

The first-ever comprehensive  
startup research on  
24 countries of Central  
and Eastern Europe

# STARTUP INVESTMENT & INNOVATION IN EMERGING EUROPE

**PART 6:**  
**Featured Startups  
& Entrepreneurs**

2018 EDITION, VERSION 1 – FEBRUARY 2018

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East-West Digital News is a news and research agency dedicated to the vibrant tech markets of Central and Eastern Europe.

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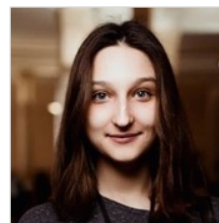
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- Venture deals & VC market data
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## PART 5: Special Russia section

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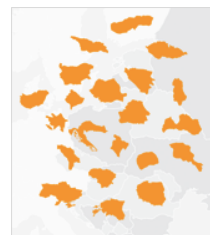
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Case studies and interviews to discover some of the region's most remarkable entrepreneurs and technologies!

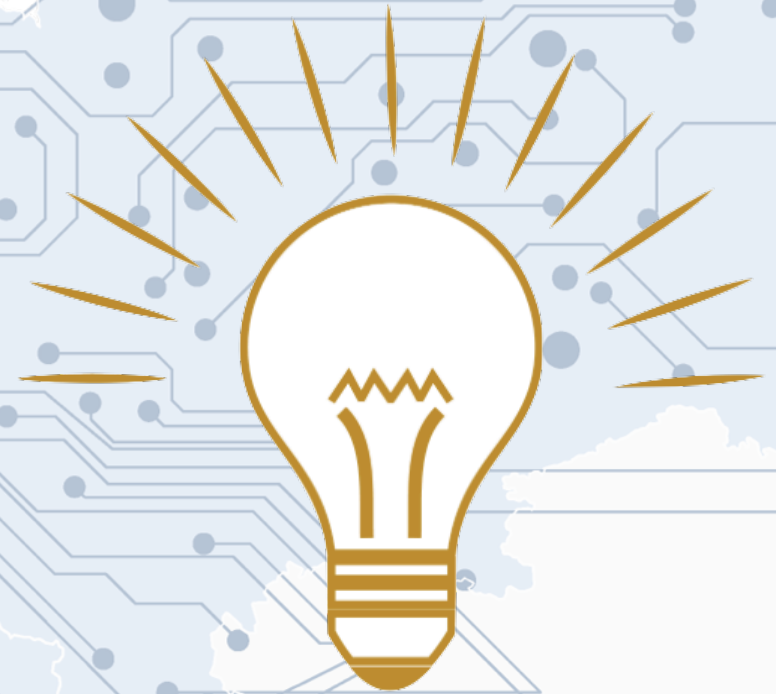
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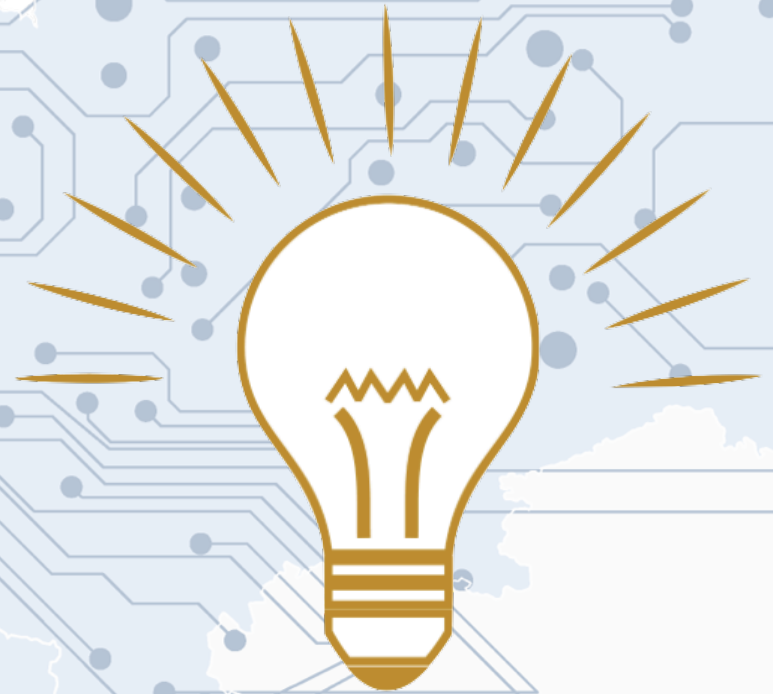
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Section 1:

SOME  
REMARKABLE  
CEE **TECH**  
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## LYUDMILA BULAVKINA OF RENTMANIA.COM: “SHARING IS NOW IN THE AIR, AND IT WILL PENETRATE EVERY ASPECT OF DAILY LIFE.”



*Lyudmila Bulavkina is co-founder and CMO at Rentmania, a Moscow-based startup whose success illustrates the traction of the new sharing economy models. She recalls the story of her company, from the difficult early days to the current global development prospects.*

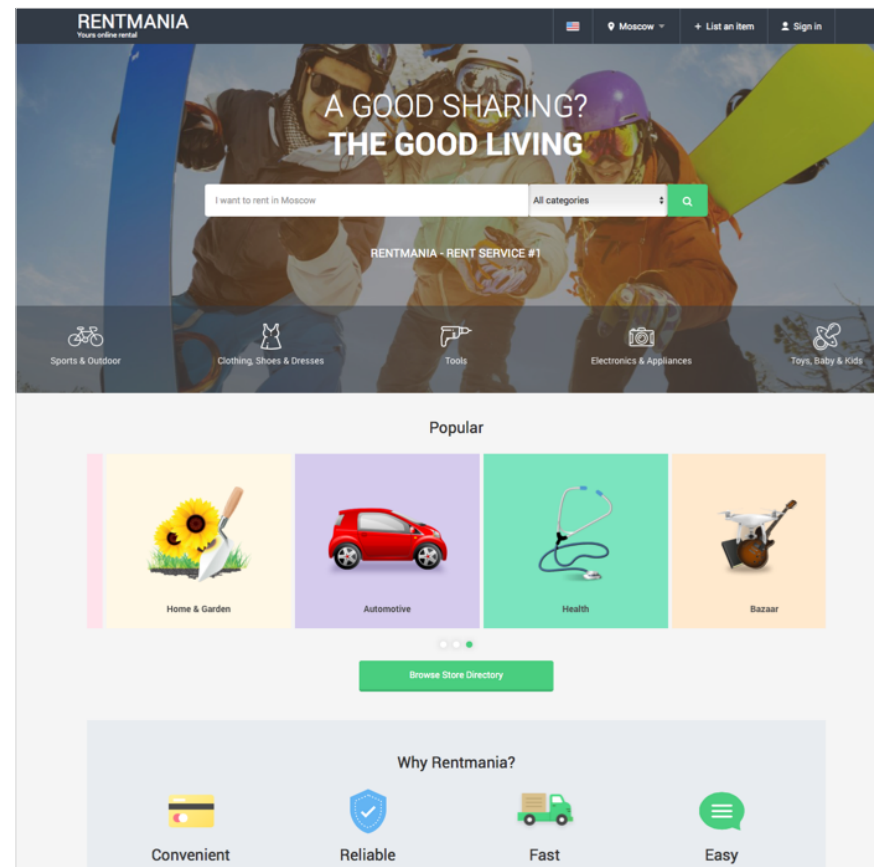
### How and why did the idea of Rentmania come to your mind?

Our founder, Arkadiy Meshkovsky, was inspired with the idea of sharing economy while studying at RMA (Russian Internet Business School). A lifestyle in which one uses goods without purchasing them sounded very attractive. At that time, his house was full of items like bikes, tents, gadgets and DIY tools, most of which were getting zero regular use. The market was wide open and Arkadiy decided to launch the first online goods-sharing platform.

### What were the challenges of switching from such a concept to a real business?

Rentmania's very first MVP [minimum viable product] was launched in November 2013. This first year was very hard. We had no chance competing for an audience against global companies that offered to buy goods. We had no suppliers and no renters; it was a period of bootstrap subsistence, one step away from “death valley.” Each team member volunteered for the sake of the idea. And this persistence and focus helped us.

Then in 2014, as we were hunting for team members and trying out our business model, the economic crisis hit Russia hard. As a result, consumer purchasing power decreased dramatically, and the opportunity to rent goods was warmly welcomed among Russians. We secured a pre-seed investment from the IIDF [Russia's leading seed stage fund – ed.].



*Born in Russia, Rentmania prepares for international expansion*



## LYUDMILA BULAVKINA OF RENTMANIA.COM: “SHARING IS NOW IN THE AIR, AND IT WILL PENETRATE EVERY ASPECT OF DAILY LIFE.”



We gained recognition through several startup contests, and made genuine headway among early Russian adopters of sharing economy. It was an ideal time to grow fast.

**Do people use your service only because it is cheaper to rent something than to buy it? Or are there other reasons as well?**

There are two main rationales for using Rentmania. The first one is to avoid purchases and cut expenses. People who like calculating and saving fall in love with Rentmania at first sight, since you can save about 250 euros per month by renting goods rather than buying them. At the same time, our users gain additional profit from sharing: active users can easily make up to 400 euros in extra cash.

We also offer a sustainable consumption lifestyle. There is no need to buy something just for a couple of days if you can rent it and pay considerably less for the same item. Rentmania lets you live better and experience more in a very affordable manner.

**Do you believe this sharing economy segment could one day become as popular as other segments — such as home or car ride sharing?**

Car ride sharing and home sharing have grown rapidly in just the last two years. Sharing is now in the air, and it will penetrate every aspect of daily life. As for now, we are happy to have strong business neighbors!

**You're now planning to expand into new markets. Isn't this a bit premature?**

The US market has the highest potential for growth. Americans have a rich history in the rental business, and they are open to sharing in urban conditions. There is also no clear leader in our domain. That said, we understand that US customers are very picky and that we'll have to compete hard for their attention. But we like challenges!

We've spent about three years testing various models to attract customers and address a variety of issues like deal insurance, payment security and deposit processing. We have demonstrated our success in Russia and today are the leading service in P2P goods sharing. Now it's time to test our model beyond Russian borders.

- *After serving corporations during more than 10 years (ABBYY, Odnoklassniki), Lyudmila Bulavkina became a tech entrepreneur, creating or taking part in such projects as YouDo, Boommy and Look100. A teacher at leading Moscow universities, including HSE and MGIMO, she authored more than 70 articles on business development, marketing and related issues.*

### COMPANY INFORMATION

- **Created:** November 2013
- **Financing:** Grant from Bortnik Fund (Autumn 2014); pre-seed from IIDF (Summer 2014); seed from individual investors (Summer 2015); convertible loan from individual investors (Summer 2016).
- **Headquarters:** Moscow
- **Number of employees:** 25
- **Financial results:** undisclosed



## YOUDO.COM FOUNDER ALEX GIDIRIM: “THERE IS SOMETHING DISRUPTIVE IN THE KINGDOM OF SEARCH ENGINES AND CLASSIFIEDS”



*Serial entrepreneur Alex Gidirim is the founder and CEO of YouDo.com, a platform that matches people requesting and providing day-to-day services (see case study in the AI section of this report). In this interview, he analyzes the evolution of consumer services and the looming disruption of the online classifieds industry.*

### **What was your background prior to founding YouDo.com?**

I should have been a banker, but I never finished university. I was probably a born entrepreneur; I've never worked for anyone. I sold my first company when I was 21; it was a small ecommerce business selling souvenir car plates. I was so excited by our success that I took bank credit for a new venture and... failed. For the next three years I barely made ends meet.

Many years later I got into affiliate marketing, which gave me experience we still use widely at YouDo.com. Together with different partners I also launched three game development companies; two of them are already sold and the third is a mature and growing company with over 250 employees. I also participated in a number of other startup projects as investor, mentor or advisor.

### **How did the idea of YouDo.com come to you?**

The idea of getting people with reciprocal needs together in one place had inspired me for many years; I saw huge potential in it, the idea really drove me. In 2012 my partner and I launched YouDo.com. One of the first tasks was to get my beloved morning coffee from a coffee shop. At that time food delivery was not yet popular.

With comprehensive experience in affiliate marketing, I thought we could create a platform where people could get in touch and deal with each other without middlemen.

### **What is the current level of development of online on-demand services in Russia compared with other countries?**

While certain types of services attract considerable numbers of customers – food delivery, for example – others are undeveloped. The market is huge and very fragmented, with lots of small mono-vertical players. We believe that Russia has its own way of doing things – including its own market-leading search engine, Yandex, and one of the world's biggest online classifieds services, Avito.ru.

We also believe that the time is ripe for another big local player who can aggregate most available services in one place. And that market is just enormous. Look at BlaBlaCar: Russia is on the verge of becoming their largest market. Tourism is growing, European and Asian travelers can be seen everywhere, so my guess is that that Airbnb in Russia is also growing rapidly.

Russia's big players – such as Yandex, Avito and Mail.Ru Group – are not sleeping. The latter recently launched Beepcar, competing with BlaBlaCar. Yandex Taxi is in the process of merging with Uber on the Russian market.

Technology can help win an entire market segment, since competition is rather low in each vertical. For example, in the USA and most European countries, the biggest companies are mono-vertical – Handy.com, Homeadvisors.com, etc. – and there is no big multi-vertical player in online on-demand services.

In Russia, the situation is different: it looks more like certain Asian markets than the European or US markets. In Asia, there are big multi-vertical players, including Go Jek in Indonesia and Wechat, which has managed to aggregate many services in one app.





## **YODO.COM FOUNDER ALEX GIDIRIM: “THERE IS SOMETHING DISRUPTIVE IN THE KINGDOM OF SEARCH ENGINES AND CLASSIFIEDS”**



**In a global perspective, how do you envision the future of such services? Do you believe we could see something entirely new emerge again?**

We can see the evolution of consumption patterns on YouDo.com. We also see that we are becoming a significant job seller to people. In short, I'm sure that the old ways of consuming services are outdated.

Let me give you an example. Let's imagine that you are looking for a plumber or a foreman for a home improvement job. What will you use to search for them – search engines, classifieds or you will ask your neighbors for recommendations? All this is time-consuming. You have to spend considerable time on various listings and call many potential providers to ask about availability and pricing. Very few of these providers will offer background checks, transaction histories, insurance and so on.

The new way to consume services is simply to declare what you need and add a few criteria (time, price, location). It takes you around a minute to fill in the necessary fields – and that's it! You can go play football, drink beer or spend time with your family. Within a short time, you'll get a number of offers with prices, verification status, consumer reviews, etc. And there's no pressure to call, you can reply to them at your earliest convenience.

For service providers, it's a great opportunity to earn additional money. No need to get a payday loan and pay crazy interest on it. For some people, it's becoming the main source of income. We already provide jobs to tens of thousands of people every month and this service is growing like crazy.

We collect lots of data. Big data and artificial intelligence are at the core of the matching system, which we call “the magic box.” This represents something disruptive in the kingdom of search engines and classifieds.

**But how can this “magic” operate? Where do you find enough relevant and reliable data about these individual service providers?**

First of all, we collect the maximum available information on service providers and clients and chart their behavior, habits, etc. This helps us create personalized forecasts and predict user behavior.

What differentiates us from other companies that also use big data and artificial intelligence is that we have lots of information about users' offline behavior, not just online. Service providers use our app in the course of a day and we know a lot about them.

**Does a Russian startup have a chance to compete with established giants on the global market?**

There are not many examples of Russian companies becoming truly global, but there are many examples of companies with Russian founders and Russian brains doing exactly that.

I see the entrepreneurial spirit growing in Russia, and it's just a matter of time before we'll see global companies being launched there. One likely venue is the cryptocurrency market, where Russians are very active.





## OSKAR HARTMANN: “I HAVE BEEN ABLE TO BUILD MANY BUSINESSES HERE ASSUMING THAT EVERYTHING WOULD BE THE SAME IN RUSSIA, JUST A LITTLE BIT LATER”



*Born in Soviet Kazakhstan, Oskar Hartmann emigrated to Germany as he was still a child. In 2008, at the age of 27, he moved to Russia with the aim to launch his first business. He founded KupiVIP, Russia's first flash-sales fashion site. Supported by international investors, and taking advantage of the opportunities of the Russian consumer Internet at its early days, the site became one of Russia's most notable online success stories. Hartmann subsequently involved himself in a variety of new projects, asserting himself as a top figure of the Russian tech entrepreneurship scene.*

**Back in 2008, why did you decide to launch a startup in Russia — rather than Germany where you came from, for instance?**

The main reason for moving to Russia was that I was so happy in Russia, I love Russia so much, so I wanted to live in Russia. The question of what I should do in Russia came second. I wanted to build a business where I live, as I became a father, so I decided to build a business in Russia.

**How did the Russian and the German ecosystems compare when you arrived in Russia — and now?**

When I came to Russia, my first big kind of insight was that Russia was about let's say 7-8 years behind Germany in the development in almost all the things related to the Internet. It was very easy to predict the future because my basic assumption was that Russia would do the next 5-10 years exactly the development stages which Germany had gone through from 2000 to 2007.

So, basically, for example, if you take the online fashion market in 2007, the entire German e-commerce market amounted to €16 billion euros with fashion accounting for 25% of it — €4billion!

At that time, the entire Russian e-commerce market didn't even reach €4billion, and fashion was zero — just like in Germany ten years before. Then my assumption was: in the next five years, maximum ten, the Russian e-commerce will reach the same size as the German, and fashion will be also 25% of the e-commerce market. Everybody was saying: maybe Russia is special, people won't buy fashion online. But for me the picture was clear — in China, the fashion was already growing; so why not in Russia?

Now, if you look at the 2016 numbers, the Russian e-commerce market reached around €16 billion, of which fashion accounted for €4 billion (in spite of the ruble's huge depreciation in 2014). So, basically, Russia is now at the same point as Germany was in 2008. Further, if we consider that the German e-commerce market is now around €50 billion euros, we can predict what will happen in Russia in the next five years.

We may say the same about other segments: other e-commerce segments, dating, services... By number of users, Russia became the biggest Internet market in Europe in the early 2010s; and since the average age of Internet usage is growing, Russian e-commerce can expect a bright future.

**Aren't there any differences between Russia and other markets?**

I didn't focus on what is different in Russia, I focused on what is the same. Because focusing on what is different gives you no opportunities. But if you think Russia will be the same as Europe, you have a lot of opportunities.

Take another example, Blablacar. While it was already very successful in France, everybody believed this business model would never work in Russia, because Russia is this or that, but now Russia is becoming the biggest market for Blablacar.



## OSKAR HARTMANN: “I HAVE BEEN ABLE TO BUILD MANY BUSINESSES HERE ASSUMING THAT EVERYTHING WOULD BE THE SAME IN RUSSIA, JUST A LITTLE BIT LATER”



And if you look at the top 100 business models in Russia — you have classifieds, mobile classifieds, car classifieds, real estate — these are basically the same as in Germany, France, the UK and Spain. Conversely, you can see that there is no really unique business in Russia that is successful there but would not exist anywhere else.

I was able to build many businesses because of the assumption that everything would be the same in Russia, just a little bit later. This assumption made investment decisions relatively easy.

### **Has the new international context since 2014 with the sanctions and counter-sanctions affected the Russian startup industry?**

In the Internet sector, which has not been targeted by the sanctions, business operations haven't been affected. Nothing has changed in building a business, attracting customers, solving problems, etc.

The only difference is access to capital. Basically, people are afraid to invest in Russia. Since there is no capital coming to Russia due to the sanctions, capital has become scarce and very expensive. What investors can get in terms of shares and rights is much-much higher than in Western Europe. And the return on capital is much-much higher in Russia. So, capital is very valuable.

Meanwhile, the quality of the businesses which are being created now is superior than in the past – and not only because entrepreneurs need to be cautious about capital. People used to believe that they could build a business and then sell it to Western European and US companies. So a lot of companies were built to be sold.

But this is no longer a good strategy, as acquisitions to enter the Russian market have become rare. So now companies are created to be developed independently, to become real businesses.



## OSKAR HARTMANN: “I HAVE BEEN ABLE TO BUILD MANY BUSINESSES HERE ASSUMING THAT EVERYTHING WOULD BE THE SAME IN RUSSIA, JUST A LITTLE BIT LATER”



Overall, I think Russia has been very resilient to the sanctions. An amazing number of new companies have been created to produce locally, be it in food production or other segments.

