

UVCA

UKRAINIAN VENTURE CAPITAL &
PRIVATE EQUITY ASSOCIATION

Ukrainian Venture Capital and Private Equity Overview 2017

Research Partner

Deloitte.



Special Thanks

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Olga Afanasyeva
Executive Director of UVCA

We are living in the age of extraordinary technological progress, which is changing the way we live our lives, and more importantly, from the investors' perspective, disrupting business models fast. Therefore, while the country faced continuous challenges of uncertainty, venture capital and private equity have reassured of its capacity to grow.

Following a dip in 2016 the data for 2017 indicates that the total venture capital investment has reached its peak totaling \$258.6m, that is triple to the previous year. Although in line with the global trend of shifting investors' focus from quantity to quality, the number of deals remains at about the same level.

This year, on top of venture capital trends, our annual Overview also covers two additional segments of private investment. The first one is private equity - unlike previous years, when these types of deals were scarce, in 2017 the amount of investments rocketed to \$126.7m. The second segment is the boom of interest towards alternative mechanisms of financing, Initial Coin Offering (ICO) in particular. Recently, Ukraine has been defined as one of 14 hotbeds of Blockchain innovations by The Blockchain Research Institute. In 2017 Ukrainian companies have raised \$160.3m in ICO. Moreover, VC funds focused solely on emerging crypto-related businesses, establishing stronger ties between private capital and blockchain-based industries.

On behalf of UVCA members we continue to showcase investors' enthusiasm for Ukrainian companies. We do this both within the country, and globally - presenting at international industry events, and expanding our network. 2018 is already promising to be a busy year for the VC industry.

Finally, we would like to express our sincere gratitude to all those who contributed to this research with their expertise, time and providing data. The Association has a strong support of our almost 50 members – leaders of Ukrainian and global investment markets - who continues to be the voice of private capital in Ukraine and the world by providing a robust and the most recent market data. We invest in Ukraine, join us!

Venture Capital (VC) deals value



2017 – **\$258.6m**

2016 – **\$88m** (almost 3x increase)

The number of deals:



2017 – **89**

2016 – **87**

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

The average ticket at Seed stage - \$484k*

Private Equity (PE) deals value



2017 – **\$126.7m**

The number of deals:



2017 – **14**

vs not more than 4 deals/year for the last 3 years

Prevalent number of deals was undisclosed

Initial Coin Offering (ICO)



2017 – **\$160.3m**

The number of deals:



2017 – **19**

Number of exits



2017 reached **19**

2016 – **8**

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

Source: Deloitte Research, UVCA Research

Ukrainian Venture Capital Market Overview 2017

Total number of deals*

 **89**

2% growth comparing to 2016

2017 VC investments exceeded 2016 by 3x times and reached

 **\$258.6m**

which is considered to be the highest amount in Ukrainian history

Average deal size **

 **\$3.3m**

Average ticket at Seed stage

 **\$484k**

which is lower by 7.8% vs 2016**

Top 5 VC deals totaled in

 **\$162.8m**

Number of exits in 2017 reached

 **16**

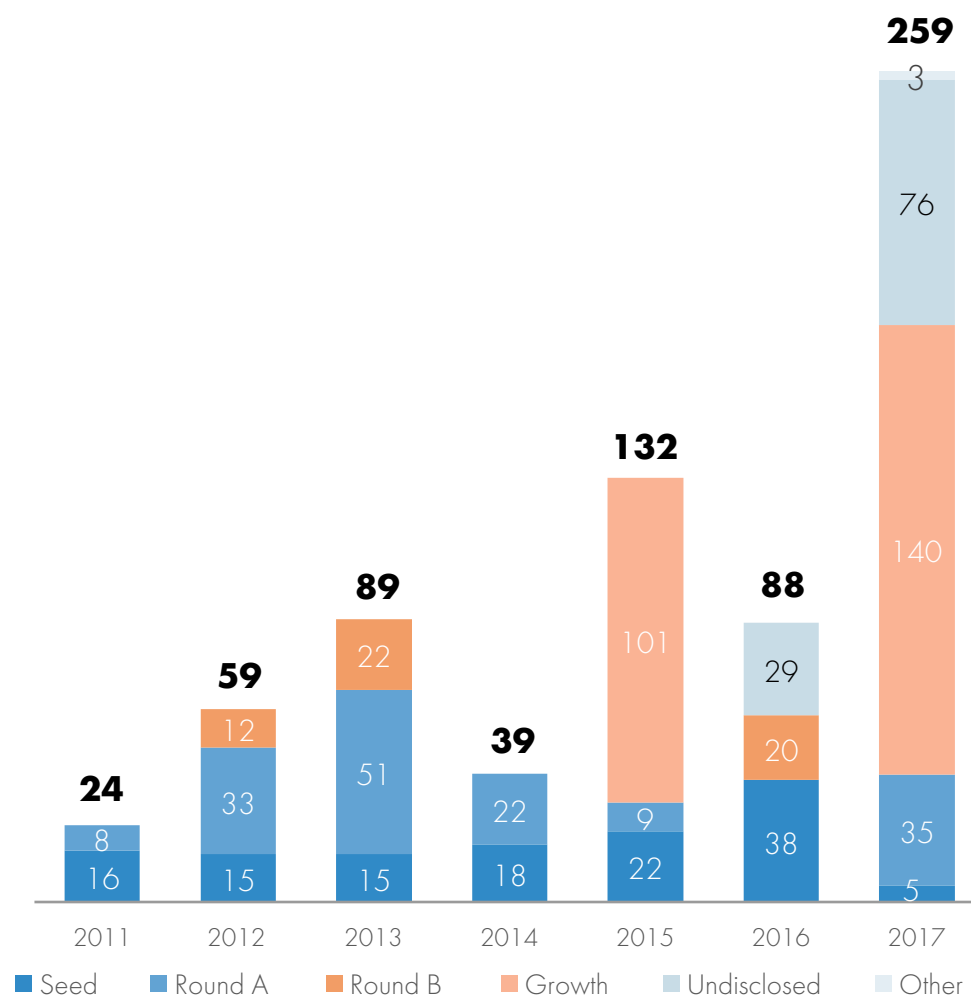
comparing to 6 in 2016

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

**excluding deals with undisclosed amount

Source: Deloitte Research, UVCA Research

Total Investments



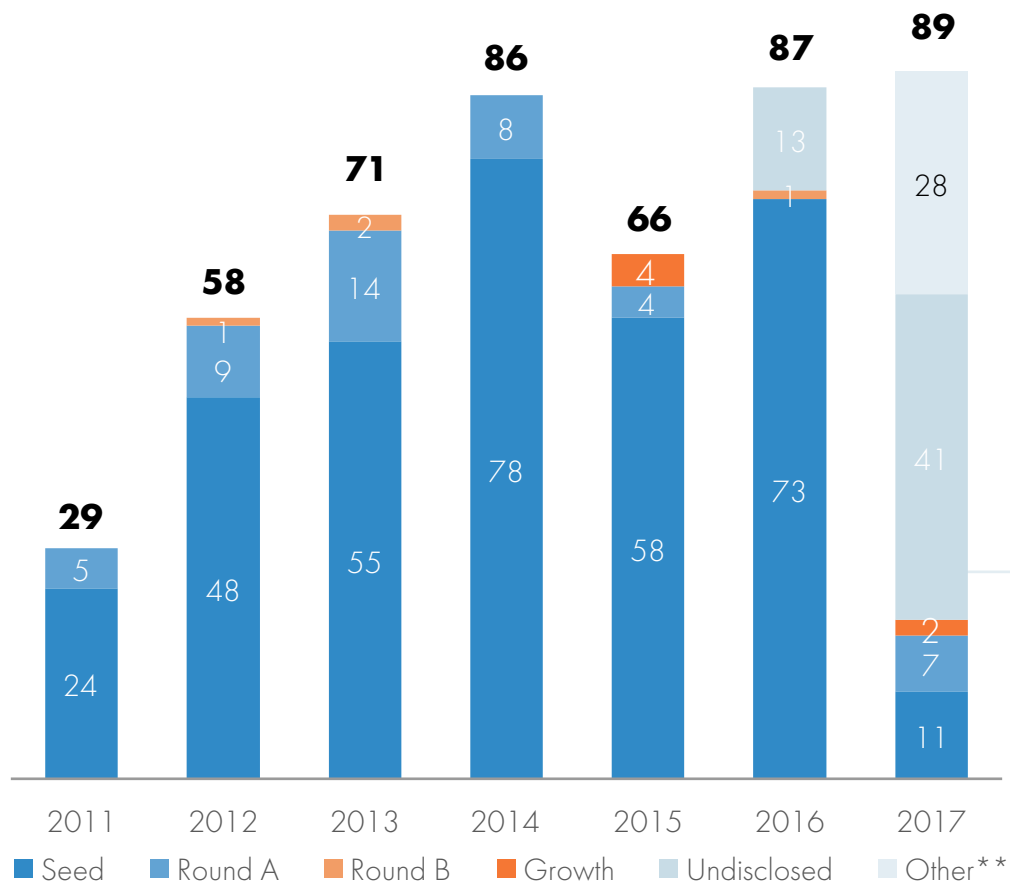
- Total capital invested: **\$258.6m***, almost 3 times exceeded 2016 and has reached its historical peak
- Round A stage: **\$34.6m**
- Growth stage: **\$140m**
- Undisclosed deals: **\$76.2m***

The largest deal in 2017 was *Grammarly*, an intelligent online grammar checking service based on artificial intelligence technologies. Company raised **\$110m** at growth stage.

Note: *excluding deals with undisclosed amount

Source: Deloitte Research, UVCA Research, AVentures Capital

Number of Deals

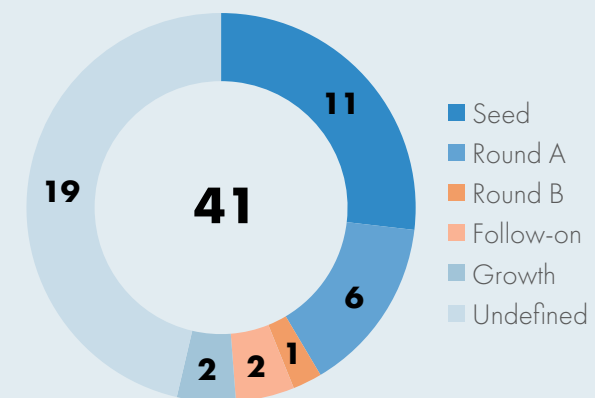


- Total number of deals in 2017: **89**
- Seed stage: **11** deals (73 in 2016)
- Round stages: **7** (1 in 2016)
- Undisclosed deals: **41**
- Overall average ticket: **\$3.3m***

Average Tickets by Stage:

- Seed stage: **\$484k**
- Round A: **\$4.8m***

Undisclosed Deals Type Structure

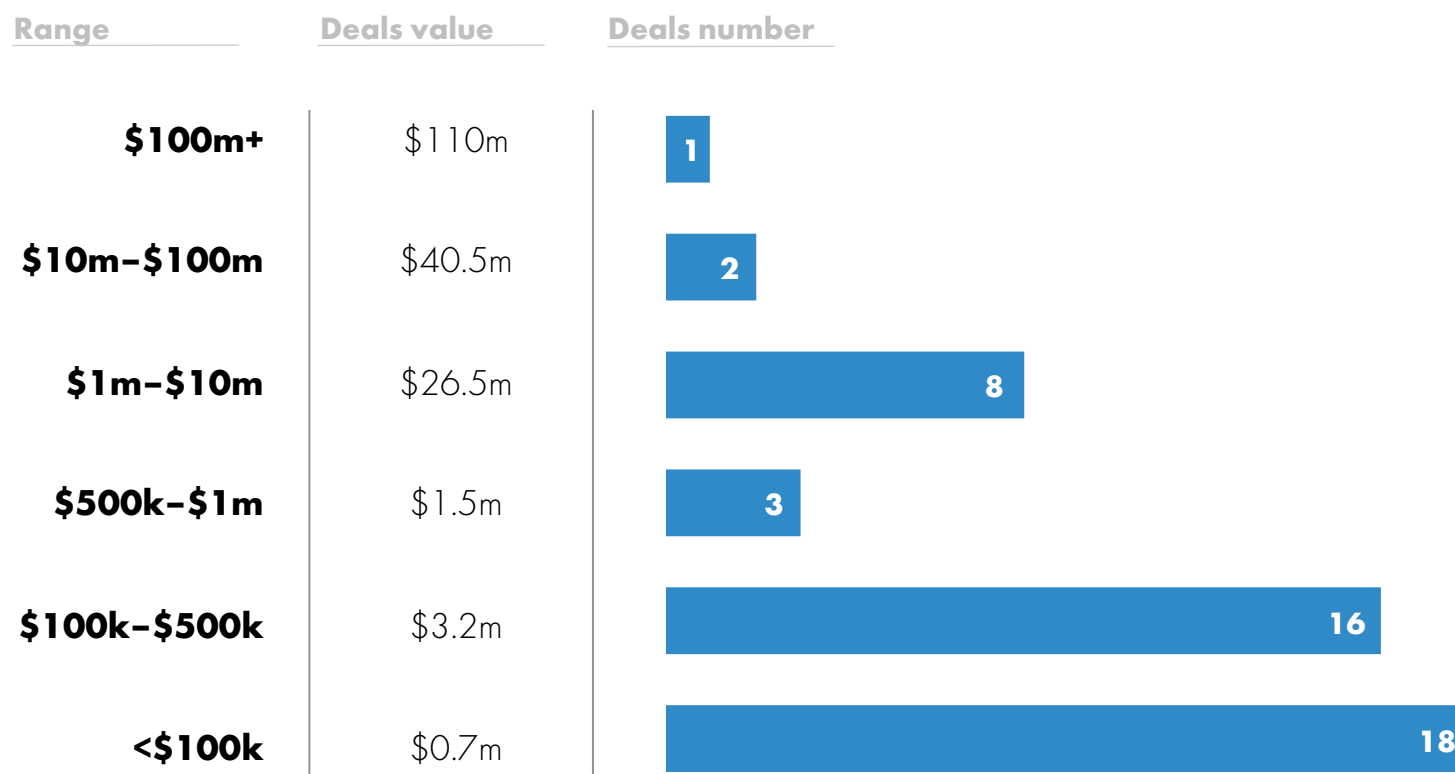


Note: *excluding deals with undisclosed amounts

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

Source: Deloitte Research, UVCA Research, AVentures Capital

<\$500k deals are still the most attractive for investors in 2017

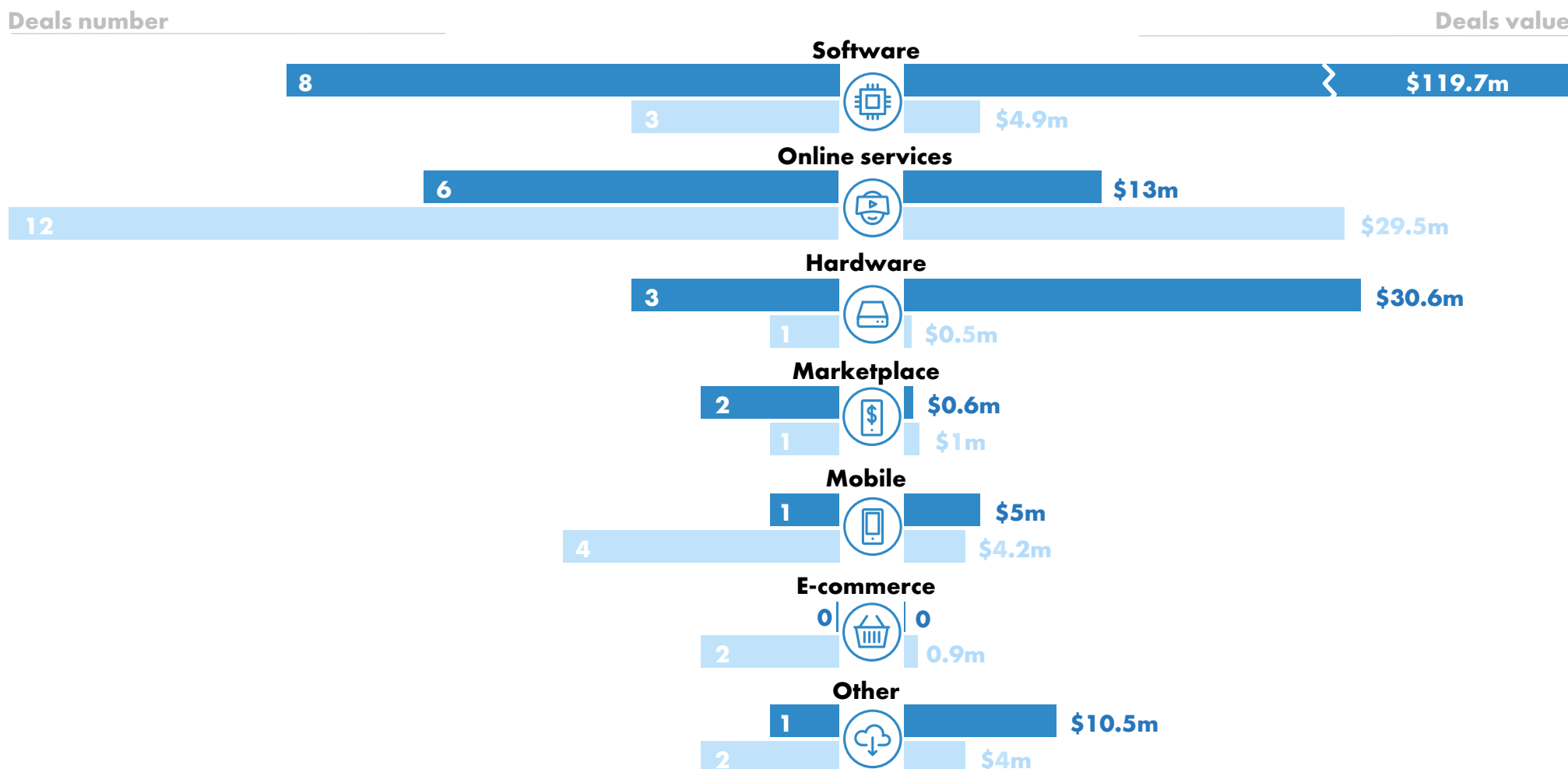


Note: excluding undisclosed deals

Source: Deloitte Research, UVCA Research

VC Investments by Sector

The largest share of VC investments in 2017 by deal number was invested in Software and Online services



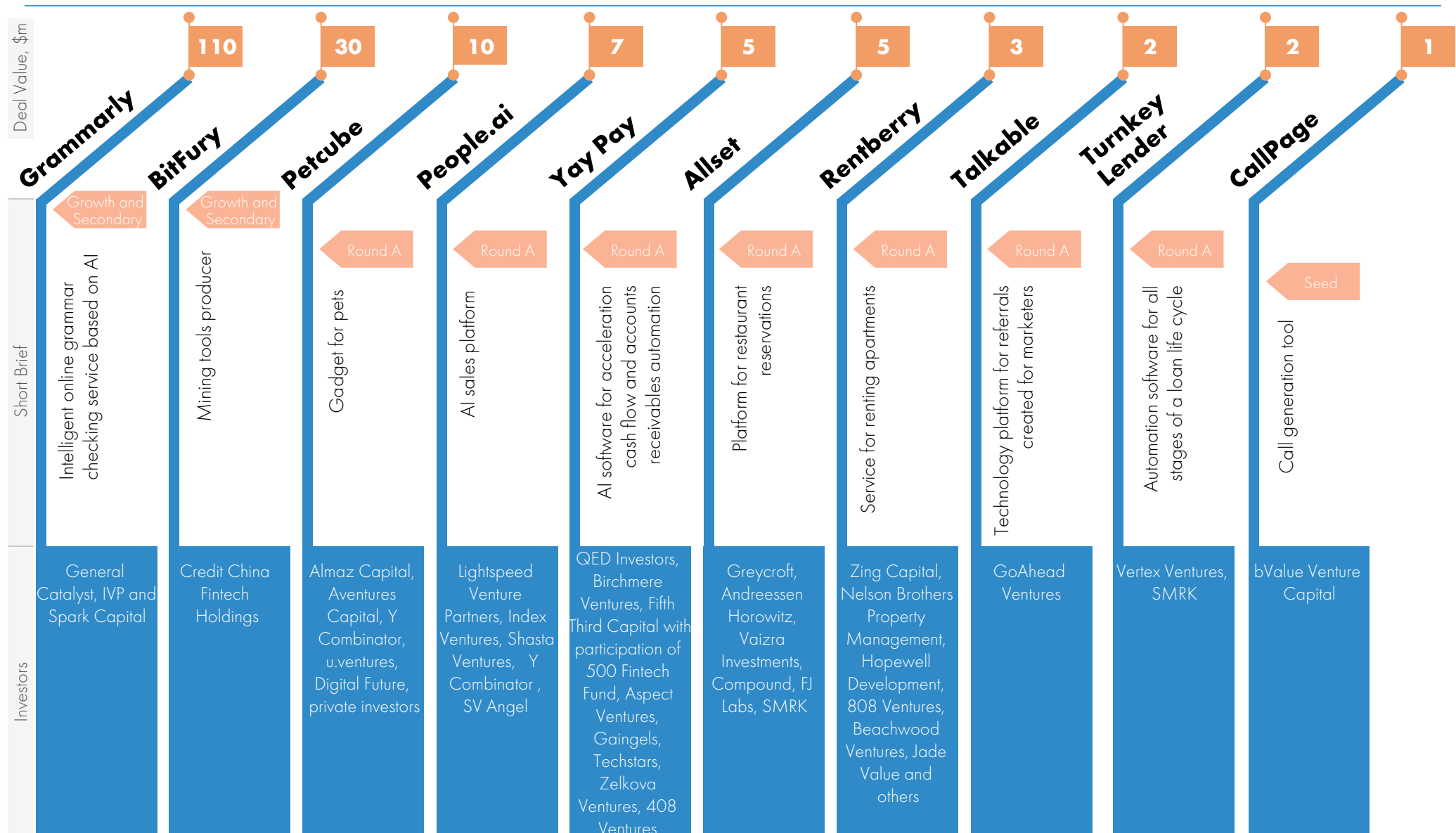
Note: excluding undisclosed deals, crowdfunding and grants

