Venture Russia
1H 2020: Results
Business Intelligence for Investment Decisions

Analytics for Corporations on VC\Hi-Tech markets:

• Market\Startup Research
• Technology Scouting
• Database Russia&CIS: deals, startups, investors
• Venture Russia Report

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The data source for graphs and tables is Dsight, unless otherwise indicated
In this Report, we used methodological recommendations that have been put by the domestic venture capitalists. The “venture investment” term describes an investment of up to $150m (at an official ruble/dollar rate current at the time of writing) in risky technology projects that promise an IRR of at least 15%.

“Investment” is referred to as a purchase of a shareholding or charter capital in a privately-held legal entity and/or access to a convertible loan under various payback terms.

We divided investors into six groups:

1. Private funds are legal entities registered in a Russian or foreign jurisdiction, managing capital raised from more than one source in order to make professional direct investments in privately-owned companies, and promoting themselves accordingly in the market.

2. Accelerators are companies that offer privately-owned companies development programs, provide expert assessments for market stakeholders, and help companies improve their products, enter new markets, and raise investment.

3. Angel investors are private investors (individuals) who buy into a privately-owned company (investee) ’s share/charter capital.

4. Corporations and corporate funds are funds capitalized from founding organizations’ internal sources and putting money into investees that may or may not be affiliated with the founding organizations.

5. Government funds and corporations are nonpublic legal entities and management companies in Russian jurisdiction whose majority shareholders are the Russian Government and/or government agencies.

6. Foreign/international investors are private investors, companies and funds with headquarters, legal entities and the key part of the team located outside Russia; their regional focus is on foreign privately-owned companies.

When assessing volumes and dynamics for Russia’s VC market, we exclusively took into account venture investments in companies that predominantly operate in Russia.

Deals involving Russian investors and investment recipients that are focused on markets beyond Russia were not considered in this Report as contributors to the overall value of Russia’s VC market.

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

Describing “corporations” in this Report, we refer to corporate funds whose capital comes from corporate founder’s internal sources and whose investment activity is not limited to exclusively supporting affiliated companies.
Additional information regarding certain deals may have been obtained directly from deal participants. Data on some specific transactions came from a closed survey and has been presented in an aggregate form.

Analyzing the overall value of Russia’s VC market, we did not consider exits and investments in market infrastructure.

“Investment in market infrastructure” is referred to as investment in venture funds, business incubators, accelerator programs, technoparks and other institutions that operate in the VC market but are not venture companies.

While a grant is a gratis subsidy for R&D, we did consider them as contributions, alongside repayable investments, to the development of commercially driven venture projects.

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

**Development stages for an investable startup:**

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

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

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

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

**Maturity**
A stage of sustained and unremitting growth — less dynamic, perhaps, than at the previous stages, which reduces investment risks considerably.
The Russian economy and the domestic VC market have apparently survived the pandemic, but the loss has been huge. From whichever angle you look at it, venture investing has shrunk by anything between 30% and 70%, while sizable deals done by start-ups that left this country have considerably grown in number. This leaves me in no doubt that Russian start-ups will soon be able to raise more money abroad than at home.

The crisis has triggered market transformation. Whether new sources of start-up funding and growth will ever emerge has yet to be seen, but a boom in the field of corporate investment looks imminent. Two year ago, we could hardly list ten corporations that actively sought and invested in start-ups; now the number has grown by a factor of ten.

What does that mean? First and foremost, big Russian companies have realized that there’s no competition without innovation. Corporations are lagging behind in developing new products within their own environments and have found it easier to do the job in partnerships with young companies. It appears that we will likely see Russian majors contending for start-ups both in Russia and internationally.

"
Crisis is the time of opportunities, some say, and no mistake. In this Report, we join its authors in discussing factors that impacted the venture market in 1H 2020. Start-ups that organically operate through remote interaction gained fertile ground for development from the pandemic. As corporate Russia shifted to remote working, services that supported the process were in huge demand, including co-working and teamwork software, cloud storage solutions, etc.

The effects of the global pandemic, geopolitical and the local macroeconomic factors including the dynamics oil prices and ruble exchange rate, required to be rather cautious when forecasting the Russian Venture Market results for the 1st half of 2020. But the report prepared by our partners together with EY proved a certain resilience of the Russian Venture as the significant drop of the number of deals was not observed (108 vs. 115 in the 1st half of 2019) while the total market size remained volatile to the unique big-size deals and amounted to $183.8 millions in 1st half 2020. Foreign investors continued to be the key source for the local venture exits, which is a good sign of the Russian venture being connected to the Global markets. We see, that the large corporations continue to invest in startups, building its own ecosystem of services, and the corporate accelerators are becoming instrumental to the success of this strategy. Assisting the market participants in the search and adoption of innovation remains to be one of the priorities for EY.

The COVID-19 pandemic has left a deep imprint on Russia’s venture market, bringing both new challenges and barely expected opportunities. Investors are now busy scrutinizing business models which they believe will be winning in a post-coronavirus world, and companies are studying signs of new interesting niche markets surfacing, and doing their utmost to get a toehold in those. Market powers, once perfectly balanced, have been set in changing motion, a noteworthy trend we watched emerging in 1H 2020. We used to see investors vie for promising start-ups to invest in; today, it’s start-ups that vie for investor attention.
INTERVIEW

Scouting for start-ups amidst the pandemic: new challenges and trends

Vitaly Mzokov, the head of Kaspersky Innovation Hub, talks to Dsight CEO Sergei Kantserov.
In what way did the pandemic and lockdown impact the venture market, in your opinion?

We observed a certain decline in venture activity at the initial stage of the pandemic; funds elected to re-evaluate their portfolio companies and give a facelift to market entry strategies, mulling over ideas of investing in a certain project under the circumstances. As the summer approached, renewed hope came to redress the mire of uncertainty. VCs recommenced searching for promising start-ups, and a new class of products to benefit the customer during the pandemic emerged in the market. Investors set sights on projects with scientific potential, primarily medical (such as a service that enables express testing for antibodies). Employees with a research background are now an additional competitive advantage of a team.

During the pandemic, digital transformation became the sole lifeline for many, and cloud technologies naturally grew in demand. In addition, products for safe remote working were heavily sought after. Prior to the lockdown, most companies viewed cyber security as a set of measures to protect their corporate perimeter; now, with hundreds or even thousands of employees scattered all over the world and still having access to business data, the corporate perimeter is there no more. So, companies have moved to make cyber security as adaptable as possible, and data protection solutions have moved up considerably on corporate priority lists. We believe that this was a huge leap towards cyber immunity, a term that defines our perception of a safe future where budding IT ideas evolve into solutions already shielded against a whole range of cyber threats, making attacks useless. We are watching a growing number of start-ups out there today focusing exactly on this concept.

What positive trends have surfaced in data protection, and why?

An increase in digital activities during lockdown caused the very landscape of cyber threats to change and, subsequently, drove the market for cyber security solutions. As I said earlier, many start-ups work to develop highly protected solutions through implementing the concept of cyber immunity. Many of these have profound if narrowly focused expertise and most have not yet grown enough muscles to scale up globally. Kaspersky Innovation Hub offers such teams mutually beneficial cooperation. We support them by many means, including access to our sales channels that lead to more than 250,000 partner companies across the globe, and in return we gain access to the companies’ strategic planning and innovation development processes with the ability to influence their product line extension.

How did the closing of borders and lockdown reshape the activity of Kaspersky Innovation Hub?

The pandemic obviously forced us to adjust our activity; though we still do scouting as part of our Kaspersky Open Innovation Program initiative. Start-ups have been selected which focus on the user and his/her family’s digital life protection, cyber security for the smart house, personal data confidentiality on the Web, and some other areas. We also scouted for narrowly focused projects, so the program has brought together teams and individuals that combine data protection and computer games in a single solution.

