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The

DEALBOOK

of Ukraine

THE ULTIMATE REPORT
ABOUT THE
UKRAINIAN STARTUP
AND VENTURE SCENE

2016 EDITION

COVERING DEALS IN 2014-2015
VERSION 1 – JULY 2016

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About this report

This unique research represents a comprehensive compilation of the majority of deals conducted on the Ukrainian IT and Internet market in 2014-2015. Offered free of charge, this report is structured in six parts:

1. Investment activity overview
2. Ukrainian investors' point of view
3. Startup overview
4. Deal tables
5. Entrepreneur stories
6. Selected articles

The previous edition of the Deal Book, which covers the previous years, can be downloaded at: http://www.uadn.net/files/ua_dealbook_2014.pdf.

Inaccuracies & updates

Even though we have done our best to provide accurate and complete information, we recognize the limits of such industry reporting. We will be pleased to receive any corrections, notices of inaccuracies or information on deals we may have missed.

New and updated data will be included in the next publication, improving the level of detail and the quality of the report. **Please submit corrections, updates and/or suggestions to jane@uadn.net.** Our thanks in advance for your assistance, which will make the next Deal Book a better resource for the investment community.

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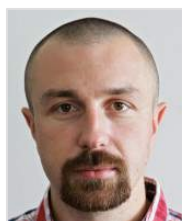
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Key findings

1

After a short-lived decline in 2014, the Ukrainian IT sector demonstrated record growth in 2015. Not only did the market regain its strength, it significantly exceeded the activity level of any previous year, according to our research.

2

The investment market reached an unprecedented \$132 million in total volume in 2015, demonstrating a 240% growth from a year earlier, when the market shortened by over 55%.

3

The growth of investment volume in 2015 was mainly the result of three large-growth stage deals, while early-stage investments slightly decreased.

4

Startups oriented to the local market are likely to continue facing difficulties connected with the contraction of the Ukrainian economy and its currency fluctuations. However, there are also a number of winners that profit from such market conditions, including leading e-commerce players.

5

Globally-oriented startups attracted more investment in 2015. Many of the teams have moved to their primary product markets, raised follow-on funding from international sources, and kept their R&D teams in Ukraine.

6

Foreign investors kept interest in the Ukrainian tech sector, making or leading more than 40% of the funding deals in 2015.

7

In 2015 Ukraine saw the continuation of the trend of well known foreign companies acquiring domestic startups offering global products. The year's largest acquisition was that of the Looksery image-processing app by Snapchat for \$150 million.

8

Growth-stage deals emerged as a new transaction class, accounting for \$100 million of the total investment volume. Among notable new growth-stage investors was George Soros, who promised to commit \$1 billion to Ukraine – with the tech sector figuring on the priority investment list.

9

The 2014-2015 period was marked by a government push for reforms. The IT sector played a major role in the design and implementation of some of the most important reforms, including those addressing deregulation and e-government.

THE DEAL BOOK
OF UKRAINE



FOREWORDS





Yevgen Sysoyev

AVentures Capital

Ukraine appeared on the front pages of the international media in 2014 for reasons that are well known. First it was caught up in an internal revolution that pressured politicians to lead the nation toward a pro-European future. Then Russia annexed Crimea and started a hybrid war in the east of Ukraine.

“What doesn’t kill us makes us stronger,” as the famous song goes, and that has been my motto for the last few years. A number of countries, notably Israel, have gone through a similar series of trying events; yet they managed to convert their war experience into economic strength and a source of innovation, emerging in the end as leading technology players.

Despite the odds, Ukraine today has one of the world’s largest “armies” of software engineers – it is number one, in fact, in Central and Eastern Europe – and is well known as a country of innovators.

Since 2015, when the geopolitical crisis hit its low point, Ukraine has also been appearing on the front pages of the international media for a positive reason. Ukrainian tech has become increasingly integrated into the global technology community, especially the United States. International tech investors today are investing in Ukrainian startups in significant numbers, and a rising tide of leading international companies are acquiring Ukrainian tech businesses.

Being at the epicenter of the tech ecosystem, it is sometimes hard to describe what exactly has been happening here since 2014. The two years have felt like an eternity; what eventually became a steeply rising trend line on a graph, in any case, was accomplished by the endless effort of the entrepreneurs and investors behind the Ukrainian tech industry, the people shaping its past, present and future.

I am a strong believer in the entrepreneurs who set the trends, writing history from ground zero up. It is an honor to work with such people, and in this new edition of the Deal Book of Ukraine we will deal not only with the key numbers, but also with a factor of equal importance: the people who make them.

Yevgen Sysoyev is a founding managing partner at AVentures Capital



Adrien Henni

Ukraine Digital News

Amid the country's current political and economic woes, the Ukrainian startup and venture scene is experiencing an astonishing revival. We are witnessing the emergence of a new generation of globally-oriented startups, the entry of new classes of investors into the market, and the blossoming of community initiatives – from brand-new industry associations, to educational institutions and media platforms.

An entrepreneur and investor from Eastern Ukraine offered me a possible explanation for this paradox.

In the minds of many Ukrainians, technology shines as a promise for highly-skilled and well-paid jobs for the new and the next generations; of the country's stronger integration into the global economy; of improved life conditions in virtually everything from online services, to e-government, to smart homes and cities.

Thus, for many, developing startups or investing in them goes beyond technological excitement or the appeal of quick and big money. They are also aiming to build a new nation. It is not by chance that many IT people were building barricades on Maidan last winter and have got involved in politics since then – with half a dozen of them becoming members of parliament in last October's elections.

It is a great honor for me to offer my contribution to highlighting this vibrant high-tech scene in the international media. This is the purpose of Ukraine Digital News, the English-language news platform that we launched just months ago.

May this report, by increasing market transparency, mutual trust and investment efficiency, become another contribution to supporting the emergence of a technologically-oriented and globally-integrated Ukraine.

Adrien Henni is chief editor at Ukraine Digital News and founder of the EWDN network.

THE DEAL BOOK
OF UKRAINE

PART 1

**INVESTMENT
ACTIVITY
OVERVIEW**

1.1. RESEARCH HIGHLIGHTS 2014-2015

- **In 2015 the Ukrainian venture market bounced back from its temporary setback of the previous year, with a record total investment volume exceeding \$132 million.** That number not only more than triples the \$39 million of 2014, it also significantly exceeds the \$89 million of 2013, then considered the best year ever for Ukrainian tech. This exciting increase in total volume demonstrates both country-specific good news – the rejuvenated confidence of local and foreign investors in the Ukrainian tech scene and its ability to grow and achieve results amid crises – as well as increased investor interest in technology investment in general.
- **Investment volume significantly increased across seed deals.** In 2015 the majority of early capital came from professional angels and VC funds, whereas in previous years a significant portion of small-ticket investments were made by local accelerators and incubators that ceased operations in 2014. Thus while the number of seed deals decreased from 78 in 2014 to 58 in 2015, invested volume went up from \$19 million to \$22 million, signaling an increase in the average seed-round ticket. The average seed investment in 2015 came to \$380,000, almost twice that of 2013-2014.
- **The increase in the number of growth-stage and secondary deals demonstrates the gradual maturity of the investment climate and startup ecosystem.** In 2015 we saw a number of growth deals that provided both cash-out opportunities for founders and existing investors and growth capital to develop the businesses further. The total volume of such deals came to \$100 million. Although most of these deals remain undisclosed, we can mention Horizon Capital's stake purchase in the biggest Ukrainian e-commerce player, Rozetka.ua, and a stake purchase in the software outsourcing giant Ciklum by George Soros' Ukrainian Redevelopment Fund. The latter deal is expected to be the first in a series of similar investments in the Ukrainian technology market, as Soros has committed to investing as much as \$1 billion in the years to come.
- **Ukrainian investors and funds committed a record \$68 million in 2015, three times more than in 2014 and 25% more than 2013.** Accounting for 52% of total committed capital, Ukrainian funds were nearly even with foreign funds, exceeding the latter by only \$10m. The most active local funds in 2014-2015 by number of deals included Digital Future, AVentures Capital, Detonate Ventures, and CIG.
- **Foreign funds and individuals invested a record \$60 million in 2015, a twofold increase over 2013 and a threefold increase from 2014.** The biggest deals of the year by foreign funds included the Soros Fund investment in Ciklum; Horizon Capital in Rozetka; TMT Investments in Depositphotos; Almaz Capital, ABRT and AVentures Capital in Starwind Software; InVenture Partners, Intel Capital and Finsight Ventures in Gilbus; and Almaz and AVentures Capital in Petcube. The most active foreign funds by number of investments included Almaz Capital and Imperious Group.
- While some previously active funds remained inactive in 2015 (among them Vostok Ventures, Siguler Guff and Fison), several newly formed funds such as Digital Future and BeValue emerged as active investors. Digital Future alone made seven disclosed seed investments in 2015.

- **The liquidity market in 2015 remained strong while the number of liquidity events was slightly higher compared to the previous years.** The total liquidity volume came to \$261 million. Among them are \$153 million accounted for the total acquisition volume, most of which is attributed to the acquisition of Looksery app by Snapchat for \$150 million in 2015. Other notable acquisitions of 2015 include those of Jeapie by Mobify, Ericpol by Ericsson, Maxymiser by Oracle for undisclosed amounts. There were no mergers or Initial Public Offerings in 2014-2015. The rest of the liquidity volume accounted for mostly undisclosed Secondary deals.
- **An increasing number of Ukrainian entrepreneurs in search of early capital tried their luck on international crowdfunding platforms,** such as Kickstarter and Indiegogo. While most of these startups use these platforms to raise their first money, a number of startups already raised angel or VC money before campaigning and used the tool to boost sales and popularity. In total the 11 successful campaigns launched in 2015 raised over \$1.6 million, a threefold increase since 2013. Most successful in crowdfunding in 2015 were such startups as Ecois.me, Ugears, Piper, iblazr, and Robo Wunderkind.



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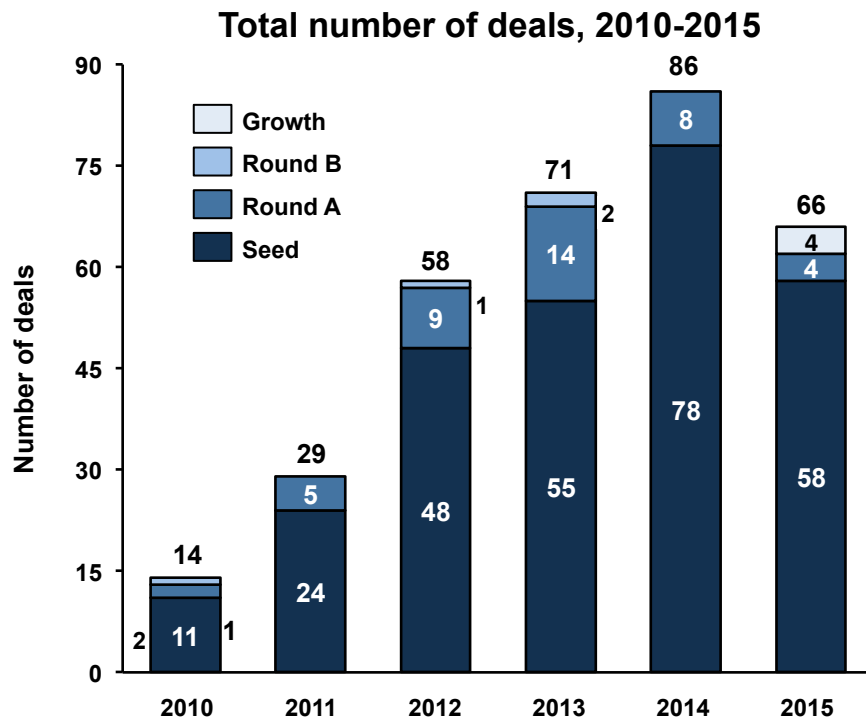
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1.2. TOTAL AMOUNT OF INVESTMENT

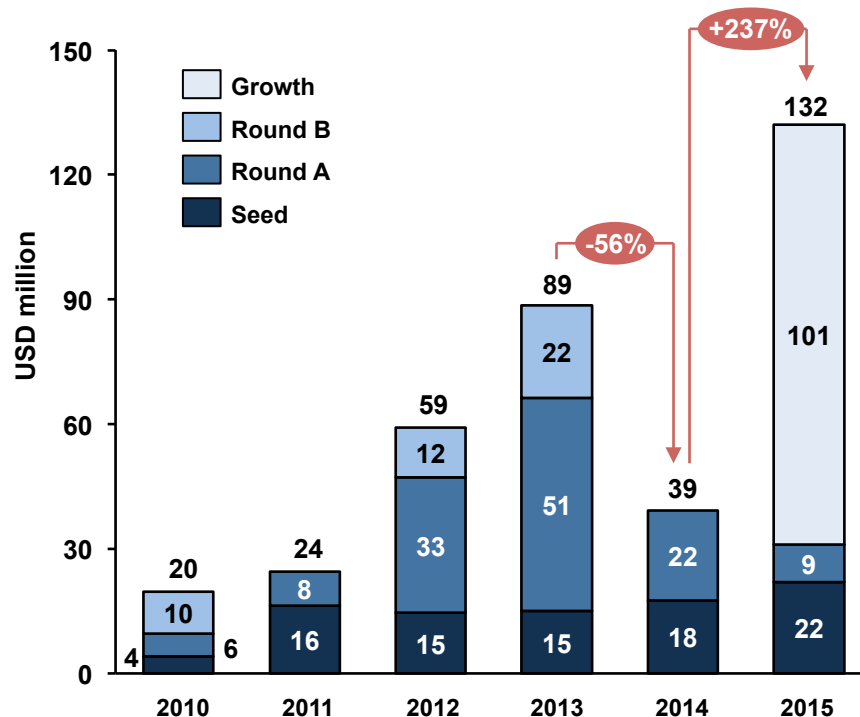
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Total amount of venture investment in Ukraine, USD million



1. Not including grants.

PART 1 | INVESTMENT ACTIVITY OVERVIEW

The Ukrainian Internet industry demonstrated record-strong activity in 2015, manifesting complete recovery from the setback brought by political crisis in 2014.

Total investment volume in 2015 reached \$132 million, of which growth and seed deals accounted for the great majority of invested capital. Although there were fewer seed deals in 2015 than in 2014 (58 and 78 respectively), the seed activity showed a significant increase in volume. This trend is attributable to two factors: the closing of accelerators and incubators that invested very small tickets over 2013-2014 and the increase in the number of funds and angels participating in seed deals. Among the largest seed deals were the projects funding Petcube, Settle, Augmentet Pixels and MoneyVeo.

There were only four Round A deals in 2015, which represents a twofold decrease over 2013-2014. This owes to the fact that more startups preferred to raise multiple (usually two or three) smaller seed rounds and buffer up their valuations before raising more substantial amounts in Round A. In addition, most globally-oriented startups seek post-seed funding from abroad, where their prime markets are located, as local choices for Round A are scarce. That means that startups have to take their time to show traction in foreign markets before getting capital from leading funds. Disclosed Round A deals in 2015 included Depositphotos by EBRD and TMT Investments; Clickky by iTech Ventures; and Gillbus by CIG. Together with undisclosed deals they accounted for \$9 million in total investment volume. We expect to see more Round A deals in 2016 and 2017.

There were no Round B or later-round deals in 2014-2015. A low number is typical for young technology markets; and just as with Round A deals, we expect to see more Round B investment in years to come. Consistent with early technology market trends, late-stage deals are rare while growth stages tend to take place earlier. This can be attributed to the fact that immature markets seek faster returns, meaning entrepreneurs are pushed for an early (at least partial) cash-out. In 2015, growth-stage deals accounted for \$101 million. Among the disclosed deals were the purchase of stakes in Rozetka.ua by Horizon Capital and in Ciklum by the Soros Fund.

With the consolidation trends in the outsourcing industry and the rapidly developing e-commerce market, we expect more deals of a similar nature in these two sectors.

Local funds and investors dominated the market by volume of capital committed, accounting for 52% (\$68 million). Foreign funds accounted for 46% (\$60 million) of committed capital, which is four times as much as in 2014. Such a boost in foreign investment demonstrates that the Ukrainian market, in the eyes of foreign funds, has regained its confidence. In both cases, there were fewer deals in 2015 than in 2014, but the average check has grown significantly across the stages.

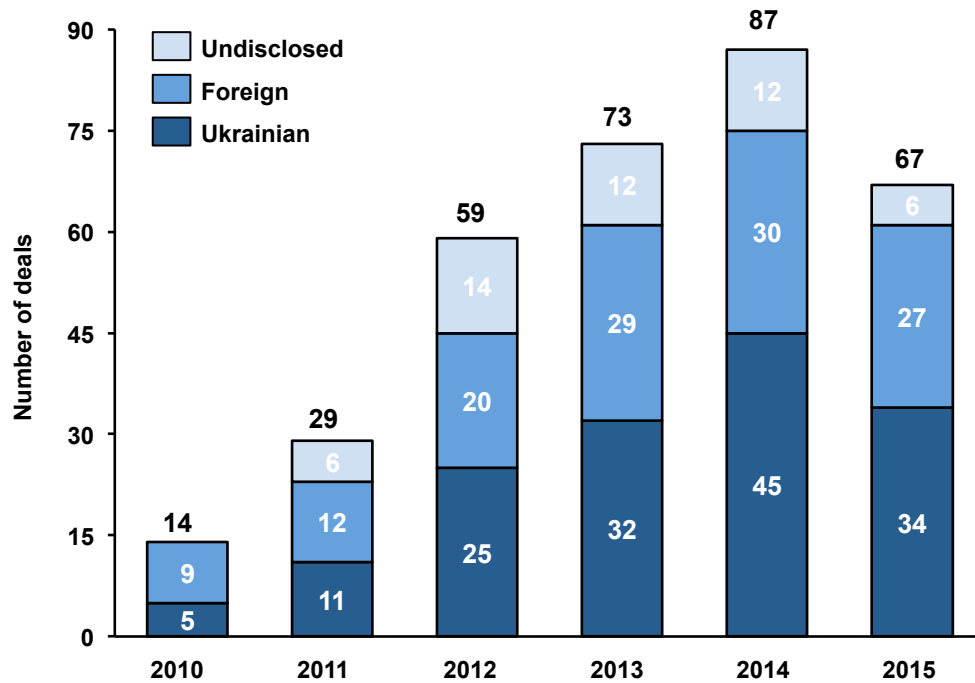
2. We include mergers in the deal count for liquidity events but exclude them from liquidity volume calculations since they do not involve cash settlements.

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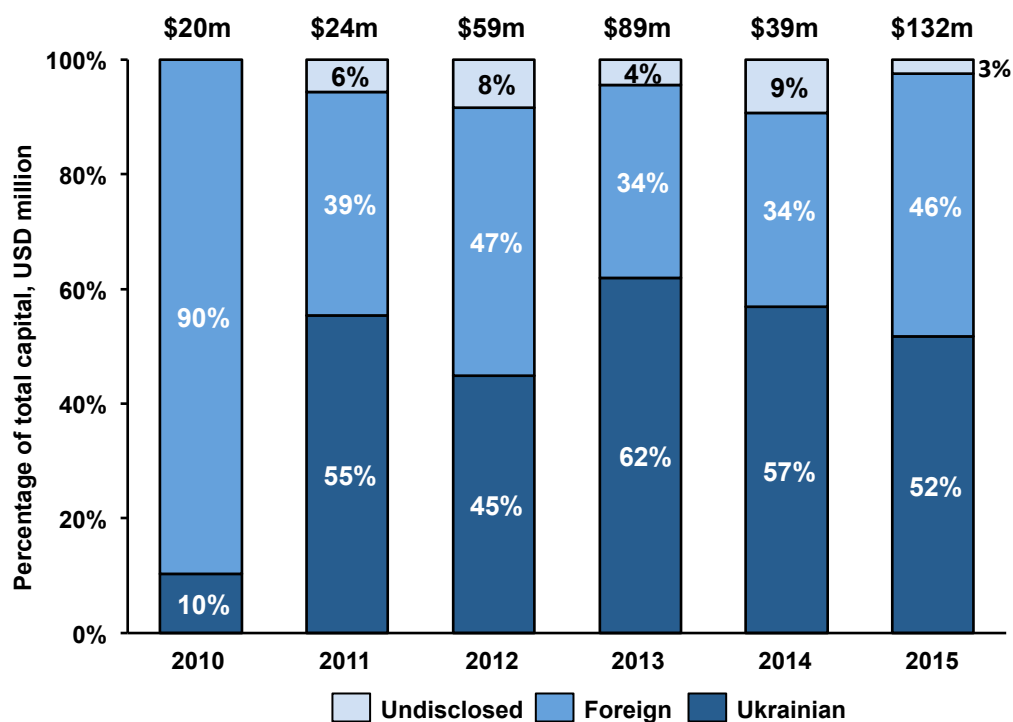
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Number of deals with Ukrainian and foreign investor participation



Breakdown of capital deployed by origin of investor, USD million



1.3. A CLOSER LOOK AT FUNDING STAGES

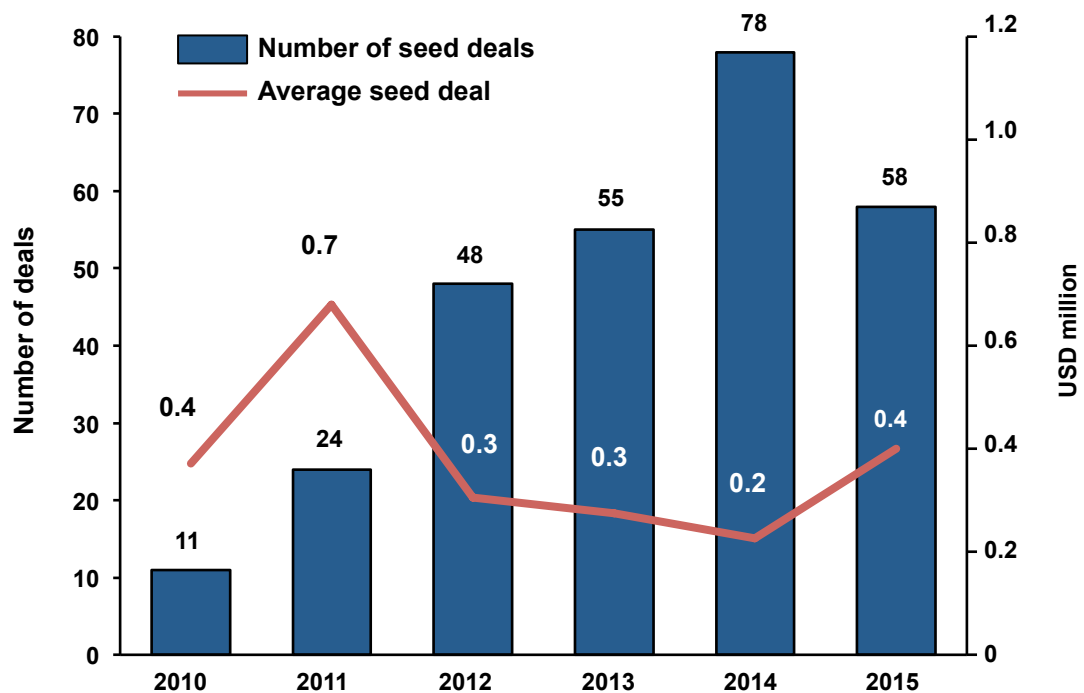
Seed activity remains relatively high; but the number of Series A deals has decreased.

Most incubators and accelerators operating in the Ukrainian market in 2013-2014 closed their doors. Since they accounted for the great majority of deals with average tickets below \$50k, the market in 2015 enjoyed fewer deals with much larger averages. The number of seed deals came to 79 in 2014 and 58 in 2015; volume increased from \$19 million to \$22 million respectively, and the average ticket nearly doubled to \$380k per deal.

Among the most active VC seed investors in 2014-2015 were Digital Future, AVentures Capital and Imperious Group. Seed and early-stage investments in Ukrainian startups were provided by such funds as Best Business Group, Wannabiz and Detonate Ventures, or such networks as StartupUA and Uangel.

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Average seed deal and total number of deals, 2010-2015

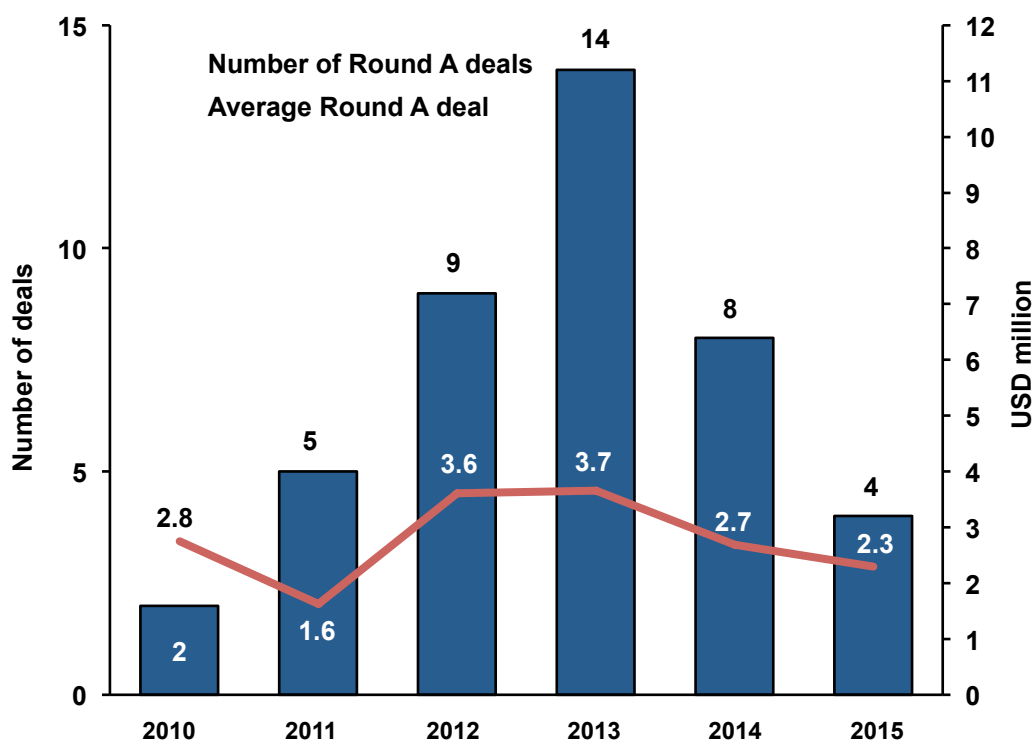


In 2015 many startups preferred raising multiple smaller seed rounds, gradually increasing their valuation. As a result, the year saw only four Round A deals. Such startups as Petcube, Ecois.me, Softcube, Augmented Pixels and many others raised multiple seed rounds in 2015. Among the disclosed deals were the backing of Depositphotos by EBRD and TMT Investments; Gillbus by C-IG; and Clickky by iTech Capital.