Source: Deloitte Research, UVCA Research

■ 2017

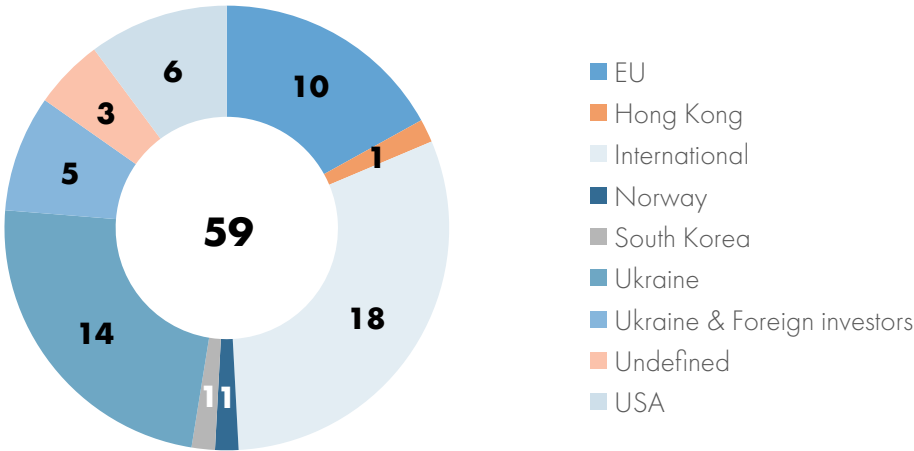
■ 2016

TOP 10 Deals in 2017

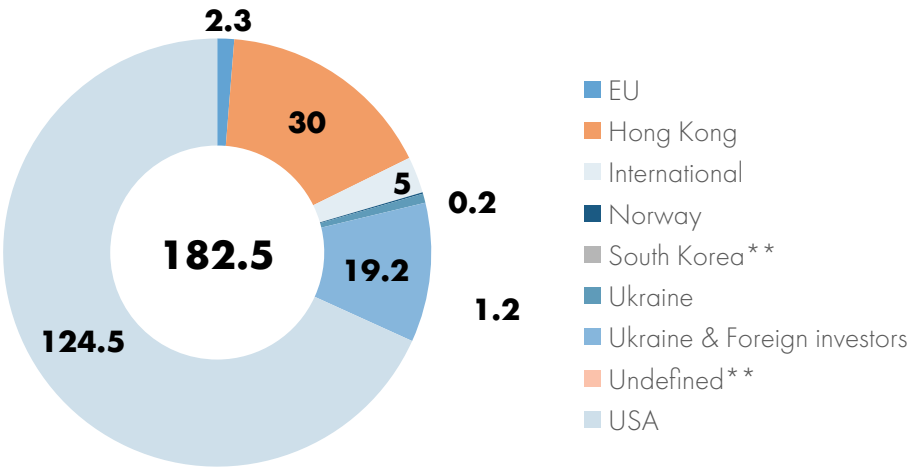


Source: Deloitte Research, UVCA Research

Capital structure by country 2017, number of deals*



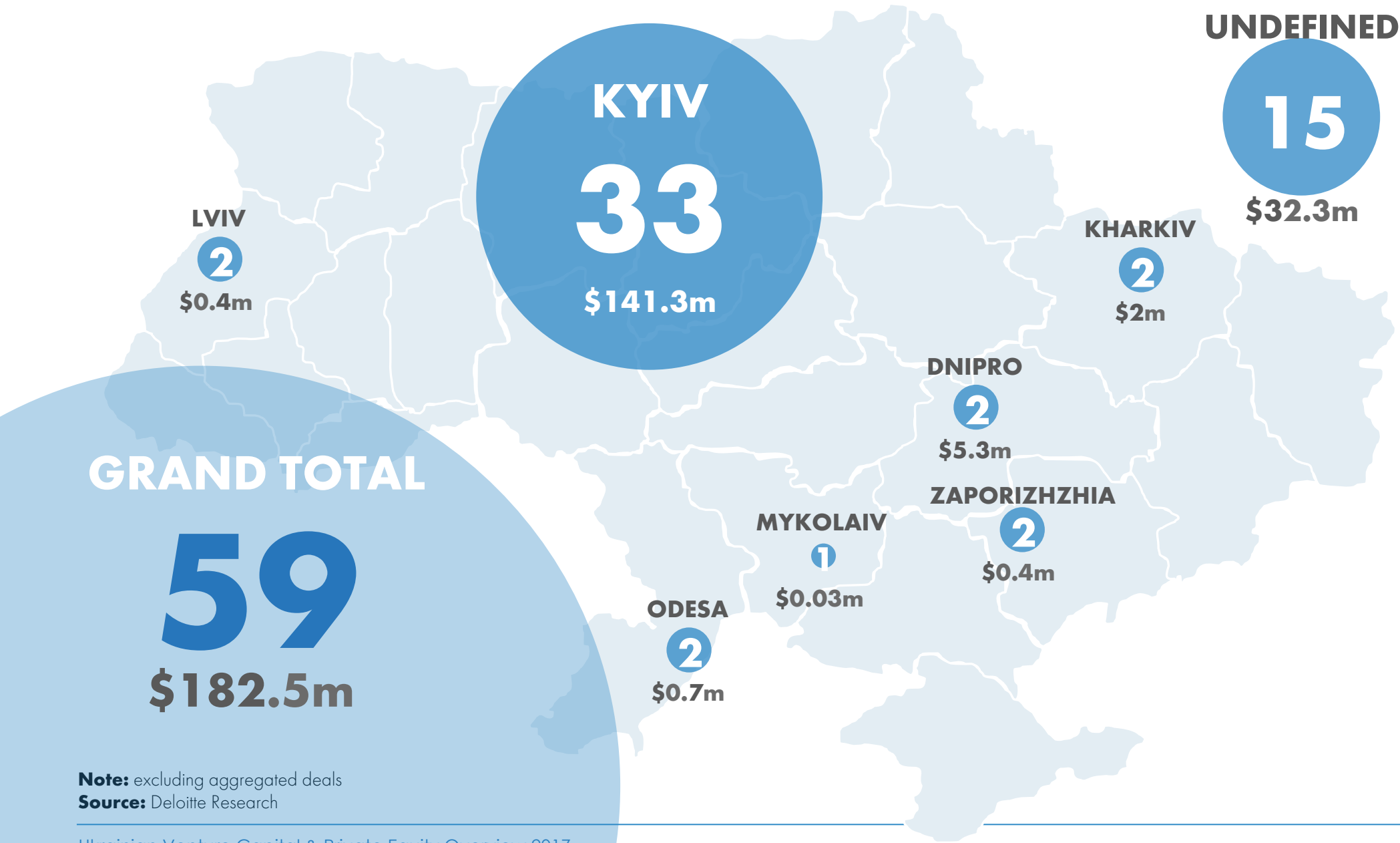
Capital structure by country 2017, \$m



Note: *excluding aggregated undisclosed deals (see Glossary)

