

A stylized map of Ukraine is shown in white with a fine, concentric-line pattern. A blue dot in the center represents Kyiv, with the word 'KYIV' written below it. Several other black dots are scattered across the map, representing other cities or locations.

UVCA

UKRAINIAN VENTURE CAPITAL &
PRIVATE EQUITY ASSOCIATION

Ukrainian Venture Capital and Private Equity Overview 2018

Research partner

Deloitte.

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Team

Aventures

Taras Dumych

WOLF THEISS

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We continue walking along our exciting path of venture investing. Sometimes it's a bumpy ride, but despite that the VC investments topped out at **\$336.9m - 1.3 times more** than in 2017! While the world watches closely the mega-rounds by SoftBank's Vision Fund, Ukrainian tech startups start making confident baby steps towards larger deals. 2019 Round B deals counted \$30m, while the pre-seed and seed average tickets were on the rise.

The greater attention from global investors is not the only trend being spotted. Foreign tech giants continue to keep a close eye on promising companies. This translated into M&A growth to \$25.2m, which was included in our report for the first time, along with angel investments. The *corporate world* continues to move towards innovations this year by supporting incubation programs and investing in startups. We recognized the best and brightest in this report to lead by example.

While there is national context and room for improvement, community activities (including ourselves) for Ukrainian entrepreneurs are thriving across the country and beyond. Moreover, the *regulatory conditions* are experiencing positive changes which we covered in Legal Novels section.

Finally, we asked active investors to get their crystal ball out, and come up with *predictions for the industry*. Positive shifts and increase in expertise are likely to boost the share of capital flows into private markets giving birth to new funds and more backing for tech companies.

This report is only possible thanks to the input and constant work of all of our investors, dedicated entrepreneurs and our team. We are grateful to our 51 members for being a part of UVCA - the voice of private capital. And for those who are not yet with us - join us in Investing in Ukraine!



Olga Afanasyeva
Executive Director of UVCA



Total value of Venture Capital (VC) deals

2018 – **\$336.9m**

2017 – \$258.6m (1.3x increase)



Number of deals:

2018 – **115**

2017 – 89

The prevalent number of funds operating in Ukraine focused on the Seed stage.

The average ticket at Seed stage - **\$918k***



Value of M&A Deals

2018 – **\$25.2m**



Number of deals:

2018 – **7**

M&A considered as a tool for business development, unification of efforts and expertise.



Angel Investments

2018 – **\$0.9m**



Number of deals:

2018 – **7**

Software and Hardware companies prevail by the number of deals among Angel Investments.



Initial Coin Offering (ICO)

2018 – **\$58.3m**

2017 – \$160.3m



Number of deals:

2018 – **4**

2017 – 19

The number of deals has decreased, whereas the average deal value almost doubled.

STO is a new trend replacing ICO.

Note: *excluding deals with undisclosed amount (see Glossary)

Source: Deloitte Research, UVCA Research

Ukrainian Venture Capital Market Overview 2018

Total number of deals*

 115

29.2% growth compared to 2017

2018 VC investments exceeded 2017 by 1.3 times and reached

 \$336.9m

growth trend remains significant

Average deal size**

 \$3.2m

Average ticket at Seed stage**

 \$918k

89.9% higher vs 2017**

Top 5 VC deals totaled

 \$238.4m

makes up 70.8% of all the 2018 VC investments

Number of exits in 2018

 8

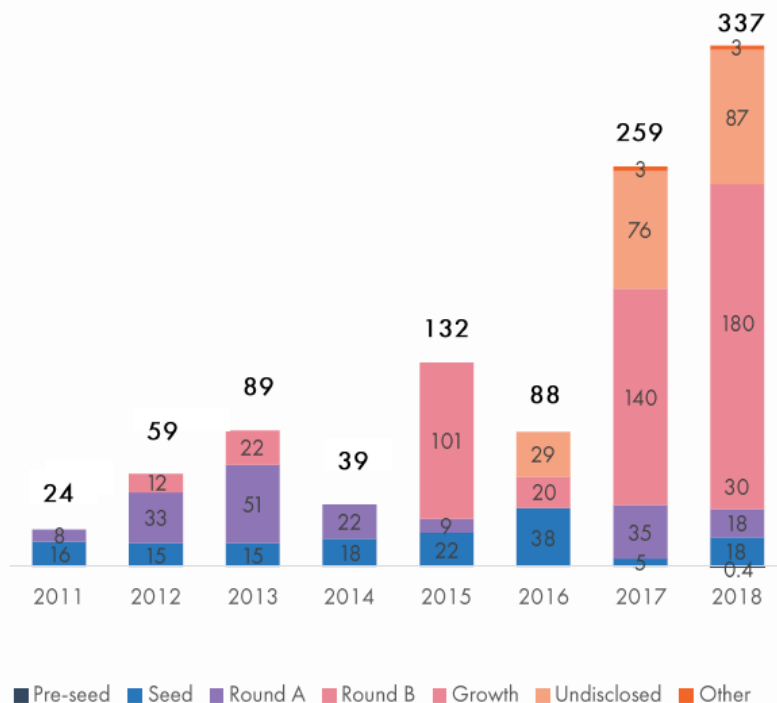
compared to 16 in 2017

Note: *including undisclosed deals (see Glossary); excluding deals with Angel investors only, M&A deals

**excluding deals with undisclosed amount

Source: Deloitte Research, UVCA Research

Total Investments

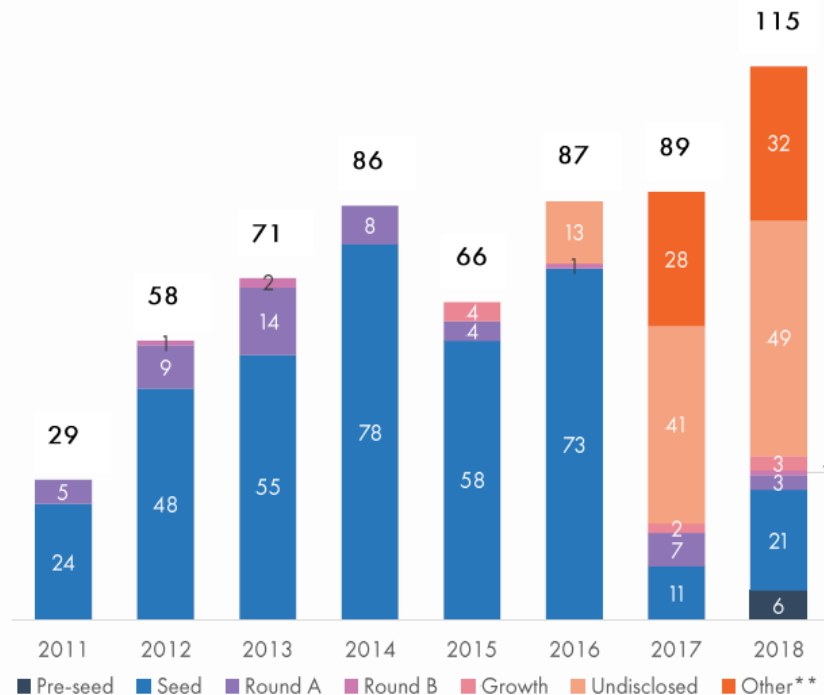


Total capital invested: **\$336.9m***, exceeding 2017 by 1.3 times

- Round A: **\$18.4m**
- Round B: **\$30m**
- Growth stage: **\$180m**
- Undisclosed deals: **\$86.9m***

