





PRESENT

DEALBOOK

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of Ukraine

VENTURE INVESTMENT IN THE UKRAINIAN IT INDUSTRY

2012-2014

Lead authors:

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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 2012-2013. The report also covers some of the deals closed in 2010, 2011 and the first ten months of 2014. The report analyzes 250 deals involving more than 1,000 startups in Ukraine over the past four years. It is structured in four parts:

- I. In-depth analysis of investment activities, major investors and trends
- II. Detailed deal tables
- III. Opinions from leading investors
- IV. Entrepreneur stories

This research is offered free of charge. It will be updated regularly and kept available gratis to all interested parties in order to draw to the vibrant Ukrainian innovation scene the attention it deserves.

Inaccuracies & updates

This is the first issue of the Deal Book of Ukraine. While we have done our best to provide accurate and complete information, we recognize the limits of such industry reporting – and 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 report@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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Lead authors



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Mr. Sysoyev currently serves on the board of nuPSYS, VOX, Augmented Pixels, Jooble, Depositphotos and several other software technology companies. He was named the most influential person in the Ukrainian IT sector in 2013.

Mr. Sysoyev holds an MBA degree with high distinction from the INSEAD business school (Singapore and France) and studied mathematics and economics at universities in Germany and Ukraine.

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A new investment company that analyzes the Ukrainian startup landscape, seeks out the best new projects and takes them to the global market

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An interactive presentation of this report can be viewed via this link:

https://prezi.com/y_gg35xswhcr/the-deal-book-of-ukraine/



Key findings

- Even before the emergence of a startup and venture ecosystem, a multibillion-dollar IT industry developed in Ukraine, based on a high-level engineering pool. In 2014, this sector went through the political tumult with little damage.
- Virtually non-existent five years ago, the Ukrainian venture market grew extremely fast in 2012-2013, reaching at least \$80 million in 2013.
- In 2014, the investment volume decreased by at least twofold, due to the smaller amounts invested rather than a significant decrease in the number of deals. This setback is likely to be only temporary.
- Paradoxically, this troubled year saw a revival of the Ukrainian venture and startup scene. A new generation of domestic investors and startup entrepreneurs is emerging, angel investment is growing and the portion of the syndicated deals have significantly increased.
- Following the development of business incubators, accelerators and industry events in 2012-2013, a range of industry associations, educational and media initiatives emerged in 2014, laying the foundations of a dynamic ecosystem.
- At its earliest stages, venture market growth was fuelled essentially by foreign funds. In 2013, however, Ukrainian investors started investing more significantly, nearing one half of total venture transaction amounts. In 2014, several Russian and Western funds maintained their interest in Ukraine with some deals closed, while an important fraction of venture money came from Ukrainian players.
- The venture capital industry, though young, has now many parts of the puzzle: from accelerators, to seed and Series A rounds, to buy-out funds. Series B and growth funds are still missing, with international funds closing the gap.
- While domestically oriented companies face slower growth in 2014-2015, international projects continue to enjoy dramatic growth with several global success stories from Ukraine.
- M&A activity gained momentum in 2013 and 2014, with notable acquisitions by Google, Rakuten and Apax to name a few. As the largest Ukrainian tech companies are reaching maturity, even more exits are expected in the near future with potentially nine-digit figures.

THE DEAL BOOK OF UKRAINE

FOREWORDS

FOREWORDS



Alexander Galitsky Almaz Capital

Ukraine indeed has a strong high tech sector due to a combination of factors. First, the high educational level, especially in technical fields – which is, to a large extent, inherited from the former Soviet system. This also is the case in such other former Soviet countries as Russia and Belarus but Ukraine, in contrast with them, has opened its borders with a no-visa policy. This has favored exchanges of all kinds with technologically advanced countries, and increased the Ukrainians' understanding of today's technological issues and market needs.

Our fund's policy regarding Ukraine has in no way been affected by the recent political turmoil.

The first reason is that investing in Ukraine is part of our mandate. The second reason is that, in our industries, project development and investment cycles are counted in years, which keeps them aside from political ups and downs.

By shedding full light on this market, this report comes as a precious tool to players interested in the Ukrainian market and, beyond, in the fast-growing tech industries of Eastern Europe.

Alexander Galitsky is founding and managing partner at Almaz Capital

FOREWORDS



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.

FOREWORDS



Yevgen Sysoyev AVentures Capital

Can a multibillion-dollar IT industry exist in a country with virtually no venture investment?

The answer is yes, and the country we are talking about is modern-day Ukraine.

In 2011 our firm launched the first venture fund. True, a multibillion-level IT industry already existed in Ukraine at that time; on the other hand, there were no incubators or seed funds. International funds had already been active, but they were mostly investing in companies at the growth and buy-out stages, with very few deals happening at earlier points.

How could a multibillion-dollar IT industry emerge without any venture money in the ecosystem in the first place? There was no local market to consume technology and no early adopters to stimulate the development of the innovative products. There was no seed funding available.

Technical talent, however, was abundant – and the people who had it were hungry enough to bootstrap and succeed in international markets.

Over the years, the intellectual products and software developed by Ukrainian technical talent has been absorbed internationally, mostly in the markets of the US and Europe. Famous Ukrainians who left Ukraine and built multibillion-dollar startups in Silicon Valley include Jan Koum (WhatsApp) and Max Levchin (PayPal) and many others.

