



Venture Russia

1H 2019: Results



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Skolkovo Resident



INTRODUCTIONS

Another six months are over, and despite woe-ful forecasts, Russia's VC market is still far from moribund. We all recall an army of experts airing near-cataclysmic scenarios in which government sway in the market threatened to irretrievably dispirit real entrepreneurs.

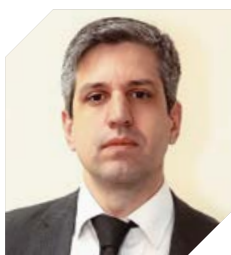
What we can see today appears to move the other way. New funds get started, private next to government. Russian corporations have set their sights on digital, investing in startups and integrating their solutions. The market is not awash in institutional investors yet, but already we are witnessing a rise in corporate customers, which fuels hope. Of course, the government is not waiting in the wings; it voices plans to flood the market across segments with state largess via funds, grants and procurement programs for its digital economy project. VEB Innovations, RVC and RDIF have announced an array of deals and new funds. Verbal interventions appear to have electrified the market, instilling some interest. We can see a slight decrease in the number of deals, but overall moneys go up, a trend we first noted last year. Investors bet on the ripest and strongest, and this brings zesty fruit as exits are now on the rise. Furthermore, there've been sizable international deals involving Russian companies, too (Veeam and Insight Venture, for one), and Hh.ru's IPO on Nasdaq was nothing short of jubilant for Russia's entire technology community.

The following trends have solidified:

- Funds begin investing abroad, and startups seek inroads into foreign markets
- New dividend models and credit funds emerge, as investors lend money or give convertible loans with interest charged to ensure liquidity long before exit
- State funds are sprouting up; many have already been announced, and more are likely to fire up the media before the end of this year, I am sure. In my opinion, government investments do more evil than good, as the state ignores the art of investing and often throws the market into misbalance as a result
- Policy aimed at supporting investment climate is hard to predict. Topnotch investors get jailed, and so do liberal officials, an environment that prompted Belousov, a well-known Russian VC, to coin a formula: 8 unsuccessful VC investments of budget funds = a total of 20 years behind bars
- The venture world is changing, and old-style funds have to extend their services lists to make money; just investing is not enough
- Growing investment platforms and syndications are gaining more ground for a large number of business angels and other small-scale investors
- Commercial bonds have been introduced, a new tool worthy of note which venture companies have begun to use to raise funding

In a nutshell: the VC market is picking up; and although foreign capital is not knocking on our door yet, expectations are guardedly optimistic.

Regards,
Arseniy Dabbakh
Founder, Dsight



The current state of the Russian venture market might be characterised as 'stable with a neutral forecast'. Probably, taking into account economic trends over recent years, this is the standard condition. No explosive growth should be expected, but the market is still 'ticking over' and developing naturally. Gradually, uniform 'rules of the game' are being established, with common standards being formed. The main market players have accumulated sufficient practical experience and knowledge. The time has come to analyse and enshrine practice.

An important market trend in the first half of 2019 has been a significant growth in the activity of corporate funds. We, as representatives of business, welcome this trend, because the increase in demand for innovations from major corporations evidences their intention to change. This, in our opinion, will be able to secure support for the venture market for many years to come.

In addition, the demand for Russian law in structuring transactions is becoming more evident, both on the part of investors and companies. Undoubtedly, for DS Law as an independent Russian law firm, this is a very positive point. Domestic advisers, for the first time in a long while, have a real chance to exert a significant influence on the formation of legal practice, to participate in creating best practice and to make their own contribution to the development of healthy competition in the industry.

Kind regards,
Partner, Corporate and M&A practice, DS Law
Denis Belyaev



Dsight is Business Intelligence platform founded in 2019 that includes databases (startups, investors, corporations, experts and events) and automated products for Technology Monitoring, Tech Scouting and Market/Startup Research in Russia and globally. The company is data exchange partner in Russia for Crunchbase and Pitchbook. Dsight publishes Venture Russia reports twice a year covering VC/Hi-Tech investment deals and trends in Russia. Arseniy Dabbakh and Sergei Kantcerov are the founders of Dsight.



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National Alternative Investment
Management Association

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

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

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

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

The Association's core activities include:

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

More information about NAIMA you can find on
www.naima-russia.org/en/



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

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

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

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

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

Analyzing the overall value of Russia’s VC market, we did not consider exits and investments in market infrastructure. “Investment in market infrastructure” is referred to as investment in venture funds, business incubators, accelerator programs, technoparks and other institutions that operate in the VC market but are not venture companies.

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

For the purposes of this Report, all venture projects come within four sectors, including Biotech, Industrial Tech, Software & Internet B2B, Software & Internet B2C.

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

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

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

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

Development stages for an investable startup:

Seed

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

Startup

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

Growth

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

Expansion

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

Maturity

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

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1H 2019 TRENDS OVERVIEW



1

Investors seek out startups that have survived their “valleys of death”

The Dsight analysts reported a modest 109 deals and 14 exits in Russia's venture market between January and June 2019 — a record low for the past couple of years and just around 30% of what we saw in 1H 2018.

Accelerators are typically the primary players in the VC market — and it was exactly this segment that sagged in 1H 2019, driving the number of deals down. The Internet Initiatives Development Fund (IIDF, aka FRIL) paring down its investment activity was one of the key demotivators. The fund that just a year back accounted for almost half of all VC transactions concluded 1H 2019 with only 16 investments, compared to 48 a year before. Taking these investments out of the equation, though, would make the 1H 2019 decline in the number of deals look much less dismal (93 vs. 101 y-o-y). In February, FRIL announced the completion of an active investing phase. In its transition to a new “ever-

	1H 2018	1H 2019	Number of deals	Investment amount, \$M	Average value per deal, \$M
Seed	80	41		5.6	0.1
Startup	22	24		9.7	0.4
Growth	35	20		83.6	2.4
Expansion	6	19		38	6.3
Maturity	6	5		261	43.5
Total*	149	109		397.9	2.8
Exits	17	14		158.4	
				2186.3	4.5

* Excluding exits

Source: Dsight



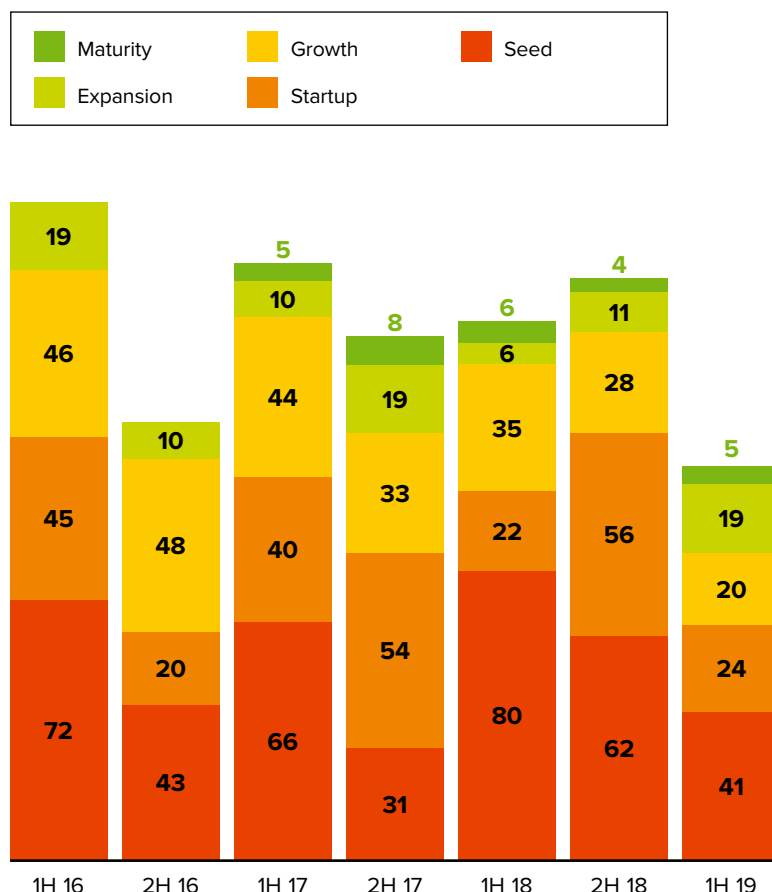
green fund” development model, FRIL is re-focusing on ongoing support of its portfolio startups (almost 400 all told) and will not recommence investing in new companies until the existing ones get sold.

Other early stage funds also retrenched a bit; these included Pulsar Venture Capital and NUMA Moscow. That said, we may expect their comeback in earnest later in the year. An acceleration program Pulsar Venture Capital launched in partnership with the Kirov Factory in St. Petersburg is drawing to a close; and NUMA Moscow, rebranded recently as Winno Moscow, is winding up its own acceleration program as well.

The remaining early stage segments of the VC market also contracted in the first six months. Numbers at the growth stage, for one, shriveled by 43% — in sharp contrast to, for example, the expansion stage that tripled its y-o-y number to 19 deals. The two largest expansion stage transactions are worthy of note. In May, a supermarket foodstuffs delivery service called Instamart raised \$8m from Mail.ru Group, Transcontinental Media Co. president Alexander Mitroshenkov, and Sberbank First Vice President Lev Khasis. In the other deal, ex Megafon CEO Ivan Tavrinn invested \$8m in Sdelano (Done), an apartment repair service that had long sought investors and ended up giving Tavrinn 99.9% of its shares.

