MoneyTree™
Venture Capital
Market Navigator
Overview of Russian venture capital deals in 2015
5th Anniversary Annual Review
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The PwC Centre for Technology and Innovation and OAO Russian Venture Company (RVC) present the fifth annual Russian venture capital market report – MoneyTree™: Venture Capital Market Navigator (MoneyTree™: Russia) for 2015.

The unstable macroeconomic environment in Russia has produced an adverse impact on the venture capital market volume, yet the market and the venture capital ecosystem in general demonstrated a strong margin in 2015. The total deal value in the venture capital ecosystem increased in dollar terms and amounted to USD 2.19 billion, which is 31% higher than in 2014. Traditionally, the final figures are largely affected by exit deals. In 2015 the largest exit deal involved the exit of a group of investors from Avito (USD 1.2 billion). Without this deal, the total transactions in the ecosystem came to USD 0.99 billion in terms of value.

For the deal value, it is important to note that all indicators in our report are shown in USD. At the same time, the sharp depreciation of the Russian rouble throughout the year (−37% compared to 2014, annual average) resulted in a significant impact of the foreign currency component on the USD amount of transactions with Russian assets.

In 2015 the venture capital deals market that underlies the venture capital ecosystem demonstrated a 52% decline versus 2014 and came to USD 232.6 million (net of the deals worth over USD 100 million that are considered separately) versus USD 480.9 million in 2014. The number of deals was 180 (including 29 transactions with an unknown value), which is 21% more than in 2014.

The average deal size in 2015 decreased to USD 1.5 million (versus USD 3.3 million in 2014). Early-stage and seed-stage deals saw the most significant decrease in the average investment amount (by 80% from USD 4.1 million to USD 0.8 million and by 67% from USD 0.9 million to USD 0.3 million, respectively). The average investment amount fell less sharply at the start-up (65%) and expansion (48%) stages. So the aggregate share of investments in early-stage projects (seed and start-up) dropped down to 9% of the total venture capital market (versus 29% in 2014 and 21% in 2013).

The number of large deals worth over USD 100 million remained unchanged: two deals were carried out for the amount of USD 200 million, as compared to the same number of deals worth USD 350 million in 2014.

The number of exits decreased in 2015, coming to 26, which is four transactions fewer than in 2014. The aggregate value of exits in 2015 grew by more than twice and amounted to USD 1.57 billion (versus USD 731.5 million in 2014), while one large deal – the exit of Accel Partners, Kinnevik and Northzone from Avito – accounted for 76% of the total amount.

The number of grants issued in 2015 rose to 6,074, with the total amount coming to USD 178.2 million. Grants are instrumental to supporting the venture capital market. Like in the previous year, the most active grant issuers were the Foundation for Assistance to Small Innovative Enterprises in Science and Technology (the Bortnik Fund) and the Skolkovo Foundation. The enhanced grant support by governmental funds should to some extent make up for smaller private early-stage investments.

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1 According to the Central Bank of the Russian Federation, in 2015 the average nominal USD/RUB exchange rate since the beginning of the year was RUB 60.66 (versus RUB 37.97 in 2014).
excluding the IPO of TCS Bank and transactions with VKontakte shares, the value of exits amounted to USD 484 million in 2013
**including 29 deals with an unknown value
***taking into account the exits of Accel Partners, Kinnevik and Northzone from Avito (the deal value was USD 1.2 billion)

Figure 1. Venture capital ecosystem

USD 2.94 billion

**Exits**
21 deals
USD 2,000 million*

**Venture deals**
222 deals
USD 653.1 million

**Large deals**
1 deal
USD 130 million

**Grants**
2,469 deals
USD 158.7 million

**Infrastructure investments**
4 deals: USD 2 million

2013

USD 1.67 billion

**Exits**
30 deals
USD 731.5 million

**Venture deals**
149 deals
USD 480.9 million

**Large deals**
2 deals
USD 350 million

**Grants**
4,512 deals
USD 110.5 million

**Infrastructure investments**
2 deals

2014

USD 2.19 billion

**Exits**
26 deals
USD 1,573.5 million***

**Venture deals**
180 deals**
USD 232.6 million

**Large deals**
1 deal: USD 130 million

**Grants**
6,074 deals
USD 178.2 million

**Infrastructure investments**
1 deal: USD 5.7 million

2015

Source: RVC, Russian Venture Capital Association (RVCA), PwC

* excluding the IPO of TCS Bank and transactions with VKontakte shares, the value of exits amounted to USD 484 million in 2013
** including 29 deals with an unknown value
*** taking into account the exits of Accel Partners, Kinnevik and Northzone from Avito (the deal value was USD 1.2 billion)