### **How do you envision the future of the Russian startup industry?**

I believe that Russia is perfectly positioned for the future. Historically, Russia was not strong in mass production. So, in the last industrial revolution Russia wasn't among the biggest winners. But in the current industrial revolution, what was historically the weak sides of Russia is now being replaced by robots and computers.

Meanwhile, Russia has plenty of strong sides to leverage in this new revolution – from IT, to mathematics, to data science and creative problem solving. The Russians are absolutely amazing in these fields.

In Russia, you have an absolutely crazy number of teams and startups. The ecosystem is very healthy, not only in Moscow but in virtually all regions and all cities – even small ones. In such important fields as AI, you have absolutely the best infrastructure in the world to find talent.

### **How many digital projects did you launch in total in Russia?**

I have been involved in more than twenty startups. I built or invested in companies essentially at the very early stage because I was a young entrepreneur, I didn't have any capital.

### **What have been your best successes and worst failures?**

Of course, we had big successes and failures as well. There are all kinds of reasons for failures. In one or two cases, customers didn't really need what we offered. In other instances, we underestimated the resources required to build a business. We were trying to do more with less – which sometimes turned out to be impossible.

So, basically, either the customer or the investors didn't want to support the business. This was never due to regulation or government intervention. These were market forces –like everywhere else.

### **Do you have projects outside Russia?**

I have launched an investment fund to back great entrepreneurs all over the world. We've invested in more than twenty countries, such as Germany, France, Mexico, Brazil, India, China, Indonesia, Philippines, Vietnam, Nigeria and Pakistan. We are entrepreneurs ourselves, so we like to support people who are building similar things in other countries. We invest at the early stage and up to Series B.

### **Tell us a bit about your non-profit activities.**

I spend a lot of time on nonprofit work. I really love entrepreneurship, so I initiated or took part in various projects to support entrepreneurship. One of them is a foundation which provides scholarships to the most talented students who want to build their own business. Another one, Preactum, is a contest for student projects from all universities across Russia. It is open to both profit and non-profit projects. We also have leadership programs for people to increase their self-confidence, lower their fears of failure and find their team mates. Another organization, called R2, provides entrepreneurs with an independent board of advisers. It is for people who are already successful but want to grow their businesses ten times more. We also created entrepreneur networks and cooperate a lot with universities and schools.

One of our latest initiatives is the World Entrepreneurship Foundation, which was launched this year. This endowment fund gives funding to leadership programs around the world in order to develop entrepreneurial tracks inside leadership programs.

*(September 2017)*



## OLEG OBOLENSKYI: “AI CAN REDUCE COSTS FOR BOTH DEVELOPERS AND PROPERTY INVESTORS”



*A former CTO at Rambler and team leader at Yandex, two major Russian Internet companies, Oleg Obolenskyi is now CTO at INTRO Technology Rus. In this interview, he provides more details about the use of AI in property deals, the way the INTRO Analytica solution can be used and its prospects on the global market.*

### **Why is artificial intelligence needed to process property deals?**

AI is needed here to match the records from Rosreestr (the state registration authority) with homes under construction. The thing is that all the Rosreestr records are uncategorized: they only report the apartment number. The deal then has to be “attached” to the building plan in order to understand the property type and area. Developers can make this task even more difficult since they may change the building plan after sales launch. AI can recognize such changes and match a deal with a building faster and more precisely than other instruments.

Currently, INTRO Analytica processes deals that cover about 25 million square meters of property across Russia.

### **Are there any benefits for homebuyers?**

INTRO Analytica is not designed for homebuyers, but they can indirectly benefit from the reduction of costs induced for developers and property investors. And in the future, we plan to introduce products for homebuyers as well. By the way, among our new products under development is one, dubbed DDU, for the B2C segment.

### **How much time do you need to add a new locality to your system?**

It depends on the size of local market. If we're talking about a city of one million inhabitants with some 150 apartment blocks under construction, it will typically take a week.

Sometimes there are delays in record disclosure by the state authority, so one week can turn into two or three. Once the location is in the system, the monthly updates take only 2-3 days or even 1.5 day for smaller cities.

### **At such a pace, you could cover many countries in just a few years?**

This tool is only needed in countries where off-plan property accounts for a significant share of the real estate market, or where the authorities want to establish this scheme. This is the case of many emerging countries in need of affordable housing. Off-plan is also used in the segment of luxury properties – for instance, in the Gulf countries or in the UK.

### **Who are your competitors?**

Some efforts to structure property records are being made by state or private actors, but most of them are still in the R&D phase. For instance, the Indian government is trying to create an online database of properties, which is still under construction. The UAE went further creating an online monitoring system for off-plan properties, which calculates total amount of investment.

Our system is more advanced: we can track market saturation by location or property type. To put it simply, the UAE solution fits well for property investors, but doesn't offer much help for developers or regulators. In any case, these players may be partners rather than competitors as the global property market is huge and the adoption of AI for market analysis is at its very early phase.

### **What is the size of total addressable market, exactly?**

According to the State Agency for Housing Mortgage Lending, the off-plan property market in Russia is worth around \$25 billion.





## OLEG OBOLENSKYI: “AI CAN REDUCE COSTS FOR BOTH DEVELOPERS AND PROPERTY INVESTORS”



More than 4000 construction companies are potential customers for INTRO Analytica, they would generate some \$70 million in revenues per year. However, our planned market penetration in Russia would not exceed 40%, since covering small cities may not pay back. In these locations, the market is usually less competitive and, therefore, more predictable. Our growth potential lies essentially in foreign countries with a similar market structure.

An earlier version of INTRO Analytica included the monitoring of the second-hand property market as well, yet later we removed this functionality. We decided to focus on monitoring the construction and development market, which is not yet saturated.

### What if a market has its own unique characteristics?

Our solution is flexible: we can add new metrics or modify existing ones.

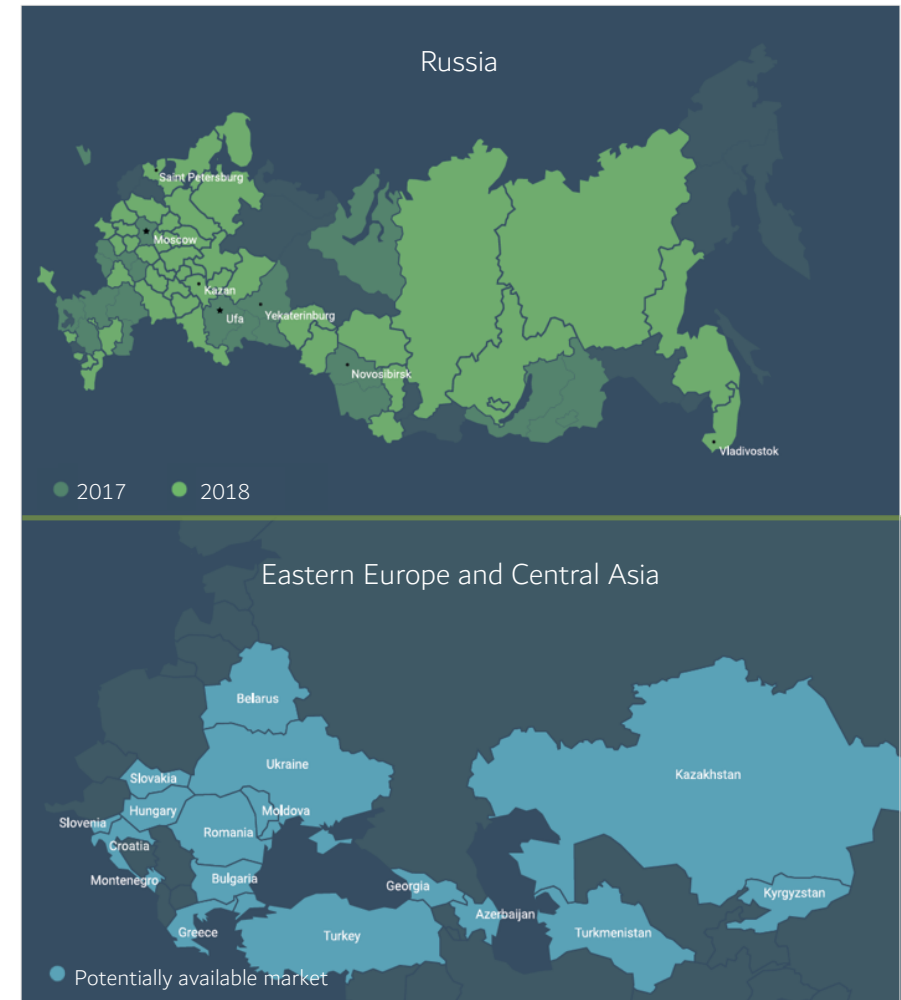
### Is INTRO Analytica your only product?

We're currently developing two other IT-products for the B2B and B2C segments. We also provide web- and mobile development services to a variety of clients.

### Are you looking for international partners or investors?

We're interested in cooperating with a variety of players, starting with governments willing to set up a similar property market monitor in their countries. We're in talks with Kirgizstan, whom we met at the BRICS summit in September, and Slovenia.

We're also open to cooperation with any potential partners including IT companies willing to become local distributors; franchisees from the real estate market; and investors.



*In 2018, INTRO Analytica's expansion plan targets essentially CEE and Central Asian countries.*



## **TOMASZ WESOŁOWSKI, FOUNDER OF 2040.IO: “TODAY’S INTELLIGENT ASSISTANTS AREN’T MATURE, BUT THEIR CAPABILITIES MAY BECOME UNLIMITED IN THE FUTURE”**



**Your startup refers to 2040. What do you expect will happen that year?**

At the 2012 Singularity Summit, Stuart Armstrong did a study of artificial intelligence predictions by experts and found a wide range of predicted dates, with a median value of 2040. So probably, by 2040 artificial intelligence will be as smart as humans. This is also what we believe in, and this is what our company’s name refers to.

**More specifically, how do you envision the future development of AI and related technologies in the corporate world?**

Not only will it change the way we use our business applications, but also the way we communicate with machines. All this will be possible with the development of technologies like conversational user interfaces, natural language understanding and neural machine translation.

We like to think of this segment comparing its early stage of development to the first websites. The capabilities of intelligent assistants may soon become unlimited, but currently we are still at the beginning of the road.

**Let’s talk about your product, Edward (<http://edward.ai>) will work as an artificial intelligence powered assistant for the sales departments, right? Please describe its key functions and the value for users.**

Searching for an analogy to other projects, we can say that Edward works in a similar way to Siri, Cortana and Google Assistant. However, it focuses on one particular area — sales — which he knows best.

Moreover, Edward is not a typical chatbot which allows users to ask questions and provides (mostly bad) answers — as most of the current chatbots do. Instead, we’ve focused on developing an assistant that will be mostly “proactive” for sales people.

This means that Edward works in the background (on your mobile phone and/or desktop) and his activation is based on context. For example, right after a phone call, Edward asks you to create a quick follow up, and can automatically register some notes in your current CRM. We allow quick selection using smart reply buttons, which is of great importance, especially when using the mobile version. Using push communication means that user doesn’t have to remember about turning on the application every time he is performing some action.

**Can Edward be characterized as being a sophisticated CRM system?**

Not exactly. Edward may power up your existing CRM, putting all the activities automatically, and then draw conclusions based on that data and user context. Even though Edward may work as a stand-alone application, the best results can be achieved with integration to an existing CRM.

**What do you mean about user context?**

The biggest weakness of most chatbots and assistants is a lack of adequate knowledge of the user. Therefore, one of many challenges in the area of context is to acquire a sufficient amount of information to be processed and analyzed. So we have to try to collect data in the background, without much user involvement.

The context of actions is very dynamic as well — it can change significantly at any moment. For example, leaving the office and coming back home is a critical change of context and in such a case, the user expects a different kind of message).





## TOMASZ WESOLOWSKI, FOUNDER OF 2040.IO: “TODAY’S INTELLIGENT ASSISTANTS AREN’T MATURE, BUT THEIR CAPABILITIES MAY BECOME UNLIMITED IN THE FUTURE”



### But do sales teams really need such subtle tools?

During the past several years, when we ran our previous software company, we completed hundreds of projects for different types of clients. The main knowledge gained from this period concerned the observation of how users use the software. It turns out that people are very reluctant to use programs that are too complicated. This is why sales people don’t like their CRMs.

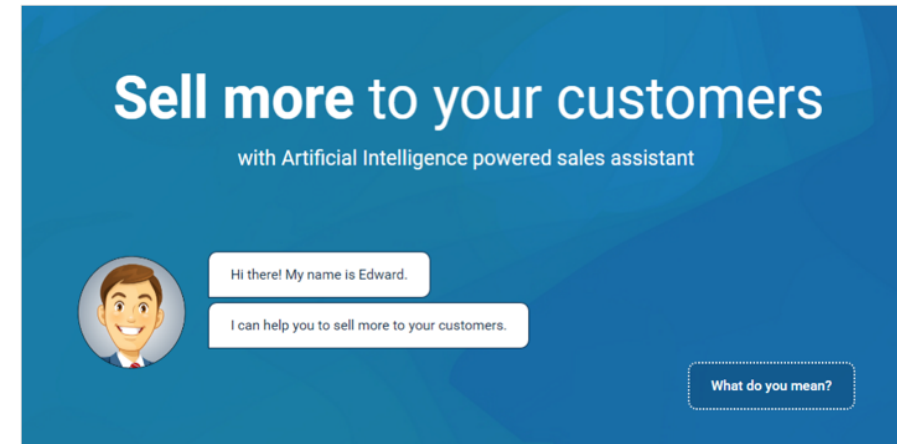
On the other hand, constantly increasing the number of data and processes somehow enforces this complication and makes it difficult to control the business without using modern software. This is why, while designing Edward, we focused on simplicity combined with a natural way of interaction.

### What are Edward’s first use cases or pilot projects?

Currently we focus first on customers who believe in the AI revolution as much as we do; those who want to help sales people do things faster and smarter. With Edward, they can focus on their customers, not on the boring stuff like entering data or setting follow ups.

What’s more, Edward helps sales people perform such typical actions as logging all the information about contacts or using calendar and making notes — and he will offer even more automated functions to do this in the future. Sales managers can also view all the activities using a powerful dashboard with advanced filters. We can upgrade existing CRMs with information about activities in real time, and connect it with Edward’s interaction scenarios.

We also perform some experiments with call transcription and creating sales notes automatically. This will be the killer feature for field sales people, who are constantly moving and need to make notes very quickly.



### How did your start start, how has it developed so far?

We spent the last 15 years in the Internet industry as entrepreneurs, advisors, and board members of several companies. That experience allowed us to self-fund the early stage of a new company. After developing our first MVP [minimum viable product], we were backed up by several business angels, and currently we are in the process of raising funds from VC firms.

From the product side, we managed to create our own software for creating intelligent assistants for various industries. It consists of a multi-language platform for building interactive “conversations”, a system for efficient processing of large data sets (big data), and models for automatic classification of data based on machine learning. Edward was created on the basis of this platform, and now it’s having its first customers.

You may reach Mr. Wesolowski at [tomek@2040.io](mailto:tomek@2040.io)

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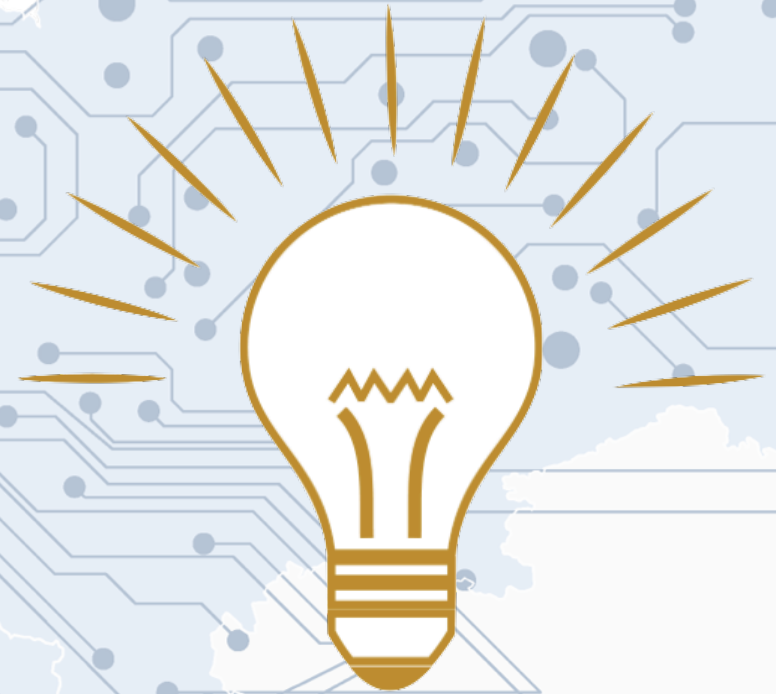


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Section 2:

# FEATURED STARTUPS





## AMID SCAMS AND FRAUD, A MOSCOW-BASED STARTUP AIMS TO LEVERAGE HUGE POST-ICO MARKETING BUDGETS



*By Vladimir Kozlov, East-West Digital News*

How will blockchain and cryptocurrencies impact the advertising industry? Rather than waiting several years to learn the answer, some entrepreneurs have already begun writing the next chapter in the history of advertising – an industry they hope will continue to be as receptive to technological innovation as it has been in the past.

The idea of introducing cryptocurrencies in ad networks came to Moscow entrepreneur Vladimir Dyakov just six months ago. Ad networks are among the prime specialties of this 37-year old former programmer, who has run several advertising and consumer loyalty projects for big Russian companies in previous years.

Dyakov had been thinking of launching an international project for some time and checked out various possibilities before turning his attention to blockchain and cryptocurrencies.

"I noticed that these technologies were generating a lot of traction around the world. I also saw the emergence of several interesting projects aiming to apply them to advertising," he says.

Dyakov also saw an opportunity in the fact that companies raising considerable amounts in cryptocurrencies through ICOs – some \$4 billion in 2017 – would need to advertise their products. According to their investor documentation, marketing would account for up to 40% or even 50% of their planned expenses post-ICO, Dyakov noted.

Keeping these companies in mind, Dyakov launched his own startup, AB-Chain, aiming to create a platform that would allow advertisers to finance campaigns in cryptocurrencies.

The startup uses the blockchain technology, but sparingly. "We only apply what is most profitable in this technology and relevant to our case," Dyakov says.

Answering the objection that well-funded blockchain companies might still, after their ICOs, prefer to run campaigns using classic ad networks and classic payment means, Dyakov says that if they did so, these companies would hit a bump.

"As long as your advertising budget is \$10,000 a month, you can exchange your bitcoins into dollars with a small conversion commission," he explains. "But if you need to convert, say, \$1 million, the commission could go as high as 40% or more because the liquidity of the cryptocurrency market is low."

### **From immediate opportunity to long term strategy**

The recent dramatic increase of cryptocurrency capitalization is excellent news for AB-Chain: when cryptocurrencies see their value grow five-fold, the value of the funds raised through ICOs and the subsequent marketing budgets also increase considerably.

Such revenues will not come immediately, however. "Startups that have just completed their ICOs will start spending on marketing a year from now, or even later," Dyakov expects. "Even those having already attracted substantial funding will have to test their product before selling it on the mass market, so it will take a while before they can become AB-Chain clients."

Meanwhile, demand has emerged for ad campaigns at an earlier stage – to promote ICOs, with budgets in the hundreds of thousand dollars minimum per campaign.

Dyakov was not ready to seize this opportunity when it emerged, on an unexpectedly large scale, in early 2017. But AB-Chain aims to be among the first in early 2018 with the capacity to run ICO support campaigns – assuming the current ICO wave doesn't end abruptly – whenever these companies have cryptocurrencies to spend.



## AMID SCAMS AND FRAUD, A MOSCOW-BASED STARTUP AIMS TO LEVERAGE HUGE POST-ICO MARKETING BUDGETS



In the long term, Dyakov hopes to see the emergence of a full-fledged advertising market in cryptocurrencies. "In a slow but irrepressible trend, cryptocurrencies will penetrate the entire economy," he explains, citing Ethereum founder Vitalik Buterin. "And this will inevitably translate into ad budgets and ad offers in cryptocurrencies."