Gearing up for the big game: most current acceleration programs are drawing to a close in 2H 2019

Excluding exits



Source: Dsight



2

Investment amounts soared across stages

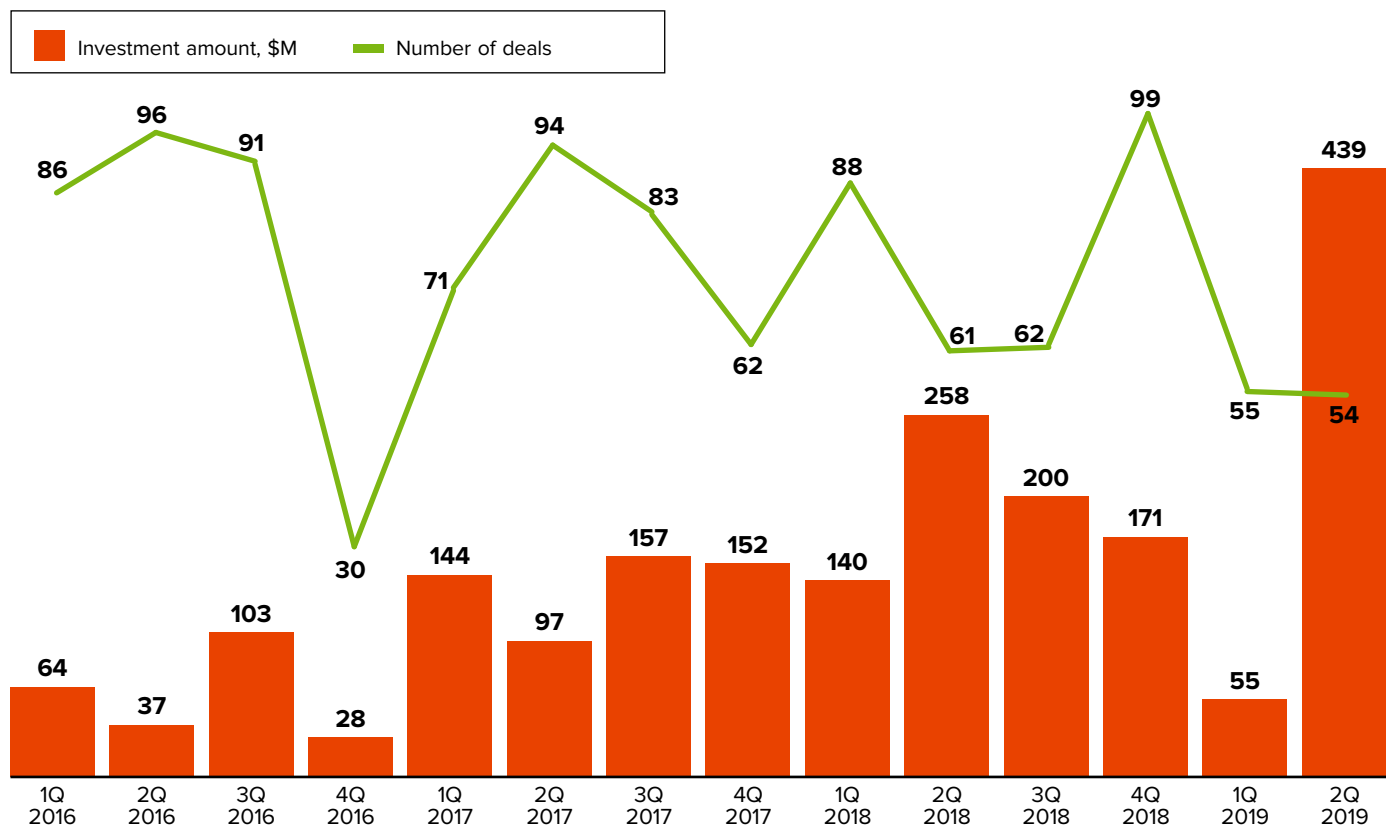
A slump in the number of deals in 1H 2019 did not cause the entire VC market to contract. On the contrary, moneys skyrocketed to \$493.6m, a five-year record high that added up to 24% y-o-y growth.

In fact, it took just a couple of sizable deals with companies that had long been awash in their shareholders' financial largess to make such a rise possible. In April, AFK Sistema and the Baring Vostok funds, the key owners of the Ozon.ru online hypermarket, gave their asset a \$150m convertible loan. Last year in June, Ozon.ru, a company that needed money for explosive growth, received \$84m in investment from Baring Vostok and MTS, an AFK Sistema owned telco, followed at the end of 2018 by another \$80m from Sistema and Baring Vostok.

The other momentous transaction was closed in May 2019 when a ride-hailing service called Gett raised \$120m from Leonard Blavatnik's Access Industries, Baring Vostok, MCI

Deep pockets' activity growth

Excluding exits

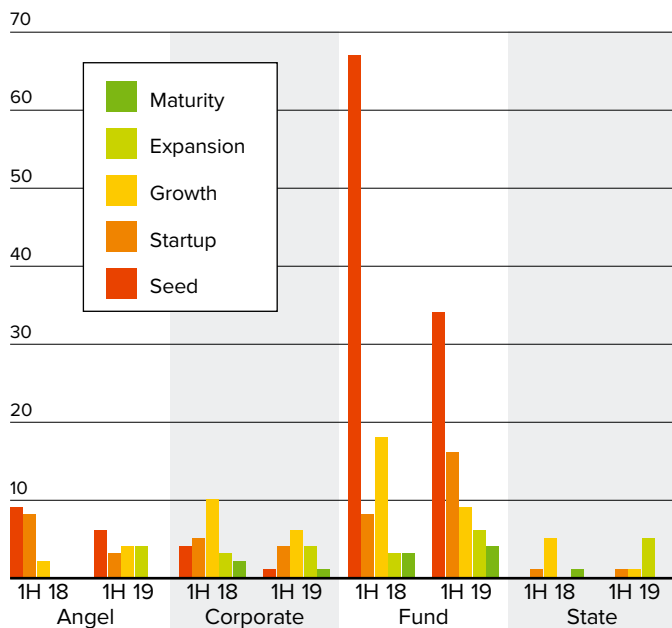


Source: Dsight



Activity by different types of investors, number of deals

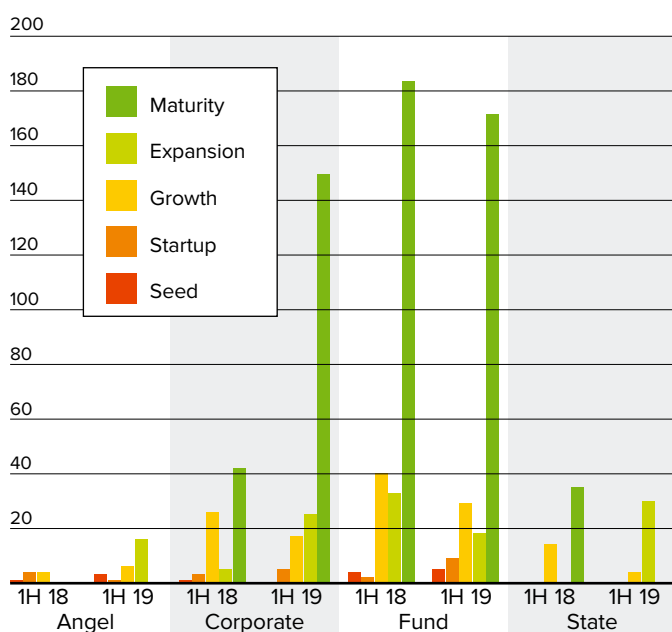
Excluding exits



Source: Dsight

Activity by different types of investors, investment amount, \$M

Excluding exits



Source: Dsight

and Volkswagen Group, a consortium that had routinely invested in the service for quite a while. In 2018, they put \$80m into Gett at a pre-money value of \$1.4bn. The 2019 investment boosted Gett's valuation to \$1.5bn. The funding is likely to be the company's last private round as Gett is preparing for an IPO slated for early 2020.

Without the Ozon.ru and Gett deals, the VC investment amount did shrink in 1H 2019 y-o-y by a noticeable 4.3% to \$223.6m, driven down by the above-mentioned reduction of growth stage deals in the \$2-5m/deal price range. At all other stages, the overall investment amount swelled. At the startup stage, it grew by a hefty 75% to \$20.3m, a clear improvement on last year when a \$2+m deal was but a dream. The dream came true in the first six months of 2019 with four such deals. For example, ExpoCapital teamed up with other investors in a \$2.5m transaction to back SmartPrice, a project the CarPrice service founders had launched to help large-scale customers from among electronics retailers swap phones in a trade-in program.

Another deal to keep tabs on is a \$2m round a Russo-American startup called Cerevrum raised from LETA Capital and Michael Antonov, the co-founder of Oculus. The young company develops augmented reality enhanced training equipment for staff at large corporations. Dsight believes it's the edtech (education technologies) segment that is in for an increase in numbers and moneys. Several years ago only a few privately held funds took stock in this field; now it's a magnet for large corporations and government agencies. For example, the Russian Venture Company (RVC) and the federal Ministry of Economic Development shook hands in June on a joint \$109+m fund to support edtech projects.