Those Ukrainian entrepreneurs, who stayed in Ukraine, have grown in ambition and skill, building many successful global businesses such as InvisibleCRM, Jooble, Depositphotos to name a few. The day when we will hear of the first billion-dollar IPO or exit of a Ukrainian IT startup is coming soon.

From this point onward this report will offer no soft statements – simply hard numbers and data-driven conclusions. The numbers will speak for themselves.

Yevgen Sysoyev is founding and managing partner at AVentures Capital

THE DEAL BOOK OF UKRAINE

PART 1

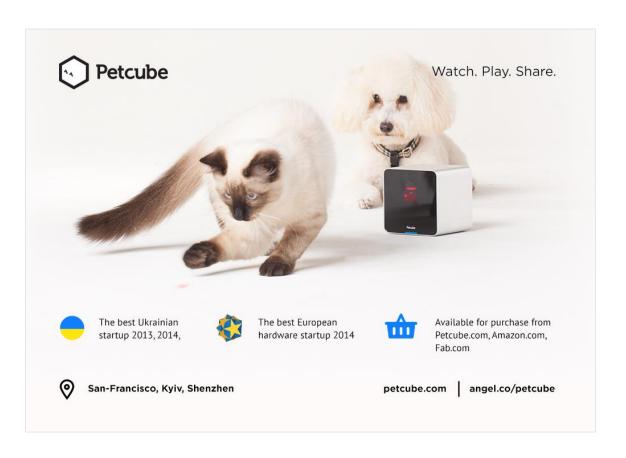
INVESTMENT A C T I V I T Y O V E R V I E W

RESEARCH HIGHLIGHTS

- The Ukrainian venture market remained one of Europe's fastest growing in 2012-2013, with 2013 its best year ever. Over 2012 and 2013 the market grew in terms of both the number of deals and invested dollar amount. Total investment in 2012 reached \$44m, a twofold increase from 2011. In 2013 the total amount came to \$80m, almost a twofold increase over 2012. The number of deals grew from 24 in 2011 to 52 in 2012 and 59 in 2013, a 50% compound growth across four years.
- Activity significantly increased across seed and Round A deals. The number of seed deals increased from 20 in 2011 to 43 in 2012 and 44 in 2013, and the volume tripled from \$4m in 2010 to \$15m in 2011 and stayed at \$12m in 2012 and 2013. The increased seed activity was due to the following factors: (i) the emergence of angel and accelerator classes in Ukraine; and (ii) the increased number of early-stage VC funds, both foreign and Ukrainian. We estimate that angel investors backed more than 50 startups in 2012-2013, with an average check of \$150,000. The first accelerators emerged in 2012, and in 2012-2013 together with international incubators and accelerators they invested in more than 50 projects, with an average check of \$40,000. The size of the average seed and Series A deal, however, remained smaller than in developed markets, with a typical seed deal settling at \$280,000 and \$3.8m for Series A in 2013.
- The increase in the number of Round A deals can be attributed to the gradual development of an investment and startup eco-system. Series A deals tripled from 4 in 2011 to 12 in 2013, and capital invested grew from \$8m in 2011 to \$45m in 2013, accounting for 60% of the total investment volume. While most of the rounds were below \$3m, there were several \$5-10m deals, including ModnaKasta, All.biz, Megogo, Topmall and several others. No Series C or D deals were observed, as the Ukrainian venture capital industry remains in its early stages of development. Few if any companies raised more than three rounds (seed, A, B), as most companies still hoped to grow from cash flow after a few investment rounds.
- Startups received the first local grants in 2013. With the emergence of Global Technology Foundation came the first grant deals, nine in total, valued at \$30,000 each. Founded by Almaz Capital, Bionic Hill, Runa Capital and TA Venture, GTF's goal is to accelerate software development in Ukraine and increase the share of IT in the country's GDP.
- Ukrainian funds and individuals invested a record amount of capital in 2013. Prior to 2012, foreign funds accounted for the great majority of investment volume. In 2013, however, Ukrainian investors set a new trend, putting some \$55m into the country's IT market accounting for 70% of the total invested capital and becoming the market's most active investor class. Contributing to this leap in local investor activity were the first big public success stories in 2011-13 Google's acquisition of Viewdle, Cupid's IPO, Apax Partners' acquisition of GlobalLogic, acquisitions of late stage companies by private equity firms as well as a rapidly-developing venture ecosystem, the emergence of seed incubators and more thorough media coverage.
- Foreign investments remain high in number and volume, with Russian funds historically playing the most active role. In 2012 and 2013 foreign investors continued to demonstrate interest in Ukrainian companies, investing \$26m and \$23m respectively, with Naspers and Almaz Capital being most active international funds. Of the foreign companies, Russian funds invested \$5m in 2012 and \$13m in 2013, with TMT Investments, Runa Capital, Imperious Group, Altair being the most active. Due to the political crisis there was a decline in foreign investment volume in 2014, which is likely to recover in 2015.

