



UVCA

UKRAINIAN VENTURE CAPITAL &
PRIVATE EQUITY ASSOCIATION

Ukrainian Venture Capital and Private Equity Overview 2019

Research partner

Deloitte.

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Olga Afanasyeva
Executive Director of UVCA

After record-breaking 2019 when venture capital investments into Ukrainian startups reached **half a billion mark** (in USD), when we started working on the current report it was difficult to anticipate the outbreak we face today. The 2020 numbers may not continue the sequence of 2019, since pandemic came into the full force in Ukraine and countries of most active investors in our startups later on.

Hence, COVID-19 turbulence is having its effect on the investors' activity - focus on sustaining portfolio companies, return to a more conservative approach. Startups, meanwhile, speedily respond with changing the approach to business routine - from work-from-home to online events, as well as pivoting and meeting the current healthcare needs. A growing list of startups help those in need during the outbreak - from Ajax who provides its supply chain for the lung ventilators producing to DOC.ua, Revellab, MAWI, Liki24 etc. with their help of a free medicine delivery or diagnostics.

At the same time, the current situation makes investors assume that the early-stage deals will be less subjected by the coming recession. That's good news for local startups as the pre-seed and seed investments increased three-fold last year.

In the current report, we've looked at the gender ratio in startups raised funds, as female-founded companies could be the first to hit. In 2019 the percentage of these startups was 26% and it's slowly increasing. The evidence is that the majority of female-founded companies were at early-stage.

Turbulent times are proven to be full of chances for startups to be born, hardened by struggles and bootstrapping. At UVCA, we look forward to continuing our work with the investment community to build a stronger Ukrainian market.

Keep innovating!



Total value of Venture Capital (VC) Deals

2019 – **\$509.9m**

2018 – \$336.9m (1.5x increase)



Number of deals:

2019 – **111**

2018 – 115

The prevalent amount of funds operating in Ukraine focused on the Growth stage.

The average ticket at Growth stage - **\$110m***.



Value of M&A Deals

2019 – **\$460m**

2018 – \$25.2m (18x increase)



Number of deals:

2019 – **15**

2018 – 7

M&A considered as a tool for business development, unification of efforts and expertise. Ukrainian startup **AI factory** (top-performing mobile app startup) was acquired by Snapchat for \$166m.



Angel Investments

2019 – **\$6.1m**

2018 – \$0.9m (7x increase)



Number of deals:

2019 – **21**

2018 – 7

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



Private Equity

2019 – **\$38.4m**



Number of deals:

2019 – **11**

Hardware and Software companies prevail by the deal value. Horizon Capital invested \$10m in **Ajax Systems**. Dragon Capital and Aventures Capital became the minority shareholders of **Ciklum**.

Note: VC deals exclude deals with Angel investors only, M&A deals, PE deals

*excluding deals with undisclosed amount (see Glossary)