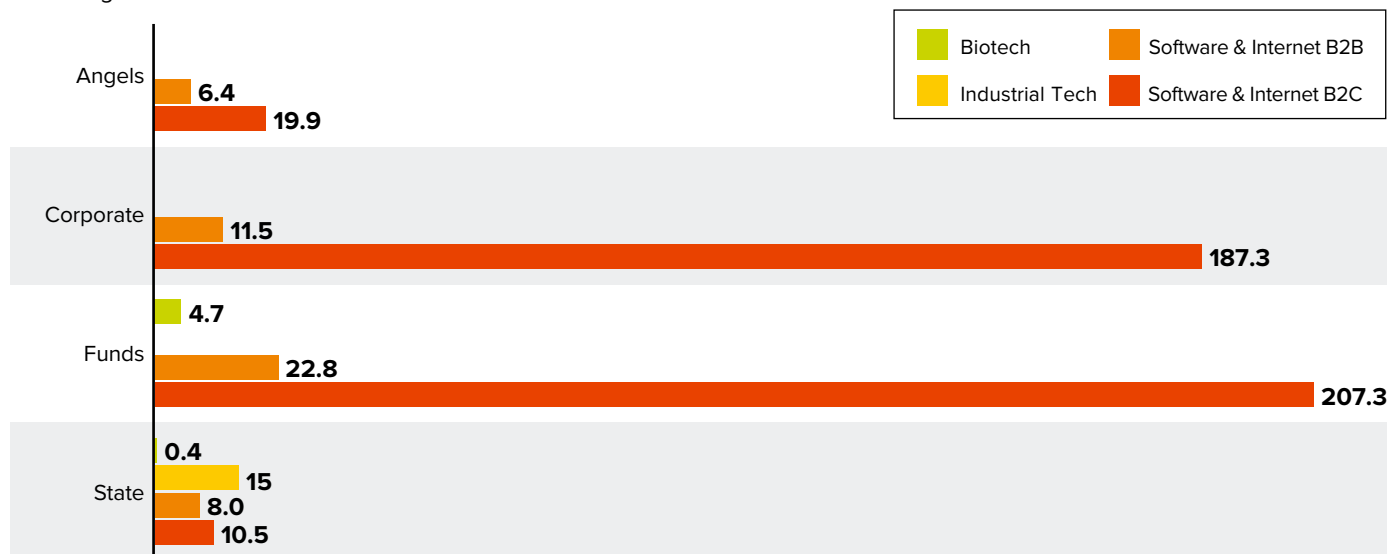
3

Corporations shift into higher gear in VC

An increasingly important role played in the venture market by large corporations had already crystallized as a trend last year. In 1H 2019, deep pockets accounted for nearly 50% of all investments.

Corporations play an increasingly important role in investing, \$M

Excluding exits



Source: Dsight

Syndicated investor deals are included in the group that leads the given round by investment volume

Mail.ru Group remained one of the most committed investors, a trend the IT holding giant had set a few years before. Following 11 deals last year, in 1H 2019 the firm took part in four venture transactions and bought a \$5m controlling stake in Panzerdog, a Russo-Finnish game developer.

Government-owned companies kept coming to make a serious difference in Russia's venture market, a prime trend in the first six months. In addition to VEB with its seven deals we mentioned above, another vibrant newcomer was Gazprom Media. It first undraped its interest in the VC market back in 2016, but between then and 1H 2019 Gazprom Media's venture portfolio had only one noticeable investment in Instamart in 2017. Earlier this year the firm closed three deals worth a total of \$4.3m. Of that amount, \$2m went to a group of companies called Happy Monday Family (HMF) which develops solutions for influence marketing (integrating ads in publications by popular bloggers, artists and musicians who have multitudes of subscribers in social media).

State companies will step up sway as the VC market develops, a trend that became obvious last year. Back in 2017, President Vladimir Putin commanded government-owned corpora-



tions to invest in startups. And invest they did — actively, setting up special departments to scout for tech projects in order to invest or take over.

The first wave of such investments arose in 2H 2018 when KamAZ and Sberbank (the latter in partnership with 500 Startups) launched their corporate acceleration programs. While in 1H 2019 deals brokered by the state-run accelerators were nearly negligible, later in the year growth appears imminent. For example, the Russian Export Center (REC) is winding up an acceleration program it once launched in partnership with Sberbank, and two more accelerators, with VTB Bank and Rosselkhozbank, are already on the table. Next year we may expect other state-run funds to start operating full throttle, especially those announced in 2018 and at the St. Petersburg International Investment Forum in June 2019 (by Rosatom, Russian Railways, Helicopters of Russia, and some others). The Far East Fund for High Technologies (FEFHT) agreed earlier this year on its inaugural two deals. Set up in 2018 by RVC, Rusnano and the Foundation for Far East Development, FEFHT invested \$1.2m in Hotlead, a cloud telephony service based in the city of Khabarovsk, and \$1.5m in Visitech, a Yuzhno-Sakhalinsk based IT project that develops solutions for industrial safety and labor protection.

Large private corporations are not turning their back on the VC market, either. In April, PwC completed its first-ever corporate acceleration program for 16 tech startups; the firm is already putting together a second one. In September, KROK is launching its fourth accelerator with an eye to identifying solutions its clients may want to buy. MTS, a huge telco, has opened its third accelerator. S7 Group, a Russian airline, teamed up in February with partners to invest \$8m in GetTransfer, a service enabling transport booking to airports. S7 had already invested in GetTransfer last year; offering the service to S7's own customers was part of the deal. Buying into GetTransfer was but stage 1 on the airline's path to venture investing. In late 2018 the group launched its own \$50m VC fund, and has invested \$10m since then.

Exits in 1H 2019 in Software & Internet B2B

Date	Target	Investor	Amount, \$M	Company stage
Jan. 2019	Avito	Naspers	1,160	Maturity
Apr. 2019	GetLean	Севергрупп	3	Startup
May 2019	Panzerdog	MY.Games	5	Growth



4

B2B investors have eyes for cloud services

The Internet giant Amazon exemplifies the advantages of investing in cloud services. While its core business, e-commerce, has barely been profitable for years, and in the red not so seldom, its main driver for overall profits is its cloud arm called Amazon Web Services (AWS) set up in 2007.

The global market for cloud services has been growing at a CAGR of 20+%. IDC analysts expect expenditures on public cloud services to double in the next five years and reach an estimated \$500bn in 2023 vs. \$229bn in 2019.

Russia shows similar trends. According to IDC, the Russian market for public and private clouds grew last year by 24.8% to \$804m and may increase by another 23.6% in 2019.

In Russia, it's politics alongside economics that drives growth in the domestic cloud market. Last year, Roskomnadzor, the federal telecommunications watchdog, sweated over politically motivated tactics to block access to the Telegram messenger, but failed and inadvertently blocked the Google and Amazon cloud services instead. At that time, the websites of many of Russia's big companies used those as platforms. The mishap resulted in some customers turning to Russian cloud service providers. For example, between May and August 2018, MTS saw its cloud service client base grow by 40%, a spokesperson for the telco told the Russian business daily Vedomosti. It was this very telecom company that in early 2019 closed the largest deal in Russia's cloud solutions segment; it spent \$40m on cloud assets developed by

1H 2019 exits in Software & Internet B2B

Date	Investee	Investor	Deal value, \$M	Stage of development
Jan. 19	Wrike	Vista Equity Partners	22	Mature
Jan. 19	Streetbee	Bemyeye	15	Startup
Jan. 19	Medialogia	VTB	30	Mature
Feb. 19	Pass24	Lanit	2	Startup
Mar. 19	Nginx	F5 Networks	670	Mature
Apr. 19	Scan to Buy	Yandex Market	3	Startup
May 19	HeadHunter	IPO	220	Mature
May 19	Worki	Mail.ru Group	10	Expansion
May 19	CloudPayments	Tinkoff Bank	3	Startup
May 19	MyOffice	Kaspersky Lab	5	Mature
May 19	Vocord	Huawei	38	Startup



IT Grad, one of this country's biggest cloud providers with particular expertise in IaaS solutions.

The second-largest deal in Russia's cloud market was the sale of a 3.3% stake in Wrike, a corporate service for co-working and project management, by TMT Investment, a fund owned by Alexander Morgulchik and German Kaplun, who once founded RBC Media. Vista Equity Partners agreed to pay \$22.3m for the stake, twenty times the initial amount TMT Investment put in the service back in 2012.

Also in the top 3 of the country's biggest deals in the segment was a \$5m purchase of nearly 30% in New Cloud Technologies (NCT) by Kaspersky Lab. NCT has been developing a package of MyOffice office apps in an attempt to rival Microsoft in Russia. It's a number of high-level political decisions to gradually substitute imported software with domestic alternatives, especially in the government sector, that help the developer, as many state-owned companies become NCT customers.

We could not pass by a major deal with a foreign company created by our compatriots — a manufacturer of management software cloud data — Veeam Software, created in 2006 by Andrei Baronov and Ratmir Timashev in Switzerland. Veeam attracted investments of the American venture fund Insight Venture Partners and the Canada Pension Plan Investment Board in the amount of \$500 million, the company's valuation after the investment is 3.5–4 billion dollars.