2 The information on grants in 2013-2014 was updated in accordance with the data provided by grant issuers – the Foundation for Assistance to Small Innovative Enterprises in Science and Technology (the Bortnik Fund) and the Skolkovo Foundation.
Figure 2. Total deal value by business development stage, USD million

Figure 3. Average deal size by company development stage, USD million

Source: RVC, RVCA, PwC
IT is the leading sector in terms of the number of venture capital deals and investment amounts. In 2015, deals in the information technology sector stood at 64% of the total number of deals and 88% of the total amount of all deals, which is generally in line with the performance over the previous years. Yet, compared to 2014, the number and amount of deals in the IT sector dropped by 27% and 53%, respectively. The e-commerce segment, as previously, took the lead by the amount of investment raised, yet the investment volume shrank from almost USD 96.4 million in 2014 versus USD 73 million in 2015.

The number of deals in the biotechnology and industrial technology sectors remains relatively low compared to IT, still both sectors showed a significant increase in 2015: the biotechnology sector saw almost seven-fold growth in the number of deals (from six to 39), with the market mainly driven by deals carried out by RVC-controlled funds; in the industrial technology sector the number of deals increased from 10 to 15. Still, the amount of investment in biotechnology fell by 48% in monetary terms, coming to USD 18.1 million versus USD 35.1 million in the previous year. Investments in industrial technology, on the contrary, grew by 65% from USD 5.2 million in 2014 up to USD 8.6 million in 2015.

Figure 4. Venture capital deals by industry

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of deals</th>
<th>Amount of deals, USD million</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>13</td>
<td>29.1</td>
</tr>
<tr>
<td></td>
<td>16</td>
<td>13.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>611.0</td>
</tr>
<tr>
<td>2014</td>
<td>6</td>
<td>5.2</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>35.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>440.6</td>
</tr>
<tr>
<td>2015</td>
<td>39</td>
<td>8.6</td>
</tr>
<tr>
<td></td>
<td>15</td>
<td>18.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>205.9</td>
</tr>
</tbody>
</table>

Source: RVC, RVCA, PwC
Traditionally, the IT sector has been the most attractive destination for venture capital investments, and 2015 was no exception. Nevertheless, the number of venture capital deals in this sector showed a 27% year-on-year decrease to 97 deals with a total value of USD 205.9 million in 2015. The first three quarters saw a considerable slump in the market. The number of deals increased in Q4 but failed to achieve the previous-year level (30 deals worth USD 74.7 million versus 35 deals worth USD 165.6 million in the same period of the prior year).

The declining activity is the market was caused, among other things, by the more stringent requirements set by funds for financing targets. This is driven by the maturing market, and by the funds’ accumulated expertise and competencies required for generating a high-quality portfolio of companies, as well as by the funds’ intention to minimise risks in an unstable market environment. Moreover, the Russian market is showing a downwards trend in terms of the supply of venture capital funds, an expanding geography of deals carried out by funds, and a refocusing on high-potential projects in foreign markets. Still, over 15% of the total financing amount provided in the IT sector was dedicated to developing the foreign projects of Russian companies.

**Figure 5. Dynamics of IT sector deals by quarter**

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>30</td>
<td>39</td>
<td>45</td>
<td>72</td>
</tr>
<tr>
<td>2014</td>
<td>32</td>
<td>33</td>
<td>33</td>
<td>35</td>
</tr>
<tr>
<td>2015</td>
<td>21</td>
<td>27</td>
<td>19</td>
<td>30</td>
</tr>
</tbody>
</table>

Source: RVC, RVCA, PwC
Figure 6. Distribution of investments by project stages in the IT sector

The start-up and seed stages experienced the biggest drop in the number of deals – a 68% decline from 50 to 16 deals and a 56% decline from 32 to 14 deals, respectively. The number of deals at the interim early stage, on the contrary, grew by 42% from 31 deals in 2014 up to 44 deals of 2015. The number of expansion-stage deals also increased by 28% from 18 to 23 deals. In terms of value, the share of investments in early-stage deals (seed and start-up) shrank from 23% to 8%; investments in projects that had moved to the next development stage accounted for almost 92% of deals. So, the financing focus is shifting considerably towards more mature projects. This shift proves that investors are treating project risks more carefully and prefer more transparent deals.

