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Avito.ru Gets $75M in Additional Funding

By Rachel Nielsen

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The homepage of the Avito.ru classifieds portal.

Buying and selling coats, car parts and pets through classifieds website Avito.ru could happen in more cities and regions now that the company has received $75 million in a new round of private-equity and venture-capital financing.

The company, which cites research by TNS Index that says 40 percent of Russian Internet users visit its site at least once a month, will use this second-round funding to establish classifieds listings for more locations across Russia and roll out television and online advertising campaigns in those places.

"To get to the point where the snowball is rolling down the hill, you need to invest," said Jonas Nordlander, Avito.ru's chief executive and co-founder, in a telephone interview.

Baring Vostok Private Equity Fund IV, created by Russia-focused investment firm Baring Vostok, and Accel Partners, a venture-capital firm with investments worldwide, provided most of the money in this round. Baring Vostok took the largest stake in the round,

Nordlander said, without disclosing how much each investor put up.

Also contributing this time were Swedish investment firm Kinnevik and pan-Nordic venture fund Northzone, as well as Nordlander and his fellow Swede and Avito.ru co-founder, Filip Engelbert. All had invested in previous rounds.

Similar to U.S. website Craigslist.org, Avito.ru allows people to select a geographic location from a menu and then post ads. The localized approach gives buyers and sellers the chance to meet in person in order to pay in cash and pick up goods, instead of making online payments or delivering goods via the mail — helpful factors in a market where about 90 percent of goods bought online are paid for in cash, according to Fast Lane Ventures.

Currently, Avito.ru's business is in European Russia, with Chelyabinsk and Yekaterinburg its easternmost major cities. It has listings for eight other large cities, plus about 40 regions.

The company uses TV advertising, an expensive model, because word-of-mouth marketing on the Internet wouldn't increase the company's customer base fast enough, Nordlander said.

Sonali De Rycker, a London-based partner with Accel, said "the number of listings" make Avito.ru a promising play. About 6 million items are posted for sale on the website each month, according to Avito.ru.

Stopping by Avito.ru is "becoming a habit" for many Russians, De Rycker said by telephone, and that is a positive sign.

"We're excited about the Russian Internet, [and] we're excited about the regions," De Rycker said of the startup's expansion plans.

Baring Vostok's spokeswoman said the firm couldn't respond immediately to questions.

The deal closed Friday, and Avito.ru received the $75 million on Monday, Nordlander said. The company now has hauled in more than $100 million in financing, with a first round of $26 million in 2010 and a seed round of $10 million soon after its founding in November 2007.

There are about 60 Avito.ru employees, and the latest funding will be used to hire more, both De Rycker and Nordlander said.

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