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November Report: Russia's Tech, Investment and Start-up Deals

EWDN's monthly report on Russia's tech and investment scene covers Sberbank's sprawling ecosystem, Badoo's megadeal and private fund shake-ups.

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Sberbank led the way in tech investments in November. **Kirill Zykov / Moskva News Agency**

The Big Three

Sberbank, Mail.Ru and Yandex again led the investment and tech agenda last month.

Sberbank is no longer just a savings bank created in the middle of the 19th century — and not even just the country's largest financial institution. The state-controlled organization has become a tentacular tech group with activities and interests spanning food delivery, taxi services, digital healthcare, neuroscience and much more.

In November, Sberbank confirmed its joint venture partnership with Mail.Ru with a co-investment of up to $1 billion in their food delivery and ride-hailing businesses — Delivery Club and CitiMobil. The two companies also announced a separate partnership to "boost the development of the digital economy and AI-powered products in Russia."

Sberbank also extended its reach into the driverless vehicle market. Through a joint venture with Cognitive Technologies — an established player in the software industry that develops driver assistance systems based on artificial intelligence (AI) — Sberbank's digital economy projects will soon cover transport, agriculture, computers and artificial intelligence.

In a busy month for new projects at Russia's largest lender, Sberbank also announced the commercial launch of "Russia's fastest supercomputer," which went live on Dec. 12.

Yandex, the Nasdaq-listed Russian search giant, announced a major corporate restructure which will see its golden share — previously owned by Sberbank — beefed-up and handed to a newly-created Public Interest Foundation with veto powers over significant ownership transactions. Through this fragile compromise, the new ownership structure addresses the Russian government's concerns that the company could one day be controlled by foreign shareholders.

Putting aside their rivalry, Mail.Ru and Yandex joined a large consortium — along with Sberbank, mobile operator MTS, oil major GazpromNeft and the Russian Direct Investment Fund — designed to foster AI in Russia. Pooling resources, the consortium will be involved in a variety of public and private AI initiatives in the future. The agreement was inked just weeks after Vladimir Putin enacted Russia's national AI strategy, and two years after the President famously stated that "whoever becomes the leader in [artificial intelligence] will become the ruler of the world."

Fund shake-ups

The state fund-of-funds Russian Venture Company provided another illustration of the authorities' plans to support innovation in November. Teaming up with Russian Railways (RZD), it announced plans for two new tech funds to support the digital transformation of the transportation industry. Starting from 2021, these funds will support early stage start-ups operating in the fields of equipment, new materials, robotics, quantum communications and green tech, among others.

Private players were also on the move in November, as venture firm Altair Capital announced its third $200 million fund focused on investing in Israel and Russian-speaking countries. Three quarters of the $200 million have already been committed by five unnamed investors, said Altair's founder Igor Ryabenkiy.

Baring Vostok, however, whose founder founder Michael Calvey was arrested earlier this year and is still being held under house arrest, cancelled plans to raise a new fund which could have been worth $1.3 billion. The firm cited institutional investors' concerns about "contradictions in Russian and international arbitration law" and the uncertainty regarding protections for investors — a clear reference to the ongoing controversy around the Calvey case.

Badoo megadeal

November also saw a huge deal involving Andrey Andreev, the Russian-born online dating tycoon, who sold his stake in London-based business MagicLab to Blackstone, one of the world's leading investment firms, at an estimated $3 billion valuation.

MagicLab, whose brand portfolio includes dating apps Badoo, Bumble, Chappy and Lumen, claims to have connected over 500 million people around the world. It was considering an IPO until Forbes published an investigation about corporate behaviour at the firm's London headquarters, titled "sex, drugs, misogyny and sleaze."

Andreev, now a UK citizen, is among the most successful Russian-born tech entrepreneurs. His first dating service, Mamba (also known as Wamba), was launched in 2004. It quickly became the market leader in Russia, but Badoo, which Andreev started in 2006, gave the firm its global reach with over 453 million users across the world.

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