The Ukrainian Internet market has seen only a few Round B deals in the past five years and very limited late stage investments (Round C, D, etc.). Instead, companies have raised growth capital in cash-in/cash out-deals. Including Ciklum and Rozetka, there were three such large deals, estimated between \$20-50 million, in 2015. As the VC industry matures and the number of seed and Round A deals increases, we expect to see more later-stage deals as well.

CHART
1-6

Average Round A deal and total number of deals, 2010-2015



1.4. BREAKDOWN BY SECTOR

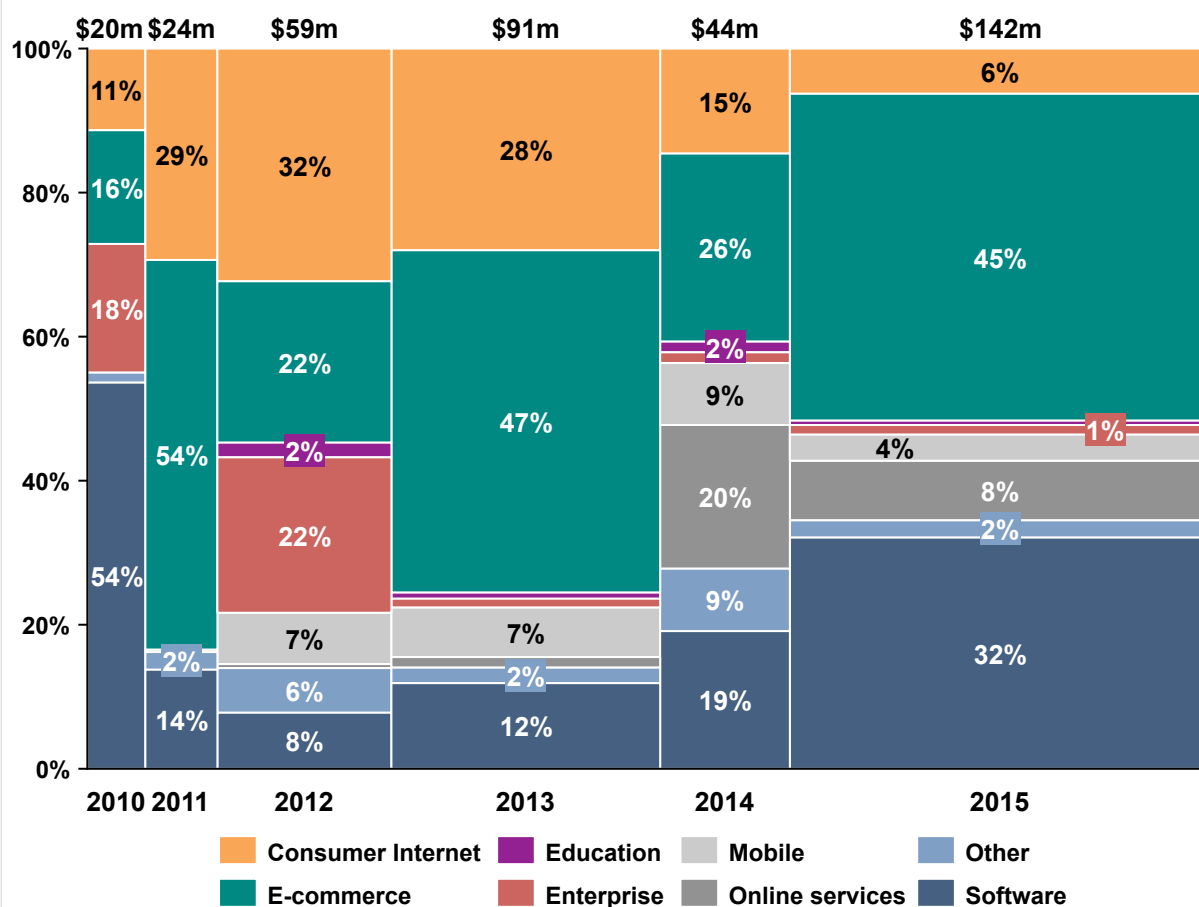
E-commerce and software are the leading segments among investment deals.

Although all sectors demonstrated a y-o-y increase in amounts raised, e-commerce and software together accounted for over 80% of invested capital in 2015, with e-commerce totaling \$64 million (45%) and software \$46 million (32%). This unusually large skew is due to a few very substantial growth deals in those sectors. The largest investments in e-commerce included those of: Horizon Capital in Rozetka.ua; an angel investor in Rentberry; angel investors in TriggMine; and Skidka.ua and Imperious Group in Delfast. Among the most notable deals in software (among many) were investments by: the Soros Fund in Ciklum; an angel investor in Leantegra; Xevin Investment in Traqli; and Digital Future in Softcube and Prodvigator.

Another fast-growing sector was consumer Internet, accounting for \$9 million in 2015. The biggest deals in this sector included DepositPhotos by TMT Investments; Petcube by Aventures Capital, Almas Capital and Y Combinator; and Gillbus by CIG Digital. Among the biggest deals in online services were those with Clickky by iTech Capital and with Tisk na Spletu by an undisclosed investor.

CHART
1-7

**Relative deal volume of investments
across key Internet sectors, 2010-2015³**



3. Includes follow-on, media for equity and bridge round deals. Excludes crowdsourcing and grants.

The mobile sector is also developing rapidly. Here the most significant deals in 2015 included the ones with Settle (investors: SMRK and Imperious); Cluise (angel investor); TestNest (WeRocks and Nravo) and MissinGames (DigitalFuture).

In other segments (included in the “Other” category), Big Data startup Galactic Exchange raised \$1 million from Floodgate Capital and Signia Ventures, while 3D printing platform Kwambio raised \$650,000 from Techstars, Wannabiz and angel investors. Short-term loan startup Money Veo also received \$500,000 from an undisclosed investor.

1.5. LARGEST E-COMMERCE COMPANIES

E-commerce remains one of the fastest-growing and most promising sectors of the Ukrainian technology market. With growing Internet and smartphone penetration fueled by the long-awaited introduction of the 3G network, the Ukrainian online retail market reached some \$1.6 billion in 2014. Sales volumes increased by 19% in hryvnias – but decreased by about 20% in dollar terms, due essentially to the hryvnia’s fall. As the country is still suffering GDP contraction, e-commerce experts believe that 2016 will show similar results and only in 2017 will we see strong growth.⁴

The market is dominated by electronics items followed by food/home goods and air ticket purchases. The total sales volume of electronic goods came to \$750m. The top electronics sellers in 2014 were Rozetka, Allo, Fotos, Citrus and Foxtrot. With total volume of \$169m, fashion and apparel are the second leading segment in Ukrainian e-commerce. The leading platforms include ModnaKasta, Lamoda and LeBoutique.

According to research by the Ukrainian Association of Direct Marketing (UADM), some of the fastest growing segments in 2014 were products for children, cosmetics, construction materials and automotive goods.

Below is a list of some leading e-commerce players on the Ukrainian market.



Rozetka.ua is a leading Ukrainian e-commerce site focusing on a variety of goods, including appliances, electronics, clothes and sporting goods. It is said to account for 40% of the Ukrainian electronics e-commerce market. With revenues estimated close to \$400-500m, Rozetka is among Europe’s largest e-retailers. www.rozetka.com.ua



ModnaKasta is a leading Ukrainian online fashion retailer. It offers several fashion sales events per week, with discounts up to 70% for members. Modnakasta is the country’s dominant player in the women’s clothing & apparel marketplace. www.modnakasta.ua



OLX.ua is the largest Ukrainian classified service, with a focus on real estate. It is part of OLX, one of world’s leading classified companies, which is in turn part of Naspers Holding. www.olx.ua



Prom.ua is another leader in e-commerce in the CIS region. The company attracts over 500k site visitors daily, putting it among the top 100 most visited sites in Ukraine, Russia, Belarus and Kazakhstan. www.prom.ua

4. See report by the Ukrainian Direct Marketing association and UADN.NET http://uadn.net/files/ua_ecommerce.pdf

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In online retail, the Big Data approach can increase by times the probability of meeting a customer's needs.

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1.6. 2015 LIQUIDITY EVENTS

Ten liquidity events took place in 2015, only one less than the previous year. The total liquidity volume, however, was ten times that of 2014, totaling \$261 million. Most of the volume is attributable to the acquisition of Lookserly, a video face-tracking and modifying app, by Snapchat for \$150 million. The amounts of the other acquisitions remained undisclosed. Among these was the acquisition of Jeapie, a push-messaging infrastructure and delivery service, by Canadian mobile commerce platform Mobify. One of the most popular online directories in Russia, the Ukrainian task-rabbit Kabanchik, was acquired by Prom.ua, a leading e-commerce site. Maxymiser, a cloud-based testing company, was bought by Oracle.

Two other acquisitions were recorded in outsourcing: Innovecs, an outsourcing company, bought an outsourcing division of Tatem Games, a game developer; and Ericpol, a Polish-Ukrainian outsourcing company, was acquired by Ericsson.

The total volume of secondary deals reached \$109 million in 2015, a record high in the history of Ukrainian tech. Among the disclosed deals was the acquisition of a stake in Rozetka, an e-commerce leader in Ukraine, by Horizon Capital, a leading Ukrainian private equity fund; and the Soros Fund purchase of a stake in Ciklum, a leading Ukrainian software developer.

CHART
1-8

Overview of notable liquidity events, 2015

Large deals

Company	Deal value	Acquirer	Date	Deal	Sector
Lookserly	\$150m	Snapchat	Oct-2015	Acquisition	Mobile
Rozetka.ua	\$20-50m	Horizon Capital	Jul-2015	Secondary & Growth	E-commerce
Ciklum	\$20-50m	Soros Fund	Nov-2015	Secondary	Software
Maxymiser	Undisclosed	Oracle	Aug-2015	Acquisition	Software

Smaller deals

Company	Deal value	Acquirer	Date	Deal	Sector
Jeapie	Undisclosed	Mobify	Nov-2015	Acquisition	Mobile
Kabanchik	Undisclosed	Prom.ua	Feb-2015	Acquisition	Consumer Internet
Tatem Games	Undisclosed	Innovecs	Mar-2015	Acquisition	Software
Ericpol	Undisclosed	Ericsson	Dec-2015	Acquisition	Software

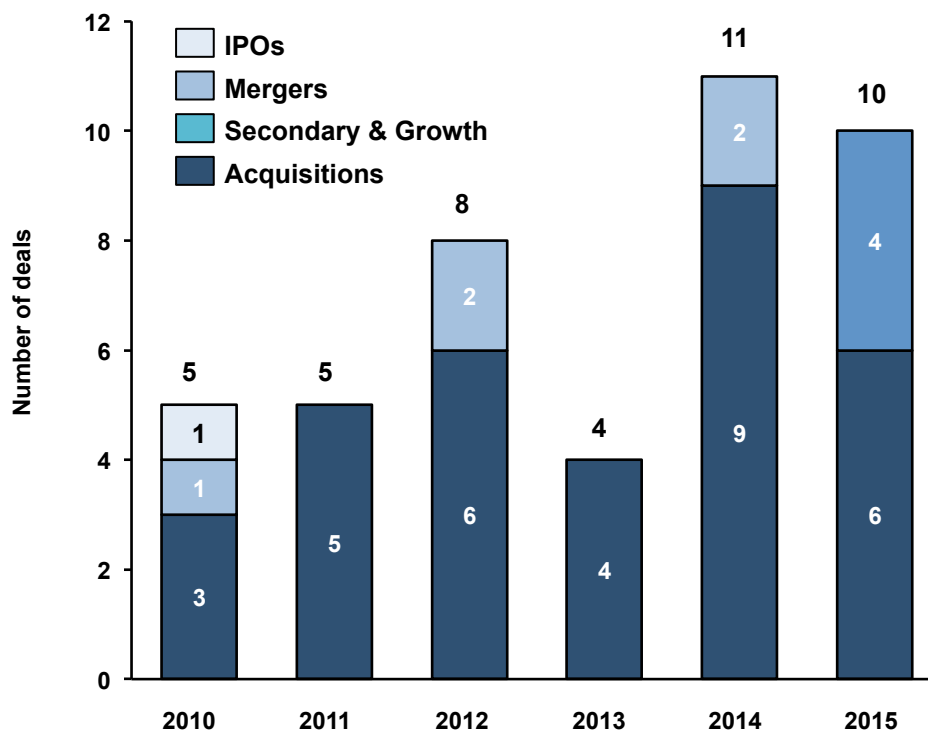
Official data Unconfirmed amounts

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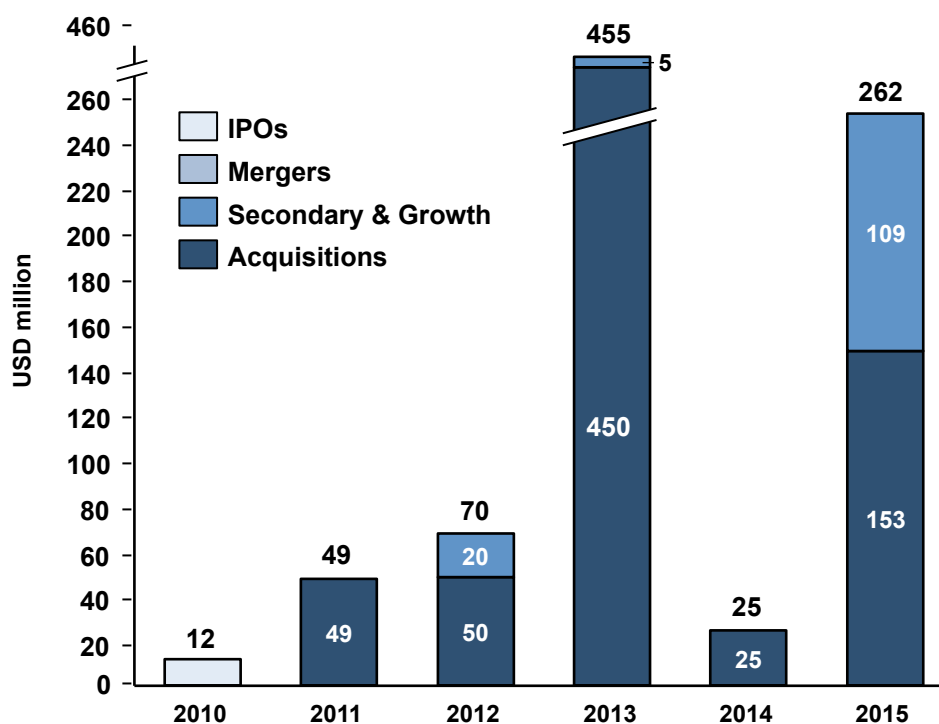
1-9

1-10

Total number of liquidity events, 2010-2015



Total amount of liquidity events, USD million, 2010-2015^{3,4}



5. Includes only deals with disclosed amounts. Excludes the acquisition of UMH Digital by VETEK and that of Cupid PLC's casual assets by Grendall Investments.

1.7. UNREPORTED DEALS

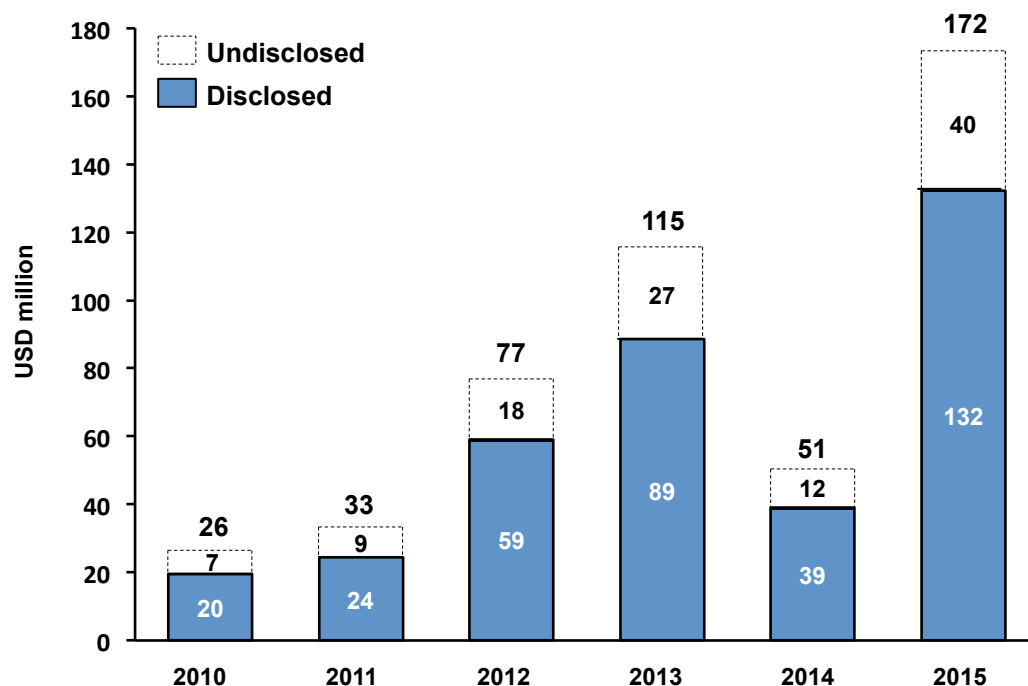
The number of undisclosed and unreported deals remains high.

A certain improvement in transparency was evident year-to-year, as the growing number of local players led to increased cooperation and information exchange. The appearance of a greater number of technology-focused media resources also resulted in more complete media coverage (as well as frequent information leaks).

However, many companies preferred to stay under the radar in an economy where the relationship between government and the IT sector is not properly regulated – hence many deals are still underreported. According to our estimates, this report covers approximately 70% of the deals concluded in 2012-2015 and 65% of those from 2010-2011.

CHART
1-10

Estimate of unreported deals 2010-2015, USD million



1.8. MAIN INVESTORS AND EXAMPLES OF THEIR PORTFOLIO COMPANIES

The groupings below indicate the most active investors in the Ukrainian market (minimum one-year tenure), with examples of their portfolio companies and selected projects they invested in over 2014-2015. Not included here are a number of venture funds that have made very few investments (such as SOS Ventures) or are very recent players in the market (such as BeValue).

We have also not included Polyteco, an incubator created at Kyiv Polytechnic Institute, whose mission is to raise a generation of professionally trained entrepreneurs. Polyteco provides office space on institute premises as well as funding and mentorship sessions. We likewise did not include Growth Up, an incubator that provides strategic and investment advice to early-stage startups for equity.

GROWTH & BUY-OUT STAGE INVESTORS



SEED & ROUND A INVESTORS



SEED & ROUND A INVESTORS





EARLY SEED & ANGEL INVESTORS



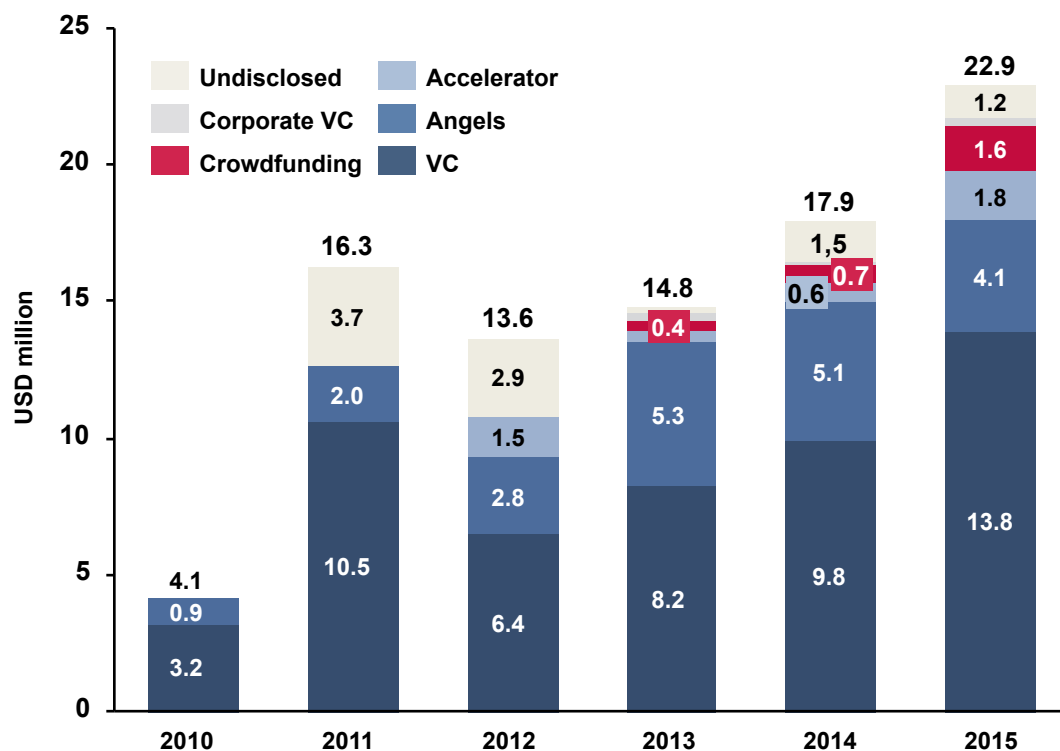
1.9. MOST SUCCESSFUL CROWDFUNDING CAMPAIGNS

An increasing number of Ukrainian projects have been participating in crowdfunding campaigns – to establish the concept, attract their first customers and secure early capital. In total, Ukrainian startups raised \$1.6m in such campaigns in 2015, which is a fourfold increase over 2013.

Most of the companies that were able to run successful campaigns are from the consumer Internet or Internet of Things market segments and consist of a physical consumer product and a mobile app.

CHART
1-11

Sources of funding, 2010-2015, USD million



THE DEAL BOOK OF UKRAINE

PART 1 | INVESTMENT ACTIVITY OVERVIEW

Project	Amount raised	Goal	Platform	Description
 UGEARS	\$407k	\$20k	KICKSTARTER	Mechanical 3-D models for self-assembly
 LaMetric	\$370k	\$69k	KICKSTARTER	Real time smart display
 PAPER	\$280k	\$50k	KICKSTARTER	Minecraft toolbox for budding inventors
 iblazr	\$254k	\$70k	KICKSTARTER	Enhancing flash for iPhone, iPad, Android and Windows phone
 Petcube	\$251k	\$100k	KICKSTARTER	A smart pet camera that lets you play with a cat
 rebo WUNDERKIND	\$247k	\$70k	KICKSTARTER	Robotics toys for kids
 ohhio	\$205k	\$20k	KICKSTARTER	Blanket maker
 ecozy	\$198k	\$170k		Self-learning touchscreen thermostats that reduce heating costs
Lunecase	\$156k	\$50k	KICKSTARTER	Smart case for iPhone that glows
 BRANTO	\$109k	\$50k	 INDIEGOGO.	Smart home device
 Ecois.me	\$68k	\$50k	 INDIEGOGO.	Energy consumption optimization platform
 ecozy	\$50k	\$30k	 INDIEGOGO.	Self-learning touchscreen thermostats that reduces heating costs
 LOOKSERY	\$46k	\$30k	KICKSTARTER	Face-tracking and face modification technology for real-time video messaging
 SafeBAND	\$40k	\$35k	 INDIEGOGO.	IoT location sensor
 SSSSSPEAKER BLUETOOTH SPEAKER	\$31k	\$30k	KICKSTARTER	Bluetooth speakers for iPhone
 FORCE	\$30k	\$30k	KICKSTARTER	Smart bracelet and health tracker

1.10. 2016: THE RESULTS SO FAR

There were nine disclosed investments from January to March of 2016. Among the seed-stage deals, most notable was Digital Future and Wannabiz investing \$400,000 in ReplyApp, an email marketing service. Other companies raising seed money include Highbrow, Tapland and inCafe from angel investors; Ecoisme from Virgin Media Accelerator; and Moggie from The Springfield Project accelerator. Also, Tripmydream won the Best Travel App award at the 2016 Seedsummit and is expected to receive funding at a level under \$0.5m.

Among liquidity events, BCD Holding acquired GetGoing, a tour agent for leisure travelers, for an undisclosed amount. The biggest disclosed deal of the year so far is TMT Investments' sale of its 7.1% stake in Depositphotos, a royalty-free photostock online service, to a private investor for \$5.85 million.

We expect many more deals to be disclosed later in the year.

1.11. BEYOND 2016: TECH SECTOR OUTLOOK

The outlook for the sector is positive for globally-oriented companies. The growth of local players, however, will depend on the sustainability of peace and the performance of the Ukrainian economy.

- **Companies with global products will continue to attract more capital and will account for the majority of exits.** Over the years, Ukrainian startups with global products have accounted for the majority of investment deals and we expect this trend to strengthen in the future. Such companies compete globally with leaders in their niches and naturally have larger addressable markets, higher valuations and access to the bigger pools of capital. These leaders continued showing stellar results in 2015, and in many cases are conquering their niches worldwide; examples of such companies include Depositphotos, MacPaw, Grammarly, Petcube, Jooble and Readdle. We expect some of these companies to exit in the next 2-5 years.
- **Among the startups with global products, we expect to see more startups moving headquarters and management teams to the United States or Europe while keeping their Research & Development and often support teams in Ukraine.** Although this approach might affect the valuations in a negative way, it provides clear benefits, as the talent in Ukraine is abundant, significantly cheaper and does not trail any country in expertise. In addition, the costs of operating an R&D office in Ukraine provide substantial economic benefits. We are already seeing many startups successfully practicing this model, among them Petcube, Depositphotos, Augmented Pixels, Starwind Software and others.
- **Local players should be ready for more uncertainty in the near future.** The growth of local companies will depend on the overall state of the economy, and especially the stability of the currency. Although 2015 showed remarkable results for the IT sectors in general, an unstable currency situation can greatly affect consumer purchasing power – which means more turbulence might be on the way. While growth for such players is still very probable in the local currency, in terms of USD a positive forecast is very uncertain. The e-commerce sector is a vivid example of business being held hostage by currency fluctuations. Although the sector grew 19% y-o-y between 2013 and 2014, it decreased in USD terms by 20%. The performance of funds investing in local projects that largely depend on the local economy is also likely to be affected.

- **We expect to see more acquisitions by foreign companies.** Ukraine has already had quite a few such deals. Japan's Rakuten acquired slice.com; America's Lexalytics acquired Semantia; the French BlaBlaCar bought podorozhniki.com; Google acquired Viewdle; Snapchat acquired Lookery; and Canada's Mobify acquired Jeapie. As more companies exit, we expect to see more of both – new funds and startups – that are inspired by such rousing success stories.
- **As the venture ecosystem matures, we will see the first classic Ukrainian funds with clear investment strategies and longer fund life cycles.** Currently, there are very few funds that operate as what are called classic venture capital funds, with a ten year life cycle and 2/20 investment structure. Furthermore, there are very few local funds that can support a startup at Round A or later stages. As the tech market continues to grow and show gains for its investors, we will see the first classic funds forming.
- **Continuing the current reform effort, government will increasingly use IT to modernize its infrastructure and fight corruption.** In the past year, IT and volunteers from the sector played a major role in deregulation, implementation of 3G in Ukraine, the independent online tender system Prozorro and the edata site, where users can see the details of government budgets and multiple parts of the larger e-government implementation. As the government continues to pursue reforms, we will see many projects designed and implemented by the IT community.