**excluding undisclosed deals

Source: Deloitte Research, UVCA Research



TOP 9 IoT startups



SENSTONE

Senstone

Sensitive voice tracker that allows creative people capture their thoughts



Agrieye

Software based on AI to rise farmers efficiency with hardware data collection



Kray Technologies

World first drone, that can be applied for crop protection at industrial scale for most crop production farms



Discoperi

Saves lives by identifying risky drivers and allowing the rest of the driver avoid potential accidents



MMOne Company

World's first 360' spinning Virtual Reality attraction



Sensorama Lab

VR kit for collective education and entertainment



PassivDom

Autonomous off-the-grid 3D printed smart house



LaMetric

Connected clocks for smart home and office



KWAMBIO

Kwambio

3D printing platform

Source: UVCA Challenge: CES Edition 2017 (see Appendix)


Snapshot on Ukrainian Private Equity Market 2017

Total number of deals



Total amount of investments

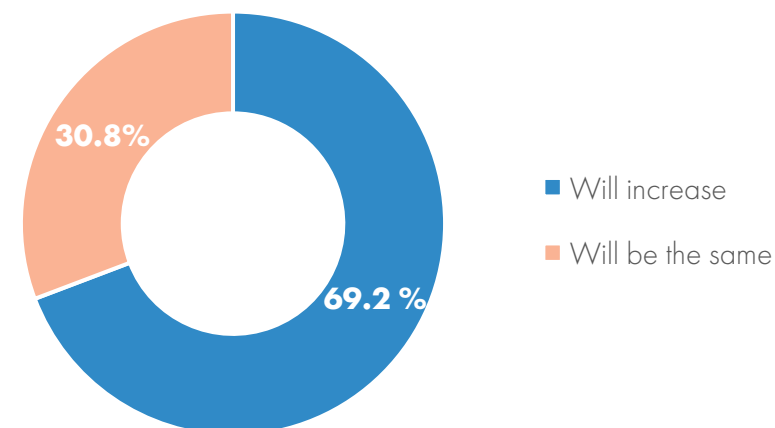


 **2017 was remarkable for private equity investments** due to relative activation comparing to the last 3 years when the average number of deals didn't exceed 3–4



According to the survey, the majority of respondents expect that the dynamics of investment will increase in 2018

Investments dynamics estimation for private equity funds in 2018



Source: UVCA Survey 2018 (see Appendix)

Snapshot on Ukrainian Initial Coin Offering (ICO) 2017

Successful ICOs in 2017



Total raised investments



Ukraine is one of the top leaders in crypto-economy development:

- ✓ Ukraine holds its own cryptographic scientific school
- ✓ Almost 200k of experienced engineers and software developers in 2018
- ✓ Software development and mining: ASIC chip is a Ukrainian invention (BitFury)

Top-3 ICOs in 2017

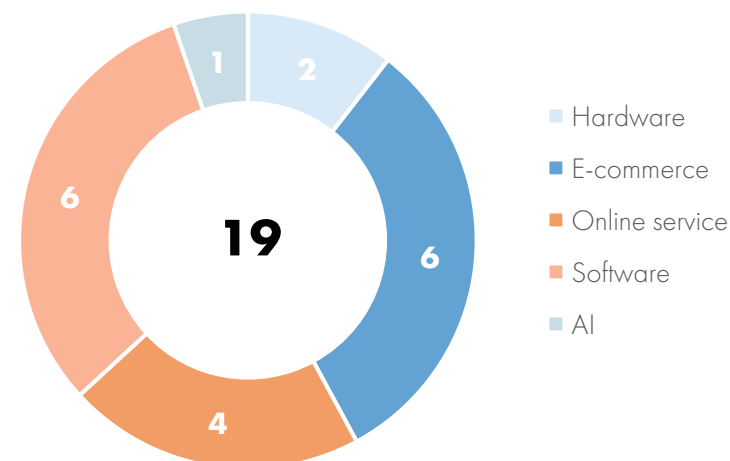


Company	Sector	ICO Size, \$m
Neuromation	AI	71.6
DMarket	E-commerce	19.1
Propy	E-commerce	15.4



ICOs were the most popular among E-commerce sector

Number of ICOs by sector



Source: Deloitte Research, UVCA Blockchain Committee Research

Who Invests in Ukraine

There are 33 funds operating in Ukraine, consisting of:

19 

**venture capital
funds**

8 

**private equity
funds**

5 

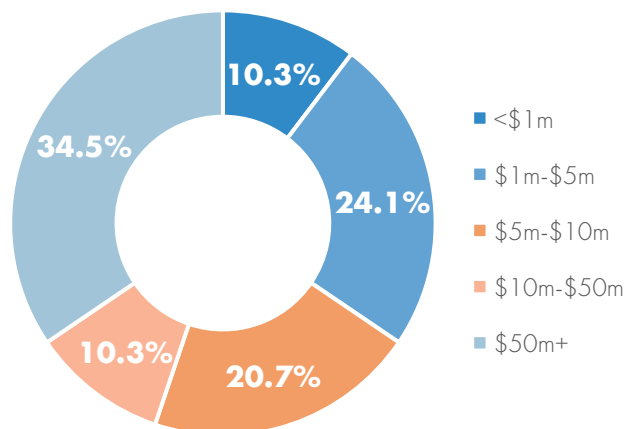
**incubators
and accelerators**

1 

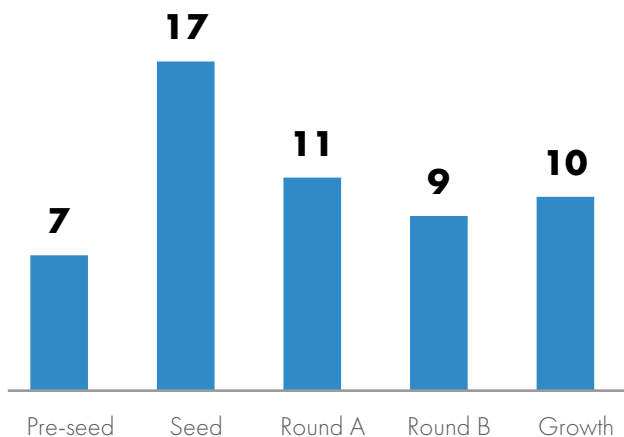
corporate fund

The funds have around 20 companies in portfolio on average.