Just recently, we announced round four of our international start-up selection. We’re looking for projects that develop protective measures for small companies, such as products for cloud, data, app and network security. Applicants who already have legal entities, a product or prototype, a couple of deals closed and a few pilot projects under their belts will be assessed first. Winners will be able to carry out a pilot project with Kaspersky Lab and may look forward to gaining access to our company’s client and partner database, and to our mentorship.

When lockdown was imposed, we of course shifted our pitch sessions and demo days online. On the one hand, it’s easier logistics-wise. We can invite more corporate experts to assess more projects contending for selection, and the online format never dents stakeholders’ zeal for discussions. On the other hand, work from home does chip away at team spirit, depriving participants of any means to socialize live after an event is officially over. Work with start-up teams now takes longer, and so does preparation for a joint pilot project.

Anyway, we are open to cooperation with innovators and will keep looking for potentially disruptive ideas and interesting projects in the field of cyber security worldwide.

In which way does the online format for pitch sessions and demo days impact the evaluation of start-ups?

When online, a project is pitched in a different manner, and the jury looks more at facts and figures, disregarding the emotional component of a presentation. What some call “a speaker’s chemistry” is now gone. At offline
Scouting for start-ups amidst the pandemic: new challenges and trends

We are open to cooperation with innovators and will keep looking for potentially disruptive ideas and interesting projects in the field of cyber security worldwide.

events, one’s charisma and oratory could win him or her more investor hearts; nothing like that can happen online.

Convenient and reliable communication tools are an obvious upside in the online mode. For example, during a final project discussion we shared messages with teams and asked questions in real time using digital channels.

What are your plans for start-up scouting this and next year?
Over the past 12 months we have developed a certain algorithm for working with start-ups and built specialized teams within the Hub to screen and evaluate projects, interact with sector-specific departments at companies, etc. We have also clinched partnerships with a number of players that focus on innovative start-up scouting and analytics, such as Dsight, and hope to augment this number as we grow.

We are ready to become increasingly involved in projects and do that more often than just during pre-scheduled scouting rounds. It is obvious that the pandemic and lockdown have caused new demand for remote work tools and other cloud-based services not only for B2B but also for B2C. That is why we have immediate plans to look closely at such start-ups in the consumer segment.
1H 2020 trends overview
Market in the blues, deal numbers and moneys down

The COVID-19 pandemic mercilessly derailed plans for more venture deals in 1H 2020. Russia’s VC market ended up with a 6.1% yoy across-the-board decrease to 108. The decline was blessedly moderate at the seed stage (from 48 to 42) and luckily stopped short at the growth stage (21, no change from 1H 2019). The start-up stage though worked against the tide and finished the race with 32 new deals vs. 22 a year before. MTS Startup Hub, which announced its fourth selection round back in 2019, was the most active acceleration program in 1H 2020; it approved 21 grants* for product development and proof of concept (*no grants are considered in this Report). Starta Accelerator also stepped up yoy activity; eight companies received its support this year vs. three a year before.

COVID and government willing, these segments are likely to really get going. For example, the Ural Bank of Reconstruction and Development, aided by the federal Internet Initiatives Development Fund (FRII), and UralSib Bank both announced plans in 1H 2020 to launch their own accelerators.

<table>
<thead>
<tr>
<th>1H 2019</th>
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<th>1H 2020</th>
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<tbody>
<tr>
<td></td>
<td>Number of deals</td>
<td>Investment amount, $M</td>
<td>Average value per deal, $M</td>
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<td>Total*</td>
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*Excluding exits
Moneys shrank in the market in 1H 2020 to $183.8m, a nearly two-thirds yoy slump from $497.5m, caused primarily by pandemic-driven contraction in maturity stage deals. At the expansion stage, investment was nearly halved (by 48%) from $88.2m to $45.6m, with a proportionate fall in the number of deals from 19 to 11. The maturity segment saw just a single deal (Iconiq Capital investing in a start-up called Miro), an impressive

Expecting IIDF record number of graduates

<table>
<thead>
<tr>
<th>Number of deals</th>
<th>Investment amount, $M</th>
<th>Average value per deal, $M</th>
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<tr>
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<tr>
<td>2 ▼</td>
<td>0.3 ▼</td>
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<td>2.85 ▼</td>
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<td>42.1</td>
<td>4.22</td>
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<td><strong>183.8 ▼</strong></td>
<td><strong>1.70 ▼</strong></td>
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*The quantitative indicators of our study do not include grants  **Excluding exits
Kaspersky Innovation Hub

The Kaspersky Innovation Hub is a core element in our growth strategy, established to encourage corporate innovations and foster collaboration between our company and the brilliant minds inside and outside in the ecosystem in developing new technologies.

Learn more on: kaspersky.com/iHub
four-fifths nosedive from $322m to $62m. While in 1H 2019 total investment (without three anomalously large deals $20m+ each) was $187.5m, in the first six months of this year investment topped out at $133.8m (again, no individual deep-pocket exceptions considered), marking a 28% market sag.

The average investment per deal shriveled across segments to $1.7m, from $4.33m a year before.

In 1H 2019, Dsight analysts followed 14 exit deals worth about $30m, a record high number and value of exits for Russia’s VC market. In 1H 2020, there were only six such deals. In April, Japan’s SBI Holdings bought a 20% stake in the FinTech platform QPlatform from Qiwi Group. Also that month, Miro, a remote teamwork platform, raised $50m from Iconiq Capital, a U. S. fund that manages Mark Zuckerberg and Jack Dorsey’s wealth. In May, Bioprocess Capital Ventures, a fund raised with RVC government money, sold its stake in a pharma project called Ivix to Ireland’s Ovoca Bio for $5m. Ecwid raised $42m from Morgan Stanley Expansion Capital and PeakSpan Capital for its online sales platform; the deal helped the company expand its business and buy out the remaining shares from earlier-stage investors, such as Runa Capital and iTech Capital. Sberbank acquiring...
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Looking at bare 1H 2020 numbers hardly impresses us; that’s true. But if we divide start-ups into “COVID-positive” (which benefitted from the lockdown) and “COVID-negative” (which didn’t), I believe investments in the former grew considerably in number. Investors’ plans for the latter were shelved, of course, but I think interesting projects will be revisited once the current uncertainties are over. As a matter of fact, investors did not abruptly run out of funds; in the U. S., for example, local VCs were awash in capital. They perhaps held back their decision-making ardor, encumbered a bit by remote working, but none thought of winding up investing and returning money to LPs. If we talk about Russian-speaking entrepreneurs and their companies, the pandemic by and large acted as their helper — or rather trimmed some of their traditional downsides. For example, investors who once looked down on R&D originated in Eastern Europe now do not really care where their employees are located. B2B project sales used to be negotiated at shows or private meetings; now, holding a teleconference would do — another advantage for modestly funded projects from far-flung regions. Finally, a pandemic is the most productive time for introverts, and these are more numerous among entrepreneurs in Russia than in America. In a nutshell, I am generally optimistic regarding the Russian-language venture market in a post-COVID epoch and expect most notable deals with unicorns of the future to be closed in 2H 2020 and in 2021; strong growth will likely follow the current contraction.

the cartographic service 2GIS was yet another sizable transaction. The bank purchased 72% of 2GIS at its pre-money value of $193m; the founders and the management retained a blocking minority. Baring Vostok and RTP Global exited 2GIS completely.

Transparency is «such a lonely word” in Russia’s VC market — but we heard it uttered in 1H 2020. Leta Capital disclosed its proceeds. The fund had invested $15.1m in 22 projects in the previous eight years, and earned 11%. Selling a stake in Bright Box, a developer of solutions for remote car functions control, boosted the fund’s revenue considerably and made it possible to pay investors $18.9m in dividends.
The coronavirus pandemic and a swarm of ensuing sanitary restrictions changed the lifestyle of investors and everyone else dramatically — at least in the first six months of this year. Some did benefit from the self-isolation constraints — the video telecom service Zoom, for one. Its capital swelled by a hefty 300+% in 1H 2020. Holding Zoom board meetings and doing Zoom deals was par for the course at that time. That said, we did not see a bevy of deals closed fully online. Zoom itself leaked the news in May that it had used its own app to negotiate the takeover of the Keybase blockchain app.