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1.12. INVESTOR ASSOCIATIONS



Launched in June 2014, UAngel is a business angel network that provides a platform for entrepreneurs to meet investors and for investors to syndicate locally and internationally. It facilitates the introduction of entrepreneurs to potential investors through events, presentations, investor coffee mornings, the online platform GUST and other means. UAngel consists of high net-worth individuals or entities interested in financing privately held companies or ventures, typically in the early stages of development. It is a closed group; membership is considered a privilege and is subject to renewal, revocation or termination based on members' willingness to abide by the group's confidentiality requirements, membership requirements, membership agreement and Code of Conduct. Members are supported with expert help, educational programs and training. UAngel is a member of the European Business Angels Network and strives to be a meeting point for local and international angel investors and entrepreneurs. www.uangel.com.ua



The Ukrainian Venture Capital and Private Equity Association was established in mid-2014 to shape the future direction of the private equity industry and represent the interests of private equity investors to policymakers. The association aims to improve the business climate, promote the country as an attractive market for international investors, and advance local investment opportunities, including in the technology and IT sector. www.uvca.eu

1.13. AMONG OTHER INDUSTRY NETWORKS AND INITIATIVES



Launched in 2011, Startup Network (formerly known as Startup UA) is a platform that connects entrepreneurs with private investors offering financial investment in high-margin startups. The platform's mission is to develop the investment ecosystem in Ukraine and neighboring countries by matching high-potential projects with interested investors. Beyond its native Ukrainian market, the platform is also covering Belarus, Kazakhstan, Poland and Russia, and aims to attract investors from all over the world. www.startup.ua



Creative Quarter, a project under completion in Lviv (Western Ukraine), aims consolidate location and services for work, creativity, learning, leisure, entertainment. The planned 15,000 sq. m. facility will allow entrepreneurs, IT professionals, journalists, advertisers, arts and social figures — both from Ukraine and abroad — to meet and co-operate under one roof. The initiative is supported by Softserve, Intel, Cisco, Ericsson, HP, Microsoft, Schneider Electric, the Lviv government and others. www.creativequarter.net



This map aims to reflect the Ukrainian ecosystem of startups, business incubators, IT-companies, venture capital funds, R&D centers, co-working spaces and many other companies. Mappedin Ukraine also serves as a tool to link potential investors, outsourcing contractors, partners with Ukrainian companies or simply tourists to the free Wi-Fi spots while they wander around a new city. www.mappedinua.com



Launched in 2014 with the support of a consortium of Ukrainian investors and IT service companies, Ukraine Digital News (UADN.NET) is the first English language information platform dedicated to the Ukrainian digital and IT industries. As a free resource, it provides news, market data, business analysis and updates. UADN also conducts or participates in research activities that provide local and international audiences with in-depth analysis and quality data on these industries. www.uadn.net

1.14. NGOs



The Brain Basket Foundation is a non-profit launched in 2014 as a contribution to make the IT industry the driving force of Ukraine's economy. The foundation aims to train 100,000 IT specialists by 2020. It is supported by figures of the business, educational and political scenes – including Sir Richard Branson and Kyiv mayor Vitaly Klitschko – as well as by such players as Ciklum, Cisco and Microsoft. www.brainbasket.org



Reanimation Package of Reforms (RPR) is a community of experts, activists and journalists whose goal is to promote and speed up urgently needed government reforms inspired by the Maidan ideals. RPR has enabled the passage of several laws concerning public procurement, lustration of judges, public broadcasting, standardization and other issues. One of the key goals of PRP is to make 3G and 4G networks fully available in Ukraine. www.platforma-reform.org



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**Donating
computers**



**Providing
facilities**

brainbasket.org/tn

1.15. AMONG OTHER INDUSTRY PLAYERS

MAJOR CO-WORKING SPACES & INCUBATORS


Chasopys
coworking.chasopys.ua


Hub 4.0
4hub.com.ua


Impact Hub Odessa
impacthub.odessa.ua


polyteco
polyteco.com


iHUB
ihub.com.ua


Ziferblat
Kyiv.ziferblat.net


Art ZavodPlatform
www.artzavodplatforma.com.ua


Launchpad
Launchpad.com.ua


StartupUkraine
startupUkraine.com


Carrot
carrot.hk


1991
Open Data Incubator
1991
1991.vc

REGIONAL IT CLUSTERS


it_dnipro
Dnipro Tech Cluster
It-dnipro.org


Kharkiv IT Cluster
It-kharkiv.net


LITAC
Lutsk IT Cluster
litac.org


CHERKASY IT CLUSTER
Cherkasy IT Cluster
It-cluster.ck.ua


Lviv IT Cluster
It-cluster.lviv.ua


Bukovyna-Chernivtsi IT Cluster
cbit.org.ua


Kyiv IT Cluster
Itcluster.kiev.ua


Odessa IT Cluster
It-cluster.od.ua

AMONG ENTREPRENEURSHIP PROGRAMS


GrowthUp
BUSINESS ACCELERATOR
growthup.com


HPLife Global Program
ent.bionic-university.com/uk/hp

1.16. TOP FIGURES OF THE UKRAINIAN VENTURE AND STARTUP SCENE

In April 2016, the six most influential figures of the Ukrainian venture and startup scene in 2015 were named at iForum, a major industry event held in Kyiv. This ranking was made by a board of 30 experts.

While Yevgen Sysoyev, Andrey Kolodyuk, Nataliia Berezovska, Victor Shaburov and Illia Kenigshtein had already been featured in such rankings in the past, this year's number one, Oleksii Vitchenko, is appearing there for the first time.



Number 1:
Oleksii Vitchenko

Oleksii Vitchenko is the founder of Digital Future, one of the most active venture funds in Kyiv (Kiev). The fund has been involved in four deals since the beginning of the year. Its latest investment, just weeks ago, went to Softcube, a local product recommendation startup with global ambitions.

In December 2015, Digital Future celebrated its first exit, when Jeapie was acquired by Canadian mobile e-commerce solution provider Mobify.



Number 2:
Yevgen Sysoyev

Yevgen Sysoyev remains one of the most reputable experts of the Ukrainian startup scene. A year ago, he topped a similar ranking.

Sysoyev is managing partner at AVentures Capital, a major, internationally oriented Ukrainian fund. Among its portfolio companies are such renowned startups as Petcube, which raised \$1.1 million in seed funding last month, and Augmented Pixels.



Number 3:
Andrey Kolodyuk

Industry veteran Andrey Kolodyuk founded AVentures Capital more than a decade ago. He is also the founder of Divan.TV, a Ukrainian OTT service which went global last month. Kolodyuk is chairman of the supervisory board of the Ukrainian Venture Capital Association, which he co-founded in 2014.



Number 4:
Nataliia Berezovska
and Victor Shaburov

Nataliia Berezovska is CEO at Detonate Ventures, a Ukrainian venture fund, as well as the head of UAngel, a Ukrainian business angels association.

Victor Shaburov is best known as the founder of Lookser, an Odessa-based startup which was acquired by Snapchat for a reported \$150 million in September 2015. The acquisition was one of the biggest ones in the Ukrainian tech industry's history.



Number 5:
Ilia Kenigshtein

Over the past two years Internet entrepreneur and investor Ilia Kenigshtein has launched several initiatives to develop the Ukrainian startup ecosystem. He has headed lobbying efforts to develop 3G Internet in Ukraine and to have PayPal make its services fully available in Ukraine – so far unsuccessfully. Kenigshtein is also behind Mappedinua, an interactive tool that helps visualize the country's innovation ecosystem. More recently, he launched 'Creative Quarter,' a co-working and creative space project under completion in Lviv (Lvov) in western Ukraine.

Source: AIN.UA

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THE DEAL BOOK
OF UKRAINE

PART 2

**THE INVESTOR
POINT OF VIEW**



Andrey Kolodyuk of AVentures: A few facts and numbers that foreign investors should know about Ukraine

Andrey Kolodyuk is an entrepreneur and venture capital investor born in Ukraine. At the age of 21, he moved to the USA to study 'how to build business' before founding his first startup at the age of 23. Since he came back to Ukraine in 1995, he has founded and invested more than 10 companies in IT, media, Internet, Telecom, etc. Kolodyuk has also participated actively in the building of the Ukrainian entrepreneurial community since the 1990s.

Last year [in June 2015] I welcomed a delegation of European investors and tech entrepreneurs for an informal 3-day WEF/YGL/GS Ukraine Discovery Tour in Kyiv. I had met them at the World Economic Forum in Davos in January, and invited them to Ukraine despite skeptical views on the “country in war.” These views weren’t surprising because the Russian propaganda has considerably amplified the perception of this war with the purpose of scaring off all business people and investors.

“So how is it in Ukraine? What’s going on with businesses? What was it like before the war?” – these were the first questions I was attacked with. So I spoke frankly and factually.

In 2014 alone, despite the revolution and the political turbulence which followed it, the annexation of Crimea and a war in two Eastern regions of the country, the Ukrainian IT and startup community saw the completion of nearly 90 venture deals.

The delegates couldn’t believe it first. “What deals are you talking about? Who were these investors? Were they nuts? Ukraine is at war!”

They wanted figures and names. I told them Torben Majgaard, the founder of Ciklum, Digital Future, SMRK, Almaz Capital, Fison, the Sikorsky Challenge innovation park and other investors who made the list of 10 new investors that entered Ukrainian market in 2014.

There is a kind of analogy with Israel, whose difficult geopolitical environment and ongoing war threat doesn’t prevent the startup ecosystem to develop.

Another point of analogy with Israel is the fact that Ukraine has a limited internal software market. This is why over 90% of its software product companies target the global market.

Ukraine has over 2,000 startups, about 100 global R&D centers, more than 500 outsourcing firms and 100 e-commerce companies. All of them brings the industry’s volume to more than \$5 billion as of late 2014. The figure could be higher if it wasn’t for the economic downturn.

Creating an enterprise software startup with a team of 20 people working during at least 2 years requires at least \$10 million in the US. In Ukraine, the same team for the same time span will cost 10 times less. Just think about it. It is possible to raise \$1 million in the US, develop the product here and then return with the developed product to sell it in the US.

Last week I had two guys from Europe asking for my help in finding CTOs. One of the delegates was also interested in finding a co-founder with a background in tech. Despite the stereotypes, Ukraine is actually the place to find a co-founder, not just a beautiful bride. There are successful cases of such cooperation and one of the examples is Paymentwall, a payment platform for games, virtual goods, and web services available in 200 countries with \$2 billion in revenues. It started out from a cooperation of American Honor Gunday and Ukrainian Vladimir Kovalyov. Now it has IPO prospects within 3-5 years.

Another trend I bump into quite often is corporate sector employees leaving their high-paying jobs to create tech startups. They choose technology because it promises a faster return on investment, fewer entry barriers and fewer roll-out costs.

The nature of Ukrainians is that they are hard-working people. When they see opportunities, they are not afraid to spend the capital they have to develop own business.

Based on such tendencies, I predict that Ukraine will have around 5,000 startups in a few years.

Positive moves from the government side

And I'm not the only one who sees such prospects. When Sir Richard Branson visited Kyiv in April for the Forum One conference, he expressed his strong belief in the Ukrainian tech industry, and said that his investment team will be visiting Ukraine now every month.

Such trends make a firm soil for investors and a chance for Ukraine to become a "startup nation." The young generation of Ukrainian entrepreneurs gets inspiration from Jan Koum, the founder of WhatsApp, and Max Levchin, the co-founder of PayPal and Yelp. They both have Ukrainian origins.

There are more than 50 Ukrainian companies with valuation of \$20-100 million that operate globally. All of them came out of the blue. They bootstrapped and worked hard. This is all about the Ukrainian spirit and entrepreneur culture.

Since the Ukrainian revolution, positive moves have been seen from the government side. Some serious steps have been undertaken to improve the business climate and implement long-term development strategies.

Meanwhile, the industry has seen the emergence of a series of useful initiatives, as exemplified by Ukrainian Venture Capital and Private Equity Association (UVCA) which was founded in 2014.

This is an adapted and updated version of a story which first appeared in The Kyiv Post.

1. <http://www.uadn.net/?p=31143>



Viktoriya Tigipko of TA Ventures: “The quality of Ukrainian startups has been improving”

Despite its political woes, Ukraine is a country of technology talent with a plethora of startups going through local and global acceleration programs and receiving support from investors. One of Ukraine's largest institutional venture funds, TA Ventures, has been around for some six years, and is active on both local and international markets.

“We focus on startups with global potential in such sectors as fintech, digital health, big data, cloud computing, and online marketplaces,” said the fund's founding partner Viktoriya Tigipko.

“Despite the fact that there are still very few local startups that meet our investment criteria in the above sectors, I am happy to note that the quality of startups that we've been looking at has been improving, and this makes me optimistic that our local deal flow will be on the increase in the coming years.”

“Currently, we have 10 projects in our portfolio that are, more or less, connected with Ukraine. Some of them have Ukrainian founders or developers based in Ukraine, and the strategy is to increase the number of companies somehow connected to Ukraine. At the moment, we are in final negotiations with two very promising Ukrainian startups that have good potential to become successful players both locally and internationally. Moreover, we have more than 15 projects from Ukraine in our pipeline.”

“Impromptu occasion”

Recalling how TA Ventures started off, Tigipko says she has always been sincerely interested in innovations and technology, but never had an opportunity to chip in, in a meaningful way. It changed in 2010, when an acquaintance of hers decided to move his business from India to Ukraine after having had a successful experience of working with Ukrainian developers.

“I had a wide network of personal contacts, so I helped him to find reliable partners,” she said. “This was the start of our cooperation, which eventually led to launching the fund, initiating the IDCEE conference, as well as building five in-house companies from scratch (one of them now has a 6-digit EBITDA).”

Since then, TA Ventures' portfolio has grown to more than 90 companies from 12 countries, while it achieved 18 exits. Its average performance metrics for venture capital funds, according to Preqin, are 1.24X cash-on-cash multiple and 16% internal rate of return (IRR), Tigipko said.

Investing in the community and Ukraine's image in the venture capital industry, Tigipko took over organisation of the IDCEE conference and made it one of the biggest tech startup events in Central and Eastern Europe. Over the years, it constantly attracted more than 2,000 attendees from 45 countries, but was put on hold temporarily in 2015.

This, however, doesn't mean Tigipko has given up on the local entrepreneurial community.

PART 2 | THE INVESTOR POINT OF VIEW

“In order to make our contribution to the development of the local startup and VC ecosystem, we have been providing advice and assistance to all startups that reach out to us, by holding weekly office hours and by launching our investment club (iClub), members of which are provided with an opportunity to co-invest with our fund,” she said. “

We hope that this will be conducive to increasing the number of attractive tech ventures in Ukraine. Moreover, all our portfolio companies get access to our network of contacts – over 500 co-investment partners, and we help them with raising next financing rounds.”

Still on the radars

Although one of the reasons for Tigipko and her team to cancel IDCEE 2015 was the meltdown of the investment climate in Ukraine, due to the political and economic turmoil, she believes that the country won't disappear from the tech innovation map.

“I think the growth will resume after the resolution of the military conflict in the east of Ukraine, which will reduce the risks of investing in Ukrainian companies,” Tigipko said. “Foreign VCs are especially sensitive to such risks. However, Ukraine remains on their radar, and they continue monitoring the situation in the country.”

“We are also supporting the closed investor platform iClub. It is an initiative for private investors to invest in Ukrainian, and global, promising tech startups. Also the members of iClub support different charity projects. During last year we have closed 3 deals with the participation of UAngel club, so the prospects of the angel investors are positive in Ukraine.”

Even more than that, Tigipko reckons that the innovative industries have the potential to become the key for Ukraine's future. “I have no doubt that high tech will be the strongest driver of Ukraine's economic and social modernization in the age of knowledge economy,” she continued.

80 coding clubs for kids

“Examples of other countries vividly demonstrate that without innovation, social and economic modernisation is impossible. Therefore, Ukraine should capitalise on its abundance of high tech resources to achieve its social and economic prosperity. Moreover, if you take a look at the MGI digitalisation index, agriculture is the least digitalised sector of economy, which is one of the GDP generating sectors in Ukraine. And so, I definitely expect the economic growth from further tech developments having more than 100,000 tech specialists in Ukraine.”

In order to help grow the digitalization trend over the country, together with partners from the IT industry, TA Ventures has already opened more than 80 coding clubs for kids within a global volunteer project Code Club.

“We continue opening 3-4 clubs per week,” Tigipko said. “Also we are starting the pilot project of Apps4Good initiative in Ukraine: volunteers will teach coding and the fundamentals of the digital world, while also developing skills in problem solving, creativity, communication and teamwork.” Commenting on pros and cons of building a venture business in Ukraine, Tigipko emphasized that despite all the issues one can face, it is still a viable place for a home base.

“We are based in Ukraine not because of the business and legal environment, which regrettably is not quite conducive to VC business, but because we want to prove that it is possible to successfully operate internationally. Leveraging our global network of co-investment partners, and at the same time invest in local startups with global ambitions, leveraging Ukraine's vast pool of technical talent. So, being based in Ukraine provides us with an opportunity to tap into this pool of technical talent, and use it as one of our major value-add for our portfolio companies.”



Dmytro Tomchuk of FISON: “We invest in tech startups because we want to change our country”

A legacy is something that can be a blessing or a curse, depending on where it comes from, and how one uses it in one's life. For Ukraine as a country, the legacy of the former Soviet Union has long been a burden in many respects, culturally, industrially and economically.

Today's tech players often task themselves with the responsibility of changing things, freeing their country from this sort of legacy. Among these people is Dmytro Tomchuk, an entrepreneur and investor who's been leveraging his own legacy as a founder of several non-IT businesses to help build an entrepreneurial ecosystem in Ukraine.

Tomchuk, 38, is the founder of FISON, one of Ukraine's most unusual venture funds, part of the capital of which has been crowdfunded. Based in the city of Dnipro, he'd had about 15 years of experience in “traditional” business before turning to the high-tech industry.

The Zen of business

Having degrees in sociology and law, Tomchuk has never really worked as a sociologist or a lawyer.

"I started as an entrepreneur in my final years at university by founding a few small companies," he said. "Those were mostly firms that sold equipment and components for heavy industry, produced in the Dnipro region. At that time, I figured out a lot about doing business in general and had an opportunity to learn from successful businesspeople."

Even more than ten years after the Soviet Union's fall, the business atmosphere in Ukraine in the early 2000s was still influenced by this damaging legacy. Unforgiving and difficult to navigate, the market of that time, however, gave Tomchuk and other entrepreneurs the willpower necessary to make it to the other side.

"I had gone through successes and failures, lost businesses — that's something thousands of entrepreneurs went through," Tomchuk said. "Unlike many of them, however, I started from scratch after each defeat, even when people around me called it folly. »

The main lesson Tomchuk learned from that time was that it was, in principle, possible to make business work in Ukraine, he recalls. The experience taught the entrepreneur to be patient, to treat people around him with respect, and to think strategically.

"In the West, many think of business as Tao, meaning “the way” or “the path”, but I'd say rather that it more closely resembles Zen — a state of mind."

Never fixing upon one particular business or industry, at a certain point Tomchuk realised it was time to switch his focus to the high-tech scene. Amidst the turbulence that the Ukrainian economy has been going through over the course of the past few years, the IT industry proved to be stable and even growing.

A premature crowdfunding attempt

"I came to the tech scene from the financial industry and had some experience in investing," said Tomchuk.

In 2013, he launched FISON together with his partner, Dmytro Vishnyov. Although most of the money managed by the fund came from limited partners, part of it was crowdfunded, for the first time in the history of Ukraine's VC industry.

Not everything worked out as planned, however.

"We wanted to test whether equity crowdfunding could work in Ukraine, but realised that the society around us needed about 15 more years to accept this way of investing," Tomchuk said. "We need to have more trusted financial institutions, as well as being able to educate the prospective investors. Anyway, I believe that equity crowdfunding is the future, and we'll come back to this idea sooner or later."

One way or another, FISON took off successfully, and currently has a portfolio of more than 70 startups, both in Ukraine and abroad. Among the markets of particular interest for the fund are Southeast Asia and Middle East. Tomchuk doesn't boast much about FISON-backed startups "before they make a successful IPO," though he did mention that some of them have already closed Series A and Series B funding rounds.

FISON is also very deeply involved in the startups it has funded — probably more so than any other VC fund in Ukraine, Tomchuk asserted.

"The more I personally like what a team is doing, the more involved I am with the startup," he said.



Dmytro Tomchuk (right) attends an industry event in Turkey with Elena Ryabova, FISON's PR Director, and Anton Vokrug, founder of portfolio companies DataProm and DataScoring (Photo credit: FISON)

"I work together with the founders, sit in on weekly meetings, and even control the making of certain decisions. Time will tell, for sure, but I think this is the right approach — I complement the teams in aspects where they lack experience and expertise."

Fight for change

Having some experience in the financial industry, Tomchuk has high hopes as to the prospects of Ukraine-founded fintech startups.

"We already have a great example, Privatbank, the website of which made it to the 10 most popular in the world," Tomchuk said. "And I strongly believe there are professionals on the market who can replicate its success and go beyond it. For example, we have a startup in our portfolio that is building an online-only bank."

The investor also emphasises that the high-tech can and should become one of the drivers of the Ukrainian economy. With the unparalleled engineering talent and access to mentors and capital, the country might soon secure its place among the top five technology ecosystems in the world, he said.

"Our investment activities are first of all the product of our will to push for active change in our country," Tomchuk added. "We want to fight the remains of the communist legacy in all spheres of life. We could have easily left the country, as many others did in 2014 and 2015, but we decided to stay and try to improve our home."

In addition to the venture fund, Tomchuk is involved in a program, the goal of which is to introduce all kinds of smart city improvements all over Ukraine.

"Our civic stance determines our business activities," he said. "For us, this is an opportunity to make our city smarter—for the sake of our children and their future."

As for the future of the fund and its companies, Tomchuk is quite optimistic. A flexible development plan for FISON is written for 50 years ahead, and each year is expected to bring more exciting teams and projects onto its radar.



Oleksii Vitchenko of Digital Future: “Creating a genuine tech nation in Ukraine will require a huge effort”

Launched in 2014,¹ Oleksii Vitchenko's fund, Digital Future, has asserted itself as one of the most active venture funds in Ukraine. In December 2015, the fund celebrated its first exit, when Jeapie was acquired by a Canadian company.² This past spring, Vitchenko himself was ranked the most influential industry figure by a pool of experts.³ In this interview, the investor offers details about his fund's strategy, and shares his hopes of seeing venture-backed startups becoming a driver of the Ukrainian economy.

– Do you think that a small market like Ukraine has its chances of attracting attention on the global startup map?

Despite the fragile economic situation in many parts of the globe, the venture capital sector is continuously growing and we can see a geographic shift towards the emerging markets. Although we expect the United States to remain at the leading edge of innovation for many years to come, entrepreneurial talent is emerging in many other markets. This obviously includes Ukraine, as witnessed by recent spectacular international acquisitions.⁴

I expect the Ukrainian startup community to be bold enough to explore uncharted territories and create a strong entrepreneurial ecosystem. Backed with venture capital, this ecosystem has the potential to become one of the most important drivers of the Ukrainian economy.

– Will this be enough for Ukraine to become a genuine “tech nation?”

I think Ukrainian entrepreneurs are very talented and our startups are making notable waves across Europe and the US. However, – even though it is very comforting for all of us to think that Ukraine can be the next Silicon Valley, – it is not likely to happen by having great ideas only. A huge effort will be required to create a full-fledged ecosystem with opportunities for startups to develop.

In Silicon Valley the whole culture is created around innovation and how quickly companies can grow. What I observe in our market is that many Ukrainian startups lack the basic knowledge on how to scale their project, acquire customers – or simply how to build the business. They also face such challenges as limited access to relevant knowledge, lacking experience and poor understanding of the global market.

What's more, although big corporations are notably changing their attitude to innovation, some industries have remained conservative so far. For example, agritech startups – from which our fund receives many applications – are facing reluctance and slow response from many players in the Ukrainian farming industry.

At the same time, this country offers many opportunities. There are plenty of talents, and the cost of developing a project in Ukraine is several times lower than in most developed countries.

1. <http://www.uadn.net/?p=31224>

2. <http://www.uadn.net/?p=32999>

3. <http://www.uadn.net/?p=33678>

4. Mr. Vitchenko is hinting, in particular, at the acquisition of Lookserly by Snapchat in 2015. <http://www.uadn.net/?p=32662>

This means that a real boom of the Ukrainian startups ecosystem is possible, provided that we build a strong entrepreneurial ecosystem where talents receive support and entrepreneurs can easily access the knowledge required to build their companies quickly.

– What is your fund's approach to startup investment?

The strategy of Digital Future is driven by my own core beliefs about doing the business drive. Things are moving forward only if you are truly dedicated and believe in the things you do. My “aha moment” was when I realized how the things are related in business. Our strategy is to offer smart money, which means that besides financing, we share our networking, technical and marketing capabilities with our portfolio companies to facilitate scaling and penetration into global markets.

To design your strategy that takes into account all market conditions, you should not be afraid of taking risks and of [moving quickly from “thinking” to “doing”]. We encourage entrepreneurs to try and test new approaches – and even fail in order to learn what works the best for their company. At Digital Future, we are all brave enough to take risks and responsibility for that.

Taking into account the risks [which are inherent to venture investment], venture companies often have a list of investment criteria. At Digital Future, we invest only in the areas we are confident in, corresponding to our fields of expertise. We make sure that the project has a clear business model, a global focus, and a functioning prototype. The startup's actual results do matter: we rarely invest in a project that does not generate sales. This is why I always advise entrepreneurs not to approach investors until they achieve results, proving that their idea is working. In Ukraine, the reality is that no one wants to invest in just a marvellous “idea.”

– Please tell us a bit more about your recent deals.

Digital Future has been very active making nine seed and growth investments in 2016. We took part in a \$1 million funding round in tutoring platform Preply.⁵ We took part in a \$13.1 million funding round in YouAppi, which offers a mobile media buying platform.⁶ We also injected \$1.7 million in Attendify. This startup -- our major investment since 2014 -- has asserted itself as a major SaaS platform for conference and event organizers. Funding will be used to further expand the company's sales and marketing teams while doubling down on product development.

Another promising startup, Softcube, received \$200,000 from us.⁷ This startup has developed an e-commerce solution that gathers customer data across multiple communication channels to improve shopping experience.

I had been observing SoftCube for a long time and almost came up with the decision to invest in it in 2015. But back then I considered the risk to be too high and put the deal on hold. However, the level of SoftCube's team involvement and their development progress made me change my mind and I finally invested in the team. Oleg Lesov, the founder of SoftCube, is dedicated to develop the emerging e-commerce ecosystems, which I like a lot. I am very much looking forward to SoftCube's further growth, and I have no doubt that their technology will contribute to the emergence of the next generation e-commerce industry.

Another interesting deal is Lifetracker.⁸ I have to say that with this project we made an exception to our rule of not investing in projects that do not yet have traction. Lifetracker is an exceptional project. Its technology is unique and truly disruptive for the global market.

