

UCP Buys 48% of Vkontakte Amid Raids

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Private investment group United Capital Partners announced Wednesday that it had agreed to buy a 48 percent stake in Vkontakte, Russia's largest social network, a day after investigators raided the firm's St. Petersburg headquarters.

According to the deal, financial investors Vyacheslav Mirilashvili and Lev Leviyev will sell their 40 percent and 8 percent stakes to the Russia-focused fund managed by Ilya Shcherbovich, a board member at oil major Rosneft, unidentified sources told Bloomberg late Tuesday afternoon. Leviyev subsequently confirmed the deal.

While the sources didn't reveal the cost of the stake sale, Vkontakte was valued at as much as \$1.5 billion in 2010, according to Renaissance Capital. Mail.Ru Group, an Internet holding controlled by Russia's richest man Alisher Usmanov, had discussed upping its stake in the company from the almost 40 percent it currently owns.

Nick Robinson, an IT analyst at Renaissance Capital, said the deal reflected Vkontakte's status as "valuable Internet property." The social network, co-founded by flamboyant 28-year-old

chief executive Pavel Durov, has more than 190 million registered users.

A day after raids
on the
company's
offices spurred
rumors that the
CEO drove into a
policeman,
nearly half of
Vkontakte is
bought out.

“Mail.Ru has been keen to increase its stake in Vkontakte for a while now, so it appears that United Capital Partners was more willing to meet the sellers' price expectations,” Robinson said by phone.

Durov wrote on Twitter that he had no intention of selling his 12 percent stake. He hinted to Vedomosti that the deal could be invalid since existing shareholders have pre-emptive rights to buy Vkontakte shares in accordance with the company's charter.

News of the Vkontakte stake sale comes hot on the heels of a raid on Vkontakte's offices on the northern capital's iconic Nevsky Prospekt late Tuesday. The searches, conducted by local investigators, were part of an inquiry into a hit-and-run collision earlier this month for which Durov is rumored to be responsible.

Durov, seen as Russia's answer to Facebook's Mark Zuckerberg, is no stranger to scandal and provoked public outrage after tossing paper airplanes carrying 5,000 ruble (\$160) notes out of Vkontakte's offices last year.

He has denied involvement in the hit-and-run, saying the rumors are part of an “information war” against him, although Fontanka.ru reported Wednesday that a traffic cop hospitalized with minor injuries after the collision identified Durov as the guilty party from a police lineup on Sunday. Durov faces up to five years in prison on charges of assaulting a law enforcement officer if found to be the guilty party, but investigators say he is only being treated as a witness in the case.

Durov's home was also searched.

Georgy Lobushkin, Vkontakte's spokesman, did not reply to an e-mailed request for comment, and no one picked up the phone at Vkontakte's offices on Wednesday, but Lobushkin defended his boss from accusations of reckless driving, telling local media that “Pavel doesn't own a car, he either walks or takes the metro.”

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pressure on
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In comments on his Vkontakte page, he joked that investigators only raided Vkontakte as a means of distracting public attention from the trial of opposition leader Alexei Navalny, whose trial began in Kirov on Wednesday.

Bloggers took the news of the pressure on Durov as a sign that he had fallen foul of authorities, saying he had become a “persona non grata” and that Tuesday's searches were part of a government drive to censor critical websites. Many predicted that he would be locked up, and a video titled “Pavel Durov's Arrest” started circulating on YouTube, although it was quickly dismissed as a fake.

The traffic dispute is not the first time that Durov's firm has been dragged through the dirt. Last month, Vladislav Tsyplukhin, Vkontakte's former spokesman, admitted that he had collaborated with Kremlin officials to counter opposition influence on the Internet at the height of the anti-Kremlin protest movement in December 2011.

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