The world’s largest accelerators opted not to stay behind the curve and rapidly adapted, as the wind blew, to that uniform if temporary shift to the web in most business processes. In March, Y Combinator and 500 Startups had to hold their demo days fully online. In an exchange with the Fast Company portal, 500 Startups co-founder and partner Christine Tsai later said the web format had helped bring more participants on board, and start-up

Angel investors stepped up activity during the pandemic (number of deals)
Sergei Bogdanov
Founder and Director of YellowRockets, a VC fund and firm developing a global start-up community and putting together acceleration programs for start-ups

“The pandemic has goaded accelerators into the online format where start-up location is no longer essential. Regional accelerators currently have to compete face to face with powerful international brands like YCombinator and 500 Startups whose programs can now be implemented online. The strong will get stronger; the weak will only get weaker. The market will sieve them all, leaving the strongest and/or niche accelerators (incl. corporate) to dominate.”

Teams walked away with five times more invitations to meet than usual. Whether investors will convert their enlivened interest into big checks has yet to be seen, but 500 Startups has no plans to shelve the online format when the pandemic is over.

Y Combinator held its summer selection remotely and arranged its August demo day in the format of a Zoom telecon. Back in April, another accelerator, Techstars, moved its three-day brainstorming sessions called Techstars Startup Weekends fully online and got participants to pitch in looking for solutions to counter COVID-19.

Corporations and funds slashed investment ($M)

![Graph showing investment amounts for different categories: Accelerators, Business angels, Corporations & Corporate Funds, State funds and corporations, Private funds, Foreign Investments.](image-url)
Government funds were more active on the VC scene compared to 1H 2019, closing 12 deals vs 10 a year before. Six of these, each with a $0.04m price tag, were clinched during a start-up competition called Start-2 held by the Tatarstan Investment Venture Fund. The biggest deal done by a government corporation in this period came from VEB Ventures, the venture arm of VEB Bank, which shelled out almost $9m for the development of the Doctor Nearby network of clinics and telemedicine services.

Russian Venture Company (RVC) is likely to step up venture activity in the coming years. In July, the Cabinet unveiled plans to allocate $20m a year between now and 2022 for RVC to co-finance risks domestic companies would run developing next gen drugs and medical products. Also, word came from RVC that the company was teaming up with Sistema Asia Capital, a Russian investment company, in their joint Sales Jet. From Russia to Singapore platform project which is expected to assist Russian companies that each have $1m+ of revenue in entering Southeast Asian markets.

Corporations invested more at early stages (number of deals)

* The parties agreed on investments in the amount of about $15 million, which will be paid in two tranches, distributed over two semesters.
The Far Eastern Fund for High Technology (Vostok ventures) did just a single deal in 1H 2020, with its $2.6m investment in Promobot robots. Vostok ventures currently supports only maturity-stage projects but had plans by the fall to set up a new fund for early-stage teams. A reported 20 start-ups may look forward to having Vostok ventures backing before the year-end.

Noteworthy news from 1H 2020: the National Technology Initiative (NTI) will have a new start. Three new markets are expected to join the current NTI priority areas, namely Foodnet, Gamenet, and Econet. Healthnet, already prioritized for NTI, will likely get a new shot in the arm; a reported 25 medical projects to fight the coronavirus have already been identified as part of NTI market activity, and presented to the Government for support.

Oleg Teplov
CEO, VEB Ventures

"The current VC market trends are fully in line with the overall macroeconomic and socio-political agenda across Russia and the world. The concepts of health, safety and quality of life have dominated this year as we try to weather the COVID-19 pandemic. VEB Ventures' $13m+ deal with Doctor Nearby Holding was the largest in the segment of government investing, and this was only the start on a long road; we expect Russia's MedTech niche market to skyrocket from today's $20m to $1.25–1.3bn within the next five years — provided that we have conducive regulatory changes in telemedicine. Other top priority areas for funding include cleantech, smart city solutions, EdTech, and some others."

Government entities invested more often, but the average value per deal shrank ($M)
Venture activity by big corporations is no charity but rather a far-sighted business strategy. A giant builds a surrounding ecosystem that, in its turn, helps build a growing client database by offering populations additional services from financial to entertainment, thus supporting the development of the corporation’s core business. A couple of years ago, big companies were busy putting together their initial start-up portfolios; now it’s a new stage of competition and unexpected alliances.

There are three key players in this field, namely Mail.ru Group, Yandex, and Sberbank. Their relationships are somewhat intriguing, and Sberbank tends to outshine the other two in aggressiveness. Back in 2017 Russia’s largest bank shook hands with Yandex on a joint venture in e-commerce based on the Yandex.Money and Yandex.Market assets. In early 2019 Sberbank agreed to buy a 46.5% stake in Rambler Group, thus adding a media service, ticketing and restaurant reservation service and the Okko online movie theater to its ecosystem medley. By mid-2019 Sberbank and Mail.ru Group agreed on a JV in transport and meal delivery which included services that directly competed with the Yandex ecosystem. These were CitiMobil ride hailing, YouDrive carsharing,
a restaurant service called SberFood, and Delivery Club for meal delivery. Three years from now Sberbank may be able to get a stake in the entire Mail.ru group of assets, which last year established a partnership with China’s Alibaba.

The JV prompted a breakup between Yandex and Sberbank. The «divorce” was announced this past June. The ex-partners are expected to split the assets, with the bank taking over Yandex.Money lock, stock and barrel, and Yandex getting back full control over Yandex.Market (complete with the Beru marketplace).

MTS, one of Russia’s largest mobile operators, has been building its ecosystem in a different manner so far; no alliances with competitors are on the table. The operator already owns a few financial, entertainment and IoT services. As we mentioned earlier, MTS gave 21 grants worth a total of $155K in 1H 2020 to back companies and services engaged in drone-making, customer support, analytics to gauge celebrities’ and opinion leaders’ popularity, and user content production. MTS also made two investments in January: one in SWIP, a platform that combines biometrics-based shopping and loyalty programs integration, and the other, in partnership with Sovkombank, in Just AI that brings artificial intelligence in speech tech.

It appears that we are witnessing an upswing in corporate programs and accelerators as a tool to scout for innovation. Accelerators are sprouting up at Gazprombank (search for solutions), Sberbank (500 Startups, SberUp), UralSib, MTS (ecosystem solutions), Qiwi (Universe Product Hub), Alrosa, Ilim, Severstal, and KROK; PwC has already launched its second acceleration program. Yandex, InVitro and ChemRar have partnered with the Moscow Innovation Agency in setting up several accelerators in one go.

Also on the rise are acceleration programs that serve individual industrial sectors. Build UP, for one, operates in the field of modern construction technologies and is run by Glorax, Hals Development, and Don-Stroy-Invest. Parastatals such as Inter RAO, Russian Helicopters, Rosatom, Russian Railways, VTB, State Transport Leasing Company, the Kirov Plant and KamAZ are all trying to go neck and neck with private business and have launched their own accelerators.
Anna Mikhina  
Vice President for Lifestyle Services Development, Tinkoff

The COVID-19 pandemic has exposed three trends in one go which impact companies that are building their own ecosystems for the Russian market. Services that involve offline activity (restaurant reservations, movie theater and concert ticketing, travel booking) are falling off; contactless services (using an app to pay for gas at a station, for one) and online shopping in all segments are winning user hearts; and to some, investing now looks more appealing. The Russians are among the world’s most innovation welcoming nations, and during the lockdown they increasingly began using services that befitted the time; so companies that managed to meet the new demand within their ecosystems have ultimately gained.

