry (darberry.ru)	50 000 000 <sup>16</sup>	Groupon	Aug-2010	Acquisition	Darberry is a Russian daily deals website sold to Groupon Inc.
SPB Software (spb.com)	38 000 000	Yandex	Nov-2011	Acquisition	SPB Software is global company developing software for mobile devices and smartphones.
GIS Technologies (maps.yandex.ru)	5 000 000	Yandex	Jun-2010	Acquisition	GIS technologies is a mapping data provider.
Kanobu (kanobu.ru)	4 000 000	Rambler	Jun-2011	Acquisition	Kanobu Network is a gaming media company based in Russia. It provides different blogs, communities, news about games and gaming industry.
Astrostar (astrostar.ru)	3 500 000	Direct Group	Sep-2010	Acquisition	Astrostar develops services, content and software solutions in astrology and related fields.
Alawar (alawar.ru)	2 500 000	Almaz Capital	Feb-2010	Unattributed (sale of stake in company)	Alawar Entertainment specializes in the global development, publication and distribution of casual games for multiple platforms. The company is headquartered in Novosibirsk.
LogneX (moysklad.ru)	1 200 000	1C	May-2011	Unattributed (sale of stake in company)	LogneX is a solution for online accounting. The service is based on Cloud computing and provides tools for internet-stores, sales company, etc.
Loginza (loginza.ru)	600 000	Yandex	Jan-2011	Acquisition	Loginza develops plugin for identification, which provides unified access to popular web services.
WebVisor	500 000	Yandex	Dec-2010	Acquisition	WebVizor records user's activity on the site and enables a site owner to watch it in stream.

Source: Fast Lane Ventures analysis

<sup>16</sup> We are aware of speculations on total deal volume in this deal, however we provide our best guess estimate, based on media reports at the moment of Groupon IPO. Actual deal value may differ due to stock performance of public company or particular deal structure we are not familiar with.

# Investments into mature companies and IPO's

*Runet champions dominate the landscape, accounting for ¾ of deal volume*

**Overview of deals involving mature companies in Russian internet market in 2010-2011**

Company	Deal size	Investors	Date	Round	Description
Yandex (yandex.ru)	1 435 000 000	Equity Capital Markets	May-2011	IPO	The leading internet company in Russia, operating the most popular search engine and the most visited website.
Mail.ru Group (mail.ru)	912 000 000	Equity Capital Markets	Nov-2010	IPO	Mail.ru aggregates different services: social networks, news portals, game publishers, consumer web services and many others. Mail.ru is one of the most visited web sites in Russia.
Vkontakte (vkontakte.ru)	112 500 000	Mail.ru Group	Nov-2010	Unattributed	Vkontakte is the leading Russian social network.
Vkontakte (vkontakte.ru)	111 700 000	Mail.ru Group	Jul-2011	Unattributed	Vkontakte is the leading Russian social network.
Ozon (ozon.ru)	100 000 000	ru-Net, Rakuten, Alpha Associates, Index Ventures	Sep-2011	Unattributed	Ozon is one of the first online retailers in Russia, established in 1998 by the Russian software house Reksoft. Their core assortments are books, music, and movies, now expanded to sale of travel, shoes, and electronics.
Odnoklassniki (odnoklassniki.ru)	28 000 000	DST	Aug-2010	Unattributed	Odnoklassniki is one of the leading social networking sites popular in Russia and the CIS.
Utinet (utinet.ru)	13 000 000	Equity Capital Markets	Jul-2011	IPO	Utinet is one of the leading consumer electronics online retailers in Russia. Utinet is the first online company to complete listing on MICEX.

*Source: Fast Lane Ventures analysis*

Yandex completed its IPO in 2011 on the Nasdaq exchange and qualified as the biggest technology IPO worldwide in 2011. The public offering was oversubscribed by 17 times. Another successful IPO was completed by Mail.ru a year before, and made it Europe's Biggest Listed Internet Company at the moment.

Mail.ru used part of the proceeds from the IPO to fund the acquisition of an additional 7.5% equity stake in Vkontakte. After the closure of the first transaction in 2010, Mail.ru reached 32.5% stake in Vkontakte and also purchased an option to acquire an additional 7.5% of over the next year. This option was realized, bringing Mail.ru share in Vkontakte to 39.99%.

In September, 2011 Russian online retailer Ozon.ru has secured funding of \$100m. This venture round turned to be the biggest private investment in Russia's e-commerce market. The round was led by ru-Net, and included Alpha Associates. The participation of the Japanese online retailer Rakuten in the deal would allow Ozon.ru to access the expertise of one of the global e-commerce leaders and be an important component of its exit strategy.

In 2010 Digital Sky Technologies announced the acquisition of minority stake of Forticom Group Limited in social network Odnoklassniki.ru, which were later consolidated into the Mail.ru holding company.

By completing its IPO on MICEX in July 2011, Utinet has become the first public online retailer in Russia. Although the offering size was comparable to other later stage rounds in Russian e-commerce companies, this is the first successful test of alternative funding in the Russian ecosystem. Given the significantly lower cost and effort required to go public on MICEX (see 'Innovations and Investments Market' section), this can become an alternative to private placements with multiple investors involved.

# Potential IPO's

## *Long waited success stories and hidden surprises*

The current internet landscape is hiding potential IPO superstars, some of them likely to light up in 2012:

- **Parallels** postponed its public offering planned on 2011, and is expected to list in 2012-2013;
- **Anywayanyday.com**, leading OTA in Russia can go public in 2012-2014, according to media reports,<sup>17</sup> providing one more liquidity event to Tiger Global Management in Russia;
- **Vkontakte**: Previously, Russian social network announced plans to go public in 2012 or 2013, however due to post-IPO Facebook stock performance, Vkontakte postponed its IPO to an undefined date, naming among key reasons destroyed trust of investors towards social networks;
- **Biglion**, became the market leader at the end of 2011, and could be the next big internet IPO candidate;
- **KupiVIP** has grown quickly, and is highly unlikely to be affordable acquisition to local players or global shopping clubs. With the long term target of becoming a \$1bn company, an IPO in the medium run is the most likely milestone in the company's development;
- **Ozon** is pushing hard for 14 years in a row, heading towards becoming a \$1bn company. A rumored valuation of \$0.4bn at the last financing round, means they are almost half way there and about to accelerate on a big investment round and help from Rakuten;
- **In addition to this, there are approximately 20 internet retailers and up to 10 internet companies that are big enough to place shares at MICEX 'innovative and growing companies' section.** Bearing in mind the IPO of Utinet, some of them might consider an IPO in 2012-2013. Given the fact that the preparation procedure is much faster compared with foreign stock exchanges, some quick and unpredictable stories can take place.

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<sup>17</sup> Kommersant.ru

## PART II. Deal Table

*This chapter explains our approach towards investor types, funding stages, and categories breakdown*

### I. Methodology for the break down on investment rounds

We use conventional methodology (Seed, Round A, Round B, etc.) to break up investment stages. Due to the lack of a structured and continuous investment process in Russia, it is sometimes hard to distinguish clearly between investment rounds. In the table below, please find our approach for Round classification, based on the source of investment, use of proceeds and size of investment.

Funding stages	Source of investment	Use of proceeds	Size, USD <sup>18</sup>	Other
<b>Grant</b>	Start-up competitions, grant programs	Incorporation of a company, building prototype, first sales	-	Non-equity funding
<b>Seed</b>	Angels, seed stage VC firms, qualified investors	Developing product to first sales	Up to 1 000 000	Equity funding
<b>Round A</b>	Primarily VC firms, other qualified investors and sometimes angels	Scaling operations	1 000 000 – 3 000 000	Equity funding, most often first money from qualified investor or second round of financing exceeding \$1m
<b>Round B</b>	Primarily VC firms, other qualified investors and sometimes angels	Scaling operations, new markets entry	Above 3 000 000	Company has precedent Round A
<b>Round C and later rounds</b>	Primarily VC firms, other qualified investors	Scaling operations, strengthening brand, new markets entry, technology improvement (ERP, CRM, etc.)	Above 3 000 000	Company has precedent Round B
<b>IPO</b>	Equity capital markets	Expanding business, providing exit for early investors	Undefined	Company placing its shares as a public offering

### II. Investor breakdown

Throughout this research we made our best effort to indicate who invested in each particular deal. Where it was not possible, we indicated whether the investor is a firm or angel investor and separated domestic investors from foreign.

- **Name of firm of angel investor** – applies to disclosed VC firms or angel investors
- **Foreign investor** – refers to undisclosed incorporated investor from abroad
- **Russian investor** – refers to undisclosed incorporated investor from Russia
- **Russian angel investor** – undisclosed private individual from Russia
- **Foreign angel investor** – undisclosed private individual from abroad

<sup>18</sup> Usual deal size for Russian internet

### III. Start-up categories

After studying best practices (CrunchBase, AngelList, Buzzsparks, PwC money tree) and applying them to the Russian internet landscape, we decided to use the categories breakdown shown below.

It is always a challenge to tie each start-up to a certain category and in controversial cases our judgment was based on a combination of the key platform or main area of value creation for users.

#### Research categories:

1. Advertising
2. Business Services
3. Cloud computing
4. Communication
5. Consumer web (content portals, marketplace)
6. Dating
7. E-commerce
8. Games (social, casual, MMORPG, mobile)
9. Mobile
10. Online education
11. Online recruiting
12. SaaS
13. Search
14. Social
15. Software
16. Video

### IV. Legend

Amount raised:

- We use normal font, for reporting deal values from sources we consider reliable (example - 55 000 000).
- We use *italic font*, for deals where we made our own estimation (example - 25 000 000).

## Deal table

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Yandex* <sup>19</sup> (yandex.ru)	1 435 000 000 <sup>20</sup>	Equity Capital Markets	May-2011	IPO	The leading internet company in Russia, operating the most popular search engine and the most visited website.	Search
Mail.ru Group (mail.ru)	912 000 000	Equity Capital Markets	Nov-2010	IPO	Mail.ru aggregates different services: social networks, news portals, game publishers, consumer web services and many others. Mail.ru is one of the most visited web sites in Russia.	Consumer web
Qik* (qik.com)	150 000 000	Skype	Jun-2011	Acquisition	Qik was founded in 2006 to enable mobile phone users to share live video with their friends, family and communities on the web and on their phones.	Video
Vkontakte* (vkontakte.ru)	112 500 000	Mail.ru Group	Nov-2010	Unattributed	Vkontakte is the leading Russian social network.	Social
Vkontakte* (vkontakte.ru)	111 700 000	Mail.ru Group	Jul-2011	Unattributed	Vkontakte is the leading Russian social network.	Social
Ozon (ozon.ru)	100 000 000	ru-Net, Rakuten, Alpha Associates, Index Ventures	Sep-2011	Unattributed	Ozon is one of the first online retailers in Russia. Its core assortment is books, electronics, music and movies. Now it has expanded into selling shoes, electronics and travel.	E-commerce
Kupivip* (kupivip.ru)	55 000 000	Accel Partners, Mangrove Capital Partners, Direct Group, Oliver Jung, ARLAN, Balderton Capital	Apr-2011	Round C	KupiVIP.ru is an online shopping club in Russia, operated by Privat Trade Ltd. The site organises designer brand online sales in fashion with discounts of up to 70% offline boutique prices.	E-commerce
Darberry* (darberry.ru) <sup>21</sup>	50 000 000 <sup>22</sup>	Groupon	Aug-2010	Acquisition	Darberry is a Russian daily deals website sold to Groupon Inc.	E-commerce
SPB Software (spb.com)	38 000 000	Yandex	Nov-2011	Acquisition	SPB Software is global company developing software for mobile devices and smartphones.	Software
Odnoklassniki (odnoklassniki.ru)	28 000 000	Digital Sky Technologies	Aug-2010	Unattributed	Odnoklassniki is one of the leading social networking sites popular in Russia and CIS.	Social

<sup>19</sup> Here and further asterics used to mark companies that appear in the table several times.