Figure 7. Average deal size by stage in the IT sector, USD million

The start-up and seed stages experienced the biggest drop in the number of deals – a 68% decline from 50 to 16 deals and a 56% decline from 32 to 14 deals, respectively. The number of deals at the interim early stage, on the contrary, grew by 42% from 31 deals in 2014 up to 44 deals of 2015. The number of expansion-stage deals also increased by 28% from 18 to 23 deals. In terms of value, the share of investments in early-stage deals (seed and start-up) shrank from 23% to 8%; investments in projects that had moved to the next development stage accounted for almost 92% of deals. So, the financing focus is shifting considerably towards more mature projects. This shift proves that investors are treating project risks more carefully and prefer more transparent deals.
Figure 8. Distribution of venture capital deals by investment round in the IT sector

Value of deals by investment round in the IT sector, USD million

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seed</td>
<td>17.6</td>
<td>52.2</td>
<td>38.0</td>
</tr>
<tr>
<td>Round A</td>
<td>67.2</td>
<td>111.3</td>
<td>57.9</td>
</tr>
<tr>
<td>Round B</td>
<td>281.8</td>
<td>138.2</td>
<td>79.0</td>
</tr>
<tr>
<td>Round C/C+</td>
<td>122.1</td>
<td>71.6</td>
<td>37.5</td>
</tr>
<tr>
<td>Round D/D+</td>
<td>94.5</td>
<td>83.5</td>
<td>52.2</td>
</tr>
</tbody>
</table>

Number of deals by investment round in the IT sector

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seed</td>
<td>117*</td>
<td>65*</td>
<td>125*</td>
</tr>
<tr>
<td>Round A</td>
<td>63</td>
<td>43</td>
<td>49</td>
</tr>
<tr>
<td>Round B</td>
<td>19</td>
<td>51</td>
<td>49</td>
</tr>
<tr>
<td>Round C/C+</td>
<td>20</td>
<td>21</td>
<td>11</td>
</tr>
<tr>
<td>Round D/D+</td>
<td>8</td>
<td>6</td>
<td>5</td>
</tr>
</tbody>
</table>

* taking into account deals below USD 50,000

Source: RVC, RVCA, PwC

Figure 9. Average deal size by stage in the IT sector, USD million

Source: RVC, RVCA, PwC

The distribution of financing by round does not include 19 deals worth USD 5.3 million, for which no data is available.
In 2015, e-commerce remained the leading IT sub-sector in terms of the number of deals and investment amount (this sub-sector saw 17 deals worth USD 73 million). The sub-sector of cloud technologies and software ranks second with 11 deals for a total value of USD 34.4 million, which is two deals fewer than in 2014 and 28% less in money terms compared to the previous year.

In terms of the average deal size, advertising technologies and reference services/social media rank first and second (USD 5.5 million and USD 5.4 million, respectively). The e-commerce sub-sector takes third position (USD 4.3 million). The relatively small average deal size in e-commerce can be explained by the dominant share of insignificant seed investments in niche projects. Compared to the previous year, the average deal size in the reference services/social media sub-sector grew by almost 13%. This was largely driven by a major investment by Baring Vostok and ru-Net in the 2GIS mapping service (the deal value amounted to USD 40 million). The average deal size in the sector net of this deal comes to a mere USD 0.5 million.

In 2015, the number of deals increased in two sub-sectors: electronics and hardware (nine deals versus six deals in 2014) and medical services (three deals versus two deals in 2014). The number of deals did not change in educational services, financial technologies and tourism (seven, six and six deals, respectively). In all other sub-sectors, the number of deals decreased, with the most significant decline seen in advertising technologies (an 85% decrease from 13 deals down to two deals).