The largest deal of 2018 was done by *GitLab* – a system for managing program code repository, with **\$100m** raised at growth stage

Note: *excluding deals with undisclosed amount
Source: Deloitte Research, UVCA Research, AVentures Capital



- Total number of deals in 2018: **115**
- Seed stage: **21 deals** (11 in 2017)
- Rounds: **4** (7 in 2017)
- Undisclosed deals: **49**
- Overall average ticket: **\$3.2m***

Average Ticket by Stage:

- Seed stage: **\$918k***
- Round A: **\$6.1m**

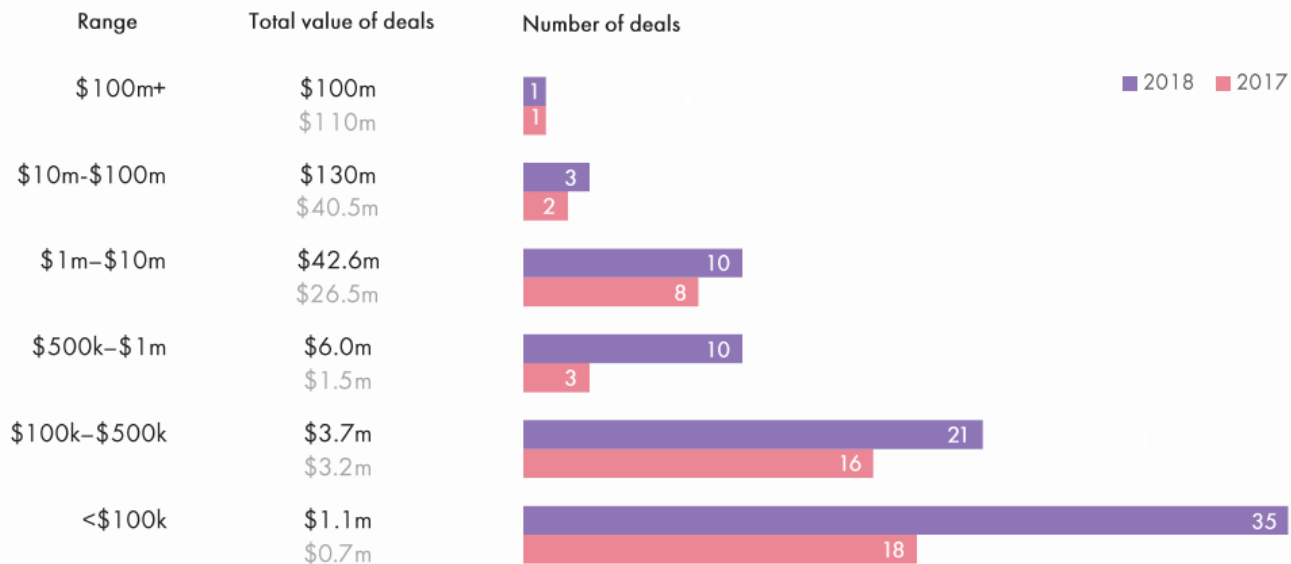
The number of *pre-seed* investment deals has risen sharply

Note: *excluding deals with undisclosed amounts

** "Other" consists of grants, bridge and crowdfunding financing

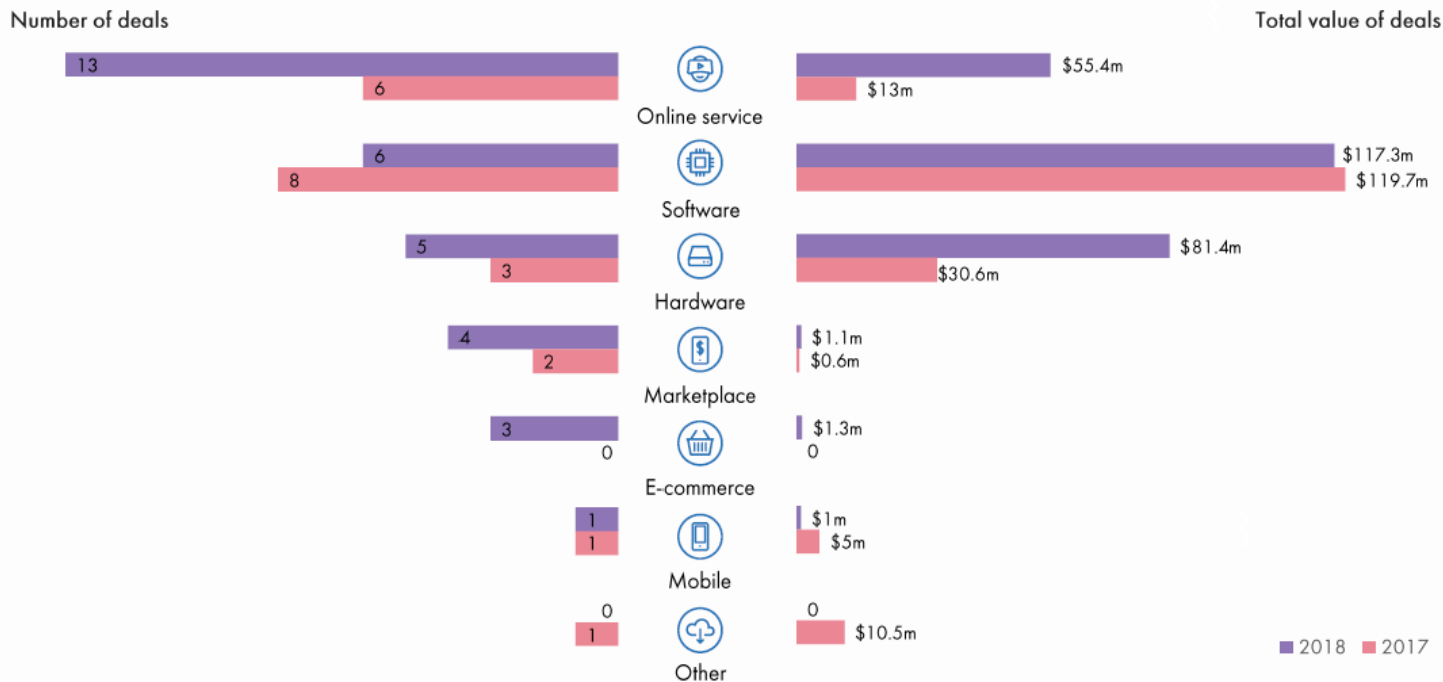
Source: Deloitte Research, UVCA Research, AVentures Capital