<sup>20</sup> Here and further we use normal font, for reporting deal values from sources we consider reliable.

<sup>21</sup> We are aware of speculations on total deal volume in this deal, however we provide our best guess estimate, based on media reports at the moment of Groupon IPO. Actual deal value may differ due to stock performance of public company or particular deal structure we are not familiar with.

<sup>22</sup> Here and further we use *italic font*, for deals where we used estimation.

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Avito (avito.ru)	26 000 000	Kinnevik and Northzone Ventures	Nov-2010	Round B	Avito.ru is the leading classifieds service in Russia.	E-commerce
Biglion* (biglion.ru)	25 000 000	Tiger Global Management	Dec-2011	Round B	Biglion is one of the leading Russian daily deal websites and biggest local competitor of Groupon.	E-commerce
IVI* (ivi.ru)	25 000 000	Tiger Global Management	Oct-2011	Round B	Ivi.ru is an online service streaming licenced video content.	Video
Kupivip* (kupivip.ru)	20 000 000	Accel Partners	Jan-2010	Round B	KupiVIP.ru is an online shopping club in Russia, operated by Privat Trade Ltd. The site organises designer brand online sales in fashion with discounts of up to 70% offline boutique prices.	E-commerce
Yandex* (yandex.ru)	15 000 000	Almaz Capital, Baring Vostok, UFG	Sep-2010	Unattributed	The leading internet company in Russia, operating the most popular search engine and the most visited website.	Search
Utnet* (utinet.ru)	13 000 000	Equity Capital Markets	Jul-2011	IPO	Utnet is one of the leading consumer electronics online retailers in Russia. Utnet is the first online company to complete listing on MICEX.	E-commerce
Ostrovok* (ostrovok.ru)	12 600 000	General Catalyst Partners, Accel Partners, Atomico, Founders Fund, Kite Ventures, Foreign Angel Investors	May-2011	Round B	Ostrovok.ru is an online travel company which provides Russian consumers with hotel booking services.	E-commerce
Parallels* (parallels.com)	12 000 000	Russia Partners, Bessemer Venture Partners	Feb-2010	Round D	Parallels is a leader in virtualization and automation software that optimizes computing for consumers, businesses, and service providers across all major hardware, operating system, and virtualization platforms.	Software
Delivero <sup>23</sup> (delivero.ru)	10 500 000	Team Europe, Kite Ventures, Point Nine Capital, ru-Net, Tengelmann Group	Sep-2011	Round A	Delivero is a food delivering service. Delivero is part of international delivering food holding DeliveroHero.	E-commerce
Anywayanyday (anywayanyday.ru)	10 000 000	Tiger Global Management	Jul-2010	Round A	Anywayanyday is leading Russian online travel agency.	E-commerce

<sup>23</sup> Investment refers to global holding, delivero.ru is part of it.

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Lamoda (lamoda.ru)	10 000 000	Tengelmann Group, Holtzbrinck Ventures, Kinnevik	Apr-2011	Round A	Lamoda.ru is a Russia-based online shoe retailer launched by Rocket Internet.	E-commerce
Playnatic (playnatic.com)	10 000 000	Parta Group	Mar-2010	Round A	Playnatic Entertainment is a company that develops, publishes online games and web projects. Playnatic Entertainment was founded in December 2008 as a subsidiary of IR Parta Group.	Games
Sapato* (sapato.ru)	9 500 000	Fast Lane Ventures, Direct Group, eVenture Capital Partners, Intel Capital, Kinnevik	Aug-2011	Round D	Sapato.ru is Russia's leading online shoe retailing business catering to women, men and children. The company is listed in the top-20 largest e-shops in Russia.	E-commerce
Get Taxi <sup>24</sup> (gettaxi.ru)	9 500 000	Angel Investors, including Len Blavatnik and Shahar Smirin	Jul-2011	Round A	Get Taxi is a virtual taxi stand, where users can call a cab to their location.	Mobile
Sapato* (sapato.ru)	8 500 000	Intel Capital, Direct Group, eVenture Capital Partners, Kinnevik	Jun-2011	Round C	Sapato.ru is Russia's leading online shoe retailing business catering to women, men and children. The company is listed in the top-20 largest e-shops in Russia.	E-commerce
Sapato* (sapato.ru)	7 400 000	Fast Lane Ventures, Direct Group, eVenture Capital Partners, Kinnevik	Nov-2010	Round B	Sapato.ru is Russia's leading online shoe retailing business catering to women, men and children. The company is listed in the top-20 largest e-shops in Russia.	E-commerce
Nival Network (nival.com)	7 000 000	1C Company, Digital Sky Technologies, Sergey Orlovskiy	Mar-2010	Unattributed	Nival is a developer and publisher of online games.	Games
Quintura (quintura.com)	7 000 000	Undisclosed Investor	Mar-2011	Unattributed	Quintura is a visual-based search engine that features interactive search cloud (map) to refine searching.	Search
Wikimart* (wikimart.ru)	7 000 000	Tiger Global Management	Mar-2011	Round B	Wikimart is an online marketplace for Russia and CIS. It is a B2C platform where any retailer can open an online shop for free and start selling online.	E-commerce

<sup>24</sup> Investment refers to global holding, gettaxi.ru is part of it.

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Acumatica (acumatica.com)	6 600 000	Almaz Capital, Visma	Jun-2011	Round B	Acumatica develops an integrated set of web-based accounting, ERP, customer relationship management, content management, and business management software to improve the productivity of medium sized organizations.	SaaS
Biglion* (biglion.ru)	6 000 000	ru-Net	Mar-2011	Round A	Biglion is one of the leading Russian daily deal websites and biggest local competitor of Groupon.	E-commerce
Kupikupon (kupikupon.ru)	6 000 000	Veritas Financial Europe	May-2011	Round A	KupiKupon is a collective shopping site which allows people to get discounts on goods and services.	E-commerce
Tvgle (tvgle.com)	6 000 000	Media 3, Promsvyazcapital	Jul-2011	Round B	Tvgle Media, founded in 2007, was a pioneer of the legal internet video content market in Russia. Today tvgle is one of the leading online TV portals in Russia.	Video
Vigoda* (vigoda.ru)	6 000 000	Access Industries	Mar-2011	Round A	Vigoda.ru is one of the largest daily deal websites in Russia & Ukraine.	E-commerce
Zeptolab (zeptolab.com)	6 000 000	Kite Ventures	Jul-2011	Round A	Zeptolab is a Russian game development studio that targets iOS and Android platforms. Company has released two games to date, "Cut the Rope" and "Parachute Ninja".	Games
Zoomby (zoomby.ru)	6 000 000	Leader-Innovations, Gazprombank	Mar-2011	Round A	Zoomby is an online video streaming service powered by ads.	Video
Kupibonus (kupibonus.ru)	5 500 000	Fast Lane Ventures, Direct Group	Jul-2010	Round A	KupiBonus is a collective buying site which allows people to get discounts on goods and services.	E-commerce
Qik* (qik.com)	5 500 000	Almaz Capital, Quest Venture Partners	Jan-2011	Unattributed	Qik was founded in 2006 to enable mobile phone users to share live video with their friends, family and communities on the web and on their phones.	Video
Utinete* (utinete.ru)	5 500 000	IQ One	Apr-2010	Round A	Utinete is one of the leading consumer electronics online retailers in Russia. Utinete is the first online company to complete listing on MICEX.	E-commerce
Altergeo (altergeo.ru)	5 000 000	Almaz Capital, Intel Capital, Esther Dyson	Jun-2011	Round B	AlteGeo is a LBS that incorporates gaming elements. Users share their location with friends by "checking in" via a smartphone app. It's an analog of Foursquare.com.	Mobile
GIS Technologies (maps.yandex.ru)	5 000 000	Yandex	Jun-2010	Acquisition	GIS technologies is a mapping data provider.	Software
Oktogo (oktogo.ru)	5 000 000	Mangrove Capital Partners, ABRT Venture Fund, Ventech	Apr-2011	Round A	Oktogo.ru is a Russia-based online hotel booking and travel company.	E-commerce

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Pixonicon* (pixonic.com)	5 000 000	Kite Ventures, Ventech, TA Ventures	May-2011	Round B	Pixonicon is a social network game publisher. Pixonicon published more than 40 games developed by 17 studios of 7 countries in 9 social networks via PixAPI platform.	Games
SponsorPay (sponsorpay.ru)	5 000 000	Kite Ventures	Jun-2010	Round A	SponsorPay is a virtual currency monetisation services.	Advertising
Textone (textone.ru)	5 000 000	Advance Capital	Apr-2010	Round B	Textone is an online service which provides newspapers downloads as audio files.	Consumer web
Wikimart* (wikimart.ru)	5 000 000	Tiger Global Management	May-2010	Round A	Wikimart is an online marketplace for Russia and CIS. It is a B2C platform where any retailer can open an online shop for free and start selling online.	E-commerce
Witology (witology.com)	5 000 000	Onexim Group, Sputnik Group	Feb-2011	Round A	Witology is a start-up company that specializes in developing syntellectual crowdsourcing solutions for business.	Social
Parallels* (parallels.com)	5 000 000	Skolkovo	Apr-2011	Grant	Parallels is a worldwide leader in virtualization and automation software that optimizes computing for consumers, businesses, and service providers across all major hardware, operating system, and virtualization platforms.	Software
Drimmi (drimmi.ru)	4 000 000	Mangrove Capital Partners	Jan-2011	Round A	Drimmi is a social games developer and publisher operating on Russian and global markets. The company was founded in September 2009 by Nikita Sherman (IT-Territory, Begun, Mamba, Odnoklassniki.ru).	Games
Kanobu (kanobu.ru)	4 000 000	Rambler	Jun-2011	Acquisition	Kanobu Network is a gaming media company based in Russia. It provides different blogs, communities, news about games and gaming industry.	Games
Astrostar (astrostar.ru)	3 500 000	Direct Group	Sep-2010	Acquisition	Astrostar develops services, content and software solutions in astrology and related fields.	Consumer web
IVI* (ivi.ru)	3 300 000	ProfMedia	Dec-2010	Unattributed	Ivi.ru is an online service streaming licenced video content.	Video
Nginx (nginx.org)	3 000 000	BV Capital, MSD Capital, Runa Capital	Oct-2011	Round A	Nginx is a high performance edge web server with the lowest memory footprint and the key features to build efficient web infrastructure.	Software
Tulp* (tulp.ru)	3 000 000	Undisclosed Investor	Feb-2011	Round A	Tulp.ru is a social network and community for local reviews and recommendations.	Social