As far as the near-term outlook is concerned, the global trend in banking ecosystems consists of the active development of SME-focused products and the next generation of premium services. We generally expect the number of ecosystems to keep growing for some time, but then the market will stabilize. Some will have found their niche markets; successful majors are likely to take over technologies or services from other ecosystems; those accustomed to pursuing a single niche area and having no ability or need to build up as an ecosystem will also stay afloat. I believe there will be five or six large players in the near term which will divide a huge market share among themselves, and the customer will use just two or three ecosystems, depending on what he or she needs.”
<table>
<thead>
<tr>
<th>Name</th>
<th>Committed capital</th>
<th>Sectoral focus</th>
<th>Country &amp; stage focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grishin Robotics Fund II (Grishin Robotics)</td>
<td>$100M</td>
<td>Robotics, software for IoT, online games, entertainment services, foodtech as well services of personal and command productivity, online education and fitness.</td>
<td>North America // Seed, Series A</td>
</tr>
<tr>
<td>Aintrigud (Ivan Sidorok, Vladimir Khristenko and partners)</td>
<td>$25M*</td>
<td>FoodTech</td>
<td>n/a</td>
</tr>
<tr>
<td>Dating.com Group</td>
<td>$50M</td>
<td>Dating</td>
<td>Late stage</td>
</tr>
<tr>
<td>Infrastructure fund RDIF</td>
<td>₽600B</td>
<td>IndustrialTech</td>
<td>Late stage</td>
</tr>
<tr>
<td>RTP Global III (RTP)</td>
<td>$650M</td>
<td>AI, FoodTech, e-commerce, Transport, Fintech</td>
<td>Early stage</td>
</tr>
<tr>
<td>Sistema SmartTech AFC Systema</td>
<td>₽5B</td>
<td>AI, transport, MedTech, EdTech and others high-tech sectors</td>
<td>Russia // Seed, Series A</td>
</tr>
<tr>
<td>Early Stage Fund II (Target Global)</td>
<td>€120M</td>
<td>E-commerce, SaaS, AI, FinTech, Medtech</td>
<td>Europe &amp; Israel // Early stage</td>
</tr>
<tr>
<td>Joint investment platform: RFID, RTP Global, Elbrus Capital and Baring Vostok</td>
<td>$200M</td>
<td>Startups, affected from COVID-19</td>
<td>n/a</td>
</tr>
</tbody>
</table>

*Dsight experts’ estimate
The International Economic Forum estimates that automation solutions now account for 29% of the world’s total industrial operations — a sharp rise from 2012 when Amazon purchased a warehousing robots developer called Kiva Systems. According to IFR World Robotics, around 60—65% of new industrial robots go to automotive and electrical engineering manufacturers. In 2017, the market grew to $16.7bn, with 381,000 robotic devices sold worldwide. IFR forecasts the market may grow at a CAGR of 14%, and an estimated 1.6 million robots might be sold before this year is over.

Global robotization

**Largest Deals in 1H 2020**

<table>
<thead>
<tr>
<th>Date of Deal</th>
<th>Company / Project (Investee)</th>
<th>Investor</th>
<th>Deal Value, $M</th>
<th>Business Model</th>
<th>Category Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>April 2020</strong></td>
<td>Miro</td>
<td>Iconiq Capital</td>
<td>50</td>
<td>B2C</td>
<td>Web services</td>
</tr>
<tr>
<td><strong>January 2020</strong></td>
<td>Arenza</td>
<td>AFK Sistema, Vsevolod Rozanov, Sergei Arseniev, Oleg Dzenenko, Yaroslav Linik</td>
<td>12*</td>
<td>B2B</td>
<td>Financial services</td>
</tr>
<tr>
<td><strong>January 2020</strong></td>
<td>Just AI</td>
<td>MTS, Sovkombank</td>
<td>9</td>
<td>B2B</td>
<td>Information tech</td>
</tr>
<tr>
<td><strong>May 2020</strong></td>
<td>Doctor Nearby Holding</td>
<td>VEB Ventures</td>
<td>8.9</td>
<td>B2C</td>
<td>Health care</td>
</tr>
<tr>
<td><strong>January 2020</strong></td>
<td>Cyber Legacy</td>
<td>Freedom International Group</td>
<td>5.5</td>
<td>B2B</td>
<td>Sports</td>
</tr>
<tr>
<td><strong>April 2020</strong></td>
<td>Intterra</td>
<td>Nikita Shashkin</td>
<td>5</td>
<td>B2B</td>
<td>Agriculture and farming</td>
</tr>
<tr>
<td><strong>January 2020</strong></td>
<td>Carprice</td>
<td>RDIF, BVCP</td>
<td>5</td>
<td>B2C</td>
<td>Transportation and logistics</td>
</tr>
<tr>
<td><strong>January 2020</strong></td>
<td>Travelata</td>
<td>RDIF</td>
<td>5</td>
<td>B2C</td>
<td>Travel and tourism</td>
</tr>
<tr>
<td><strong>May 2020</strong></td>
<td>Elementare</td>
<td>RDIF, Bonduelle</td>
<td>5</td>
<td>B2C</td>
<td>Food and beverages</td>
</tr>
<tr>
<td><strong>May 2020</strong></td>
<td>Kitchen in the Area</td>
<td>O2O Holding (Sberbank &amp; Mail.ru Group)</td>
<td>4.1</td>
<td>B2C</td>
<td>Food and beverages</td>
</tr>
<tr>
<td><strong>March 2020</strong></td>
<td>Fermata</td>
<td>Massa Innovations</td>
<td>3.7</td>
<td>B2B</td>
<td>Agriculture and farming</td>
</tr>
<tr>
<td><strong>March 2020</strong></td>
<td>Medpromresurs</td>
<td>RDIF</td>
<td>3.5*</td>
<td>B2B</td>
<td>Health care</td>
</tr>
<tr>
<td><strong>June 2020</strong></td>
<td>Third Opinion Platform</td>
<td>Medsy</td>
<td>3.5*</td>
<td>B2B</td>
<td>Health care</td>
</tr>
<tr>
<td><strong>January 2020</strong></td>
<td>Agrosignal</td>
<td>Digital Agro</td>
<td>3.5*</td>
<td>B2B</td>
<td>Agriculture and farming</td>
</tr>
<tr>
<td><strong>May 2020</strong></td>
<td>Cyber Legacy</td>
<td>Business Priority</td>
<td>3.3</td>
<td>B2B</td>
<td>Sports</td>
</tr>
</tbody>
</table>

*Dsight experts’ estimate
The service robots segment shows even stronger growth. According to IRF, 165,000 robots worth a total of $8.7bn were sold in 2018, and the market may now be growing at a CAGR of 21%. The COVID pandemic may drive new applications for robotic solutions, Sberbank analysts inferred in their Robots vs. Viruses report. Examples may include disinfecting robots, logistics robots, and robots capable of performing medical checkups.

The Far Eastern Fund for High Technology investing in a Russian robots developer called Promobot highlights the trend. Last year, Promobot inked an €18.5m contract with European partners for the supply of up to 1,000 robotic consultants. This past spring, the team was contracted to deliver 400 body temperature measuring robots to the U. S. and another 200 to the United Arab Emirates. In a separate development, in June Grishin Robotics owned by Dmitry Grishin, the co-founder of Mail.ru Group, launched its new $100m fund to scout for robotics and IoT projects.