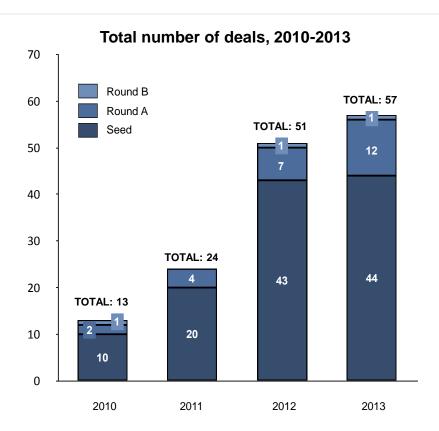
- Liquidity volume is up while mergers remain weak. The volume of liquidity events has grown rapidly over the past four years, amounting to \$80m in 2012 and an estimated \$455m in 2013. Most of the increase in 2013 can be attributed to the acquisition of GlobalLogic by Apax Partners for \$420m, the biggest liquidity event for the Ukrainian IT sector to date. Other notable acquisitions include that of Portmone by the PE fund Dragon Capital's Europe Virgin Fund; of Fotomag by a private investor; and of UMH Digital by VETEK Group. The most noteworthy acquisitions of 2012 were Viewdle by Google (for an estimated \$45m) and MoneXy by Fidobank. Merger activity remains weak, with only two mergers in 2012 KyiAvia/Tickets.ua and United Online Ventures/Tochka.net. After the IPO of Cupid PLC in 2010, the market has seen no public offerings. However, EPAM and Luxoft went public in 2012 and 2013, respectively. Both these international companies have large R&D facilities in Ukraine, with the number of engineers exceeding 2,500.
- The year 2013 was marked by the rise of syndicate deals in which a number of Ukrainian investors participated. Before last year the percentage of such deals was small. Their number increased significantly in Q4 2013, strengthening the trend of increased market transparency and investor cooperation for co-investments.
- 2014 is characterized by the high number of seed deals and the decrease in the amount of capital invested. Compared to the same period of 2013, the investment volume decreased more than twofold. While the seed deal count remains high, the average deal ticket has decreased by more than 2 times. These trends are consistent with the worsening of political and economic situation that resulted in the contraction of the money available in the market. That said, we expect the venture market to recover fully in 2015.

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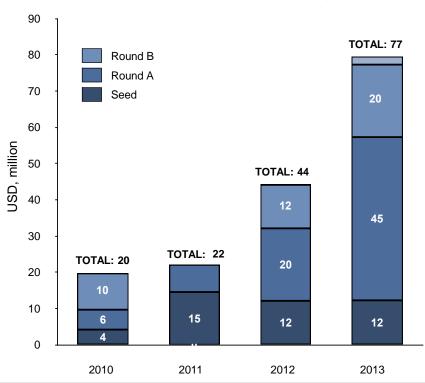


TOTAL AMOUNT OF INVESTMENT





Total amount of investment, USD million, 2010-2013 1

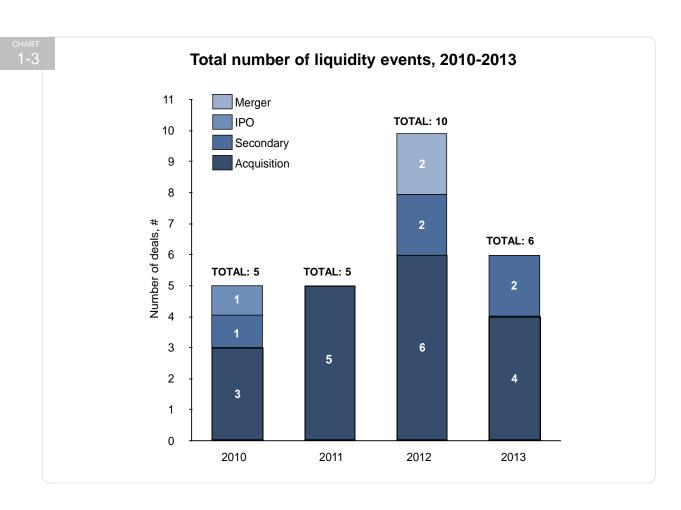


^{1.} This analysis excludes grants, which are not considered investments.

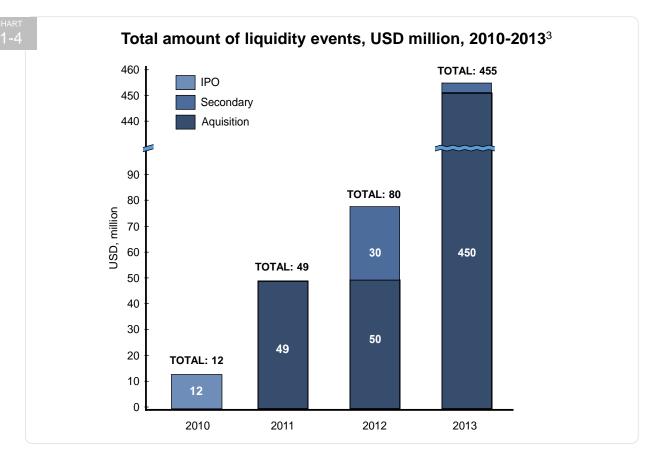
The Ukrainian Internet Industry has experienced steady growth over the last four years.

Investment activity demonstrated a steady growth across 2010-2013 in both the number of deals and investment volume. The graphs below illustrate this trend through a summary of various investment stages and liquidity events. Although activity increased across all investment stages, the growth in investment volume can be attributed mainly to a rapid increase in the number of Round A deals, accounting for 60% of investment volume in 2013.

The number of liquidity events varied across the period, with the small sample size yielding no clear trend and most of deals remaining undisclosed. However, the volume of liquidity events doubled every year, with the sizable boost in 2013 owing to several major exits. We include mergers in the deal count for liquidity events but exclude them from liquidity volume calculations since they do not involve cash settlements.²



^{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.