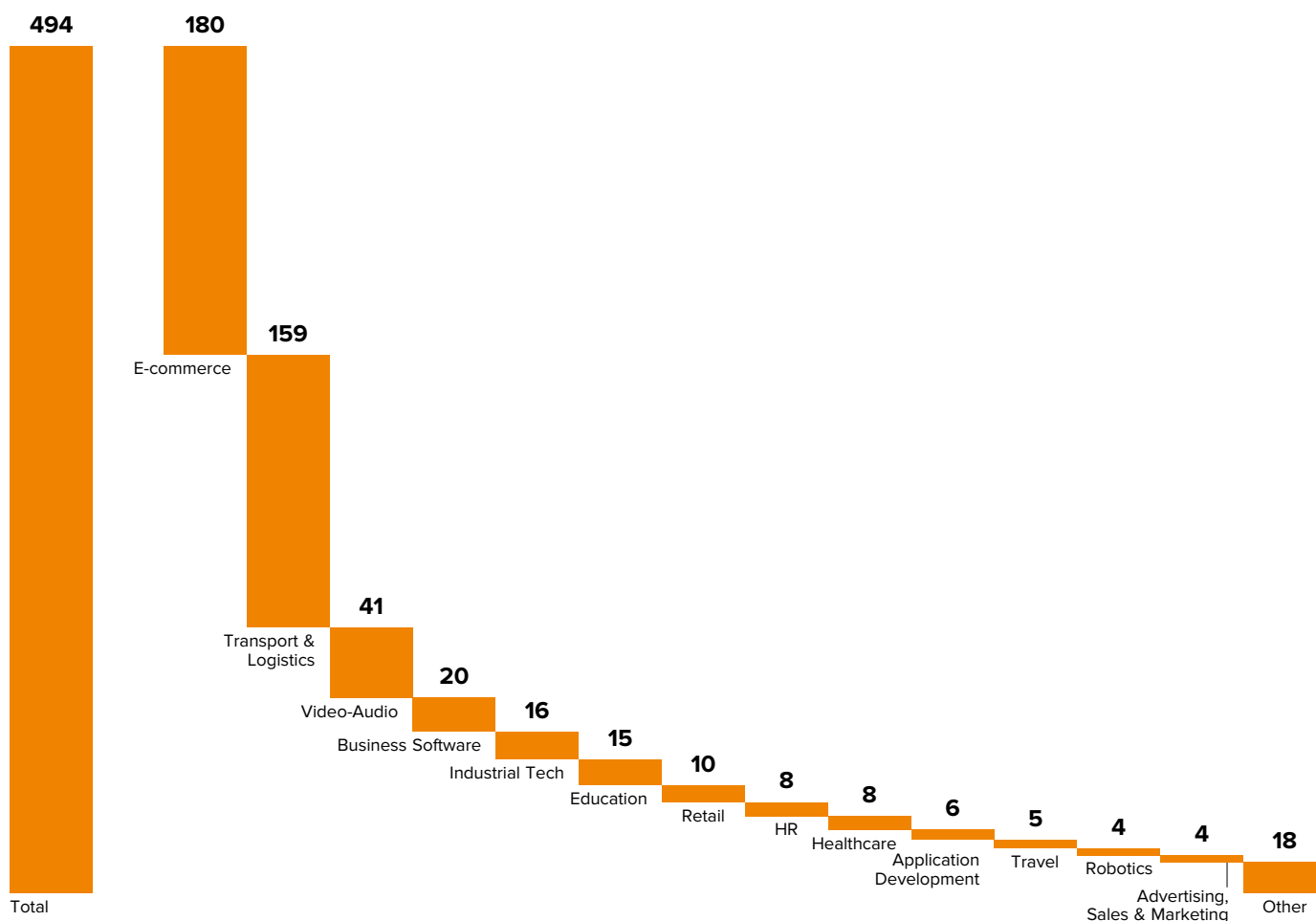
5

Retailers track services for fast and inexpensive foodstuffs delivery

In 2018, Dsight identified foodtech as one of the most bouncing segments in Russia's VC market. It took 18 months for the current movers and shakers in the restaurant delivery segment to emerge as game changers. These are Yandex.Meal and Mail.ru Group with its recently acquired assets, Delivery Club and ZakaZaka. Sberbank and Rambler Group elected to partner with GHP Group for the development of Foodplex, a platform that brings together a number of restaurant services, including an automation system called R_keeper, the Plazius system for digital marketing and payments, and a new booking service called Afisha-Restaurants.

E-commerce projects attracted around 30% of all investments, \$M

Excluding exits



Source: Dsight



Saturated as it may seem with big federal-level players running the show, the restaurant delivery market still appears to make room for startups and services that deliver convenience foods/takeaways, and investors in the new are never far away. Gazprom-Media, for one, in February shelled out \$2m for around 15% in Catery, an event catering service. The foodtech segment sometimes entices even non-core businesses. Earlier this year the PIK group of real estate developers used its new PIK Innovations subsidiary to buy 24% in a ready-made food service called Kukhnya Na Rayone (“Kitchen in the Neighborhood”); the \$2m deal made PIK the service’s biggest co-owner. Partnering with Kukhnya Na Rayone helped the real estate developer broaden its services to core customers; one such “Kitchen” already operates in Buninskiye Luga, PIK’s new housing project in Moscow. PIK apparently found foodtech promising enough to go beyond “Kitchens”; it now holds 27% in Roboretail, a Cypriot company that owns the Samokat chain of dark stores.

E-commerce and supermarket food delivery are no news to the Russian market; but that’s where foodtech investors are now shifting their focus. We already mentioned 1H 2019’s largest \$8m Instamart deal that was announced in April and involved Mail.ru and partners. VEB Ventures followed suit and invested \$2.2m in Golama, the key online deliverer of food from the Metro, Lenta and VkusVille retail chains and a direct competitor to Instamart.

Investors who work with online foodstuffs delivery have yet to address a couple of pressing problems. First of all, it may take a real sweat to replicate the success of Moscow and St. Petersburg in Russia’s provinces. Secondly, the “cost of the last mile” snag has to be dealt with. Few customers agree to pay another \$3-4 for the delivery of a package that contains \$3-4 worth of food. To address the latter problem, one should either invest heavily to enable free delivery or introduce advanced technologies to lower the cost of delivery. A boost in the number of orders per time interval/area could help cut the cost. Big players can handle it, and so can courier delivery aggregators — the last mile segment which Dsight believes will undergo active consolidation as the market develops.

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6

The average value per deal grows at later stage investments

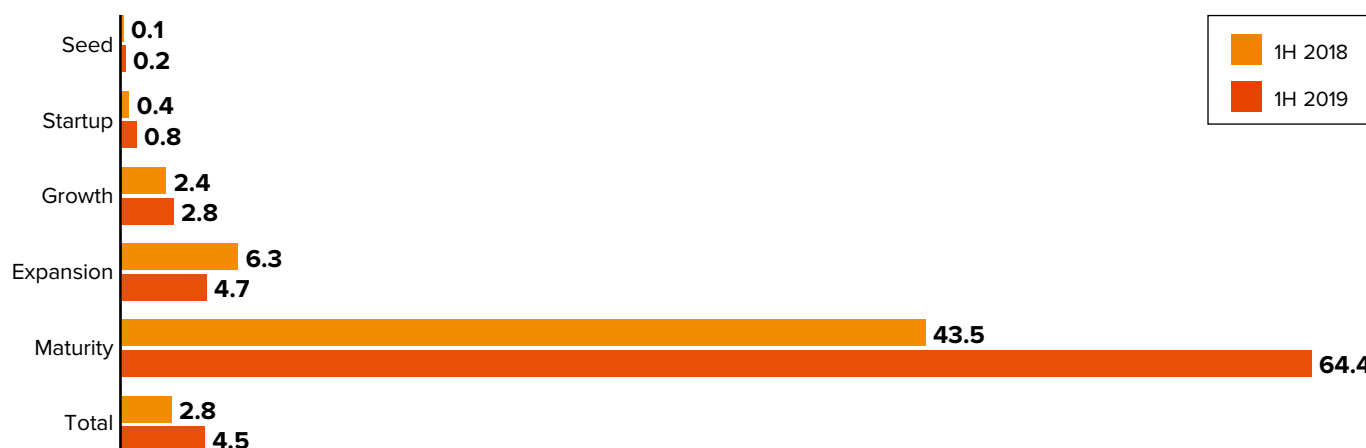
In 1H 2019, the venture market witnessed a whole series of large M&As and IPOs, especially with maturity stage companies. Of 11 venture deals with such companies as investees, six were exits. For example, in January Naspers from South Africa bought a 29.1% stake in Avito for a hefty \$1.16bn. The South Africans first invested in Avito back in 2013, and following the January deal Naspers owns 99.6% of the Russian classified ads platform.

In March, Igor Sysoev, a Russian programmer, sold to U.S.-based F5 Networks his Nginx open source code powered web server he had been developing for 17 years. Mr. Sysoev got \$670m, and his Nginx team joined F5.

The sole IPO by a Russian company on a foreign stock exchange is worth looking at. In May, HeadHunter sold approximately 32% of its shares for \$220m on Nasdaq. Valued at \$675m overall, the HR service saw its valuation grow by almost 25% within two days of the IPO. In June, there was another deal with a recruiting service — Rabota.ru, in which Sberbank invested \$3 million.

The last time a Russian company held an IPO was En+ floating its shares in London two years ago. In 2018, the market was looking forward to an IPO by IBS Holding; its owners Anatoly Karachinsky and Sergey Matsotsky had plans to float \$108-123m worth of stock with the Moscow Stock Exchange. In April, new U. S. sanctions were introduced, and the IPO was put on ice. This year, though, the IBS shareholders struck little short of bonanza; in January they shook hands with U. S.-based DXC Technologies on the \$2bn sale of their overseas IT developer, Luxoft.