5. <http://www.uadn.net/?p=33882>

6. <http://www.uadn.net/?p=33354>

7. <http://www.uadn.net/?p=33656>

8. <http://www.uadn.net/?p=33208>



Though few in number, Ukrainian business angels play a key role in the venture ecosystem

By Nataliia Berezovska and Regina Makhotina

Business angel practice — a term that covers a variety of individual situations and approaches — has grown slowly but noticeably over the past few years in Ukraine. Not only did the political tumult not stop this development, 2014 even saw the creation of a dedicated association, Uangel,⁶ along with that of UVCA, which gathers venture capitalists. Natalia Berezovska and Regina Makhotina of Uangel share their vision of this emerging practice, its challenges and prospects.

*

When the number of VC funds — especially those investing in startups at pre-revenue stages — is not growing and bank loans are not accessible, Ukrainian startup entrepreneurs have only two options: use their own resources or find an angel.

There has been a near-total dearth of relevant statistics about the angel market in Ukraine until recently. It was a fragmented field, with no data collection point. Having emerged only in 2014, the first business angels network, Uangel, still stands alone: it is the nation's sole classic business angels club, uniting private investors for sourcing, screening and funding promising young companies.

This initiative has also resulted in finally making available key information about the Ukrainian business angels' profile and activity.

One certainty is that Ukrainian angels are much younger than their European peers. While the 45-54 and 55-64 age groups tend to dominate in almost all European countries, most Ukrainian angels fall within the 35-44-age segment. But there are almost no other differences. In Ukraine as elsewhere, women are in the minority. Angels usually invest up to \$100,000 in a single company, as elsewhere; and the average individual investment is in line with European practice — some \$25,000.

While we still lack the data for a good estimate on the number of angels, an approximation can be made. The Uangel membership base has almost doubled over the last year, exceeding 30 members as of spring 2016.

Assuming that this visible part represents only 5% of the total market, we can estimate that something over 500 people can be called business angels, having made more than one investment in an innovative company at the seed or pre-seed stage.

It is obvious that the core of active investors who have made more than 3-5 investments does not exceed 100. These are microscopically small numbers compared with western European societies, where angel clubs average 300 members and support multiple venues in each country.

6. <http://www.uadn.net/2014/06/25/ukrainian-business-angels-gather-in-an-association>

PART 2 | THE INVESTOR POINT OF VIEW

During its second year of operation, however, Uangel has significantly increased its activity. By the end of 2015 members had received 200 applications for investment from companies in such spheres as e-commerce, SaaS, marketplace, discount services, online education, solutions for marketing (SaaS, location-based, iBeacon), e-payment, cloud solutions, events aggregator, Big Data & Analytics, cyber security, 3-D printing, smart home solutions, connected cars and many others.

Over 120 companies made up the long list for review by the members; this was followed by selection for the monthly closed pitching session called Coffee Diligence. More than 70 companies were invited to pitch their ideas, and separate follow-up meetings were organized with 17 of them.

As a result, members made 30 investments totaling more than \$2 million in 2015 – which represents only the visible tip of the iceberg of the angel investment market.

It is also worth mentioning that Ukrainian angels have finally begun syndicating their deals. We identified five such deals in 2015, with 3-6 angels participating in each.

These numbers are scanty, of course, in comparison with European indices. Seed investing is too small to stimulate active development of the startup market in Ukraine. But club activity also has an educational dimension, with newcomers getting a chance to learn from their more experienced peers – and make fewer mistakes as a result.

Uangel is also involved in direct educational work. Our course “The Basics of Angel Investment” is offered not only in Kyiv, but in several of the regions as well. It includes such events as Angel Investor Days and Coffee Mornings with successful investors.

Such events are usually open to a broader audience than club members, and the number of people looking into the topic testifies to a high and growing interest in angel investing from businessmen and professionals in various fields.

No government support, more independence

In contrast to their counterparts in other countries of Europe, Ukrainian business angels enjoy no governmental support. There are no subsidies for angel networks, no tax incentives for angels, no public-private co-investment funds. Angels act on their own. We are still a long way from establishing a certification or accreditation procedure; the lack of such investor verification tools means that angels, for the time being, are self-identified.

This fact gives local angels the space to be inventive and experiment in the search for their own ways to invest. As a result we are witnessing the emergence of informal investment vehicles through which two or three investors pool their sourcing and investment capacity.

In most cases investments are made in cash and are structured outside Ukraine, including offshore jurisdictions.

The Ukrainian venture market is making its own way, developing a venture ecosystem in a peculiar political and economic context. Obviously the venture capital market is not mature yet; it lacks players along the whole investment chain, which in turn restrains the development of angel investing as well.

One of the major concerns of angels supporting companies at the early stages is that their portfolio companies may run out of cash; only few of them in a position to attract the attention of either local funds – which can be counted on the fingers of one hand – or western funds.

This problem is caused partly by inadequate evaluation of the financial needs of startups when they attract angel money. Eager to receive at least something, many startup entrepreneurs end up heavily underfinanced and face the necessity of committing management resources to attracting a bridge round instead of further developing their business.

Ukrainian angels also cite other problems, such as the lack of entrepreneurial experience among startup founders and overstated company valuations. Compared with European and American companies at similar stages, Ukrainian founders may have great technical skills but little business experience.

This fact raises the risks for Ukrainian angels – which is why Ukrainian investors, as most of their European colleagues, tend to enter companies at later stages, when business hypotheses are proven and money is needed for growth, not product development or business model validation.

In conclusion, we can say that the Ukrainian angel market is neither stagnant nor thriving. A large segment of private capital remains far removed from technological business at the early stages. Even entrepreneurs with successful IT business experience often choose to invest in less risky fields such as real estate. And there are not enough success stories – exemplary big exits – to bring capital back to the venture industry and stimulate its development.

Briefly put, at its current stage the Ukrainian angel market can be described as one of growing interest. Every month Uangel receives requests from people looking into angel investing and welcomes new members. Usually these people do not have significant investing experience, but they often bring administrative and entrepreneurial experience in various spheres. Even if they are not ready to make investments right away, they come to learn, master venture vocabulary and meet people in the field. This is a good indication that the Ukrainian venture industry may prove capable of a real qualitative leap forward. True, it will not suddenly become easy for startups to attract capital. But the best companies will end up with solid investments and serve as good example for others.

Nataliia Berezovska is chairman of the board at Uangel, Ukraine's first business angel network, and CEO at Detonate Ventures. Regina Makhotina is executive director of Uangel.



Both sides by the bridge

20 years of entrepreneurship & 10 years of investing

- ◆ Run by serial entrepreneurs and experienced financial professionals, Aventures Capital has been investing in the TMT and technology space since the early 2000s.
- ◆ In 2012, Aventures Capital launched an early-stage venture capital fund.
- ◆ The fund invests in software, cloud technologies, consumer internet, e-commerce, mobile, payment, internet-of-things and other high-growth segments.



Software

B2B and B2C



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Online services



Ecommerce



Mobile

For more information, please visit our website
www.aventurescapital.com

THE DEAL BOOK
OF UKRAINE

PART 3

**STARTUP
OVERVIEW**

3.1. STARTUPS THAT RAISED FOLLOW-ON FUNDING FROM INTERNATIONAL FUNDS AND INCUBATORS

A whole new class of startups has emerged in Ukraine and is characterized by globally-oriented products and local R&D teams based in Ukraine. From day one, these startups aim at conquering international markets from outside Ukraine (usually, establishing a strong presence in the United States). Their management teams end up moving to the target, while their R&D development stays in Ukraine, where talent is abundant and operational costs are lower than in the developed countries.

Many of these startups have raised late-seed or Round A funding from leading investors in their target market, sometimes in a syndicate with a local investor. Below are selected examples of such startup companies.



Petcube

\$3.7m



AlmazCapital



sosVENTURES



Aventures



Combinator



depositphotos

\$5m



**TMT
Investments**



EBRD



**AUGMENTED
PIXELS**

\$1m



THE HIVE™



**StarWind
SOFTWARE**

\$3.3m



AlmazCapital



Aventures



**abrt
Venture Fund**



**rebo
WUNDERKIND**

\$200k



sosVENTURES

3.2. TOP COMPANIES WITH THE HIGHEST INTERNATIONAL REVENUE STREAMS

As the largest Ukrainian tech companies grow, we expect to see many more exits – with several of them expected to involve nine-digit numbers. Below is a list of the Ukrainian companies with the highest revenue streams internationally; among them are some prime candidates for exits to strategic buyers in the near future.



Attendify is an event app platform that has helped thousands of event planners boost engagement, gather data, surface insights and improve their events. The company has over a thousand clients, among which are such companies as Google, AstraZeneca, Cisco, Philips, AOL and Chrysler. The company has offices in the United States (San Francisco) and Kyiv.

www.attendify.com



Bpm'online, a product of Terrasoft, is a premium vendor of process-driven cloud-based software for marketing, sales and service automation. CRM Magazine, the industry's leading publication, named bpm'online the leader in the midmarket CRM and Sales Force Automation categories of the 2015 CRM Market Awards. Founded in 2002, the company now has over 500 experts in the CIS and the United States as well as 400 partners in 35 countries. www.bpmonline.com



Established in 2013 as the first cloud mining provider, CEX.IO is a multi-functional cryptocurrency exchange. The company has over half a million users. CEX.IO offers cross-platform trading via website, mobile app, WebSocket and REST API, providing access to high liquidity order book for top currency pairs on the market. CEX.IO is registered as a money services business (MSB) within FinCEN (USA). www.cex.io



Clickky is the developer of a mobile app marketing platform with in-house proprietary technology for user acquisition, traffic monetization and performance analysis. Clickky is headquartered in Odessa, with representation in Berlin and Moscow. The company has made the top five among marketing and advertising companies in the Inc. 5000 Europe 2016 ranking. It plans to expand into the United States, Southeast Asia and other emerging markets to launch its own mobile advertising sales agency, MobiLimes. www.clickky.biz



Depositphotos is a microstock company, among the top five globally and the fastest growing company in its niche. Founded by Dmitry Sergeev in November 2009, the company has offices in the United States, Europe and Ukraine that provide customers with support in 15 languages. It claims 10 million monthly visitors and three million members, and enjoys leading positions in such emerging areas as Central and Eastern Europe and Latin America. We expect Depositphotos to go public within the next 2-5 years. www.depositphotos.com



Founded in 2008, Genesis is a global Internet company that has developed a number of sizable and fast-growing internet projects in Russia, Ukraine, Kazakhstan, Azerbaijan and Nigeria. www.gentechpartners.com



Grammarly is a SaaS technology for spelling and grammar checking; it started with a team of 10 people and now employs 150. Grammarly improves communication among the world's two billion-plus English writers. The service checks more than 250 grammar, spelling and punctuation rules, and has 10 million unique users. Over half of them are native speakers from the United States, the United Kingdom, Australia, Canada and other countries. www.grammarly.com



Jooble is a vertical job search engine that gives access to millions of jobs worldwide through a single intuitive interface. The service operates in 59 countries, encompassing Europe, North America, Latin America and Asia. One of the world's largest job search engines, Jooble now boasts an audience in excess of one million job seekers per day. www.jooble.org



InvisibleSolutions, named a "Cool Vendor" by Gartner Inc., provides tools engineered to increase user adoption and ROI of enterprise applications by seamlessly integrating them into the way business people work every day. Founded in 2006, the company today has more than 1000 customers and more than a million paid users across the globe. www.invisiblecrm.com



Kodisoft develops interactive restaurant technology that converts a tabletop into a smart display, allowing customers to view and order menu items as well as pay for them seamlessly. The company has opened restaurants in Abu Dhabi, Dubai and Cypress, and plans to open more in Europe, North America and Asia. www.kodisoft.com



MacPaw, a Mac software company located in Kyiv, develops innovative software and information technology solutions for increasing the quality of Mac use. The company's CleanMyMac is one of the bestselling Mac-cleaning systems available and counts Facebook, the world's biggest social network, among its clients; the Zuckerberg company has purchased over 3,000 software licenses for its computers. www.macpaw.com



Paymentwall, which boasts a part-Ukrainian founding team and a major R&D center still in Ukraine, is a global payment service provider for digital content, virtual goods and web services. It features over a hundred payment options that allow companies to monetize their users around the world – especially in the field of games, e-commerce and other verticals. Headquartered in the United States (San Francisco), the company is another candidate to go public in the next 2-5 years. www.paymentwall.com



PDFfiller is a document management platform that allows users to edit, sign, store and share documents via any web browser or mobile device. The platform is used by more than two million users annually with 20,000 forms filled each day. The company has its headquarters in the United States (Boston) and an R&D office in Kyiv, Ukraine. www.pdffiller.com



Petcube is a leader in the connected pet market. Its products include Petcube Camera and Petcube Perfect. In 2016 the company announced it had sold over 20,000 gadgets and made over \$2.5m in the previous 15 months, with most of the sales in the United States. The startup is also a participant in the Y Combinator program and a winner of multiple national and international technology awards. It has its headquarters in the United States (San Francisco) and a development office in Ukraine. www.petcube.com



Readdle creates innovative business and productivity applications for iPhones and iPads. Founded in 2007 in Odessa, the company has had more than 30 million downloads. Millions of clients use such Readdle apps as Scanner Pro, Documents, PDF Expert, Calendars 5, and Printer Pro on a daily basis. www.readdle.com



StarWind Software is a leading provider of software-defined storage for Microsoft Hyper-V and Windows Server 2012. Founded by Ukrainian entrepreneurs, the company now has offices in the United States and Ukraine; today it has more than 30,000 customers worldwide, including SMBs, governmental and educational institutions, and Fortune 1000 companies. www.starwindsoftware.com



Tickets Travel Network was created in early 2015 via a merger of leading travel agencies in Eastern Europe. The company offers a range of online booking services including flights, hotels and insurance; it claims over 120,000 daily visitors and some 300,000 bookings per month. www.ticketstravelnetwork.com



Together Networks is a leading social and online dating business in Europe. With over 110 million users worldwide, it operates across four continents. The service coordinates with casual dating websites, most of which previously belonged to Cupid PLC, a public company founded by Bill Dobbie and Max Polyakov in 2005 and acquired by Grendall Investments in 2013. The company work force now includes hundreds of employees based in Dnepropetrovsk, Zaporizhzhya and Kyiv. www.togethernetworks.com



VertaMedia is the developer of a proprietary video ad-serving technology and provides a range of customized products to drive publisher revenue and achieve advertiser goals. The company employs over 60 professionals and has offices in the United States (New York) and Ukraine. www.verta.media



ZeoBIT specializes in computer security software and internet security. Founded by Slava Kolomiychuk in 2006, ZeoBIT is known worldwide today for the multifunctional bundled utility software called MacKeeper, which combines 16 individual applications for Macintosh computers. ZeoBIT has its management headquarters in the United States and partnership offices in Europe and Asia. www.zeobit.com

Reinventing the future of fintech

Today Big Data startups are revolutionizing the processes and prospects of financial industries.

DataScoring does just that.

Addressing the needs of credit organizations, DataScoring's sophisticated algorithms effectively score borrowers; retrieve additional statistical data to interact with existing borrowers; and optimize credit portfolio to minimize payment overdues and defaults.



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3.3. AWARD WINNING STARTUPS

3.3.1. AIN.UA TOP 10 UKRAINIAN STARTUPS (2015)

AIN.UA, a major Ukrainian tech blog, publishes each year a ranking of the country's startups.⁶ Here are the results for the latest ranking.



Number 1 – Looksery is a face-tracking and face modification technology for real-time video messaging acquired by Snapchat in 2015. www.looksery.com



Number 2 – Ecoisme is a B2B2C service that helps people monitor their energy consumption and utility providers reduce power peaks. www.ecois.me



Number 3 – Concepter is the maker of Iblazr, an award-winning flash for iPhones that is sold in the Apple Store. www.concepter.co



Number 4 – Jeapie is a cloud-based push-messaging infrastructure and delivery service acquired by Mobify in 2015. www.jeapie.com



Number 5 – Competera is a brand management and price comparison software for retailers. www.competera.com



Number 6 – Delfast provides delivery services on electro bicycles in Kyiv. www.ua.delfast.co



Number 7 – Kwambio is a platform for designers and users of 3-D printing. www.kwamb.io



Number 8 – Preply is a tutor marketplace for students of foreign languages. www.preply.com



Number 9 – Socprime provides proactive cyber security products. www.socprime.com



Number 10 – Ugears is a 3-D puzzle for children and adults. www.ugearsmodels.com

3.3.2. INTERNATIONAL AWARD-WINNING STARTUPS 2015-2016



PetCube is a home gadget that allows users to watch, talk and play with their pets using a smartphone. The startup won the People's Choice Award and a secret prize from Google at the SVOD-2015 Competition in Mountain View, California. The startup was also a participant in the prestigious Y Combinator program. www.petcube.com



Ecois.me, an energy saving startup, won the Best of Innovations award at the CES energy conference and was a finalist at the EDF Energy Awards contest in the connected home category. The startup was also selected to participate in the Richard Branson Virgin Media Accelerator program. www.ecoisme.com



Petiole, a precision agriculture startups whose app enables to quickly measure the area of the plant leaf, was named Top 20 Hottest Startups by CNBC. www.petiole.co **Petiole** is a precision agriculture startup whose app allows quick measurement of the area of the plant leaf. It was named to the Top 20 Hottest Startups group by CNBC. www.petiole.co



Wishround, a social commerce startup that enables group payments via social media, took third place at the SVOD Europe Competition. www.wishround.com



Ecozy, a smart heating thermostat that saves up to 30% of annual heating costs, won the German RedDot Design Award. www.ecozy.de



Preply, a marketplace for tutors and foreign language learners, made the Top 10 Startups list at the Pirate Summit in Cologne. www.preply.com



Tripmydream, a travel startup that finds the best travel deals for a set budget, was named the best startup of the year at the 2016 Seedstars Summit in Lausanne, Switzerland. www.tripmydream.co



Clickky, a startup operating globally from its headquarters in Odessa, has made the top five among marketing and advertising companies in the Inc. 5000 Europe 2016 ranking. Published by Inc. Magazine, this ranking aims to identify the private companies with the fastest-growing revenues over three years. Clickky's overall rank is 11 out of the 5,000 companies that made the Inc. 5000 Europe 2016 list. <https://clickky.biz>

3.4. TOP HARDWARE STARTUPS

With the rise of the Internet of Things sector globally, the Ukrainian market has seen an increasing number of such startups. Most of them are oriented towards the global market, where customer purchasing power is much higher than in Ukraine; most are designed in Ukraine and manufactured in China or Ukraine. The majority of these startups obtained early funding and customers via crowdfunding platforms.



Ajax Systems is a wireless security system controlled from a web or a mobile application. www.ajax.systems



Branto is a home intelligence system that affords users remote control of various electronics in their houses and also acts as a security device. www.mybranto.com



Concepter's initial product, iBlazr, is an LED flash for smartphones and tablets that is sold in the Apple Store. www.iblazr.com

CONCEPTER



Concepter's latest product, dubbed 'Soul,' is a time-tracking platform for lifestyle enhancement. www.concepter.co



Ecois.me is a home energy monitoring solution that tracks and improves energy consumption. The startup has gained an impressive international traction in a mere two years. www.ecois.me



eCozy.de is a smart heating solution with a touch sensor and remote control. www.ecozy.de

THE DEAL BOOK OF UKRAINE

PART 3 | STARTUP OVERVIEW



Finova provides complete automotive solutions for the connected cars industry. www.finova.io



Kodisoft is an interactive restaurant technology startup that produces smart table panels for the interactive customer experience. www.kodisoft.com



Lametric is the designer of a smart watch for home and office. www.lametric.com



Leantegra provides real-time location sensing and analytics. www.leantegra.com



MMone develops groundbreaking VR attractions, such as the world's first three-axis virtual reality simulator. www.mm-company.com



Noso serves as a smart diffuser of essential oils. It is an advanced Internet-connected device for home air freshening and aromatherapy. www.noso.io



Petcube is a leader in the connected pet market. It is an interactive pet camera that lets users see, talk to and play with their pets remotely from a smartphone. www.petcube.com



SENSTONE



An AI-powered jewelry piece to “wrap and share your thoughts, infinitely collect your dreams, and write your own history.” www.senstone.io

Full Stack Engineers for Startups



US Legal
Protection



Connect
Efficiently



Engineers within
Weeks



Communicate
Directly



Pay by US
Bank Check



Buy Out
a Nerd



Pay as
You Grow



No Hidden
Fees

With a passion for both binary and business, we Nerds can help your startup flourish. Our full stack engineers are bright and available. (They even sport some schnazzy plastic frames.) You can add one to your startup as a team extension within weeks. Plus, get US legal protection and simple payments by bank check.

Representatives in the Boston area make working with WebiNerds convenient for you and your team. Invite them to your office to unite Ukraine-based software engineers with in-house talent.



"...With startups, product development moves fast, and WebiNerds knows how to keep up. Highly recommend working with them!"

WebiNerds, Inc.
745 Atlantic Avenue
Floor 8
Boston, MA

WebiNerds.com
Sales@WebiNerds.com
508 506 1010



Mr. Bacon,
major Nerd

THE DEAL BOOK
OF UKRAINE



PART 4



DEAL
TABLES

4.1. METHODOLOGY

Here is how we approached deal selection, data grouping and analysis

4.1.1. DEALS INCLUDED

Geography: this report covers deals in the Ukrainian internet market. Companies included in this research either (i) have at least one founder who is Ukrainian; (ii) were founded in Ukraine; or (iii) maintain a significant part of their employee pool in Ukraine – for example, an R&D center.

Internet: the Deal Book includes those companies for whom Internet, cloud, and mobile form an important part of the business model.

Timeframe: the analysis in the Deal Book covers deals done in 2012-2013. However, we have also included deals known to us from 2010, 2011 and the first ten months of 2014 in a discrete deal table (see Part III). To establish the exact timing of a deal we have relied on information from the founders, official press releases and media coverage.

4.1.2. INVESTMENT & LIQUIDITY EVENTS

Deals involving **investments** and **liquidity events** are analyzed separately. Investment include: seed; Rounds A and B; growth and controlling stake purchases. Liquidity events include acquisitions, mergers, secondary deals and IPOs.

4.1.3. DEAL AMOUNT ESTIMATION

Although with time more companies and investors have released the data on their investment activities, more have also become reluctant to disclose the exact amount of a given deal. We have estimated undisclosed deal volume by taking the weighted average separately for each investment round for 2010-2015. All analysis of investment in this Deal Book represents our estimations. We do not provide similar calculation for liquidity events due to the small sample size and fragmented data.

Where an amount was disclosed but was not precise, we have used the following rules for estimations:

1. If the deal size was a range estimate, we used a median figure.
2. If the deal size was “over X,” we used a minimum figure.
3. Deal sizes of which we could not be sure are reported in italics.

4.1.4. DATA SELECTION AND CONFIDENTIALITY

In this report we have sought to use only the most reliable data available. Our key sources of information include:

1. Angel Investor and VC firms; our single most important source was the database created by AVentures Capital during their interviews with startups all over Ukraine.
2. Information from founders
3. Publicly available databases and media coverage

We are bound by confidentiality and nondisclosure agreements with certain companies. We also recognize that not all deals are known to us. Thus the actual numbers and total volume of deals are higher than reported in this Deal Book. However, we estimate that this report covers approximately 75% of all deals from 2012-1H 2014 and approximately 65% of the deals that took place in 2010 and 2011.

4.1.5. INVESTMENT ROUND DESCRIPTION

We have used a conventional methodology to define investment rounds. In many cases, however, investments are not defined as straightforwardly as they are under West classification, leaving us to exercise our best judgment in characterizing the deals. For clarification purposes we include the following table:

Funding stages	Source	Use of proceeds	Size, USD	Remark
Grant	Startup competitions, grant programs	Incorporation of a company, building a prototype, generating first sales	-	Non-equity funding
Seed	Angels, seed stage VC firms, accelerators, qualified investors	Developing product to first sales	Up to 1m	Equity funding
Round A	Primarily VC firms, other qualified investors and sometimes angels	Scaling operations	From 1m to 4m	Equity funding; most often the initial funds come from a qualified investor or a second round of financing exceeding \$1m
Round B and growth rounds	Primarily VC firms, other qualified investors, very rarely angels	Scaling operations, entry into a new market	From 5m to 10m	Following Round A
Undisclosed	VC firms, various investors from private investors	Same as seed, Round A, Round B	Undefined	Equity funding

4.1.6. LIQUIDITY EVENTS CLASSIFICATION

Type	Source of investment	Use of proceeds	Size, USD	Other
Secondary	Private equity fund or investor at later stages	Not an investment; company is not receiving proceeds; usually the investor buys a controlling stake	Undefined	In most cases the investor or the existing shareholders are exiting
Acquisition	Strategic players or companies	Purchasing shares from existing shareholders	Undefined	
IPO	Equity capital markets	Expanding business, providing exit for early investors	Undefined	Company placing its shares as a public offering

In some cases, a deal was both growth and secondary investment as it presented a cash out for existing investors or founders and at the same time provided capital for further growth. In such cases, we double counted the deal in Growth and Secondary categories.

Mergers are also reported under liquidity events. We have included them in the deal count but not in the deal volume analysis, since in most cases these deals do not involve the transfer of cash.

4.1.7. INVESTOR BREAKDOWN BY ORIGIN

- **Ukrainian investor** - investor/fund with majority of operation and team in Ukraine
- **Russian investor** - investor/fund with majority of operation and team in Russia
- **Foreign investor** - investor/fund with majority of operation and team outside Ukraine
- **Undisclosed investor** - Undisclosed or investor protected by confidentiality agreement

For **mixed** investments (e.g. Ukrainian fund co-invested with a US fund), we have qualified the investment according to the lead investor.

4.1.8. STARTUP CATEGORIES

- **Consumer internet**, including portals, IoT and online media;
- **E-commerce**, including physical goods and services, e.g. online bookings;
- **Software**, including cloud technologies and consumer but excluding mobile and IT-integration;
- **Online Services**, including online platforms, e.g. online dating;
- **Mobile** technology and applications;
- **Gaming**, including client, browser, mobile-based and social;
- **Enterprise**, including outsourcing;
- **Education**, online education;
- **Others** that do not belong to the categories above.