Exits

<table>
<thead>
<tr>
<th>Deal date</th>
<th>Company/Project (Investee)</th>
<th>Investor</th>
<th>Deal value, $M</th>
<th>Business model</th>
<th>Category group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun.20</td>
<td>2GIS</td>
<td>Sberbank</td>
<td>151.4</td>
<td>B2C</td>
<td>Cartographic services</td>
</tr>
<tr>
<td>May.20</td>
<td>Ecwid</td>
<td>Morgan Stanley Expansion Capital, PeakSpan Capital</td>
<td>42</td>
<td>B2B</td>
<td>Retail and shopping</td>
</tr>
<tr>
<td>May.20</td>
<td>Ivix</td>
<td>Ovoca Bio PLC</td>
<td>5</td>
<td>B2C</td>
<td>Health care</td>
</tr>
<tr>
<td>Feb.20</td>
<td>Sumsub</td>
<td>Sizable IT holding</td>
<td>2.5*</td>
<td>B2C</td>
<td>Software</td>
</tr>
<tr>
<td>Apr.20</td>
<td>Oplatform</td>
<td>SBI Holdings</td>
<td>2*</td>
<td>B2B</td>
<td>FinTech</td>
</tr>
<tr>
<td>Feb.20</td>
<td>Karusel</td>
<td>StartTrack</td>
<td>0.221</td>
<td>B2C</td>
<td>Transportation and logistics</td>
</tr>
</tbody>
</table>

*Dsight experts’ estimate

Alexei Gonnochenko
head of Robotics Lab, Sberbank

“Robots have been on the radar of market players for a range of reasons, such as their growing capabilities beefed up by new technologies, or higher efficiency of business processes, or stable quality. The pandemic has added one more reason: business processes where the added effectiveness of robots was previously insignificant, but the risks from involving humans were underestimated. The market has already begun to respond with new start-ups that seek to minimize or exclude direct or even indirect human contact with a product.”
In 2019, the EdTech segment ended up second by the number of deals (21) and third by the volume of investment raised ($54m). No waning of investor interest was observed in the segment in the first six months of this year. EdTech start-ups were still the runners-up in the race for investors with 12 deals. In money terms, however, they only crossed the finish line in eighth place ($9.3m). Two deals made up half of the full amount. In January, Mikhail Gavrilov, a Vice President of Bank Saint Petersburg, invested $3.4m in Solvery, a project that focuses on IT training. In June, a European investor consortium put $2.1m into Lectera, a platform that develops training courses in marketing and sales.

These trends in online education are yet another example of how the pandemic can encourage investors to develop a strong enough feel for new fields and services that help people survive in self-isolation. Zoom with its triple capitalization growth was not alone; the Russian market had its heroes, too. For instance, the biggest vc-backed deal in 1H 2020 was Iconiq Capital’s $50m investment in the Miro platform for remote...
teamwork created by Andrei Khusid and Oleg Shardin who come from the city of Perm.

MedTech coming increasingly on the radar screens of investors may be considered another trend of note. There were just six such deals in 1H 2020. Unlike EdTech that is a real magnet for angel investors and private funds, the healthcare market is a province dominated by corporations and the state. We wrote about VEB Ventures supporting Doctor Nearby earlier in this Report. A Russian network of medical centers called Medsi also became a newsmaker when it acquired a 12.5% stake in Platform Third Opinion that develops artificial intelligence solutions for healthcare. The federal Russian Direct Investment Fund bought into Medpromresurs, a company that has been established to promote a Russo-Japanese coronavirus diagnostics system. There were some exotic cases in segments adjacent to healthcare. For example, AiTarget, a Facebook partner, invested in a meditation app called Mo, and Alexander Rumyantsev, a well-known private investor, purchased a piece of Mivaspomnim, a service that helps look for best burial places and tend to them.

Self-isolation and a hurried shift to online education really did kindle explosive growth in some parts of the EdTech segment. We saw audiences of some portals, especially for children, double and even triple. That has not led to a matching upsurge in revenues; nevertheless, around 25% of the new client base will likely remain as paying customers. The economic crisis and a substantial sag in populations’ purchasing power thwart any manifest financial growth in the segment this year — but the debilitating effect is unlikely to last. The market will resume its usual pace of growth at a CAGR of 17–25%, varying a bit from area to area — a projection that makes EdTech an engaging field for venture investing. People are ready to keep learning online; young EdTech projects sprout up, bringing new formats and methodologies; and all that provides a test bench for investor newbies to try their hand in Russia’s pre-seed venture field.”
Investors over-ate

Investors still find it appealing to buy into meal/food delivery services. For example, Elementaree, a service that delivers dinner cooking sets, raised $10m from the Russian Direct Investment Fund and Bonduelle in 1H 2020.

FoodTech, a segment which Dsight analysts identified back in 2018 as one of the fastest-growing, has witnessed a few really dramatic developments lately. In January, two delivery services in a row, Golama and Foodza, announced imminent closure. The former successfully negotiated a prospective $2.2m investment from VEB Ventures last year; but then the investor thought better of it — and bowed out of the relationship. The latter, with its specific focus on purely farmer’s produce, looked engaging just two years ago when it raised $1m from an investor consortium that included Mail.ru Group and Larix, a fund set up by Igor Rybakov and Oskar Hartmann. At the end of the day, however, the team failed to find a winning business model — and knocked over their king.

Such examples hint at Russia’s FoodTech segment apparently reaching a “saturation point” where the feeblest throw in the towel and the most persevering, with a coherent business model and support from deep-pocket investors, get a firm foothold.

There’s another explanation of why the segment faces trouble. The pandemic nearly wiped out meal delivery to offices and events. For example, a Delivery Club owned vending machine network called DC Daily had to suspend its business. Some managed to find another niche market. Catery, for one, right in the midst of quarantine restrictions turned promptly from an online deliverer of meals for events, once its core business, into a deliverer of meals for households.

Alexander Gorny
Co-founder of United Investors, author of #Стартапдня blog

“Corroborating dicey hypotheses is what start-ups are all about. Some inevitably fall flat; playing with risks has a price. We are witnessing normal evolution which has nothing to do with overall market problems. The market keeps growing and is as attractive as ever.”
Number of deals by sector in 1H 2020

Transportation: 14 deals
Education: 12 deals
FoodTech: 8 deals
Sales & Marketing: 8 deals
MedTech: 6 deals
Agriculture & Farming: 6 deals
Software: 6 deals
FinTech: 4 deals
Professional services: 4 deals
IT: 3 deals
Sports: 3 deals
Hardware: 3 deals
Events: 3 deals
Advertising: 3 deals
Real Estate: 3 deals
Gaming: 2 deals
Traveling & Tourism: 2 deals
Privacy & Security: 2 deals
Shopping: 2 deals
Lifestyle goods: 2 deals
Consumer goods: 2 deals
Web services: 1 deal
Natural resources: 1 deal
Music & Audio: 1 deal
Energy: 1 deal
Sustainability: 1 deal
Data & analytics: 1 deal
Administrative services: 1 deal
Publishing: 1 deal
Clothes & Apparel: 1 deal
Manufacturing industry: 1 deal

Total: 108 deals
Excluding exits
Investors over-ate

Investment amount by sector in 1H 2020, $M

- Web services: $50M
- MedTech: $17.1M
- FinTech: $15.7M
- Agriculture & Farming: $14.8M
- Transportation: $13.7M
- FoodTech: $12.9M
- IT: $11.2M
- Sports: $9.8M
- Education: $9.7M
- Software: $5.7M
- Traveling & Tourism: $5M
- Hardware: $3.1M
- Privacy & Security: $3.1M
- Sales & Marketing: $1.7M
- Shopping: $1.5M
- Natural resources: $1.5M
- Events: $1.2M
- Advertising: $1.1M
- Music & Audio: $1M
- Real Estate: $1M
- Professional services: $0.9M
- Energy: $0.4M
- Sustainability: $0.3M
- Lifestyle goods: $0.3M
- Data & analytics: $0.3M
- Gaming: $0.25M
- Administrative services: $0.2M
- Publishing: $0.1M
- Clothes & Apparel: $0.1M
- Consumer goods: $0.1M
- Manufacturing industry: $0.04M

Total: $183.8M

Excluding exits
DS Law – your trusted legal partner on Venture Capital market

5 / 100+ / $200M+
years transactions investments

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Partner
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Smart legal solutions for high tech business
Another criminal prosecution

The year 2019 was marked, or marred, by one of the most deplorable corporate conflicts in years. Orient Express Bank shareholders were at odds, and their standoff translated into arrest for Baring Vostok founder Michael Calvey and his managerial team. They are all still under house arrest, accused of a $34m embezzlement case. In early June 2020, another criminal scandal shocked the venture market. Russian Venture Company CEO Alexander Povalko was placed under house arrest for alleged abuse of authority. Law enforcement officers believe Mr. Povalko was instrumental in RVC losing $5m which the Russian parastatal's British subsidiary RVC I LP had received from its parent company to buy a stake in the chip maker Soft Machines and was then supposed to return.