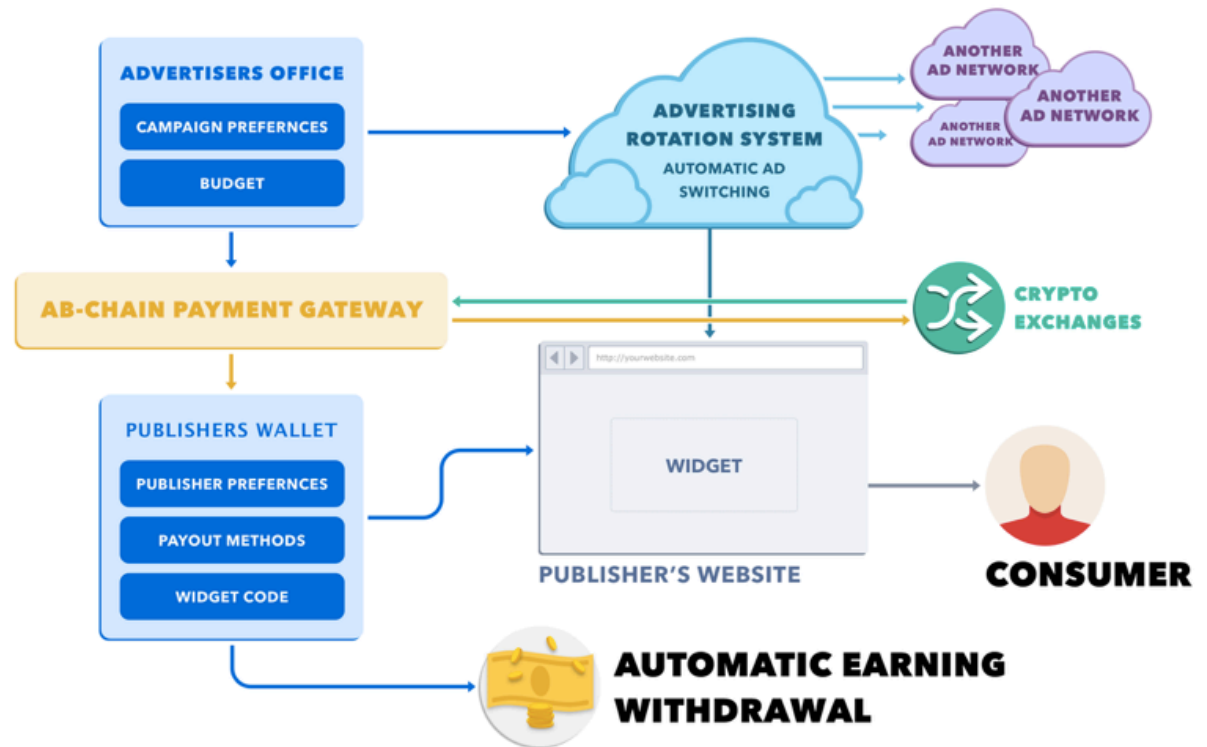
Dyakov concedes, though, that traditional ad networks will be slow to adopt cryptocurrencies as a means of payment. And this is leaving aside giants like Google and Facebook, which may not embrace crypto-currencies for years, until all the legal and regulatory details are settled.

### Startup development amid fraud and scams

To bring his idea to life, Dyakov invited Russian industry professionals he had long known to join the startup. He has also attracted advertising and blockchain experts from as far away as the USA, France and Hong Kong to help fine tune the AB-Chain concept and develop the project.

Meanwhile, as AB-Chain moved from concept to execution, challenges began to arise.

"There's a lot of fraud among ad platforms," says Dyakov. "It's impossible to completely avoid scams when operating in this market, but it is possible to minimize damages."





## AMID SCAMS AND FRAUD, A MOSCOW-BASED STARTUP AIMS TO LEVERAGE HUGE POST-ICO MARKETING BUDGETS



To weed out dubious ad channels, AB-Chain goes beyond expert analysis and evaluation and invests small amounts of money in various ad platforms to test their efficiency. "The vast majority of ad channels generate a very low response, and we quit them. But when we see an effective channel, we continue investing in it."

AB-Chain successfully attracted funding at the pre-ICO stage, raising nearly \$370,000 in September 2017.

But further funding might not be so easy, as the recent wave of ICOs has cast suspicion on the market.

"Scams and projects that are either unscrupulous or simply immature have been so frequent lately that ICOs have become controversial," Dyakov notes. "This is typical of any new market growing at light speed – but the shadow that has been cast over the industry affects even legitimate projects."

Dyakov also fears that cryptocurrency owners' objective capacity to invest in ICOs may have diminished: "After the ICO fever of 2017, they are left with more limited means for further investment; this situation will obtain until a new generation of crypto-investors emerges on the market."

To address the ICO image issue and enlarge the circle of potential investors, Dyakov has changed his fundraising strategy. "We will no longer talk about an ICO, but about a multi-channel and multi-format fundraising operation targeting crypto-investors as well as classic investors." These will include business angels and venture funds "as well as certain types of players from the advertising industry."

### Welcome classic investors

Some of these classic investors are not fans of tokens, Dyakov says. "Individual investors or funds from outside the industry aren't familiar with the nuances of issuing tokens and increasing their value through blockchain mechanisms. Or, they might simply be formally unable to accept tokens in exchange for their fiat money," the entrepreneur acknowledges.

Thus in addition to issuing utility tokens that will circulate within its platform, AB-Chain will offer investors classic equity shares, yielding a part of the company's ownership.

"Many companies have started doing this without saying it openly. Behind their claims to raise millions in cryptocurrencies, a part of their ICOs rely on classic investors, sometimes using classic investment mechanisms," Dyakov says.

After its fundraising, which it hopes to complete in the first quarter of 2018, AB-Chain will develop its project at the global level. The startup's primary target markets are the United States and China. "More and more and campaigns are being rolled out in various countries, and this is particularly true in the field of high tech," Dyakov notes. "Many of our advertisers will need a global answer to their global needs."

Moreover, blockchain and cryptocurrencies might become the means to overcome traditional obstacles to entering certain markets.

"The Chinese market is promising, but the country's market regulator doesn't let Western advertisers fully operate on it. AB-Chain might become a game changer there," Dyakov observes hopefully.

*(January 2018)*



# banuba **BANUBA: ARTIFICIAL INTELLIGENCE AND PERSONALIZATION ALGORITHMS FOR AR-ENHANCED APPS**



*By Vladimir Kozlov, East-West Digital News*

With AI-based face recognition technology for mobile, a startup born in Belarus aims to conquer the hearts of app developers and publishers worldwide. The Banuba team and their backers believe that augmented reality (AR) and artificial intelligence (AI) are going to change the way people live, behave and communicate, “with an impact comparable to that of the electricity revolution in the early 20th century.”

To a large extent, the AR software development kit (SDK) developed by Banuba relies on AI algorithms to recognize people's faces and bodies, understand their emotions, facial expressions, postures and gestures, and estimate race, age and gender. Various scenes, situations and surroundings can also be detected, Banuba claims.

Mobile apps enhanced with the Banuba AR SDK will provide users with a variety of personalized recommendations, which correspond to different situations in their life. “Such apps can suggest content that entertains, or makes some practical recommendations, for example, what hairstyle suits them the best, or how they would look like in future,” says CEO Vadim Nekhai.

The young entrepreneur sees one of Banuba's distinctive advantages in its capability of mixing technologies on the same device, and optimizing them for “ground-breaking performance results.”

“With a reasonable level of accuracy, we try to make our solutions optimized and fast, that's what makes them perfectly suitable for the growing market of mobile device applications,” Nekhai claims.

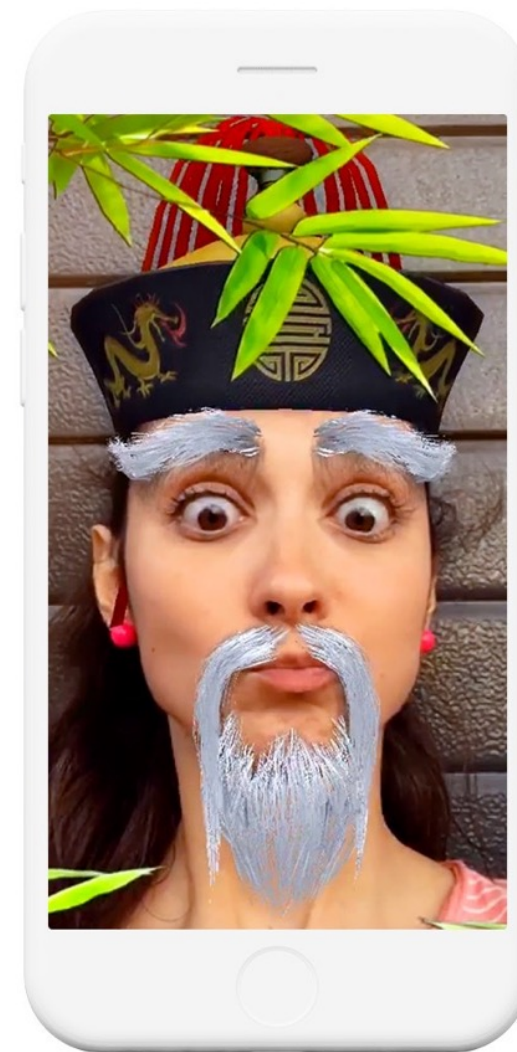
## **On the footsteps of tech giants**

Nekhai's previous experience runs a gamut – from QA engineer and programmer to product manager, but he says what he wanted to do most was to develop his own products.

His idea of launching an AR startup was prompted by Snapchat's acquisition of Looksery, a photo modification startup developed by a Ukrainian team, in 2015, and by Facebook's acquisition of Belarus-based face-filter AR app MSQRD in 2016.

The interest of global tech giants in startups from the region was confirmed again when Google bought AIMatter, maker of the Fabby computer vision app in August 2017.

Another source of Banuba's inspiration is Tim Cook, who sees in AR as big an idea as a smartphone: “AR is that big, it's huge. I get excited because of the things that could be done that could improve a lot of lives, and be entertaining,” Apple's head stated in early 2017.



# banuba **BANUBA: ARTIFICIAL INTELLIGENCE AND PERSONALIZATION ALGORITHMS FOR AR-ENHANCED APPS**



## LET YOUR MOBILE RECOGNIZE YOUR EMOTIONS!

One of Banuba's main features is emotion recognition. It is based on the idea that people's emotions are mostly reflected on their faces, and the computer's ability to 'read a face' would make a more targeted delivery of content possible.

"Our technology makes it possible to detect all basic classifications of emotions: anger, disgust, fear, happiness, sadness, and surprise," says Sokolsky. "As we are focused on the entertainment market, our mobile applications are emotion dependent," he explains. "For example, you can generate three-dimensional visual masks that reflect users' feelings while they are communicating in mobile chats, or some elements of the interface could be triggered by users' emotions."



"Also, you can provide users with mood-related content in mobile applications of a wider scope," he goes on to say. "All these can help you create a unique and highly personalized user experience in your apps."

Banuba's 'emotion recognition' technology allows the conversion of data to a facial action coding system (FACS). This system was originally developed by a Swedish anatomist named Carl-Herman Hjortsjö, such systems refer to the muscle movements that correspond to specific emotions.

Originally staffed by Belarusian specialists in computer vision and augmented reality, Banuba launched in 2016. In early 2017, the startup managed to attract \$5 million from Viktor Prokopenya, a Belarusian self-made man now living in London, and the Gutseriev family, one of the richest ones in Russia, via their respective investment vehicles VP Capital and Larnabel.

But Banuba's formative stage was not all rosy.

## Early R&D challenges

During its first year of operations, Banuba's R&D effort focused on face tracking and recognition, emotion recognition, detection of user's background, eye-gaze direction tracking, motion capture and separation of objects from the background. The startup had set the goal of developing a number of solutions compatible with both Android and iOS platforms.

"When we started, we had high expectations in terms of face tracking and recognition and we thought we would make it in a couple of months," Nekhai recalls. "In reality, it took us almost a year to come up with the first working prototypes."

In a domain where battery performance is key, one of Banuba's main technical challenges was related to the frequency scaling of processors – the central processing unit, or CPU, of mobile devices. Because it required high CPU power, the Banuba app tended to make the battery drain too fast.

"Due to significant fluctuations in FPS [frames per second], the user experience with facial recognition was mediocre," says Alexey Sokolsky, Banuba's head of R&D. "We managed to make our algorithms more GPU-friendly and to have the operating system diminish the FPS fluctuations."

# banuba **BANUBA: ARTIFICIAL INTELLIGENCE AND PERSONALIZATION ALGORITHMS FOR AR-ENHANCED APPS**



Another challenge was connected with merging several different models of machine learning – such as skin color detection, separation of objects from the background and detection of head location – into a single process.

"They all shared some common features, which even their creators didn't know about," says Sokolsky. "So, we created a meta machine learning approach, which united all these models, and they even benefited from that."

## **First steps on the global market**

In spring 2017, Banuba launched its partnership program, providing selected partners with its Face AR SDK. The program is presented as "an opportunity to use advanced AR technologies for mobile without patent infringement." Banuba even offers funding to support its partner's marketing efforts.

"We received many applications. Our first partnership aimed at creating an AR multiplayer game and social networking app," Nekhai says. "We're seeking to initiate up to 10 more partnerships by the end of 2018."

Among Banuba's first partners is Inventain. The companies have jointly launched Camera First Entertainment, a new company which develops two AR products: FaceKick and MojiCam. The new company received new blood of 40 Inventain employees and €1 million funding from Banuba.

However, "going global implies specific challenges," concedes Nekhai. "Communication suffers and coordination becomes more challenging. It takes huge efforts to make everything work as expected."

Currently, the company still has its R&D team in Minsk, Belarus, where Nekhai says they enjoy favorable legal conditions. To support the international roll-out, Banuba has opened offices in Limassol, Cyprus and Hong Kong, and plans to open a new site in the US in 2018.

(November 2017)

## **EXAMPLES OF APPLICATION**

- Combining game mechanics and video chats, FaceKick is an AR camera app that guides users to the world of fun and artistic 3D video effects. Users can test a whole arsenal of tools and realistic effects on a face.
- The MojiCam app turns you into stickers and emojis using Banuba's 3D facial technology from the Banuba AR SDK. MojiCam offers a variety of customization features, including clothes and many creative hairstyles. You can edit your body features, pick up fancy outfits, build your own library of memes and share them in messengers.
- Banuba – Live Selfie Filters app is an AR entertainment app which allows users to use AR video effects for their photo and video.
- Another app developed by Banuba is an AR-powered video messenger. It will offer a new and creative way to communicate, using entertaining, emotional, funny AR effects.
- The Banuba AR SDK can enhance a variety of other applications: for virtual makeup, to detect tiredness and estimate the degree of stress, to react to human mimics in a human-friendly way, to edit "boring" backgrounds or remove undesired objects or people in videos. Banuba's founders even envision video applications where the patient and the doctor will be able to see and discuss the possible outcomes of a plastic surgery operation.

See technology description: <http://goo.gl/c3Hufb>

# THIS UKRAINIAN STARTUP WANTS TO HELP YOU EAT HEALTHY

UKRAINE DIGITAL NEWS, SEPTEMBER 18, 2017



By Jane Kuhuk

Some cool food startups are now emerging from Ukraine — a country which has been traditionally known as the farming superpower of Eastern Europe.

Recently we reported on AgriEye and Drone.ua. The previous offers a full-cycle land farming solution; the latter is an integrator of unmanned technologies which aims to become the largest provider of drone services for agriculture in the country.

Another startup, BIOSens, launched last year to develop an Internet-of-Things (IoT) biosensor to detect mycotoxins in food products. The device can be applied in the field, in farms and elevators.

Substances are tested when put on the sensitive side of the biosensor. The data is sent to a mobile phone via Bluetooth, and subsequently to the BIOSens online platform, where it is analyzed. The analysis takes just 15 minutes, according to the startup, while it usually takes days with other systems.

“We are still working on the mycotoxin detection mechanism. It’s the key point before commercialization, which we expect to start in 2018,” said Andrii Karpiuk, CEO and founder of BIOSens, in an exchange with Ukraine Digital News.

“We seek to make people confident that the food they produce or eat is safe. With the sensors we expect to develop in the future, people will be able to control the quality of the food in real time,” he added.

Karpiuk claims that no BIOSens rival can match its super-fast mycotoxin detection method.

“This is an IoT solution, and we have seen such inventions neither in Ukraine nor abroad,” he added.



## Swiss acceleration

BIOSens has attracted \$20,000 in a pre-seed round of funding, said Andrii Karpiuk, who declined to name the investors. The investment has been used for market research and recruitment purposes. The startup currently employs five people in Kyiv (Kiev).

BIOSens has just started the Kickstart acceleration program in Switzerland. The first Ukrainian startup in this case, it has been selected out of 1,500 applications from 86 countries.

Presented as one of Europe’s largest zero equity, multi-corporate accelerators, Kickstart Accelerator claims to give access to some of the best-known corporates locally and internationally.

Food delivery is another hot market in Ukraine, in which the local oligarch Leonid Chernovetskiy is investing sizeable amounts to create the regional leader in Eastern Europe. Meanwhile, Zakaz.ua, Ukraine’s first online grocery delivery operator, launched its service in Boston as well as a B2B solution under the CartFresh brand.

Read the original story in Ukraine Digital News

<https://goo.gl/Ae1uBY>





## THIS 19-YEAR-OLD RUSSIAN TECH GENIUS WANTS TO “MAKE THE WEB DECENTRALIZED AGAIN”



*By Vladimir Kozlov, East-West Digital News*

DeNet ([www.denet.pro](http://www.denet.pro)), a startup co-founded by a 19-year-old programmer and senior industry professionals, aims nothing short of disrupting the way web hosting works today.

“We are bringing it back to the original idea of decentralization,” says Denis Shelestov, the company's young CTO.

DeNet believes the way the Internet operates these days is a vast digression from its original concept; and that decentralization should start with one of the most centralized areas, web hosting.

Operating from Moscow, Kazan, Minsk and Hong Kong, the company plans to provide and lease IT capacities for hosting, storing and processing of data all over the world, enabling every Internet user to rent private and secure web-hosting.

“The biggest difference between centralized and decentralized networks is in the way they store and process information. In a decentralized system, data fragments are encrypted and distributed along the nodes (devices from around the world which will be lend out by other users) – therefore there is no central center for information processing like in centralized networks, meaning that there it is not possible to gain access to the personal information of others”, says Rafik Singatullin, DeNet co-founder and CEO.

As a large proportion of computing power and bandwidth remains unused, DeNet's rationale is that it could be rented out in exchange for a fee; and the company sees its mission as helping users to do that with minimal difficulties.

“The idea of peer-2-peer communication is far from new, but with new tools like cryptocurrencies and blockchain it got a new life,” says Pavel Litvyakov, DeNet Co-founder/CBDO.





# THIS 19-YEAR-OLD RUSSIAN TECH GENIUS WANTS TO “MAKE THE WEB DECENTRALIZED AGAIN”



“Brainstorming on where we can implement p2p, we decided to build a network of devices, assemble this power using advanced algorithms, and use it as decentralized services. Thus, people will have the opportunity to earn money for renting out computing power and bandwidth, while users will be given a choice,” explains Rafik Singatullin.

The targeted market is considerable. A Market Research Future study cited by DeNet has estimated the volume of the global web hosting market at some \$154 billion by 2022 with a 16% annual growth rate.

According to Litvyakov, possible applications for the DeNet platform stretch beyond web hosting: users may also execute any other tasks that need huge computing power, such as machine learning or training of neural networks.

## From school to CTO

It was not Litvyakov, however, who came up with the idea for DeNet, but Shelestov.

“I created my first web site at the age of seven, mastered coding in PHP, Python and C++ at 14 and raised investment for a personal project,” says the CTO.

He added that, from the age of 10, he had been observing repeated hackings and intrusions in data bases, and analyzing vulnerabilities in hosting, web sites and assemblers.

According to him, centralization of the web has led to a situation when online information is no longer private.