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Alawar (alawar.ru)	2 500 000	Almaz Capital	Feb-2010	Unattributed (stake changed owner)	Alawar Entertainment specializes in the global development, publication and distribution of casual games for multiple platforms. The company is headquartered in Novosibirsk.	Games
Professional (professional.ru)	2 500 000	Open Capital	May-2011	Round A	Professional.ru is a business social network in Russia, which unites more than 2,000,000 professionals.	Social
Sports.ru	2 500 000	United Media Holding (UMH)	Jan-2011	Round A	Sports.ru is a sport news site in Russia. It covers a wide range of disciplines - from football to racing.	Consumer web
Tvzavr (tvzavr.ru)	2 500 000	Undisclosed Investor	Apr-2010	Round A	Tvzavr is an online video streaming service in Russia. It generates revenue through an advertising model.	Video
Worle* (worle.ru)	2 500 000	Undisclosed Investor	Nov-2011	Round A	Worle is an innovative service that enables people to work in different fields like insurance, banking, travel industry. It is one of the type of freelance work.	SaaS
Teamo (teamo.ru)	2 400 000	Fast Lane Ventures, Direct Group, eVenture Capital Partners	Nov-2010	Round A	Teamo is an online relationship website, matches users together using a questionnaire. Teamo's compatibility matching system determines members' compatibility with others based on their values, character, intellect, etc.	Dating
Efirlabs (efirlabs.ru)	2 300 000	Runa Capital	Nov-2010	Seed	Efirlabs is a voice-enabled mobile social networking platform.	Social
Domgeo (domgeo.ru)	2 000 000	Fast Lane Ventures, Direct Group, eVenture Capital Partners	Jun-2011	Round A	Domgeo is a property portal that has the most complete and quality information on real estate offered for sale and rent.	Consumer web
Heverest (heverest.ru)	2 000 000	Fast Lane Ventures, eVenture Capital Partners, Rollingahead Ltd, Foreign Angel Investors	Jun-2011	Round A	Heverest is an online supemarket for sports goods. Heverest provides a wide range of products - from sport shoes to fishing accesories.	E-commerce
HipClub* (hipclub.ru)	2 000 000	Foreign Angel Investors	Feb-2011	Round A	Hipway is an online travel company maintaining two websites - hipclub.ru and hipway.ru. Hipclub.ru is a private online travel club running 10-15 flash sale deals per week. The deals include hotel stays and flight packages.	E-commerce

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Jizo (jizo.ru)	2 000 000	Fast Lane Ventures, eVenture Capital Partners	May-2011	Round A	Jizo.ru is a Russian online meta search company helping travellers to organize their travel arrangements conveniently and cost effectively, all within a single web portal.	E-commerce
Relevant Media (relevantmedia.ru)	2 000 000	Fast Lane Ventures	Nov-2010	Round A	Relevant Media is an internet media company – leader in the niche of professional ‘how to’ and ‘Q&A’ content.	Advertising
Rock Flow Dynamics (rfdyn.ru)	2 000 000	Intel Capital	Nov-2010	Round A	Rock Flow Dynamics develops software for the petroleum industry. It offers a range of advanced innovative tools for reservoir engineering implemented in tNavigator – the dynamic reservoir simulator developed by the company.	Software
Dnevnik (dnevnik.ru)	1 700 000	Prostor Capital	Jun-2011	Round B	Dnevnik.ru is a unique service that provides a network for teachers, pupils and their parents. The product includes a schedule, home tasks, media library.	SaaS
Travel Menu (travelmenu.ru)	1 600 000	Runa Capital, Almaz Capital	May-2011	Round A	Travelmenu is an online travel company with focus on packaged tours.	E-commerce
Banki.ru	1 500 000	Finam Capital	Jul-2010	Round A	Banki.ru is a service providing information about Russian banks offers, deposit and credits rates.	Consumer web
Comdi (comdi.ru)	1 500 000	VTB Capital	Jun-2011	Unattributed	Comdi allows hosting webinars and online conferences.	Communication
Ecwid (ecwid.com)	1 500 000	Runa Capital	Nov-2011	Round A	Ecwid is a free shopping cart. It is an AJAX based e-commerce platform that integrates with sites and Facebook pages and requires no additional coding.	SaaS
Surfingbird* (surfingbird.ru)	1 500 000	Russian and Foreign Angel Investors	Nov-2011	Round B	SurfingBird is a web-based discovery service based on declared user interests and hobbies as well as on the ratings of like-minded members of the community.	Consumer web
News360 (news360app.com)	1 500 000	Skolkovo	Jul-2011	Grant	The News360 is a semantic analysis platform which uses a linguistic analysis engine, developed completely in-house.	Mobile
Mall Certificate (mallcertificate.ru)	1 450 000	Angel Investors	Sep-2010	Round A	Company facilitates gift certificates programs for trade centers.	E-commerce
Vita Portal (vitaportal.ru)	1 400 000	Fast Lane Ventures, Direct Group, Foreign Angel Investors	Aug-2011	Round A	Vitaportal.ru is Russia-based online web portal offering health and medicine information to improve users and their families health.	Consumer web

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
PinMe (pinme.ru)	1 300 000	Fast Lane Ventures, Direct Group, eVenture Capital Partners, Foreign Angel Investors	Jun-2011	Round A	PinMe is an online social service that features idea collections, created and arranged in thematic categories by the registered users.	Social
Computer Vision Systems (comvisionsys.com)	1 300 000	Skolkovo	Dec-2011	Grant	Computer Vision System hardware is developing software package, which makes it possible to control a computer and video equipment with gestures.	Software
LogneX (moysklad.ru)	1 200 000	1C	May-2011	Unattributed	LogneX is a solution for online accounting. Service is based on Cloud computing and provides tools for internet-stores, sales companies, etc.	SaaS
Zingaya (zingaya.com)	1 150 000	The United, Esther Dyson, Angel Investors	Oct-2011	Round A	Zingaya enables voice calls for website operators via the embed button on a webpage without software downloads or phone.	Communication
Sapato* (sapato.ru)	1 100 000	Fast Lane Ventures, eVenture Capital Partners, Foreign Angel Investors	Apr-2010	Round A	Sapato.ru is a Russia's leading online shoe retailing business catering to women, men and children. The company is listed in the top-20 largest e-shops in Russia.	E-commerce
Creat Studio	1 000 000	TMT Investments	Aug-2011	Round A	Berryman Capital Group is a Russian social networking games developer, owned by Creat Studio.	Games
CreditCardsOnline (creditcardsonline.ru)	1 000 000	Finam Capital	Aug-2011	Round A	CreditCardsOnline.ru aggregates information about credit cards in Russia and offers online credit card applications.	Consumer web
Darberry* (darberry.ru)	1 000 000	eVenture Capital Partners, Kite Ventures	Apr-2010	Seed	Darberry is a Russian daily deals website sold to Groupon Inc.	E-commerce
ExpoPromoter (expopromoter.ru)	1 000 000	Dekarta Capital	Jan-2011	Round B	ExpoPromoter is the first specialized Affiliate Network for business event industry. Organisers can free of charge post information about their exhibitions, conferences or seminars in the calendars of ExpoPromoter Affiliate Network.	Business services
Flirtic (flirtic.ru)	1 000 000	Almaz Capital	Apr-2011	Round A	Flirtic is a new generation online dating service that makes it easy to meet, have fun and flirt with new people online. Flirtic aims to disrupt the traditional dating models by offering discovery experience.	Dating
i-Ogorod (i-ogorod.ru)	1 000 000	Synergy Innovations	Jun-2011	Seed	I-Ogorod is a service that provides unique possibility to get own garden and manage it via internet.	Consumer web

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Metabar (metabar.ru)	1 000 000	Runa Capital	Apr-2011	Seed	Metabar is a Russian tool used to enhance browser experience.	Search
Ogorod* (ogorod.ru)	1 000 000	RBC	Sep-2011	Round A	Ogorod is a Russian location-based service which supports places of interests, microblogging and content sharing.	Mobile
Ostrovok* (ostrovok.ru)	1 000 000	Foreign Angel Investors (incl. Naval Ravikant)	Oct-2010	Round A	Ostrovok.ru is an online travel company which provides Russian consumers with hotel booking services.	E-commerce
Pixonix* (pixonix.com)	1 000 000	Addventure	Jul-2010	Round A	Pixonix is a social network game publisher. Pixonix published more than 40 games developed by 17 studios of 7 countries in 9 social networks via PixAPI platform.	Games
Shopping Live (shoppinglive.ru)	1 000 000	Fast Lane Ventures, Russian and Foreign Angel Investors	Oct-2010	Round A	ShoppingLive.ru is a Russian online teleshopping channel providing a shopping solution. The website broadcasts short live videos to showcase the products available for purchase and its navigation characteristics enable shoppers to find the right products.	E-commerce
Surfingbird* (surfingbird.ru)	1 000 000	Pierric Duthoit, Russian and Foreign Angel Investors	Jul-2011	Round A	SurfingBird is a web-based discovery service based on declared user interests and hobbies as well as on the ratings of like-minded members of the community.	Consumer web
Tekmi (tekmi.ru)	1 000 000	Softline Venture Partners, Russian Venture Company	Mar-2010	Round A	Tekmi is a cloud computing solution for communication in office.	Communication
Upladder (upladder.ru)	1 000 000	Fast Lane Ventures	Feb-2011	Round A	Upladder is a recruiting service that offers premium vacancies with the salary above 100 000 rubles.	Online recruiting
Vigoda* (vigoda.ru)	1 000 000	Undisclosed Investor	Feb-2010	Seed	Vigoda.ru is one of the largest daily deal websites in Russia & Ukraine.	E-commerce
Speaktoit* (speaktoit.com)	1 000 000	Skolkovo	Nov-2011	Grant	The Speaktoit Assistant is a virtual buddy for smartphone that answers questions in natural language, performs tasks, and notifies about important events.	Mobile
Workle* (workle.ru)	1 000 000	Skolkovo	Aug-2011	Grant	Workle is an innovative service that enables people to work in different fields like insurance, banking and the travel industry. It is one type of freelance work.	SaaS
Indoorgo Navigation Systems (indoorgo.com)	950 000	Skolkovo	Dec-2011	Grant	Indoorgo's product is downloadable mobile client software for indoor navigation and server software that enables to collect and use location intelligence from mobile clients.	Mobile