Deals under **\$500k** remain popular among investors in 2018



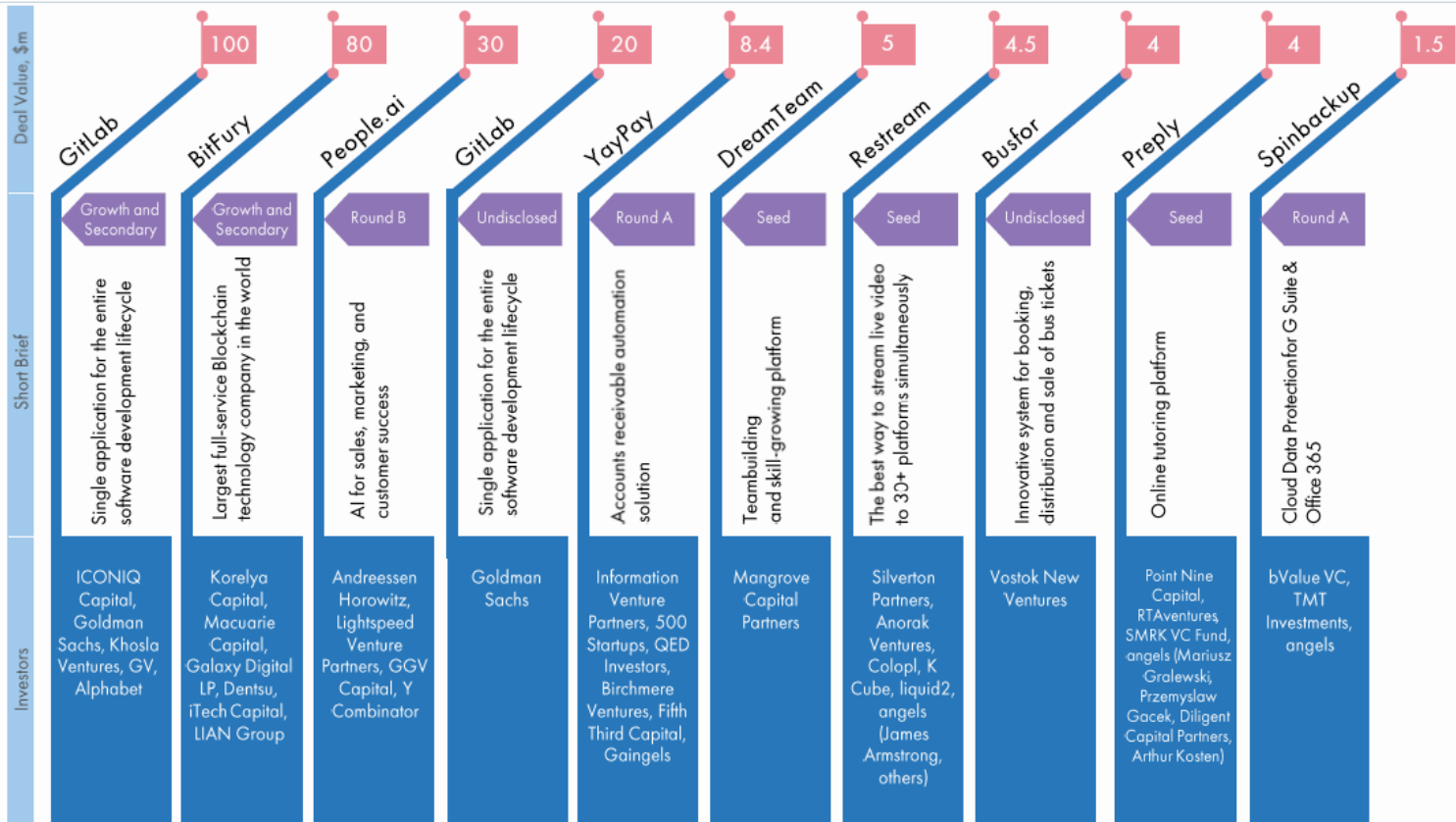
Note: excluding undisclosed deals
 Source: Deloitte Research, UVCA Research

Online service & Software companies prevail by the number of deals, while Software and Hardware companies are in the lead by deal value



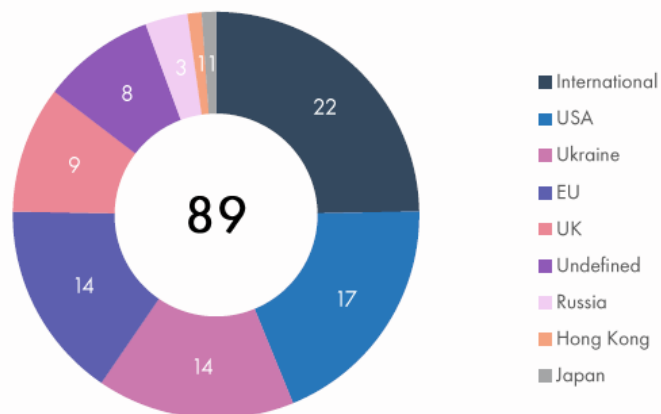
Note: excluding undisclosed deals, crowdfunding and grants
 Source: Deloitte Research, UVCA Research

TOP 10 Deals in 2018

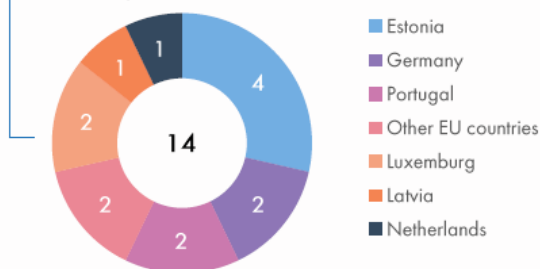


Source: Deloitte Research, UVCA Research

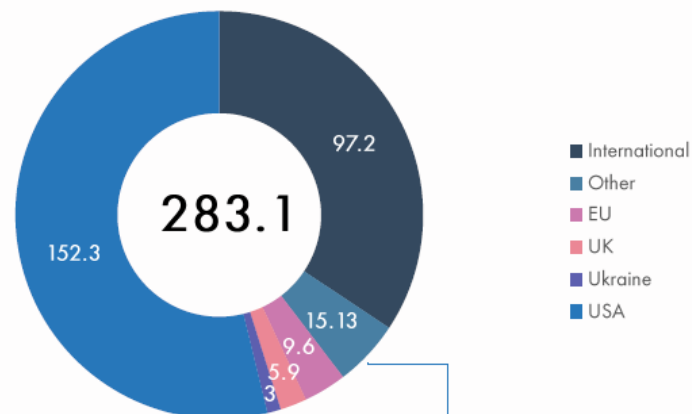
Capital structure by country 2018, number of deals*