4.2. DEAL TABLES

4.2.1. DEALS WITH DISCLOSED AMOUNTS IN 2014-15

Company	Brief Description	Sector	Amount, USD millions	Deal type	Investors	Investor type	Capital origin	Date
Lookserly	Snapchat acquired Lookserly, face tracking and face modification technology for real-time video messaging	Mobile	150	Acquisition	Snapchat	M&A	Foreign	2015
Ciklum	The Ukrainian Redevelopment Fund is set to acquire the entire stake held by Horizon Capital, a leading Ukrainian private equity fund manager	Software	20-50	Growth & Secondary	Soros Fund	PE	Foreign	Nov-15
Rozetka.ua	The largest e-commerce shop in Ukraine	E-commerce	20-50	Growth & Secondary	Horizon Capital	PE	Ukraine	Jul-15
Semantria	Cloud based sentiment and text analytics services for small to medium sized businesses	Software	10	Acquisition	Lexalytics	M&A	Foreign	Jul-14
Depositphotos	A royalty-free photostock online service	Consumer Internet	5	Round A	TMT Investments, EBRD	VC	Foreign	Dec-15
Starwind Software	Leading provider of software-defined storage for Microsoft Hyper-V environment	Software	3.25	Round A	Almaz Capital, ABRT, A Ventures Capital	VC	Foreign	Apr-14
Topmall.ua	An online shopping store. StarLightMedia is the biggest broadcasting group in Ukraine. It is to provide TV advertising services in exchange for equity in Topmall	E-commerce	3.2	Media for equity	StarLightMedia	VC	Ukraine	Oct-14
Gillbus	Ticket booking system for buses in Ukraine, Russia and Thailand	Consumer Internet	3	Round A	InVenture Partners, Intel Capital, Finsight Ventures	VC	Foreign	Jun-14
Petcube	A home gadget which allows to watch and play with pets using smartphone	Consumer Internet	2.6	Seed	A ventures, Almaz, Y Combinator	VC	Foreign	Dec-15
Zakaz.ua	Online grocery	E-commerce	2.5	Round A	C-IG Digital	VC	Ukraine	Sep-14
Clickky	Platform for publishers to monetize mobile traffic	Online services	2	Round A	iTech Ventures	VC	Foreign	Apr-15

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Company	Brief Description	Sector	Amount, USD millions	Deal type	Investors	Investor type	Capital origin	Date
Podorozhniki	Brings together drivers and passengers for occasional or regular trips	Consumer Internet	2	Acquisition	BlaBlaCar	M&A	Foreign	Jan-14
UkrGerman Enterprise	Outsourcing services	Enterprise	2	Acquisition	SoftServe	M&A	Ukraine	2014
Keen Systems (keenprint.com)	Allows to build online print shops	Software	1.62	Round A	Altair Capital, IDG-Accel	VC	Foreign	Jan-14
TravelTipz	Ru-net biggest social travel site	Consumer Internet	1.5	Follow-on	Undisclosed investor	VC	Foreign	2014
Roamer (roamerapp.com)	Traveling app to avoid mobile roaming charges	Mobile	1.3	Seed	Richard Frank, angels	Angel	Foreign	2014
Tisk na Spletu (Flyer Center)	Service and app for online polygraphy	Online services	1.2	Seed	Undisclosed	Undisclosed	Undisclosed	Nov-15
Petcube	A home gadget which allows to watch and play with pets using smartphone	Consumer Internet	1.1	Seed	AVentures, Almaz Capital, SOS Ventures	VC	Foreign	Dec-14
Ajax Systems	Security systems and sensors for smart home	Other	1	Seed	SRMK	VC	Ukraine	Jun-15
Augmented Pixels	Augmented reality solutions for retail, real estate, marketing and media	Mobile	1	Seed	The Hive, Steltec Capital	VC	Foreign	Mar-15
Galactic Exchange	Big Data analysys	Other	1	Seed	Floodgate Capital, Signia Ventures	VC	Foreign	Aug-15
Gillbus	Ticket booking system for buses in Ukraine, Russia and Thailand	Consumer Internet	1	Round A	CIG	VC	Ukraine	2015
Leantegra	Real-time location sensing and analytics	Software	1	Seed	Angel	Angel	Foreign	2015

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Company	Brief Description	Sector	Amount, USD millions	Deal type	Investors	Investor type	Capital origin	Date
MoneyVeo	Unsecured short-term loans platform. 24/7. Online.	Other	1	Seed	Undisclosed	Undisclosed	Undisclosed	Aug-14
Spectator	Pilotless plane for intelligence services	Software	1	Seed	Academic V.S.Mikhailevich Fund, KALININ Invention Fund	VC	Ukraine	Oct-14
Rentberry	Long-term apartments rentals	E-commerce	0.85	Seed	Angell, Synergo Private Equity, IFC, Pegasus Capital, Abris Capital, Ericsson	VC	Foreign	Dec-15
Zakupki.online.ua	B2B procurement management platform in Ukraine	E-commerce	0.8	Acquisition	Prom.ua	M&A	Ukraine	Oct-14
Kwambio	Platform for designers and users of 3-D printing	Other	0.65	Seed	Techstars, angels, WannaBiz, Imperious	Accelerator	Foreign	Jun-15
Rallyware	Enterprise software to engage independent workforces	Enterprise	0.64	Seed	Undisclosed	VC	Foreign	2015
Coursmos	Open online education platform	Education	0.6	Seed	Altera Investment Fund, Imperious Group	VC	Russia	2015
AmazingHiring	Online tool for recruiters of IT professionals	Online services	0.5	Seed	SMRK	VC	Ukraine	2014
DataProm	Goods recommendation service for e-commerce	Software	0.5	Seed	Fison	VC	Ukraine	May-14
Kwambio	Platform for designers and users of 3-D printing	Other	0.5	Seed	Undisclosed	Undisclosed	Ukraine	Oct-14
MoneyVeo	Unsecured short-term loans platform. 24/7. Online.	Other	0.5	Debt financing	Undisclosed	Undisclosed	Undisclosed	Jun-15

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Company	Brief Description	Sector	Amount, USD millions	Deal type	Investors	Investor type	Capital origin	Date
QROK GmbH	Mobile app to navigate through shopping stores	Mobile	0.5	Seed	NA Baltic Investor	VC	Ukraine	Dec-14
GeoZilla	Family geolocation platform	Mobile	0.45	Seed	We Rocks, angel investor	VC	Foreign	Mar-15
Capitan (getcapitan.com)	Smart shopping list	Mobile	<0.5	Seed	Angel	Angel	Ukraine	2015
Prof. Estate (Homsters.com)	Online performance marketing real estate marketplace designed for emerging markets	Online services	<0.5	Seed	Forum Capital	VC	Foreign	May-15
TestNest	Helps app developers and marketers increase their App Store page conversions.	Mobile	<0.5	Seed	WeRocks	VC	Foreign	Apr-15
WinTaxi	Uber-like taxi service	Mobile	<0.5	Seed	Angels	Angel	Ukraine	Jul-14
SocPrime	SaaS and on-premise Cyber Security Operations Platform	Software	<0.2	Seed	Detonate Ventures, Zorea Ventures, GrowthUp, Digital Future, local angels	VC	Ukraine	Aug-15
AdCenter	Atomized advertising platform for social networks	Enterprise	0.4	Acquisition	VertaMedia	M&A	Foreign	Jul-14
Jetme	Global private jet booking	Online services	0.4	Seed	Imperious Group, Angels	VC	Russia	Nov-14
Smart Atoms (lametric.com)	Raised money for hardware device LaMetric	Other	0.4	Crowdfunding	Kickstarter	Crowdfunding	Foreign	Aug-14
Ugears	Toy project	Other	0.4	Crowdfunding	Kickstarter	Crowdfunding	Foreign	Nov-15

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Company	Brief Description	Sector	Amount, USD millions	Deal type	Investors	Investor type	Capital origin	Date
Top Enterprise Solutions (topes.com.ua)	Service for optimization of suppliers' performance	Software	0.35	Seed	Imperious Group	VC	Russia	Mar-14
ClickGanic	Online platform that allows webmaster to display tailored content to its visitors	Other	0.3	Seed	Clickky, angel investor	Angel	Ukraine	14-Aug
Cluise	Smart closet organizer	Mobile	0.3	Seed	Angel	Angel	Ukraine	2015
CRMtronic	CRM system with gamification	Online services	0.3	Seed	Angel investors	Angel	Undisclosed	2015
LendingStar (simzirok.com)	P2P crowd lending and investment platform for social networks	Other	0.3	Seed	Imperious Group	VC	Russia	Jan-14
Multitest	Finds best internet provider	Consumer Internet	0.3	Seed	Angel investors	Angel	Undisclosed	2014
Stylematic	Apparel and shopping recommendations	Consumer Internet	0.3	Seed	Undisclosed, Happy Farm	Angel	Undisclosed	Feb-14
Traqli (Newzmate)	Email marketing service	Software	0.3	Seed	Xevin Investments, Bas Godska	VC	Foreign	Mar-15
TriggMine	Triggered Email Marketing for E-commerce	E-commerce	0.3	Seed	Angel investor	Angel	Undisclosed	Sep-15
X-ray tubes project	Mass production of metal X-ray tubes using nanocomposite materials	Other	0.3	Seed	KALININ Invention Fund	VC	Ukraine	Oct-14
Piper	Minecraft Toolbox For Budding Inventors	Other	0.28	Crowdfunding	Kickstarter	Crowdfunding	Foreign	Apr-15

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Company	Brief Description	Sector	Amount, USD millions	Deal type	Investors	Investor type	Capital origin	Date
DelFast	Fast delivery services from e-commerce shops	E-commerce	0.25	Seed	Imperious Group	VC	Russia	Feb-15
Iblazr (by Conceptor)	Enhancing flash for iPhone, iPad, Android and Windows phone	Mobile	0.25	Crowdfunding	Kickstarter	Crowdfunding	Foreign	Jul-15
Multitest	Spot speedy Internet providers for a given location	Consumer Internet	0.25	Seed	Imperious Group	VC	Russia	Feb-15
Prodvigator (SerpStat)	SaaS platform for competition analysis	Software	0.25	Seed	Digital Future	VC	Ukraine	Dec-15
Robo (startrobo.com)	Robotics toys for kids	Mobile	0.25	Crowdfunding	Kickstarter	Crowdfunding	Foreign	Oct-15
Skidka.ua	Online shopping site	E-commerce	0.25	Seed	Undisclosed investor	Angel	Undisclosed	May-15
Softcube	Self-service ecommerce personalization	Software	0.25	Seed	Digital Future	VC	Ukraine	2015
LifeTracker.io	Artificial intelligence emotion tracker	Other	0.22	Seed	Digital Future	VC	Ukraine	2015
Pufetto	Online retailer of sofas and beds	E-commerce	0.22	Seed	TA Ventures, angels	VC	Ukraine	Dec-15
Coppertino (VOX)	"VOX" music player and storage	Mobile	0.2	Seed	BeValue	VC	Ukraine	Apr-15
EpsySoft	Outsourcing services	Enterprise	0.2	Seed	APEX VNT Limited	VC	Foreign	Jul-14
Kaznachey	E-payments for internet sites and mobile apps	Other	0.2	Seed	WannaBiz	Accelerator	Ukraine	Apr-14

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Company	Brief Description	Sector	Amount, USD millions	Deal type	Investors	Investor type	Capital origin	Date
MissinGames	Mobile game	Mobile	0.2	Seed	Digital Future	VC	Ukraine	Sep-15
Network Monitor	Social network monitoring	Software	0.2	Seed	V.S.Mikhailevich Fund, Noosphere Ventures	VC	Ukraine	Oct-14
Nravo	WAP phones and smartphone games	Mobile	0.2	Seed	Digital Future	VC	Ukraine	Mar-15
OHHIO	Maker of Blankets	E-commerce	0.2	Crowdfunding	Kickstarter	Crowdfunding	Foreign	Dec-15
Robo (startrobo.com)	Robotics toys for kids	Mobile	0.2	Seed	SOS Ventures, angels	VC	Foreign	Jul-14
Wishround	Social payments and gifts service	Online services	0.2	Seed	BeValue	VC	Ukraine	Feb-15
Lunecase (Noloinc.com)	Smart case for iPhone that glows	Mobile	0.16	Crowdfunding	Kickstarter	Crowdfunding	Foreign	2014
Advice Wallet (Settle) (advicewallet.com)	Mobile loyalty platform for local businesses	Mobile	0.15	Round A	Life Sreda	VC	Russia	Aug-14
CourseYard	Autoria, its product, is web-based platform for Authoring, Publishing and Distribution of interactive materials	Online services	0.15	Seed	Angel Investors, GrowthUp	Angel	Ukraine	2015
Efficient energy consumption project	Aggregator that provides comparative analysis on best uses of energy by consumers	Software	0.12	Seed	KALININ Invention Fund	VC	Ukraine	Oct-14
NBS	Inventory management for SMB sector	Enterprise	0.12	Seed	KALININ Invention Fund	VC	Ukraine	Oct-14
Preply (preply.com)	Online marketplace for Skype and local tutoring activities	Education	0.12	Seed	Techstars	Accelerator	Foreign	Jul-15

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Company	Brief Description	Sector	Amount, USD millions	Deal type	Investors	Investor type	Capital origin	Date
Branto	Smart home device	Other	0.11	Crowdfunding	Indiegogo	Crowdfunding	Foreign	Sep-15
Eastmart.ua	Online table reservation service	Online services	0.11	Seed	Angel investor	Angel	Undisclosed	Jan-15
Chargies (chargiesapp.com)	Free messenger	Mobile	0.1	Seed	Noosphere Ventures	VC	Ukraine	May-15
Datawiz	Machine learning and AI powered data analytic service	Software	0.1	Seed	Altair Capital	VC	Russia	Jan-14
Ecois.me	Energy consumption optimization platform	Software	0.1	Seed	Hubraum, T-Ventures	Accelerator	Foreign	Jul-14
Looks.fm	Online service for big photo contests	Online services	0.1	Seed	Synergy Vector General Trading LLC	VC	Foreign	2014
Q-page	Landing page contractor	E-commerce	0.1	Seed	Netpeak	Corporate VC	Ukraine	Nov-14
Shopyy	Mobile in-store geolocation app with discounts and sales campaigns	Mobile	0.1	Seed	Angel investor	Angel	Undisclosed	Jan-14
1NewTrack	Music recommendation service based on users' taste	Consumer Internet	0.08	Seed	Altair Capital	VC	Russia	Jan-14
myTips	Platform for creating and A/B testing onboarding tutorials	Software	0.08	Seed	500 startups	Accelerator	Foreign	Aug-14
SocPrime	SaaS and on-premise Cyber Security Operations Platform	Software	0.08	Seed	Gravia.vc + Edvinas Pranculis (EU angel)	Angel	Ukraine	Jan-15
Ecois.me	Energy consumption optimization platform	Software	0.067	Crowdfunding	Indiegogo	Crowdfunding	Foreign	Jun-15

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Company	Brief Description	Sector	Amount, USD millions	Deal type	Investors	Investor type	Capital origin	Date
AdTena	Advertising campaign manager in Wi-Fi networks	Enterprise	0.06	Seed	Wannabiz, Detonate Ventures, Zorea Ventures	VC	Ukraine	Apr-15
MyRobot.io	Automated secretary for mail	Other	0.06	Seed	Startup.ua, private investors	Angel	Undisclosed	Oct-14
Kaznachey	E-payments for internet sites and mobile apps	Other	0.05	Seed	Next.Step	Accelerator	Foreign	May-14
Looksery	Face tracking and face modification technology for real-time video messaging	Software	0.05	Crowdfunding	Kickstarter	Crowdfunding	Foreign	2014
Multitest	Finds best internet provider	Consumer Internet	0.05	Seed	Undisclosed	Angel	Undisclosed	2014
CallPage	Online call service connecting customers and merchants	Software	0.05	Seed	AIP Seed Capital	VC	Software	Jul-15
ARQuest	Quest games for cities	Consumer Internet	0.04	Seed	Imperious Group, Happy Farm	VC	Russia	Oct-14
Audaster	Voice messaging for Twitter	Mobile	0.04	Seed	Imperious Group, Happy Farm	VC	Russia	Oct-14
BethClip	Cloud productivity tool for file sharing on multiple devices	Software	0.04	Seed	Imperious Group, Happy Farm	VC	Russia	Oct-14
CityTransport	Route planning service for Kyiv transport	Online services	0.04	Seed	Happy Farm	Accelerator	Ukraine	Feb-14
Dental Cloud	SaaS for dentists	Software	0.04	Seed	Imperious Group, Happy Farm	VC	Russia	Oct-14
DressBoom	Internet Service for dress exchange	Online services	0.04	Seed	Happy Farm	Accelerator	Ukraine	Feb-14
Exclusivio	Social media stories exchange	Other	0.04	Seed	Imperious Group, Happy Farm	VC	Russia	Oct-14

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Company	Brief Description	Sector	Amount, USD millions	Deal type	Investors	Investor type	Capital origin	Date
Foodle (justfoodle.com)	Local restaurants menu guide	Mobile	0.04	Seed	Imperious Group, Happy Farm	VC	Russia	Oct-14
HappyTom	Food delivery service for pets	Online services	0.04	Seed	Imperious Group, Happy Farm	VC	Russia	Oct-14
Melophone	Platform for virtual PBX and related services	Online services	0.04	Seed	Happy Farm	VC	Ukraine	Feb-14
MittenPay	A mobile POS solution for beauty industry	Mobile	0.04	Seed	Imperious Group, Happy Farm	VC	Russia	Oct-14
OliWoll	Word of mouth marketing for social media	Online services	0.04	Seed	Happy Farm	Accelerator	Ukraine	Feb-14
Persollo	Service for payment form creation	Other	0.04	Seed	Muru-D	Accelerator	Foreign	Dec-15
Pet-Register	Cloud CRM for veterinarians	Software	0.04	Seed	Imperious Group, Happy Farm	VC	Russia	Oct-14
PolyITAN-2	Nonosatellite for scientific and education and technological use	Other	0.04	Seed	V.S.Mikhailevich Fund	VC	Ukraine	Oct-14
Poptop	Artist booking service for private events	Consumer Internet	0.04	Grant	British Government, Sirius program	Grant	Ukraine	Nov-14
PulsSoft	Software for advertising	Software	0.04	Seed	Imperious Group, Happy Farm	VC	Russia	Oct-14
SafeBand	IoT location sensor	Other	0.04	Crowdfunding	Indiegogo	Crowdfunding	Foreign	Sep-15
Sportamba	Social app for sports fans	Mobile	0.04	Seed	Imperious Group, Happy Farm	VC	Russia	Oct-14

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Company	Brief Description	Sector	Amount, USD millions	Deal type	Investors	Investor type	Capital origin	Date
Universal Delivery Service	Universal service for delivery of flowers, products, floors and other	Online services	0.04	Seed	Happy Farm	VC	Ukraine	Feb-14
eCozy	Self-learning touchscreen thermostats that reduces heating costs	Software	0.03	Crowdfunding	Indiegogo	Crowdfunding	Foreign	Dec-14
Force	Smart bracelet and a healthtracker	Other	0.03	Crowdfunding	Kickstarter	Crowdfunding	Foreign	Nov-15
Poptop	Artist booking service for private events	Consumer Internet	0.03	Seed	Torben Majgaard	Angel	Ukraine	Jan-15
SSSSSpeaker (enjoy-aiia.com)	Bluetooth speakers for iPhone	Other	0.03	Crowdfunding	Kickstarter	Crowdfunding	Foreign	Aug-14
All-News	Mobile app for news aggregation with 200,000 downloads	Mobile	0.02	Seed	Yaroslav Maxymovych	Angel	Ukraine	2014
Avision Robotics	Unmanned aerial logistics system and computer-vision technology	Other	0.02	Grant	Vernandsky Challenge	Grant	Ukraine	Apr-15
ClickGanic	Online platform that allows webmaster to display tailored content to its visitors	Other	0.02	Seed	WannaBiz	Accelerator	Ukraine	Mar-14
Kwambio	Platform for designers and users of 3-D printing	Other	0.02	Grant	IDCEE grant	Grant	Ukraine	Oct-14
Luciding	Lucid dreaming service	Other	0.02	Seed	Jack Levin	Angel	Foreign	Sep-15
Luciding	Lucid dreaming service	Other	0.02	Seed	WannaBiz	Accelerator	Ukraine	Oct-14
Petcube	A home gadget which allows to watch and play with pets using smartphone	Consumer Internet	0.02	Grant	Global Technology Foundation (GTF)	Grant	Ukraine	Oct-14

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Company	Brief Description	Sector	Amount, USD millions	Deal type	Investors	Investor type	Capital origin	Date
Danceter	Dance events platform	Consumer Internet	0.01	Seed	EastLabs	Accelerator	Ukraine	Feb-14
Ecois.me	Energy consumption optimization platform	Software	0.01	Grant	IDCEE grant	Grant	Ukraine	Oct-14
Latio	Loyalty app for shops	Mobile	0.01	Seed	EastLabs	Accelerator	Ukraine	Feb-14
Life.beats (lifebts.com)	A cloud-synced mobile application for medication adherence	Mobile	0.01	Seed	EastLabs	Accelerator	Ukraine	Feb-14
Likeastore	Social bookmarking for geeks	Consumer Internet	0.01	Seed	EastLabs	Accelerator	Ukraine	Feb-14
Looksery	Face tracking and face modification technology for real-time video messaging	Software	0.01	Grant	IDCEE grant	Grant	Ukraine	Oct-14
Persollo	Service for payment form creation	Other	0.01	Seed	Incubate	Accelerator	Foreign	Jul-15
Shopyy	Mobile in-store geolocation app with discounts and sales campaigns	Mobile	0.01	Seed	Undisclosed	Undisclosed	Undisclosed	2014
Sportamba	Social app for sports fans	Mobile	0.01	Seed	EastLabs	Accelerator	Ukraine	Feb-14
Verge (theverge.com)	Sale of hipster accessories set	E-commerce	0.01	Crowdfunding	Kickstarter	Crowdfunding	Foreign	Jun-14
Hintarea	Constructor of online tutorials for websites	Software	0.004	Seed	EastLabs	Accelerator	Ukraine	Feb-14
Intel CamTouch	Multimedia interactive presentation system	Software	0.004	Seed	Noosphere Ventures, Academic V.S.Mikhailevich Fund	VC	Ukraine	Oct-14
PayJoy (-)	A payment gateway for web and mobile app	Other	0.004	Seed	EastLabs	Accelerator	Ukraine	Feb-14

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4.2.2. DEALS WITH UNDISCLOSED AMOUNTS IN 2014-15

Company	Brief Description	Sector	Amount, USD millions	Deal type	Investors	Investor type	Capital origin	Date
BackupAgent	Dutch company, with R&D in Ukraine. Provider of cloud backup to SMEs and telcos.	Software	Undisclosed	Acquisition	Acronis	M&A	Russia	14-Aug
CartFresh (subsidiary of Zakaz.ua)	Online grocery	E-commerce	Undisclosed	Seed	Techstars, angel investors	Accelerator	Foreign	Jun-15
Competera	Price comparison and brand intelligence platform for retailers	Enterprise	Undisclosed	Seed	Angel investor	Angel	Ukraine	Oct-15
Coppertino (VOX)	"VOX" music player and storage	Mobile	Undisclosed	Seed	AVentures Capital, TA Venture	VC	Ukraine	Apr-14
Coureon	Connects SMB merchants to logistics companies	Enterprise	Undisclosed	Seed	Digital Future	Undisclosed	Ukraine	2015
Crediograph (Endorphin)	Credit rating platform	Online services	Undisclosed	Seed	Imperious Group	VC	Foreign	2015
Crowdnet	Turnkey solution for p2p lending marketplace	Online services	Undisclosed	Seed	Imperious Group	VC	Foreign	2015
Doc.ua	Online food delivery service	Online services	Undisclosed	Round A	C-IG Digital	VC	Ukraine	Mar-14
Ecois.me	Energy consumption optimization platform	Software	Undisclosed	Seed	Bas Godska	Angel	Foreign	May-15
Eda.ua	Online physician search service	Online services	Undisclosed	Round A	C-IG Digital	VC	Ukraine	Mar-14
Eduson	Online catalogue of business courses	Education	Undisclosed	Seed	Detonate Ventures	VC	Ukraine	2014

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Company	Brief Description	Sector	Amount, USD millions	Deal type	Investors	Investor type	Capital origin	Date
E-groshi	A single loyalty card	Other	Undisclosed	Seed	Yuriy Chayka	Angel	Ukraine	2014
Emozzi.ua	Online gift certificates for entertainment	E-commerce	Undisclosed	Seed	Startup.ua, private investors	Angel	Undisclosed	Sep-14
Ericpol	Ericsson has concluded a preliminary share purchase agreement for the acquisition of Ericpol, a software developer	Software	Undisclosed	Acquisition	Ericsson	M&A	Foreign	Dec-15
GetGoing	Tour agent for leisure travelers	Mobile	Undisclosed	Acquisition	BCD Holding	M&A	Foreign	Jan-16
Htraffic	Yandex and Google context advertising in Russian language	Enterprise	Undisclosed	Seed	Netpeak	Corporate VC	Ukraine	2015
iBUS GDS	Global bus tickets distribution and sales system	Online services	Undisclosed	Seed	BBG	VC	Ukraine	2015
Intubus	Platform for sales and distribution of digital content	E-commerce	Undisclosed	Seed	Startup.ua, private investors	Angel	Undisclosed	Mar-14
Jeapie	Canadian mobile e-commerce solution provider Mobify has acquired Jeapie, Mobile marketing automation service. shares swap, not cash deal	Mobile	Undisclosed	Acquisition	Mobify	M&A	Foreign	Nov-15
Kabanchik	A marketplace for outsourcing small tasks to others in the neighborhood	Consumer Internet	Undisclosed	Acquisition	Prom.ua	M&A	Ukraine	Feb-15
LotoBar	Platform for digital distribution of State instant lotteries, regulated market	Online services	Undisclosed	Seed	Detonate Ventures	VC	Ukraine	2014
Luciding	Lucid dreaming service	Other	Undisclosed	Seed	Academic V.S. Mikhailevich Fund	VC	Ukraine	Oct-14
Luciding	Lucid dreaming service	Other	Undisclosed	Seed	WannaBiz	Accelerator	Ukraine	Feb-15
Madberry	Data-driven user acquisition platform for gaming vertical	Enterprise	Undisclosed	Seed	Viewster AG, Global VOD service, Switzerland	VC	Foreign	Aug-15

THE DEAL BOOK OF UKRAINE

PART 4 | DEAL TABLES

Company	Brief Description	Sector	Amount, USD millions	Deal type	Investors	Investor type	Capital origin	Date
Maxymiser	Global provider of online testing, personalization and cross-channel optimization solutions	Software	Undisclosed	Acquisition	Oracle	M&A	Foreign	Aug-15
Mircast	Enables educational institutions create video courses on the basis and online educational platform	Education	Undisclosed	Seed	Startup.ua, private investors	Angel	Undisclosed	Mar-14
NewTend	Tenders	Online services	Undisclosed	Seed	Angel investor	Angel	Ukraine	2015
Pokupon	Merger of leading coupon services in Ukraine	Consumer Internet	Undisclosed	Merger	Superdeal (superdeal.com.ua)	M&A	Ukraine	May-14
ReQuest	Partnership platform for hiring	Online services	Undisclosed	Seed	Noosphere Ventures	VC	Ukraine	Oct-14
Shareroot	Atomized marketing platform for Pinterest	Other	Undisclosed	Seed	Detonate Ventures	VC	Ukraine	2014
Settle (Advice Wallet) (All.set)	Lunch ordering app	Mobile	Undisclosed	Seed	SMRK, Imperious	VC	Ukraine	Mar-15
Slice	Online e-commerce service	Software	Undisclosed	Acquisition	Rakuten	M&A	Foreign	Aug-14
Softcube	Self-service ecommerce personalization	Software	Undisclosed	Seed	.Invest	VC	Ukraine	Jan-15
Softechnics	Outsourcing services	Enterprise	Undisclosed	Merger	Intersog	M&A	Ukraine	May-14
Starwind Software	Leading provider of software-defined storage for Microsoft Hyper-V environment	Software	Undisclosed	Follow-on	Almaz Capital, Aventures, ABRT	VC	Foreign	2015
Supportyourapp	Customer support service outsourcing	Enterprise	Undisclosed	Seed	Undisclosed	Undisclosed	Undisclosed	Feb-14