The chart below summarizes Ukraine's funding ecosystem: deal number, capital invested and the average ticket for grants, investment events, secondary events, mergers and acquisitions.

CHART **1-5**

Overview of the number of deals and deal amounts, 2012-2013⁴

2012			2013			
Deal stage	Total, USD	Number of deals	Average, USD	Total, USD	Number of deals	Average, USD
Grant	1,000,000	1	1,000,000	240,000	8	30,000
Seed	12,160,526	42	289,536	12,289,368	44	279,304
Round A	20,000,000	7	2,857,143	44,050,000	12	3,670,833
Round B	12,000,000			20,000,000		
Follow-on	200,000			2,200,000	2	1,100,000
Secondary	30,000,000	2	15,000,000	5,000,000	2	2,500,000
Merger		2				
Acquisition	49,500,000	6	8,250,000	450,000,000	4	112,500,000

^{3.} Excludes UMH Digital by VETEK and the buyback of Cupid PLC by Noosphere Ventures.

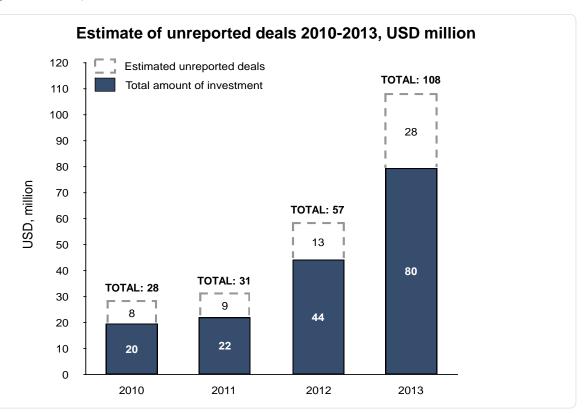
^{4.} Includes only deals with disclosed amounts.

113 UNREPORTED DEALS

The number of undisclosed and unreported deals remains high.

A certain improvement in transparency was evident year-to-year, and especially in 2013 deals. 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 a more complete media coverage (as well as frequent information leaks). According to our estimates, this report covers approximately 70% of the deals concluded in 2012-2013 and 65% of those from 2010-2011. Although a larger percentage of deals was disclosed in 2013, we believe that the unreported number remained high – an estimated \$28m – as the year saw a significant increase in Round A deals, the average ticket of which was many times higher than that for seed deals. The results of our estimation of the volume of unreported deals are shown in the graph below. (We do not provide similar calculations for liquidity events due to the small sample size and fragmented data.)





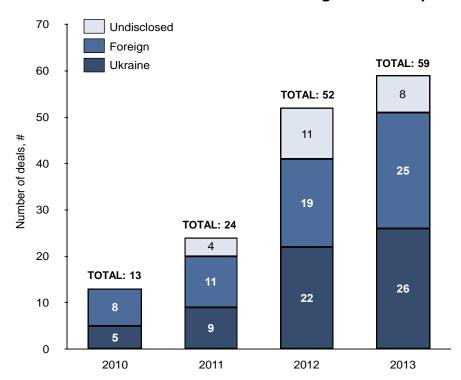
1.4. FOREIGN CAPITAL BREAKDOWN

Investments came from a healthy mix of local and foreign funds.

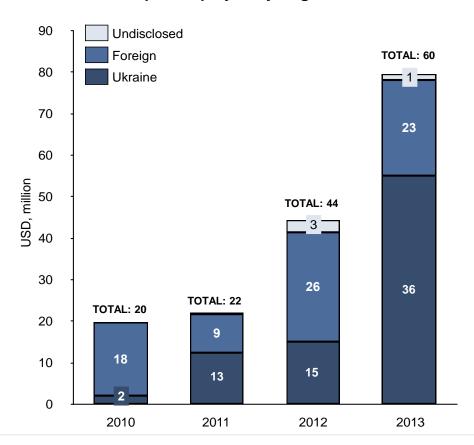
Ukrainian funds and individuals invested a record amount of capital in 2013. Ukraine also accounted for the largest number of deals in country-of-origin terms for 2012-2013. The amount invested by local funds is growing much faster than the number of deals with their participation, suggesting an increase in the average check, meaning that more local funds are participating in Round A deals. Both the number of deals and the volume invested by foreign-funds doubled since 2011 suggesting that Ukraine's attractiveness for foreign investors have been steadily increasing in the past four years. The top tier global VC firms are already actively screening Ukrainian companies. As the local funds grow in reputation and experience, we expect to see an increase in foreign investments through syndicate deals with Ukrainian venture funds.

1-7 1-8

Number of deals with Ukrainian and foreign investors participation



Breakdown of capital deployed by origin of investor, USD million

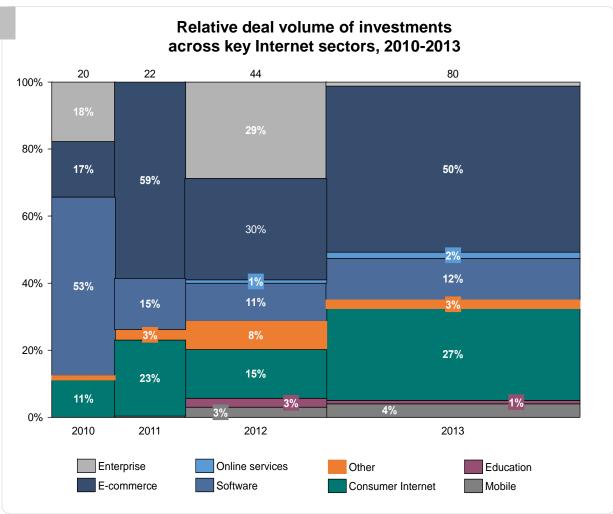


BREAKDOWN BY SECTOR

E-commerce, software and consumer Internet are key segments among investment deals.