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Babyboom (babyboom.ru)	900 000	Index Ventures, Team Europe, Fabrice Grinda, Jose Marin, James Gutierrez, Embarcadero Ventures	Mar-2011	Round A	Babyboom.ru is a baby and kid's goods e-commerce retailer in Russia.	E-commerce
Fidesys* (cae-fidesys.ru)	900 000	Skolkovo	Jul-2011	Grant	Fidesys is a cloud computing software developer.	SaaS
Jelastic* (jelastic.com)	900 000	Skolkovo	Dec-2011	Grant	Jelastic is a Java hosting platform which can run and scale any Java application with no code changes required.	Cloud computing
Collowear	820 000	Skolkovo	Dec-2011	Grant	Collowear is creating a platform for data storage and processing with the agile dynamic structure based on the number of technologies under the common name 'Semantic Networks'.	Software
Unicloud Labs (uni-cloud.ru)	800 000	Skolkovo	Nov-2011	Grant	Unicloud Labs develops an integrated cloud system for automation of small business operation and interaction in Russia.	SaaS
HipClub* (hipclub.ru)	750 000	Foreign Angel Investors	Nov-2010	Seed	Hipway is an online travel company maintaining two websites - hipclub.ru and hipway.ru. Hipclub.ru is a private online travel club running 10-15 flash sale deals per week. The deals include hotel stays and flight packages.	E-commerce
Questli* (questli.com)	750 000	Redalpine, Foreign Angel Investors	Nov-2011	Round A	Questli is a treasure hunting game with a viral character that combines the virtual and the real world. The gaming platform guides user through the real world, where he or she has to complete tasks, visit places or answer questions in order to win money, rewards, coupons or discounts.	Games
Kuznech* (kuznech.ru)	750 000	Skolkovo	Aug-2011	Grant	Kuznech is a visual search company that is working on technology to index and compare billions of images online by 150 parameters.	Search
Raidix	700 000	Skolkovo	Nov-2011	Grant	Raidix is a system of improvement of math methods in RAID-blocks estimation and implementation new technologies for storage systems.	Software
Loginza (loginza.ru)	600 000	Yandex	Jan-2011	Acquisition	Loginza develops plugin for identification, which provides unified access to popular web services.	Software

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Cloudmach* (cloudmach.com)	500 000	Foresight Ventures	Apr-2011	Round A	Cloudmach is a cloud solution which provides users with 3D gaming experience and requires no downloads or installations, working instantly in a browser.	Cloud computing
Copiny (copiny.com)	500 000	Softline Venture Partners, Pavel Cherkashin	Jun-2011	Round A	Copiny is providing communication and customer support tools for small and medium enterprises.	SaaS
DealAngel (dealangel.com)	500 000	Foresight Ventures	Mar-2011	Seed	DealAngel is a visual travel search & planning tool with analytical elements that makes the process of deciding when to go and where to stay easier and effective.	Consumer web
Giftery (giftery.ru)	500 000	Fast Lane Ventures	Dec-2010	Round A	Giftery is an online retailer of digital gift certificates.	E-commerce
Jelastic* (jelastic.com)	500 000	Runa Capital	Dec-2010	Seed	Jelastic is a Java hosting platform which can run and scale any Java application with no code changes required.	Cloud computing
Kiski (kiski.ru)	500 000	eBuro	Mar-2011	Seed	Kiski is an e-commerce website featuring premium gifts, flowers and coupons.	E-commerce
Magazinga (magazinga.ru)	500 000	Softline Venture Partners	Feb-2011	Seed	Magazinga offers a platform that aggregates products and allows selling them on popular websites and social networks.	SaaS
Mall Street (mallstreet.ru)	500 000	Russian and Foreign Angel Investors	Aug-2011	Seed	Mallstreet is a multi-category e-commerce retailer.	E-commerce
Pingola (pingola.ru)	500 000	Undisclosed Russian Investors	Mar-2011	Seed	Pingola, a vertical search engine for Market Items (classifieds, directories & commerce), aims to provide a Single Search internet platform.	Consumer web
Sales Exchange* (saex.ru)	500 000	Foresight Ventures	Apr-2011	Seed	Saex.ru is an exchange system of business contacts in different fields, regions, separation positions, etc.	Business services
Toolza	500 000	TwinsInvestments	Feb-2011	Seed	Toolza provides audio guides, accessible from mobile platforms.	Consumer web
Top 10 (top10.ru)	500 000	Undisclosed Investor	Jun-2011	Seed	Top 10 is a marketplace, driven by consumer demand. Buyers come to top 10, indicate their purchasing intent and receive offers from merchants who compete for the buyer.	E-commerce
TravelRent (travelrent.ru)	500 000	Fast Lane Ventures	Jun-2011	Round A	TravelRent.com is an online booking service for short-term rental of private realty. Company helps travellers to find a place across the world for a short stay and order it straight through the site safely and quickly.	Consumer web

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Volna (projectvolna.com)	500 000	Undisclosed Investor	Jul-2010	Seed	Volna is a service for collaborative work in internet. It is a selection of services that enables to organize business communications.	SaaS
WebVisor	500 000	Yandex	Dec-2010	Acquisition	WebVizor records user's activity on the site and enables site owner to watch it in stream.	Software
Wobot* (wobot.ru)	500 000	Undisclosed Russian Investors	Dec-2011	Round A	Wobot is a Social Media Listening Platform that monitors social media and internet. It helps to conduct online market research, compile the ratings of certain company and its activity.	Business services
Yam Labs* (yamlabs.com)	500 000	Foresight Ventures	Mar-2011	Round A	YaM is a collaborative online tool that aims to streamline the meeting process. Web-based app provides a centralized place to capture and share all of the information pertaining to the meeting.	SaaS
DNR* (doktoranarabote.ru)	500 000	Angel Investors	Mar-2011	Round A	DNR is the largest Russian-speaking online community for physicians.	Social
Ogorod* (ogorod.ru)	450 000	eBuro	01.06.2010	Seed	Ogorod is a Russian location-based service which supports places of interests, microblogging and content sharing.	Mobile
Veter (veter.ru)	400 000	eBuro	01.06.2011	Seed	Veter is an online recruitment service for young professionals.	Online recruiting
Budist* (budist.ru)	350 000	Angel Investor	Dec-2011	Seed	Budist is a social alarm clock, which allows to receive wake-up call from random person. Company recently launched in United States under 'wakie' brand.	Consumer web
Ibrand (ibrand.ru)	350 000	eBuro	01.06.2010	Seed	Ibrand is a fullscreen banner ads developer.	Advertising
ID East (id-east.ru)	300 000	Russian Angel Investors	Oct-2010	Seed	ID East is a mobile apps developer for different platforms, like iOS, Android, BlackBerry, Samsung Bada, etc.	Software
iGlobe (iglobe.ru)	300 000	RBC	Sep-2010	Unattributed	iGlobe is an online hotel booking service.	E-commerce
Limited (limited.ru)	300 000	eBuro	Jun-2011	Seed	Limited is an online-boutique with limited offers and discounts.	E-commerce
Omyconf (omyconf.ru)	300 000	Undisclosed Investor	Jun-2011	Seed	Omyconf is a web service and mobile application for conference organisers.	Business services
Sravnikupi (sravnikupi.ru)	300 000	Russian Angel Investors	Apr-2011	Seed	Sravnikupi provides tools for searching, comparing and ordering insurance and banking products.	Consumer web

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Yam Labs* (yamlabs.com)	300 000	Russian Angel Investors	Feb-2010	Seed	YaM is a collaborative online tool that aims to streamline the meeting process. Web-based app provides a centralized place to capture and share all of the information pertaining to the meeting.	SaaS
DNR* (doktorarabote.ru)	300 000	Angel Investor	Jun-2010	Seed	DNR is the largest Russian-speaking online community for physicians.	Social
Evanti (evanti.ru)	300 000	Skolkovo	Jun-2011	Grant	Evanti is a telecom software company, developing and implementing innovative solutions.	Software
Cloudmach* (cloudmach.com)	250 000	Skolkovo	Mar-2011	Grant	Cloudmach is a cloud solution which provides users with 3D gaming experience and requires no downloads or installations, working instantly in a browser.	Cloud computing
Questli* (questli.com)	220 000	Redalpine	Apr-2011	Seed	Questli is a treasure hunting game with a viral character that combines the virtual and the real world. The gaming platform guides user through the real world, where he or she has to complete tasks, visit places or answer questions in order to win money, rewards, coupons or discounts.	Games
Apartama (apartama.ru)	200 000	Undisclosed Investor	Mar-2010	Seed	Apartama is an online showcase of range of products in furniture, home accessories and DIY goods.	E-commerce
Autoscore (autoscore.ru)	200 000	Russain Angel Investor	Jan-2011	Seed	AutoScore is providing information on secondary market car prices for professionals and individuals.	Consumer web
LinguaLeo* (lingualeo.ru)	200 000	Russain Angel Investor	Dec-2010	Seed	LinguaLeo is the service for studying English based on game model. There is a web service and mobile app for iOS.	Online education
Minutta* (minutta.com)	200 000	Russian Angel Investors	Dec-2011	Seed	Minutta is a service that makes creation of video clips fast and easy.	Consumer web
PlayGamp (playgamp.com)	200 000	Russain Angel Investor	Jan-2011	Seed	PlayGamp is an online casual games portal.	Games
Wizee Shopper* (wizee.ru)	200 000	Russian angel investors	Sep-2011	Seed	Wizee Shopper is a mobile guide for navigation in shopping centers providing information about special offers and discounts.	Mobile
10tracks (10tracks.ru)	200 000	Venture Investments fund of Tatarstan Republic	Dec-2011	Grant	10 tracks is remote cloud storage for music with support of standard APIs and employing of different algorithms for downloading time reduction.	Consumer web

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Jelastic* (jelastic.com)	167 000	Department of science and industry policy and entrepreneurship of Moscow	Dec-2011	Grant	Jelastic is a Java hosting platform which can run and scale any Java application with no code changes required.	Cloud computing
Vite (vite.me)	167 000	Department of science and industry policy and entrepreneurship of Moscow	Dec-2011	Grant	Vite is a mobile application for sharing contacts, sending files and staying connected with friends.	Mobile
Wheely* (wheely.com)	167 000	Department of science and industry policy and entrepreneurship of Moscow	Dec-2011	Grant	Wheely is a mobile application for ordering taxi services.	Mobile
Cache Systems	167 000	Russain Angel Investor	Jun-2011	Seed	Cache Systems is a start-up in a field of internet traffic monitoring that currently works in a 'stealth' mode.	Software
Tutorion (tutorion.ru)	166 000	Department of science and industry policy and entrepreneurship of Moscow	Dec-2011	Grant	Tutorion is a private education service available via internet. The service includes virtual classroom and enables participation in webinars and individual lessons.	Online education
PayOnline (payonline.ru)	165 000	Department of science and industry policy and entrepreneurship of Moscow	Nov-2011	Grant	PayOnline is a payment system enabling payment with banking cards via mobile devices.	Consumer web
Fidesys* (cae-fidesys.ru)	163 000	Department of science and industry policy and entrepreneurship of Moscow	Dec-2011	Grant	Fidesys is a cloud computing software developer.	SaaS