THE DEAL BOOK OF UKRAINE

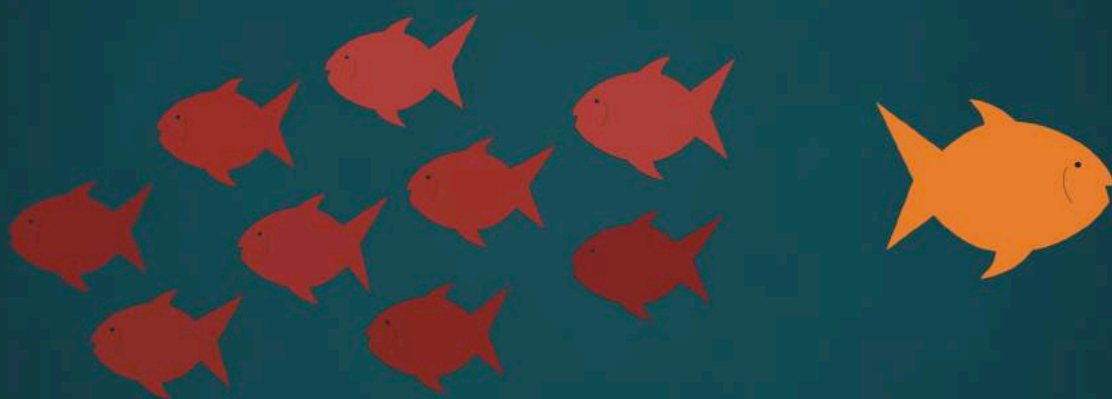
PART 4 | DEAL TABLES

Company	Brief Description	Sector	Amount, USD millions	Deal type	Investors	Investor type	Capital origin	Date
Tatem Games	Outsourcing company Innovecs bought outsourcing division of Tatem Games, a games developer. This M&A deal was not connected to the main Tatem Games business - development and publishing of mobile games	Software	Undisclosed	Acquisition	Innovecs	M&A	Ukraine	Mar-15
Technoeyes	System for vision-impaired people to navigate in space	Mobile	Undisclosed	Seed	KALININ Invention Fund	VC	Ukraine	Oct-14
Traqli (Newzmate)	Content recommendation and curation service	Online services	Undisclosed	Seed	Happy Farm, Grants	Angel	Ukraine	2014
Unisender	Online email and text message campaigns	Online services	Undisclosed	Acquisition	Undisclosed	M&A	Foreign	2014
Videocloud	Cloud video surveillance	Online services	Undisclosed	Seed	Yuriy Chayka	Angel	Ukraine	2014
WinTaxi	Uber-like taxi service	Mobile	Undisclosed	Seed	BBG	VC	Ukraine	2015
Yep!, Pure (letsyep.com)	Social network and dating apps	Mobile	Undisclosed	Seed	Angel investor	Angel	Ukraine	Jan-14
Youscan	Social media monitoring service	Software	Cash-in	Acquisition	Yell.ru	M&A	Russia	Sep-15

4.2.3. DEALS IN Q1 2016

Company	Brief Description	Sector	Amount, USD millions	Deal type	Investors	Investor type	Capital origin	Date
Depositphotos	TMT Capital sold its 7.1% stake in Depositphotos, A royalty-free photostock online service, to a private European investor.	Consumer Internet	5.85	Secondary	Undisclosed investor, TMT Investments	VC	Foreign	Mar-16
ReplyApp	Email marketing service	Enterprise	0.40	Seed	Digital Future, WannaBiz	VC	Ukraine	Mar-16
Tripmydream	Travel startup finding the best trip within a set budget	Online services	0.25	Seed	SeedSummit 2016	VC	Foreign	Mar-16
eCozy	Self-learning touchscreen thermostats that reduces heating costs	Software	0.2	Crowdfunding	Seedmatch.de	Crowd-funding	Foreign	Feb-16
Highbrow (gohighbrow.com)	Short education lessons delivered to inbox daily	Education	0.15	Seed	Angel Investor	Angel	Ukraine	Mar-16
Ecois.me	Energy consumption optimization platform	Software	0.12	Seed	Virgin Media Accelerator	Accelerator	Foreign	Mar-16
Taplend	Instant money transfers from friends or loans from financial institutions	Other	0.12	Seed	Angel	Angel	Ukraine	Feb-16
Moggie	Smart collar for cats	Consumer Internet	0.08	Seed	The Springfield project	Accelerator	Foreign	Mar-16
inCafe	App for restaurant guests to place orders	Mobile	0.04	Seed	Angel Investor, StartupUA	Angel	Ukraine	Mar-16

Official data
Unconfirmed amounts



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PART 5



ENTREPRENEUR
STORIES



Dmitry Sergeev of Depositphotos: “We have our HQ in the USA because it's the best way to do things, except maybe the high taxes”

What are the chances that a company from Ukraine will survive when it enters a space occupied by several huge international players, who have been dominating the market for years?

The chances might be not that high, but there's at least one company that took them. It's become one of the leading players in its niche, making significant profits and raising funding for an eight-digit valuation.

Kyiv-based Depositphotos was among the last to jump onto the bandwagon of stock photo marketplaces, when it was founded in 2009. Now it counts itself among the top five players in the industry, although it's still much smaller than the leaders.

"We're 20 times smaller than Shutterstock," said Depositphotos founder and CEO, Dmitry Sergeev. "But that doesn't mean that they get everything. The gap is closing in our favour. Since we got to the market, Depositphotos has grown fivefold, while Shutterstock's size has doubled. They have larger volumes, but we cater for another market, our audience is more diverse. »

With the competition getting hotter by the day, Sergeev and his team have a number of ideas on how to make the most of the company's geography, and mount defences in the market.

The last photo stock

A political analyst by education and an entrepreneur by heart, Sergeev, 40, moved to Kyiv in the early 2000s and launched Depositfiles, a file hosting service that was particularly popular in the ex-Soviet countries. A few years later, foreseeing cloud solutions like Dropbox taking over the file storage industry, Sergeev sold the project, and started to look for a new niche to work in.

The idea of launching a stock photo marketplace came from the entrepreneur's wife, who is a photographer herself.

"At Depositfiles, we built high-load systems to cope with huge traffic," Sergeev said. "After I sold the business, the team left as well, as the new owners had their own tech team. So we were twenty-odd people, who knew a thing or two about storage, and we made everything from scratch. We wanted to show the behemoths on the stock photo market, like Shutterstock, that technologically we're on a par with them.

"We were the last to enter this market. After us there were no new successful photo storage projects. To be honest, it was pure guesswork: we just knew that we're good at storage solutions and that there's this market."

Sergeev invested \$1 million of his own money in the business, and got TMT Investments, which believed in his vision, to chip in with another \$3 million at a valuation of \$10 million. In 2015, the European Bank for Reconstruction and Development joined the ranks of the investors by pouring \$4 million in the company. In March 2016, TMT Investments sold a part of its stake to an unnamed private investor in a deal that valued Depositphotos at \$82 million.

"Investors don't intervene with the company's operations, that's the way we work," said Sergeev. "I still own about 60% of the company and control another 20% of it via a proxy agreement."

Distributed success

Seven years after Depositphotos was founded, the company employs more than 250 people in its main office in Kyiv, and another couple of dozen all over the world.

"Our main operations are in Kyiv," Sergeev said. "We have most of our top managers, as well as sales and R&D departments here. Then there's about ten people in New York, including our VP Business Development, as well as salespeople in different countries, including Italy, the UK, Poland, and Russia. They mostly take care of sales to enterprise clients."

Apart from people buying photos online, Depositphotos mostly works with small and medium enterprises, publishing houses, newspapers, and magazines. Geographically, the US is one of the main markets for Depositphotos, as well as the most convenient place to operate from.

"We have our HQ in the US, because it's the best way to do things in terms of everything, except maybe the high taxes," Sergeev said. "Investors understand the company structure if it's incorporated in the US. Unfortunately, it's next to impossible to build a business with international sales from Ukraine, our banking system is still poorly adapted for it."



Depositphotos' main office in Kyiv (Photo credit: Depositphotos)

The content country

Ukraine, however, has its own advantages in terms of content production and running costs.

"About 70 percent of all the content on stock photo marketplaces is generated by developing countries, including Ukraine," Sergeev explained. "On average, someone working on stocks would make \$500 a month, which would be considered too low in the US or Western Europe, but is a decent income for a photographer here. At the same time, the quality of Ukrainian photographers' work is as good as that of an American one. This puts us at the heart of the world's stock photo content production."

To make the most of being a Ukrainian company, Sergeev and his team are planning to open a "content factory" in Kyiv.

"We don't want to substitute the marketplace with our own production. Our idea is to create exclusive content that can only be purchased at Depositphotos. It's a separate niche.

"In addition to that, our own content would be easier to protect in courts. If we want to sue someone who's stolen a photo from the marketplace, we need to contact the photographer, bring them to the US court, and only then would we be able to win the case. Protecting our own content can be a revenue stream of its own: for example, Getty Images makes millions of dollars suing those who steal their exclusive content."

Sergeev plans to launch content production in Kyiv by the end of 2016. As a stock photo marketplace, Depositphotos possesses first-hand knowledge of what kinds of content sell well, which is supposed to be its "unfair advantage" on the market. In addition to that, the "factory" can produce premium content to order.

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INTERNATIONAL PR & MARKETING OPPORTUNITIES
BY UKRAINE DIGITAL NEWS



Katherine Kostereva of BPM Online: “Despite strong competition, it’s easier to grow our business in the US, where customers are more mature”

Triggered by the interest in developing the best of breed technologies for business process management, bpm'online has evolved from a five-person startup, into one of the world's significant players on the CRM market. With more than 6,500 enterprise customers, and 600 employees worldwide, it caters to customers actively expanding into the markets of North America, Europe, and the Asia Pacific region.

Katherine Kostereva, the company's co-founder and CEO, worked in software development until 2002, before she and her partner founded a CRM startup, Terrasoft, long before the word became mainstream.

"There weren't many professional CRM systems in 2002," she recalls. "So we decided to develop a process-driven one, built on our own Business Process Management (BPM) platform. We were a team of true entrepreneurs; we did what we saw a demand for."

"The main difference in the product we've built is that with bpm'online, you have the agility to change your company's processes faster than ever. For example, financial institutions' clients are serviced through a certain process. In most CRM systems, the logic of that process would need to be defined through scripts and algorithms, which usually requires programming skills. With bpm'online, it can be done with a user wizard for process modeling, with no coding involved. Moreover, it can be easily changed any time and on the fly."

Bound to the West

The company's R&D office is located in Kyiv, however the official headquarters is in Boston, MA. It also has a number of offices across the world, including the UK, Singapore and Australia. The main driver of bpm'online's world expansion is its network of more than 400 partners, which sell its solutions to end users and do the integration work for them.

"Even with the strong competition we are observing overseas, today, it's easier to grow our business in the US. The clients there are the most mature, which creates a lot of opportunities," she explained. "You don't need to explain the benefits of CRM - all you need to do is show why your solution is the best."

Despite all that, European clients currently account for about 70% of bpm'online's sales, with another 20% coming from the US, and 10% from Asia.

"However, with a good product, it's not a problem to find clients anywhere in the world," Kostereva said. "We have partners all over the world that would introduce our products to their clients".

In January, the company opened a new office in Australia, and already has 10 enterprise clients there.

"We decided to launch an office there to enhance our business operations," Kostereva said. "It was very inconvenient to work with Australia and Southeast Asia from Kyiv or Boston, taking into account the time zones. The head of our Australian office actually used to work at bpm'online in Kyiv a few years ago, but then left and eventually moved to Canberra."

Although bpm'online still has a fair number of on-premise installations, Kostereva is sure that the platform's future is in the cloud.

"We have a number of clients that require an on-premise CRM installation such as the financial institutions, but more and more customers prefer to use the product in the cloud," she said. "Of all our new customers in 2015, 70% subscribed for the cloud service."

The R&D base

Amid all the geographic expansion plans of bpm'online, its Kyiv R&D office is something that isn't going anywhere.

"We're happy to have the R&D in Ukraine," said Kostereva. "We're not going to change anything here. Our developers are in Kyiv, and here we find a lot of extremely talented people. We employ software engineers and UX/UI professionals with a variety of skills, to create highly competitive CRM products. The geographical location for our development center also provides opportunities for cost leverage, which allow us to pass these cost savings to our customers."

Although Ukraine is thought to have at least 100,000 software developers, with more people entering the trade every year from universities and courses, the demand for programmers remains as high as ever. Some product companies and startups initially complain about having to compete for talent with outsourcing software development companies, who "vacuum" the market. That doesn't seem to be the case for bpm'online, however.

"We don't have problems hiring," Kostereva said. "Of course, there's competition with outsourcers, but we're able to offer compensation on a par with them. Being a product company provides us an additional advantage. Programmers prefer to work on a product, compared to ever changing outsource projects."

The rivalry for talent between the two parts of the Ukrainian hi-tech industry is not something that slows down the growth of startups and product companies, Kostereva reckons.

"What does it take to develop a highly competitive product and a successful IT company? You need to have a strong entrepreneurial spirit, first of all. You need to be brave, believe in your idea, and make it happen. How would outsourcing software business stop you from doing that?"

"The only problem is that there are not enough entrepreneurs in Ukraine, and I'm happy that now we have a community that encourages people to build their own businesses. The ecosystem has grown rapidly over the last five years. We actually have a number of examples of people who used to work in our company, then left and built startups of their own. If someone wants to build a startup, they will do it no matter what."



Ciklum founder Torben Majgaard: From \$300 CEO salary to IPO plans

An entrepreneur from Denmark, who first came to Ukraine in 1998 to sell computers, Torben Majgaard has managed to build one of Ukraine's leading software development companies from scratch. As of early 2016, Ciklum was the fifth largest player in its industry, with about 2,300 people working across six offices across the country. The biggest company, EPAM, had some 4,400 employees.

It hasn't always been like this, though: at some point in the early 2000s, Majgaard earned about half of what a software developer would make in his company. His story is one about the importance of perseverance and determination, no matter what the circumstances.

The early days

Majgaard, 45, founded his first company in Denmark when he was 14. It sold 5.25" and 3.5" floppy disks as well as some of the first computers, imported from Asia. Things snowballed from there.

"I got my first management position when I was 19," he said. "When I was 22, I had 85 people under me, and some of them were older than my mother. »

Majgaard came to Ukraine in the late 1990s to add a new market to his computer sales business, but he stayed much longer than expected. In 2002, he founded Ciklum, a company with a few Danish clients, and a bunch of employees coding out of a small office in Kyiv's residential district of Tatarka.

Despite having a history of running a profitable business, Majgaard didn't exactly have a lot of capital when launching his new company.

"I was in charge of sales [in my previous company]," he said. "And my partners didn't really want to let me go. And a way for them to say it for them was 'We don't want to pay much for your shares.' But I still left. »

In 2002 several of the company's clients went bankrupt, leaving Ciklum running on fumes. Majgaard, the founder, cut his own monthly salary to \$300.

"I lived on that money for quite some time," Majgaard recalled. "I shared an apartment with another person and walked to work. A reasonably qualified developer at that time would earn twice that much."

Things got better later on though, and Majgaard became one of the pioneers of what can be called the golden age of Ukraine's outsourcing and outstaffing software development industry.

"By 2005, I could afford to hire a sales guy. Got the wrong guy first, fired him, then got the right guy. He's still working with me today. He would find somebody who's interested [in working with Ciklum] and suggest that they go to Kyiv, and when they'd come to Kyiv, I'd be meeting them in person and showing them around. It was very good teamwork, and that was actually what built up the company at that time."

"I've been working with hiring and firing people for many years, and finding the right people and retaining them is key to the success of the business," Majgaard added.

As of 2015, Ukraine had some 90,000 IT professionals, the fastest growing hotbed of tech talent in Europe. The companies that caught this wave on the edge of the millennium are now employing thousands of people, working with corporate customers from Europe and the US and spread across all imaginable industries.

The evolution

Ciklum has moved on to work with medium and large customers around the world. A few years ago Majgaard maintained that working with small and medium companies was more efficient, as it allowed Ciklum to talk to their customers as equals.



Ciklum has aimed to create a startup environment for its teams.

"Ciklum has evolved," he said proudly. "We have become better at what we do, which means we're able to engage much better with larger companies. So we're winning companies with tens of thousands of employees as our customers."

Majgaard wouldn't disclose exact financial performance metrics, apart from to say that Ciklum is growing. In order to support this growth, the founder, and sole owner of the company's stock, decided to sell a minority stake to Horizon Capital for an undisclosed amount in 2012.

Two years later, a desire to move closer to Ciklum's target market and customers, as well as to raise his kids in an English-speaking environment, prompted Majgaard to move to London.

"The political situation in Ukraine has given rise to a lot of nervousness among customers and employees, which has given me a lot of extra work. I feel the press has been kind of overdoing things, hunting more for a good story than the truth," he said.

"What I think about being in London is that here I'm able to utilise my network a lot better. In Kyiv, I was mainly talking to customers who had already chosen Ciklum or were close to that. Here, I'm talking to companies who have never heard of us, and that gives me a better ability to understand what the needs and pain points of these companies are."

A decision was made to buy back the stake sold to Horizon Capital in order to bring in a new shareholder, George Soros' Ukrainian Redevelopment Fund. Living in London and having Soros as a shareholder made it easier to find the right CFO for the business, which is something much appreciated by Majgaard.

"I feel fully capable of understanding, making, and discussing accounts and this kind of thing, I've been the one handling it at Ciklum over the years. But it's not something I enjoy doing, and it's not really a good use of my time," Majgaard said. "I prefer to be in communication with customers, to try and understand how to make them happy."

"Now, the fund is quite active in maturing Ciklum's financial and corporate compliance side. And they're very experienced in doing that. »

From software development to Internet-Of-Things

As usual, Majgaard has a lot of plans for conquering the world. The main idea he keeps reiterating is that for a company like Ciklum, the next step is to grow its own competences.

"In the beginning, the practicalities were important," he explained. "Just being able to rent an office, connect it to the Internet, and find the first employees was enough."

"Later on, about 2005, the business started to pick up, and there was more demand for programmers. That meant that Ciklum had to evolve into having a much bigger focus on employees, on making sure they're happy and developing themselves etc. So, instead of just being a facilitator, we became more of an HR company."

"From 2007–2008, we started evolving ourselves to use the lessons we have learned. We started turning them around and using them to our customers' advantage, so that they would get better quality from what the teams are doing. Today, the salaries of programmers in Ukraine are much higher than they were just a few years ago."

One of the reasons is that Ukrainian programmers are way more productive now than they were years ago," Majgaard believes.

"Now we have started developing different areas of deep expertise. For instance, in the Internet of Things, in Big Data. We have some people who are strong experts in these areas, and as such can provide the customer with much more than just the programming capability. We can guide the customer on what to program, and how to deal with the business, in terms of new trends in the market."

In order to bring this vision to life, Ciklum's founder is working on opening new offices in Europe and the US, which would allow the developer to be closer to its customers. The first ones have already opened in Poland and Spain.

"We want to transfer ourselves from being a Ukrainian company to become a more international company. We want to become closer to our customers," Majgaard said. "Instead of sitting in Ukraine waiting for instructions, we would much rather be present and actively working on the customers' locations, influencing decisions and helping customers there."

Another plan that has been rumoured for a while and is still on the table is Ciklum going public.

"We feel that with George Soros we'd most certainly have the right partner in doing an IPO," Majgaard said. "We also have some work to do over the next couple of years in terms of internationalising Ciklum and growing the business. So, we're not in a special hurry, but it's certainly on the agenda and it's something we're aiming for."

Entrepreneur by heart

Although Ciklum can hardly be called a startup after 14 years of operating, Majgaard still appears to be as entrepreneurial as ever. Since the 1980s he has founded several companies, some of them have failed but others did pretty well, as is the way with startups.

The last company, adQuota, which Majgaard launched in 2010 during a short-time stay in Denmark, attracted more than \$3 million in funding and was sold to Opera Mediaworks in 2015.

In addition to that, he has made a number of investments in startups from around the world. These include Ukrainian Coppertino, whose music player Vox is among the most popular for OS X, and Augmented Pixels, which works with augmented reality and indoor navigation.

"I have made about 15 investments into various young companies," Majgaard said. "In most cases, I try to make investments together with a partner. If you do it alone, you're getting a lot of responsibility, and I really want to be able to focus on my family and on Ciklum."

"If you're doing it alone, it's up to you to decide what the valuation of the company is, what salary should the director get, and all those things. I'm much more comfortable with somebody else doing the paperwork."

In addition to actual investments, Majgaard provides space for companies he's acquired a stake in at Ciklum's offices in Kyiv, London, and other cities.

With everything else seemingly taken care of, Majgaard's immediate plan is to zoom in on all things Ciklum and catch up with what he might have missed while fixing other issues. Talking about the lessons learned over his entrepreneur career he shared what, in his opinion, is the most important part of being an entrepreneur.

"Adapting, I think, is very important. Being able to read the market, to see what's going on, and adapt and adjust your business as you go forward. I think that's the key."

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Victor Shaburov: The serial entrepreneur who sold startups to Opera Software and Snapchat

In September 2015, the Ukrainian startup community and technology media exploded after the announcement of Snapchat buying Odesa-based image processing startup, Looksery. The deal that was believed to cost the social behemoth \$150 million made the startup one of the most prominent success stories in the country.

Leading the team at Looksery, which created an app that allowed you to change your face in real time, while having a video chat with someone, is Victor Shaburov. An entrepreneur with vast experience in both startups and corporate environments, he's been co-founding successful companies in Ukraine since 2007 together with talented local technologists.

Startups, corporations, and startups again

Back in 1999, Shaburov, who had just graduated from Saint Petersburg State University, co-founded his first startup, SPB Software. The second co-founder was his friend Vassili Philippov, also a student, with whom he did a few web development projects in the past.

Unlike those projects, SPB Software was all about mobile apps. Back in the day, it was a much more challenging field to work in, since the hardware platforms gave little freedom to developers, while system resources were scarce. Two years after founding the company, Shaburov moved to Germany to work at SAP, while Philippov kept working at SPB Software, which was bought by Yandex in 2011.

While working in a researcher position in the international corporation, Shaburov had obtained 12 patents. As he told in an interview to Forbes Ukraine, these helped a lot with putting together the capital to begin a business of his own. While still doing research for SAP, the entrepreneur launched Handster, the closest thing to an app store you could get in 2004.

Handster was Shaburov's attempt to address a huge market of people who didn't install third-party apps on their smartphones – mostly ones running Symbian or Windows Mobile. It might be hard to imagine, but 12 years ago, only around 4 percent of smartphone and PDA users explored the world of mobile software beyond pre-installed apps.

Although backed by a great vision, Handster was apparently born ahead of its time, and by 2007, it hadn't gained much popularity among developers and users. This was when Shaburov decided to move the development from Saint Petersburg to Odesa, and met Oleksiy Reshetko, who has been in charge of the technical part of the project ever since.

In 2008, Shaburov left SAP to focus on Handster full-time. At the same time, the company found its new business model: in addition to being an app store by itself, it also started offering a white-label solution for smartphone vendors. Among its first clients were Hewlett Packard, LG, and Toshiba

Although Shaburov wasn't interested in selling the company, he eventually did – in 2011, Handster was acquired by Opera Software, where Shaburov took the position of Vice President of Storefront Services. Handster became the Opera Mobile Store, still worked on by the team in Odesa, headed by Reshetko.

"Under the conditions of the deal, I worked in Opera Software for two years," Shaburov said in an earlier interview to Alexander Hvastovich. "During that time, we grew the number of visitors per month from 18 million to 105 million."

The game of faces

It doesn't really sound surprising that Shaburov couldn't just be a corporate VP without projects of his own. While in Opera Software, he began actively supporting all kinds of programming contests for talented youth.

One of those contests, Open Class Programming Competition, was held in Odesa. In 2013, Yuri Monastyrshyn, a fourth-year student at Odesa I. I. Mechnikov National University, was the first to solve the 12 problems offered, and became the winner of the competition.

Shaburov talked to the champion at the event, and then every once in a while for a few months after that, via Skype. He and Monastyrshyn were discussing different ideas on what kind of product to create together, and finally came up with the concept of Lookserly. At that time, Shaburov already lived in Silicon Valley, but came to Odesa in the summer to launch the startup.

A year after that, Shaburov left Opera, while Lookserly launched a crowdfunding campaign for its face-changing app on Kickstarter. In one month, the startup raised some \$46,000, which was \$16,000 more than its initial goal. Monastyrshyn, who became the company's COO, and his team, went on to work hard on the apps for iOS and Android, together with another product team in Sochi, Russia.

The success on Kickstarter repeated itself later with a wider audience. Lookserly's mobile app quickly became wildly popular among people of all ages, while the company began to explore possible monetisation models. The main idea was to keep the app free for users and make money off licensing it to phone vendors and other interested enterprise clients.

Everything worked out quite differently, though. The next turn in Shaburov's ride between bootstrapped startups and mighty companies with billion-dollar valuations came in 2015, when the news broke of Snapchat buying Lookserly for an alleged \$150 million.

Under the terms of the deal, the whole team of Lookserly is to relocate to Silicon Valley to work together with their new colleagues.

Even though he's become an employee of a big company once again, Shaburov keeps sponsoring programming contests for youth privately, as well as through his Botan Investments foundation ('botan' can be roughly translated as 'nerd' from Russian). Looking at his activities, it's easy to predict the appearance of another successful startup in the South of Ukraine within the next couple of years—if not earlier.

This story is based on media reports (Forbes, Ukraine Digital News) and Wikipedia.



Vladyslav Chechotkin of Rozetka.ua: “The technology business alone won’t save Ukraine, the country needs everyone to chip in”

There are a number of very exciting, innovative startups and mature companies coming from Ukraine, but one of the most interesting entrepreneurial stories belongs to a more traditional one. Rozetka.ua, the pioneer of Ukrainian commerce, has been around since the early 2000s and is still the leader in its market segment.

Vladyslav Chechotkin, the company's founder and CEO, surprisingly refuses to consider Rozetka a technology company.

"We're just selling things online," he said. "It's hard to say what's more important, the website we sell through, the supply chain, or the fulfillment."

Nonetheless, e-commerce is an integral part of any country's technology ecosystem. It both creates added value for customers and inspires numerous ideas in adjacent fields. And of all stories, Rozetka's isn't short on inspiring moments.