“I would like for every individual to restore their right to Internet privacy which has been the 21st century,” he says.

Singatullin first met the teenager last year at an IT event for high school students in Shelestov's native city of Kazan, Russia, where he was giving lessons.

The entrepreneur was impressed; and when later Shelestov told him about the decentralized hosting concept, he seized the idea.

Litvyakov and Singatullin, who had both long track records in non-tech businesses, jumped into the project head-on, quitting their previous jobs and putting aside their family lives in order to launch DeNet.

## The benefits of blockchain technology

To execute the decentralized hosting idea, DeNet chose to use the blockchain technology and to issue tokens.

“We use blockchain in two aspects,” explains Singatullin. “First of all, we need complete transparency as there is no central node that would control the entire platform. We know that there are other ways to do it, but with blockchain, it works in a perfect way.”

The DeNet tokens will be used as a universal currency for all network users, regardless of their location, for various types of micropayments while using the platform.

## On the road to token sale

The initial investment in the project was a mere \$10,000, which the founders took out of their own pockets. That amount allowed the startup to set up offices and hire personnel in May 2017.





## THIS 19-YEAR-OLD RUSSIAN TECH GENIUS WANTS TO “MAKE THE WEB DECENTRALIZED AGAIN”



Another investment round with an undisclosed amount enabled the startup to accelerate R&D and support its first branding and marketing campaigns.

Andrei Kulik, a Google manager, and Andrei Bogomolov, a resident of Minsk Technopark and representative for MIT Lab Italy, were the first advisors joining the project. Several other advisors and mentors followed, bringing additional technical expertise to the project.

DeNet launched its minimum viable product (MVP), a network for decentralized web hosting and file storage, in late October 2017, after months of work.

"I must admit it was the best and hardest summer in my life so far," Litvyakov says. "Every single day I learned more than in entire previous months, and my contact list increased to include more than 100 new people monthly. I had a feeling that the day is much more than just 24 hours."

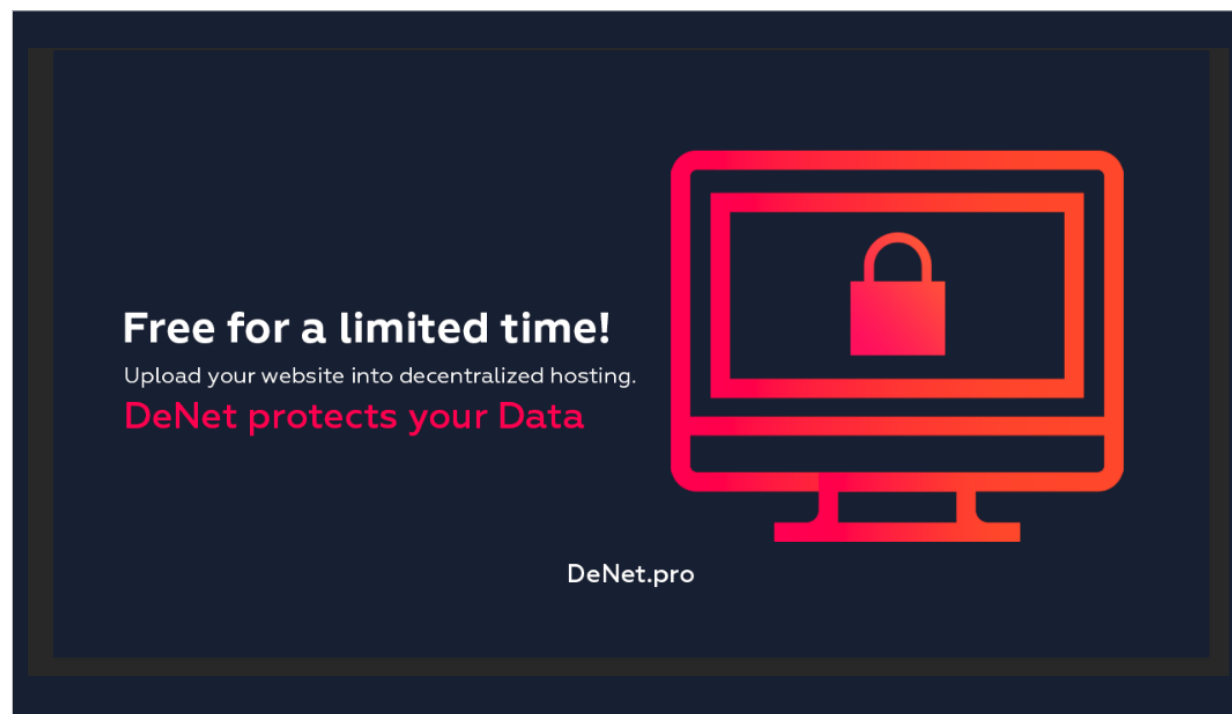
Currently, the alpha version of the system is already operable, showing how decentralized hosting works – yet on an infrastructure made up by servers owned by the company.

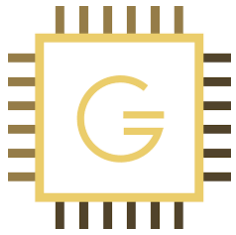
The next portion of funding is coming from a private pre-sale of DeNet tokens, taking place in January and February 2018, which will be followed by a public sale.

But "unlike 99% of all startups launching a token sale or an ICOs, which have no product to show their investors, we already have an alpha version," Singatullin says confidently.

The soft cap target (minimum funding) is set at \$6 million – not far from the average amount raised through token sales in the region and globally (<http://goo.gl/tVpfDW>).

(February 2018)





# “AS GOOD AS GOLD:” THE RUSSIAN-DESIGNED SECURITY TOKEN THAT AIMS TO ADDRESS CRYPTOCURRENCY VOLATILITY

EAST-WEST DIGITAL NEWS, SEPTEMBER 16, 2017



By Adrien Henni

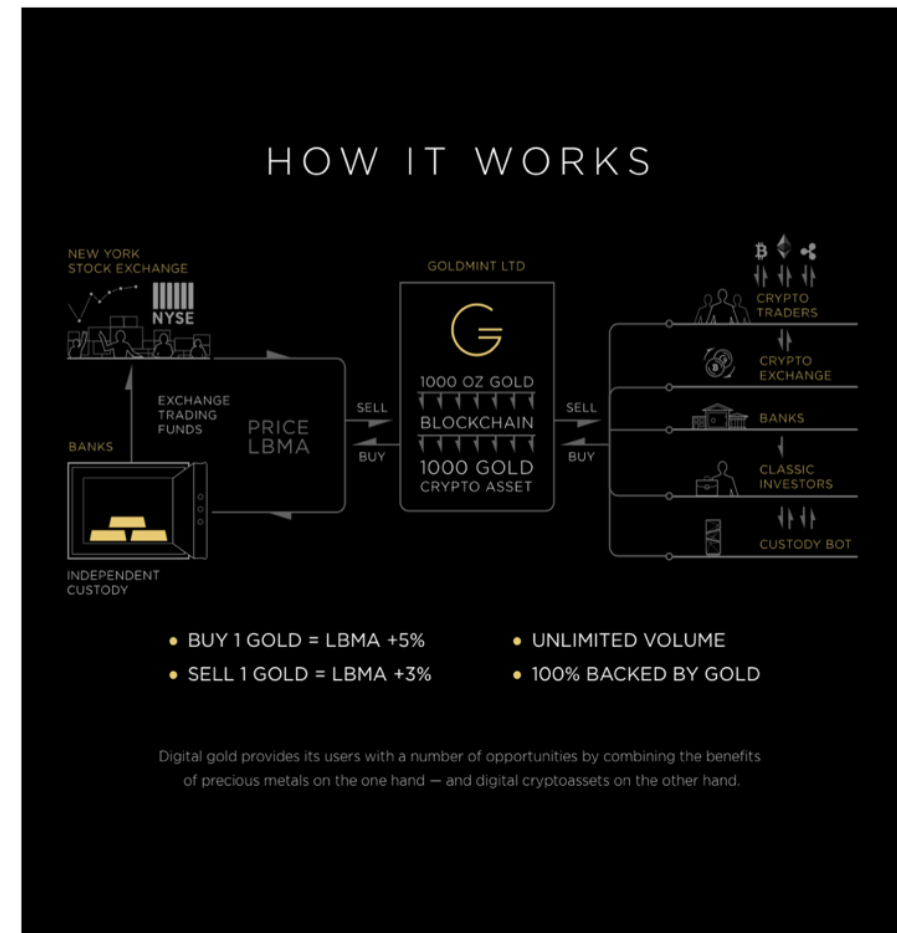
In this blockchain era where technology promises to digitize virtually any type of assets, the emergence of gold-backed tokens is no surprise. The concept is not new, but we are now witnessing its first applications. One of these projects is propelled by Goldmint, a company with Russian roots now preparing for its ICO and the subsequent launch of a gold-backed crypto asset. Christened ‘GOLD,’ the token will have its value equal to that of one ounce of gold on the LBMA exchange.

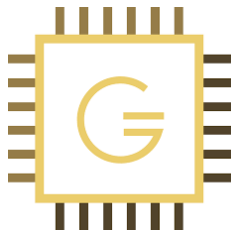
GoldMint's real gold reserves "be equal to or exceed its mined amounts of ‘GOLD’." Thus GoldMint will "buy, sell and repurchase ‘GOLD’ at the current market price for physical gold, using exchange-traded funds (ETF) or physical gold (of 999 quality) as its security."

## Her Majesty's government in the running

No such gold-backed crypto assets seem to be available yet to individual investors — but Goldmint is not the only startup in the running. One of its strongest future competitors could be Singapore-based DigixDAO, which plans to launch its 'Digix Gold Tokens' (DGX) in the near future. These crypto-assets are set to become "the future gold standard for value exchange in the Ethereum ecosystem," claims the company. Launched in 2014, DigixDAO raised \$5.5 million in Ethereum's first on-chain crowdsale in March 2016.

Chinese ZenGold (ZGC) also successfully completed an ICO in May 2017, raising over 2,000 BTC in less than a minute. Its plan is to launch "a smart asset system backed by physical gold" using the Metaverse blockchain, but the current activities of the company and its platform are unclear at least to non-Chinese speakers.





# “AS GOOD AS GOLD:” THE RUSSIAN-DESIGNED TOKEN THAT AIMS TO ADDRESS CRYPTOCURRENCY VOLATILITY

EAST-WEST DIGITAL NEWS, SEPTEMBER 16, 2017



## What ‘GOLD’ tokens can be used for

- While bitcoin and other traditional cryptocurrencies have demonstrated their volatility, Goldmint promotes its ‘GOLD’ as a stable financial instrument to pay employees, conduct transactions or even ICOs. "If the cryptocurrency you receive in the ICO varies too sharply, there are two possible outcomes: either the currency becomes too expensive, in which case investors will be dissatisfied, or it becomes much cheaper, which is very bad for the founders who started the ICO," Goldmint explains.
- Traders and other cryptocurrency users may use ‘GOLD’ to "hedge their gold commodity with ‘GOLD’ on any cryptocurrency trading exchange, without leaving that particular platform. Traders can also diversify their trading portfolio with ‘GOLD’ assets," according to the company.
- ‘GOLD’ may be a means to purchase and transport physical gold: "You can convert your physical gold into ‘GOLD’ in any bank that uses the GoldMint blockchain platform. This does not only protect your gold in cross-country transportation, it also simplifies the process."
- ‘GOLD’ may also be used by traders and other cryptocurrency users to "hedge their gold commodity with ‘GOLD’ on any cryptocurrency trading exchange, without leaving that particular platform. Traders [will also be able to] diversify their trading portfolio with ‘GOLD’ assets," according to the company.

The Royal Mint, a company owned by the UK government, has put its "more than 1,000 years of experience" in a project of gold-backed tokens, scheduled for launch in late 2017. Dubbed ‘Royal Mint Gold’ (RMG), these tokens are intended for investors through third party investment intermediaries such as banks and brokers instead of being sold to individual directly.

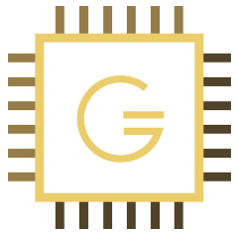
Another player, LAToken, comes from Russia. Having just raised the equivalent of \$10 million in the first phase of its ICO, this platform aims to tokenize virtually any kind of assets including stocks, real estate, works of art, and of course silver and gold.

## Tokenizing \$100 billion worth of gold

Even though the success of new types of cryptoassets is yet to be confirmed, the startups propelling them are not short of ambition.

"Our idea is revolutionary," claims Goldmint: "We plan to convert [dozens of thousands of tons of gold] into blockchain-encrypted tokens to help owners protect their valuables, to help investors move their gold rapidly and easily from one part of the world to another, and to help companies and individuals hedge their gold against market volatility."

Thus, the company aims to "gain access to 1% of global gold circulation (over 300 tons)" by launching its Custody Bot automated storage facilities in pawnshops around the world; "another 5%" of gold circulation by introducing them in shopping centers, with the ultimate goal of controlling "10% of gold reserves, worth more than \$100 billion."



# “AS GOOD AS GOLD:” THE RUSSIAN-DESIGNED TOKEN THAT AIMS TO ADDRESS CRYPTOCURRENCY VOLATILITY

EAST-WEST DIGITAL NEWS, SEPTEMBER 16, 2017

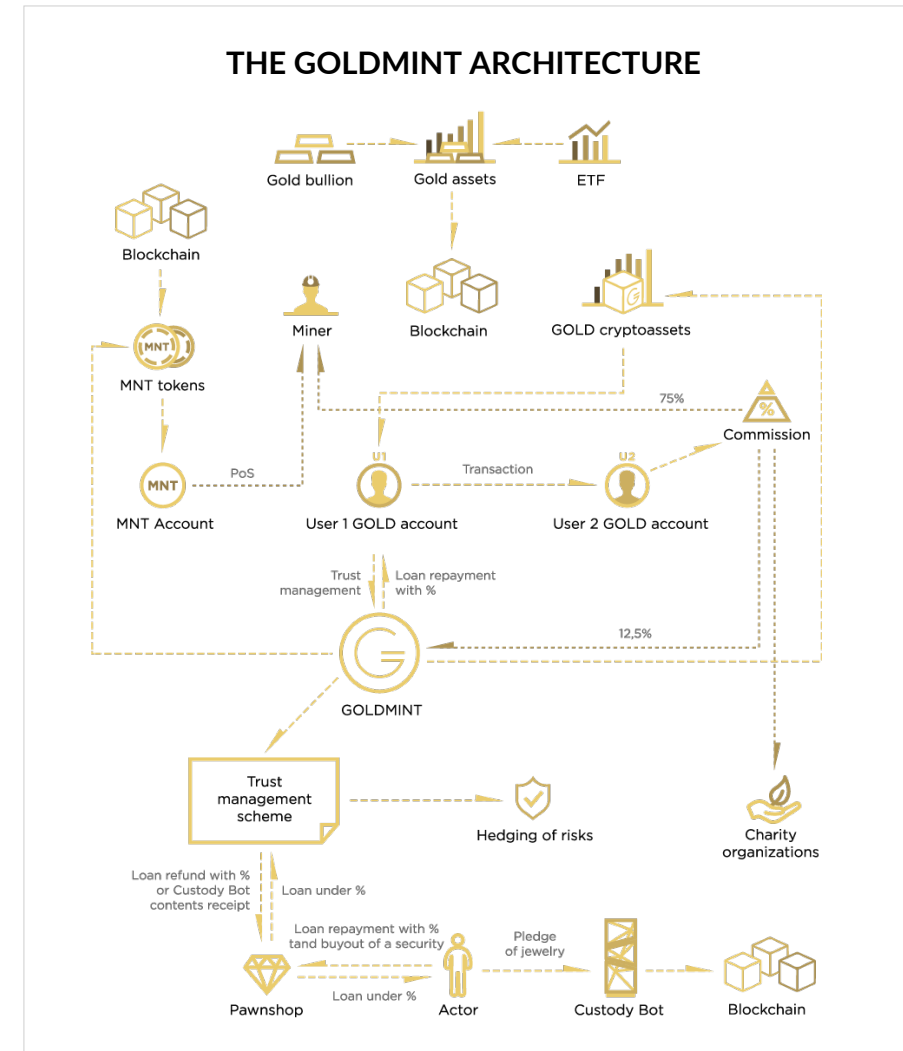


Goldmint will initially target Asia and Eastern Europe: “We have many robust partnerships in these areas, which will help us to run our business faster. Then we see India and OAE as very interesting countries where our Custody Bot and the gold-backed crypto asset will be very in-demand,” the team says.

Goldmint has requested Deloitte, as well as Elina Sidorenko in Russia and Julia Zegelman in the USA, to establish the legal status of ‘GOLD’ in different countries.

“Once banks decide how to legally and fiscally regulate GOLD, clients will be able to exchange dollars, foreign currency, and gold bullion to ‘GOLD’ and to fully benefit from all aspects of the cryptocurrency market,” Goldmint claims.

Read the original story in East-West Digital News:  
<https://goo.gl/kx3EsF>





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# RUSSIAN STARTUP USES ARTIFICIAL INTELLIGENCE TO MAKE PROPERTY REGISTRIES MORE ACCURATE AND REAL ESTATE INVESTMENT SAFER



During the recession years, off-plan property gained a bad reputation, with many homes never getting built or not paid off to investors.

The economic crisis ended, but the market still experiences issues. In developed countries, property buyers struggle to become eligible for mortgage plans, which are regulated as tightly as ever.

In the new economic reality, millennials cannot buy own houses in their thirties as their parents used to. Many families are pushed out of the property market by escalating prices.

Another major problem with off-plan investment lies in the unpredictability of demand. Overestimation may lead to oversupply and depreciation.

Such a situation, which is not rare on the property market, is not only due to developers' imprudence. Even more often, the cause lies in unstructured records of earlier property deals.

Coming from Russia, an AI-powered market analysis system might help tackle these issues. It aims to make off-plan investments significantly safer and more predictable, and to bring confidence to both developers and home buyers.

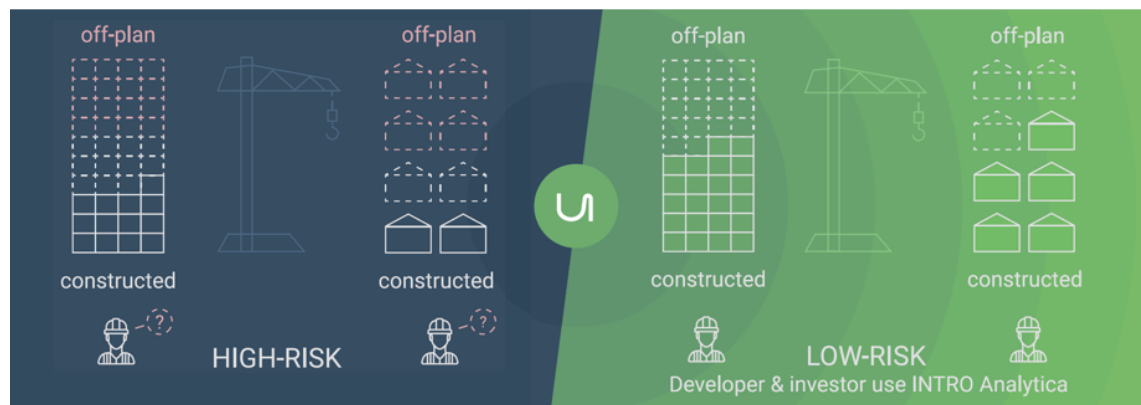
## Costly inaccuracies

Russia is one of the global champions in off-plan construction, with as many as 80% of new homes being built using this investment scheme. It has always been a risky game, but many low-income families often have no other choice but buying homes off-plan.

The market decline in 2014 led to huge losses for Russian off-plan buyers. The housing market recovered afterwards, partly due to the decrease in inflation rate (some 3.5% in 2017). In certain regions, this favorable trend has been supported by the deployment of INTRO Analytica, a solution used by developers, real estate agents, architects and state bodies.

This intelligent tool processes all the property records from the state registry, each deal being related exactly to a building under construction. Thus, the actual market size, structure of demand, investment prospects and other key parameters can be assessed more precisely. In total, INTRO Analytica integrates a dozen of market metrics.