Among reported deals, e-commerce attracted the most capital in 2013 and grew at a 45.6% rate yo-y for the 12-month period. With 7,000 e-commerce shops in Ukraine⁵ and an estimated market size of \$1.8b to \$2.3b, e-commerce was one of the most attractive and high-potential segments of the Ukrainian Internet in 2012-2013. The key segments are electronics (over 50%), marketplaces, clothing and apparel, and online booking services. Although electronics remains the largest segment, it demonstrated a modest 30% y-o-y growth – compared with the twofold growth of fashion retail – in 2013. International e-retailers increased their role in the Ukrainian market, with booking.com, aliexpress.com, amazon.com and ebay.com the most popular sites. The largest investment deals of 2013 included ModnaKasta by Naspers (an estimated investment of over \$5m); Topmall by TA Venture (\$5m); and Label.ua by Flint Capital (\$2m). In 2012 Naspers backed Prom.ua by \$2m and Label.ua closed a \$1m round from a private investor. E-commerce is still in its very early stages of development, and future growth will be driven by an increase in Internet penetration, consumer adoption of online buying, development of online offerings and increased online marketing budgets.





^{5.} See E-Commerce study by UADM, released in January 2015.

Consumer Internet and software are also among the leading fast-growth sectors of Ukrainian IT. The biggest deals of 2012-2013 were Megogo, oll.tv, all.biz, ModnaKasta, TicketForEvents TicketForEvents for consumer Internet, and Jelastic, BackupAgent, RollApp for software.

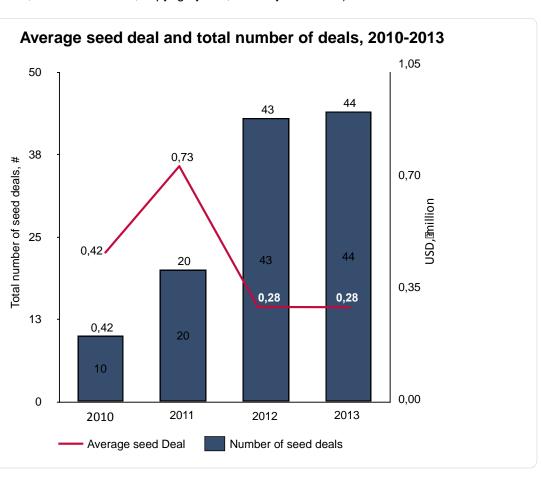
Among other sectors, mobile and gaming (included within the "Other" category) are rapidly developing. Mobile had a total of 17 deals in 2013, amounting to \$3.2m, compared to 4 deals in 2012 for a total of \$1,3m. Examples of mobile companies include Augmented Pixels, Advice Wallet, Coppertino (VOX audio player) and Attendify. A number of gaming startups have emerged over the past two years; many small- and medium-sized companies figure among them, including Renatus, Vostok Games, Room 8 Studio, Nravo and Tatem Games.

1161 A CLOSER LOOK AT FUNDING STAGES

Seed activity remains high and the number of Series A deals is increasing.

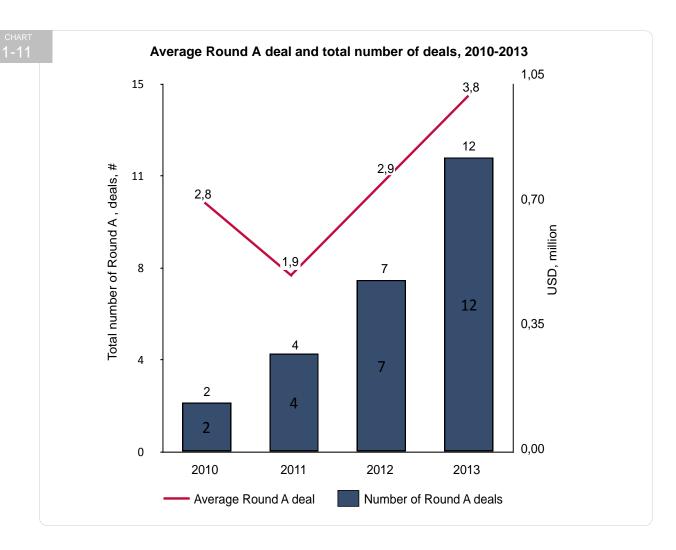
The number of seed deals reached 43 in 2012 and 44 in 2013, totaling \$12m both years. The leap from 20 deals in 2011 is due to the emergence of first seed accelerators/incubators, new early-stage Ukrainian VC funds and angels, and the increased interest of foreign investors in the Ukrainian IT market. As the number of players writing small checks went up, the average seed deal was rapidly diminishing; it stabilized at \$280,000 in 2013, a three-fold decrease from 2011. The most active seed VC investors in 2012-2013 included AVentures Capital, TA Venture, Vostok Ventures, Detonate Ventures and Imperious Group; the most active incubators were Happy Farm, EastLabs and Wannabiz. The most active angel investors in 2012-2013 were Semyon Dukach (Preply, uGift, Promo Republic, 1NewTrack, Rallyware and Petcube) and Yuriy Chayka (egroshi.ua, novus.ua, mittenpay.com, co-brand.com.ua, copyrightys.ua, Credery and Hit24).