As noted above, the e-commerce sub-sector again took the lead by amount of investment (USD 73 million), followed by reference services/social media (USD 43.2 million) and cloud technologies, software (USD 34.4 million).
Figure 10. Distribution of venture capital deals by investment round in the IT sector

The distribution by sub-sector does not include other deals worth a combined USD 5.4 million.
Source: RVC, RVCA, PwC
The year 2015 saw a significant increase in the number of deals in the biotechnology sector. While in 2014 biotechnology companies received only six investment rounds, in 2015 this number grew almost seven times, coming to 39 deals. It should be noted, however, that the industry’s growth was mainly driven by government funds and government-supported venture capital funds. In 2015, the biotechnology sector saw only one purely private equity deal – Maxfield Capital invested in Zdravprint, a producer of individual orthoses based on 3D printing.

Total investments raised in the biotechnology sector and the average deal size dropped by 48% and 44%, respectively, coming to USD 18.2 million (versus USD 35.1 million in 2014) and USD 0.5 million (versus USD 0.9 million in the previous year). In general, this decrease reflects the overall market trend in which the market size in monetary terms shrunk significantly due to the depreciation of the Russian rouble.

Source: RVC, RVCA, PwC
In terms of the distribution of financing across company development stages, the market structure has changed in a similar way to the IT sector, in which funds are mostly concentrated on current portfolio development, so the major part of investments was allocated to early-stage companies (79% of total investments). Seed and start-up investments accounted for 20% of financing, while only one deal was registered with an expansion-stage company. The lack of later-stage projects can be explained, among other things, by the long investment cycle and highly capital-intensive nature of investments in the biotechnology sector.

In the industrial technology sector, the number of deals increased from 10 in 2014 to 15 in 2015. The average deal value declined by 14% and came to USD 0.6 million, yet the total investment amount grew by 65% up to USD 8.6 million. Importantly, expansion-stage investments accounted for 5% of the total amount. The emergence of later-stage investments is a significant milestone because it shows that the venture capital financing market in the industrial technology sector has matured.

Moreover, the development of these sectors at the pre-seed and seed stages is mostly supported by grants: 79% of the grants issued in 2015 were intended for developing projects in the biotechnology and industrial technology sectors.
Investor exits and major deals

The year 2015 saw two major deals (worth more than USD 100 million) and 26 investor exits.

The number of major deals worth over USD 100 million remained unchanged: two deals were carried out for the amount of USD 200 million, as compared to the same number of deals worth USD 350 million in 2014. Remarkably, for several years running, all major deals have been carried out in the IT sector, which is the most developed sector in the Russian market. It should be noted that one deal was performed in the games sub-sector – Alisher Usmanov’s USM Holdings invested USD 100 million in cybersport community Virtus.pro. This represents one of the largest investments in this sector and could trigger the development of a new market that combines sports, media and the Internet.

The number of exits decreased in 2015, coming to 26, which is four transactions fewer than in 2014. The total value of assets in 2015 grew by more than twice and amounted to USD 1.57 billion versus USD 731.5 million in 2014. It should be noted, however, that the exit of Accel Partners, Kinnevik and Northzone from Avito accounted for 76% of the total amount. Without this deal, the value of exits in 2015 almost halved compared to 2014.

As previously noted, the largest number of investor exits was observed in IT companies (23 out of 26 exits). The remaining three exits were in the industrial technology sector: OAO RUSNANO partially exited a project for building Nesscap supercapacitors; Svyaz Engineering acquired a 70% stake in Aerogreen (a Russian windmill production start-up); and the Venture Fund of the Republic of Bashkortostan sold its stake in NPP Kern (a producer of oil and gas well surveying equipment).

Notably, an increasing number of venture capital funds investing in Russian assets are approaching the point of realizing gains. Here the options for exiting from a project are limited; the lack of potential strategic investors interested in buying a high-tech business is still one of the main hindrances to further growth in the Russian venture capital industry. As a result, the relatively small number of exits does not permit achieving return on venture capital investments as an asset class and, thus, produces an adverse impact on the market’s further growth.