Complications in state registries do have a substantial impact on the entire market. Russia's state property register (Rosreestr) records off-plan deals with real estate, land, parking slots and non-residential properties. The entire database should be carefully structured and analyzed in order to highlight exact market segments. The data processing time is also crucial to make business decisions.





# RUSSIAN STARTUP USES ARTIFICIAL INTELLIGENCE TO MAKE PROPERTY REGISTRIES MORE ACCURATE AND REAL ESTATE INVESTMENT SAFER



## AI to safeguard global property investors

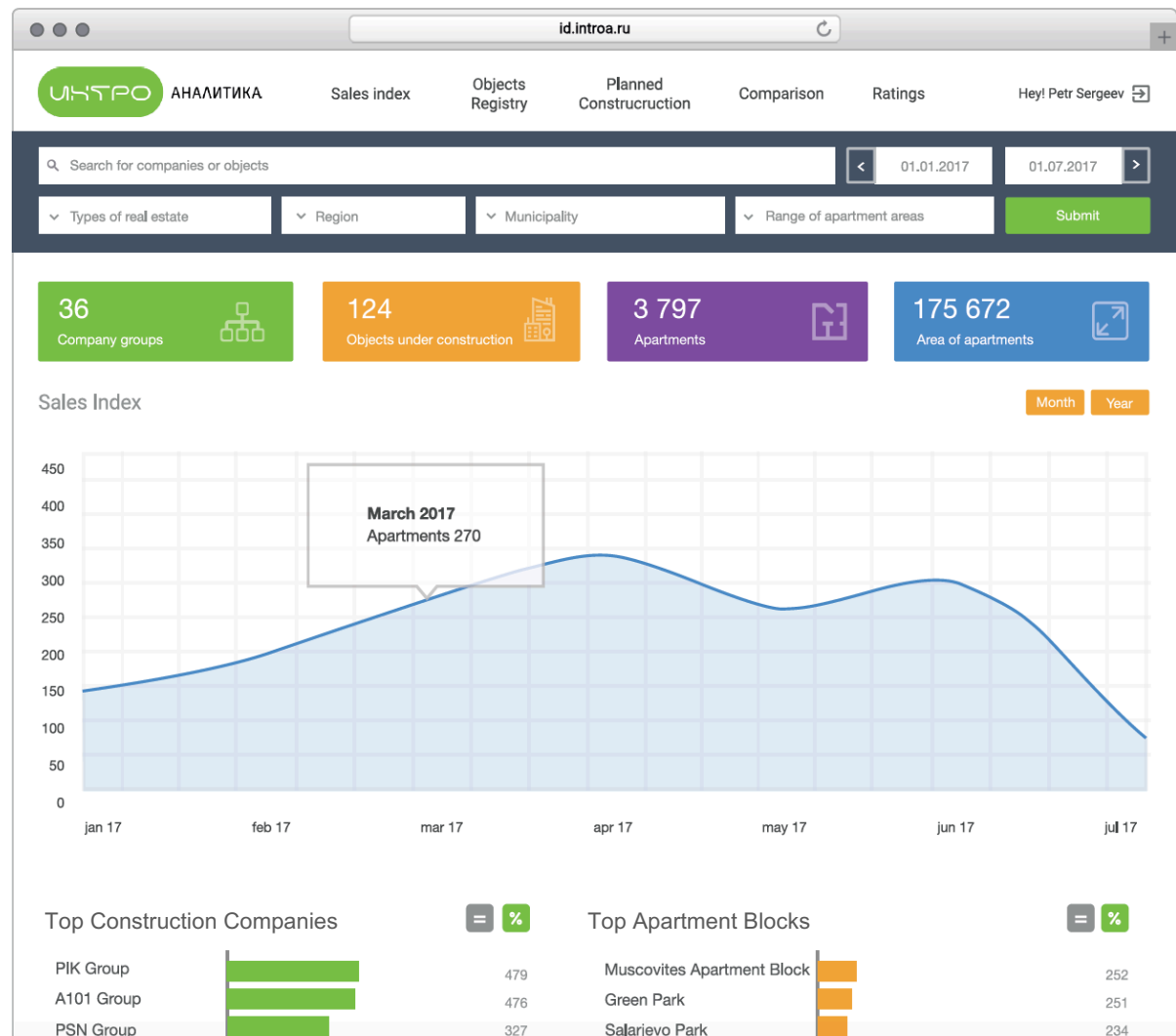
The technology advancement allowed for solving the key uncertainty of property market. In INTRO Analytica, AI is used for matching the official records and houses under construction with desired accuracy and speed. Moreover, it already has the capacity to process data on property deals in some 40 countries with the same speed and accuracy.

A high share of risky off- construction is found in many countries. The issue is particularly acute in markets experiencing a construction boom – typically BRICS and many post-Soviet countries, – where the authorities do not have the capacity to structure such big data.

INTRO Analytica has been developed by a startup in Ufa, a city located nearly a thousand miles east from Moscow. It was approved by the authorities in certain regions shortly after launch in 2017.

Less than one year later, INTRO Analytica is in use in 20 major Russian cities, with a penetration rate of around 40%. The solution might soon be deployed nationwide as a mandatory tool for housing market agents.

Presented at the BRICS business cooperation summit in September 2017 – which was held in Ufa – the solution drew attention from Indian, Brazilian, Kirgiz and other delegates.





# LETITPLAY: AN AUDIO SOLUTION TO THE “CRISIS OF VISUAL PERCEPTION”



*By Vladimir Kozlov, East-West Digital News*

Too much online visual content creates oversaturation, and consumers no longer have time to appreciate – or even consume – the better part of it.

"People are tired of visual content," says Andrei Durakov, the founder of Russian startup Letitplay (<http://letitplay.io>). "YouTube and TV, books and blogs, Facebook and video games have overtaken our sight. As content keeps growing larger and better, we [simply] don't have the time to take it all in."



To address what Durakov calls “the crisis of visual perception,” Letitplay aims to change the way online content is consumed: its project consists in creating an ecosystem for blockchain-monetized audio.

"We believe the audio format has a bright future," Durakov continues. "Content available on the screens of smart phones or other devices is all well and good, but a lot of information could be consumed perfectly well in an audio format – while people are driving, for instance, or exercising or doing household chores."

"Given the growing success of voice interfaces, content that is suitable for the audio format will be consumed mostly as audio," he says. "This will apply primarily to news and information. Of course, there are types of content that would still need visual support, such as technical material spiked with formulas or illustrations."

The quality of voice interfaces is also improving, allowing users to interact with audio content platforms using only their voices.

## **Blockchain as a monetization tool**

But there is a major obstacle to the widespread promotion of audio content. Production is expensive, which makes it economically unviable for most content providers except the largest news outlets.

Yet even those don't pay much attention to podcasts and other forms of audio content, viewing it mostly as a less-important addition to more traditional text, picture and video materials.

Addressing this issue, Letitplay's idea is to create, on the one hand, an ecosystem that would offer the marketplace audio-production services at reasonable prices while, on the other hand, providing a blockchain-based system for monetization of audio content. Both of the two most widespread monetization models, paid subscription and advertising, have drawbacks that have turned many users away.



# LETITPLAY: AN AUDIO SOLUTION TO THE “CRISIS OF VISUAL PERCEPTION”



At the same time, the concept of monetizing content on the blockchain is not new. Steemit.com (based on Steem.io) is an example of how the “attention economy” can be implemented, with content providers being rewarded with tokens for consumer attention such as views, likes, comments and reposts.

"The attention model is the most viable to monetize content," says Durakov. "A content provider should not be dependent on the viewer's watching of an unrelated ad in the middle of their content."

Durakov sees in Steem a model for Letitplay's monetization – but he says he will improve it and adapt it to audio content.

## Overcoming obstacles

One of the main challenges for the Letitplay team will be the creation of a system that ensures that every user is offered the most relevant content, Durakov concedes.

"Users will be able to subscribe to specific channels. But if their requests are unspecific, like “Tell me the latest news in 30 minutes,” we'll use our in-house recommendation system, the PlayPower indicator. Similar to SteemPower on Steem, this system will facilitate the competition between content providers for user attention," he explains.

Even more advanced tools for content optimization, based on artificial intelligence (AI), will have to be developed too.

Among other issues that Letitplay will have to deal with are copyright, plagiarism and illegal content. In part, these may be addressed by the PlayPower indicator; however, the emphasis will be on decentralized administration, where agents receive rewards to monitor content and make sure it complies with copyright regulation and laws.

In addition, there are technical challenges. The EOS technology, which Letitplay intends to use for its blockchain, is still a work in progress. "We are dependent upon the EOS development team," Durakov admits.

Beyond this, Letitplay will have to store large amounts of audio content to make them available on the platform. Durakov is betting on IPFS-like technologies, with miners receiving an opportunity to use their hard drives to support all the audio storage.

## Stepping cautiously

Still, Letitplay is gradually moving ahead.

It took only three months for the startup – which was launched in September 2017 – to introduce its MVP (minimum viable product), an app for iOS to listen to audio content.

"We are currently working on the key component: an oral assistant that will allow users to communicate with the app solely with their voices," says Durakov. In the future, the app will be monetized based on Letitplay's blockchain platform.

"We want to get fully prepared for our ‘attention-driven’ ecosystem: we are collecting data for economic modeling and testing all our ideas before implementing it in a blockchain," he says.

Designed to reward users' attention, the platform's tokens are scheduled for launch next spring through an ICO – even before the blockchain platform's planned roll- out in mid-2018



# LETITPLAY: AN AUDIO SOLUTION TO THE “CRISIS OF VISUAL PERCEPTION”



A voice assistant is slated for launch in late 2018; in 2019, the platform is expected to be opened up for advertisers.

"This will be a key phase in the project's development, balancing demand for the tokens, as they will be the only means of payment for advertisers," Durakov explains.

In contrast to the traditional advertising model, advertisers will pay users directly for the consumption of their ad content rather than a platform that delivers ads to users.

Content in Letiplay apps is currently available in Russian and English. Upon the completion of its ICO, Letitplay plans to add other languages to expand its community.

*(February 2018)*

## Audio layer of the internet

We are creating a decentralized attention economy ecosystem, that would allow every news portal, blogger or site to create, distribute, and monetize audio versions of their content



# MENU GROUP: THE YEREVAN FOOD DELIVERY SERVICE THAT BECAME A REGIONAL LEADER



*By Mina Nacheva, East-West Digital News*

The year was 2012. Vahan Kerobyan was the CEO of a large supermarket chain in Armenia and held one of the best-paid positions in the country. He seemed to have reached the top. Yet, he wanted to venture out on his own and build a company from scratch. Well-aware of what he was leaving behind, he teamed up with three fellow entrepreneurs and founded Menu.am, the first food delivery service in Armenia.

What then started as a local project is now a regional contender on the European food delivery market. Menu Group is currently the market leader in Armenia, Georgia and Belarus, and with the help of a recent investment of \$3 million (<http://goo.gl/o3vPZ5>), it is looking to expand to even more countries. “Very few food delivery companies – even the giants – have been able to become leaders in more than one country. We did,” Kerobyan says proudly.

The \$3-million investment raised in October 2017 was preceded by a funding round in the amount of \$720,000 in late 2015. In just a few years, Menu Group has grown quickly to acquire a large portion of the food delivery market in the region – around 20%, according to the founder. This is a significant share, given that the better part of the local market is taken up by restaurants themselves.

## **From CEO to CCO (Chief Courier Officer)**

Kerobyan has always had a soft spot for delivery services – so much so that he often refers to himself as the “Chief Courier Officer”. The start of Menu Group was, in fact, inspired by Russian company Delivery Club, a pioneer of the online food delivery market in the region. It is the leading food delivery service in Russia and is currently owned by Internet giant Mail.Ru Group (<http://goo.gl/i7Kwwe>).

Though smaller in size, Menu Group has established itself as a key market player in CEE – which has not come without challenges. One year into the company’s existence, “there were plenty of rational reasons for me to drop the project,” Kerobyan remembers thinking. He found it difficult to afford the medical treatment of his sick child, as he had invested all his savings in the startup.

Yet, he didn’t give up. “I come from Akhalkalaki, an Armenian-populated part of Georgia, where people have the reputation of being particularly stubborn. This probably helped me keep the course in the hardest of startup times.”

## **On the steps of industry giants**

Over the years, the company has become a key market player with more than one million orders processed in 2017 over \$3 million in annual net revenues.

Having operated exclusively in Armenia for about two years, Menu Group has expanded its boundaries and opened a branch right across Armenia's border in Tbilisi, Georgia, in October 2014 and another one two years later in Minsk, Belarus. The branches employ 283 people and 235 people and account for 35% and 25% of the company’s annual turnover respectively.

This Belarus business is headed by a young lady who start out as a call center operator in the Armenian office when she was just 20 and had no prior professional experience. “There is no limit to what our employees can achieve if they set their minds to it,” Kerobyan commented.





## MENU GROUP: THE YEREVAN FOOD DELIVERY SERVICE THAT BECAME A REGIONAL LEADER



In August 2017, Menu Group made an important step in securing a leading position in Georgia as well by acquiring its main rival, Foodpanda Georgia, a food order and delivery company, formerly belonging to Delivery Hero (<http://goo.gl/XTk99j>).

But Menu has to put up with sizable local or regional competitors. Among them is Foodout Group, which was created last year following the merger of Foodout, Foodout, a major player operating in Baltics, and Ukrainian Eda.ua, which was backed by local oligarch Leonid Chernovetsky. The company, which also operates in Iran, claimed a valuation of “several dozens of millions of euros” at the moment of the merger (<http://goo.gl/XGXDcb>).

Menu Group is still tiny if compared with top market players – those Western European or US companies that have raised dozens of times more than the Armenian startup – but it claims to be a lot more capital efficient.

“Delivery Hero has raised around \$2.5 billion, including its IPO, and their market cap is at \$7.5 billion, resulting in a 1/3 ratio,” Kerobyan says. “Our ratio is 1/10 based on the valuation at our latest round.”

The future seems bright for Menu – should there be no accident on the way – given the fast growth of the CEE digital markets and the international M&A activity in the food delivery segment. Thus, Kerobyan and his team might set an example to follow by so many startups across the region striving to develop beyond their small domestic markets.

(January 2018)

### OCT. 2017: MENU RAISES \$3M



Menu Group has raised \$3 million from US funds Perea Capital, Hayastan 1, and Latvia's SOLventures, headed up by Delivery Club founder Levon Oganessian. The new injection of cash will be invested in further technological development of its services and expanding into new markets.

“The funds raised will allow us to accelerate our growth, elevate our management and expertise, and adopt an agile, data-driven approach to maximize efficiency, while putting the needs of our customers, partner restaurants, dedicated couriers, and all other company staff at the heart of what we do,” said Vahan Kerobyan, founder of Menu Group.

“We are very much encouraged by the results achieved by the Menu Group team within the Armenian, Georgian and Belarusian markets,” added SOLventures' Levon Oganessian. “Acquiring investment will enable the company not only to boost its position in existing markets but also to expand its geographical presence.”

All of the new investors will be joining the Menu Group board of directors, alongside previous investors Granatus Ventures from Armenia.

Read the full story in Tech.eu  
<http://goo.gl/nuRdS6>





# PLAYKEY: ONLINE GAMING FOR ALL, FROM CLOUD TO BLOCKCHAIN



*By Adrien Henni and Vladimir Kozlov, East-West Digital News*

The Russian gaming technology startup Playkey, which has asserted itself as notable player on the global cloud gaming scene, was born just five years ago out of a child's dreams. Its founder, Egor Guriev, has been passionate about computer games since he was a schoolboy, when he saved on meals and textbooks to buy his favorite games and gaming hardware.

Guriev's idea was to make online gaming accessible to the largest possible number of people – including those whose low-performance computer doesn't support the latest video games. Each new generation of games requires stronger computer capacities – but gamers can't afford upgrading their machine or buying a new one all the time.

Guriev and his team found a solution in the cloud. For a fee of \$10 or \$20 per month, the Playkey application can be installed on any computer, leveraging cloud capacities to run even the most sophisticated games out of the Playkey roster.

Playkey is not the only provider of cloud gaming solutions. Among its most notable competitors are LiquidSky, Nvidia GeForce Now, Playstation Now. These companies have different business models, different solutions and approaches to the problem but share one goal – allow users to play top-notch games without spending a lot on a high-end gaming PC.

The Russian startup has tried to go further than others in optimizing server runtime – thus lowering operating costs. Playkey also presents as distinctive advantages some of its monitoring tools – in particular, those that allow users to see packets lost, game FPS, resolution and other parameters.

There's no less than 1.8 billion gamers in the world who can't run the most recent games on their computers – and as many potential Playkey customers. Enough to fuel a startup's big ambitions.

## Classic startup path

Until its ICO, Playkey had made its way on a rather classic path of startup development. After establishing itself in Russian-speaking countries, the company expanded to Europe and the United Kingdom. It has grown steadily, serving more than 250 000 paid subscribers (as of November 2017) with a hundred of servers across Europe.

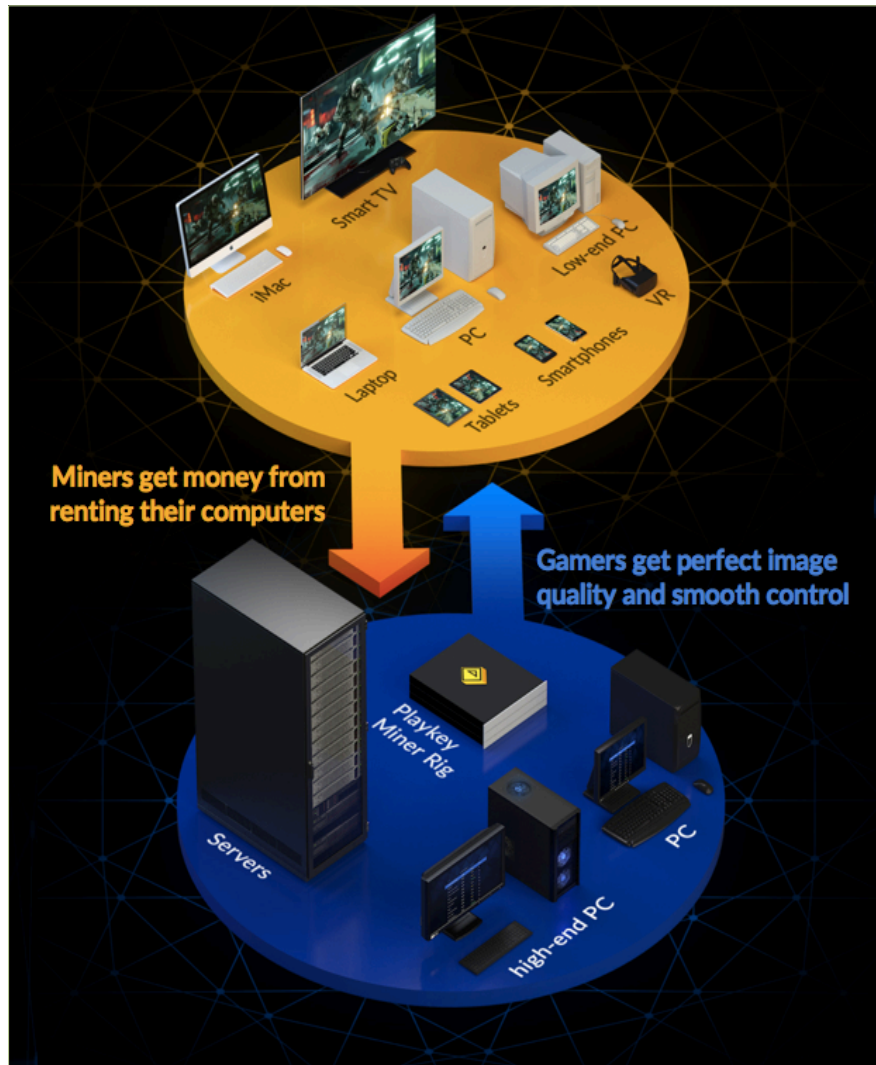
Guriev claims that Playkey's profits has increased 300% over the past year.

Playkey has got partnership agreements with such top gaming businesses as Ubisoft, Bethesda and Wargaming.