Since Round A and seed rounds are interconnected, the market also saw an increase in the number of the former, reaching 12 deals in 2013. The average Round A deal size reached \$3.8m in 2013, a steady increase from 2011. For Round A deals, there were no leaders in number of deals, but Naspers, Almaz Capital and TA Venture were ahead in amount of capital invested.

The Ukrainian Internet market has had only a few Round B deals in the past four years and very limited late stage investments (Round C, D etc.). 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.





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- Professional management. Project managers provided by Ciklum lead your dedicated team and maintain cross-organizational communication aligned with your business vision and long-term goals.

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LIQUIDITY EVENTS

1.741 2012 LIQUIDITY EVENTS

The year 2012 saw the highest number of acquisitions to date, although acquisition volume was not large. All exited companies were valued at less than \$100 million. The most notable deal of the year was Viewdle, a leading imaging and gesture recognition company that was acquired by Google for approximately \$45m. There were two acquisitions by Russian companies that bought their Ukrainian analogues for geographical expansion: Kassir.ru bought the entertainment ticket seller Kakrabas.com, and Mail.ru acquired Mail.ua, also a provider of free email. Among local deals, Ukarine's Fidobank bought MoneXy Ukraine, an online payments platform, for an estimated \$3 million.

In secondary deals, the Ukraine-based PE fund Horizon Capital bought a minority stake in Ciklum, a Ukrainian outsourcing giant, for estimated \$17.5 million. We expect Ciklum to go public within next 3-5 years.

1-12

Overview of notable liquidity events, 2012

Company	Deal value,	Acquirer	Date	Deal	Sector
Viewdle (viewdle.com)	\$45m	Google	Oct-2012	Acquisition	Software
Ciklum (ciklum.com)	\$17.5m	Horizon Capital	Apr-2012	Secondary	Enterprise
MoneXy (monexy.com)	\$3m	FidoBank	2012	Acquisition	Finance
Mail.ua (mail.ua)	\$500,000	Mail.ru	Aug-2012	Acquisition	Consumer Internet
Karabas.com (karabas.com)	Undisclosed	Kassir.ru	mid 2012	Acquisition	E-commerce
Official data Unconfirmed amounts					

1 2 2013 LIQUIDITY EVENTS

2013 was comparable in deal numbers but much more fruitful in dollar volume, becoming the best year yet for the acquisition market. The purchase of GlobalLogic became the first multi-hundred million dollar deal for the Ukrainian tech sector when the IT outsourcing company was bought by Apax Partners for \$420 million. Another large scale deal was the acquisition of multimedia company United Media Holding Digital (UMH) by VETEK, an energy holding group, for an estimated \$450m. (This deal is not included towards the total acquisition volume in our analysis since the proportion of tech business within UMH is difficult to estimate.) UMH includes such major media portals as tochka.net, bigmir.net and i.ua. An outsourcing giant Ciklum acquired Kuadriga, a Danish outsourcing company with a software development center in Kyiv. The amount of the deal is not disclosed. Among other deals were the sale of the online electronics outlet Fotomag for \$10m to a local investor and the purchase of a controlling stake in Portmone.com by the Ukraine-based PE fund Dragon Capital. Portmone is an interbank system for electronic delivery and payment of bills.

Another deal not included in the analysis was the buy-back of Cupid PLC (renamed TogetherNetworks) by Noosphere Ventures. Cupid, a publicly traded company on the London stock exchange, sold its portfolio of casual dating services to Noosphere Ventures, controlled by Cupid's co-founder (and 15% shareholder) Max Polyakov for \$68.1m. Mr. Polyakov returned to manage and expand the company.

Another company – Maxymiser - founded by Max Polyakov accounts for the other secondary deal in 2013. Maxymiser, a leading provider of digital customer experience optimization solutions, was acquired by a private equity firm NXT Capital Venture Finance Group for an undisclosed amount.

1-13

Overview of notable liquidity events, 2013

Company	Deal value	Acquirer	Date	Deal	Sector
GlobalLogic	\$420m	Apax Partners	Oct-2013	Acquisition	Enterprise
Cupid	\$68.1m	Together Networks, Noosphere Ventures	July-2013	Buy back	Consumer internet
United Media Holding (umh.com.ua)	Part of a larger deal	VETEK Group	Nov-2013	Acquisition	Consumer Internet
Fotomag	\$10m	Private investors	Oct-2013	Acquisition	E-commerce
Portmone	\$5m	Dragon Capital	Dec-2013	Secondary	Finance
Maxymiser (maxymiser.com)	Undisclosed	NXT Capital	Jun-2013	Secondary	Software
Kuadriga (kuadriga.com)	Undisclosed	Ciklum	Mar-203	Acquisition	Enterprise
Official data Unconfirmed amounts					

1.8 MERGERS

There were two mergers in 2012 and none in 2013. The most notable deal was the merger of four multimedia portals – i.ua, bigmir.net, korrespondent.net and tochka.net – into a single company, United Online Ventures. The merger was meant to consolidate local players against the expansion of foreign players in the Ukrainian media market. Together those merged companies encompass one-third of Ukraine's Internet audience and one fourth of the online advertisement market. A year after this, United Online Ventures (renamed UMH Digital) was acquired by VETEK Group.