Source: Deloitte Research, UVCA Research

Ukrainian Venture Capital Market Overview 2019

Total number of deals*

 **111**

4% decrease compared to 2018

2019 VC investments exceeded
2018 by 1.5 times and reached

 **\$509.9m**

growth trend remains significant

Average deal size**

 **\$5.7m**

78% increase compared to 2018

Average ticket at Growth stage

 **\$110m**

1.2 times higher vs 2018

Top 5 VC deals totaled

 **\$444m**

makes up 87% of all of the 2019
VC investments

Number of exits in 2019

 **29**

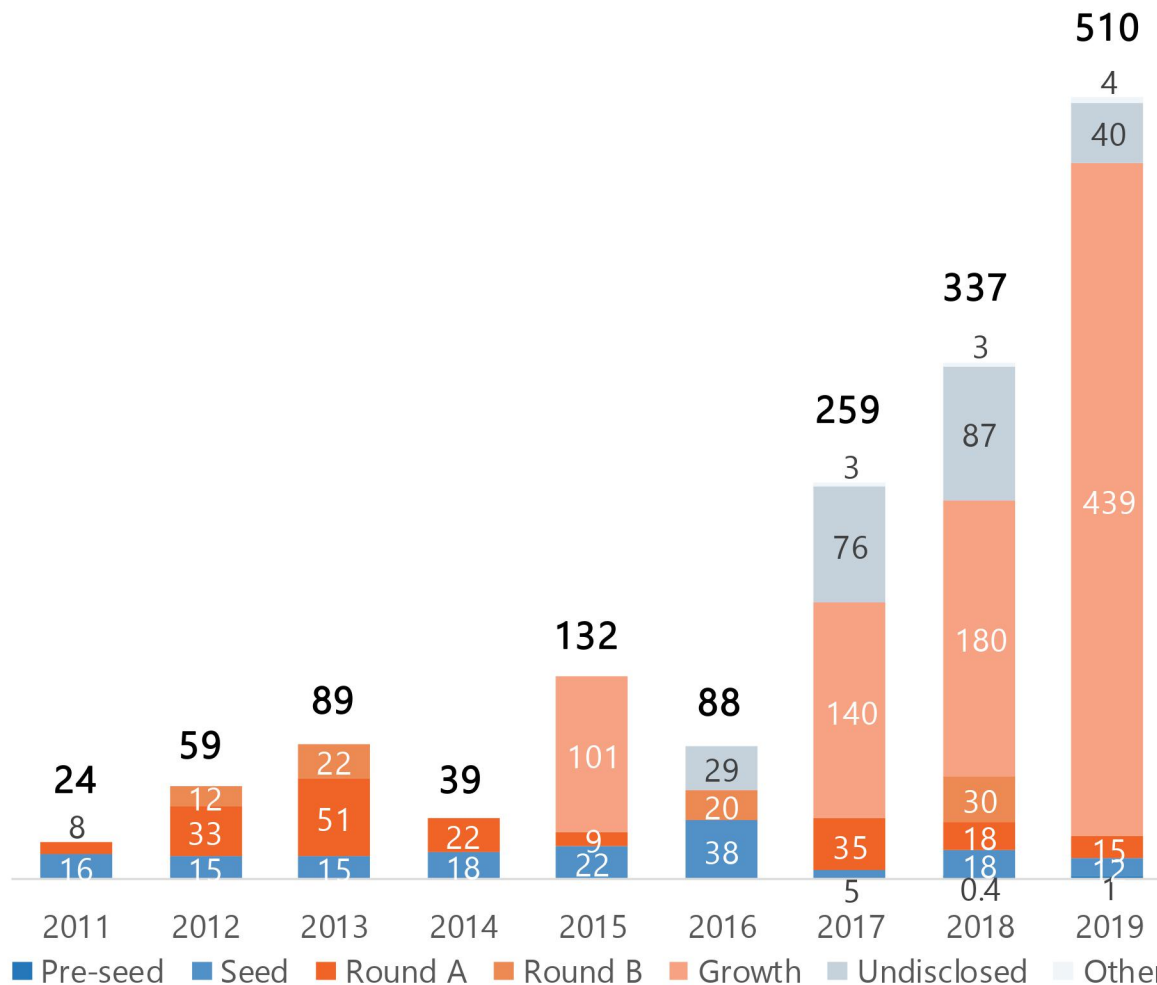
compared to 8 in 2018

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



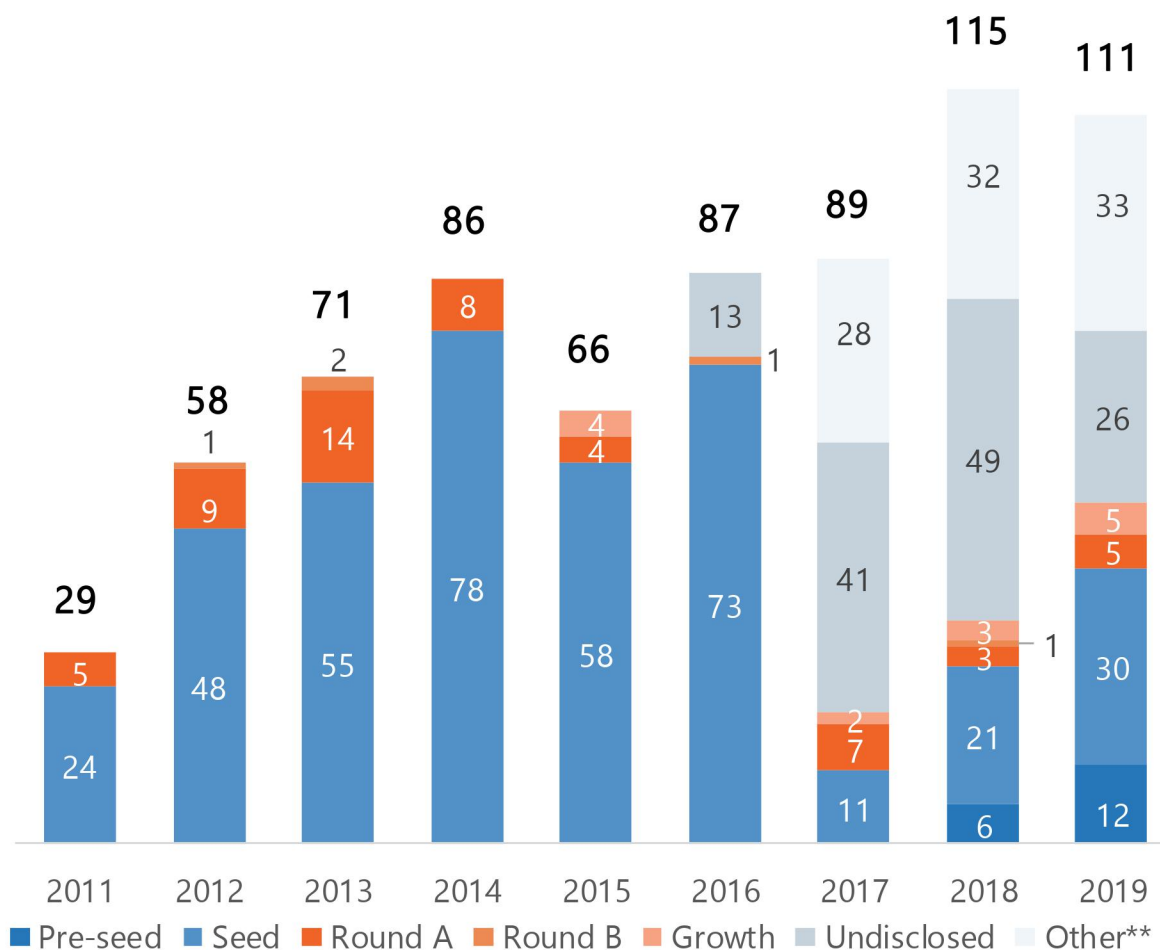
Total capital invested: **\$509.9m***, exceeding 2018 by 1.5 times

- Seed: **\$12m**
- Round A: **\$15m**
- Growth: **\$439m**
- Undisclosed deals: **\$40m**

For the second year in a row, the largest deal was done by *GitLab* – a system for managing program code repository, with **\$268m** raised at growth stage in 2019.

Note: *excluding deals with undisclosed amount (see Glossary); excluding deals with Angel investors only, M&A deals, PE deals
Source: Deloitte Research, UVCA Research, AVentures Capital

Number of Deals



- Total number of deals in 2019: **111**
- Seed stage: **30 deals** (21 in 2018)
- Rounds: **5** (4 in 2018)
- Undisclosed deals: **26**
- Overall average ticket: **\$5.7m***

Average Ticket by Stage*:

- Seed: **\$431k**
- Round A: **\$2.9m**
- Growth: **\$109.8m**
- Other**: **\$130k**

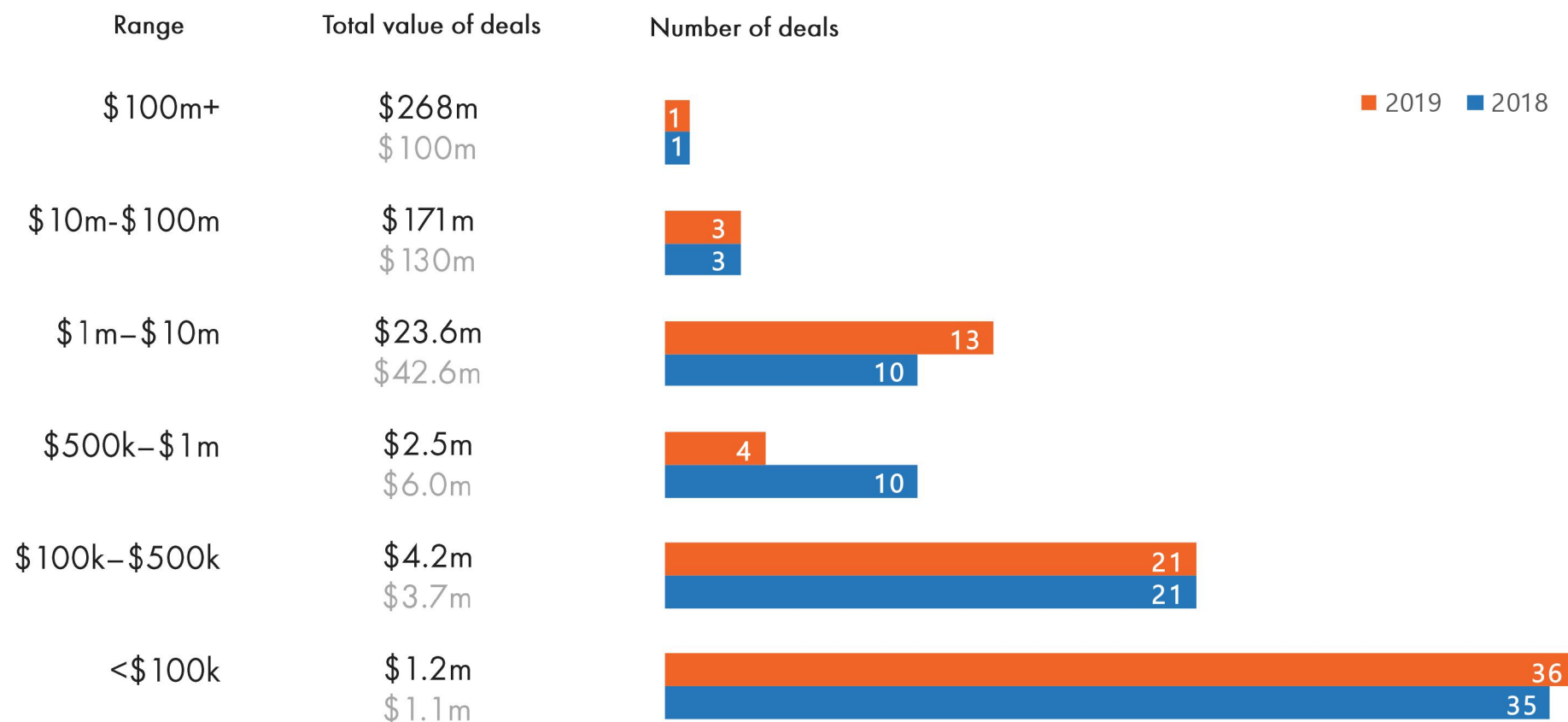
Note: *excluding deals with undisclosed amounts (see Glossary)