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Penxy (penxy.com)	161 000	Department of science and industry policy and entrepreneurship of Moscow	Nov-2011	Grant	Penxy is a distant education system.	Online education
Webils (webils.ru)	154 000	Department of science and industry policy and entrepreneurship of Moscow	Dec-2011	Grant	Webils is a solution for corporate education and personal assessment.	Online education
BeatTheBushes	150 000	Farminers	Nov-2011	Seed	BeatTheBushes is aimed to provide help with search of lost personal belongings via web and mobile app.	Consumer web
Care4teen (Care4teen.com)	150 000	Farminers	Nov-2011	Seed	Care4Teen is a software which gives parents control and access to their children's online activities.	Software
Dish.fm	150 000	Farminers	Nov-2011	Seed	Dish.fm is a way to find out what and where to eat. Dish.fm learns users' tastes to make recommendations.	Mobile
Documentoved (documentived.ru)	150 000	SKB Kontur	May-2011	Unattributed	Documentoved.ru is a service which helps to prepare documents for LLC registration within 15 minutes. Service also provides help in preparing different types of contracts.	SaaS
IPQ2	150 000	Farminers	Nov-2011	Seed	IPQ2 is a mobile service to make meeting new people simple.	Dating
IT Mozg (itmozg.ru)	150 000	Headhunter	Apr-2011	Seed	IT Mozg is a recruitment service for IT professionals.	Online recruiting
Kula (feekula.com)	150 000	Farminers	Nov-2011	Seed	Kula is a crossplatform social magazine, which aggregates information from different sources (social networks, RSS, google reader, etc).	Consumer web
Kuznech* (kuznech.ru)	150 000	Pavel Cherkashin, Valery Senko	Jun-2011	Seed	Kuznech is a visual search company that is working on technology to index and compare billions of images online by 150 parameters.	Search
My Apps (my-apps.com)	150 000	Farminers	Nov-2011	Seed	My Apps is a mobile applications constructor that allows users create their own mobile application via web-site or Builder for iPhone, Android and other platforms.	Software
MyWardrobe (tryonow.com)	150 000	Farminers	Nov-2011	Seed	My Wardrobe is a service that 'takes' all your clothes into a virtual closet and helps to find things, to make looks, to decide what to wear today or which clothes to take on vacations.	Mobile

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Planner 5D (planner5d.com)	150 000	Farminers	Nov-2011	Seed	Planner 5D helps to design interior online, to create and share floor plans online.	Consumer web
Prognolic (prognolic.com)	150 000	Farminers	Nov-2011	Seed	Prognolic allows tracking recommendation accuracy of Wall street's equity analysts.	Consumer web
Socialmarket	150 000	Yandex	Jun-2011	Seed	The Social Market application allows social network users to get answers to questions about what and where to buy popular goods as well as the ability to share impressions on purchases and buyer experiences.	E-commerce
Woodla (woodla.com)	150 000	Farminers	Nov-2011	Seed	Woodla is a new gaming experience that unites the geoservices advantages and games fun. Augmented Reality, Camera filters, Chekin's, quests and «Hidden Object» in one application.	Games
Yalbums	150 000	Farminers	Nov-2011	Seed	Yalbums is a photo sharing mobile app with different options like comments, subscription on interesting sites or people, etc.	Social
Intervox (intervox.com)	148 000	Department of science and industry policy and entrepreneurship of Moscow	Dec-2011	Grant	Intervox is creating cloud platform for voice recognition and analysis. Service is processing voice input into text and synchronises\posts it to Livejournal, Twitter, Evernote, Outlook, Google, Mail and other user applications.	Software
Spotto (spotto.me)	140 000	eBuro	Mar-2011	Seed	Spotto is a mobile application for sharing news, photo and comments in group service.	Mobile
LinguaLeo* (lingualeo.ru)	139 000	Department of science and industry policy and entrepreneurship of Moscow	Nov-2011	Grant	LinguaLeo is the service for studying English based on game model. There is a web service and mobile app for iOS.	Online education
A5 (a5.ru)	133 000	Russain Angel Investor	Dec-2010	Seed	A5 is developing a website creation tool. Using predefined templates users without technical skills can create website in a matter of minutes.	Software
Glavbot (glavbot.ru)	130 000	Russain Angel Investor	Mar-2011	Seed	Glavbot develops tools for implementation of augmented reality in web games.	Games

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Innoredzh	105 000	Department of science and industry policy and entrepreneurship of Moscow	Dec-2011	Grant	Innoredzh is engineering kit for corporate database and cloud based management accounting.	SaaS
Internet-content.ru	100 000	Microsoft	Jan-2011	Grant	Internet-content develops infrastructure for data-centres.	Software
Pirate Pay (piratepay.ru)	100 000	Microsoft	Apr-2011	Grant	Pirate pay provides intelligence on how content is distributes across internet.	Software
Clickberry (clickberry.com)	100 000	Yuri Virovets	Feb-2011	Seed	Actio is developing video solutions for advertising purposes.	Video
Cloud Health Care (normasugar.ru)	100 000	Glavstart	Sep-2011	Seed	NormaSugar is an online service for tracking the status of patients with diabetes.	Consumer web
IT RockOut* (it-rockout.com)	100 000	Glavstart	Apr-2011	Seed	IT RockOut is a crowdfunding and collective ordering platform for software development projects.	Social
Jetka (jetka.com)	100 000	Angel Investor	Aug-2011	Seed	Jetka is CRM with database of business contacts. Jetka also provides tools for efficient sales and project management.	SaaS
More Salonov (moresalonov.ru)	100 000	Glavstart	Jan-2011	Seed	MoreSalonov is an online booking service for making researvations at beauty salons.	Consumer web
OnWebinar (onwebinar.ru)	100 000	Russain Angel Investor	Apr-2011	Seed	OnWebinar is a free online service for conferences, webinars and video streaming.	Online education
Openmeetings (dataved.ru)	100 000	Russain Angel Investor	Jun-2011	Seed	Openmeetings render teleconferencing solutions.	Communication
Petwar (petwar.ru)	100 000	Russian Angel Investor	Jun-2011	Seed	Petwar is a browser role-playing game.	Games
Picorange (picorange.com)	100 000	Glavstart	May-2011	Seed	Picorange is a community that helps to manage photo collection with help of other users.	Social
Play Mark	100 000	Glavstart	May-2011	Seed	Play Mark is an engaging channel for displaying ads. The site rewards members with bonus points for watching videos and other actions. These points can then be used during special offers and promotions from partners.	Consumer web
Podorozhniki (podorozhniki.com)	100 000	Glavstart	Nov-2011	Seed	Podorozhniki is a carpooling service, providing possibility for drivers to pick up people who has similar one-time or routine route.	Consumer web
Probki iz okna (probkiizokna.ru)	100 000	Russain Angel Investor	Apr-2011	Seed	Service is collecting information about Moscow traffic via webcams installed near windows by users.	Software

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Story.me (story.me)	100 000	eBuro	Mar-2011	Seed	Story.me is a content portal for sharing personal facts, stories and photos.	Social
Tag Brand (tagbrand.com)	100 000	Glavstart	May-2011	Seed	Tag Brand is a web service and mobile application that helps people to 'share' clothes they wear via the so-called 'brand-in'.	E-commerce
Tulp* (tulp.ru)	100 000	Russian Angel Investors	Feb-2010	Seed	Tulp.ru is a social network and community for local reviews and recommendations.	Social
Vezet vsem (vezetvsem.info)	100 000	Russain Angel Investor	Jul-2011	Seed	Vezet vsem is an online service based on auction model. It enables people to find transportation service and carriers and find new clients via site.	Business services
Wizee Shopper* (wizee.ru)	100 000	Russian Angel Investors	Feb-2011	Seed	Wizee Shopper is a mobile guide for navigation in shopping centers providing information about special offers and discounts.	Mobile
Yolki (yolki.cc)	100 000	Glavstart	Jun-2011	Seed	Yolki is a mobile application for anonymous local chat.	Mobile
Choister	100 000	Skolkovo	Jul-2011	Grant	Choister is optimizing internet search by providing mix of alternative results in auto-updated comparison table.	Search
GlobalLab (globallab.ru)	100 000	Skolkovo	Nov-2011	Grant	Global Lab is an online laboratory where students across the globe explore the world together.	Online education
Toytemic (toytemic.com)	100 000	Skolkovo, Cisco	May-2011	Grant	Toytemic develops a technological platform designed to support ad hoc networks of mobile and self-propelled devices in personal area.	Software
Qreal (qreal.ru)	100 000	Softline Venture Partners	Aug-2011	Grant	Qreal creates a development environment for object-oriented programming.	Software
Zenmoney (zenmoney.ru)	100 000	Yandex	Jun-2011	Grant	Zenmoney is a personal finance start-up developing an accounting and planning tool.	Consumer web
ePythia* (epythia.com)	80 000	Microsoft	Jul-2011	Grant	ePythia is a free To-Do list service, which can remind about tasks at locations of user's interest. It is available as web service and mobile application.	Consumer web
Wobot* (wobot.ru)	80 000	Microsoft	Jul-2011	Grant	Wobot is a Social Media Listening Platform that monitors social media and internet. It helps to conduct online market research, compile the ratings of certain company and its activity.	Business services
Timeliner (timeliner.ru)	80 000	Projector Ventures	Jun-2010	Seed	Timeliner is a service for online reservations at various offline service providers.	Consumer web

