

# Russia needs more MTVs, investor tells Kremlin

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By Melissa Akin

MOSCOW, July 7 (Reuters) - The Kremlin should cut red tape to encourage private equity investment in future business stars, the investor who brought MTV to Russia said as business leaders met in Moscow during the visit of U.S. President Barack Obama.

"We'd like to see laws changed, we'd like to see the environment changed (in a way) that would further promote private equity investment," Drew Guff, managing director of Siguler Guff, a private equity investment group managing \$8 billion, said in an interview.

"What is good for small and medium business is good for us."

Guff said Russia needed to make elementary bureaucratic reforms -- such as reducing the paperwork involved in registering a new business -- as well as legislative reforms to codify elementary transactions such as securities conversion.

Siguler Guff developed MTV Russia with a local entrepreneur, before bringing in U.S. MTV owner Viacom, which ultimately sold its stake to Russian tycoon, who now operates it under licence.

On Tuesday, Guff represented the U.S. financial community at a summit of Russian and U.S. business leaders, who met with senior Russian officials.

While big headline investments were few, analysts said warming ties and successful lobbying at the summit could have more lasting benefits at the middle echelons of the economy where private equity is most active.

"The benefits will be longer term and, currently, more concentrated in private equity and venture capital deals in areas such as technology, agriculture, pharmaceuticals and medicare," Uralsib strategist Chris Weafer said in a note.

Private equity helped create many Russian household names, though the deals and the products are largely unknown outside Russia, apart from the broadcast industry, where investors launched both MTV and popular Nasdaq-listed entertainment channel CTC Media.

Private equity has also financed cutting edge businesses on which the Kremlin is depending to diversify Russia's commodity-focussed economy and to continue the Soviet legacy of achievement in science and engineering.

Guff, who said he usually had 5-6 potential investments on his radar, plans to continue investing in information technology, telecoms and retail, where the bulk of Siguler Guff's \$1 billion Russia portfolio is already invested.

It is persisting in retail in spite of a downturn in real wages and high unemployment during Russia's first recession in a decade.

"People still need to buy food and buy their basic goods," Guff said. "We would avoid frivolous areas of retail, things that people don't absolutely need to buy today, like toys for their canaries... or diamond studded dog collars." (Editing by Simon Jessop)