

Sberbank and Mail.ru Group to Form New Joint Venture

The food and transport markets are Russia's largest digital consumer sectors.

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Maxim Stulov / Vedomosti / TASS

Sberbank, Russia's largest bank, and internet giant Mail.ru Group have signed a letter of intent to create a joint online-to-offline (O2O) platform in the food and transport markets and to form a 'strategic partnership,' the two groups <u>said</u> in a statement Thursday.

The food and transport markets are Russia's largest digital consumer sectors and are expected to have a combined value of more than 1 trillion rubles (\$16 billion) over the next three years.

"We are entering the largest and most dynamic markets in Russia," Sberbank CEO Herman Gref said. "Our future joint venture consists of fast-growing companies that have impressive potential and strong management, and are backed up by the expertise of the country's two

largest ecosystems and unprecedented client coverage," he added.

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The partners plan to incorporate their existing investments into the O2O platform. Mail.ru Group will contribute 7.7 billion rubles (\$122 million) together with its 100% stake in Delivery Club and 23% stake in Citymobil, along with any related minority investments it holds in other firms from those industries. Sberbank will bring 38 billion rubles (\$602 million) and its 35% share in Foodplex to the venture.

The partnership will broaden the geographic reach of Delivery Club, one of Russia's biggest food delivery services, and accelerate the regional expansion of Citymobil taxi, the companies said.

The partners plan to invest some 64 billion rubles (\$1 billion) in the joint venture beginning with an initial 45.5 billion rubles (\$720 million) when the deal is concluded and an additional investment of up to 18 billion rubles (\$285 million) over the following year, if all key performance indicators are achieved.

"Mail.ru Group will offer unparalleled opportunities for Russian users, partner restaurants, taxi fleets and drivers. Thanks to this, we will rapidly take Delivery Club and Citymobil to an entire new level," said Mail.ru CEO Boris Dobrodeev. He continued "consumer habits are changing quickly, and together with Sberbank we want to lead this transformation. The Russian online food delivery and taxi services markets have considerable growth potential."

The partners will hold equal 50/50 stakes in the joint venture, which may consider listing its shares in the next couple of years, the joint statement said. Its rival Yandex. Taxi is considering IPO as well.

Russia is facing a boom in online sales businesses, from taxi services to clothes and food. The new joint venture will compete with Yandex. Taxi, a joint venture of Russia's largest internet search engine Yandex and U.S. online taxi service Uber.

Reuters contributed reporting to this article.

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