"The Amazon of Ukraine"

Chechotkin launched Rozetka in 2005, while he still worked for his brother's company, SkyLine, an electronics distributor in Kyiv. Together with his wife, he invested some \$250,000 in what was to become the country's biggest online store.

"The first item we sold was a mobile phone," Chechotkin recalls. "I don't remember what it was exactly, and there's no way to find out, but most probably it was a Qtek (a brand HTC used back then) smartphone. »

A few months later, Chechotkin left SkyLine to focus on his venture. At the time, Rozetka, which means "power socket" in Ukrainian, was selling computers, mobile phones and other consumer electronics, working in a market with a lot of competition.

One of the first non-standard things Chechotkin did then was to open a showroom in Kyiv, where customers could take a look at the goods they were buying online. Rozetka claims to have been the first Ukrainian e-commerce player to do this, and others followed suit in the following years.

Another thing Rozetka was among the first stores to do, is to expand its range of products from just electronics, to all kinds of things from railway tickets to household goods. Recently, the company started to sell groceries, but Chechotkin is a bit cagey as to what could come next.

"It's hard to say which type of goods is the most promising," he said. "The competition is crazy, and once I say something, the others would repeat it at once. I can, however, say that groceries are the most difficult category. »

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In Rozetka's initial commodity line – consumer electronics and household appliances – the company is the undisputed leader among the online stores. Its market share is understood to be about 40 percent, four times bigger than its closest competitor.

In July 2015, Rozetka attracted funding from Horizon Capital. The parties did not disclose the terms, however experts put the amount in the range of \$200 million to \$700 million.

"It's too early to talk about our new strategy after the funding round," Chechotkin said. "We are changing, however, and time will tell whether it will help us to grow faster."

Online vs. offline

Thanks to being more flexible than brick-and-mortar electronics retailers, Rozetka has survived the economic turmoil of 2008, and keeps growing in today's Ukrainian economy, which is also not an ideal environment for e-commerce.

"Offline electronics retailers can't win a fair competition with us," Chechotkin said. "They are losing their market share rapidly, which sometimes leads them into using non-market practices in order to control prices."

Discussing the possible reasons why the traditional players wouldn't enter the online space themselves, Chechotkin suggested that spending money on online presence could be beyond what they can afford—and that's where e-commerce actually meets the technology business in Ukraine.

"I think it's hard for brick-and-mortar retail players to pay software developers salaries, ten to twenty times as high as they pay salespeople," Chechotkin said.

"I compete with outsourcers for programmers. I'm creating a product for Ukraine and have to be extremely successful in order to be able to pay developers as much as they do. It's a big challenge for Rozetka."

Ubiquitous IT

Despite not considering Rozetka a technology business, Chechotkin admits there are many software developers working in the company, which makes the challenge even greater.

"It just shows that all today's businesses are dependant on IT and programming," he said. "Even mining or agriculture are. We're just a bit more dependant on it than some others."

However, Chechotkin doesn't think that growing the IT industry is the ultimate solution to future-proofing the Ukrainian economy.

"I believe there is no silver bullet," he said. "We can't say that the technology business, agriculture, or any other business alone will save Ukraine. The current situation demands everyone to chip in."

"If we only focus on the IT industry, the country will be kind of one-legged, it won't be able to stand. But at the same time, we have the chance to be successful in this field, so we should definitely pay attention to technology businesses."



Denis Dovgopolyi: “Outsourcing is the base upon which a number of strong startups will emerge in Ukraine”

The history of startup infrastructure in Ukraine is one of highs and lows. The last few years have seen a few accelerators come and go, with others significantly reducing their operations. However, despite all the crises of the last decade, some of the major players have managed to stick around and show the way to more entrants to the market.

“Now we’re witnessing the second exodus of accelerators and incubators from the Ukrainian market,” said Denis Dovgopolyi, a figure of the local digital scene.

Dovgopolyi is the founder and managing partner of GrowthUP, one of Ukraine’s few remaining incubators.

“The main problem is that many people lack a long term-vision when they come to this market. When you create an accelerator, you shouldn’t expect first results to show up in less than three to five years, while a project’s life cycle can be 10 years and more. If you’re given KPIs for one or two years, you’ll most certainly fail to meet them,” says Dovgopolyi.

Although his incubator is supposed to compete with others, Dovgopolyi hopes that more competitors will appear on the market soon enough, as it was before. A large and healthy startup ecosystem is a win for everyone.

Early years

Being one of the industry’s most well-known facilitators, Dovgopolyi is a pioneer of Ukraine’s entrepreneurial community.

“In 2005, I came to Silicon Valley for the first time,” he recalls. “Then I decided to sell all my assets in Ukraine and focus on international tech business. In 2007, I flew to Silicon Valley 22 times.”

In 2008, Dovgopolyi reduced his flying time but doubled down on developing the local startup community. He consulted entrepreneurs in Kyiv, leveraging his experience in Silicon Valley, as well as launching other infrastructure-shaping activities.

One of them was Startup Crash Test, a series of events where entrepreneurs got to pitch their project ideas to an audience, as well as a board of mentors and investors. The format has since become a franchise, with events rolling in different parts of Ukraine and Europe.

The other initiative was the “Technology Entrepreneurship Basics,” an eight-hour workshop where startup founders could get answers to the vital questions of how to make a business fly. Soon the workshop developed into a 45-hour course. It is still held from time to time by Dovgopolyi and his team.

In 2010, an incubator was founded as part of Dovgopolyi’s consulting company, BayView Innovations.

“We worked in a way that we called the Entrepreneurship Academy,” he recalls. “Our idea was that if we make entrepreneurs familiar with the industry, they will come back to us later for consulting.”

By 2013, the incubator became a separate unit and a part of the GrowthUP Group, which also includes a consulting company, early-stage venture fund, and a number of industry events.

One of them is iForum, Ukraine’s largest one-day technology conference.

A new plan

With Ukrainian startups becoming more mobile than ever, there is not much sense for global accelerators to enter the local market. “The market is too small,” Dovgopoliy says. “However, many Ukrainian teams apply for acceleration programmes in other Central and Eastern European (CEE) countries, particularly in Poland.”

With this in mind, GrowthUP has come up with a new strategy. It is currently targeting the whole CEE region, while at the same time pushing Ukrainian startups to international accelerators.

“Ukraine is still our domestic market, and we will work here no matter what,” Dovgopoliy says. “On the other hand, we see a lot of opportunities in working together with European accelerators, co-investing and adding value together.”

That said, he’d warmly welcome any new player entering Ukrainian accelerators and incubators space.

“We think of them as of colleagues, not rivals,” he says. “The departure of an accelerator is always bad news for the market. Other players would look and think there’s not enough money here, and won’t consider expanding here. That’s why when a new player comes to Ukraine, we’re no less interested in their success than they are themselves.”



How startups evolve

Having watched the startup ecosystem in Ukraine since the 2000s, Dovgopoliy says that the quality of projects on the market is growing steadily. This does not mean, however, that the more startups there are, the more good ones will appear.

“The number of good projects which we could consider investing in grows some 10 to 15% per year,” he says. “In better growth conditions, their share in the total number would just be lower.”

The main factor behind better projects is entrepreneurs’ growing experience and expertise.

“It’s almost like a ‘mafia:’ every successful startup brings to the community one or two people who worked there but are now ready to launch their own startup,” Dovgopoliy explains.

“That’s where most quality projects are from. Another source of good startups are serious entrepreneurs experienced in building companies in the offline world. They do not romanticize startups, they come to build businesses – and they know how to do it. They may lack online expertise, but that’s something we can always help with.”

Clash of industries

Against widespread opinion, Dovgopoliy would not oppose Ukrainian software publishers to IT outsourcing companies.

“I used to think that outsourcing hinders the development of startups, but now as I’ve dug deeper into it, I can see two important things. The first one is that outsourcing isn’t for everyone. For many creative software developers it’s hard to just sit and work on a product they don’t really understand. At the end, they become bored and end up joining a startup, bringing their experience, understanding, discipline, and coding standards from the outsourcing industry. »

“The second thing is that many people who reach their career ceiling in the outsourcing industry may join or launch startups. These are mostly senior developers or project managers, who directly interact with clients and understand their problems. At some point, they get ready to take on creating a product to solve them. That’s why I think that outsourcing is the base upon which a number of strong startups will be built within the next few years in this country.”

The outsourcing software development industry, is not going to die, though. In Dovgopoliy’s opinion, about 5 to 7% of Ukrainian software developers working there today have the right mentality to join a startup, while just about 200 to 300 people would be able to launch a successful product.

Innovative startups, however, might not be enough to make Ukraine’s economy thrive, Dovgopoliy reckons.

“Perhaps the outsourcing sector could save the country’s economy, but not the innovation sphere. Startups may be the main growth driver in a small country like Israel, but not in Ukraine with some 40 million inhabitants, many in rural areas.”

“I do believe, however, that innovations are key to the country’s development. There should be two main drivers of our economy. The first is the SMB segment, which will thrive once the legislation is in place. The second one is agriculture, provided that it makes good use of modern farming technologies.”



Igor Zhadanov of Readdle: Leveraging Ukraine's low costs to challenge global competitors

Startup culture in Ukraine is relatively young, but there are a number of companies, launched by entrepreneurs here, from back when the word "startup" wasn't widely used. One of the projects, that has not only survived, but succeeded, is Readdle. An Odesa-based software developer whose apps are constantly featured in Apple's marketing materials.

Founded in 2007, by four freshly graduated university students, Readdle today employs more than 80 people. They work on a range of B2C and B2B products for mobile and desktop platforms. Its most well-known products are the email client Spark, and the suite of productivity apps, Scanner Pro, Calendars 5, and PDF Expert.

Igor Zhadanov, 32, has been the CEO of Readdle since the very beginning.

"Initially, we all were coding. There was a very small amount of very bad code delivered by me," Zhadanov tells with a laugh. "But then the guys fixed everything. We rounded each other out really well, and my key responsibilities soon became the product, operations, and growth strategy. »

Now Zhadanov's main focus is the B2B part of the company's business, which is closely intertwined with the rest of its activities.

Jumping the bandwagon

The four co-founders got together, and started building the business when the first iPhone was all the rage, but the notion of apps didn't really exist. Readdle's first product was actually a browser-based tool that allowed users to read books and documents, formatting them for the small screen.

"When we officially launched the company, we were all 23 years old," Zhadanov recalls. "It was a mix of energy and intuition, and we also had an opportunity to try a lot of things.

"In the first couple of years, there were two factors supporting our growth. The first, is that the Apple ecosystem was growing rapidly, which gave us a significant reserve of strength. The second factor was that development in Ukraine was much cheaper than in the countries our competitors were based in. We could test ten hypotheses while they would only be able to test one. That's how being in Ukraine really helped us then."

Since then, Readdle has released a number of wildly popular productivity apps for iOS, that scored tens of millions of downloads, while attracting no external funding whatsoever. This, however, might change soon.

Going big

"About two years ago, we realised how Readdle had panned out as a company, and could grow further as an indie development studio," Zhadanov said. "We knew we could grow two to three times, just by scaling the product lineup.

"However, we decided that we didn't want to go that way. We wanted to build new things instead: that could lead to 50 to 100 times growth. It was a strategic decision, and now we're trying to take our experience, brand, and user base to make something big. »

In order to do that, the team identified two major problems in the way people and companies work, and started developing its solutions for them. The first one is email, which we all love to hate, but can't really live without.

"We wanted to reinvent email, rethink the way people work with it and the tasks it can solve," Zhadanov said. "That's how our email client Spark was born. Unlike our other products, it's free, and it has already attracted a significant audience of iOS users. We also plan to expand to Android and major desktop platforms."



Spark managed to attract a lot of customers after Dropbox shut down its take on email, Mailbox. Now you can find Spark in virtually every review of the best email tools.

The second problem Readdle's team is trying to solve is document flow in organisations. Its product, Fluix, is a mobile-focused platform that's being used by hundreds of businesses, from a small hospital or radio station in Dublin, to huge enterprise clients like Siemens, which deployed it in 39 countries.

Unlike the rest of Readdle's products, Fluix could be looking at raising external funding in the future. Growing a B2B business takes not only effort, but also a lot of money. It could mean spinning it off as a new company, but definitely won't mean dividing product development efforts into B2B and B2C parts, Zhadanov said.

"Our main idea with Flux is to take a consumer-grade approach to product design and its discoverability," he explained. "We want to make a product that doesn't need training to be used. Anybody can launch basic document flow, for a company of up to 200 people, within 15 minutes."

"Our task now, is to contribute to the trend of consumerization of IT, we're taking what people see in top class mobile products and implementing it in business solutions. That's why dividing B2C and B2B development would be ideologically wrong."

A promising ecosystem

Although software development in Ukraine is not as inexpensive as it used to be, and Readdle has already opened a sales office in the US, Zhadanov doesn't think it makes sense for the company to leave the country in order to get closer to the main target audience.

"I wouldn't say you can't build a successful product from Ukraine," he said. "There are pros and cons for any location, but our goal is to build a product, the success of which doesn't depend on what country it's being developed in."

"The main task of an entrepreneur is to know, and minimise, the risks. There could be certain complications related to our operations located in Ukraine. But I don't think that the location today could be a critical factor in the success, or failure, of a product. »

One of the main complications on the market, however, is that talented developers in Ukraine, often don't live up to their potential.

"The market is skewed because of the outsourcing software development industry," Zhadanov explained. "On one hand, this industry actually created the Ukrainian market, but on the other, it now suppresses its growth."

"I respect the outsourcing software development business and know that it's very difficult to build and maintain. But a team of 20 talented engineers working in this industry would have a potential equal to their company's profit margin. But if we talk about a product that this team could potentially build, the difference is huge."

"There are some 100,000 software engineers in Ukraine, of whom some 80 to 90 percent are employed by service companies. The value they could create is simply limited by the model of the company they work for. »

Despite all that, the Ukrainian startup and entrepreneurship ecosystem is moving in the right direction, Zhadanov reckons.

"Ukrainian companies are open, and do help each other," he said. "We have lots of mutually beneficial interactions. Compared to Silicon Valley, our ecosystem and culture are far behind, but I think it's only a matter of time before we catch up."



David Braun, TemplateMonster founder and Ukrainian civic activist

The Internet business in Ukraine has obviously changed significantly in the past two decades, though not many companies that witnessed the change have survived. Among the ones that have made it through is TemplateMonster, a company that is not very well known at home but has been doing very well on the international market.

Founded in 2002 in Mykolaiv, a city of 500,000 people in the south of Ukraine, TemplateMonster has surfed the waves selling templates for all kinds of platforms, from Photoshop in the beginning to WordPress and HTML5 these days. Its Ukrainian team has grown to 430 people, distributed between offices in Mykolaiv, Lviv, and Kyiv.

"We've never attracted external funding, and have always been bootstrapping," said TemplateMonster CEO David Braun, who has been heading the company since 2002.

Braun, 36, has become a famous figure in Ukraine not only because of the success of TemplateMonster, but also thanks to his social activities, perhaps the most popular one being the People's Project, an online platform for military and civil crowdfunding.

In addition to all this, Braun and his team are gearing up to launch another project of their own, which would be a logical continuation of TemplateMonster's 14-year story.

The Wild Wild West of online business

Founded in 2002, TemplateMonster was then called InverseLogic, and performing mostly outsourced web development tasks. After some time, Braun and the two co-founders figured out a niche to work in: templates for different platforms, which could make developers' lives much easier. Demand for templates was fairly high, although the company met a number of obstacles which were characteristic of the mid-2000s.

"We've always operated through a US entity," Braun explained. "In 2002, Ukraine was strongly associated with online fraud. In addition to that, you couldn't protect intellectual property here, which was important since we worked with American companies that provided stock images. You also couldn't register with major payment systems — and that's still a problem even now, as PayPal doesn't work fully in Ukraine."

In the early years of its operations, TemplateMonster also fell victim to bank card fraud and massive DDoS attacks. In addition to negotiating with top managers of international companies, Braun met with and talked to a number of hackers, persuading them to leave the platform alone.

"In a few years, the market civilised," Braun recalls. "But before that, it was like the Wild West with almost no regulations. During the first eight years of our operations, we had had no contracts signed at all, it was all about handshake deals."

Time to sell

Although TemplateMonster has never raised external funding, the founders have always been bombarded with offers from VC funds to buy a stake in the company.

"They wanted to buy a 20% stake and have a representative sitting on our board," Braun said. "But we were a family-like company, we didn't really have a board at all. I also didn't see any value in having them onboard, and the valuation they offered wasn't that good either."

Things changed in 2013, when the turmoil in Ukrainian politics and the economy coincided with the illness of one of TemplateMonster's co-founders. Braun and the founding team made a strategic decision to sell the company to an unnamed US-based private equity fund, which offered "a good multiplier, which far beyond what VCs could offer," Braun said.

Under the terms of the deal, Braun will remain the CEO of the company until 2020, while he and the rest of stakeholders have the option to buy their shares back.

"We're seriously thinking about it," Braun said.

In the meantime, TemplateMonster is going global by launching 43 localised versions of its web store together with local partners. Braun himself became one such local partner in Ukraine, where the company's new owners didn't plan to open business initially.

"It's not the most lucrative market," Braun said. "But we're going to experiment further with local pricing to find the best fit. We're also giving 50% of our local revenues to charity. »

Together with running TemplateMonster and the People's Project, Braun is launching a new startup.

"One way or another, template business migrates to the SaaS model," Braun said. "Even WordPress, the most popular website platform around, is giving way under the weight of module-based site builders, where templates are part of the package.

"We're working on a site builder ourselves, it will be launched within a year. It doesn't contradict with our non-competitive agreement with the owners of TemplateMonster—quite the opposite, there are a lot of opportunities to collaborate."

Spectacular angel failure

A founder himself, Braun has been looking at the entrepreneurial community in Ukraine for years and has tried his hand at angel investing.

"I failed spectacularly," he said, laughing. "Being an angel investor is a job in and of itself, after all. I'm still looking at some teams, however, which work in industries where I possess some expertise."

One of the problems, in Braun's view, is that most entrepreneurs still have an employee mentality.

"For many of them, it is all about milking the investor," he said. "When we started, we had no weekend breaks or holidays at all. Until you see the money coming in, the startup is not your job—it's your lifestyle."

"Now I see founders who come with a business plan, where their salaries are as high as they'd have been in an outsourcing software development company. They are not ready to sacrifice anything at all, and end up just eating through investors' cash. »

On the other hand, Braun emphasised that there are not enough good funds and angel investors on the market, who would understand how the industry works.

"There are investors whom I call 'beavers', because they really look like ones," he said. "They've made money either in governmental projects, or in grain trading. Now they'd find a guy who tells them about the great potential of the IT industry, give him some \$20,000 or \$50,000, and expect a 200% return within a year. I see a lot of them, they're clueless about how things work."

Despite all that, Ukraine is on the right track to becoming a major high-tech destination, Braun reckons.

"One way or another, we will make a leap from outsourcing software development to product economy," he said. "It has already happened in the game development industry. Up next is the Internet of Things, because Ukraine still has a huge number of engineers who are good with hardware and can build stuff."

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Yaroslav Azhnyuk of Petcube: “The best thing I can do to support Ukraine is to make my own business successful”

When it comes to Ukraine's most successful startups of the past few years, Petcube is one of the first names that would be mentioned. Announced in 2012, the gadget that allows you to monitor and play with your pets remotely has since raised \$250,000 on Kickstarter, as well as more than \$3.5 million in venture funding.

Pet lovers from all over the world seem to be quite happy with the small box that includes a wide-angle camera and a laser pointer, both of which can be controlled over the Internet. In March 2016, the startup announced that it had sold 20,000 devices, making \$2.5 million in revenues.

Since co-founding the startup, its CEO Yaroslav Azhnyuk, 27, has moved to San Francisco in order to get closer to the clients and retailers, while the other founding team members split their time between Ukraine, China, and the US.

"I think a lot about the future of Ukraine," Azhnyuk said. "Almost as much as the future of Petcube, sometimes more. I think the best thing I can do to support the country in becoming a technology and innovation powerhouse, is to make my own business successful, so that it becomes an inspiration to the others."

Before Petcube

Azhnyuk found his own inspiration after a number of years doing different things. He came from a family of scientists and was interested in computer programming from an early age, eventually earning a degree in Applied Mathematics.

"When I was a kid, I wanted to found a company that would do video games localisation in Ukrainian," he recalled.

He co-organised Ukraine's first social media "unconference" and ran a web development agency of his own together with another Petcube co-founder, Andrey Klen. In the late 2000s, Azhnyuk's agency switched to online marketing, as the market for it was way more lucrative at that time.

Later on, it was acquired by another agency, Prodigy. Azhnyuk went to work there as the head of the Social Media department and Andrey Klen became an Art Director. That was where they met Alex Neskin, the man behind the idea for Petcube Camera.

One day in September 2012, the three friends decided to go ahead and try to build a business out of Petcube.

"We did the market analysis and saw there was nothing like Petcube around," Azhnyuk said. "We invested about \$40,000 of our own money into the project, spent a lot of time looking for manufacturing facilities in Ukraine, but eventually decided to produce the device in China."

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Since then, the startup has had its highs and lows. A very successful Kickstarter campaign met with unpredictable delays in shipping, before first contracts with brick-and-mortar retailers, and seed funding rounds from AVentures Capital, Almaz Capital, and Y Combinator, where Petcube was part of the Winter 2016 batch.

"When I look back, it feels like we spent three years beating our heads against the wall," Azhnyuk said. "It hurts, but at the same time the wall has got much thinner."

Lessons learned

Over the Christmas 2015 season, Petcube ran out of stock in the US, at retail, for the first time. It was a good sign for the product and "a good problem to have," as Azhnyuk put it. While there's still a lot of work ahead, the company has learned a good deal since its inception.

"To sum it up, you need to always be looking up to the best things, and people, there are in the world," Azhnyuk said. "Strive to raise money from the best VCs, compare yourself to the best companies at the same stage of growth, talk to the best professionals in your industry, listen to their criticism and improve your product."

Getting closer to the best practices in the world of entrepreneurship was one of the reasons Azhnyuk moved to Silicon Valley.

"You can build an international business out of Ukraine, but it won't be as efficient," he explained. "It's like hammering in nails with a laptop. In San Francisco, there are other founders to learn from, there's a community of entrepreneurs and venture capitalists, with knowledge to absorb."

Coming to Silicon Valley could be a great learning experience for any startup, Azhnyuk reckons, however staying for mere weeks or even months won't work.

"You need to cast everything aside, break out of your comfort zone, come here with your idea or business and beat your head against the wall for a few years," he said. "Not many Ukrainian businesses do that."

Ukraine's future

That said, having the R&D office in Ukraine seems to be working quite well for Petcube. 25 out of 35 people in the company are located in Kyiv, nine are in the US, and two more employees are based in China, working closely with manufacturers.

"One of the main competitive advantages of Ukraine as a country is the sheer amount of talent, people with a university degree whose wages are relatively low," Azhnyuk said. "It's a shame on one hand, but on the other, it's an opportunity to build a new economy that's founded upon creativity and innovation."

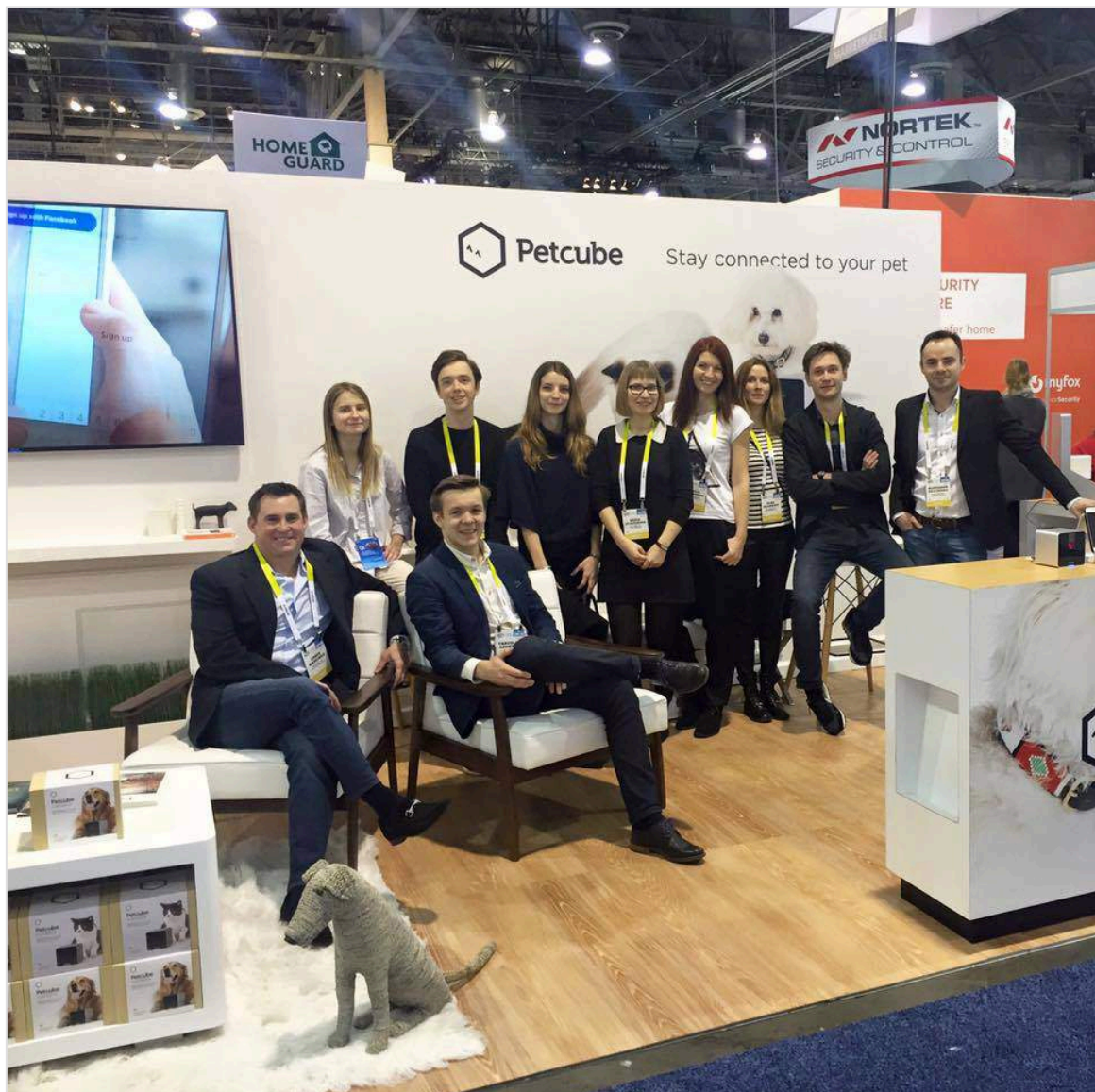
Having a realistic outlook on the situation, Azhnyuk also cautions against overpraising Ukrainian tech professionals.