** "Other" consists of grants, convertible notes, safe and crowdfunding financing

Source: Deloitte Research, UVCA Research, AVentures Capital

VC Activity by Deal Size

Deals under **\$500k** remain popular among investors in 2019

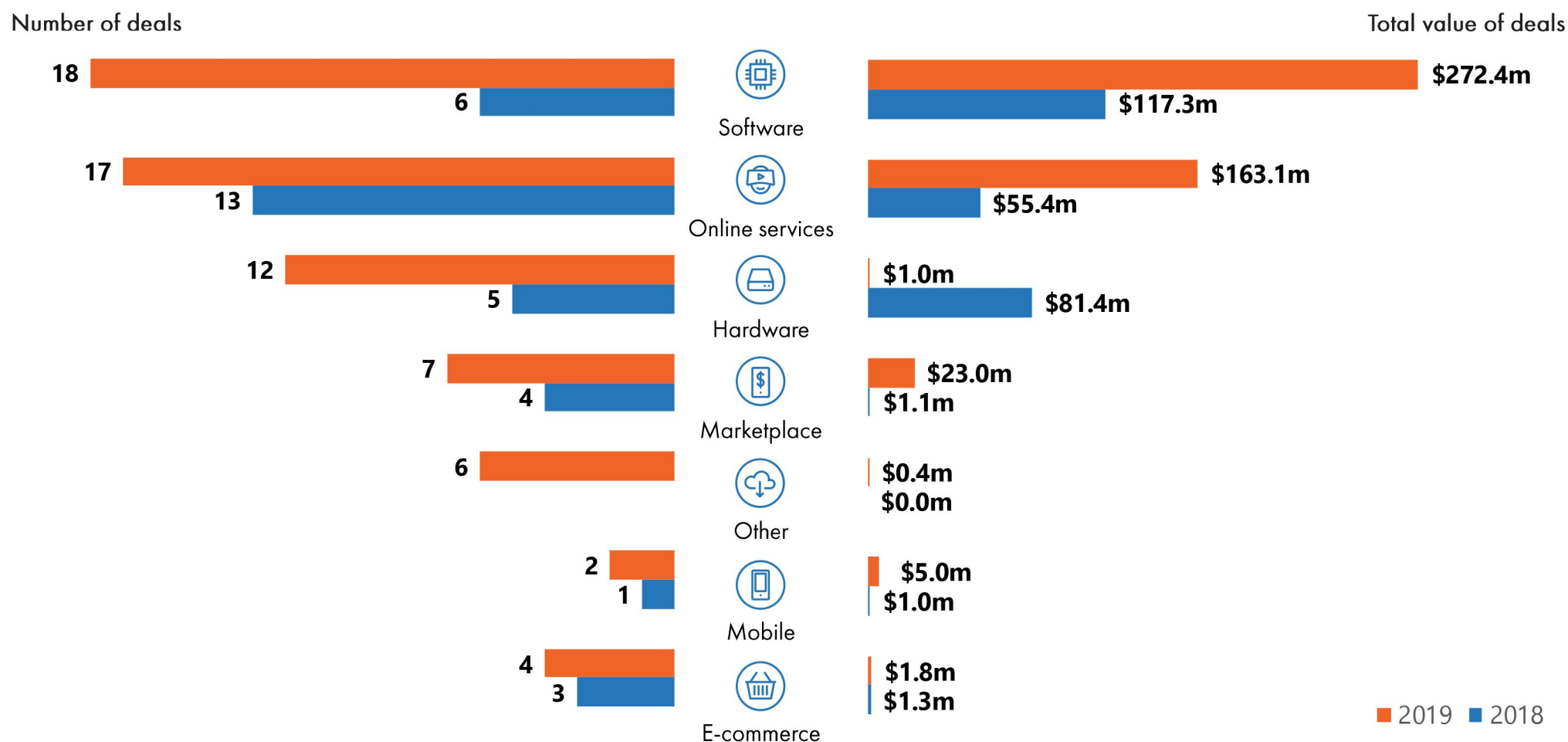


Note: excluding undisclosed deals (see Glossary)

Source: Deloitte Research, UVCA Research

VC Investments by Sector

Software & Online service companies prevail by the number of deals and deal value.