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
ColorPen (colorpen.ru)	70 000	Microsoft	Jul-2011	Grant	ColorPen is an online learning service that provides tools for facilitation of distant classes.	Online education
Bitva brendov (thebattleofbrands.com)	70 000	Itech Capital	Nov-2011	Seed	Service provides users possibility to compare certain brands.	Social
DaOffice (daoffice.ru)	70 000	Founders	Aug-2011	Seed	DaOffice is a corporate social network for the improvement communication process in the company.	Software
Sales Exchange* (saex.ru)	70 000	Foreign Investors (Canada)	Jun-2011	Seed	Saex.ru is an exchange system of business contacts in different fields, regions, separation positions, etc.	Business services
Spotix (spotix.ru)	70 000	Russian Angel Investor	Jun-2010	Seed	Spotix is an internet-store for small and mid-size businesses.	Consumer web
Travelata (travelata.ru)	70 000	Russian Angel Investors	01.09.2011	Seed	Travelata is an online agency, making packaged tours available for purchase via internet.	E-commerce
DEEEP (deep.me)	67 000	Russain Angel Investor	Dec-2010	Seed	Deeep is a content portal.	Consumer web
LiveExpert (liveexpert.ru)	67 000	Russain Angel Investor	Feb-2011	Seed	LiveExpert is a service that helps to get advice from real person in such fields as law, business, technology, beauty and health, etc.	Consumer web
Yamedia.info	67 000	Russain Angel Investor	May-2011	Seed	Yamedia is a Perm-based start-up which provides personalized content in the sphere of career and self-development for students and young professionals.	Online Education
Speakto* (speakto.ru)	67 000	Venture Investments fund of Tatarstan Republic	Dec-2011	Grant	Speakto develops modern cloud solutions for web-conferencing, webinars and online broadcasting based on the new HTML5 technology and Java scripts, allowing reducing the required traffic volume, the overall requirements for server and client resources.	Communication
StartPack* (startpack.ru)	67 000	Venture Investments fund of Tatarstan Republic	Dec-2011	Grant	StartPack is developing a web-based platform that allows integrating different cloud services into a unified operating environment for small and medium businesses, with the remote access to the workplace, centralized management, unified authorization and payment systems.	SaaS
Focus Commercial	60 000	Russian Angel Investor	Feb-2010	Seed	Focus Commercial helps to analyze an efficiency of different ads campaigns.	Advertising
Menutka (menutka.com)	60 000	Glavstart	May-2011	Seed	Menutka is a LBS application that helps to find restaurant by browsing dishes.	Mobile

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Svoimi rukami	60 000	Glavstart	May-2011	Seed	Svoimi rukami is a platform for creating online stores for hand-made goods.	E-commerce
ShopPoints* (shoppoints.ru)	55 000	Microsoft	Nov-2011	Grant	ShopPoints is a mobile phone advertising channel that helps customers to make more informed choices about what they buy, and retailers to reach customers in the physical world.	Mobile
Drincash* (drincash.com)	50 000	Angel Investor	Aug-2011	Seed	DrinCash is a way to present a real drink (beer, coffee, cocktail, wine) to a remote friend. User can buy a drink and send it to friend's e-mail. Then the friend gets a drink in a pub using QR code.	E-commerce
Drincash* (drincash.com)	50 000	Angel Investor	Oct-2011	Seed	DrinCash is a way to present a real drink (beer, coffee, cocktail, wine) to a remote friend. User can buy a drink and send it to friend's e-mail. Then the friend gets a drink in a pub using QR code.	E-commerce
Drug Drugu* (drugdrugu.ru)	50 000	Glavstart	Jan-2011	Seed	Drug Drugu is a service where users can share their desires and abilities. User can help somebody with something and also get help from someone.	Social
ePythia* (epythia.com)	50 000	Angel Investor	Feb-2011	Seed	ePythia is a free To-Do list service, which can remind about tasks at locations of user's interest. It is available as web service and mobile application.	Consumer web
Gde Doctor	50 000	Russian Angel Investor	Mar-2011	Seed	GdeDoctor is bringing local search, reviews and ratings making search for physician easier.	Consumer web
InSales (insales.ru)	50 000	Addventure	Apr-2010	Seed	InSales is proving CMS solutions for e-commerce via SaaS model.	SaaS
Living Books (living-books.ru)	50 000	Richard Hejnsvort	Aug-2011	Seed	Living books is a web service connecting authors and readers. Living Books also provides possibility to write own books for writers and publish e-books.	Consumer web
PowerContent (powercontent.ru)	50 000	Pavel Cherkashin	Sep-2011	Seed	PowerContent is a developer of content for internet stores: feedbacks, reviews, vidgets, and 3D-photos.	E-commerce
RubicPro (rubic.pro)	50 000	Xmas Ventures	Aug-2011	Seed	RubicPro is developing services and software for mobile users.	Software
Taksi v Seti (taxivs.com)	50 000	Undisclosed Investor	Sep-2010	Seed	Taksi v Seti is a mobile application for ordering taxi with real-time taxi monitoring.	Consumer web
9facts (9facts.com)	40 000	Projector Ventures	Sep-2011	Seed	9facts is a social service to fetch and aggregate personal facts and achievements, in order to keep track of them and compare them.	Social

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Lidstrikom, LLC	33 000	Department of science and industry policy and entrepreneurship of Moscow	Dec-2011	Grant	Leadstrikom is a leadgeneration platform currently operating in stealth mode.	Advertising
Videoset' 7RTV (7rtv.ru)	33 000	Russain Angel Investor	Jun-2011	Seed	7Rtv is a developer of different formats of internet ads employing patented technology.	Advertising
Domosite (domosite.ru)	30 000	Projector Ventures	Mar-2011	Seed	Domosite is a social network for the people, who inhabit big houses in a modern city. Exchanging data with the managing company, conducting meetings of the member of a condo, sending request for the plumber, or just chatting about latest local news is possible on Domosite.	Consumer web
Martmania (martmania.ru)	25 000	TexDrive	Nov-2011	Seed	Martmania is an e-commerce website that focuses on handmade and vintage items, as well as art and craft supplies. The items include art, accessories, clothing, edibles, quilts, and toys.	E-commerce
Fleecs (fleecs.ru)	25 000	TexDrive	Nov-2011	Seed	Fleet Card Services is developing corporate payment system and 'fuel cards' for businesses that look for optimisation and cost control in fleet management.	Business services
B-152 (b-152.ru)	25 000	TexDrive	Nov-2011	Seed	Company is developing SaaS solution that helps SMEs align internal business proceses in complince with federal law on personal data.	SaaS
Budist* (budist.ru)	25 000	Start Fellows	Dec-2011	Grant	Budist is a social alarm clock, which allows to recieve wake-up call from random person. Company recently launched in United States under 'wakie' brand.	Consumer web
Drug Drugu* (drugdrugu.ru)	25 000	Start Fellows	Dec-2011	Grant	Drug Drugu is a service where users can share their desires and abilities. User can help somebody with something and also get help from someone.	Social
Sand Sign (sandsign.ru)	25 000	Start Fellows	Dec-2011	Grant	Sand Sign is a service for people allowing to share pictures of sand drawings.	Social
Twi Journal (tjournal.ru)	25 000	Start Fellows	Dec-2011	Grant	Twi Journal is a social newspaper based on twitter trend and the most popular tweets.	Social
Vnimanie.tv (vnimanietv.ru)	25 000	Start Fellows	Dec-2011	Grant	Vnimanie.tv features educational videos across different topics and categories	Video

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Wheely* (wheely.com)	25 000	Start Fellows	Dec-2011	Grant	Wheely is a mobile application for ordering taxi services.	Mobile
Avtodelka (avtodelka.ru)	20 000	Russain Angel Investor	Jun-2011	Seed	Avtodelka is a lead generation platform for car-service stations.	Consumer web
Jetcus (jetcus.com)	20 000	Angel Investor	Aug-2011	Seed	Jetcus is a system of "word of mouth" ads in social networks based on pay-per-action model and loyalty program.	Social
Jetwant (jetwant.com)	20 000	Angel Investor	Dec-2011	Seed	Jetwant is based on carwoo.com business model and extended to real estate and travel.	Consumer web
Minutta* (minutta.com)	20 000	Pavel Cherkashin	Jun-2011	Seed	Minutta is a service that makes creation of video clips fast and easy.	Consumer web
AlphaMed (alphamed.su)	17 000	Tatartstan Investment Development Agency	Dec-2011	Grant	AlphaMed is creating autonomous system incorporating in one network feldsher-midwife stations and central hospitals that increases effectiveness of interaction within the network.	SaaS
Ezhik (ezhik-online.ru)	17 000	Tatartstan Investment Development Agency	Dec-2011	Grant	Ezhik develops a multipurpose internet service, which allows to record housing facilities stock, to make the calculation of utility bills, to inform residents about what is happening in the housing stock and create the direct communication channels to improve relations between management agencies and residents.	SaaS
Online Tutors (onlinerepetitory.ru)	17 000	Tatartstan Investment Development Agency	Dec-2011	Grant	Online Tutors develops a cloud computing platform for distance learning process including the monitoring and evaluation of the obtained knowledge quality and the systems controlling the level of student's attention using a webcam.	Online education
Secure Cloud	17 000	Tatartstan Investment Development Agency	Dec-2011	Grant	Cloud solutions start-up is cuttenly in 'stealth' mode.	Cloud computing
Speakto* (speakto.ru)	17 000	Tatartstan Investment Development Agency	Dec-2011	Grant	Speakto develops modern cloud solutions for web-conferencing, webinars and online broadcasting based on the new HTML5 technology and Java scripts, allowing reducing the required traffic volume, the overall requirements for server and client resources.	Communication

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Sportfort (sportfort.ru)	17 000	Tatartstan Investment Development Agency	Dec-2011	Grant	Sportfort is an online platform, which allows creating a site for a team or league management without any special skills, providing effective communication within the sport organizations and other parties of sport community.	Consumer web
StartPack* (startpack.ru)	17 000	Tatartstan Investment Development Agency	Dec-2011	Grant	StartPack is developing a web-based platform that allows integrating different cloud services into a unified operating environment for small and medium businesses, with remote access to the workplace, centralized management, unified authorization and payment systems.	SaaS
Kwenda (kwenda.ru)	15 000	Undisclosed Investor	Jun-2010	Seed	Kwenda is a route planning service that helps organizing and sharing travels.	Consumer web
Evrent (evrent.ru)	15 000	Projector Ventures	Apr-2011	Seed	Evrent is an internet-based broker for the market of event and office equipment rental. Evrent finds those who want to lend and those who want to borrow, and takes care of all the technical details.	Business services
RealSpeaker*	13 000	Fasie	Dec-2011	Grant	RealSpeaker develops the solution that is able to increase the effectiveness of the voice translation into text process by defining the speaker's lips movements, with following different technical features, such as true fixing of speaker speech, exact selection of micro pauses and fast speech signal processing by parts, with small requirements to internet channel.	Software
Speaktoit* (speaktoit.com)	10 000	Cisco	Nov-2010	Grant	The Speaktoit Assistant is a virtual buddy for smartphone that answers questions in natural language, performs tasks, and notifies about important events.	Mobile
IT RockOut* (it-rockout.com)	10 000	Glavstart	Apr-2011	Grant	IT RockOut is a crowdfunding and collective ordering platform for software development projects.	Social
iBuildApp (ibuildapp.com)	10 000	HSE inc	Dec-2011	Grant	iBuildApp makes it easy and affordable for any business to build and manage mobile apps.	Software