Average value per deal grew sharply at later stages, \$M



Source: Dsight



7

Biotech deals are too far below the radar

It's been years since biotech was first referred to as "a second IT". In Russia, however, the sector has been shrinking for the past couple of years. Dsight verified 24 deals involving biotech startups in 2016, a little over ten the next year, and just five in 2018. There were only two deals in 1H 2019. Onco Atlas agreed on an investment with VEB Ventures, and the Russian Venture Company (RVC) invested \$4.7m in Personal Medication & Health Management (PM&HM) that had developed an inhaler lowering the toxicity of drugs for tuberculosis and cancers.

Russian biotech is an area non-core and private investors typically find tortuous to deal with. On the one hand, one has to compete with the deep pocket "Big Pharma"; on the other hand, possessing profound expertise in the field is a must. Therefore, having government-affiliated entities around as key investors in the market comes as no surprise. These are RVC and RBV Capital, a fund RVC and Alexey Repik's R-Pharm set up jointly.

Life science projects account for about 40% of RVC investments and represent a substantial part of RVC's Seed Fund and Biofund portfolios, according to Mikhail Fedotov who runs subsidiary funds at RVC. The tide has turned; in 2017 RVC announced plans to close all four of its subsidiary funds and has been shedding portfolio companies since then. That said, there are some promising biotech projects in the portfolios RVC would like to keep for another 4-5 years. These include ExoAtlet that develops advanced exoskeletons, and the HSCI's Genetico labs for genetic tests.





Investors survey



Domestic investors retain their Russia focus

As this report was taking shape, we approached 28 investment funds for valuable first-hand input. Of the funds we talked to, 33% were big players with \$50+m worth of assets under management (AUM); 27% managed \$15-50m each; and another 27% represented the \$5-15m AUM level.

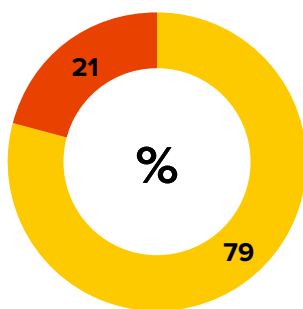
These past six months were full of zip for 79% of the funds polled; the VCs were on the go doing deals. Russia remained the preferred playground for most of them. Only six out of 28 did not work with Russian projects. The domestic venture fund community is taking cautious steps and, unlike their Chinese and U.S. colleagues, has just begun testing the global waters.

That said, the market situation is far from dispiriting. Deals grow in number yearly, and new funds keep sprouting up; of those polled, 11 were set up in the past three years. Just two of the greenhorns have shunned domestic deals. Cultural particulars also play a role; for example, half of the funds polled have never exited a single project since they got started.

Funds polled – 28

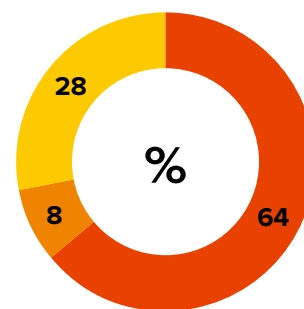
75+% of the funds polled did venture deals in 1H 2019

- Yes
- No



Most of the funds have been investing actively

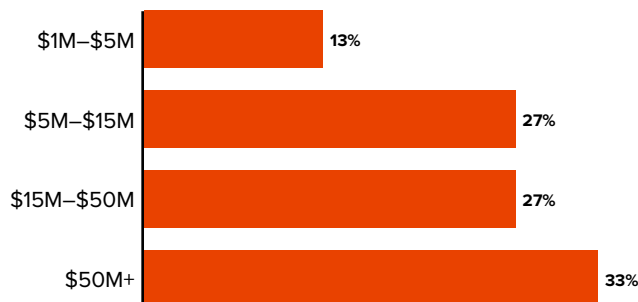
- Funds invested heavily
- Funds invested predominantly in follow-on rounds of portfolio companies
- Funds focused on managing the current portfolio



Half of the funds polled have never carried out exits since setup



30+% of the funds polled have at least \$50m worth of AUM



Source: Dsight



The Venture World

In partnership with Pitchbook

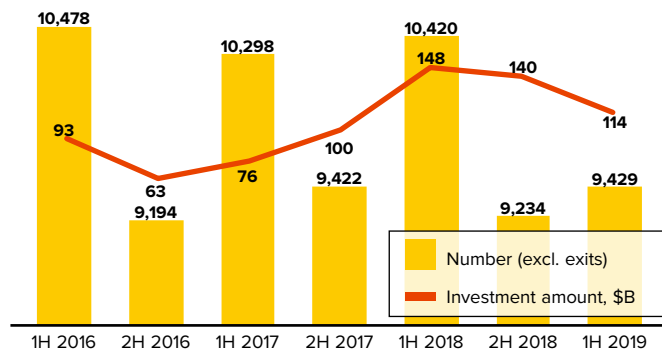


How was the global VC market faring?

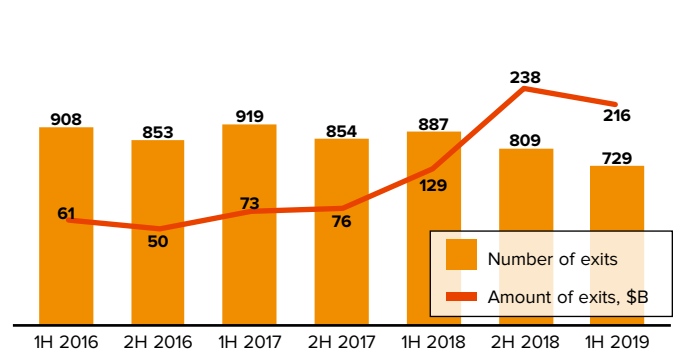
Global VCs took a one-year breather to retrench a bit in 1H 2019. The number of deals contracted by 10% from 10,420 in 1H 2018 to 9,429 a year after (excluding exits). Moneys declined y-o-y as well, from \$148bn to \$114bn, resulting in a 23% market shrinkage. In Europe, things looked a bit zappier; on the backdrop of an 11% downturn in number the regional market ended up adding another \$4bn to its capitalization from its level in late 2018. The UK and Ireland were in the lead in software, pharma and biotech.

Exits told a different story globally. In money terms, they grew from \$129bn to \$216bn y-o-y; but their number sank from 887 to 729 y-o-y. The EU market looked particularly bleak; exits

Contraction was observed in the global VC market in 1H 2019

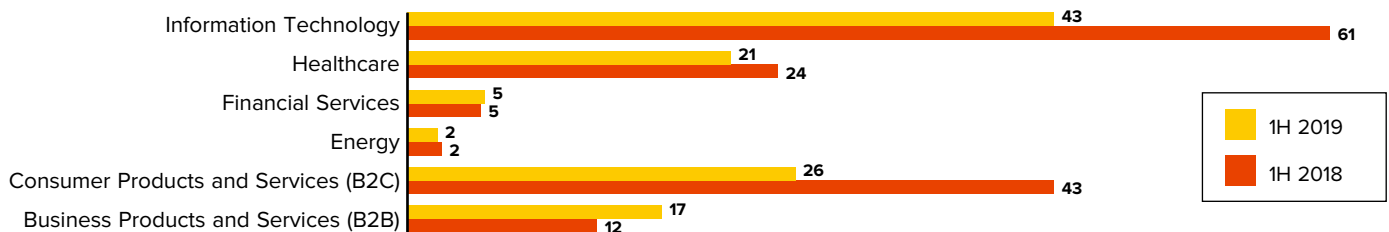


Exits began shrinking for the first time in years



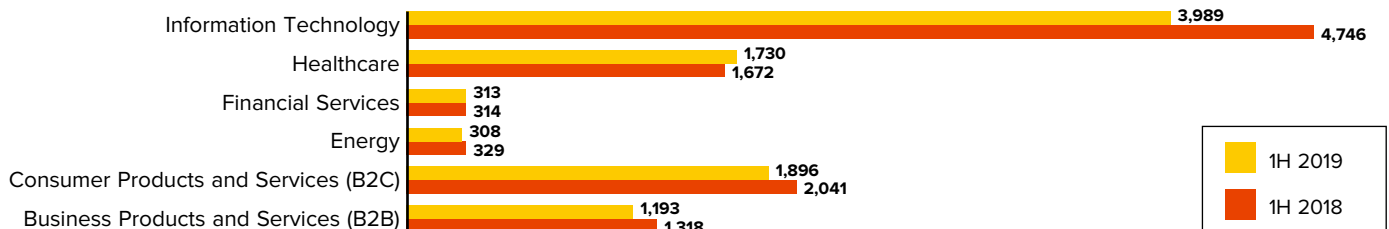
B2B segment increasingly attracts global investors despite market cooling

