The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Russian Venture Capital Market Falls 20% During Pandemic

By Adrien Henni

March 30, 2021



The pandemic took a toll on Russia's startup investment scene. **Evgenij Razumnyj / Vedomosti / TASS**

Russia saw a 20% contraction in venture capital investments last year, according to Dsight, a Moscow-based business intelligence firm.

Total venture capital investment came in at $703 million in 2020, down from $869 million in 2019, the firm said in a new report. Dsight attributes this fall to the "unpredictability of the pandemic" and "investors' risk aversion."

Despite the fall in investment volumes, the number of deals increased 14% from 2019, with a jump in deals registered at both the startup and growth stages. Most activity came in the second half of the year, after the end of the first wave of the pandemic in Russia.

Most investments went into the e-commerce, entertainment and healthcare sectors. Edtech, agrotech and fintech also seem to have taken off during the pandemic, accounting for small

overall values but recording fast growth rates.

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Corporations and corporate funds noticeably increased their venture activity. They took part in 47 deals, up from 31, and invested a total of $308 million, compared to $191 million in 2019. Angel investing also grew, with Dsight identifying 64 deals last year, up from 37. At the same time, the role of startup accelerators fell significantly, down from 64 deals in 2019 to 35 last year.

The role of foreign investors in Russia's venture capital scene remained low, except for a spectacular U.S. pre-IPO investment into Ozon in March. Dsight notes that the number of deals with foreign participants grew from 18 to 24 — but the value of these deals more than halved to just $103 million.

The real picture of foreign investors' involvement in the Russian startup scene is probably even worse, since the Dsight study covers deals involving some Russian-founded startups that now operate in other jurisdictions, typically the U.S. and western Europe. For instance, the report refers to such companies as British Arrival, Californian Miro and Polish Novakid, without distinguishing them from other 'true Russian' startups.

The report also showed the dominance of Moscow in Russia's venture capital scene — with the capital accounting for 76% of all investment and more than half of all deals.

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