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
RealSpeaker*	10 000	NAIR-IT	Dec-2011	Grant	RealSpeaker develops a solution that is able to increase the effectiveness of the voice translation into text process by defining the speaker's lips movements, with following different technical features, such as true fixing of speaker speech, exact selection of micro pauses and fast speech signal processing by parts, with small requirements to internet channel.	Software
Citrea	10 000	Projector Ventures	Nov-2011	Seed	Citrea is a technology that allows users to work on the same document in their web-browser simultaneously, while all changes are displayed online for each of the users, and every change is trackable and revokable.	Software
Pharmalite (pl.ura-iskra.ru)	10 000	Projector Ventures	Dec-2011	Seed	Pharmalite gives the user the possibility to enter a whole prescription and to get the answer about the availability and price of this prescription in the city's drugstores.	Consumer web
DalSlovo (dalslovo.ru)	10 000	Projector Ventures	Mar-2011	Seed	DalSlovo helps people to organize themselves in order to keep track of what politicians are saying. Non-commercial project.	Consumer web
ShopPoints* (shoppoints.ru)	8 000	Web Ready	Dec-2011	Grant	ShopPoints is a mobile phone advertising channel that helps customers to make more informed choices about what they buy, and retailers to reach customers in the physical world.	Mobile
Wobot* (wobot.ru)	7 000	HSE BIT contest	Oct-2010	Grant	Wobot is a Social Media Listening Platform that monitors social media and internet. It helps to conduct online market research, compile the ratings of certain company and its activity.	Social
Sidenotes (sidenotes.ru)	5 000	Projector Ventures	Sep-2011	Seed	Sidenotes is a collaborative tool to discuss what users are reading, to argue or to agree with the author and other readers of the same book, and to create a community of thinking readers.	Consumer web
RealSpeaker*	3 000	LG Seed Investmetns Fund	Dec-2011	Grant	RealSpeaker develops the solution that is able to increase the effectiveness of the voice translation into text process by defining the speaker's lips movements, with following different technical features, such as true fixing of speaker speech, exact selection of micro pauses and fast speech signal processing by parts, with small requirements to internet channel.	Software

Company	Amount raised, \$	Investors	Date	Round	Description	Sector
Juvalia (juvalia.ru)	n/a <sup>1</sup>	Fast Lane Ventures	Sep-2011	Seed	Juvalia business model combines direct sales with e-commerce, retail merchandising and social media. Company aims to revolutionize entrepreneurial opportunities for women by Social Selling platform.	E-commerce
Kommerstate (kommerstate.ru)	n/a	Fast Lane Ventures	Sep-2011	Seed	Kommerstate is a B2B online marketplace for commercial Real Estate, intermediation of services between real-estate brokers and commercial real-estate searchers.	Business services
Lokata (lokata.ru)	n/a	Fast Lane Ventures, Undisclosed Investors	Sep-2011	Seed	Lokata is a local search engine and online catalogs website.	Consumer web
OdinOtvét (odinotvet.ru)	n/a	Fast Lane Ventures	Sep-2011	Seed	OdinOtvét is a professional net of questions and answers created and organized by everyone who uses it. The main goal is to be the best possible resource for someone who wants to know the answer to each question.	Consumer web
RentHome (renthome.ru)	n/a	Fast Lane Ventures	Jul-2011	Seed	RentHome.ru is an online private realty marketplace for travel and devotees of independent tourism across Russia and CIS. The company allows users to find the right accommodation for their vacation via an extensive database and order it through the direct contact with owner.	Consumer web

## Inaccuracies spotted

This is the first issue of the DEAL BOOK of RUSSIAN INTERNET and the data included is as accurate as was possible to capture. We would be happy to receive corrections on deals and get updates on uncovered deals. The information provided will be used to make the next issue of the deal book more accurate.

**Submit correction:**



**Submit investment round:**



**Feedback:**

[akulikov@fastlaneventures.ru](mailto:akulikov@fastlaneventures.ru)

<sup>1</sup> Here and further n/a stands for not reported deal volumes. Fast Lane Ventures is not revealing investments on companies that haven't proceed to Round A

## PART III. Expert opinion

### *Leading VC representatives on market outlook*

**Andreas Haug**

**General Partner, eVenture Capital Partners | BV Capital**



eVenture Capital Partners | BV Capital is a global venture fund with representative offices in US, Germany, Brazil, Russia and China specializing in seed and early-stage investments in successful online companies.

We are looking for new business ideas with solid potential in the Internet industry worldwide.

After getting to know the Russian market in 2010, since 2011 we have been in the active investment stage. We have already successfully invested in nine online companies and performed two exits.<sup>2</sup>

Now, when we have solid market understanding and global set up, we plan to make 5-10 investments per year. We are going to continue focusing on consumer web, we expect, though, new business models in cloud, mobile and digital media to emerge in Russia due to local IT talents.

We gathered several fast growing online consumer businesses in our portfolio. For 3 years in Russia we helped to build Russian leading group buying service Darberry.ru, that has been sold to Groupon Inc., we also helped to grow Sapato.ru, Russian largest online shoe retailer. Currently we are happy to work with Heverest.ru, the largest Russian online sport goods retailer, that has raised already \$6.7m from investors. Jizo.ru and Domgeo.ru are Russian leading meta search and first Russian real estate search engine with geo location. Teamo.ru is a Russian leading site for finding long term relationship partner and Pinme.ru is a Russian speaking image sharing social network.

So far we performed two exits in Russia: recent exit with shoe-retailer Sapato.ru, and Darberry.ru, our first Russian exit, the company has been sold to Groupon Inc, world's largest group buying company.

Also we closed successful partnership with NGINX, the world's fastest growing webserver that serves over 45m high loaded web sites globally. It has been founded by the Russian entrepreneur, Igor Sysoev. The company provides its services to such high loaded sites as Groupon.com, FaceBook.com and DropBox.com.

Growing international exchange in the Internet industry caused more exchange at the Russian IT market. Last year we attended number of general networking events, such as Russian Internet Week, TechChruch and Russian Internet Forum. Whereas, this year we see more specialized seminars and workshops with expert participation for start-ups working in mobile, online media and advertising, cloud and software as a service fields. We are delighted to see growing number of female entrepreneurs in online business.

We can notice also a growing number of different incubators and accelerators for start-ups all over Russia. The competition between funds has intensified as well. Some sectors, like e-commerce become more competitive compared to the market 5 years ago. As result, Internet users will get better and often cheaper services and products.

In general we find the current state of the Russian online market as very attractive for investments. We find here both: fast growing internet penetration and growing consumer market.

Currently we see lots of funds bidding for not always very professionally built companies. At the same time there is a lack of seed-stage financing available even for qualified ones.

However, the situation is changing fast and soon we will see several funds competing to invest at seed stage.

Russian start-ups that are interesting for EVC Russia have clear understanding of the local industry specifics, online and offline. Their founders are usually Russian-speaking entrepreneurs with 5-10 years of experience in the

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<sup>2</sup> Exit of Sapato.ru is not covered in current research since it took place in 2012.

relevant field, who have strong vision of the company development and its potential scalability to other markets. A good (but not obligatory) sign for us would be proven business model at the West, but yet missing in Russia. As an example, our portfolio company online shoe-retailer Sapato, an analogue of Zappos, that has recently been sold to Ozon.ru (Russian Amazon).

We see sometimes too raw start-ups, lacking sound business model or business plan or having weak management team. We also take in consideration peculiarities of the Russian market: for example, business models, based on subscription do not work well here. Arranging logistics can be a significant obstacle that may prevent even proven business models to develop in Russia. Partly due to these reasons so far there are no leaders in the online furniture retail market in Russia.

Government plays an active role in establishment of sound entrepreneurial and innovative business environment and enhancing investment climate in the country. Around 15 modern technoparks and incubators, such as Skolkovo and Ingria have been developed all over the country. Most importantly, e-business helps to solve problems with local corruption by increasing transparency and reducing offline transaction costs.

There are always a number of investment risks associated with emerging markets: regulation, underdeveloped infrastructure. However, lack of experienced high-profile entrepreneurs is by far the biggest bottleneck limiting growth of the Russian Internet industry.

We are expecting more experienced entrepreneurs to come in the Russian Internet industry: from Russian offline sector, from Russian IT industry, from foreign markets etc. As a result, we will see more emerging online businesses in Russia.

#### **Alexander "Sasha" Galitsky, Ph.D.**

##### **Co-founder and managing partner, Almaz Capital Partners, board member of Skolkovo Foundation**



We believe that Almaz Capital Partners is one of the leading venture capital firms serving entrepreneurs and companies with ties to Russia and the Commonwealth of Independent States (CIS). Our investors include industry leaders, such as Cisco Systems, European Bank of Reconstruction and Development, UFG Asset Management and a group of successful high-tech entrepreneurs. Almaz primarily targets early and expansion stage investments in high growth sectors, including Technology, Digital Media, and Communications. In addition to extensive experience in Russia/CIS, Almaz Capital Partners' network in Silicon Valley offers portfolio companies an effective local investment partner with global reach.

Almaz Capital Partners' mission is to help Russian/CIS entrepreneurs and their businesses on the global scale and in their attack on the CIS internet market. Our offices are in Moscow and in the heart of Silicon Valley - Palo Alto is aiming to assist the innovative Russian/CIS origin start-ups to achieve their desire.

Our 12 investments clearly represent our mission and success of our strategy. Our global plan is well represented by our investments in:

- Parallels (Virtualization and automation software for public clouds),
- Acumatica (Web-based ERP and financial software company),
- Vyatta (Develops advanced routing and security software that scales from the branch office to the service provider edge),
- Jelastec (Rock-solid Java Host in the Cloud),
- QIK (Consumer application for sharing mobile videos and enabling real-time video chat),
- Alawar (Developer, publisher and distributor of casual games),
- nScaled (Free cloud-based backup, archive and disaster recovery service).

Our investments in:

- Yandex (Leading search engine and Internet portal),
- Flirtic (Internet dating site that simplifies how people meet),
- TravelMenu (On-line travel service focused on consumers in Russia/CIS),
- AlterGeo (Location-based social advertising service)

confirm the Russian/CIS opportunities.

The successful Yandex IPO and QIK acquisition by Skype in 2011 proved that both our strategies work.

In 2012 and 2013, we are 'mining' entrepreneurs and companies focused on Big Data, Software Defined Networks, At Scale Computing, but we are also keeping our eyes on the growing Social demand, especially exploring the boundaries between work vs. play and increasing interest in social gaming, collaboration and travel. We will continue to be interested in cloud technology companies focused on the corporate privacy, multi tenancy, scale, and failover and management tools. Another area of our interest will be Mobile Device Management and traditional problems of Authentication and Security in new cloud environments: Data Leakage Prevention and Identity Management. In the following years, Machine vision derivatives (analytics), Visualization and Green Energy are getting our attention as well.