Russia’s VC market responded to the RVC CEO’s arrest with an open letter signed by 22 venture capitalists, including Almaz Capital Partners Managing Partner Alexander Galitsky, Qiwi Founder Sergei Solonin, and LETA Capital Managing Director Alexander

Number of B2B deals by sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales &amp; Marketing</td>
<td>8</td>
</tr>
<tr>
<td>Software</td>
<td>6</td>
</tr>
<tr>
<td>Transportation</td>
<td>6</td>
</tr>
<tr>
<td>Agriculture &amp; Farming</td>
<td>5</td>
</tr>
<tr>
<td>Professional services</td>
<td>4</td>
</tr>
<tr>
<td>Education</td>
<td>4</td>
</tr>
<tr>
<td>IT</td>
<td>3</td>
</tr>
<tr>
<td>MedTech</td>
<td>3</td>
</tr>
<tr>
<td>Hardware</td>
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<tr>
<td>FoodTech</td>
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</tr>
<tr>
<td>Advertising</td>
<td>3</td>
</tr>
<tr>
<td>FinTech</td>
<td>2</td>
</tr>
<tr>
<td>Sports</td>
<td>2</td>
</tr>
<tr>
<td>Privacy &amp; Security</td>
<td>2</td>
</tr>
<tr>
<td>Shopping</td>
<td>2</td>
</tr>
<tr>
<td>Natural resources</td>
<td>1</td>
</tr>
<tr>
<td>Music &amp; Audio</td>
<td>1</td>
</tr>
<tr>
<td>Real Estate</td>
<td>1</td>
</tr>
<tr>
<td>Energy</td>
<td>1</td>
</tr>
<tr>
<td>Sustainability</td>
<td>1</td>
</tr>
<tr>
<td>Data &amp; analytics</td>
<td>1</td>
</tr>
<tr>
<td>Lifestyle goods</td>
<td>1</td>
</tr>
<tr>
<td>Administrative services</td>
<td>1</td>
</tr>
<tr>
<td>Publishing</td>
<td>1</td>
</tr>
<tr>
<td>Events</td>
<td>1</td>
</tr>
<tr>
<td>Manufacturing industry</td>
<td>1</td>
</tr>
</tbody>
</table>

Total 67
Excluding exits
Chachava. The signatories said obfuscation over the Povalko-RVC case was threatening to undermine the investor community’s trust in government funds and could derail plans for joint public-private investing and fund management.

The signatories’ rationale looks well-grounded enough — especially when set against a backdrop of the government’s listlessness in investing. As a government-owned firm, RVC, the sole fund of funds in the domestic venture market, can’t avoid getting tangled up in bureaucracy which, coupled with too much unease over spending government money, is causing the investment giant to curb investing. In 2016, RVC approved a $35m+ support package for 34 companies; last year, only 24 companies benefitted from government largess, which shrank to $19m.

### Exits B2B

<table>
<thead>
<tr>
<th>Deal date</th>
<th>Company / Project (Investee)</th>
<th>Investor</th>
<th>Deal value, $M</th>
<th>Category group 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2020</td>
<td>Ecwid</td>
<td>Morgan Stanley Expansion Capital, PeakSpan Capital</td>
<td>42</td>
<td>Retail and shopping</td>
</tr>
<tr>
<td>April 2020</td>
<td>Oplatform</td>
<td>SBI Holdings</td>
<td>2*</td>
<td>Financial services</td>
</tr>
</tbody>
</table>

*Dsight experts’ estimate

### B2B investment amount by sector ($M)

![Bar chart showing investment amounts by sector](chart.png)

- Total: $84.3M

Excluding exits

*Dsight experts’ estimate
The Alexander Povalko case appears to have a resonance beyond its surface implication. In March 2020, three months prior to the arrest, the Cabinet endorsed an RVC-brokered bill that would legitimize an investor’s right to risk in venture investing, an act that was meant to remedy investors’ growing reluctance to manage government funds. The bill revolutionized business legislation by enacting the simple fact that risks are high in any technology project and pre-planned KPIs may or may not be achieved. According to a bill proviso, the efficiency of investing budgetary funds must be assessed by the quality of an entire portfolio rather than an individual project.

The bill also permitted non-state pension funds (NPFs) to invest in venture projects — an important initiative that was born at President Putin’s March meeting with three renowned investors, Leonid Boguslavsky, Alexander Galitsky, and Kirill Androsov. They emphasized to Mr. Putin the importance of establishing a large number of «fund of funds»-type entities in Russia which would use both government and private money. In fact, the notion of NPFs investing in venture projects is no news to Russia; in 2014 the Government

**Number of B2C deals by sector**

- Education: 8
- Transportation: 8
- FoodTech: 5
- MedTech: 3
- Traveling & Tourism: 2
- FinTech: 2
- Events: 2
- Gaming: 2
- Real Estate: 2
- Consumer goods: 2
- Web services: 1
- Agriculture & Farming: 1
- Sports: 1
- Lifestyle goods: 1
- Clothes & Apparel: 1

Total: 41 Excluding exits
already set about reforming pension funds, goading them to go public and introduce a shareholding system. RVC and the federal Ministry of Economic Development partnered in drafting a long-term VC market development strategy which required that by 2030 NPF money account for at least 10% of venture fund capital.

The State Duma (lower house of Parliament) has passed a law on the «tax maneuver” for the IT sector — another very important development. This legislation, which is to take effect in January 2021, is meant to reduce Russian IT firms’ social security contributions from 14% to 7.6% and federal profit tax from 20% to 3%. At the same time, a 20% VAT rate is re-imposed where it was earlier reduced to zero. The zero rate is now only available to domestic software developers from a special government-approved list. It’s essential to note that no giants like Yandex and Mail.ru Group are eligible for the «tax maneuver»; the measure only benefits companies whose software sales account for 90% of their revenue.

### Exits B2C

<table>
<thead>
<tr>
<th>Deal date</th>
<th>Company / Project (Investee)</th>
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<th>Deal value, $M</th>
<th>Category group 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun 2020</td>
<td>2GIS</td>
<td>Sberbank</td>
<td>151.4</td>
<td>Navigation and cartography</td>
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<tr>
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<td>Ivix</td>
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<td>Karusel</td>
<td>StartTrack</td>
<td>0.221</td>
<td>Transportation and logistics</td>
</tr>
</tbody>
</table>

*Dsight experts’ estimate

### B2C investment amount by sector ($M)

- **Web services**: 50.0
- **FoodTech**: 10.7
- **MedTech**: 9.1
- **Education**: 8.9
- **Transportation**: 8.8
- **Traveling & Tourism**: 5.0
- **FinTech**: 3.0
- **Events**: 1.1
- **Agriculture & Farming**: 1.0
- **Sports**: 1.0
- **Gaming**: 0.3
- **Real Estate**: 0.3
- **Lifestyle goods**: 0.1
- **Clothes & Apparel**: 0.1
- **Consumer goods**: 0.1

Total: **$99.5M**

Excluding exits

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

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

The Association’s core activities include:

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

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

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

More information about NAIMA you can find on www.naima-russia.org/en/
The Venture World.
In partnership with Crunchbase
The global venture market is contracting for a second consecutive year. In 1H 2020, it saw a dramatic 33% yoy drop in the number of deals (10.552 vs. 15.776 12 months before) and a moderate, yet noticeable 4% decrease in moneys to $133.2bn. The last time overall six-month investment was so low was mid-2017. The seed stage experienced the most considerable reduction of the number of deals: down 35% to 3.506. In money terms, stage A companies were the hardest hit (down 26% to $16bn).

In the world

Deals’ value and number globally (excluding exits)

A sharp decline in the number of deals globally (excluding exits)
The European market performed even more weakly, with investment shrinking by 19% to $17bn — in sharp contrast to its stellar 2019 performance with a record $41bn investment volume. Deals also declined in numbers, by 32% to 2.510.

Exits shriveled globally both in numbers (down 27% to 760) and in investment volume (down 2.5 times to $130bn). Europe had its number of exits unchanged yoy (six), but the investment amount contracted by 22% to $178bn.