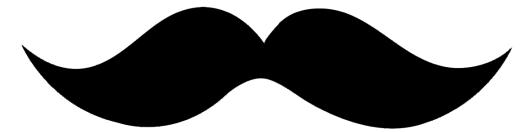
In the other 2012 deal, Tickets.ua, the national leader in online ticket sales, and KyiAvia, the leading online travel agency, merged to accelerate their growth in the travel market.

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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. Not included here are a number of foreign venture funds that have made only one investment (e.g. Life.sreda fund in Settle) and other venture funds that have either invested in companies with R&D in Ukraine or are in the process of screening deals (e.g. Accel Partners, Bessemer Venture Partners, EarlyBird and Mangrove).

A few new venture funds, including Digital Future, APEX VNT and FOVentures, launched in Q3 2014 and plan to make their first deals in late 2014. We also don't include Polyteco, an incubator created at Kyiv Polytechnical Institute, whose mission is to bring up the generation of professionally trained entrepreneurs. Polyteco provides office space on the premises of the institute as well as funding and mentorship sessions.

GROWTH & BUY-OUT STAGE INVESTORS





STRATEGIC INVESTORS









SEED & ROUND A INVESTORS





































INCUBATORS & ACCELERATORS







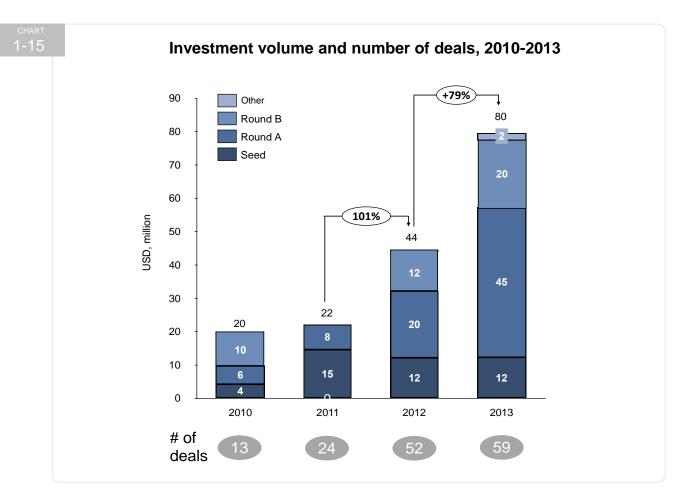


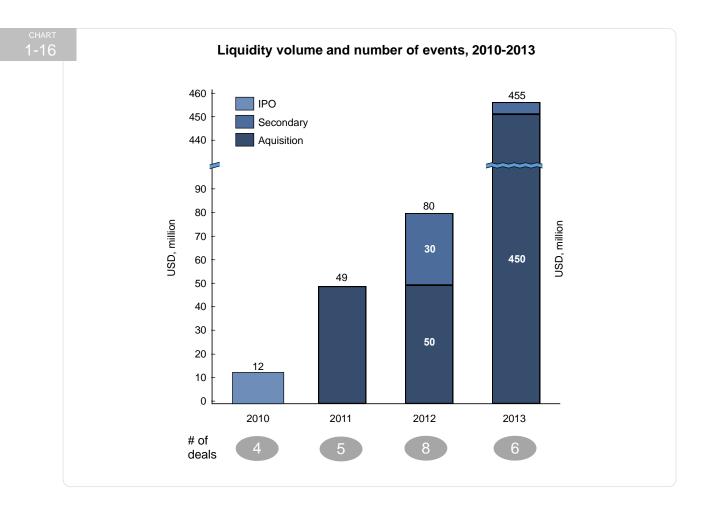
1110 VENTURE MARKET GROWTH RATES

Although the market is small in absolute terms, it is growing steadily

Despite the steady growth numbers over the past few years, the overall level of investment in Ukrainian startups remains relatively small. This is mostly due to the availability of local capital and human resources, and to the development level of the venture capital ecosystem. Prior to 2011 few if any investors were making growth capital-type investments, forcing entrepreneurs to quickly find profitable ways of developing their businesses. This has severely skewed company formation away from capital-intensive startups, which often require multiple rounds of financing before seeing a profit. However, the pace of development of the Ukrainian IT market has been very rapid in the past few years, hinting at significant future opportunities for investors that go hand in hand with early stages of industry development.

The number of liquidity events remains very small, making it difficult to discern clear market trends. The total liquidity volume has been more than doubling since 2010, reaching \$80m in 2012 and \$455m in 2013. The spike in 2013, however, is attributable to one multi-hundred million deal (the acquisition of GlobalLogic by Apax Partners). As the VC ecosystem develops, the number of \$100m-\$1b exits will go up, in our view, with 2013 notable as a pioneer year.





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WE INVEST IN UKRAINE!



TOP COMPANIES FROM UKRAINE 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 9-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.