On the financial front, the Russian startup raised more than \$5 million in equity funding from inception to 2017. The latest capital injections came from Darz, a major German data center company (\$1.5 million in February 2017 – <http://goo.gl/Jqg4Qs>) and IIDF, Russia's largest startup investment fund (\$2.8 million in July 2017 – <http://goo.gl/WJ4mxt>). This funding aimed to fuel expansion on the global market, including Asian countries.



# PLAYKEY: ONLINE GAMING FOR ALL, FROM CLOUD TO BLOCKCHAIN



## Cloud no longer the limit

But Playkey has undertaken to reach new goals. It is now introducing blockchain technology, bringing together gamers and cryptocurrency miners in a bid to create a decentralized gaming network.

In that environment, gamers will pay miners with Playkey's tokens, PKTs, implemented on the Ethereum blockchain, for using their computer capacities.

When a sufficient number of miners are on board, gamers will be able to stream from a computer that is in their neighborhood. As a result, Playkey will be able to continue expansion without investing in physical server infrastructure.

To strike minds, the startup also announced that Oculus VR co-founder Dillon Seo joined the project as an advisor. Also joining the company as advisors have been David Carlson, CEO and founder of the biggest mining farm, GigaWatt; Michael Kim, CEO and founder of CoinInside, and former executive of Blizzard, Wargaming and Havok; and Ruben Godfrey, cofounder of the Blockchain Association of Ireland, Albert Castellana, board member of NEM, one of the largest cryptocurrencies for market capitalization.

After collecting some \$4 million in a pre-ICO campaign (<http://goo.gl/4k2kno>), Playkey completed its ICO in November 2017. No less than 100 million tokens of Playkey's proprietary cryptocurrency (PKT) were released, 60% of which were available for sale (<http://goo.gl/rnKWw4>).



# PLAYKEY: ONLINE GAMING FOR ALL, FROM CLOUD TO BLOCKCHAIN



According to the company, the amount came essentially from individual investors, but three investment funds – Uncharted Capital, Allrise and G2H2 Capital – also got involved, buying over \$1 million dollars worth of tokens each.

Playkey raised nearly \$11 million the crowdsale, pre-ICO and ICO both included. This amount was far from the initially considered \$40-60 million target – but it is large enough to develop the new blockchain platform and accelerate international development, Playkey's press service told us.

## The end of consoles?

The company also plans to set up the Playkey Foundation, which will fund itself by acting as a toll gate for the entire network. The money will be used to develop an ecosystem of gamers with low-end PCs, miners with high-end PCs and mining-farms and game publishers.

Following the ICO, Playkey's operational model will change, switching to a P2P arrangement where any owner of a powerful computer can rent out their hardware to another user. In this ecosystem, gamers can rent the miner's PC capacity paying with PKT as well as use already existing Playkey servers.

As Phil Spencer of E3 said: "The next generation of [gaming] consoles could be the last one that is based on hardware".



*Playkey's founder Egor Guriev has been a fan of computer games since childhood. At that time, he used to save on meals and textbooks to buy his favorite games and gaming hardware.*





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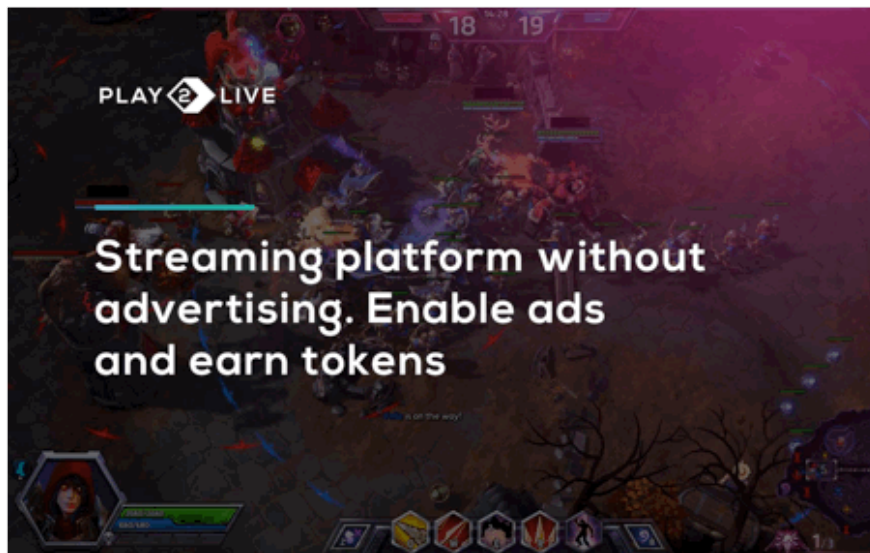
# PLAY2LIVE: AN ESPORTS STARTUP DRIVEN BY AN INDUSTRY BOOM



*By Vladimir Kozlov, East-West Digital News*

A startup with Belarusian roots launched last year is now taking its first steps on the international eSports scene. After a successful ICO start, Play2Live (<http://play2live.io>) aims to offer new approaches in terms of both technology and business models.

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



*Play2live aims to “create a new economy” based on a revenue-sharing model.*

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

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

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

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

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

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

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

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



# PLAY2LIVE: AN ESPORTS STARTUP DRIVEN BY AN INDUSTRY BOOM



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

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

## Industry veterans go ICO

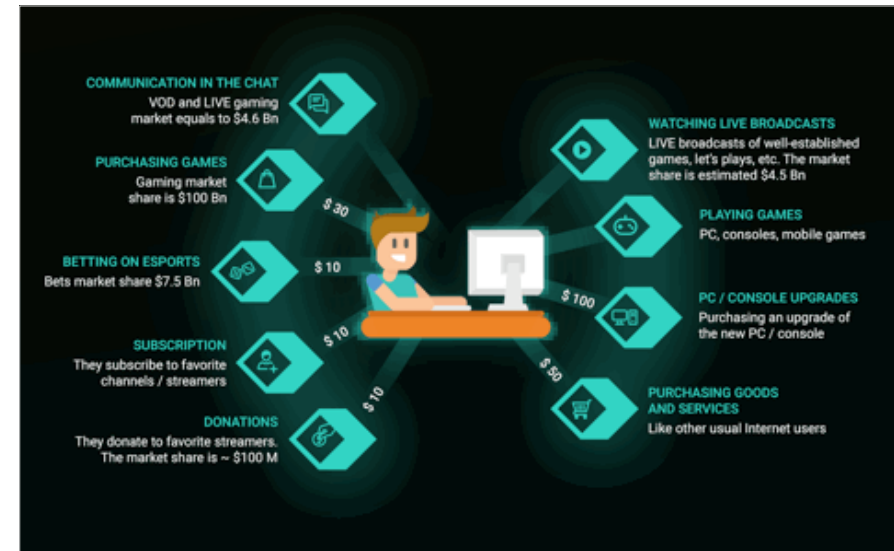
Play2Live’s founders aren’t new to eSports. Before launching Play2Live in June 2017, Alexey Burdyko founded one of the largest eSports holdings in the region, the Minsk-based Game Show Media Holding. This company was valued by EY at \$36.8 million in 2016, according to the entrepreneur.

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

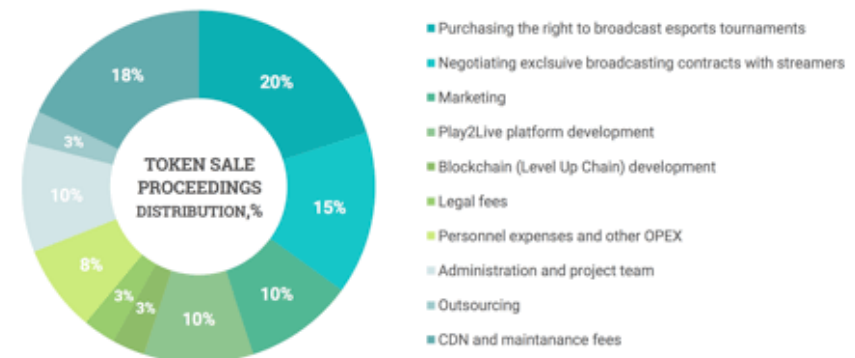
In November 2017 Play2Live released its minimum viable product (MVP); two months later, the company launched 24/7 live rebroadcasts in six languages – English, Korean, Japanese, Spanish, Russian and Chinese (<https://p2l.tv>).

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

Play2Live plans to present the 2.0 version of its MVP during the Play2Live CryptoMasters tournament in Minsk in late February 2018.



Play2live offers a variety of features – some of them being totally new on the market – aiming to quickly to assert itself on the global eSports markets.



# PLAY2LIVE: AN ESPORTS STARTUP DRIVEN BY AN INDUSTRY BOOM



The startup claims to have raised the equivalent of \$18 million over a few weeks in January 2018 through private and public token pre-sale events. It aims to collect up to \$30 million (hard cap) in total before the end of its ICO in March.

## Amid industry boom

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

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

Russia, in turn, is among the front runners of the global eSports industry. A study by PayPal and Superdata Research revealed that the Russian eSports market is the second largest in Europe after Sweden, amounting to \$35.4 million in 2016 (<http://goo.gl/8iYUE5>).

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

Thus, in 2015, Russian billionaire Alisher Usmanov announced an investment of “\$100 million or more” in Virtus.pro (<http://goo.gl/EvpFZa>).

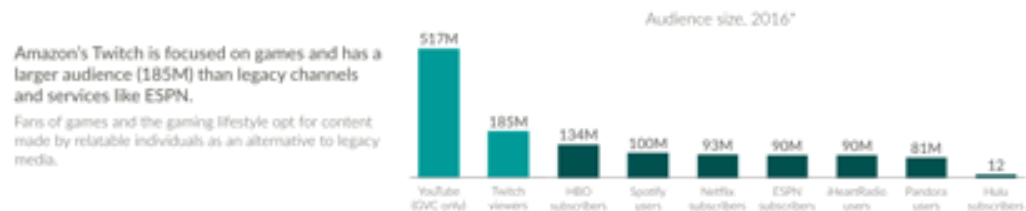
More recently Winstrike, a Russian globally-oriented eSports company, attracted \$10 million from private investor Nikolai Belykh and several business angels.

In early 2018, Mail.Ru Group – an LSE-listed Internet company which controls the largest Russian-language social networks and a range of online gaming companies – announced the full acquisition of ESforce (<http://goo.gl/Fe3o3p>).

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

Just days before, MTS, a leading Russian mobile operator, announced the acquisition of Gambit Esports for an undisclosed amount. With its four teams (16 players in total), Gambit Esports participates in the most popular cyber game disciplines, repeatedly earning world and European championship titles (<http://goo.gl/Fe3o3p>).

## More people watch GVC than HBO, Netflix, ESPN and Hulu combined.



GAMING VIDEO CONTENT, 2017 | © 2017 SuperData Research. All rights reserved.



## PREPLY: FROM UKRAINIAN STARTUP TO GLOBAL LEADER



*By Vladimir Kozlov, Ukraine Digital News*

Online learning has gained much popularity over the past few years, and a number of innovative new businesses have taken note. Ukrainian Preply is one of them.

This startup runs a platform that matches foreign-language students from various countries with most suitable tutors for online lessons, using machine learning to achieve the best match.

"The technological core of the platform is its self-learning ranking algorithm that pushes the best tutors up on the list, meanwhile enabling 'young stars' - new tutors who don't yet have students - to remain visible and be able to get new students," says co-founder Kirill Bigai.

"For each tutor, we measure how he or she can motivate the student, as well as their soft skills, methodology, punctuality and overall effectiveness, using each student's assessment as separate metrics," he adds.

According to Bigai, the algorithm is fed data from detailed user reviews and the ratings system, while there is also a manual verification process for tutors.

Preply says it is currently generating revenue from more than 130 countries. The company's business model is based on taking a revenue share of any lessons booked on the platform.

As the company moves to embrace contemporary technology, Preply has started to accept payments in bitcoins, enjoying the lower fees associated with cryptocurrencies.

### Filling the niche

Bigai arrived at the initial idea for the startup a few years ago when he tried to find Chinese courses in Kyiv, his home city, to figure out it "wasn't a trivial task," as he put it. But filling the obvious niche turned out to be difficult, and Bigai and his partners had to go by trial and error.

In 2012, they launched Find Guru project for finding local courses on various subjects, but it didn't work out.

"Unfortunately, that idea didn't work," admits Bigai.

Having abandoned it, he and his partners went to the United States and launched an auction of online tutors for ACT/SAT exams preparation, this time using the name Preply.

"But we didn't find a product market fit straight away," Bigai recalls. "Besides, we needed too much money to successfully compete in the US market."

The entrepreneurs returned to Ukraine and launched a marketplace for finding both local and online tutors, targeting Russian-speaking countries. "Later, we decided to focus only on online tutoring as we believe it's the future of learning," Bigai says.

An initial investment of \$200,000 was brought in by business angels Semyon Dukach, Torben Majgaard, Boris Shakhnovich and Vadim Yasinovskiy and others in mid-2012.

In mid-2015, Preply entered the acceleration program of TechStars in Berlin and collected another \$120,000 (<http://goo.gl/5US3hV>).



## PREPLY: FROM UKRAINIAN STARTUP TO GLOBAL LEADER

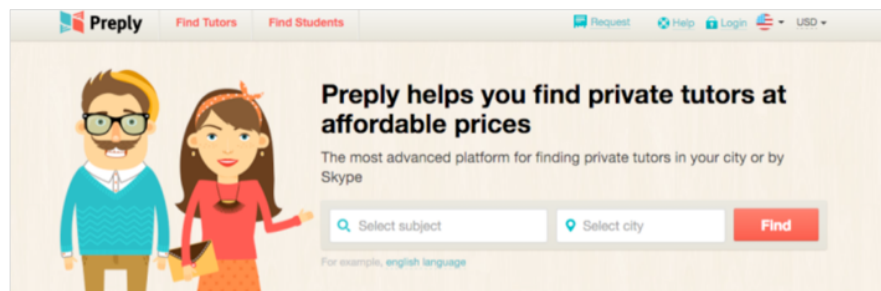


In the summer of 2016, Preply closed a \$1.3 million seed round led by Poland's Mariusz Gralewski, the Hedgehog fund, and former Booking.com CMO and co-founder Arthur Kosten with support from Przemysław Gacek, RTAVentures and another Polish business angels (<http://goo.gl/LnG94d>). Some of Preply's existing investors — including venture firms from Poland, Ukraine, US, and Germany — followed on in the round.

Currently, Preply has over 70,000 tutors and 100,000 students registered on the platform. A variety of languages are taught, including English, German, French, Russian, Polish, Ukrainian, Arabic and Chinese.

However, competition in the segment is tough, with such players as E-korepetycje.net in Poland and Repetitors.info on the Russian and Ukrainian markets, as well as US-based Wyzant, iTalki, and Takelessons. In quantitative terms, Preply is behind those companies as Repetitors.info, for instance, boasts 220,000 registered tutors.

Still, Preply claims it has something to stand out among the competitors as the startup focuses on exclusively online tutoring and offers an advanced recommendation system, calendar and scheduling tool.



"Such an approach helps to find and book tutors faster than other tutoring companies," says Bigai, adding that the company is also very careful with verifying teachers. "If a user did not like the quality of the lesson, Preply returns 100% of the money."

Meanwhile, as the company looks ahead, it plans to expand the scope of courses, adding new school, hobby and business subjects.

### Going global

Initially, the startup covered the Ukrainian, Russian, Belarusian and Kazakhstani markets. But in early 2015, Preply ventured beyond the former Soviet Union and entered the Polish market with a localized version of its website. In 2016, the service was made available to Brazilian users (<http://goo.gl/ftW7KG>).

"Brazil was chosen because of its huge population and growing language learning market," says Bigai. "That's our common approach for choosing the next market to launch."

Still, Preply hasn't opened foreign offices, preferring to hire personnel from countries where it is active for the office in Kyiv.

Currently, the company operates globally focusing on seven countries, including the US, Germany, Ukraine, Poland, Russia, Mexico and Brazil.

"Starting from 2015, we have been working on launching on the DACH (Germany, Switzerland, and Austria) and the US markets in a stealth mode," says Bigai. "While I cannot call it launch, we began receiving payments from these regions and the US became our largest market by revenue in September 2017."



# PROMOREPUBLIC: A GLOBALIZED STARTUP THAT BRINGS ARTIFICIAL INTELLIGENCE TO CONTENT MARKETING



*By Mina Nacheva, East-West Digital News*

For solo entrepreneurs and small business owners, developing an online presence is key to success. Yet for many of them, being active on social media — on top of all their other priorities — is often too time-consuming.

PromoRepublic, a Finnish-American startup with Ukrainian roots, has developed a solution to help these entrepreneurs grow their business-leveraging social media in an affordable way. TechCrunch has called it the “WIX for a small business’s social presence.” (<https://goo.gl/nZAJ9y>)

The bulk of PromoRepublic’s customer base consists of American entrepreneurs and small- to mid-sized businesses (SMBs) in the field of marketing, and freelance marketers that serve SMBs. As of August 2017, the PromoRepublic user base had 70,000 SMBs, which had in turn created and published over 2.5 million visual posts.

Meant to appear “crazy simple” to users, the solution is, in reality, the result of substantial research and development efforts. It is built on a library of hundreds of thousands of context-relevant social media templates and images which is constantly updated using content effectiveness data, user behavior, and interactions.

## Deep learning for SMB marketing

To expand their technology even further, the PromoRepublic team is now testing the waters of artificial intelligence.

“We want to boost the creativity and quality of visual content that SMB owners post to Facebook, Instagram and other social networks with the help of deep learning and AI,” says Max Pecherskyi, co-founder and CEO of PromoRepublic.



*PromoRepublic offers template libraries for easy posting via social networks*

“We have spoken to Facebook representatives several times — the fact that SMB content quality is very low is a huge pain for them, because as a result SMB owners do not consider Facebook an effective channel for promoting their businesses. Only a fraction of SMBs on Facebook actively post and use paid ad features.”

PromoRepublic’s AI-powered engine will suggest relevant content automatically. The client will need just one click to approve it for publication on Facebook.

“So we’ll put Facebook back to the SMB marketing stack with templates, automation and AI,” claims Pecherskyi.





# PROMOREPUBLIC: A GLOBALIZED STARTUP THAT BRINGS ARTIFICIAL INTELLIGENCE TO CONTENT MARKETING



## Eastern Europe's most globalized startup?

PromoRepublic was founded in Kiev in 2013 by serial entrepreneur Valeriy Grabko, who had a vision of how to make the company a global success.

Since its early days, in fact, PromoRepublic has joined and completed four acceleration programs, both in Europe and beyond. These include Ukrainian EastLabs, Estonian Startup Wise Guys, Startup Chile, and Finnish Startup Sauna.

"There are two ways to enter a new market," Grabko said in a media interview (<http://goo.gl/Wj3QUk>).

"First, you know a lot about the market from the beginning and invest your own money in expansion. Second, you [gain this knowledge and raise money] through acceleration programs. We've chosen the second way, which is very convenient for us. In addition to that, we save money that can be spent on product development and marketing," he explained.

Pecherskyi, on the other hand, notes that an accelerator may not be for everybody. "Many founders go there thinking that everything will be taken care of for them – [but] you still need to develop your network, build trust, and look for clients. It's all about your own initiative. The accelerator is only helpful if this format motivates you."

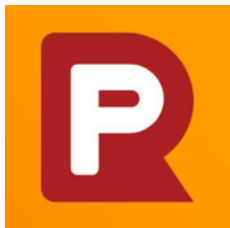
PromoRepublic has also sought to secure solid funding – from over €1 million in grants and loans (including those provided by the acceleration programs) to financing raised from a number of different investors over the years.



*Artificial intelligence is starting to be used for targeting on social networks*

The most notable round took place in June 2017, when an international pool of investors put \$1.2 million into the company (<http://goo.gl/18paVC>).

The funding is being used to develop an AI system that will interact with social networks. In the future, the company will aim to add the capability to create high-quality content for emails, blogs, YouTube and other channels.



# PROMOREPUBLIC: A GLOBALIZED STARTUP THAT BRINGS ARTIFICIAL INTELLIGENCE TO CONTENT MARKETING



## Conquering new markets

These capital injections allowed the startup to enter the US market in 2016.