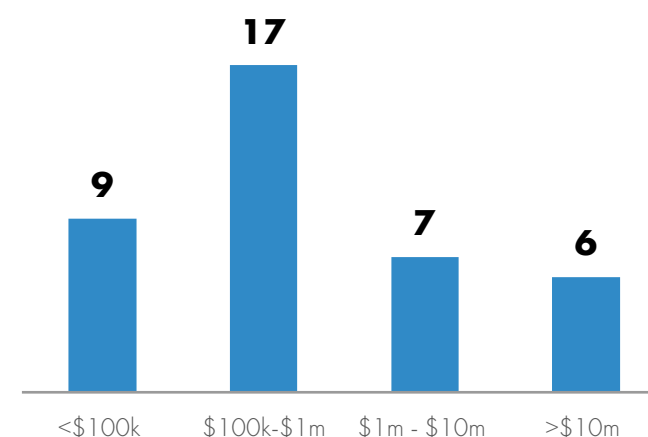
Capital under management, %



Investment stages considered by funds, number



The average ticket varies from \$50k to over \$10m



Source: UVCA Investors Book

The Most Active Investors in 2017

by number of deals and exits

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PRIVATE EQUITY ASSOCIATION

Investors



SMRK VC FUND



u.ventures



Horizon Capital

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

KICKSTARTER

16 campaigns* | \$2.1m

VERNADSKY
CHALLENGE

4 grants | \$74k



6 grants | \$355k

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

Source: UVCA Survey 2018, Deloitte Research

59% of investors met their expectations for 2017



Number of exits

2017 – **19** 2016 – **8**

16 exits by VC funds

3 exits by PE funds



Investors review of startup quality and quantity

52% of investors consider that there is not enough quantity of startups in Ukraine

76% of investors are satisfied with the quality of startups in Ukraine

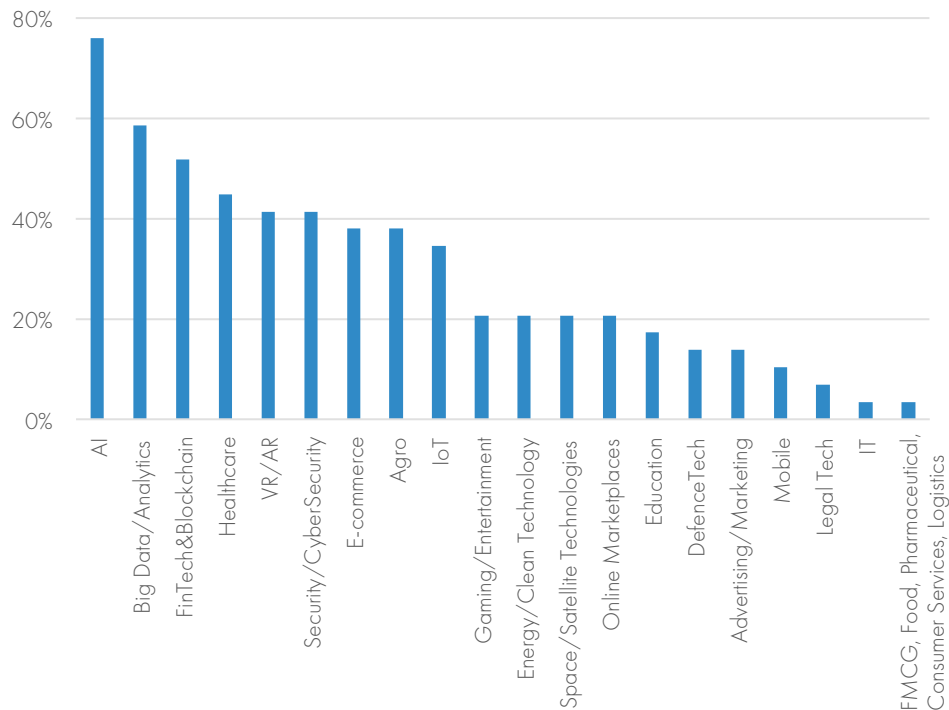
Source: UVCA Survey 2018 (see Appendix)

2018 Investor Expectations

Investor Expectations & Predictions in Ukraine for 2018

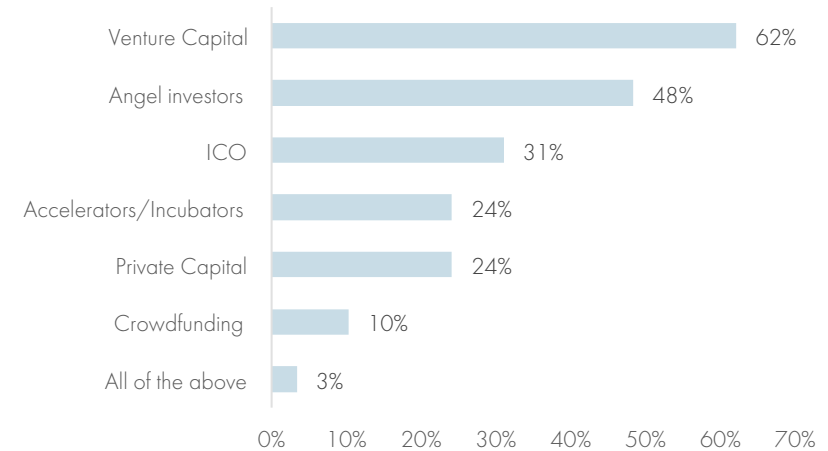
- ✓ 76% of current investors are expecting new private equity or venture capital funds to appear in 2018 in Ukraine.
- ✓ 69% of PE & VC are planning to attract investments to their funds during next year.

The most attractive sectors for VC and PE funds

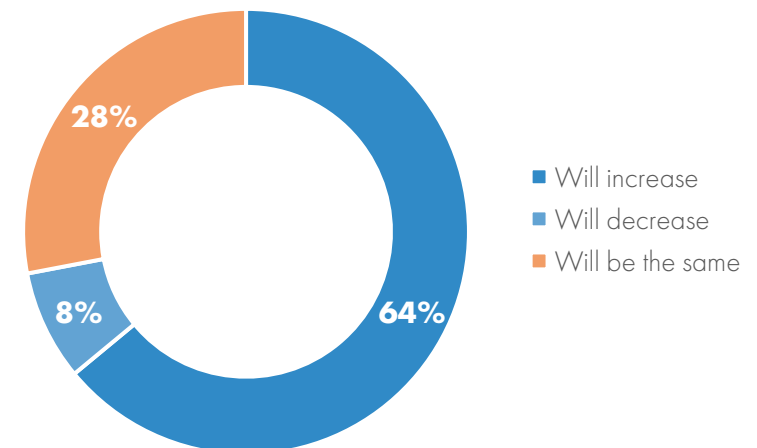


Source: UVCA Survey 2018

What methods of startups funding would be the most wide-spread in 2018?