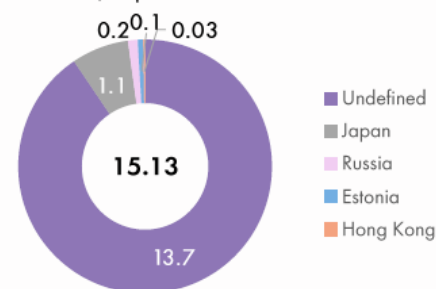
EU, number of deals



Capital structure by country 2018, \$ m**



Other, capital structure

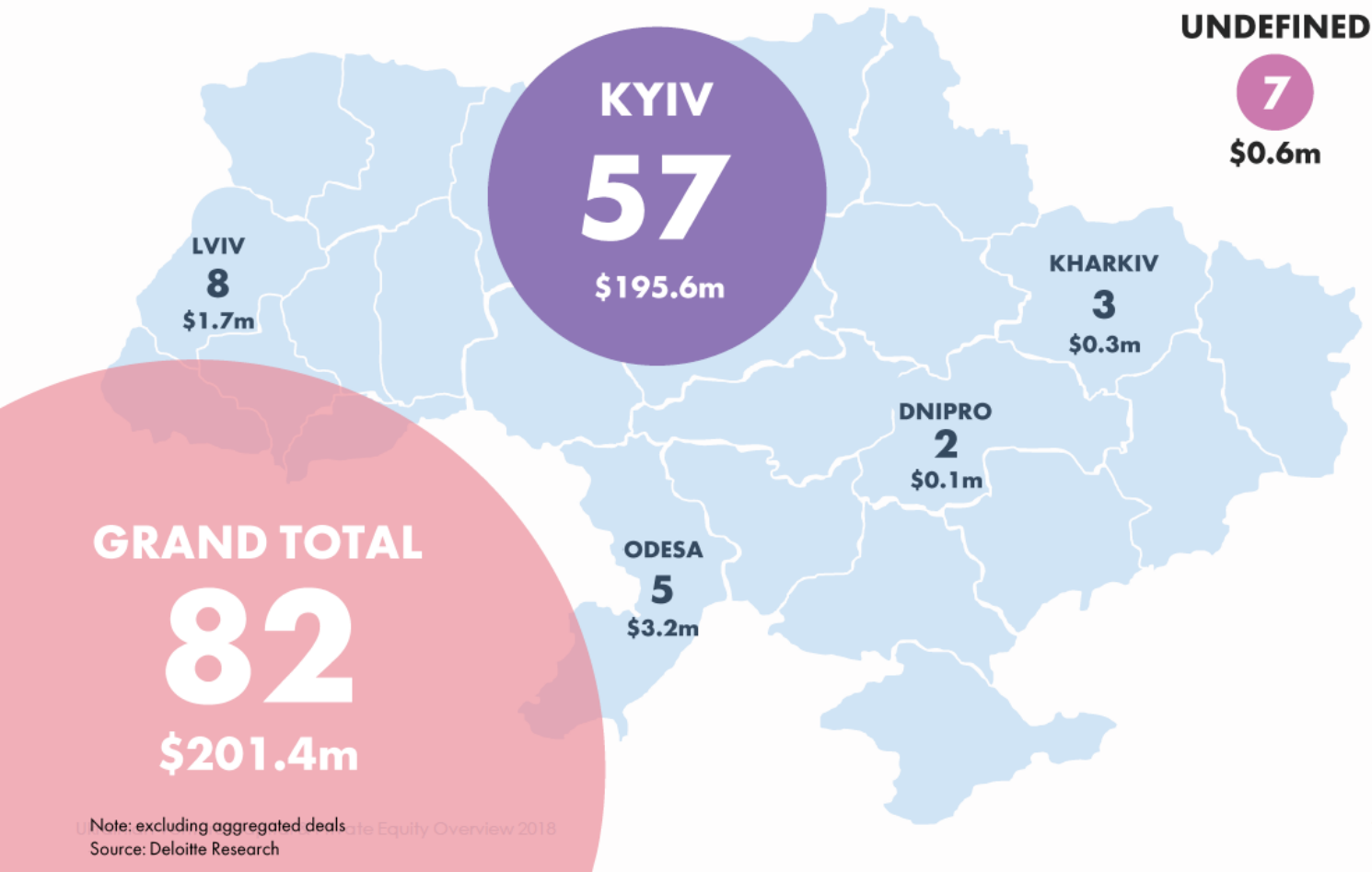


Note: *excluding aggregated undisclosed deals (see Glossary)

**excluding undisclosed deals

Source: Deloitte Research, UVCA Research

Ukrainian Venture Capital & Private Equity Overview 2018



nuka

Nuka

Eternal stationery



FunLight

Innovative attraction for shopping malls and theme parks



RAWR

IoT technology strengthening the bond between humans and their pets



Jollylook

Vintage cardboard instant camera made from recyclable materials



Flasty

First 3D food printer, which works with any type of chocolate and various food pastes



Photon_LMS

Advanced modular photo studio



Patent Bot
Trademark registration



Let's Enhance
An AI based tool to upscale and enhance images in a second



Poptop
Event planning concierge



Superorder.io
All-in-one service for crypto traders



Sureberry
Insurance aggregation platform



Flawless App
MacOS app for visual quality check inside iOS simulator

Note: *excluding 5 biggest deals presented on slide 12
Source: UVCA Research

Snapshot of Ukrainian Initial Coin Offering (ICO) 2018

Successful ICOs in 2018



4

Total raised

 \$58.3m

ICOs in 2018



Company	Sector	ICO Size, \$m
Rentberry	Online service	30
Remme	Software	18
DreamTeam	Online service	10
Creditor Data Platform	Marketplace	0.3

Security Token Offering (STO) is the asset management tool of the next generation which allows investors to mitigate risks:



security tokens are the junction of blockchain and traditional assets that have real value, therefore STO is a hybrid approach between ICO and the more traditional IPO



like in ICO, investors can purchase tokens during an offering, which can be traded, sold, or held, ensuring speed and convenience



like in IPO, STO is backed by tangible assets, profits, or company revenue ensuring protection of investors

Who Invests in Ukraine



Innovation DTEK

DTEK is the largest private investor into Ukraine's energy sector with USD 9.2 bln of investments since 2005.