“We spent one month in San Francisco, Boston and New York and learned how this market works. We reached out to small businesses directly and came to understand that they do not have the time, money and knowledge to make social media promotion work for them. They needed an affordable solution that would automatically turn them into professional Social Media Managers. We decided to tailor our solution to their needs,” says Pecherskyi.

Communication with their US customers and partners goes through their office in San Francisco’s SaaStr Co-Selling Space — which Pecherskyi describes as “the best place on the planet for SaaS startups to grow to \$1 million ARR [annual recurring revenues — ed].”

As of August 2017, PromoRepublic claimed to serve 5,500 paid customers, mainly in the US. The startup expects to generate some \$300,000 in revenues in 2017, up from 130,000 in 2016. In addition to the US, the company also operates in Canada, Australia, the UK, New Zealand and Russian-speaking countries.

The company has permanent offices in San Francisco and Helsinki as well as a full-blown R&D staff based in Kiev.



*Artificial intelligence is starting to be used for targeting on social networks*

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## **RIGHTECH: HOW A SOVIET-BORN ENGINEER DECIDED TO CREATE “THE ANDROID OF IoT”**



*By Adrien Henni, East-West Digital News*

Rigtech, a Moscow-based startup manned mostly by IT specialists from the central Russian city of Orel, is working on developing a platform for Internet of Things, which it hopes will become some kind of “Android of IoT”.

Currently, Rigtech provides IoT services, such as data storage, processing and transfer, as part of its IoT Cloud. This platform allows programmers to develop and modify IoT applications without even having any specific IoT skills or knowledge.

"Using the platform, companies can launch IoT projects in short terms and with a minimum number of employees, focusing exclusively on their idea," says Rigtech founder and CEO Ilya Bykonya.

"Our goal is to open the gate to IoT to the highest possible number of companies."

### **From Soviet legacy to tech entrepreneurship**

Although Bykonya was just one year old when the Soviet Union collapsed, he in some ways benefited from the Soviet tradition of technical excellence. He attended advanced extracurricular physics and math classes at secondary school and later studied at Orel State University under Vladimir Vargashkin, currently a member of London institute of Physics.

While still at university, Bykonya, who self-taught programming at age nine writing code in a notepad without even having access to a computer, started working at GK Navigator, one of the leading telematics providers in Russia at the time, doing projects for the likes of oil and gas major Rosneft and agricultural machinery manufacturer Rostselmash.

Bykonya had dreamt of becoming a scientist since childhood but he was soon faced with a choice between academia and business. In his graduation year, he was doing an internship at iconic Soviet factory Orlels' special design bureau.

"Right in the middle of my internship, the bureau was shut down, which came as a shock to the entire city and to me personally," Bykonya recalls.

Choosing between a theoretical scientist's low-paid job and an engineer's career in business, Bykonya opted for the latter and stayed at GK Navigator. But as the company was cutting costs, providing little incentive for young and ambitious employees, Bykonya soon realized that he could develop his theories and bring his ideas to life only by becoming an entrepreneur.

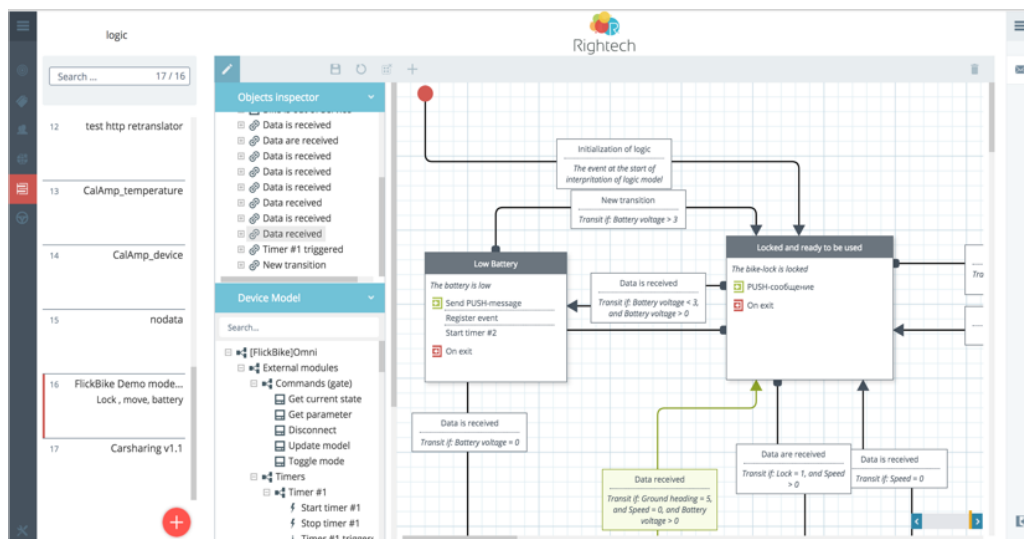
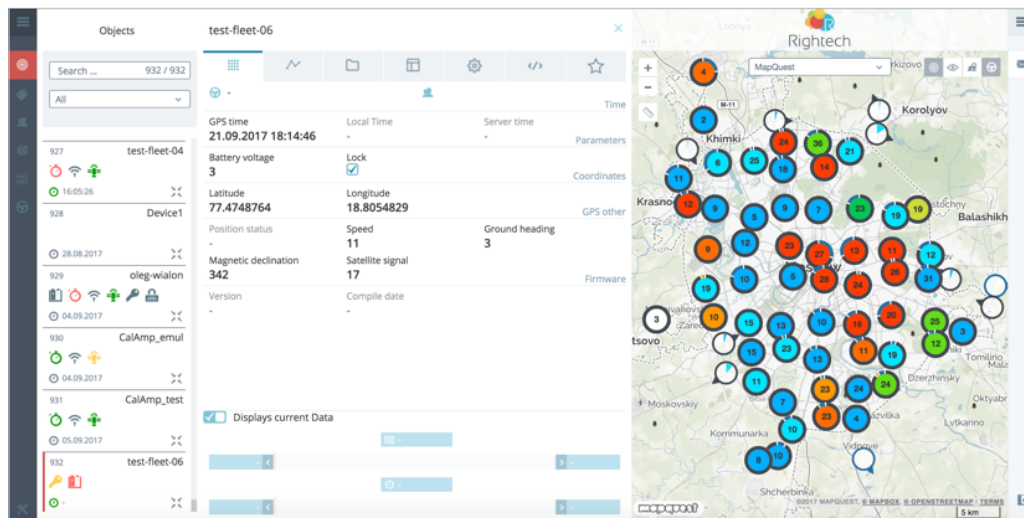
The idea of an IoT platform came to him when he still worked at GK Navigator and found himself a supporter of "smart software" as opposed to "smart hardware" in the conflict of two engineering approaches.

"The 'smart hardware' approach created huge problems for software developers because each modification even minor requires them to modify the code and update it on each device," he says. "These modifications tend to happen very often and distract developers from improving the technology."

His idea was to develop smart and flexible software acting as a platform instead of an end-point solution, allowing developers to avoid massive routine work and to concentrate on developing and improving target user applications.



# RIGHTECH: HOW A SOVIET-BORN ENGINEER DECIDED TO CREATE “THE ANDROID OF IoT”



Bykonya and a few other GK Navigator graduates moved to Moscow, where Rightech was founded in 2016.

Currently, the company employs 14 people, but plans to dramatically grow to just under 100 as soon as investment comes through.

Rightech's clients include two Russian car sharing services (Delimobil, the market leader, and Carenda, its young challenger), as well as EGGs TV, a provider of advert streaming in bars, restaurants and sport clubs. Pilot projects are under way for ALD Leasing and Sberbank Leasing (corporate car sharing) as well as with agricultural wholesale distribution center network RAM (objective control).

A seed investment of \$300,000 came from Vincenzo Trani the founder of Delimobil.

## The challenge of finding the right people

The main challenge Rightech faced was hiring. Although the core team was formed by Bykonya's former colleagues at GK Navigator, finding new members was far from a cakewalk.

"Experienced professionals required for IoT are very rare and expensive," says Bykonya.

The current lineup came about as a result of hours of university presentations and online and personal communication.





## **RIGHTECH: HOW A SOVIET-BORN ENGINEER DECIDED TO CREATE “THE ANDROID OF IoT”**



Still, it is sometimes difficult for new member to adapt to the company's management style, which is based on every member's expertise rather than traditional boss vs. subordinate hierarchy.

"Newer employees have difficulties adapting as they are used to relying on their accumulated authority in knowing some technologies or processes better than other team members," Bykonya explains.

"That puts them in a slightly stressful state until they learn to earn real authority by solving problems and cooperating to achieve mutual goals."

### **In pursuit of 'the Android of IoT'**

The first version of Rightech IoT Cloud is "very close to mature product," according to Bykonya, but the plan is to go much further.

"Our strength lies in Rightech's protocol-agnostic connectivity and its accessibility to all developers regardless of their IoT skills. Thus the entry barrier into IoT is being lowered as never before, still making it possible, nevertheless, to develop sophisticated IoT applications," Bykonya says.

"Our weaknesses are data visualisation and analytics tools," he admits.

Responding to the issue, Rightech plans to add various data analysis tools based on neural networks and flexible data visualisation capabilities with freely configurable dashboards that are in high demand for IoT projects.

Other prospective features of Rightech IoT Cloud include automatic analysis of incoming data and finding new parameters, actions and events without participation of a human user, as well as active data storage based on self-analysis tools.

"The platform is not going to become an 'artificial intelligence' and its capabilities will not be comparable to the human's," concedes Bykonya. "But it will definitely be comparable to an insect such as an ant. And you will be able to just set a development vector for it and it'll find the best way by itself."

In the future, Rightech expects to focus on making available its platform as an online service and a universal IoT framework. The company will also support solution development and integration, "essentially for marketing purposes."

"We'll make special emphasis on promoting our technology among the programmers' communities as we believe they have the most influence on decision making when it comes to fundamental technologies like frameworks," Bykonya concludes.



## THIS RUSSIAN ROBOT IS ENTERING THE US MARKET AFTER AUTOMATING RECRUITMENT IN 220 RUSSIAN COMPANIES



*By Adrien Henni, East-West Digital News*

Artificial intelligence tends to find applications in virtually every field today, and HR is no exception. A Russian startup called Stafor, launched two years ago with less than \$10,000 in capital, has created a recruiting robot called 'Vera' ('faith' in Russian).

Stafor initially developed an online platform intended for companies to interact more efficiently with recruitment agencies.

Setting for itself the goal of "automating mass recruiting," the startup was not short of ambition.

"We aimed to offer an alternative to recruitment in the old-fashioned way, seeking to reduce the cost of hiring new staff, remove monotonous and routine tasks in HR departments, and speed up the whole selection process," Stafor's Chief Business Development Officer and co-owner Alex Kostarev explains.

Step-by-step, Stafor enhanced its platform towards more automation. The initial version, which Kostarev calls a marketplace, involved recruitment agencies to fill the vacancies manually.

Then Stafor set up a call center, replacing recruitment agencies with its own operators. Afterwards, resume download and search were automated.

The ultimate stage came in late 2016 with the introduction of artificial intelligence in the process. Automatic dialing was added with video interviewing conducted by Robot Vera.

The interview process is enhanced by Vera's virtual reality features and natural language processing capacities.





# THIS RUSSIAN ROBOT IS ENTERING THE US MARKET AFTER AUTOMATING RECRUITMENT IN 220 RUSSIAN COMPANIES



## 1,000 recruitment calls every 5 minutes

"Hello! My name is Vera and I'm a robot". Nearly 1,000 applicants from all across Russia hear this sentence from Vera every five minutes; and hundreds of them are invited to an interview every day.

Vera goes along the recruitment chain, from search and selection of potential employees across the largest recruitment sites, to calls and invitation of suitable applicants, to a video or face-to-face interview.

Thus, Vera has learned to recognize emotions during video interviews.

"This capacity will help HR managers analyze applicants' emotional state, for example when they react to the mention of the company's brand," says Kostarev. Stafory claims that, thanks to Vera, recruiters can find candidates "ten times faster than a human."

Vera is not the only AI-powered recruitment solution, concedes Kostarev, who cites Arya, Call-em-all, Mya, Skillaz and VCV as examples in the global market.

"But the distinctive advantage of Robot Vera is that it participation in virtually all stages of the recruitment process, including the final interview."

## First steps in the USA

In mid 2017 the Internet Initiatives Development Fund (IIDF, or FRIL in Russian, the country's biggest startup fund) pledged to invest 50 million rubles (some \$800,000) in the startup. The fund, which had already invested in Stafory twice, will increase its stake in the company to 32%.

The startup will use this money for R&D purposes and commercial development in Russia and beyond.

For the moment, the startup operates essentially in Russia, where it claims to serve some 220 customers. Among them is Pepsico, on behalf of which Vera made over 40,000 calls, sent 37,000 emails, and conducted more than 100 video interviews.

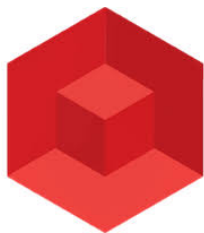
This past spring Vera debuted in the US market under the Wendy brand.

"We have conducted two pilot projects: one with a big taxi service-aggregators, Fasten, and another with the American subsidiary of the Japanese corporation NTT," says Kostarev.

All user scenarios were translated into English. Vera's performance is similar in the US and Russia.

In October 2017 Vera was distinguished at the Unleash (HR Tech World) startup competition held in Amsterdam, winning an award of €10,000.

Vera plans to land in China in 2018.



# RUSSIAN MINER COIN AIMS TO CREATE A MORE PROFITABLE AND ECO-FRIENDLY CRYPTOCURRENCY MINING SYSTEM



*By Vladimir Kozlov, East-West Digital News*

Today, cryptocurrency mining is made difficult by a several technical issues. Times when it was possible to mine coins on your own with just a desktop computer are long over. Now you either have to assemble a 'farm' from several computers, or to buy a specifically designed device.

The mining process requires considerable energy consumption, essentially due to the technological limitations of the type of processors used for mining – not to mention the cost of removing the heat generated by the machines involved in the process.

Addressing these issues, a group of Russian entrepreneurs aims to enter the global cryptocurrency mining market – which is currently dominated by China – with a new generation of mining devices and a more efficient, Russia-based mining ecosystem.

Russian Miner Coin, or RMC, claims that its mining devices show better hash rate per chip than devices used in China, while lower power rates in Russia will make Russian miners' work even more profitable.

What's more, RMC's mining devices have a double purpose: in addition to mining, they also operate as boilers, heating people's homes and making them more ecologically friendly.

The idea of RMC first surfaced in early 2016 in discussions between two experienced IT entrepreneurs: Sergey Bobylev, founder of SmartHeat, and Boris Zyryanov. The latter's company, MultiClet, was already working on a mining device, based on the multiclet approach, that could be used for mining altcoins (cryptocurrencies other than bitcoin)

However, the project did not start immediately since market conditions did not look favorable yet. "The value of cryptocurrencies was relatively small at the time, so it wasn't economically vital," Bobylev recalls. "And the development of a mining device that could switch between cryptocurrencies was too costly."

When cryptocurrency value surged in 2017, Bobylev and Zyryanov revisited the project and decided to fund it through an ICO.

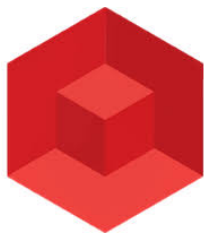
## Expertise with a bit of luck

RMC's multiclet mining device, under development, is scheduled for release in the course of 2018. Unlike its predecessors, the 28 nm chip used in the device will not be based on von Neumann-architecture, "making it 35 to 200 times more efficient than the currently available equipment," according to the company. The device can be used for mining all main cryptocurrencies.

Bobylev admits that a certain degree of luck was involved when developing the new device.

"We didn't have to develop the chip from scratch," he says. "It had been in development since 2001. All we had to do was to get rid of everything superfluous and change the technical process from 180 nm to 28 nm. Creating a chip from scratch would have taken between five and seven years of hard work with substantial investment."

However, the total cost of developing and launching the next-gen multiclet chip-based device is about \$10 million, according to Bobylev.



# RUSSIAN MINER COIN AIMS TO CREATE A MORE PROFITABLE AND ECO-FRIENDLY CRYPTOCURRENCY MINING SYSTEM



RMC is also relying on another device, Sunrise S11i, to mine bitcoins, the oldest and best-known cryptocurrency. Based on the mining algorithm SHA256, Sunrise has “the best ROI in its class,” claims RMC. The first batch of these devices was released in September 2017.

## "ICO investors as a customer base"

Although they have substantial investment means, the three companies behind RMC decided to launch an ICO to fund the project.

In contrast with many young ICO projects, RMC had substantial things to show investors: high-performance mining devices (or sound plans to achieve their development) and experienced project stakeholders. SmartHeat and MultiClet were joined by Radius Group. This major data center company is headed by Dmitry Marinichev, a serial IT entrepreneur and figure of the Russian Internet scene (*see interview in the Russia section of this report [http://ewdn.com/files/cee\\_russia.pdf](http://ewdn.com/files/cee_russia.pdf)*).



*RMC claims that its mining device, the S11i, has “the best ROI in its class.”*

On the business side, the RMC project features an innovative approach: turning ICO investors into minors, with a mining club using RMC's next-generation devices to produce cryptocurrency. The club members will be able to buy a Sunrise miner in privileged price conditions, or to exchange the RMC token for an RMC multiclet mining device. (They will also be able to sell an RMC token to anyone.) In addition, they will be able to participate in the cryptocurrency mining community Bitcoin-russia.ru. Thus, “this ICO can be compared to generating a large customer base,” Bobylev says.

Twenty percent of the mining rewards will go to a special fund and is subsequently divided between the equipment manufacturer and RMC investors, allowing the latter to collect a revenue.

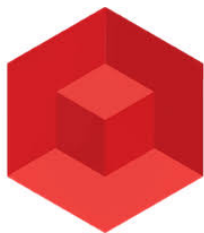
In August and September 2017, the pre-ICO and ICO brought in the equivalent of \$43 million – and impressive amount and one of the largest ICO by amount raised in CEE in 2017. This was well below the initial \$100 million ICO target – but the spectacular increase of cryptocurrency exchange rates in the subsequent months might have provided RMC with a certain financial comfort.

Still, not all went rosy in the course of the project. The production of Sunrise S11i hit a speed bump when RMC began searching for suppliers of a matrix to produce needle radiators. It turned out that the component was not manufactured in Russia. The solution of placing an order with a Chinese manufacturer didn't turn out to work out as the company failed to deliver equipment at the required level of quality.

“So, we had to place another order in Italy, overpaying for it,” Bobylev recalls. “The delivery was still significantly behind schedule, and, as a result, mass production of miners was delayed by three to four months.”

The issue was eventually solved by establishing a manufacture of needle radiators within Russia.





# RUSSIAN MINER COIN AIMS TO CREATE A MORE PROFITABLE AND ECO-FRIENDLY CRYPTOCURRENCY MINING SYSTEM



## Taking advantage of cheap electricity rates

The project will substantially benefit from subsidized electricity rates for private individuals in Russia, Bobylev says.

"Russia has probably the cheapest electricity rates in the world. And in the country's entire regions, such as the Irkutsk or Krasnoyarsk regions, only electric heating is available."

Bobylev is apparently unperturbed by the prospect of government efforts aimed at stopping cryptocurrency miners from using subsidized electricity. "If electricity rates are raised, they will be raised for everyone, and what will the majority of the population do? Leave the country?" he asks.

In addition, with the mining devices used to heat people's homes, "there is no extra power consumption. Using our miners will not change the energy balance of a building," Bobylev says.

RMC has already been approached by smaller power generating companies, which see ways to collaborate, taking advantage of this feature of the mining device. The company says the double-purpose devices could also be used outside Russia, in any country where electricity is used for heating purposes.

However, there are no immediate plans to take the device to the global market.

Overall, Bobylev is optimistic about the future of cryptocurrency mining in Russia. "This is the new oil – and an opportunity for Russia to occupy a deserved place in the world as a major cryptocurrency mining center."