### Major deals, 2015

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Deal Type</th>
<th>Company’s Sector</th>
<th>Buyer</th>
<th>Seller</th>
<th>Deal Value, USD Million</th>
<th>Deal Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avito</td>
<td>Exit</td>
<td>E-commerce</td>
<td>Naspers Limited</td>
<td>Accel Partners, Kinnevik and Northzone</td>
<td>1,200</td>
<td>October</td>
</tr>
<tr>
<td>Yandex</td>
<td>Exit</td>
<td>IT</td>
<td></td>
<td>Oppenheimer Funds</td>
<td>190</td>
<td>July</td>
</tr>
<tr>
<td>Yota Devices</td>
<td>Exit</td>
<td>Telecommunications</td>
<td>REX Global Entertainment</td>
<td>Telconet Capital</td>
<td>100</td>
<td>October</td>
</tr>
<tr>
<td>Mirantis</td>
<td>Round D</td>
<td>Cloud technologies, software</td>
<td>Intel Capital, August Capital, Ericsson, Goldman Sachs, Insight Venture Partners, Sapphire Ventures, WestSummit Capital</td>
<td></td>
<td>100</td>
<td>August</td>
</tr>
<tr>
<td>Virtus.pro</td>
<td>Round A</td>
<td>Games</td>
<td>USM Holdings</td>
<td></td>
<td>100</td>
<td>October</td>
</tr>
</tbody>
</table>

Source: RVC, RVCA, PwC
According to our methodology, we do not directly include issued grants in the assessment of the venture capital market volume, as they are non-market instruments for supporting innovation-related activity. At the same time, grants are important for the sustainable development of the venture capital market and innovation ecosystem in general, so this category should be considered separately.

The number of grants issued in 2015 was 6,074. The total amount of grants came to USD 178.2 million in 2015. In rouble terms, the amount of grants issued increased significantly more than in US dollar terms.

The majority of grants were given to support projects in the industrial technology (48% of the total number of grants and 51% of the total amount) and biotechnology (32% of the total number and 29% of the total amount) sectors.

Traditionally, the greatest portion of grants was issued by the Foundation for Assistance to Small Innovative Enterprises in Science and Technology (the Bortnik Fund). In 2015 the Fund issued 5,792 grants worth a combined USD 155.4 million. The final number and amount of grants were driven by the additional capitalisation of the Fund in 2015, which resulted in the issue of an additional 527 grants. Coming in second in terms of activity was the Skolkovo Foundation, which in 2015 issued 256 grants worth USD 21.3 million.

<table>
<thead>
<tr>
<th>Grants</th>
<th>USD million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds</td>
<td>Quantity</td>
</tr>
<tr>
<td>Bortnik Fund</td>
<td>5,792</td>
</tr>
<tr>
<td>Biotechnology</td>
<td>1,853</td>
</tr>
<tr>
<td>IT</td>
<td>1,154</td>
</tr>
<tr>
<td>Industrial technology</td>
<td>2,759</td>
</tr>
<tr>
<td>Other</td>
<td>26</td>
</tr>
<tr>
<td>Skolkovo</td>
<td>256</td>
</tr>
<tr>
<td>Biotechnology</td>
<td>61</td>
</tr>
<tr>
<td>IT</td>
<td>66</td>
</tr>
<tr>
<td>Industrial technology</td>
<td>129</td>
</tr>
<tr>
<td>Other</td>
<td>17</td>
</tr>
<tr>
<td>Biotechnology</td>
<td>4</td>
</tr>
<tr>
<td>IT</td>
<td>10</td>
</tr>
<tr>
<td>Industrial technology</td>
<td>3</td>
</tr>
<tr>
<td>Microsoft</td>
<td>9</td>
</tr>
<tr>
<td>IT</td>
<td>8</td>
</tr>
<tr>
<td>Industrial technology</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>6,074</td>
</tr>
</tbody>
</table>

Source: RVC, RVCA, the Foundation for Assistance to Small Innovative Enterprises in Science and Technology, the Skolkovo Foundation, PwC

Without taking into account the total amount of refunded grants.
The recent macroeconomic instability has adversely affected the Russian venture capital market, which primarily resulted in a 52% decrease in the volume of venture capital deals in 2015. It should be noted, however, that the overall slump in the annual average rouble exchange rate by 37% affected all indicators denominated in US dollars.

At the same time, the venture capital market demonstrated a strong margin; the number of venture capital deals increased by 21%, which is a positive indicator of venture capital activity. The market saw the emergence of new investors with small investments. This led to a 55% decline in the average deal value.

Government-supported venture capital funds expanded their activity in the market (the number of deals performed with such funds grew by 188% versus 2014). At the same time, deals with the participation of government funds still account for only a minor market share (12% in 2015).