COVID-19 was, of course, the chief culprit; investors acted more warily. In certain markets, though, government support helped shore up the system. The U. S. was the most vivid example. In May 2020, Pitchbook analysts found clear signs of recovery in the American VC market and tied it to implementation of the Paycheck Protection Program (PPP), which had offered companies a 1% interest rate on government loans. A loan might turn into a non-repayable grant if the borrower had put it to use within 24 weeks. Andreessen Horowitz, Index Ventures, Foundation Capital and some other well-known entities were reported to be among the beneficiaries of this unique loan program.

**In the world**

**Exits slumped in total value to the 2016-2017 level**

**Total investment declined in almost all rounds ($bn)**
World market: second year of decline

In the world

The number of deals worldwide has increased only in the Manufacturing sector (without outputs), pcs.

Victor Orlovsky
Founder and CEO partner of Fort Ross Ventures

We mainly work in the USA and Israel markets. They don’t show a significant reduction in the number of deals either funding volumes. In 2019 saw a slight decrease in the number of exits, especially through M&A deals. The growth rate of new unicorns has also decreased, but this is already happening several quarters in a row. Perhaps this is evidence of delayed demand, which will fire as soon as quarantine measures will be relaxed in the US. The main quarantine trends are the founders want to raise more money for a longer period to survive volatility and willing to sacrifice company valuation. Venture funds including top 5 VC US funds in the 2nd quarter of 2020 raised only more than $20 billion of new money. So, venture capitalists have money, and they will support their best companies and invest in new ones.”
In the world

Moneys grew in global deals across “COVID-positive” sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>1H 2020</th>
<th>1H 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>27.6</td>
<td>49.4</td>
</tr>
<tr>
<td>Sales and Marketing</td>
<td>3.6</td>
<td>6.8</td>
</tr>
<tr>
<td>Design</td>
<td>4.0</td>
<td>4.2</td>
</tr>
<tr>
<td>Media and Entertainment</td>
<td>4.0</td>
<td>7.2</td>
</tr>
<tr>
<td>Education</td>
<td>4.4</td>
<td>3.8</td>
</tr>
<tr>
<td>Lending and Investments</td>
<td>5.3</td>
<td>6.3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>5.7</td>
<td>5.5</td>
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<tr>
<td>Consumer Electronics</td>
<td>6.2</td>
<td>10</td>
</tr>
<tr>
<td>Privacy and Security</td>
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<td>5.6</td>
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<tr>
<td>Real Estate</td>
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<td>8.3</td>
</tr>
<tr>
<td>Food and Beverage</td>
<td>9.0</td>
<td>13.4</td>
</tr>
<tr>
<td>Payments</td>
<td>9.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Artificial Intelligence</td>
<td>9.9</td>
<td>12.8</td>
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<tr>
<td>Mobile</td>
<td>11.5</td>
<td>12.4</td>
</tr>
<tr>
<td>Commerce and Shopping</td>
<td>11.9</td>
<td>17.6</td>
</tr>
<tr>
<td>Apps</td>
<td>7.7</td>
<td>13.0</td>
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<tr>
<td>Transportation</td>
<td>16.8</td>
<td>27.8</td>
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<tr>
<td>Biotechnology</td>
<td>13.6</td>
<td>17.5</td>
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<tr>
<td>Data and Analytics</td>
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<td>17.8</td>
</tr>
<tr>
<td>Financial Services</td>
<td>19.5</td>
<td>19</td>
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<tr>
<td>Hardware</td>
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<td>Internet Services</td>
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<td>Health Care</td>
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<tr>
<td>Information Technology</td>
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<td>28.4</td>
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<tr>
<td>Science and Engineering</td>
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</tr>
<tr>
<td>Software</td>
<td>52.7</td>
<td>54.0</td>
</tr>
</tbody>
</table>
In 1H 2020, the number of deals was down across sectors. Some individual sectors, however, defied the headwinds and grew in value. IT (up 30% to $28.4bn), payment systems (up 52% to $9bn) and mobile apps (up 68% to $13bn) were the global top 3. There were two noteworthy transactions in the payment systems market.

In February, the British FinTech start-up Revolut founded by Nikolay Storonsky, a Russian expat, raised $500m. Following the deal, the company was valued at $6bn and Mr. Storonsky joined the Forbes global list of top HNWIs with $1.65bn in wealth. In May, the American payment system Stripe raised $850m from the Andreessen Horowitz fund and some other investors.

Europe

The investment amount in Europe fell from its 2019 value but outshone the prior years

The number of deals shrunk across all European sectors
Other sectors also had a few sizable deals in 1H 2020. The U.S. e-cigarette maker Juul, for one, charmed investors into overlooking numerous lawsuits brought against its advertising campaigns, and walked away with $700m in investment. Didi Bike, a Chinese bicycle sharing start-up, managed to raise $850m. Generate Capital, a U.S.-based energy-saving solutions developer, and a Chinese tutorial start-up called Yuanfudao, each received $1bn. Last but not the least, the drone developer Waymo, part of Alphabet, raised a total of $3bn in two consecutive rounds.
World market: second year of decline

Europe

The number of deals shrank across all European sectors
Europe

European deal volume increased in the leading sectors last year (without exits), USD billion

- Other: 4.6 (2020), 7.9 (2019)
- Privacy and Security: 0.6 (2020), 0.6 (2019)
- Manufacturing: 0.6 (2020), 0.7 (2019)
- Consumer Electronics: 0.6 (2020), 1.4 (2019)
- Sales and Marketing: 0.7 (2020), 0.8 (2019)
- Travel and Tourism: 0.7 (2020), 1.1 (2019)
- Real Estate: 0.8 (2020), 1.0 (2019)
- Media and Entertainment: 0.8 (2020), 1.3 (2019)
- Food and Beverage: 0.8 (2020), 1.6 (2019)
- Professional Services: 0.8 (2020), 0.7 (2019)
- Artificial Intelligence: 1.4 (2020), 1.6 (2019)
- Payments: 1.0 (2020), 1.7 (2019)
- Transportation: 1.7 (2020), 2.6 (2019)
- Lending and Investments: 1.9 (2020), 2.6 (2019)
- Internet Services: 2.4 (2020), 4.6 (2019)
- Information Technology: 2.7 (2020), 2.9 (2019)
- Commerce and Shopping: 2.7 (2020), 2.6 (2019)
- Financial Services: 4.0 (2020), 5.3 (2019)
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Key transactions of the 1H 2020 as reported by EWDN.COM
While divorcing with Sberbank, Yandex raises $1 billion to finance e-commerce projects

Adrien Henni, East-West Digital News, July 2, 2020 — In late June Yandex and Sberbank agreed “to reorganize their two joint ventures” — announcing their divorce in plain language. Yandex is to own entirely the e-commerce platform Yandex. Market while Sberbank is to take full control and rebrand payment service provider Yandex.Money.

Sberbank’s 45% stake in Yandex.Market will be transferred for around $590 million while Yandex’s 25% interest in Yandex.Money is valued at some $34 million.

Yandex and Sberbank agreed their e-commerce alliance in 2017. However, their relationship quickly deteriorated afterwards. The e-commerce joint venture showed lower-than-expected results while Sberbank teamed up with Yandex’s rival Mail.ru Group to launch alternative projects.

To buy out Sberbank’s share and accelerate its push into online retail, Yandex raised $460 million on the NASDAQ and closed a private placement of around $600 million.

Sberbank to acquire mapping service 2GIS at $205 million valuation

East-West Digital News, June 15, 2020 — Sberbank is extending its empire to mapping services with the acquisition of a 72% stake in 2GIS, valuing the company at some $205 million.

Founded in Novosibirsk in 2004, 2GIS is a free business listing with a city map. It is a global major in its field and one of the largest companies on the Russian internet. It claims to serve 486 cities in 11 countries with a monthly traffic of around 50 million users.