Note: excluding undisclosed deals (see Glossary), crowdfunding and grants

Source: Deloitte Research, UVCA Research

TOP 10 Deals in 2019

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\$2.3m

Service for creative social
media content



\$5m

Restaurant reservations
platform



\$268m

DevOps platform



\$1.5m

Web app for
AI-powered ads



\$4m

Domains secured by
blockchain



\$90m

Digital writing
assistant



\$3m

Loan online service



\$60m

AI platform for sales



\$1.5m

Online school of English



\$21m

Online marketplace

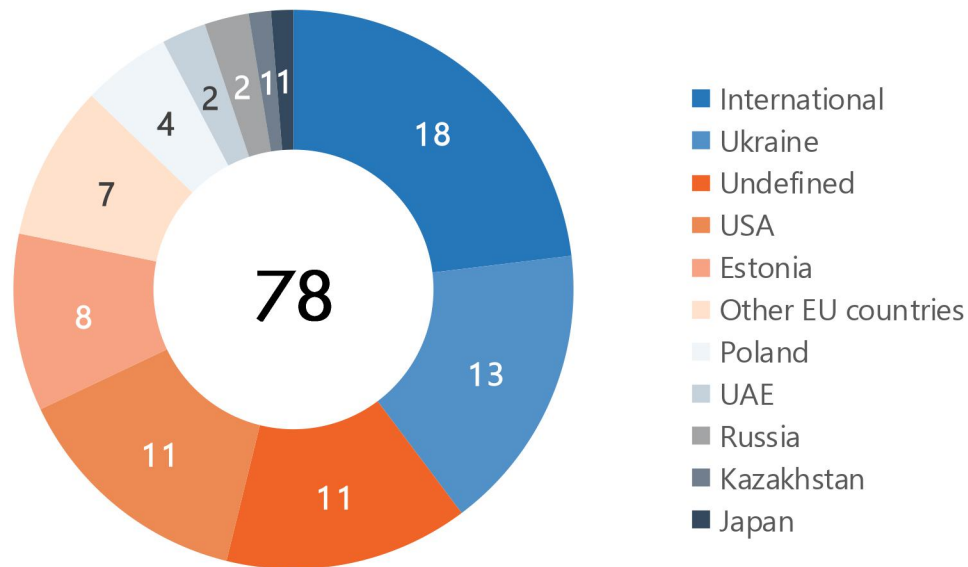
Seed

Series A

Growth

Source: Deloitte Research, UVCA Research

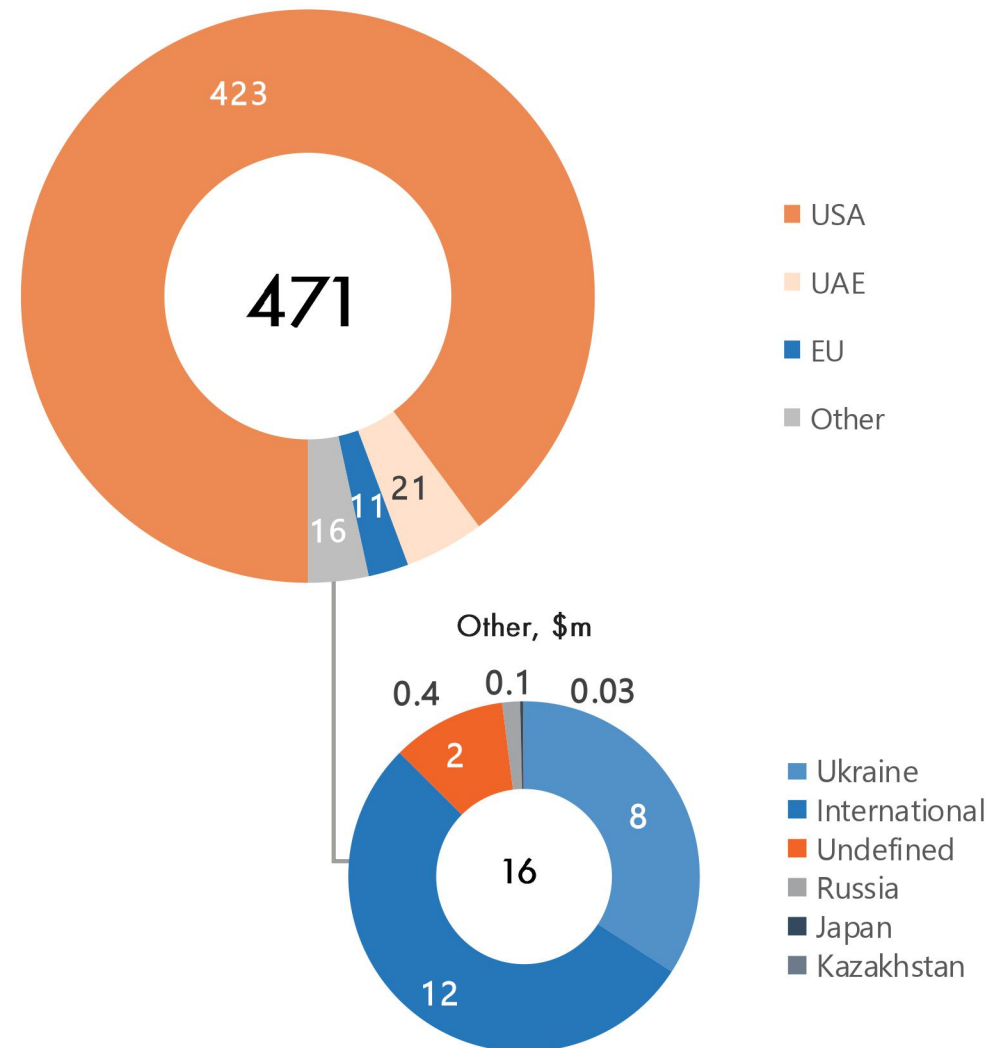
Capital structure by country 2019, number of deals*



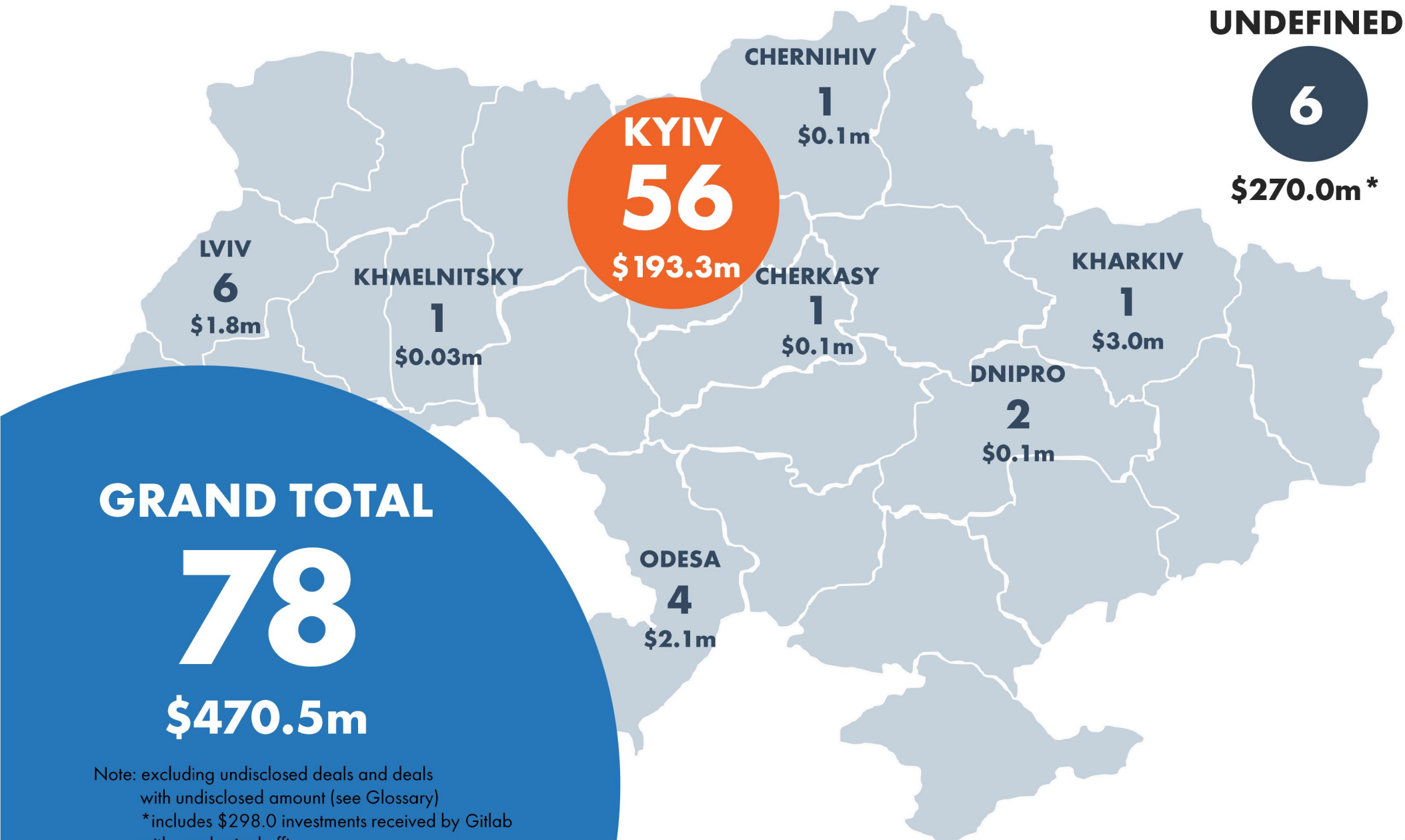
International capital includes:

- Kickstarter campaigns
- Deals with investors from multiple countries
- Funding from European institutions and programs such as EBRD and Horizon 2020

Capital structure by country 2019, \$ m*



Note: *excluding undisclosed deals and deals with undisclosed amount (see Glossary)
Source: Deloitte Research, UVCA Research



Note: excluding undisclosed deals and deals with undisclosed amount (see Glossary)
*includes \$298.0 investments received by Gitlab with no physical office
Source: Deloitte Research

TOP 6 Hardware Startups

The logo for Uatag, featuring the word "uatag" in a bold, dark blue, sans-serif font. The letter "u" has a small, stylized arrow pointing upwards from its top left.