DTEK Group is the leading diversified energy corporation in Ukraine

engaged in renewable energy generation, electricity distribution, thermal power generation and coal mining, electricity supply and energy management, natural gas production and energy trading.

Innovation DTEK is in charge of projects spanning from open innovation culture, technological and digital transformations in the energy sector.

In 2019, DTEK began scouting for Ukrainian and European startups to introduce in the Company business their new innovative technologies.

DTEK searches for:

- Solutions and products for customers
- Innovative technologies and solutions aimed to optimize processes
- New business models

Innovation is changing the world and we are ready to become part of these changes.

Contacts:

<https://www.dtek.com/innovation/>
innovation@dtek.com



Most Active Investors in 2018 by number of deals and exits



Investors

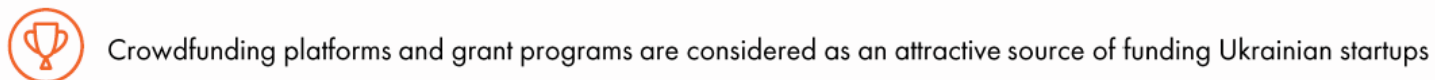


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Crowdfunding platforms and grant programs are considered as an attractive source of funding Ukrainian startups



6 grants

\$251.8k

KICKSTARTER

7 campaigns*

\$1.4m

{ } Open Data
Challenge

5 grants

\$70.9k

Note: * startups from only technology and internet sectors were included

Source: UVCA Research



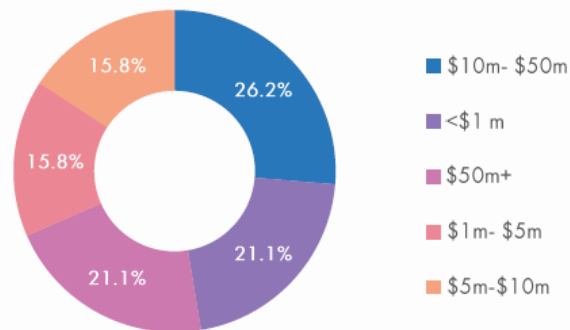
Number of exits

2018 – **8** exits by VC funds

2017 – **19** exits by PE fund



Capital under management, %



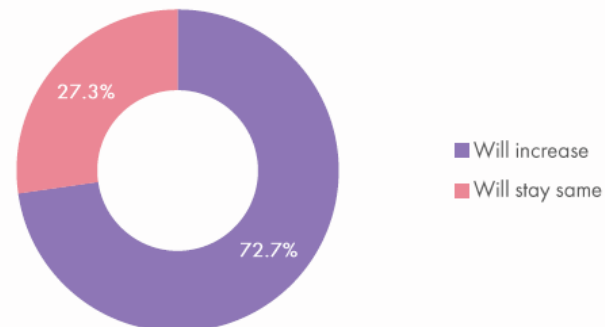
Investors review of startup quality and quantity

53% of investors consider that there are not enough startups in Ukraine

63% of investors are satisfied with the quality of startups in Ukraine



Investments dynamics estimation for private equity funds in 2019



Source: UVCA Survey 2019 (see Appendix)

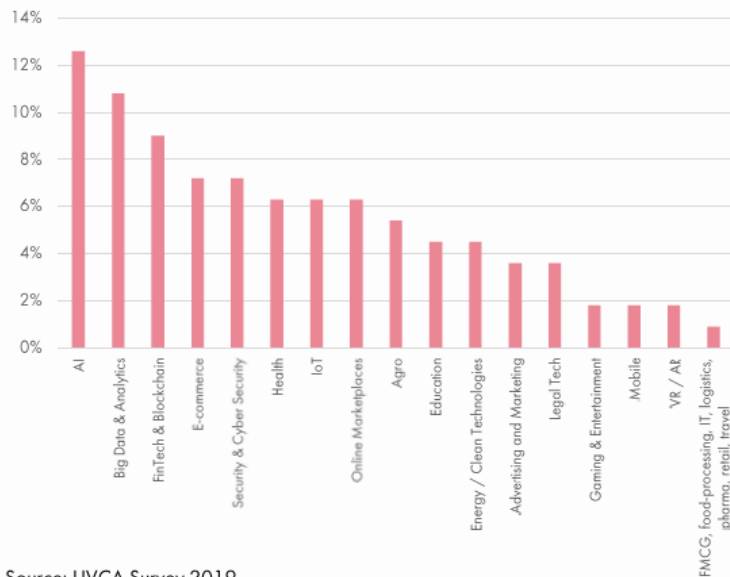
2019 Investor Expectations

Investor Expectations & Predictions for Ukraine

☑ 63% of current investors are expecting new private equity or venture capital funds to emerge in Ukraine

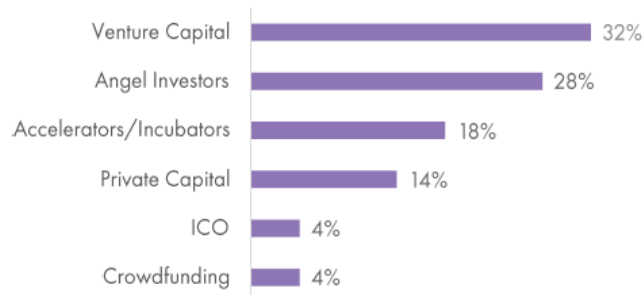
☑ 50% of PE & VC are planning to attract investments to their funds

The most attractive sectors for VC and PE funds

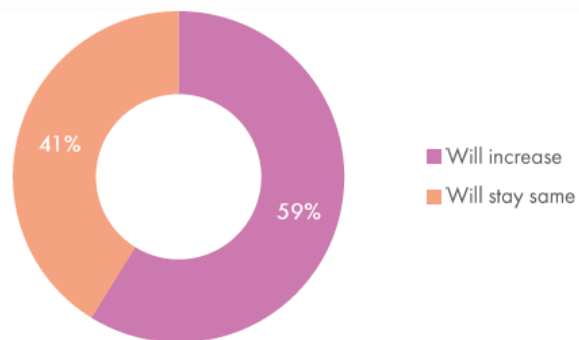


Source: UVCA Survey 2019

What methods of startup funding will be the most widespread?