The market retains a sectoral structure. The IT sector still accounted for 88% of the market volume (in monetary terms). Compared to 2014, however, there was a quite notable increase in the shares of the biotechnology and industrial technology sectors. The number of deals in the biotechnology sector grew seven-fold versus 2014, while the industrial technology sector witnessed an increase both in the number of deals (from 10 to 15) and in their total value in US dollars (by 65%).

Grants and major investor exits are powerful drivers of the venture capital ecosystem. To some extent, the expanded grant support in 2015 helped to counterbalance the decrease in the supply of money for early-stage projects. More than half of the total amount was given to develop industrial technology projects – this sector remains the leader in terms of grant awards.

The number of investor exits dropped by 13% in 2015, while in monetary terms the market saw 115% growth, yet around 76% of the total amount was attributable to just one major deal. Any further increase in the number of exits and the emergence of success stories are largely limited due to the lack of interested strategic investors. This restriction produces an adverse impact on venture capital risk perception by new potential investors and hinders market development going forward.

In general, the level and dynamics of investment activity in the market suggest a cautiously optimistic forecast, subject to no major external shocks.

Conclusion

The unstable economic environment in Russia resulted in a lower venture capital risk acceptance threshold for investors; the investment focus is apparently shifting from early-stage deals towards later-stage deals with a clearer outlook.

Also, investors are showing heightened interest in the foreign projects of Russian companies and in international projects in general.

In general, the level and dynamics of investment activity in the market suggest a cautiously optimistic forecast, subject to no major external shocks.
Methodology

This report has been prepared according to The MoneyTree™ Report methodology (www.pwc.com/globalmoneytree). The MoneyTree™: Russia report is issued by PwC in cooperation with RVC and based on the information provided by the United Analytical Group established at the initiative of the Russian Venture Capital Association (RVCA) and supported by RVC.

The MoneyTree™: Russia report focuses on the venture capital market and venture capital ecosystem in general. The report approach differs from the Methodology of collecting and analyzing the key parameters of the Russian venture funds’ activity developed by the RVCA. For instance, the venture capital market statistics in this report can include deals carried out by investment companies, strategic and other non-financial investors, as well as deals with companies at a more mature development stage (e.g., at the expansion or later stage), provided that these investments meet the other criteria set out by the MoneyTree™: Russia approach. Also, the maximum/minimum deal amount is restricted in the MoneyTree™: Russia report.

In analysing the data, we consider venture capital investments actually received during the first round of financing from business angels, investment companies, and private, corporate and public venture capital funds of at least USD 50,000 and not exceeding USD 100 million. If a company has received investment in two or more rounds, each round is viewed as a separate deal. This study considered deals which were formally concluded between 1 January and 31 December 2015.

The term “venture capital investment” is understood here to mean the acquisition of an equity stake or charter capital share in new or growing companies, but less than a controlling share. Funds invested are primarily directed toward growing the business, and not toward the purchase of shares owned by a company’s existing shareholders (founders). This report covers companies active in Russia’s IT, biotechnology and industrial technology sectors.

Please note that this report does not include information about outbound deals involving Russia-based investors oriented toward foreign markets.

This report provides information about the size of grants issued. The term “grant” is understood here to mean a free subsidy for pursuing scientific research or R&D work. However, as non-market sources of funding, grants have not been factored into the total market volume.

This report also covers deals related to investor exists. However, similar to grants, these transactions are not factored into the total venture capital market volume.

Definition of sectors and sub-sectors

The biotechnology sector includes companies involved in the development of medical equipment and pharmaceuticals, medical research, and the provision of innovative medical services, as well as companies implementing innovations in the agricultural and food technology sub-sectors.

The industrial technology sector includes entities involved in the development of equipment and technologies for application in clean technology-based operations; manufacturing of machinery and equipment for various purposes to be used in industrial production; chemicals production; and automated industrial operations.

The IT sector includes the following sub-sectors: e-commerce; development and application of cloud technologies; telecommunications; cellular applications; services and applications for the creation and development of social networks, Internet groups, information and reference services; tourism (hotel reservations, tickets, recommendations and reviews of tourist services); development of electronic and computer equipment; services and resources for the collection, processing and transmission of audio and video material (media); medical and healthy lifestyle services; educational services; and financial services.