UATAG

Product originality verification

The logo for SEMCS, featuring the word "SEMCS" in a bold, black, sans-serif font. To the right of the text is a red circle with a diagonal line through it, containing a black silhouette of a mosquito. Below the main text, it says "SMART ECO-FRIENDLY MOSQUITO CONTROL SYSTEM" in a smaller, black, sans-serif font.

SEMCS

Cleans outdoor territories from mosquitoes with hardware and software

The logo for cantouch, featuring the word "cantouch" in a bold, dark blue, sans-serif font. The letter "c" is stylized with a small gap in the middle.

Cantouch

Device that turns any surface into an interactive smartboard

The logo for EdPro.AMPERIA, featuring the word "EdPro" in a white, sans-serif font inside an orange square, followed by the word "AMPERIA" in a black, sans-serif font inside a white rectangle.

EdPro.Amperia

Electricity, Electronics, and Magnetism Lab kit

The logo for Bicoverly, featuring the word "Bicoverly" in a dark blue, sans-serif font. Above the letters "i", "c", "o", "v", "e", and "r" are small, colorful circles in shades of blue, green, yellow, and red.

Bicoverly

Machine Learning powered tool for Bipolar people

The logo for STEALTHO, featuring the word "STEALTHO" in a bold, black, sans-serif font. The letter "E" is stylized with a blue horizontal bar.

STEALTHO

Innovative office products for workplace organization



Online services

airSlate

airSlate*

Document management
service

AXDRAFT

AxDraft

Drafting legal documents

Mate academy

Mate academy

Educational online platform in
Computer Science



Software



Hacken

Cybersecurity of blockchain

competera

Competera

Price optimization software

BLOCKSPORT

Blocksport

Social sport platform

Note: excluding 10 biggest deals presented on slide 12

*the deal was included in undisclosed

Source: UVCA Research

R&D in Ukraine 2019

Top Deals of Companies with R&D in Ukraine



Mellanox

Interconnect solutions, services for servers and storage.

- M&A: \$6.9bn
- Buy-side: Nvidia
- R&D staff: ~80



CloudSimple

Cloud Infrastructure,
Cloud Management

- Buy-side: Google
- R&D staff: 30



Game Show Network

Game show entertainment

- M&A: \$380m
- Buy-side: Sony
- R&D staff: 80



TransferWise

Money transfer service

- Last funding: \$292m
- Evaluation: \$3.5bn
- R&D staff: 20



Very Good Security

Data security platform

- Last funding: \$35m
- R&D staff: >60



thredUP

Fashion resale
marketplace

- Last funding: \$175m
- R&D staff: 34

Who Invests in Ukraine

Most Active Investors in 2019 by number of deals and exits

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Investors

Aventures



Horizon Capital

SMRK
VC Fund

ICU

FISON

OVERKILL



STARTUP
WISE GUYS

TA VENTURES

TRAS CAPITAL FUND



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



2 grants

\$1.2m

KICKSTARTER

5 campaigns*

\$405.9k

Climate
Innovation
Vouchers

5 grants

\$138.6k

Note: only technological startups were included
Source: UVCA Research



In 2019, one of Innovation DTEK's main priorities was to scout startups on the Ukrainian and global arena. It has resulted in 19 successful collaborations with the local and foreign teams. In 2020, Innovation DTEK continues to search for new breakthrough solutions and extends the scope of priorities within 3 Innovation Horizons:

Horizon 1 – innovative solutions to increase the business efficiency, safety and production environmental friendliness

Horizon 2 – innovative solutions to adapt to changes in the energy sector

Horizon 3 – new non-energy business models

"Challenging times are always a good push for a faster transformation. *Innovation beyond the energy boundaries* – this is how we defined our Massive Transformation Purpose that is also reflected in our Innovation Horizon 3 and company long-term strategy. Although DTEK's core business activities mainly involve generating and transmitting electricity, we understand that now is the best time to design and implement new business models and discover new businesses that will help mark our impact towards global sustainability efforts. I believe that it will be a trend for the upcoming 5 years and suggest all companies look into this direction", - Emanuele Volpe, Chief Innovation Officer at DTEK.



Contact us to discover Innovation DTEK challenges and submit your unique idea

<https://dtek.com/en/innovation/>





Number of exits

29 exits in 2019

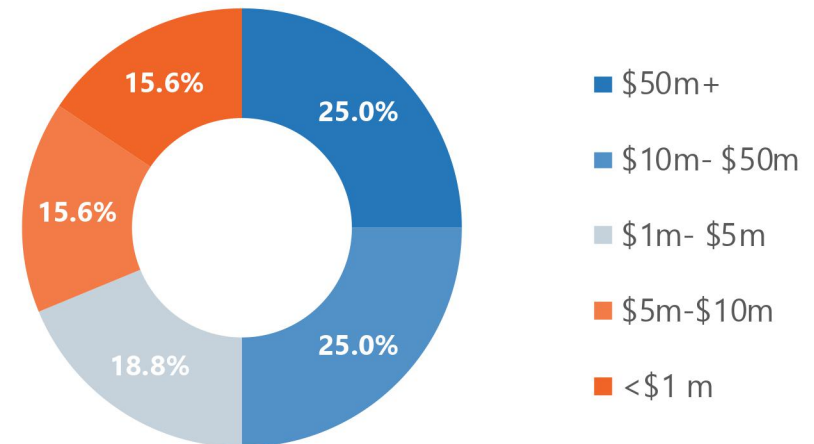
- 18 exits by VC funds
- 3 exits by PE funds
- 8 exits by other investment funds

8 exits in 2018

- 5 exits by VC funds
- 3 exits by PE funds



Capital under management, %



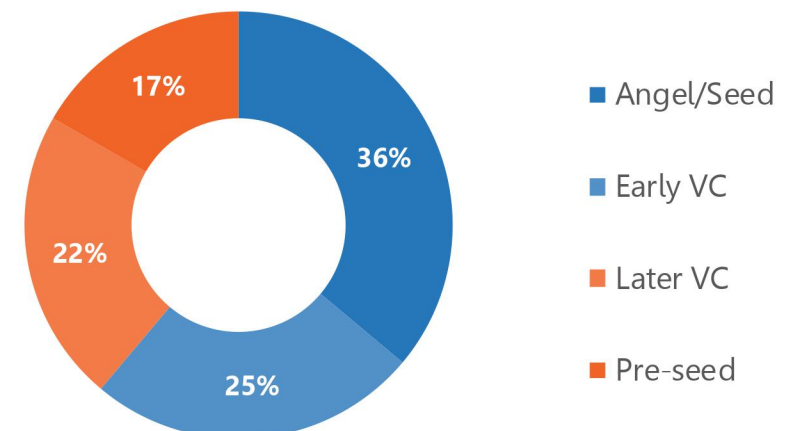
Investors review of startup quality and quantity