Investment amount by sector, \$B



Medtech remains an investor magnet

Number of deals by sector

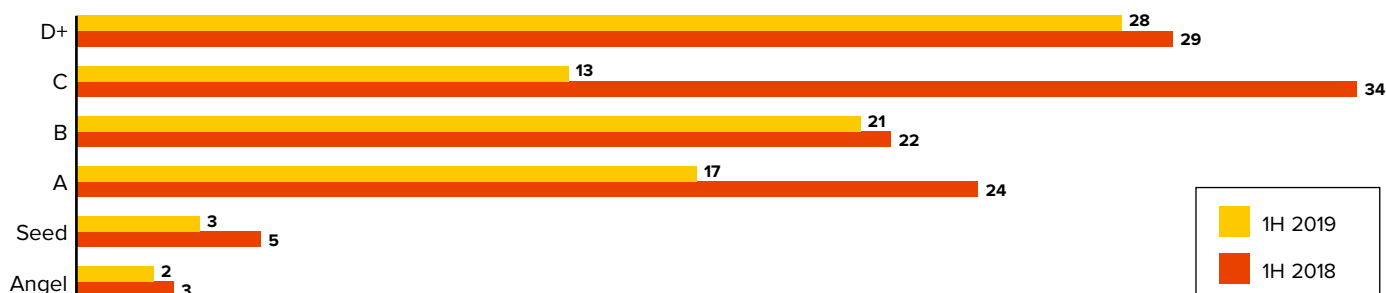


Source: Pitchbook

The data differs from that published in the Venture Russia 2018 report following updates of the deals database for the past reporting period

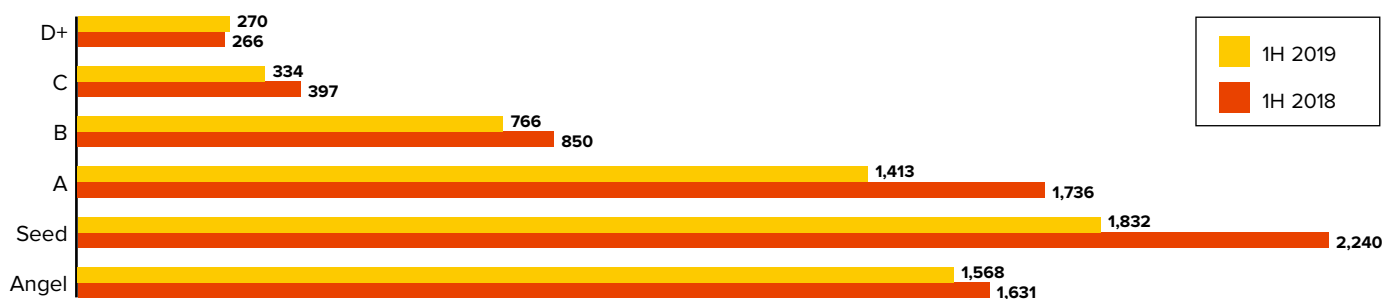
Investment amounts shriveled across rounds

Investment amount by round, \$B



Deals grew in number at the last investment stage (D+) only

Number of deals by round



Source: Pitchbook

shriveled by 14% in number and spiraled down in moneys from \$43bn to just \$2bn—a nose-dive some attribute to discouraging developments on international stock markets, where many companies have put deals on the back burner as markets grow pessimistic and the economic standoff between the U.S. and China escalates.

The VC markets had seen better days overall; but some sectors looked vigorous enough. In IT, the number of deals grew by 757, in FMCG and services by 145, in B2B services by 125, and in energy by 21.

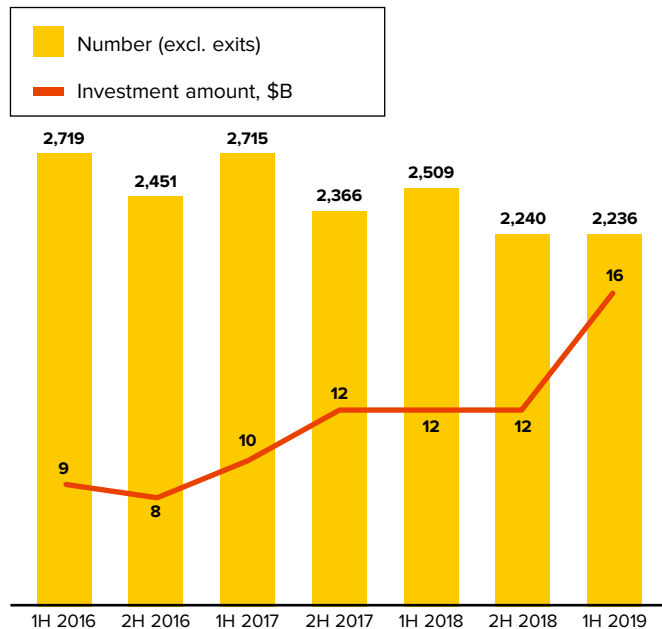
The situation looked worse in money terms, though. Price tags fell like autumn leaves across all sectors—except energy and financial services, where 2H 2018 levels remained, and the B2B service sector which solely ended 1H 2019 on the rise (up \$5bn).

Some of the world's most spectacular deals are worthy of note. DoorDash, a meal delivery service, raised \$600m from investors; a tourist app called GetYourGuide received \$484m; TransferWise, a fintech project, walked away with \$292m in investor money; and a payment service called Marqeta raised \$260m. So, the market never bedded down in 1H 2019, and some of its deals even turned out to be the highest-priced in their niche markets, setting records for both startups and individual segments.

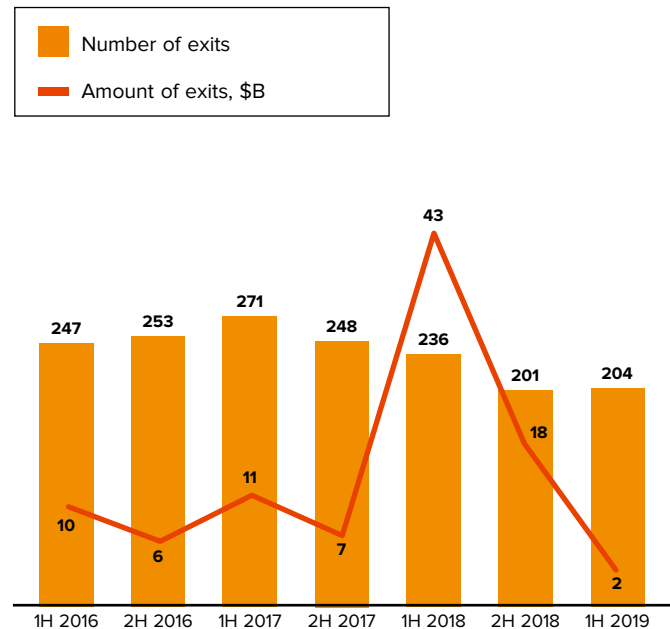
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Investment amount kept growing in Europe

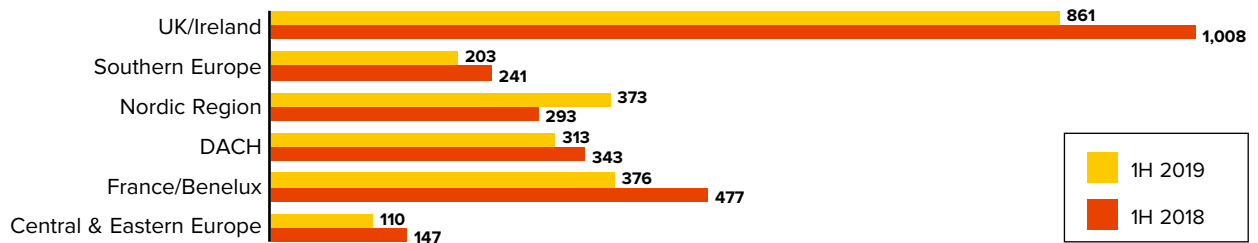


Exits have been declining for 18 months in a row in the EU



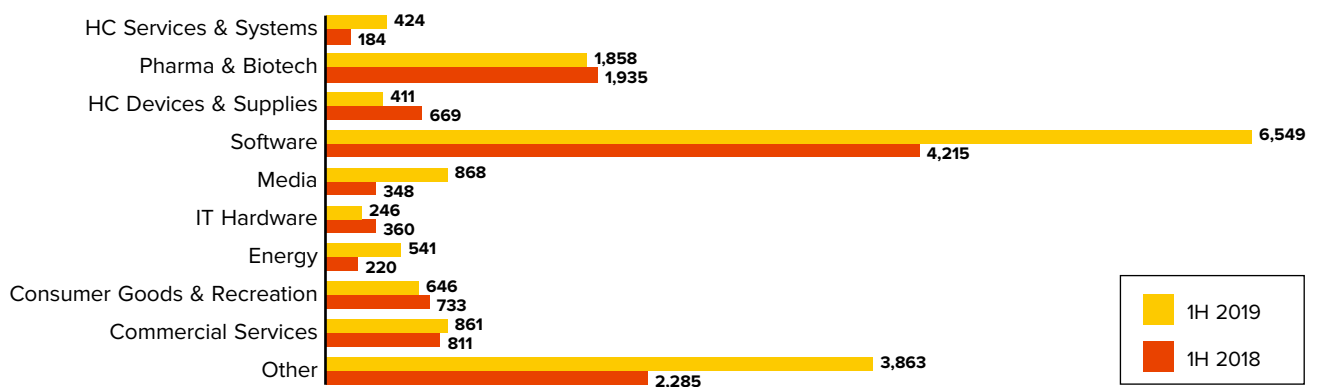
The UK has long been the unrivaled leader in both numbers and investment amounts

Number of deals by regions



Software, pharma and biotech reigned as key investor preferences in 1H

Investor amount by sector, \$M



Source: Pitchbook

The data differs from that published in the Venture Russia 2018 report following updates of the deals database for the past reporting period



