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Internet Retailer Ozon.ru Gets Record $100M Investment

By The Moscow Times

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Internet retailer Ozon.ru has attracted $100 million of investment from sources including Japanese online retailer Rakuten, making it the largest private investment in an electronic business in Russia, topping the $55 million online shopping club KupiVIP received in April.

Leonid Boguslavsky's ru-Net, Index Ventures, Alpha Associates and Rakuten invested $100 million in Ozon.ru, Ozon.ru general director Mael Gave said. The leading investor is ru-Net, putting up more than half of the total funds.

Gave said more than $95 million went into the company, which issued additional shares, and the rest went to minority shareholders. Ozon.ru's chief stakeholder, Baring Vostok Private Equity (about 60 percent before the deal), did not sell its shares, senior partner Yelena Ivashentseva said.

"The company's valuation was higher than we expected," Gave said, without specifying

the valuation. Finam expert Leonid Delitsyn calculated that based on a turnover of 4.5 billion rubles ($152 million) in 2010 and the multipliers of similar companies (Amazon, eBay, Salesforce), Ozon.ru can be evaluated at $564 million. But if Ozon.ru makes a loss or is only marginally profitable, the deal could go through with a discount of up to 30 percent — at a cost of $395 million. A source at an Internet company earlier estimated Ozon.ru to be worth $400 million.

Japanese company Rakuten is one of the world's most successful companies in electronic commerce. It is very aggressive in terms of expansion into the international market, said Maxim Faldin, founder of Internet trader Wikimart. It is a strategic investor that does not usually get rid of profitable assets, but only increases its shares.

According to Gave, Ozon.ru will benefit from Rakuten's experience in the field of online commerce.

Representatives of Alpha Associates, Index Ventures and Rakuten did not respond to Vedomosti's questions, and a ru-Net spokesperson declined to comment.

Gave said Ozon will use the invested funds for constructing logistics centers and equipment. The company will also increase its inventory and expand its range (for example, it might start selling clothes).

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