VCs' predictions of the investment market dynamics



Survey respondents predicted which factors have the most impact on decision making, and what development stages will get the most interest from VCs

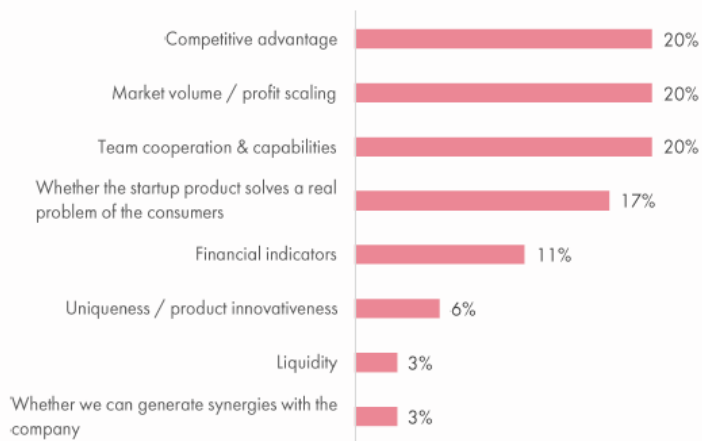


Startups should demonstrate competitive advantage, profit scaling and team cooperation if they want to attract investment

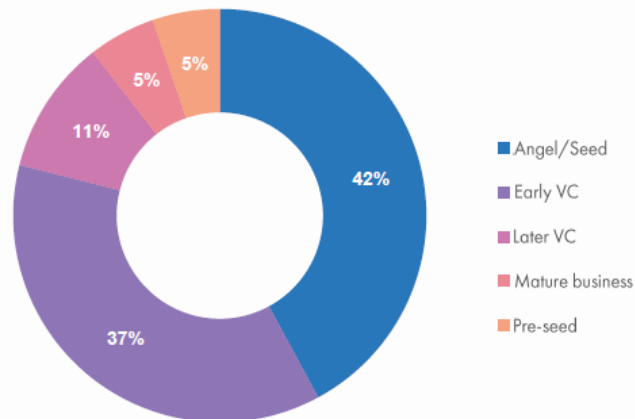


Angel/Seed and Early stage will be of most interest for investors in 2019

The most important metrics for VCs when making an investment decision



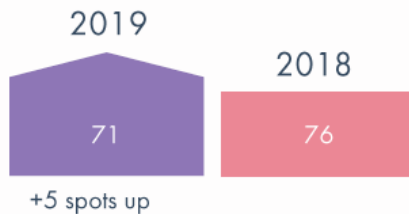
The most interesting startup Development stage for VCs



Source: UVCA Survey 2019

Reasons to Invest in Ukraine

DOING BUSINESS (by The World Bank)



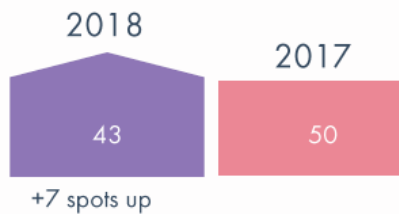
Economies are ranked on their ease of doing business, from 1–190. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm.

Ukraine has made huge gains in World Bank Doing Business rankings.

Ease of Doing Business in Ukraine averaged 112.36 from 2008 until 2019, reaching an all time high of 152 in 2011 and a record low of 71 in 2019.

Source: The World Bank, The Global Innovation Index 2018

THE GLOBAL INNOVATION INDEX The Global Innovation Index

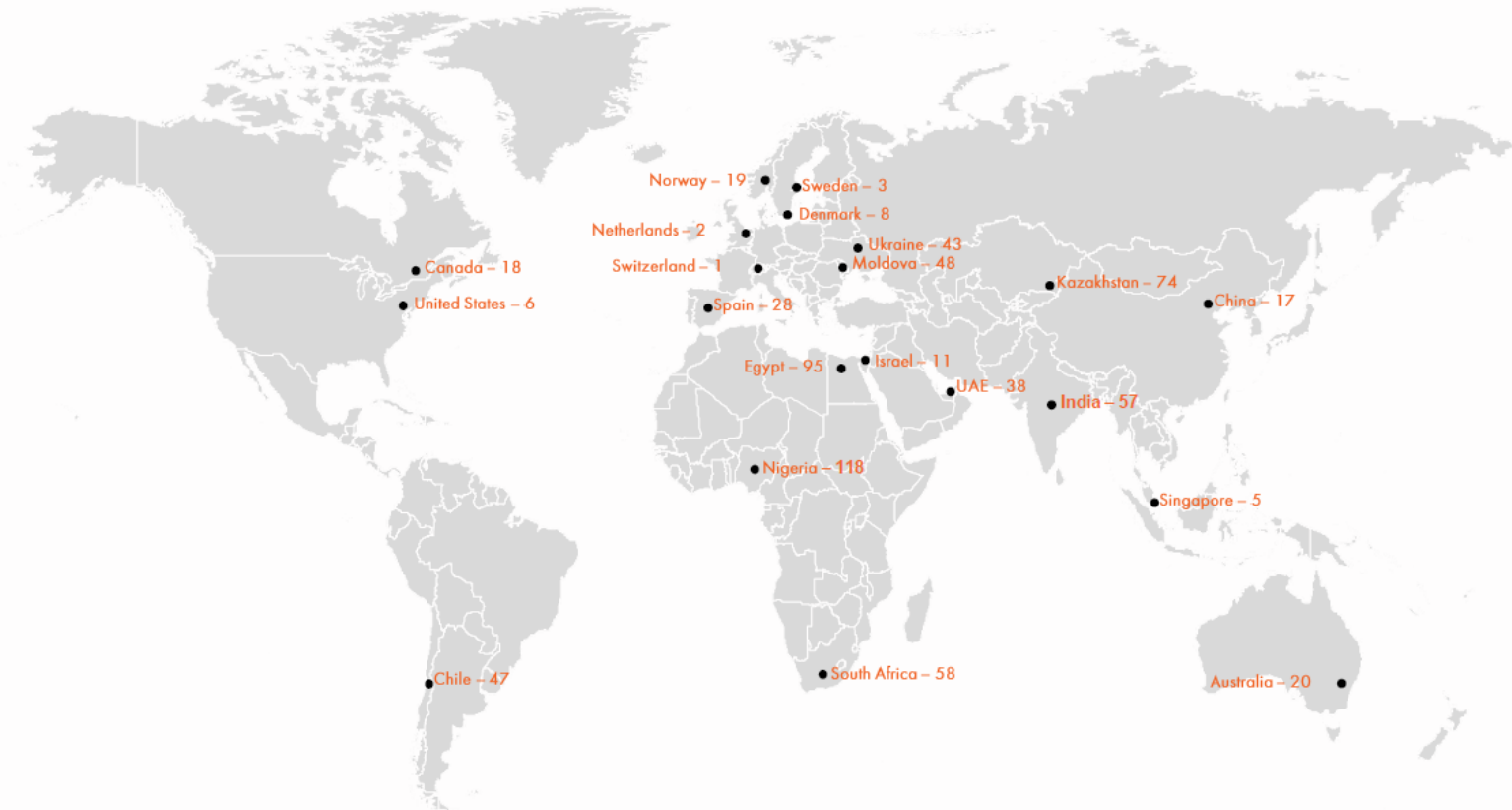


This is the highest ranking of the GII that Ukraine has attained. Even though the score of Innovation Input Sub-Index has decreased (from 41.05 in 2017 to 40.45 in 2018), the Innovation Output Sub-Index has increased 2.4 points up (from 34.19 in 2017 to 36.59 in 2018).