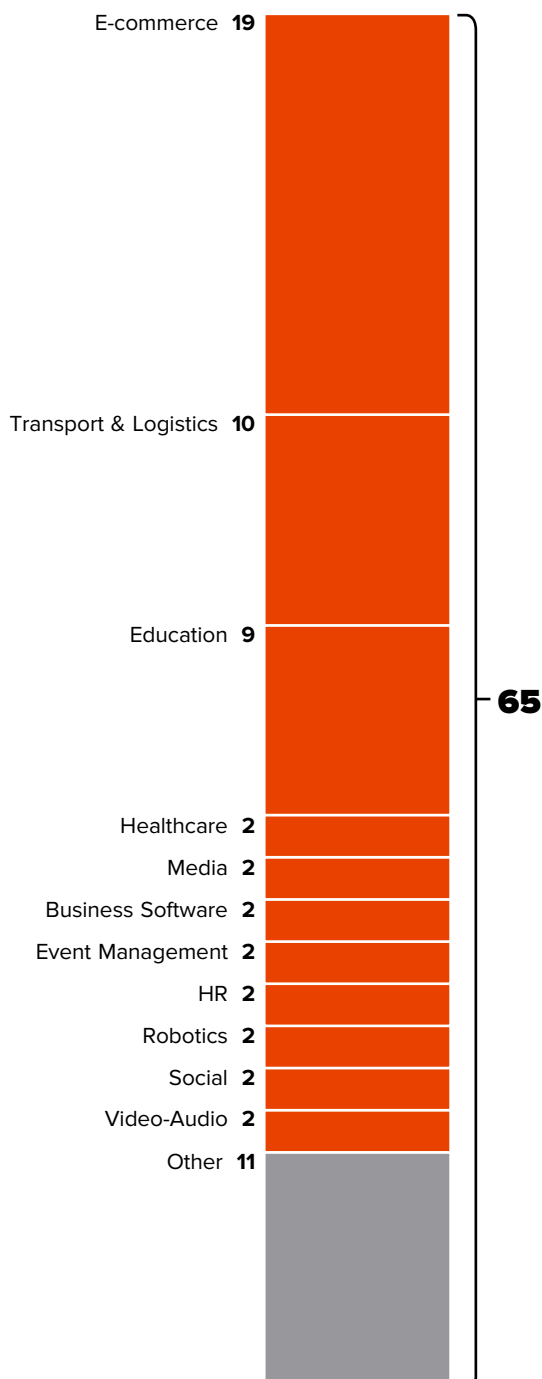
Annex: Deals by Segment & Exits



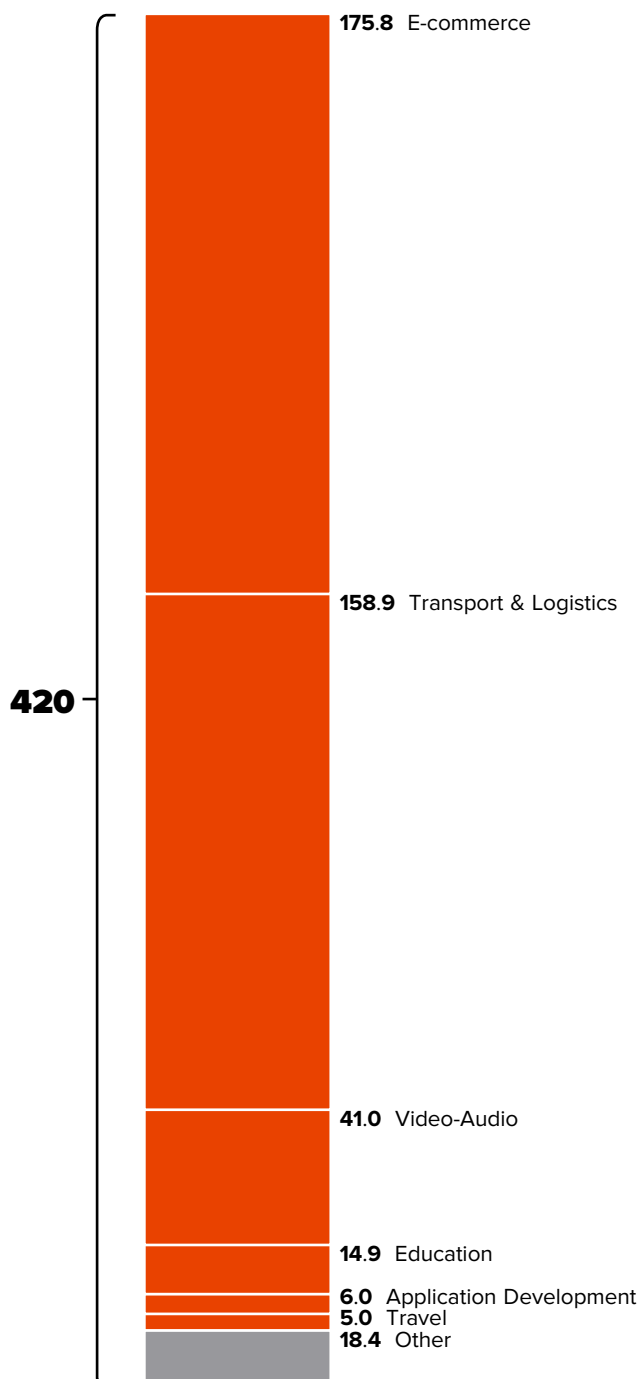


Deals by Segment – B2C

Deals structure by sector*, numbers



Deals structure by sector*, \$M



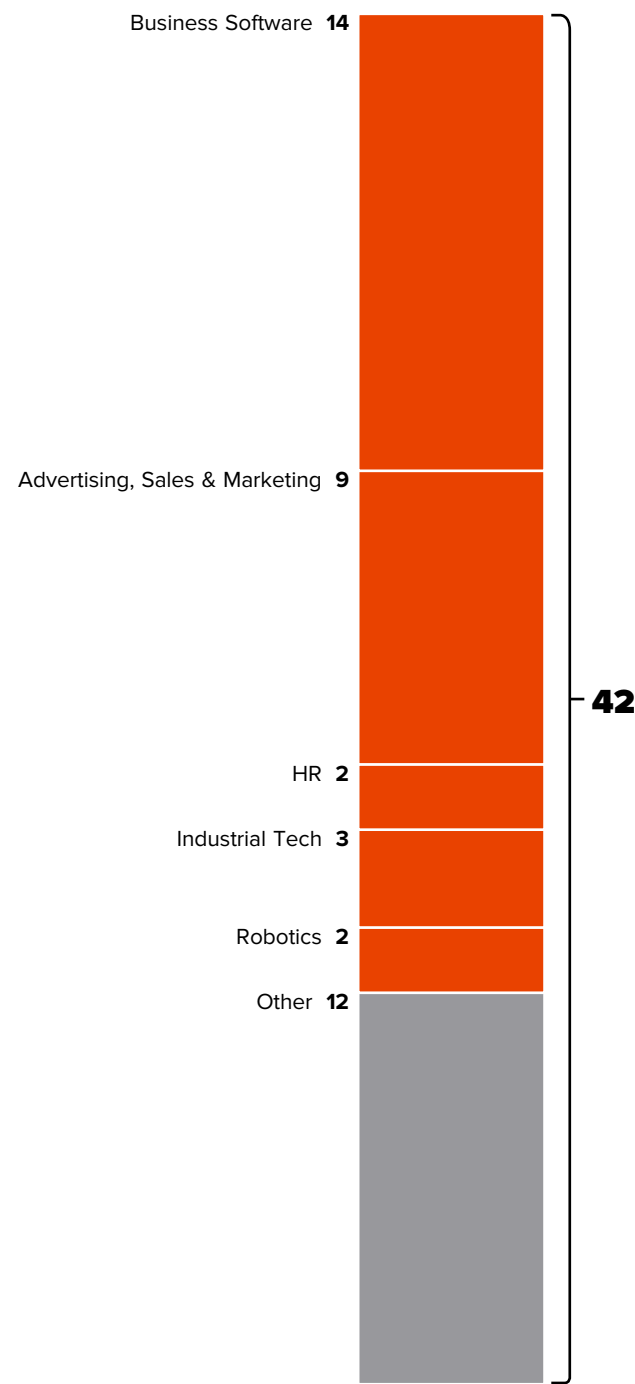
* No acquisitions (exits) taken into account