81% of investors consider that there are not enough startups in Ukraine

75% of investors are satisfied with the quality of startups in Ukraine

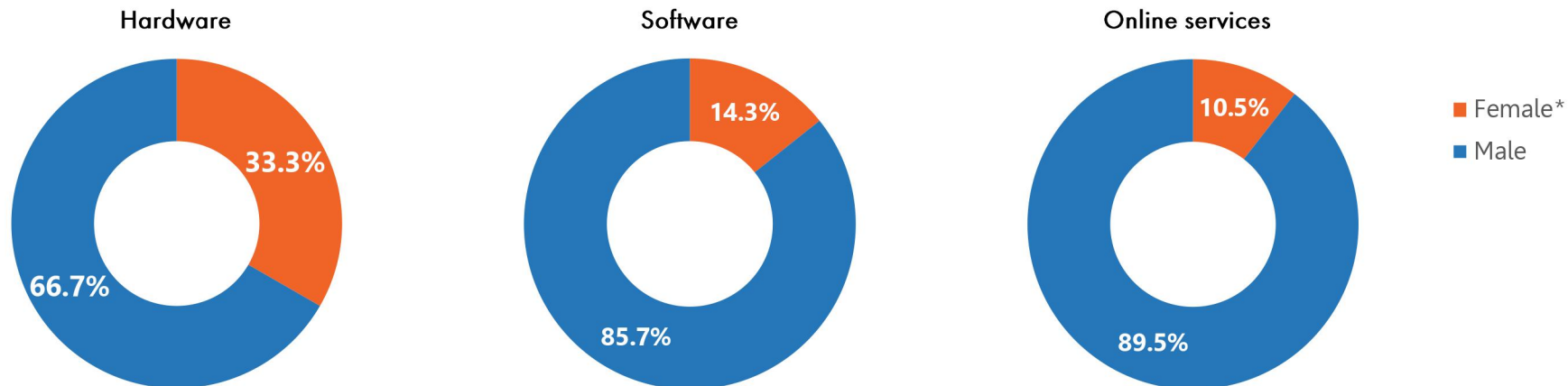


Investments by startup's development stage

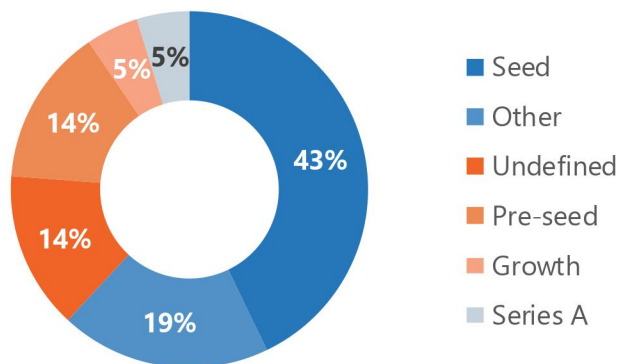


Ecosystem Trends in 2019

25.9% of Ukrainian startups, which received funding in 2019, have at least one woman among founders. The highest percentage of female founders is in Hardware, the lowest – in Online services



43% of startups with at least one female founder received funding on the **Seed** stage.



Source: Deloitte Research, UVCA Research

Top-3 deals of female-founded startups



Ukraine is the home for 2 unicorns by 2019



Grammarly

Grammarly is a digital writing assistant. It entered the lists of new unicorns in 2019.

- Company valuation: **\$1.3 b**
- Total funding amount : **\$200 m**
- Offices: Kyiv, San Francisco, New York City, Vancouver.
- Employees: ~ 250



GitLab

GitLab is a DevOps platform, delivered as a single application. It entered the lists of new unicorns in 2018.

- Company valuation: **\$2.8 b**
- Total funding amount : **\$436.2 m**
- Offices: entirely remote company
- Employees: > 1000

Soonicorn (soon-to-be-unicorn)



People.ai

People.ai is an AI platform for sales. It might become a unicorn in the nearest future.

- Offices: Kyiv, San Francisco, New York, Atlanta
- Employees: ~150
- Company valuation: **\$500 m**
- Total funding amount: **\$100 m**

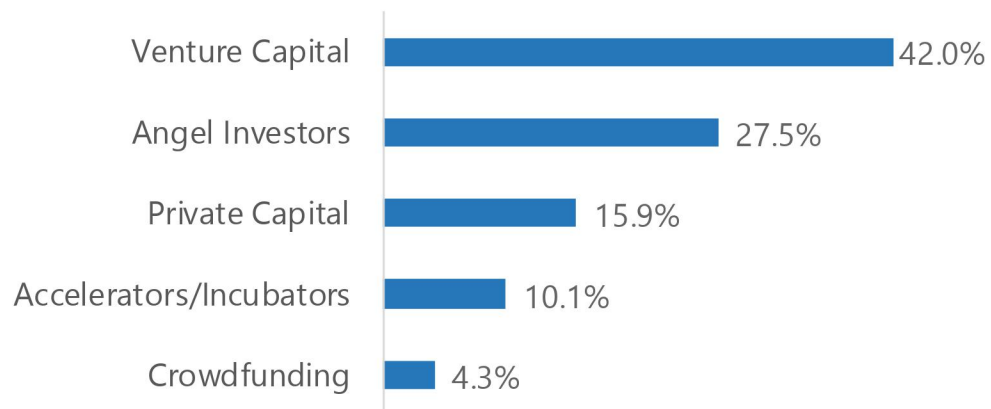
2020 Investor Expectations

Investor Expectations & Predictions for Ukraine

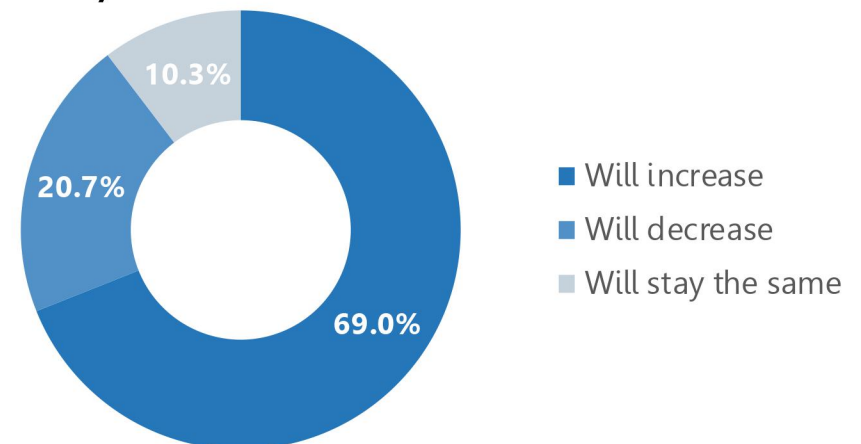
83% of current investors are expecting new private equity or venture capital funds to emerge in Ukraine

58% of PE & VC are planning to attract investments to their funds

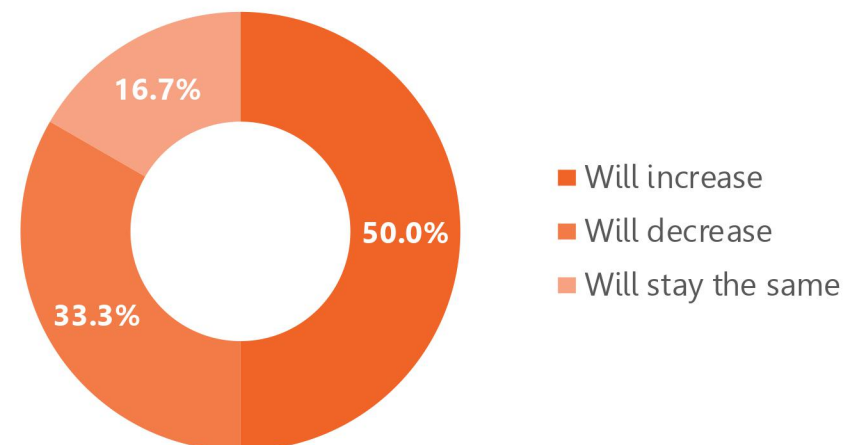
What methods of startup funding will be the most widespread?