More than half of VC funds are feeling confident of increasing investments in Ukrainian startups 2018



Survey respondents predicted which factors have the most impact on decision making, and what development stages would be the most interesting for VC investors in 2018

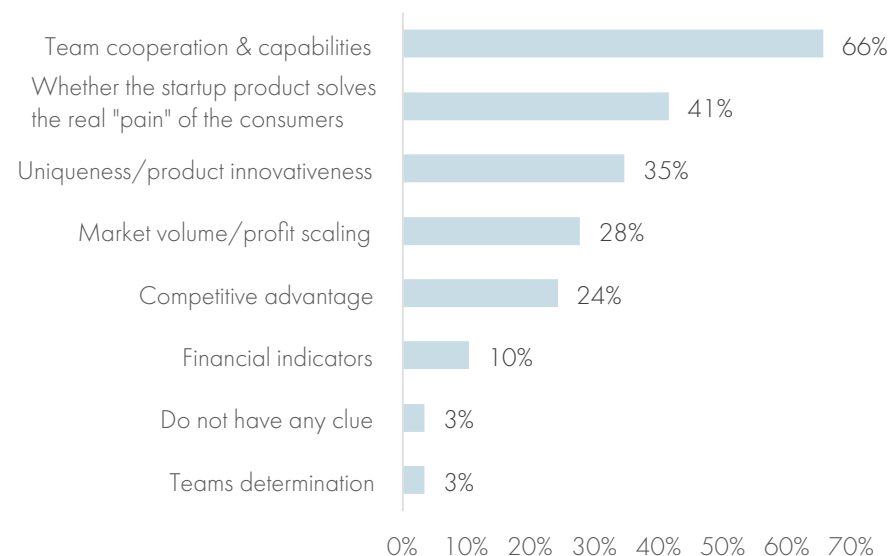


Startups should demonstrate team cooperation if they aim to attract investments

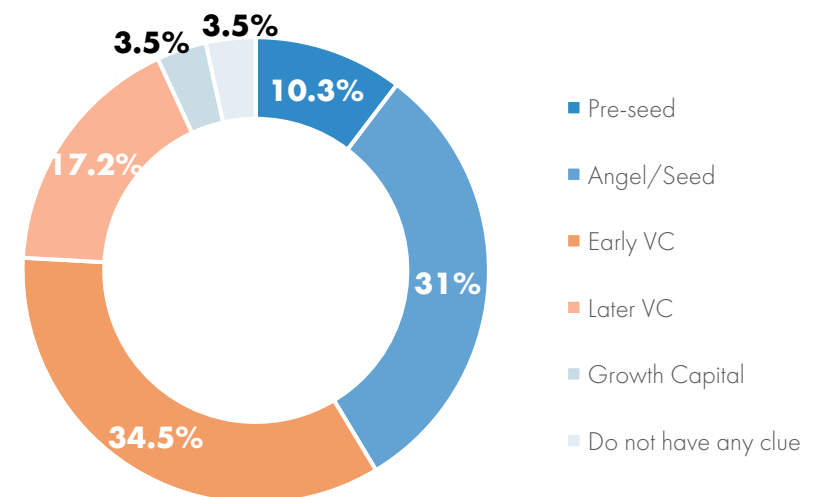


Early stage and Angel/Seed stage would be the most attractive for investors

The most important metrics for VC investors when making an investment decision



The most interesting startup development stage for VC investors

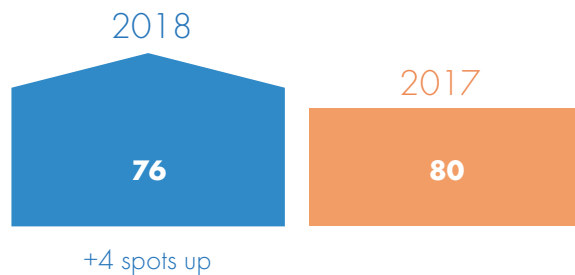


Source: UVCA Survey 2018

Reasons to Invest in Ukraine

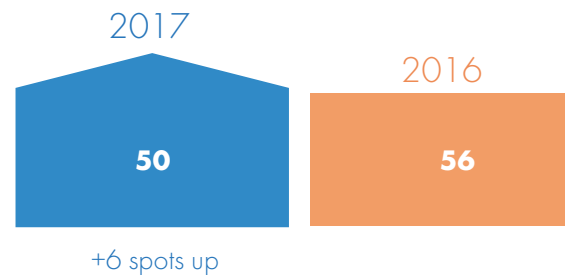
Ukraine – International Rankings (1/2)

DOING BUSINESS 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.