We believe that our hands-on model works and we are happy to see the growth of the quality of the entrepreneurs and their teams. Personal qualities of the entrepreneurs are key for us in addition to the big market opportunity and defensible technologies.

### **Brian Feinstein**

#### **Bessemer Venture Partners**



Bessemer Venture Partners (BVP) is a global venture and growth equity firm with over \$4bn in assets under management. Founded in 1911, BVP is the oldest venture capital firm in the world. We are currently investing out of a \$1.6bn fund with an active presence in New York, Boston, California, Israel, India, Russia, and Brazil. Prior BVP investments include Skype, LinkedIn, Verisign, OLX, Yelp, Millennial Media, Playdom, Diapers.com, Staples, Pinterest, Endeca, and many others.

We have been investing in Russia since 2005 and are one of the most active international firms in the region. Our investments include Parallels (a global provider of virtualization software founded by Serguei Beloussov and Ilya Zubarev), KupiVIP (a leading Russian e-commerce destination founded by Oskar Hartmann) and Enforta (one of the largest WiMax operators in Russia).

We are currently focused on \$5m to \$50m growth-stage investments that cater to three core themes: a) businesses that leverage Russian engineering talent to deliver best-in-class software and services globally (e.g. Parallels), b) consumer Internet businesses catering to Russia's large and rapidly growing Internet population (e.g. KupiVIP), and c) technology businesses that serve the unique needs of the Russian market (e.g. Enforta).

Over the past year, we have increased our focus and commitment to technology investing in the Russian region due to a few key developments. First, the Russian Internet population surpassed 60m users, making it the largest Internet audience in Europe and one of the fastest-growing in the world. The sheer magnitude of the Russian market means that there is meaningful opportunity to build large domestically-focused Internet businesses. Second, the growth of angels, early-stage VC funds, and government grant programs has created an ecosystem of early-stage investing that is critical in order for startups to mature to the stage where we typically invest. Third, the successful IPOs of Yandex and Mail.ru indicates strong demand from public equity investors for emerging market Internet exposure, which will continue to create exit options for the most successful Russian technology businesses.

We are taking a patient approach to investing in Russia and are focusing our resources on opportunities to support truly exceptional entrepreneurs attacking massive markets. We hope to make a few investments per year in Russia, frequently in cooperation with local partners, and expect to increase our pace of investment as the startup ecosystem matures.

**Dmitry Alimov**

**Founding Partner, Frontier Ventures**



Frontier Ventures is a \$50m venture capital fund focused on working with entrepreneurs in the consumer Internet services industry to build leading businesses in the market. We are entrepreneurs ourselves with a strong track record in building leading companies in the sector: we invested in biglion.ru and ivi.ru. The companies we work with need to demonstrate their ability to lead in the sector, have an experienced team, and focus on a large opportunity with a proven business model. We are looking to work with these companies as partners to support their rapid growth through sharing our own experience, access to our relationship networks, and our financial resources.

During 2010-2011, we remained focused on building our existing businesses, ivi.ru and biglion.ru, to leadership positions in their respective sectors and we started work on putting the Frontier Ventures fund together. This involved close analysis of the Russian market and global trends in the consumer Internet service industry, raising funds, and establishing structure and strategy for Frontier Ventures.

We are very optimistic about the potential for growth in the Internet sectors we are operating in. We believe there is at least 10-15 years of rapid growth ahead of us based on the current state of development of the Russian consumer Internet services sector and our understanding of global trends in the same sector.

In terms of our own expectations for growth of the fund, we are looking to invest in 5-10 companies in the sector with commitments of between \$1m and \$10m in each business.

We believe that even though Russia is the most advanced market in the CIS region for consumer internet services but it still has a long way to go. Current internet penetration in Russia is around 50% of the population but this is not the whole story. Global experience shows, for example, that once internet users get online it matters if they are using a broadband connection or a dial-up and people don't generally use the internet actively until they have a broadband connection. Broadband connection in Russia is still at a fairly low level, only available to around a third of the population. You also need to bear in mind that once users get on the internet it takes them years to become proficient users; initially they use search engines and use basic functions but if you look at social networks like Facebook, it can take months if not years for people to use these more sophisticated services actively. This means that the numbers of active internet users are a much smaller group – we're talking probably about 15-20m users in the whole of Russia (or 10-15% of the population). Understanding just how few Russians currently use the internet proficiently gives you some idea of how much further this market can develop.

If you compare US market with Russia, in the US there is a well-established ecosystem in which you live alongside a lot of advisors, highly qualified people, so even if you are young you can take advantage of this ecosystem and the number of mistakes you make will be reduced significantly. It's a lot easier to hire qualified people (although not necessarily technical talent who are really expensive in the States) but in terms of the business talent it is much easier to hire quality people. In Russia the ecosystem is much younger and much less efficient so in order for someone to be able to build a successful business with all the challenges that are involved in areas like recruiting, marketing, raising capital, etc. it usually takes more experience and that is why entrepreneurs here can benefit from partnering up with experienced local investors, in particular if these investors are entrepreneurs themselves.

Main limitations of Russian venture capital industry are deficit of experienced entrepreneurs and business managers, lack of suitable ecosystem for supporting businesses compared to developed markets like the U.S and weakness of legal system for protection of investor rights although this can be partially mitigated via offshore deal structuring.

Key drivers of growth in internet are Increasing use of broadband access to more consumers, ability of consumer internet services industry to leapfrog traditional offline business models in sectors where they are no longer viable, for example in online video (leapfrogging cable) and the travel industry. In addition to that, internet natives are getting older and will start to dominate the consumer market with higher spend as they establish themselves in the middle class.

## **Victor Belogub**

### **Chief Investment Manager, Venture Business, VTB Capital**



We are the leading Russian Venture Capital firm, part of VTB Capital, the only Russian global investment bank. VC business is currently managing over \$330m with a portfolio of 30 companies in Russia and abroad. We support cutting-edge Russian-related technology businesses wherever they are. We closed several deals in Russia, Europe and United States, with primary focus on IT, nanotech, cleantech and consumer internet sectors.

In 2012-2013 we will keep investing in Russian consumer internet, global nanotech, cleantech and IT innovations.

Russia became one of the largest internet markets in the world, very attractive due to low competition in quite a few sectors. This combined with enlarging number of experienced entrepreneurial teams makes this market very attractive for VC investments and we foresee rapid development of this market in the next 3-5 years. We also predict a growing M&A activity of international and big Russian strategic players in this segment. It is still very early days of this market, so imbalances of capital vs projects happen from time to time. In our view human capital is the scarcest resource and this creates inadequate compensation expectations in the market.

Russian development institutions have together injected substantial capital into Russian VC market. We believe that this governmental support has played a crucial role in the development of this industry but we see its future mainly associated with independent, private investors coming to Russian market.

The major limitation for venture capital industry growth in Russia today is an absence of exits: Russian corporations don't tend to acquire technological start-ups for various reasons. They either don't care, or don't need any innovative solutions or rely only on internal resources or simply don't know about these opportunities. But we are sure that this trend will change soon, as Russian economy becomes more and more integrated into the global marketplace, businesses face growing competition and acquisitions will become their natural growth strategy in the coming future.

We anticipate that new international VC players will come to Russia on a permanent basis. We also anticipate an even increasing number of interesting breakthrough projects being born here.

We have been observing a significant change in attitude of foreign investors towards Russia: few years ago people in States and Europe didn't even think about investing in Russian high-tech start-ups. It changes step by step, we see more and more deals financed by foreign VCs together with local players. That's a great sign. Those who will see this opportunity early enough will definitely benefit. We also see a huge interest of foreign funds in finding a trustful local partner, who would help them to ease their market entrance. In our view Russian internet market is the largest attraction for VC investors and returns it can generate are highly competitive on a global arena. We also believe that Russian breakthrough technologies are serving as a basis for an increasing number of start-ups all over the planet.

Key investment stories in 2010-2011:

- AiHit.com – artificial intelligence software which structures unstructured web and builds databases without any manual input
- Eccentex.com – is currently the first and only company offering a cloud-based platform for dynamic case management, which is a solution commonly sought out by healthcare, government, and insurance organizations
- Rolith – develop advanced technology and equipment for nanostructured coatings (anti-reflective, self-cleaning) for solar, displays, and architectural glass markets using a proprietary nanolithography technology. Rolith allows to make nanostructures cheaper, faster, and over larger surface areas than currently existing technologies (Nanoimprint Lithography, PVD, Sol-gel etc.)

Our outlook on key drivers of growth in internet is big data analytics and management, online lending, online and mobile payments.

## Igor Taber

### Investment Director Russia and C.I.S., Intel Capital



Intel Capital is Intel's global investment and M&A organization. We make equity investments in innovative technology start-ups and companies worldwide. Intel Capital invests in a broad range of companies offering hardware, software, and services targeting enterprise, mobility, health, consumer Internet, digital media, semiconductor manufacturing and cleantech.

Since 1991, Intel Capital has invested more than \$10.5bn in over 1,218 companies in 51 countries. In that timeframe, 196 portfolio companies have gone public on various exchanges around the world and 291 were acquired or participated in a merger. In 2011, Intel Capital invested \$526m in 158 investments with approximately 51 percent of funds invested outside the U.S. and Canada.

Intel Capital has been one of the first international VCs actively investing in Russian companies since 2002 and has a good record of financial and strategic successes in the region. We have made multiple investments in Russia and Ukraine including successful companies such as Yandex and Parallels. 2011 was one of the most active years for Intel Capital in Russia/CIS in which we closed a number of new investments including:

- Rock Flow Dynamics (oil and gas reservoir simulation enterprise software)
- DeNovo (datacenter and cloud provider in Ukraine)
- Altergeo (geo location social network)
- Sapato (footwear ecommerce company) – sold to Ozon

Innovation has been central to Russia's development over the last few years. Our investments in these companies are proof of our continued commitment to the region and to supporting its entrepreneurial talent. We are actively working with the companies in our portfolio, giving them access to global resources, knowledge and expertise to help drive their own growth and success both in Russia and abroad. We have a worldwide program called "Intel Capital Technology Days" where we bring our portfolio companies together with Intel's partners and customers. Once a year we also hold our Global Summit where we have great interaction between portfolio companies and fortune 500 companies.

If you combine all the elements – high growth, high intellectual potential, emerging entrepreneurial spirit, Russia is a great environment for venture capital investments. Across Russia, we are looking at investments in companies in the e-commerce sector, consumer internet, enterprise software and infrastructure (data center and cloud).

It took more than a decade for Yandex and mail.ru to reach multibillion dollar market capitalization. We expect Russian consumer internet segment, especially in areas of e-commerce, digital media and others to generate the next wave of billion dollar companies. Given much advanced distribution channels (such as social networks), internet penetration, overall market maturity, we expect these companies to join the billion dollar club at a much faster pace than ever before.

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# Contribution to research and acknowledgements

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