Source: Dsight

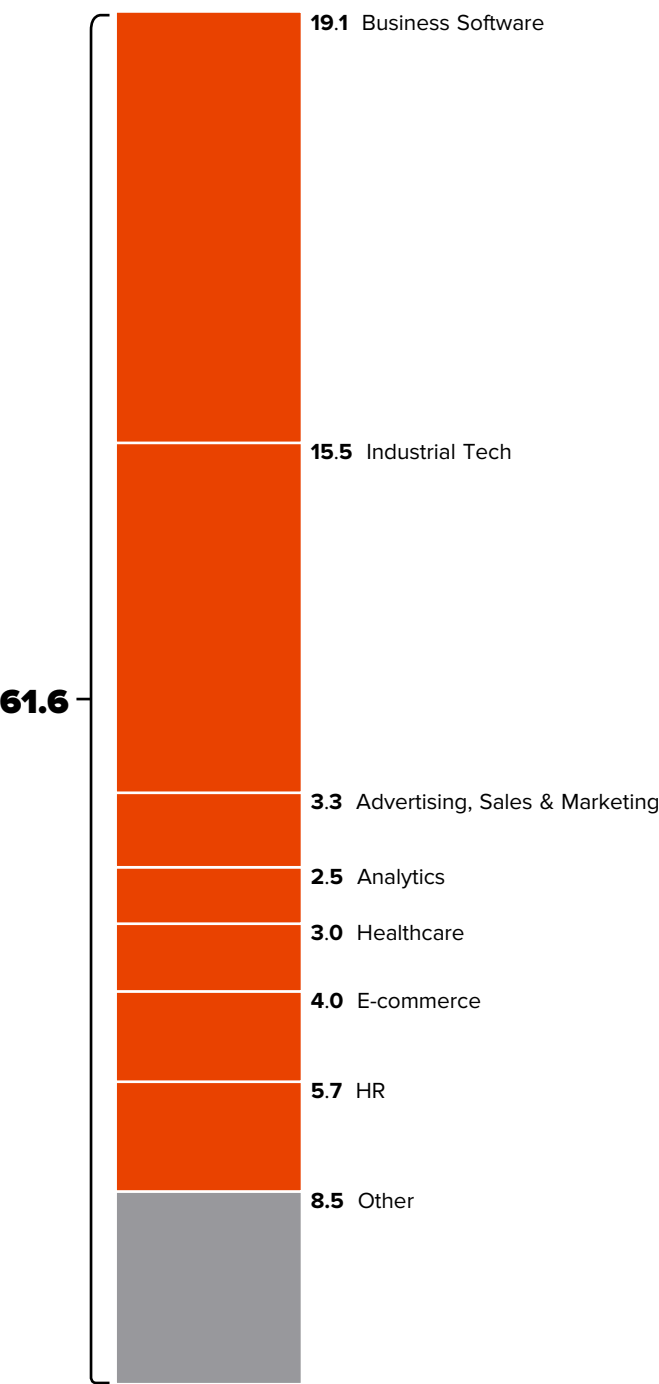


Deals by Segment – B2B

Deals structure by sector*, numbers

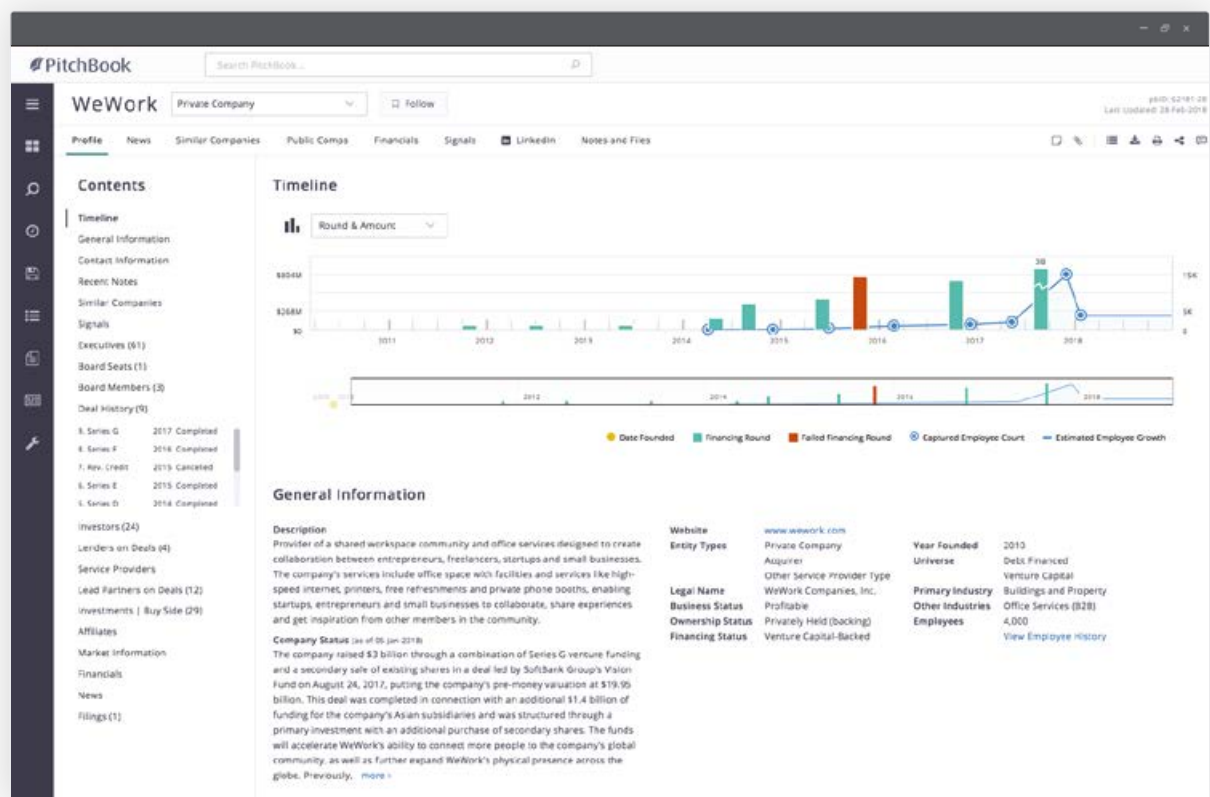


Deals structure by sector*, \$M



* No acquisitions (exits) taken into account
Source: Dsight

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Viktor Chervyakov

Investment Director,
Skolkovo Ventures



Deals by Segment & Exits

Largest venture deals in 1H 2019 (including exits)

Date	Target	Investor	Amount, \$M	Company segment
Jan. 2019	Avito	Naspers	1,160	Marketplace
Mar. 2019	Nginx	F5 Networks	670	Software & Hardware
May 2019	HeadHunter	IPO	220	HR
Apr. 2019	Ozon	Sistema VC, Baring Vostok Capital Partners	150	E-commerce
May 2019	Gett	Access Industries, Baring Vostok, MCI, Volkswagen Group	120	Transport & Logistics
Jun. 2019	ivi.ru	Russian Direct Investment Fund, Baring Vostok Capital Partners, Flashpoint VC, RTP Global, Winter Capital, Mudabala	40	Video-Audio
May 2019	Vocord	Huawei	38	Security
Jan. 2019	Medialogia	VTB	30	Analytics
Jan. 2019	Wrike	Vista Equity Partners	22	Business Software
Jan. 2019	Streetbee	Bemyeye	15	AI

Largest venture deals in 1H 2019 (excluding exits)

Date	Target	Investor	Amount, \$M	Company segment
Apr. 2019	Ozon	Sistema VC, Baring Vostok Capital Partners	150	E-commerce
May 2019	Gett	Access Industries, Baring Vostok, MCI, Volkswagen Group	120	Transport & Logistics
Jun. 2019	ivi.ru	Russian Direct Investment Fund, Baring Vostok Capital Partners, Flashpoint VC, RTP Global, Winter Capital, Mudabala	40	Video-Audio
Apr. 2019	Wheely	Concentric, Ad.ru, Mikhail Sokolov, Dmitry Yeremeyev, Oleg Cheltsov	15	Transport & Logistics
Jun. 2019	Fasol	Metro Cash & Carry, Russian Direct Investment Fund	10	Retail
Jan. 2019	GetTransfer	S7 Group, Emery Capital, Castel Capital	8	Transport & Logistics
Apr. 2019	Instamart	Mail.ru Group, Lev Khasis, Alexander Mitroshenkov	8	Transport & Logistics
May 2019	Sdelano	Ivan Tavrin	8	E-commerce
Jun. 2019	Golama	VEB Ventures	7.5	E-commerce
Jun. 2019	Gelen	VEB Ventures	7.5	Industrial Tech
Jun. 2019	O3 Group	VEB Ventures	7.5	Industrial Tech
Feb. 2019	MEL Science	TMT Investments	6	Education
Apr. 2019	Prisma	Haxus	6	Application Development
May 2019	World Chess	Prytek, Igor Rybakov	6	Education
Jun. 2019	Avia center	Ctrip	5	Application Development
Feb. 2019	PM&HM	PBK	4.7	Healthcare
Feb. 2019	Busfor	Vostok New Ventures	4.5	Transport & Logistics
Jun. 2019	Brain4Net	CommIT capital, VEB Ventures	4.5	Business Software
Feb. 2019	Roistat	iTech Capital	4	Business Software
Feb. 2019	Skillaz	HeadHunter	4	HR
Feb. 2019	B2B-Export	Isaac Focuo	4	E-commerce



Exits 1H 2019

Date	Target	Investor	Amount, \$M	Stage	Company segment
Jan. 2019	Wrike	Vista Equity Partners	22	Mature	Business Software
Jan. 2019	Streetbee	Bemyeye	15	Startup	AI
Jan. 2019	Medialogia	VTB	30	Mature	Analytics
Jan. 2019	Avito	Naspers	1,160	Mature	Marketplace
Feb. 2019	Pass24	Lanit	2	Startup	Business Software
Mar. 2019	Nginx	F5 Networks	670	Mature	Software & Hardware
Apr. 2019	Scan to Buy	Yandex Market	3	Startup	Payments
Apr. 2019	GetLean	Severgroup	3	Startup	Education
May 2019	HeadHunter	IPO	220	Mature	HR
May 2019	Panzerdog	MY.Games	5	Growth	Games
May 2019	Worki	Mail.ru Group	10	Expansion	HR
May 2019	CloudPayments	Tinkoff Bank	3	Startup	Payments
May 2019	MyOffice	Kaspersky Lab	5	Mature	Business Software
May 2019	Vocord	Huawei	38	Startup	Security





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