Stages in the life cycle of a project/company and their definitions

- Seed stage: The company has a concept or idea for a product, but no final product; work is under way on a prototype.
- Start-up stage: The company has a pilot version of a product, or an initial demonstration version; testing is under way.
- Early stage: The company has a product that is ready to bring to market, and demand is being tested.
- Expansion stage: The product is available on the market, and there is visible sales and demand growth.
- Later stage: The company is becoming a major organisation, showing the characteristics of a public company.
The PwC Centre for Technology and Innovation (CTI), Russia, was opened in autumn 2009 to foster development of the Russian innovation and technology market. CTI specialists help companies and governments to design a strategy for innovation-driven development, create technology clusters, legislatively codify innovations, and develop the infrastructure for a market of innovations. They also work with fast-growing innovative companies. Providing support for young innovation-driven companies is one of the main tasks of the Centre.

Drawing on our many years of experience working with the largest technology companies around the world, we clearly see how they have succeeded and what obstacles they have had to overcome on their path to success. Collaborating with young companies and entrepreneurs, the CTI pools the experience and knowledge of its experts in Russia with foreign expertise from the entire global network of PwC firms. Similar centres operate at the PwC member firms in the United States, Germany, Singapore and Luxembourg, providing Russian companies with direct access to global markets.

PwC Russia (www.pwc.ru) provides industry-focused assurance, advisory, tax and legal services. Over 2,500 people work in our offices in Moscow, St Petersburg, Ekaterinburg, Kazan, Novosibirsk, Rostov-on-Don, Krasnodar, Voronezh, Vladikavkaz and Ufa. We share our thinking, experience and solutions to develop fresh perspectives and practical advice for our clients.
**OAO Russian Venture Company (RVC)** is a government-operated fund of venture capital funds, a Russian Federation development institution, and one of Russia’s key instruments in building its own national innovation system.

Since its establishment, RVC has been focused on addressing two critical issues: fostering private venture capital investment in innovative entrepreneurship in Russia and building the required infrastructure. Today, RVC provides various types of support to technology companies at the initial development stages, thus compensating for the high level of investment risk and the low level of activity by private equity funds at this stage.

RVC carries out its investment activities through venture capital funds established in cooperation with private investors. To date, RVC has formed 22 funds (including two funds in a foreign jurisdiction). Their combined value is RUB 33.2 billion. RVC’s stake in these funds is RUB 20.3 billion, and the number of portfolio companies approved for investments by RVC funds came to 179. The total value of funds approved for investing in innovative companies exceeded RUB 17.5 billion.

Over the past four years, RVC has demonstrated strong performance in terms of attracting funds provided by co-investors. As a result, RVC was positively appraised during a comprehensive analysis of the efficiency of innovative development institutions for fostering the technological upgrade of the Russian economy, which was carried out by the Russian Government in summer 2015.

In 2015, following a resolution of the Russian Federation Government and the Russian Federation Presidential Council on Economic Modernisation and Innovative Development in Russia, RVC was appointed the project office for the National Technology Initiative, a long-term Russian technological development strategy aimed at creating new global markets by 2035.

The publication of the MoneyTree™: Venture Capital Market Navigator is a crucial step in supporting the development of the infrastructure that Russia’s innovation-venture capital environment requires, with RVC participating as a development institution.
Contacts

PwC Centre for Technology and Innovation

Andrey Ekimenko
Director, Corporate Finance
andrey.ekimenko@ru.pwc.com

Anton Abashkin
Head of the PwC Accelerator programme in Russia
anton.abashkin@ru.pwc.com

Olga Kurnosova
Marketing Manager
olga.kurnosova@ru.pwc.com

RVC

Gulnara Bikkulova
Deputy CEO, Innovation Ecosystem Development, Member of the Management Board
bikkulova.gz@rusventure.ru

Andrey Sharenkov
Project Manager, Investor Relations, Innovation Markets Department
sharenkov.aa@rusventure.ru
MoneyTree™ Venture Capital Market Navigator
Overview of Russian IT venture capital deals in 2011

MoneyTree™ Venture Capital Market Navigator
Overview of Russian venture capital deals in 2012

MoneyTree™ Venture Capital Market Navigator
Overview of Russian venture capital deals in 2013

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Overview of Russian venture capital deals in 2014
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