(December 2017)



*RMC has launched a mining center in the Technopolis tech park in Moscow with an electric capacity of 20 MW to accommodate up to 20,000 Sx6 miners. Two other mining centers are to be opened under plans.*

# UKRAINIAN SMART BLINDS STARTUP RECEIVES EUROPEAN FUNDING TO CUT ELECTRICITY BILLS “BY UP TO 70%”

UKRAINE DIGITAL NEWS, NOVEMBER 6, 2017



*By Jane Kuhuk*

SolarGaps, a Ukrainian startup which has designed “the world’s first renewable energy producing window blinds that use solar panels to create electricity to power your apartment, home or office,” has received a €50,000 grant as part of the first stage of Horizon 2020’s SME Instrument program. The funding will be used for product development, business development, and marketing.

After the first stage of the program, the startup plans to apply for up to €2.5 million in funding.

As part of the Horizon 2020 program, an EU-backed €80 billion research and innovation program, the European Commission aims to support potentially disruptive SMEs. The selected businesses may receive up to €2.5 million in funding coupled with business coaching and acceleration services.

SolarGaps’ smart blinds automatically track the sun throughout the day, adjusting the position to the optimal angles to generate solar electricity to power devices in your home, apartment or office. The startup claims to help you “save up to 70% on your electric power bill.”

The company’s team, which consists of more than ten people, is split between the USA and Ukraine. While the Californian office is responsible for product design and development, R&D, marketing, and fundraising, the Ukrainian team serves as a back office and a manufacturing platform.

“By the end of the year, we are planning to prepare for mass manufacturing in Ukraine, start certification process in the USA, Canada, and the EU [the startup has been already certified in Ukraine] in order to deploy industrial-scale production in early 2018.



*SolarGaps propels the concept of “a smart solar home”*

Besides North America and Canada, we see the Middle East, Africa and Australia as prospective markets for SolarGaps,” Rostyslav Grygorenko, the startup’s CFO, told Ukraine Digital News.

“We have signed letters of intent with twenty dealers who are interested in promoting our offer in nearly 30 countries,” he added.

SolarGaps was featured among top ten Ukrainian startups in 2016. This past spring the company was also among CB Insights’ list of 92 renewable energy companies outside the US that have raised equity funds since 2015.

In June, SolarGaps raised a bit more than \$100,000 on Kickstarter. Last year, the startup attracted \$120,000 from several investors.

*Read the original story in Ukraine Digital News*  
<http://goo.gl/4eWXaf>



# VRT.WORLD: MAKING VR CONTENT CREATION AND DISTRIBUTION ACCESSIBLE TO ALL DEVELOPERS



*By Vladimir Kozlov, East-West Digital News*

Over the last several years, augmented reality (AR) and virtual reality (VR) have been regarded as promising segments in the entertainment industry, with all major technology firms vying for a foothold in the market.

According to Digi-Capital, total VC and corporate investment in the field of AR and VR totaled \$2.3 billion in 2016, a threefold increase in comparison with 2015.

Behind this increase lies a sound rationale as, according to Digital Data Corporation, global spending on AR/VR-related goods and services may grow from \$11.4 billion in 2017 to almost \$215 billion by 2021, with the compound annual growth rate exceeding 113% (<http://goo.gl/GZZKuF>).

However, what has prevented the VR sector from attracting mass customers so far is the lack of quality content. This is a direct consequence of the fact that developers lack adequate development tools and a sufficiently broad customer base.

Technology giants have attempted to solve this problem by launching their own products (Youtube VR by Google and Oculus Story Studio by Facebook, for example) – but these services have issues of their own. One of them, for instance, is that each VR content provider tends to develop content optimized for its own hardware.

## **Combining on online and offline**

VRT World (<http://vrt.world>), a startup launched three years ago to develop VR conversion technologies, aims to bring a more universal solution to the issue – a decentralized virtual reality marketplace.

The platform is intended for game and application developers, video makers, and streamers of live and recorded content, who will all be able to create content for the platform.

Their work will be made easier by VRT's SDK and API: "Content creators will not be restricted developers to a single company or type of device," VRT World CEO Konstantin Negachev tells us.

What's more, the platform will use blockchain technology to guarantee fair and transparent distribution of the generated revenues, as well as proper IP rights protection.

To stimulate content demand and motivate developers, a chain of VR parks is being developed. In November 2017, VRT World launched its first park in Moscow, followed by four more parks on a franchise basis.

The company also has partnership agreements to open 30 VR parks based on its technology in various European cities – from London, to Cyprus, to Barcelona – over the next 18 months, following two parks scheduled for launch in Dubai in April 2018.

These VR parks are meant to become an 'offline gateway' to the marketplace, allowing outside developers to sell their content without purchasing costly equipment. An emulator for developers to test their products before launching them on the platform will also be made available.

Content buyers will include HMD owners who purchase VR content for entertainment or educational purposes, companies and non-commercial organizations that use VR technology in various contexts from VR parks to telepresence.



## **VRT.WORLD: MAKING VR CONTENT CREATION AND DISTRIBUTION ACCESSIBLE TO ALL DEVELOPERS**



### **VR democracy**

In another move towards decentralization, VRT World claims that the platform will be regulated by its community, which will decide the development strategy.

“Thus, the platform will incentivize new content that reflects the needs of the platform’s users and not the interests of a small group of owners,” says Negachev.

One of the main elements of the platform is the marketplace, an area where the platform’s content and services can be bought, sold, or rented. Content creators will be able to set their own prices and price models, including free distribution, freemium, and one-time-subscription payment. Other models are possible as well, including auctions, crowdfunding, and donations.

Blockchain and smart contracts will be used to support the transactions on the platform.

The platform will feature genuine content ratings based on users’ votes. “Artificially inflated vote counts and paid releases will become a thing of the past,” Negachev claims.

Community members who ensure content safety and compliance with platform guidelines will become Platform Moderators, while other community members will be able to rent out their hard drive space to store the platform’s content, becoming storage providers.

Finally, VRT World expects to attract advertisers, including agencies and other parties interested in advertising their VR content.







# VRT.WORLD: MAKING VR CONTENT CREATION AND DISTRIBUTION ACCESSIBLE TO ALL DEVELOPERS



## VR for space exploration

Striking partnerships is an important part of VTR World's strategy. Among the company's most recent deals is an agreement with Spacebit for developing of VR applications for space exploration, astronaut training and education.

Among specific collaboration projects by Spacebit and VRT World will be developing a realistic Soyuz Capsule landing experience that would help to inspire future astronauts.

Meanwhile, to develop and promote further the platform, VRT World is running a token sale. The operation began in September 2017 with a group of private investors bringing the equivalent of \$350,000.

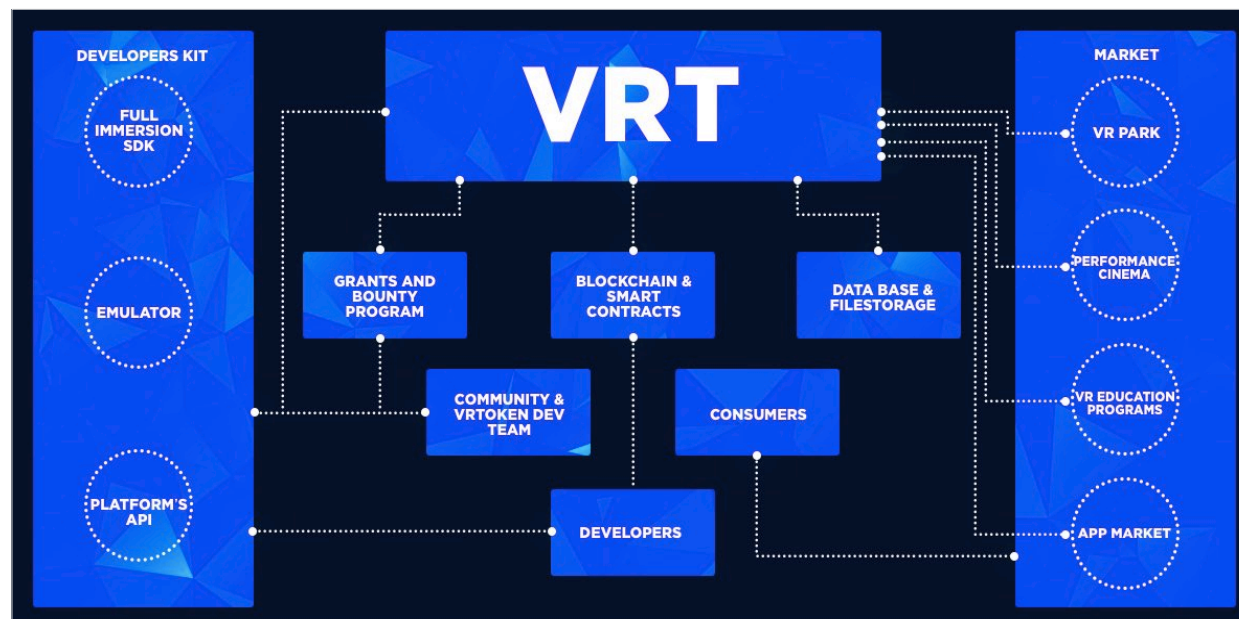
Then, in a public presale from December 5, 2017 to January 5, 2018, the startup attracted the equivalent of \$721,000 from 294 investors from 21 countries.

A public crowd sale is to run from February 27 to April 27, 2018. VRT World hopes to raise up to \$16 million (hard cap) in the token offering.

Thirty percent of the proceeds are to be used for creation and promotion of the company's virtual reality parks, 25% to be spent on creation of the platform, SDK and upgrading technology, 18% and 15% to be allocated for content creation and marketing activity, respectively.

Should the ICO succeed, the startup will deploy its technology in a variety of new fields. "We are looking forward to integration and application of VR in scientific research, education, healthcare, real estate, advertising and other business sectors over time," Negachev says.

(February 2018)







# VRT WORLD

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# TOKEN SALE

## 27 FEBRUARY - APRIL 20





# YOUDO.COM: THE AI-POWERED SERVICE MARKETPLACE THAT WANTS TO RESHAPE CONSUMPTION PATTERNS AND THE LABOR MARKET



*By Adrien Henni, East-West Digital News*

YouDo.com, a platform that matches people requesting and providing day-to-day services, is virtually unknown outside Russia. Yet its strong traction on the local market is fuelling a desire to become one of the next digital superstars of the region, in the footsteps of unicorn Avito.

The site presents itself to users in a very simple way, as a place to solve all manner of practical problems — from computer repair to translations to housekeeping, and thousands of other fields of activities.

Yet beneath this surface is a technologically-sophisticated platform, which founder Alex Gidirim claims can “disrupt the classifieds,” “change the way people search for services and even goods,” and “contribute to the emergence of the labor market of the future.”

## Too early on the market?

The story of this startup, which is now backed by major Russian VCs, has not always been rosy.

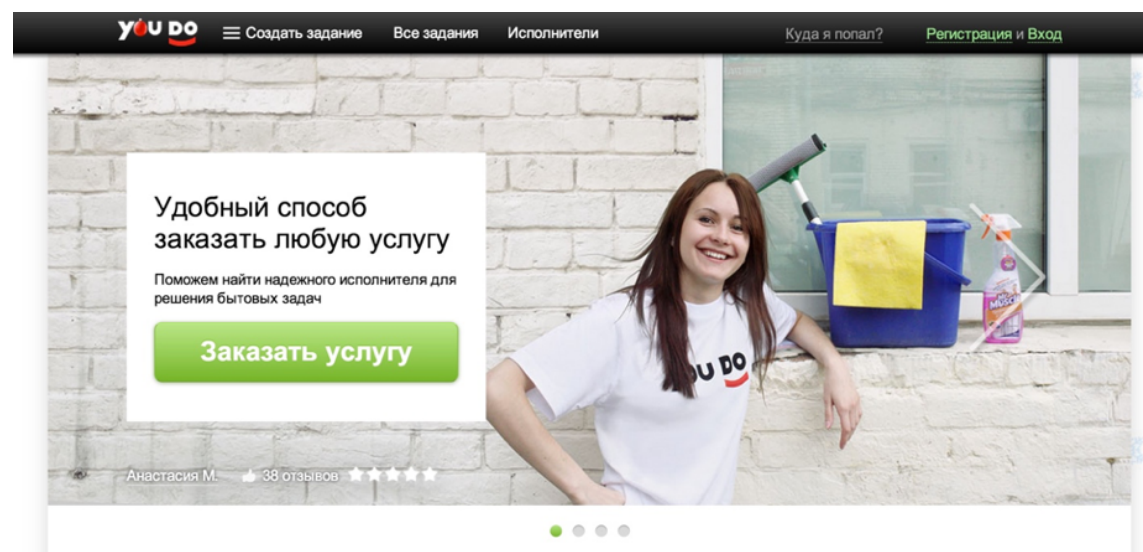
“At the early stages, in 2012-2013, I developed the project as a believer, since the deep tech we prepared was not in demand,” recalls Gidirim. “We had to evangelize and create our own ecosystem around our solution.”

But the company chugged along, fine-tuning its technology features and business model while patiently waiting until its marketplace concepts finally captured customers’ and investors’ attention.

In 2016 the platform at length got some significant traction, boasting more than 61,000 average monthly published tasks. That same year YouDo.com completed a \$6.2 million Series C financing round, following earlier smaller capital injections (<https://goo.gl/Ft8nj3>).

## AI-powered matching and anti-fraud

YouDo.com claims to be the only Russian online marketplace using artificial intelligence at its core. Machine learning is used in practically all areas of operation, from creating tasks to matching users and service providers to checking comments and verifying users, Gidirim says.





# YOUDO.COM: THE AI-POWERED SERVICE MARKETPLACE THAT WANTS TO RESHAPE CONSUMPTION PATTERNS AND THE LABOR MARKET



Is AI really necessary for a service marketplace? “In the traditional model, if a user chooses the wrong subcategory when creating a task, a moderator has to correct it manually. This consumes resources and has a negative impact on user conversion. In our new system, a neural network automatically determines the subcategory from the name of a task by meaning, not just by keywords,” explains Gidirim.

Mistakes are very rare, he claims, as the system is learning on a daily basis from thousands of new tasks. What’s more, a Big Data approach is used for identifying spurious comments and suspicious users as well as for checking providers during the implementation of tasks.

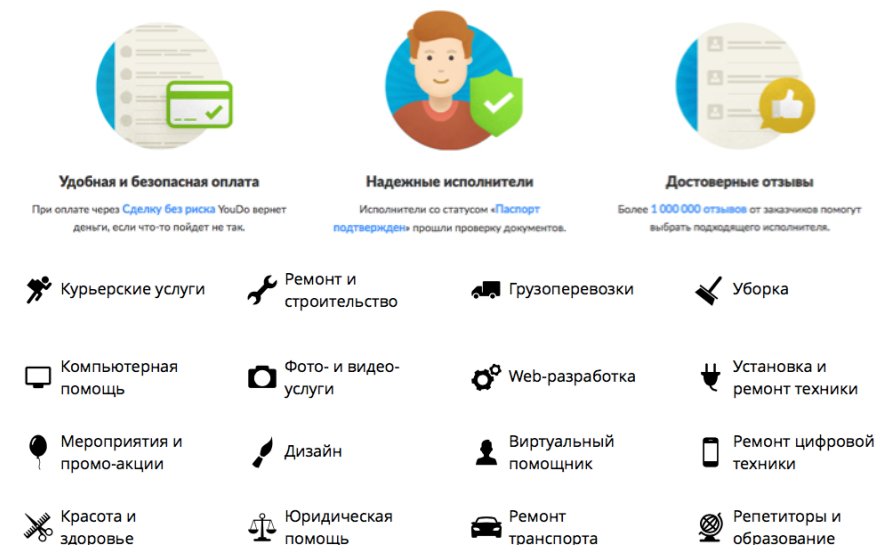
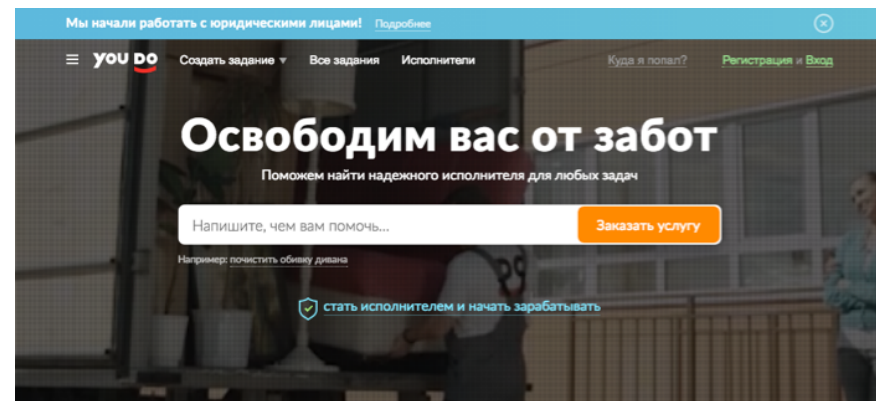
“You can’t fight fraud in large systems without automation and machine learning,” Gidirim says.

## Competing with major classifieds platforms

With 500,000 registered and verified service providers, 2.8 million registered users and a monthly GMV of over \$10 million (as of October 2017), YouDo.com is the largest platform for personal services in Russia today. In December 2017, Apple distinguished the YouDo app among the best of the year (<http://goo.gl/yGTnSC>).

Yet competition is strong. One source is Avito: this leading classifieds platform was launched in 2007 by Swedish entrepreneurs and acquired in 2015 by Naspers (<http://goo.gl/249Cir>).

As a classifieds site, however, Avito is technically not the same as YouDo.com. From Gidirim’s perspective, Avito is “an outdated model”: users are required to seek out goods and services using a search box, then make calls or send messages to check availability. This is time-consuming — unlike YouDo.com’s immediate matching of service seekers with providers.





## YOUDO.COM: THE AI-POWERED SERVICE MARKETPLACE THAT WANTS TO RESHAPE CONSUMPTION PATTERNS AND THE LABOR MARKET



Avito Service Pro, a service which closely paralleled YouDo.com, closed after several pivots in May 2017. Among YouDo.com's other domestic competitors are mono-vertical players, including vezetvsem.ru (trucking), qlean.ru (cleaning), remontnik.ru (home improvements).

The closest international analog of YouDo.com is Task Rabbit. This US marketplace — which was acquired by IKEA in September 2017 — matches freelance labor with local demand.

"Despite the fact that they raised nearly four times as much as we did in terms of equity funding,<sup>1</sup> Task Rabbit's traffic is well below ours — roughly one million unique visitors a month vs. 3.3 million, according to SimilarWeb," boasts Gidirim.

### Plans for growth

YouDo.com aims to keep its leading position on Russia's on-demand services market, taking up to 30% of the C2C market and 10% of the B2B market by 2022 while achieving a transaction volume of \$4 billion.

And that's not all. As the labor market and employment models evolve, YouDo.com hopes that government policies will stimulate self-employment and reduce the gray market.

In the meantime, the readiness of many Russian service providers to switch to fully legitimate operations has yet to be proven.

YouDo.com also considers developing B2B services. As for B2B on-demand services, the transaction volume will exceed \$3.5 billion in Russia, YouDo.com predicts.

But what the company lacks is geographical coverage, as it currently operates only in Moscow, St. Petersburg, Kazan, Nizhniy Novgorod and Yekaterinburg.

Geographical expansion is high on the agenda, Gidirim, says. Thanks to a new round of funding, YouDo.com will be able to enter more than 20 of the largest Russian cities in 2018 and eventually cover the entire Russian Federation.

Expansion beyond Russian territory is also being considered by Gidirim, who believes his concept has potential as disruptive as that of Airbnb and Blablacar in their respective fields.

"But for the next 12 months, we have enough to do here," he says. "Our main aim is to keep our leadership in Russia." And indeed, Yandex and Avito have remained Russia-focused to a large extent — but this did not prevent the former from going public on the NASDAQ in 2011 or the latter from being valued at \$2.7 billion when acquired by Naspers four years later.

"Nevertheless, we see how crucial the technology to offer a sophisticated product and disrupt a market is. It is our intention to deploy it outside Russia at a later stage."

1. According to CrunchBase, Task Rabbit has attracted \$37.68 million in total in six rounds from 13 investors vs. YouDo's \$10 million





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