The deal also involves O2O Holding LLC — the foodtech and mobility JV between Sberbank and Mail.ru Group — which will get 3% of the company. Baring Vostok and RTP Global will sell their entire stake in 2GIS. They had invested $40 million in the company in 2015.

Leveraging the assets of Sberbank and O2O, 2GIS users will enjoy a variety of new functionalities, including transport options and marketplace for companies that do not work or are underrepresented online.
Russian-born social commerce major raises $42 million in Silicon Valley

East-West Digital News, May 21, 2020 — Ecwid, a leading provider of social commerce solutions for small businesses, has just secured $42 million from Morgan Stanley and PeakSpan Capital.

Using 54 languages to serve 1.5 million businesses across the world, Ecwid has made a long way since it was born in Ulyanovsk, 720 km east from Moscow, 10 years ago. Now headquartered in San Diego, California, the company helps businesses sell via Facebook, Instagram, Amazon, eBay, Google, Wix, Square and other platforms.

Since offline merchants can use these solutions to start selling online, Ecwid saw its transaction volume jump by 50% between March and April as the coronavirus stroke the world.

Ecwid made a very moderate use of venture capital until now. Its last round of funding dates back to 2014, when it raised $5 million from iTech Capital and Runa Capital.

A Russian-born 'soonicorn,' Miro raises $50 million from Silicon Valley tech billionaires

Adrien Henni, East-West Digital News, April 24, 2020 — Miro, a Californian startup with Russian roots previously known as RealtimeBoard, has raised $50 million in a Series B round. The funding came from Iconiq Capital — a Silicon Valley fund backed by tech billionaires — with Accel and several individual investors also contributing to the round.

The detail of the deal were not disclosed, but a source close to the involved funds told East-West Digital News that Miro’s valuation was “considerable” with the company “steadily progressing on its unicorn path.”

Miro offers a visual collaboration platform that allows distributed teams to “create, collaborate, and centralize communication for all cross-functional team work.” This solution is touted as “an entire toolkit for user story or customer journey maps, wireframing, roadmap or sprint planning, retros, and more,” allowing teams to start collaborating “in 90 seconds.”

Founded in Perm, Russia, in 2011, Miro quickly got recognition in industry contests. Among its earliest investor is Dutch business angel Bas Godska. The company is now a profitable business with some 300 employees across offices in San Francisco, Los Angeles, Austin, Amsterdam and Perm. Miro claims to serve “80% of the Fortune 100,” including such companies as Deloitte, Netflix, Cisco, PwC, Spotify and Upwork.
**Russian e-commerce major Ozon secures $150 million from local and US investors**

*East-West Digital News, March 31, 2020 –* Russian e-commerce major Ozon has just announced a $150 million round of financing, consolidating its position among the most well-funded local market players.

The money is coming from three investors bringing equal contributions: the Moscow-based private equity firm Baring Vostok Capital Partners, the corporate fund Sistema_VC and a new investor, the US VC firm Princeville Capital. The deal took the form of a convertible loan.

It comes as no surprise that Ozon secures a new giant round, following a $92 million investment in March 2018 and a $154 million deal in May 2019. With sales revenues increasing by up to 90% year-on-year, the company constantly needs to expand its logistics and technology infrastructure. The fresh funding will allow Ozon to open “at least five new fulfilment hubs” across Russia’s vast territory and to “grow its last mile logistics network at least threefold in 2020–2021,” according to a company statement.

What is less expected in the latest deal is the large involvement of a US investor. Since the Ukrainian crisis of 2014 and the subsequent US and EU sanctions against Russia, Western venture investors have virtually disappeared from the local venture scene.

The latest big Russian e-commerce deals involving Western investors took place in 2012–2013, when now defunct Wikimart secured $30 million from Tiger Global Management and Western-founded Lamoda received $130 million from Access Industries, Summit Partners and Tengelmann.

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**EBRD provides rescue financing to Travelata and other Russian portfolio companies**

*East-West Digital News and The Moscow Times, April 10, 2020 –* The European Bank of Reconstruction and Development (EBRD) has provided finances to a Russian company for the first time in more than five years under its emergency coronavirus support fund.

The EBRD stopped making active investments in the country in 2014, following Western sanctions stemming from the events in Ukraine and Crimea. The group maintained an office in Moscow to work with its existing Russian portfolio companies.

Travelata, an online reseller of package tours, was among the latest cases of EBRD investment in Russia, with a $7 million capital injection agreed in July 2014.

The bank will further provide finance to this startup as part of its 1 billion euro coronavirus funding program designed to support portfolio companies.

The rescue funding of Travelata does not represent a new equity investment in the firm and does not signal a change in the EBRD’s strategy towards Russia.
State-controlled corporation backs Russia’s leading startup investment fund

East-West Digital News, Jan. 20, 2020 — Rostelecom, the national telecom operator, is in the process of acquiring 31% of FRII Invest, the investment vehicle of the Internet Initiatives Development Fund.

The IIDF is Russia’s biggest fund for early-stage startups. Rostelecom’s is injecting in it 2 billion rubles ($32 million). The fund has been valued at 6.5 billion rubles ($105 million). Since its inception, FRII Invest has invested in 400 startups. Rostelecom told the media “these startups aren’t what we bought.” Rather, Rostelecom is “interested in the IIDF’s team.”

Although its creation in 2013 was an initiative by President Putin, the IIDF presents itself as a classic venture fund. According to insiders, large state corporations are among its initial backers – which seems in line with Rostelecom’s latest move. At launch, FRIII received 6 billion rubles, the equivalent of $200 million at that time.

Da Vinci Capital gets €30 million from Germany’s DEG to invest in Ukraine, Belarus and Kazakhstan

East-West Digital News, Feb. 21, 2020 — Moscow-based private equity fund manager Da Vinci Capital has agreed with DEG, a state-owned German development finance institution, a €30 million contribution to its new fund, ‘Da Vinci Capital Technology Fund III.’

Under plans, the fund will ultimately raise no less than €300 million.

Like Da Vinci’s previous funds, Da Vinci Capital Technology Fund III is a growth equity fund. It aims to participate mostly in Series B rounds, targeting fintech and B2B software companies in particular.

In geographic terms, the fund will target, in particular, Ukraine, Belarus and Kazakhstan. It may also invest in other countries of the former Soviet Union, like Armenia and Uzbekistan, or elsewhere in the world. Investments in Russia are not ruled out, but without any specific focus unlike the previous Da Vinci fund.

IIDF
Russian-founded Veeam Software sold for $5 billion to major US investor

East-West Digital News, Jan. 10, 2020 — Veeam Software, a global leader in cloud data management software, is to be acquired by top software investor Insight Partners. The deal, which values Veeam at “approximately $5 billion,” is expected to be closed in March.

Veeam raised $500 million from Insight Partners and Canada Pension Plan Investment Board (CPPIB) just a year ago.

Veeam now claims to serve more than 365,000 customers (up 40,000 in one year) generating approximately $1 billion in sales every year. The company was ranked number 27 on the Forbes 2019 Cloud 100 list.

Veeam is the market share leader in EMEA, with about 55% of revenue coming from Europe, compared to 30% from North America. Currently located in Bar, Switzerland, the company’s headquarters will be moved to the USA as a new executive team will be installed.

Veeam will now seek expansion by targeting the major players for the hyperscale public cloud, which are mostly based in the USA.

Veeam’s founders Andrei Baronov and Ratmir Timashev are figures of the Russian and international tech scene. They are behind ABRT, a venture firm which has made nearly 30 investments and claims a 43.99% net IRR performance. Timashev was also a shareholder of 5nine, a software company which was sold to Acronis a month ago in a transaction that reportedly exceeded $100 million.

Although they spend the better part of their time outside their native country, Forbes Russia counts Baronov and Timashev among Russia’s richest businessmen. Their respective wealths were estimated at $700 million (before Veeam’s acquisition) in the latest ranking.

A number of other successful tech companies founded by Russians operate from other countries. Among them are Acronis, Badoo, Evernote, Nginx, Kaspersky, Parallels, Telegram and WayRay.