VC funds predictions of the investment market dynamics



PE funds predictions of the investment market dynamics



Decision-Making Factors for Investors

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

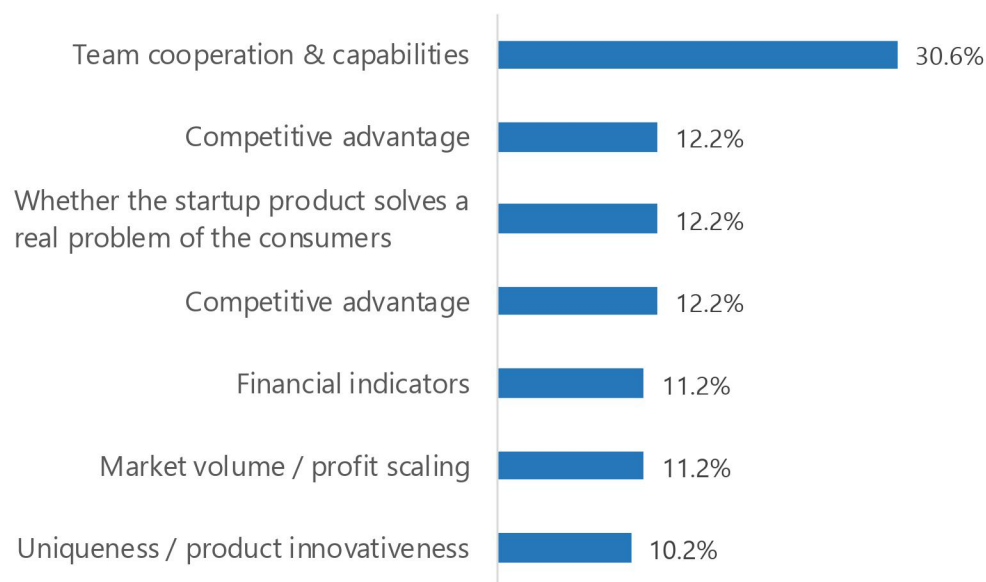


Startups should demonstrate team cooperation and capabilities if they want to attract investments.

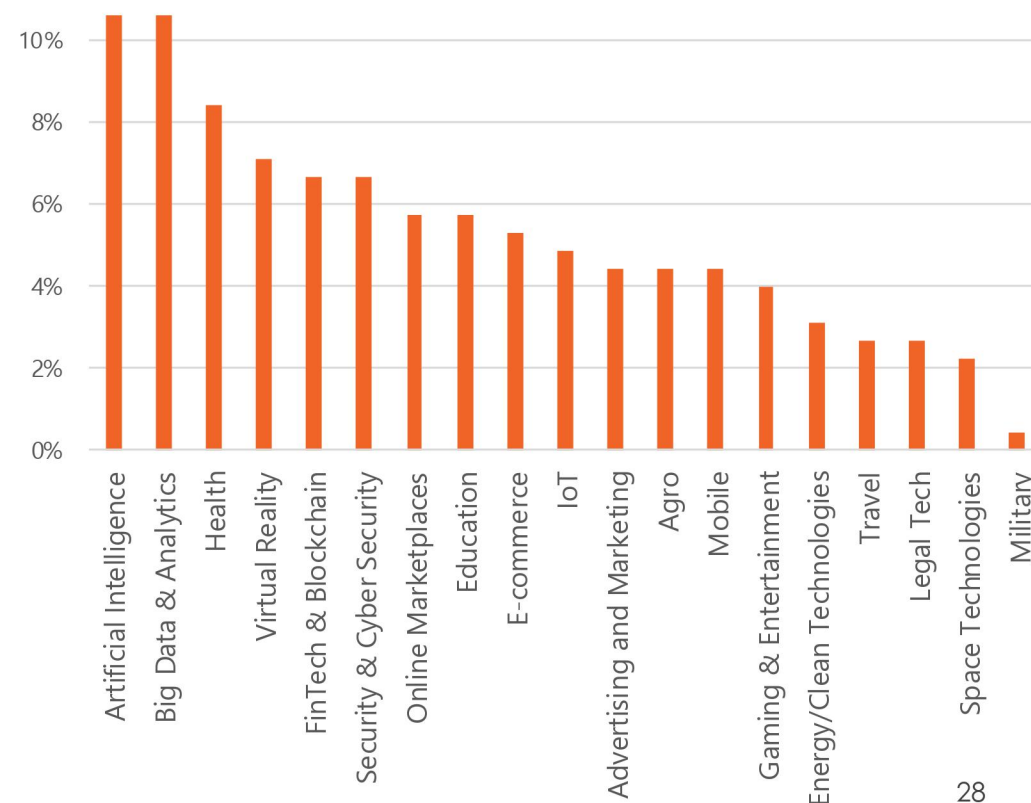


Artificial Intelligence and Big Data & Analytics sectors will be of most interest for investors in 2020.

