

Durov Gets New Powers at V Kontakte, Nixes IPO

By [The Moscow Times](#)

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The CEO of VKontakte said Facebook's recent IPO has made private investors skeptical about putting money into social networks. **Andrei Makhonin**

Social network VKontakte says it won't risk going ahead with its planned initial public offering, fearing a repeat of the botched Facebook float, which left U.S. regulators red-faced and investors around the world fuming.

Chief executive Pavel Durov, who had secured the backing of 40 percent of the shareholders of Mail.ru Group over how to take the company forward, said Tuesday that it would postpone the IPO indefinitely.

"The IPO of [Facebook] destroyed the faith of many private investors in social networks," Durov said on the social network site Twitter.

Facebook's \$16 billion IPO earlier this month went from being one of the most highly

anticipated floats of all time to the subject of a frenzied legal challenge from investors who feel they were shortchanged.

Durov said in January that the group was eyeing an IPO in 2012 or 2013, although capital markets have been frozen for much of the year amid market uncertainty fueled by the eurozone crisis.

Durov's comments came as Mail.ru said it would hand him the voting rights to its 39.9 percent stake, creating a partnership that will have effective majority control over the 100-million-user network.

Mail.ru, which also owns a stake in Facebook, and Durov own 52 percent of Vkontakte between them, said David Ferguson, a Renaissance Capital media and IT analyst.

"Mail.ru has made no secret historically that it would like to take control of Vkontakte. This has not happened, as the price expectations are a million miles apart," he said. "Now it has effectively decided to align its interest with one other shareholder."

Mail.ru offered to increase its stake in Vkontakte to more than 50 percent last year in a deal that would have valued the company at \$3.75 billion, according to Vedomosti, but Durov and his co-founders did not want to give up control.

Spokespeople for Mail.ru and Vkontakte declined to comment on the alliance or on Mail.ru's ambitions to take over the company.

Mail.ru raised about \$1 billion in an IPO in London in November 2010 at \$27.70 a share. The shares are now trading at \$34 a share, having gained 27 percent this year partly thanks to anticipation of the Facebook float.

"Mail.ru has a lot of cash — or it will when it completes the sale of its international businesses — and if it does not buy Vkontakte, it could pay dividends," Ferguson said. Mail.ru, co-owned by Alisher Usmanov, was expected to sell a stake in Facebook worth \$705 million in the IPO.

Yandex could gain a stake in Facebook, Vedomosti reported Tuesday. Russia's leading Internet search engine is a part-owner of Israeli software company Face.com, which deals with algorithms for recognizing faces in photographs on the Internet.

Sources said Facebook has shown interest in purchasing Face.com, and Yandex could exchange its shares in Face.com for shares in Facebook.

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