THE GLOBAL INNOVATION INDEX The Global Innovation Index

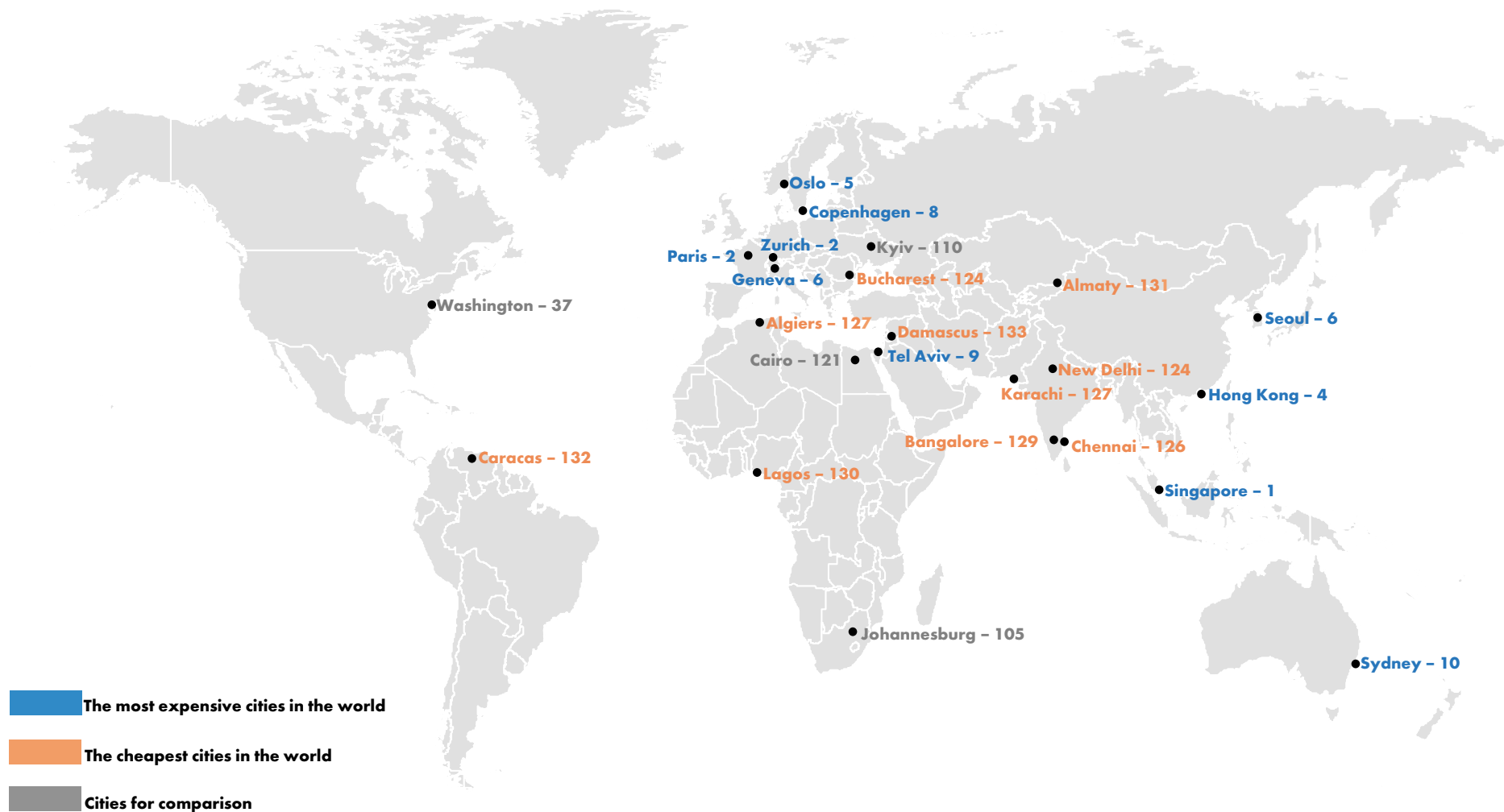


This is the highest ranking of the GII that Ukraine has attained, led by raising 2.14 points up in the score of Innovation Input Sub-Index (from 38.91 in 2016 to 41.05 in 2017) and raising 1.66 points up in the Innovation Output Sub-Index (from 32.53 in 2016 to 34.19 in 2017).

Ukraine's ranking in the Innovation Efficiency Ratio has also improved by one spot up to the 11th place in rating, which is one of the economy's relative strengths in 2017.

Source: The World Bank, The Global Innovation Index 2017

Ukraine – International Rankings (2/2)



Source: Worldwide Cost of Living 2018 by the Economist Intelligence Unit

With achievements of 2017 the reform of corporate legislation presents a comprehensive upgrade of the business sphere, stock market, investments and the economy of Ukraine in general, particularly:

-  **The system of corporate governance in joint stock companies was improved.** Such mechanisms as squeeze-out/sell-out, escrow agreements (the Law No.1983-VIII (came into force on 4 June 2017) were introduced
-  **Simplified way of doing business and investments involvement by securities issuers:** a substantially distinct approach to differentiation of public and private joint stock companies was introduced; creation of the transparent information field for the participants of a stock market; improved corporate governance in joint stock companies and the procedure of issuance of securities (the Law No. 2210-VIII (came into force on 1 January 2018)
-  **Corporate agreements were implemented** as an efficient legal instrument for structuring of corporate relations of shareholders, distribution of authority between shareholders, protection of minority shareholders, establishing restrictions on transferring shares, resolution of any future disputes between shareholders (the Law No. 1984-VIII (came into force on 18 February 2018)
-  **A long-awaited legal base for formation, corporate governance and conduct of activities of limited liability companies was introduced.** More comfortable and viable rules for companies and increased level of discretion of its participants related to issues of corporate governance comprised a huge step ahead for Ukraine to become an attractive field for business development (the Law No. 2275-VIII (will come into force on 17 June 2018)
-  **Procedure of hiring of foreign professionals was simplified.** The list of documents to be submitted for obtaining the residence permit is shortened, while the period of its validity for special categories of professionals is extended (the Law No. 2058-VIII (came into force on 27 September 2017)

Source: Arzinger & Deloitte Analysis

Appendix

Our analysis was based on 59 publicly available Ukrainian VC deals and 30 aggregated undisclosed deals, which were provided by Ukrainian Venture Capital & Private Equity Association (UVCA) and A Ventures Capital. All investments into Ukrainian startups (see Glossary) occurred during January and December of 2017. We took startups from only technology and internet sectors. The Overview does not include deals with only angel investments, self-invested startups and M&A deals.

Data Collection:

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

Publicly collected data

The data was collected from publicly available sources such as firm 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 Investors Survey

A web-based investors survey was conducted by UVCA and Deloitte in March 2018 and polled 29 UVCA members and non-members: 14 VC funds, 9 PE funds, 3 Angel investors, 2 Startup incubators and 1 family office. The survey included multi-choice and open questions concerning their overview of 2017 and expectations for VC & PE market development for 2018. The aggregated results of the survey are presented in the Overview.

Exchange rates

The overview's currency 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/currency/average>) according to the announced month of investment (based on press releases, public news, interviews with startups representatives).

ICO

The Overview includes Ukrainian ICOs (see Glossary), which took place in 2017. ICO snapshot was added in Overview 2017 as a new instrument of startup funding because of its huge growth over recent years: collecting \$6+bn in 2017 and more than \$23bn in 2018 (YTD) globally. Moreover, ICO started evolving into more regulated and half-private funding instrument.

ICOs deal values were converted at cryptocurrency x-rate as of 13 April 2018.

TOP 9 IoT Startups

UVCA Challenge: CES-Edition was a contest for hardware and IoT startups, which had its winners representing Ukraine at Consumer Electronics Show 2018. The most influential investors and representatives of the most leading venture funds in Ukraine comprised contest's jury committee. Selection process consisted of several stages: 60 applications screening, selection of 20 startups by different factors and their offline pitch with showcasing before jury committee, who determined 9 startups for CES-2018.

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 – non-public deals provided by UVCA and AVentures Capital fund (total: 30 aggregated undisclosed VC deals);
- Deals with undisclosed amount – publicly known VC deals with undisclosed deal value (total: 11 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



UA Tech Pavilion at CES 2018 and the Silicon Valley Tour

For the second time in a row UVCA together with Western NIS Enterprise Fund (WNISEF) has organized the UA TECH Pavilion at Consumer Electronics Show (CES) - one of the largest consumer electronics conferences, which took place on January 9-12, 2018 in Las Vegas.

UVCA and WNISEF provided full organizational and financial support in preparing for CES-2018, which allowed startups to concentrate on preparing their product presentations.

In addition to that a 3-day CES Bootcamp was held, where mentors from Ukraine and the United States coached the participants for the conference and provided valuable tips on how to successfully present their company to investors, clients and international media.

Participation of Ukrainian startups in CES caused a lively interest from Ukrainian and global media outlets - not only specialized ones, but also the all-Ukrainian media outlets told the public about the achievements of Ukrainian innovators.

Read more:

<http://uvca.eu/en/news/ukrainian-pavilion-of-startups-was-successfully-presented-at-ces-2018>



Ukraine House Davos in Davos, January 2018

The first-ever Ukraine House Davos, organized by UVCA in partnership with WNISEF and Victor Pinchuk Foundation, in Davos, Switzerland. Ukraine House ran a week-long venue under the theme: "Ukraine: Creativity, Innovation, Opportunity." A vibrant hub, it showcased 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 payed 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.

Read more:

<http://uvca.eu/en/news/results-of-first-ever-ukraine-house->



Ukraine House Davos snapshot

- 15+ panel discussions on investment and innovation topics
- speakers from 10 countries
- 1000+ registered visitors
- 12+ hours of live stream
- 80+ hours of UHD's work

Notable guests

- President of Ukraine Petro Poroshenko
- President of EBRD Sir Suma Chakrabarti
- Klitschko brothers
- CEO of Tapscott Group Don Tapscott
- Robot Sophia

UVCA Members

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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 private equity investors to policymakers, and improving the local investment and business climate.



- Established by the example of Invest Europe, UVCA currently unites almost 50 members – leaders of the international and Ukrainian investment markets: Almaz Capital, A Ventures Capital, Deloitte, Digital Future, Horizon Capital, HP Tech Ventures, Intel Capital, EBRD etc. 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:



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