"Ukrainian programmers are a hyped brand, but it's hyped mostly in Ukraine," he said. "I'm also a Ukrainian programmer by education, and we have a number of programmers in our company. They're all very talented people, but the problem is that most of those who say that Ukrainian developers are the best in the world, have never actually seen any other developers. I'm against the over-romanticisation of Ukrainian programmers."

Azhnyuk is positive that Ukraine has a huge potential in areas like electric and driverless cars, space technologies, and aviation. With a significant intellectual and industrial legacy, it takes able leaders, entrepreneurs who are willing to take on building the new economy.

"I know a few entrepreneurs who build absolutely stellar products," he said. "It's just that there are too few of them."

Even a few talented people can make a difference though, and Petcube is a good example of this. Developing an innovative and beautifully designed consumer electronics product from scratch, delivering it to tens of thousands of pet lovers around the world, as well as putting it on shelves in top US retailers Best Buy, Brookstone and Nordstrom. It's definitely one of the country's most well-known entrepreneurial success stories, which has inspired plenty of people to follow their passion.



Petcube's booth at the CES expo 2016 (Photo credit: Petcube)

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Snapchat acquires Ukrainian technology Lookery in reported \$150 million deal

By Adrien Henni, Ukraine Digital News, Sept. 16, 2015

Yesterday Snapchat announced the launch of “Lenses,” a new feature that enables users to create a variety of face effects while making selfies. These augmented reality filters will allow you to change eye or skin color, alter your face to remove blemishes or look thinner.

Behind these new types of avatars is a technology developed by Lookery, a startup originated from Odessa, Ukraine, with offices in San Francisco.

The startup itself has been acquired by Snapchat with Lookery’s team joining the company. The details of the transaction have not been disclosed, but AIN.UA, an authoritative Ukrainian tech blog, heard it amounted to “around \$150 million.”

If true, the figure makes the acquisition the biggest in the Ukrainian tech industry’s history.

Lookery was founded in 2013 by Ukrainian serial entrepreneur Viktor Shaburov. Its technology instantly became a hit in Mexico, Ukraine, Greece, Russia, Brazil, Chile and many other countries when it was launched in October 2014.

A few months before, Lookery had led a successful campaign on Kickstarter. It also took third place in the startup competition at IDCEE 2014.

With offices in the USA, Ukraine and Russia, Lookery now has more than 45 employees.



Beyond its entertainment dimension, the Lookery technology may be applied to corporate clients. For example, the service may be of use to call centers for video support and to improve appearances during video conferences. The use of 3D avatars in video support will reduce the volume of traffic by 98%, according to Lookery.

The startup’s technology may also be interesting to manufacturers of mobile devices, operators, cosmetic companies, brands, and movie studios.

“This is the future of video communication,” said Shaburov last year in an exchange with Ukraine Digital News.



Canadian mobile solution provider acquires Ukrainian notification service Jeapie

Ukraine Digital News, Dec. 1, 2015

Canadian mobile e-commerce solution provider Mobify has acquired Jeapie, a Ukrainian startup offering an advanced mobile notification service. The amount of the transaction has not been disclosed, but a Jeapie shareholder told Ukraine Digital News it was “a seven-digit number.”

In the nearest future, the Jeapie solution will be integrated to Mobify’s cloud-based Enterprise-SaaS platform for e-commerce, Jeapie’s founder and CEO Alexander Mikhaylenko told Ukrainian tech blog AIN.UA.

The Jeapie mobile notification service aims to increase the quality of interactions with clients or co-workers through the introduction of smart push notifications. What’s more, thanks to user data collection and analysis, Jeapie’s customers receive the opportunity to more deeply understand the behavior of users after receiving messages.

“Jeapie was founded as a result of a simple observation: despite the rapid development of mobile technology, businesses as a whole still rely on email and SMS for communication with their clients,” said Mikhaylenko last year in a media interview.

With its English-language, internationally-oriented website, the startup has been targeting the global market since its foundation in 2013.

In November 2014, Jeapie secured \$50,000 from Ukrainian venture fund Digital Future. The funds were intended for further product development, business process optimization, and sales development.

Another investor was the GrowthUP+ fund, which was launched by Dennis Dovgopoliy, a figure of the Ukrainian startup scene.

Jeapie’s acquisition marks the first exit for Digital Future and the third one for Dovgopoliy, following Podorozhniki and Viewdle. The latter was acquired by Google in 2012.

Established in 2007, Mobify defines itself as “a mobile commerce and engagement platform used by leading companies to drive hundreds of millions of dollars in mobile revenue every year.” It has its headquarters in Vancouver, Canada, and a network of partners in North and South America, Europe, Asia and Australia.



Stock photo marketplace Depositphotos raises \$5 million from EBRD and TMT Investments “to challenge market giants”

Ukraine Digital News, Dec. 17, 2015

Depositphotos, an international stock photo platform with Ukrainian roots, announces a \$5 million funding round led by the European Bank for Reconstruction and Development (EBRD) with the participation of TMT Investments.

With this capital injection, the company aims to “become a leader in emerging markets while continuing to challenge the market leaders in Western countries.” The funding will also be used to expand Depositphotos’ R&D center in Ukraine.

Founded in 2009 in a basement office in Kyiv (Kiev), Depositphotos is an example of global Ukrainian startup success story. It now claims 10 million monthly visitors and three million members with leading positions in emerging areas, including Central and Eastern Europe and Latin America.

Depositphotos offers quality content with a variety of tools for customers’ creative workflows. Contained in its library are more than 40 million stock photographs, vector images and video clips.

On the content supply side, Depositphotos claims it has “one of the most attractive royalty offers in the industry,” providing content producers with “unlimited earning opportunities.”

While the better part of its revenue derives evenly from North America, Western Europe and emerging markets, Depositphotos has a low-cost R&D unit in Ukraine. The company has either a sales and marketing office or a country representative in each targeted market.

“Already among the top five global stock photo marketplaces, Depositphotos will accelerate its successful development with this new investment. The company, which generated just a few dozen thousand dollars in revenues when we initially invested in them, now already makes tens of millions annually” said Artem Inyutin, Head of Investment at TMT Investments.

The EBRD is investing via its Venture Capital Investment Programme. According to the terms of the deal, the bank will acquire a minority stake in Depositphotos while founder Dmitry Sergeev will retain majority ownership of the company.

Agreed last month, the transaction will be completed until the end of the year.



Soros fund invests in software engineering company Ciklum to help Ukraine “break from the past”

By Adrien Henni and Jane Kuhuk, Ukraine Digital News, Nov. 18, 2015

The Ukrainian Redevelopment Fund, a private investment vehicle launched by US businessman and philanthropist George Soros earlier this year, has announced its acquisition of “a significant equity stake” in Ciklum, a major software engineering company operating globally from its main office in Kyiv (Kiev).

The Ukrainian Redevelopment Fund is set to acquire the entire stake held by Horizon Capital, a leading Ukrainian private equity fund manager, as well as an undisclosed portion of the stake held by Majgaard Holdings Ltd. No capital injection is taking place.

The transaction, of which the details have not been disclosed, is expected to be completed by the end of 2015, subject to customary closing conditions and regulatory approval.

Founded in 2002 by Danish businessman Torben Majgaard, Ciklum has asserted itself as a leading player in Ukraine’s rapidly-growing IT scene. The company now employs more than 2,500 programmers. Facing growing international demand for software development services, Ciklum has recently opened a development center in Belarus – a former Soviet republic neighboring with Ukraine – together with another in Romania, and two in Pakistan, all in addition to its six locations in Ukraine.

“We intend to open additional development facilities in Poland and Spain by the end of the year,” the Ciklum press service told Ukraine Digital News.

Many of Ciklum’s clients are western companies developing their own products. No less than 25 of them have “reached the IPO stage with Ciklum’s development capabilities,” the company claims. One of these companies is Just-Eat, which was valued at more than \$2 billion when it went public in London in the spring of last year.

Ciklum itself is not ruling out an IPO, but has stated that, either way, it “will not happen in a short-term perspective.”

A signal for international investors?

“Soros’s Ukrainian Redevelopment Fund has made its very first investment in the IT sector,” notes Andrey Kolodyuk, whose company AVentures has drawn the attention of Soros and other international investors to this industry.

“This is a signal for the global investment community, showing it is time to step in and invest in the Ukrainian IT sector, which did not get the deserved attention in the past,” Kolodyuk added in an exchange with Ukraine Digital News.

Together with Soros, Kolodyuk has joined Ciklum’s board of directors.

"I am very excited about my investment in Ciklum," Soros stated. "It is a very dynamic company in an industry that represents the future of Ukraine. It is also an investment in what I call the New Ukraine – Ukrainians who are young, well-educated, and eager for their country to break from the past and to build an open society. I hope that my investment serves as an example to other investors."

The Ukrainian Redevelopment Fund presents itself as "a private investment vehicle which focuses on special situations and private equity investments in Ukraine" as well as "companies with significant operations in Ukraine." The fund targets investments which "have the potential to promote economic and social development in Ukraine."

A long-standing commitment for Ukraine

In a separate move, the fund also announced today an investment in Dragon Capital New Ukraine Fund under the management of Kyiv-based Dragon Capital. Other investors may be invited to participate after the first closing of this seed-stage round. The New Ukraine Fund will invest and bring managerial support in a wide range of sectors of the Ukrainian economy to support long-term growth, the Interfax Ukraine news agency reported.

Hungarian-born George Soros has been supporting Ukraine's transition to a free society since the early 1990s through the Open Society Foundations, which he founded. The International Renaissance Foundation, which is a part of the Open Society family of foundations, played a noticeable role supporting civil society during the Euromaidan protests, and continues to "work with civil society to achieve essential reforms and help citizens" from annexed or war-torn areas of Ukraine.

Soros believes that "the new Ukraine is the most valuable asset that Europe has." Earlier this year, he developed what he called "a winning strategy for Ukraine" and circulated it among the European authorities – with some influence, if judging by the reaction of pro-Russian activists who view Soros as a "behind-the-scene puppet-master" in Ukraine.



*Andrey Kolodyuk
(Aventures), George
Soros, Yevgen
Sysoyev (Aventures)
and Torben Majgaard
(Ciklum)*



Horizon Capital invests in e-commerce site Rozetka

Ukraine Digital News, July 17, 2015 (excerpts)

Yesterday the Emerging Europe Growth Fund II (EEGF II), a mid-cap private equity fund managed by Kyiv (Kiev)-based Horizon Capital, announced the acquisition of a stake in Rozetka, a leading Ukrainian e-commerce company.

The financial details of the deal were not disclosed, but speculations appeared in the media that Rozetka's valuation could amount to anything between \$200 and \$700 million, and that the fund may have acquired an up to 15% stake.

Rozetka is No. 207 in the Internet Retailer Europe 500, with 2014 online sales of 85.0 million euros, down 1.13% from the prior year, according to Internet Retailer estimates.

The Ukrainian online retail market reached some \$1.6 billion last year – losing ground in US dollars but up 10% in one year in local currency, according to a recent report by industry association UADM in partnership with Ukraine Digital News.

“This market still retains significant upside potential as Internet and e-commerce penetration rates remain substantially lower than regional peer levels,” Horizon Capital notes.

“Led by visionary entrepreneurs, Vladyslav and Iryna Chechotkin, Rozetka has superior brand recognition, top quality service and high customer satisfaction levels. It is the most popular Ukrainian e-commerce site,” the fund stated, citing GfK Ukraine data.

Rozetka allows online shoppers from all over Ukraine to purchase a variety of goods and services, from laptops and smartphones, to toys and fishing rods, to train and airline tickets. The site had never raised venture money so far.

Good news for the industry – and for the country?

Very few significant venture deals took place in the e-commerce segment over the past year. In September 2014, giant investment firm CIG injected \$2.5 million in groceries delivery company Zakaz.ua.

Horizon Capital's move could mark the start of a more favorable period, believes Dmitry Lisitsky, the CEO of online marketplace All.biz. “This [deal] is important, [because] Horizon is a big investor – they've been on the Ukrainian market for many years and they understand what's going on here,” Lisitsky told the Kyiv Post.

“Apparently, this fund has high expectations about the macroeconomic indicators of the country – Rozetka can't be successful if the entire country is in crisis. All Ukrainian e-commerce projects have seen their valuation jump [with this deal],” Lisitsky added.

The deal with Rozetka is the first investment of Horizon Capital in the e-commerce segment, the fund's press service told Ukraine Digital News.



Russia's iTech Capital invests \$2 million in Ukrainian mobile marketing startup Clickky

By Adrien Henni, Ukraine Digital News, April 29, 2015

Moscow-based venture fund iTech Capital announced today it has invested \$2 million in Clickky. Operating globally from its headquarters in Odessa, Ukraine, Clickky has developed a comprehensive mobile app marketing platform with in-house proprietary technology for user acquisition, traffic monetization and performance analysis.

The investment will support Clickky's expansion into the United States, South-East Asia and other emerging markets, as well as the launch of new analytics and media buying features and products. Clickky also plans to launch its own mobile advertising sales agency, MobiLimes.

Clickky runs campaigns for clients on multiple traffic sources to reach the whole mobile ecosystem, using in-house targeting and optimisation capabilities. Its platform has its own affiliate and offerwall advertising network with more than 10,000 traffic partners, DMP and "the latest media-buying technologies."

"We leverage the whole mobile ecosystem to drive maximum volumes of relevant users to each client, starting from our vast affiliate network and finishing with social media and offline pre-installs in mobile stores," Clickky founder Vadim Rogovskiy said in an exchange with Ukraine Digital News.

Asked about Clickky's distinctive advantages, he answered: "We were the first to introduce at the global scale the cost-per-engagement pricing model for non-incentivized mobile traffic. This means bringing not only installs of mobile apps, but also relevant users who will actively use the app, watching video or making a purchase inside for instance."

From Odessa to the global market

With representative offices in Berlin and Moscow, Clickky is growing rapidly. Among its clients are Alibaba, Blablacar and Yandex as well as marketing platforms Glispa and MobPartner, advertising network InMobi, mobile app and game developers Wooga and Plarium. The startup claims its revenue grew two-fold last year in the fast-growing mobile app market.

Rogovskiy says Clickky has no direct competitors in Ukraine and Russia. In other markets, Fiksu and Appia in the US, Applfit in Europe, and Yeahmobi in Asia are the only direct competitors with similar business model, technologies and strategy, according to him.

"There are also many other companies that sell mobile app installs, but their offer is much broader so we don't consider them as direct competitors," Rogovskiy added.

iTech Capital Managing Partner Gleb Davidyuk believes Clickky "will continue to grow and soon become a market leader" in the mobile advertising industry – whose revenues will exceed \$100 billion as soon as next year, according to him.

Launched in 2011, iTech Capital invests up to \$10 million in businesses from all over the world in the fields of ad technologies, financial technologies, Big Data, and online travel.



Ukrainian advertising agency group to invest \$1 million in marketing startups

By Jane Kuhuk, Ukraine Digital News, Dec. 23, 2015

CMS Group, a Ukrainian group of advertising agencies, has launched its own investment fund CMS Ventures. The company intends to invest \$1 million into Ukrainian marketing startups having a potential for growth in such Russian-language countries as Russia and Kazakhstan.

Formerly known as Tabasco Group, CMS Group was founded in 2006 by Alexander Gorlov. It gathers nine independent agencies with 200 employees providing services in Ukraine, Russia, Kazakhstan, the UK and Baltic countries.

“We will invest money and resources in projects directly related to our business — be it CRM solutions, trade marketing or digital marketing,” explained Gorlov in an exchange with Ukrainian tech blog AIN.UA.

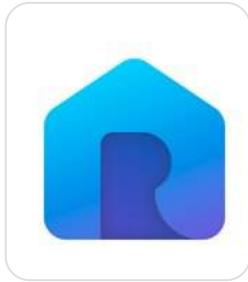
Most projects will be digital, expects Gorlov, as the whole industry is switching to digital solutions. However, CMS Ventures may also consider investing in traditional businesses. Startup entrepreneurs with an experience in marketing and communications will be given priority.

Gorlov expects to select four or five projects in 2016, each of them receiving \$150,000 in exchange to an “up to 50% stake.”

In addition to funding, the startups will benefit from an office with the necessary equipment. They will also receive support in the fields of IT, HR, PR, law and financial management. CMS Group will allow them to access its client base.

Also planned are educational programs for entrepreneurs, startup weekends and meetings with startup ecosystem representatives, experts in marketing, advertising and commercial innovation.

Source: AIN.UA, CMS Group, CMS Ventures.



Ukrainian team raises \$845,000 from international investors to launch on US long-term rental market

Ukraine Digital News, Dec. 23, 2015

A bevy of individual investors from prestigious funds has invested in Ukrainian startup Rentberry, which is developing an online platform for long-term apartment rentals. The startup, which is still at the prototype stage, has been valued at \$3 million, according to its founder.

Among the investors are executives from Carlyle Group, Synergo Private Equity, Pegasus Capital and Abris Capital as well as World Bank subsidiary IFC and Ericsson, Rentberry's CEO Alex Lubinsky told Ukraine Digital News.

Rentberry, which will target the US market, aims to make rentals easier for tenants and landlords. Scheduled for launch in March 2016, the platform will feature online procedures for visits, contract signature and rent collection.

Rentberry will also check the future tenant's credit history.

Founded by Ukrainians Alex Lubinsky, Lily Ostapchuk and Arsen Kostenko, the startup has its team split between Kyiv (Kiev) and San Francisco, reports Ukrainian tech blog AIN.UA.

"This is a truly huge market to disrupt, and Rentberry's business model looks workable. Since the founders have a relevant business background, including three years in the Valley, I believe they will be able to execute properly and build a successful company," commented Andrey Kolodyuk, a figure of the Ukrainian venture industry, in an exchange with Ukraine Digital News.

Almost simultaneously, Berlin-based long-term rental startup Nestpick raised \$2 million from Russia's Target Global (previously known as Target Ventures) and Switzerland's B-to-V Partners, following up a \$11 million Series A investment last month.



Ecoisme gets in Richard Branson's accelerator, secures new investment from business angels

By Jane Kuhuk, Ukraine Digital News, Mar 17, 2016

Earlier this month, Ukrainian energy-management startup Ecoisme was selected to participate in the Virgin Media Accelerator program, an initiative of Richard Branson in partnership with US incubator TechStars and Liberty Global Ventures.

Ecoisme is the only startup from the region to be chosen among other applicants from 71 countries, as reported by Ukrainian tech blog AIN.UA.

The program will kick off in May and last for three months. Participants will receive support from such mentors as Sir Richard Branson himself, Tom Mockridge, CEO at Virgin Media, Peter Kelly, another Virgin Media executive, and Bruce Dain, Vice President at Liberty Global Ventures, as well as experts from Facebook, Twitter, Stripe and Twilio.

At the end of the acceleration program, the startups may receive up to \$120,000 of investment.

Meanwhile, Ecoisme has raised an undisclosed amount from business angels Nick Bilogorskiy and Sergey Povzner.

"It's amazing to see how the Ecoisme young bunch of Ukrainian whizkids have created such a buzz in the IoT sector. It's an area that is normally dominated by tech giants," said Bas Godska, a Dutch marketing expert who invested in Ecoisme at an earlier stage, in an exchange with Ukrainian Digital News.

"Their skills and initial traction through crowdfunding and angel investments will now get a great push and global support via Techstars and Sir Richard Branson's team. Delivering their promise of smart energy management in our homes has come a step closer now!" Godska added.

In January, Ecoisme's co-founder Ivan Pasichnyk got listed in Forbes Europe "30 Under 30" success list.

Created in 2013, Ecoisme initially went through Kiev-based incubator Happy Farm (which then shut down). The startup also completed an acceleration program and received €80,000 in funding investment from Hubraum, a Krakow, Poland-based incubator and its backer Deutsche Telekom.



How Ukrainian Big Data startup is overtaking US giants in Asian markets – having raised just \$500,000 in venture funding

Ukraine Digital News, June 3, 2016 (excerpts)

DataProm, a startup which started two years ago in Dnipropetrovsk, Eastern Ukraine with just half a million USD in funding, is now providing its Big Data solution to e-commerce companies far beyond its native market. In this exchange with Ukraine Digital News, DataProm's founder Anton Vokrug shared his vision of the growing role of Big Data in e-commerce. He also spoke about how his company got its first clients in Asia, taking advantage of the absence of western competitors in the region.

– Why does e-commerce need Big Data? Why should this approach be more efficient than using user profiles and personalization in the traditional way?

The Big Data approach is a new way of detecting correlations between various types of data. If applied properly, this can bring huge benefits to any business, including e-commerce.

When it comes to personalization, Big Data – unlike conventional statistical methods – can increase by times the probability of meeting a customer's needs. This leads to more sales and more profit. For instance, one of our major clients has seen the depth of visit on his site increase by 1.8 times thanks to our solution. Some 7,000 clicks are generated each week by our personalization widgets alone. Three months after our system was installed, this site's turnover increased by 17.5%. And this is just a start.

– What are the limits of the Big Data approach?

There are no limits, and this is why Big Data has such a huge potential. The more you use Big Data, the better.

When analyzing a gigantic volume of data, a 'machine' is able to identify hidden patterns of customers' online behavior which could never be detected by a human.

In Big Data, however, what matters most is not the volume of data, but the algorithms and mathematical models applied, as well as their sequence and combination. It is essential that this machine – the 'black box' as we call it – know what to look for and be properly programmed. This implies a huge number of tests, which makes it a real R&D project which is not accessible to all companies.

– To which extent do e-commerce companies actually use Big Data today? Are we talking about a few pioneers or a real trend?

Big Data technologies are being used by more and more e-commerce companies. All big players like Amazon or Alibaba apply these technologies extensively. It has become a standard already – just an obligation if you want to increase conversion, ensure sales and profit growth in today's competitive environment.

The DataProm solution has been designed for small and medium-sized online stores, which, unlike large retailers, cannot afford hiring an army of programmers for such R&D.

There are many services similar to DataProm in the US market. Among them are Amazon's technologies and RichRelevance. Coming from Russia, RetailRocket is another serious competitor, currently expanding across Europe. Meanwhile we haven't seen any serious rivals in Asia so far, which is why we are seeking to expand there – in particular, to China and India.

In these markets, e-commerce is growing fast – more than 70% a year. Meanwhile, in contrast to the USA and Western Europe, Big Data technologies aren't widely used there yet. Asian players may talk about them – though not fully realizing how profitable they can be – but there's a lack of local providers providing access to these technologies.

For a company like ours, this is a huge opportunity. We opened a sales office in Hong Kong earlier this year to cover both Hong Kong and China.

Average revenue per user is high in these countries. We already have five clients in this region. They all show better performance with our solution – a 12% increase of depth of visit on average plus growing sales via our personalization widgets. And this is just the beginning, since our technology is learning by itself.

– In which other countries do you sell your solutions?

Continuing our expansion in Asia, we're planning to open a sales office in India, following the Hong Kong one. We're also exploring opportunities in the Middle East. We've just attended an e-commerce show Dubai, which has generated serious leads from the Middle-East and Asia.

Naturally we've got our strongest traction so far in Ukraine, since we are based in this country. We have around 20 clients there, essentially mid-sized e-commerce sites. It is too early to assess the efficiency of the solution, but we can already see an average 15% growth of the page views on these sites. None of our clients has stopped using our service so far.

– When did you start the project and how did you develop the solution?

In May 2014, we started developing the 'black box,' identifying and testing mathematical models and analysis algorithms applied to e-commerce. It took us a long time to single out and test efficient models. In September 2015, we completed core product development.

A few months after inception, DataProm was backed by Fison, a Ukrainian fund, which injected \$500,000 in the company.⁷

7. <http://uadn.net/?p=31080>



WannaBiz, Ukraine's last significant startup incubator, stops activity to focus on venture investment

Ukraine Digital News, October 12, 2015

Last month WannaBiz, a startup incubator based in Odesa (Odessa) in southern Ukraine, announced its transformation into a venture fund, setting the goal of raising from \$5 million to \$10 million from individual investors.

"We're not completely stopping incubation activity, but our main focus will be on investment," WannaBiz Managing Partner Vadim Rogovsky said in an exchange with tech blog AIN.UA.

The fund will invest anything between \$50,000 and \$500,000 in each project, with a priority for startups from WannaBiz's portfolio.

Beyond these startups, the fund will target "startups with Russian-speaking founders all over the world in the fields of advertising and financial technologies, enterprise software, mobile, social and hardware," Rogovsky said.

Several Ukrainian and Russian venture funds have been following this strategy for several years: thus Kyiv-based AVentures Capital as well as Moscow-based Almaz Capital, Maxfield Capital and Runa Capital, to name just a few, have invested massively in US-based and other international startups which were founded by tech entrepreneurs from the former USSR.

WannaBiz was the last significant startup incubator still in activity in Ukraine. Two other ones, EastLabs and Happy Farm, stopped activity over the past year.

"Their investors didn't support them with the required funding," AVentures Capital Managing Partner Yevgen Sysoyev told Ukraine Digital News.

"For an incubator or accelerator investment to succeed, investors should take a 7 to 10 year-perspective and agree to fund a massive number of startups. Taking private money to focus on short-term returns is a receipt for failure in emerging ecosystems," he believes.

In many countries, in contrast, incubators and accelerators are supported by impact-focused or even government related organisations, Sysoyev notes.

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AIN.UA is the leading Ukrainian specialized online publication covering the local Internet and startup industries. It is published in Russian.

www.ain.ua



AVentures Capital Managing Partner Yevgen Sysoyev, co-author of this report, regularly posts reports about the IT sector. To receive annual updates of this report and new information about the Ukrainian IT sector, you can follow Yevgen Sysoyev on Twitter @YevgenSysoyev and SlideShare. <http://www.slideshare.net/YevgenSysoyev>



The Ukrainian edition of **Forbes** covers the country's high tech and venture scene and its key people with a number of news stories and quality analysis in Russian language. www.forbes.ua



Launched in 2010, **IN Venture** is the largest Ukrainian online portal dedicated to direct investment and venture investment activity. It is published in Russian. www.inventure.com.ua



The Kyiv Post is Ukraine's leading English-language newspaper. Launched in 1995, the weekly has steadily developed a strong reputation for outstanding reporting, independent opinion and world-class journalism while leading the charge for a free press in Ukraine. Produced by a team of Western and Ukrainian journalists., the newspaper now boasts a circulation of 11,000 copies. In 2014, the Kyiv Post launched "Ukraine IT Edge," a news section dedicated to the emerging Ukrainian IT and Internet industries. www.kyivpost.com



Mapped in Ukraine is a user-generated map of the Ukrainian digital and IT scene launched in 2014. The map displays startups, investors, community centers, accelerators, IT outsourcing companies and R&D centers across the country. www.mappedinua.com



Launched in 2014, **Ukraine Digital News** (UADN.NET) is the first English language information platform dedicated to the Ukrainian digital and IT industries. As a free resource, it provides news, market data, business analysis and updates pertaining to the Internet, e-commerce, IT services, software development, hardware and other innovation in the country as well as to related investment activity and the legal environment. UADN also conducts or participates in research activities that provide local and international audiences with in-depth analysis and quality data on these industries. UADN is part of the EWDN network, which covers high tech news and trends in Eastern Europe. www.uadn.net