Ukraine proves to be highly efficient in translating its innovation inputs into outputs, as demonstrated by the Innovation Efficiency Ratio ranking 5th globally.

Ukraine is ranked 1st among the 30 lower-middle-income countries in the GII 2018.

Global Innovation Leaders of 2018



Source: Global Innovation Index 2018



The new Law on Limited Liability Companies

Regulation of LLCs was significantly streamlined bringing it closer to modern international standards. The law, inter alia, introduced supervisory boards and shareholder agreements, abolished limits on the number of shareholders of LLCs, significantly liberalized corporate governance and imposed clear fiduciary duties on company officials (the Law No. 2275-VIII, entered into force on 17 June 2018)



Currency control rules liberalized

The new Currency Law radically changed currency control regulations: inter alia, individual licensing of cross-border transactions was cancelled, deadlines for settlements under cross-border transactions were extended, and Ukrainian residents were permitted to open bank accounts in foreign banks without restrictions (the Law No. 898-IV, entered into force on 7 July 2018 and became fully effective on 7 February 2019)



List of VAT-exempted software extended

The list of VAT-exempt (until 1 January 2023) software was extended to include: copies of computer programs, their parts and components (either in physical or electronic form), updates, applications, extras/plugins and the rights to them. VAT exemption applies to all transactions with such software, the payment for which is not considered as royalty (the Law No. 2245-VIII, entered into force on 1 January 2018)



Government's policy on individual contractors

In 2019, the Ministry of Social Policy addressed the issue of the engagement of individual contractors instead of employees by IT companies. A draft law was proposed containing criteria for qualifying relations with individual contractors as employment. However, having received negative feedback of the IT business community, the Ukrainian President and Prime-Minister backed down on the initiative. It was stated that the draft law is a working initiative of the Government solely for discussion purposes



Tax initiatives in IT sector

In February 2019, the draft law was proposed introducing the new group of single taxpayers (the 5th group) – de facto individual contractors in IT sector. The draft law inter alia provides for (i) gradual increase of the single tax for the 5th group from 5% to 10%, and (ii) increase of the minimum unified social contribution payable by the 5th group

Source: WOLF THEISS

Appendix

Our analysis was based on 89 publicly available Ukrainian VC deals and 26 aggregated undisclosed deals, which were provided by Ukrainian Venture Capital & Private Equity Association (UVCA) and AVentures Capital. All investments into Ukrainian startups (see Glossary) occurred during 2018. We only took startups from technology and internet sectors. This year we decided to include in overview Angel and M&A deals since the number of deals increased. The Overview does not include deals with self-invested startups.

Data Collection:

The Overview's figures are based on publicly collected data and UVCA investor survey.

Publicly collected data

The data was collected from publicly available sources such as company websites, press releases, reliable industry news sources etc. The received and collected information was reviewed and analyzed for reliability according to a systematic process of quality checks. UVCA contacted investment funds and startups directly for clarifications regarding investment deals and exits, which were not obvious or unavailable to the public.

UVCA Investor Survey

A web-based investor survey was conducted by UVCA and Deloitte in March 2019 and polled 20 UVCA members and non-members: 11 VC funds, 5 PE funds, 1 Angel investor, 1 Startup incubator, 1 Innovation platform and 1 Energy holding. The survey included multiple choice and open questions concerning their overview of 2018 and expectations for VC & PE market development in 2019. The aggregated results of the survey are presented in the Overview.

Exchange rates

The currency in the Overview is the US dollar (USD). Non-USD investments were converted to USD at the average monthly rates provided by OANDA (source: <https://www.oanda.com/fx-for-business/historical-rates>) according to the announced month of investment (based on press releases, public news, interviews with startup representatives).

ICO

The Overview includes Ukrainian 2018 ICOs (see Glossary). The ICO snapshot was first added to Overview 2017 as a new instrument of startup funding due to its substantial growth over recent years. However, after the rise of ICO lasting from 2017 until the 1Q of 2018, the ICO fell in the 2Q 2018 due to economic (overestimation of demand, investment volumes, overestimation of the project teams' capabilities) and technical (inability to achieve the predicted outcome based on the work done or inability to create a new technology) reasons.

TOP 6 Hardware Startups

UVCA challenge: UA Tech at CES 2019 was a contest for hardware startups, which had its winners representing Ukraine at Consumer Electronics Show 2019. The jury comprised of the most influential investors and representatives of the leading venture funds in Ukraine. The selection process consisted of several stages: over 60 applications, selection of 20 startups and their pitch before the jury, who selected the winners.

A startup is considered to be Ukrainian if

- a) the funded company has headquarters in Ukraine, or
- b) at least one of the founders is Ukrainian, or
- c) the majority of company's team or R&D is located in Ukraine.

ICO is considered to be Ukrainian if the company was founded in Ukraine or at least one of the founders is Ukrainian and the majority of company's team works in Ukraine even if the ICO was conducted de jure outside of Ukraine.

Disclosed deals – publicly known deals with disclosed information.

Undisclosed deals:

- Aggregated undisclosed deals are non-public deals provided by UVCA and AVentures Capital fund (total: 26 aggregated undisclosed VC deals)
- Deals with undisclosed amount are publicly known VC deals with undisclosed deal value (total: 9 deals with undisclosed amount)

Abbreviations: m – million, k – thousand, AI – artificial intelligence



**UVCA Investors Book 2017:
Who is Who on The Ukrainian Investment Market**
<https://www.slideshare.net/UVCA/uvca-investors-book-2017-who-is-who-on-ukrainian-investment-market>



The Dealbook of Ukraine 2018
<https://www.slideshare.net/YevgenSysoyev/the-dealbook-of-ukraine-2018-edition?ref=https://ain.ua/2018/03/06/dealbook-2018>



Startup Investment & Innovation in Emerging Europe
http://www.ewdn.com/files/cee_report.pdf



Software Development Report in Ukraine, Poland, Belarus and Romania
<https://software-development-cee-report.com>



UA Tech Pavilion at CES and the Silicon Valley Tour

For 3 years in a row UVCA organizes the UA Tech Pavilion at Consumer Electronics Show (CES) backed by WNISEF. After a thorough selection, top Ukrainian hardware startups get a chance to showcase their product on an international arena.