The most important metrics for making an investment decision



The most attractive sectors for VC and PE funds



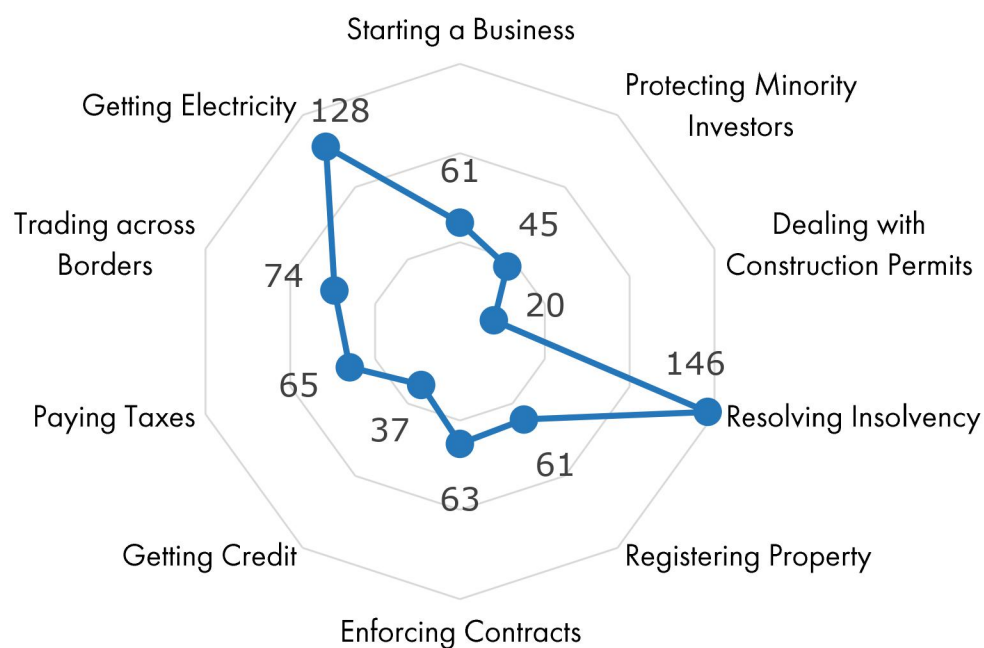
Source: UVCA Survey in February 2020

Ukraine in Global Rankings

Ukraine – International Rankings

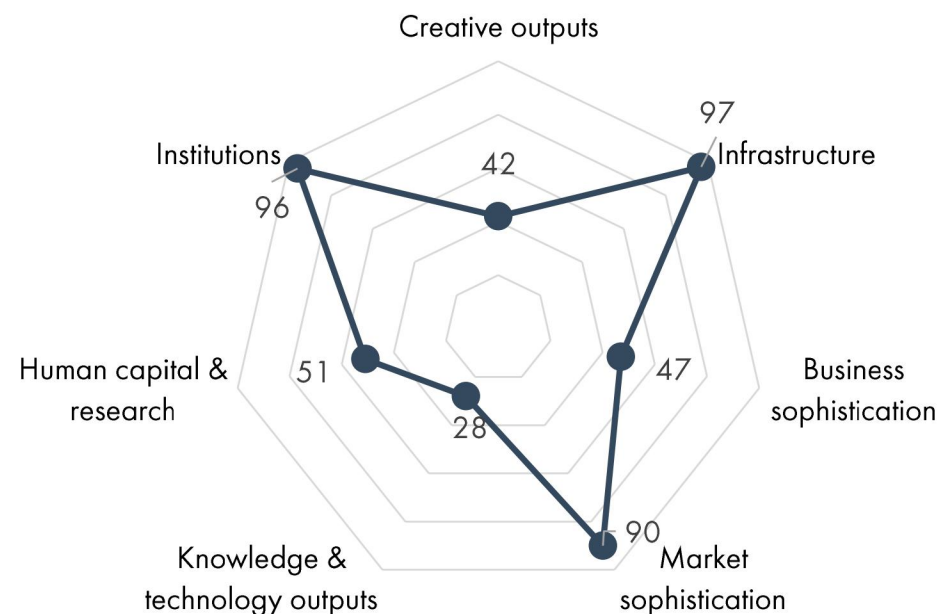
Doing Business (by The World Bank)

Ukraine's rank in 2020 – 64
(7 spots up from 2019)



The Global Innovation Index

Ukraine's rank in 2019 – 47
(4 spots down from 2018)




Source: The World Bank, The Global Innovation Index 2019


Global Innovation Leaders of 2019





Note: numbers show the rank of the country
Source: The Global Innovation Index 2019

Legal Developments Affecting the Ukrainian IT Sector

-  **Further Currency Control Regulation Liberalization**

The trend for the liberalization of the Ukrainian currency control system continued with the new Law on Currency and Currency Operations which became effective in 2019. Thereafter, a number of other measures were adopted in 2019 to eliminate some other remaining currency control restrictions, such as the limitation of distribution of dividends in foreign currency and mandatory exchange of foreign currency.
-  **Ultimate Beneficial Owner (UBO) Disclosures**

The new Anti-Money Laundering Law adopted on 6 December 2019 will come into effect on 28 April 2020. The AML Law will implement the FATF recommendations and harmonize Ukrainian law with EU regulations in this area. The new AML Law implements a risk-oriented approach, increases thresholds and reduces the scope of transactions subject to financial monitoring as well as sets forth new UBO criteria and introduces a number of new UBO-related disclosure requirements.
-  **Language Law Requirements**

The new Language Law came into effect on 16 July 2019. Most of the IT related provisions will become effective starting in 2022, giving IT companies time to get prepared for requirements. Among those is a requirement to have Ukrainian versions for user interfaces, software, and web-pages and mobile applications of state and municipal authorities as well as companies marketing their goods and services in Ukraine.
-  **New Bankruptcy Code**

The new Bankruptcy Procedures Code, adopted at the end of 2018, became effective on 21 October 2019. Among various procedural novelties, the Code has introduced the possibility for an individual to declare self-bankruptcy (before the new Code, only legal entities could be subject to bankruptcy).

Appendix

Our analysis was based on 96 publicly available Ukrainian VC deals and 15 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 2019. We only took startups from technology and internet sectors. 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 February 2020 and polled 36 UVCA members and non-members: 12 VC funds, 6 PE funds, 3 Startup incubators, 3 Angel investors, 3 Family offices, 2 Corporate funds, 1 Energy holding and 6 other investment funds. The survey included multiple choice and open questions concerning their overview of 2019 and expectations for VC & PE market development in 2020. 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 date or average monthly rates provided by OANDA (source: <https://www.oanda.com/fx-for-business/historical-rates>) according to the announced date/month of investment (based on press releases, public news, interviews with startup representatives).

TOP 6 Hardware Startups

UVCA challenge: UA Tech at CES 2020 was a contest for hardware startups, which had its winners representing Ukraine at Consumer Electronics Show 2020. The jury comprised of 17 the most influential investors and representatives of the leading venture funds in Ukraine. The selection process consisted of several stages: 51 applications, selection of 20 startups and their pitch before the jury, who selected the winners.

A startup is considered to be Ukrainian if

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

R&D is considered to be Ukrainian if it is located in Ukraine but does not fit into the definition of a Ukrainian startup.

Disclosed deals – publicly known deals with disclosed information.

Undisclosed deals:

- Aggregated undisclosed deals are non-public deals provided by UVCA and A Ventures Capital fund (total: 15 aggregated undisclosed VC deals)
- Deals with undisclosed amount are publicly known VC deals with undisclosed deal value (total: 18 deals with undisclosed amount)

Abbreviations: bn – billion, m – million, k – thousand, AI – artificial intelligence, VR – Virtual Reality, IoT - Internet of things



Ukrainian Venture Capital and Private Equity Overview 2018

<https://www.slideshare.net/UVCA/ukrainian-venture-capital-and-private-equity-overview-2018-141626280>



UVCA Investors Book: Who is Who on The Ukrainian Investment Market

<https://www.slideshare.net/UVCA/uvca-investors-book-2017-who-is-who-on-ukrainian-investment-market>



Dealbook of Ukraine 2020

<https://www.slideshare.net/YevgenSysoyev/aventures-dealbook-2020-229990810>



CEE Software Development M&A Report 2019

https://www.slideshare.net/YevgenSysoyev/cee-software-development-ma-report-2019?fbclid=IwAR0_cZxvUgHmdHwbTjYbQxIOvfnErWAON0uFGH9_hXkgm7NH-gmPxK-cXxg



UA Tech Pavilion at CES and the Silicon Valley Tour

For 4 years in a row UVCA organizes the UA Tech Pavilion at Consumer Electronics Show (CES) this year backed by CRDF Global within the STEP program, funded by the U.S. Department of State. After a thorough selection, top Ukrainian hardware startups get a chance to showcase their product on an international arena.

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



Learn more: <http://uvca.eu/en/news/ukraine-tech-day-2019-winners>





Ukraine House Davos

UVCA is the co-organizer of Ukraine House Davos alongside the World Economic Forum together with Western NIS Enterprise Fund (WNISEF), Victor Pinchuk Foundation, and Horizon Capital which was held for 3 consecutive years. 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.

Ukraine House Davos 2020 snapshot:

- 16 panel discussions on investment and innovation topics speakers from 12 countries
- 8000+ registered visitors
- 94 hours of live stream
- 400,000 views of livestreams on social media
- 2.2 million impressions of posts.

Notable guests in 2020:

- *Volodymyr Zelensky*, President of Ukraine
- *Oleksii Honcharuk*, Prime Minister of Ukraine
- *Sir Suma Chakrabarti*, President of the EBRD
- *John Herbst*, Director, Atlantic Council's Eurasia Center
- *Shannon Kalayanamitr*, Venture Partner of Gobi Partners
- *Tristan Harris*, Co-Founder & Executive Director, Center for Humane Technology

Learn more:

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



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 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.





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



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.

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