Traditionally, after the exhibition, UVCA arranges a tour to the heart of the Silicon Valley, which includes meetings with the leading tech companies, funds, incubators for UVCA members and winner startups.

Learn more: <http://uvca.eu/en/news/ukrainian-startups-in-las-vegas-ces-2019>





Ukraine House Davos 2019 snapshot:

- 14 panel discussions on investment and innovation topics speakers from 9 countries
- 7000+ registered visitors
- 100 hours of live stream

Notable guests in 2019:

- President of Ukraine Petro Poroshenko
- Klitschko brothers
- Timothy David Snyder
- Michael Collins, Invest Europe
- Ieva Ilves
- Elliot Gerson

Ukraine House Davos

UVCA is one of the organizers of Ukraine House Davos, which was held for 2 consecutive years in Davos, Switzerland. Ukraine House runs a week-long venue under the theme: "Ukraine: Creativity, Innovation, Opportunity." A vibrant hub showcasing Ukraine to global leaders from business, politics and civil society, and presented Ukrainian business and investment opportunities.

Designed in a contemporary style and located in the very heart of Davos, Ukraine House pays homage to Ukraine's rich culture and national identity, at the same time, showcasing the country's IT and technology sectors, sectors that embody the emergence of a new, creative and innovative generation of business leaders and new opportunities.

Learn more:

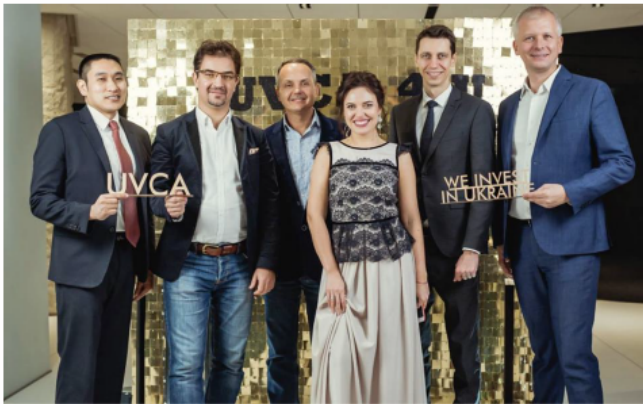
<https://www.ukrainehousedavos.com/>



UVCA Members



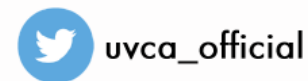
Ukrainian Venture Capital and Private Equity Association (UVCA) shapes the future direction of the venture capital and private equity industry in Ukraine by promoting its investment opportunities, advocating the interests of the industry to policymakers, and improving the local business climate.









- Established by the example of Invest Europe, UVCA currently **unites over 50 members** – leaders of the international and Ukrainian investment markets. Our members invest not only capital, but also expertise and innovation, providing strong and sustainable growth to portfolio companies - from startups to established businesses.
- By building bridges between Ukrainian and global ecosystems, UVCA facilitates the motion of knowledge and capital in both directions.
- UVCA makes a constructive contribution to shaping legislation on both pan-industry and sector-specific scales that affect LPs, GPs, and their portfolio companies.
- UVCA is a nonprofit organization with the head office in Kyiv, Ukraine, and members from all across Europe, USA, Ukraine etc.

Links:

www.uvca.eu



-  Access exclusive private events with high profile guests focused on expertise sharing and networking
-  Connect with other leading global investors and national investment associations - UVCA is a member of Invest Europe (former EVCA)
-  Access prominent companies and startups through our initiatives and pipeline-sharing
-  Add weight to the voice of private capital in the dialogue with Ukrainian regulators to shape legislation affecting LPs on both pan-industry and sector-specific scales
-  Stay up-to-date with information and insights about the investment market, the industry and our members
-  Be a strong and credible voice when communicating with the stakeholders, regulators and legislators thanks to the significant impact of UVCA membership, reputation and track record

Deloitte.

Making an impact that matters

Deloitte has more than 286,000 professionals at member firms delivering services in audit, tax, consulting, financial advisory, risk advisory and related services in more than 150 countries and territories. Revenues for fiscal year 2018 were US\$43.2 billion.

Over the previous year, Deloitte member firms served over 88% of the Global Fortune 500 companies, as well as large national state companies, governmental bodies and major local and international private companies.

With a globally connected network of member firms, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's professionals are committed to making an impact that matters.

Please visit our website www.deloitte.ua for more details.



Links:



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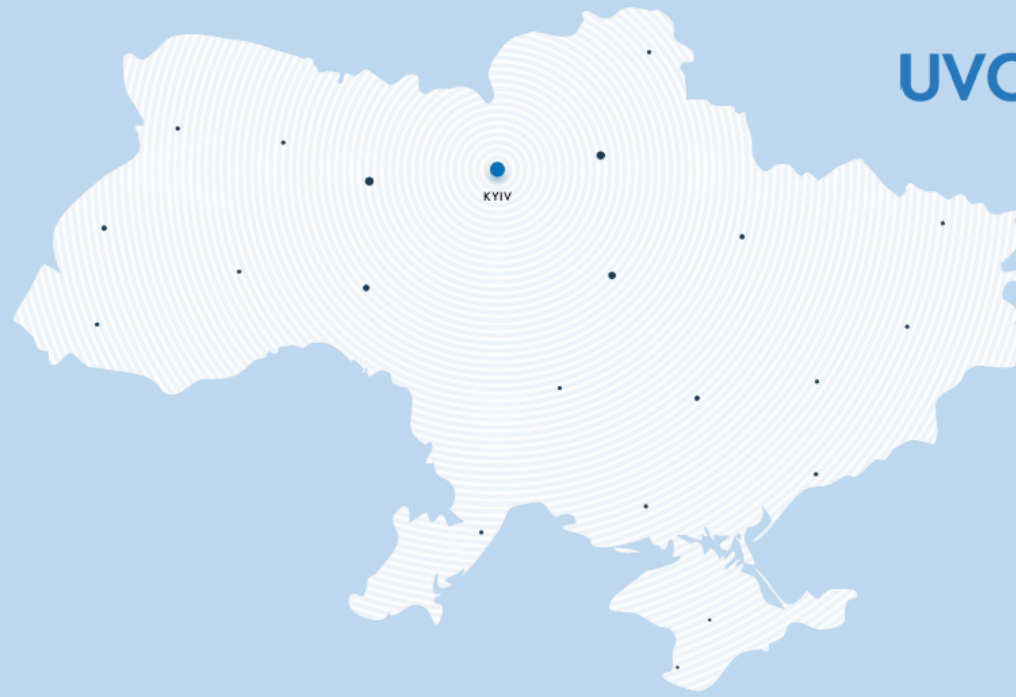


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UVCA

UKRAINIAN VENTURE CAPITAL &
PRIVATE EQUITY ASSOCIATION



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