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 US, Europe and Ukraine that provide customers with support in 15 languages. We expect Depositphotos to go public within the next 3-5 years. www.depositphotos.com



Grammarly is a SaaS technology for spelling and grammar checking, with revenue of \$10 million in 2012. Grammarly improves communication among the world's two billion-plus English writers. More than three million registered users worldwide trust Grammarly's products, which are also licensed by more than 100 leading universities and corporations. www.grammarly.com



InvisibleCRM, 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



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



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 best-selling Maccleaning softwares available. www.macpaw.com



Paymentwall, with a partly 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 San Francisco, the company is another candidate to go public in the next 3-5 years.

www.paymentwall.com



Readdle creates innovative business and productivity applications for iPhones and iPads. Founded in 2007 in Odessa, the company has had more than 30,000,000 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 its customers number more than 30,000 worldwide, including SMBs, governmental and educational institutions and Fortune 1000 companies. www.starwindsoftware.com



TogetherNetworks is a leading social and online dating business in Europe. With over 110 million users worldwide, it operates across four continents. The service is owned by Cupid PLC, a public company founded by Bill Dobbie and Max Polyakov in 2005; acquired back by Max Polyakov in 2013. Its work force now includes hundreds of employees based in Dnepropetrovsk, Zaporizhzhya and Kyiv. www.togethernetworks.com



Zeobit specializes in computer security software and internet security. Founded by Slava Kolomiychuk in 2006, today ZeoBIT is world known for the bundled utility software called MacKeeper, the multifunctional software that combines 16 individual applications for Macintosh computers. ZeoBIT has a management headquarters in the US and partnership offices in Europe and Asia. www.zeobit.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

AWARD WINNING STARTUPS

The following are recent ratings of leading Ukrainian startups from different sources

1.12.1. AWARD-WINNING UKRAINIAN STARTUPS AT IDCEE IN 2013 AND 2014

HWAMB.ID

#1 place, 2013

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



#2 place, 2014

EcoisMe is an aggregator of energy management systems with elements of gamification and socializing. The project's goal is to preserve the environment and help households save through energy efficiency.

www.ecois.me



#3 place, 2014

Looksery is face tracking and face modification technology for real-time video messaging. www.looksery.com



#1 place, 2013

Ubertesters is the leading global provider of a cloud-based, process management tool for mobile applications beta testing. www.ubertesters.com



#3 place, 2013

Backendless provides an instant backend to help developers build better apps faster. www.backendless.com



Best Consumer Startup Award, 2013

Kabanchik is a Ukrainian TaskRabbit analogue that allows people to outsource selected jobs and errands. www.kabanchik.ua



Best Ukrainian Startup, 2013

Hashtago offers brands a way to engage with customers in social networks and reward people for using branded hashtags. www.hashtago.com

1.12.2. TOP 5 PROMISING STARTUPS ANNOUNCED AT THE 2014 IFORUM CONFERENCE



#1. **PetCube** is a home gadget which allows users to watch, talk and play with their pet using their smartphone. The startup raised funding on Kickstarter, becoming the most successful crowd-funded pet product. Petcube also got best hardware startup award in Europe. **www.petcube.com**



#2. **iblazr** is a multifunctional flash with 4 LEDs that can be synced with any iOS or Android smartphone and tablet. **www.iblazr.com**



#3-5. **CheckiO** is a game for coders that improves coding skills. **www.checkio.org**



#3-5. **Coppertino** is the developer of VOX audio player, #1 Music player for MacOS. The company now launching VOX Cloud and iOS player. **www.coppertino.com**



#3-5. **Hromadske TV** is an Internet television station in Ukraine that provides free and objective news broadcasting. **www.hromadske.tv**



#6. Pics.io is Online photo editor with RAW support.www.pics.io



#7. **Multitest** helps consumers to find the best internet provider in the area. It operates in Ukraine, Russia, Poland and other countries **www.multitest.ua**



#8. **Enable Talk** translates sign language into speech. The project won the first prize at the Microsoft Imagine Cup competition. **www.enabletalk.com**



#9. **Augmented Pixels** is a leading developer of augmented and virtual reality technology and solutions for retail, real estate, marketing and media. **www.augmentedpixels.com**



#10. **CallFreeCalls** is VoIP Service for making free phone calls and texting online. **www.callsfreecalls.com**

2014: HOW THE POLITICAL TURMOIL HAS AFFECTED THE INDUSTRY, AND WHAT TO EXPECT NEXT

The outlook for the sector is mixed: while the performance of local companies depends on the political situation in the country, the global players will continue to prosper.

1 3 1 A SNEAK PEAK AT 2014

A general slowdown in investment activity but an agile liquidity market

With 47 investment deals closed before November 2014, the number of transactions is slightly higher compared to the same period of 2013. The amount invested, however, has slipped to an estimated \$22m to date, at least a threefold drop against the same period a year ago. Overall, we estimate that the venture capital market in Ukraine will drop by half in 2014, reaching \$40m vs. \$80m in 2013. Taking into account the confirmed interest of key international and local funds in investing in Ukrainian high tech (see Part 3 "Investors Respond"), we believe that this drop in investment volume is temporary

On the other hand, we can conclude that although activity remains high, the average ticket has decreased significantly across stages. Most of the deals closed in 2014 were early stage seed deals with the average ticket of \$121,000. With the emergence of new incubators and early stage funds, we expect to see more early stage deals with small tickets. In particular, in the first half of 2014 has seen the opening of few new VC funds, such as Digital Future, APEX VNT, FISON and FOVentures, and a number of new incubators. Carrot, the first Ukrainian hardware incubator, launched in May 2014 and has already attracted such residents as iBlazr, Bike Lift & Carry and Mobiliuz. iCubator, an incubator created through the National University of Kyiv-Mohyla Academy, aims to assist startups in attracting capital via crowdfunding platforms such as Kickstarter, InDiegogo and others. Another incubator, Sikorsky Challenge, launched in July 2014 through Kyiv Polytechnic Institute; it is comprised of a startup school, business incubator and three venture funds and will help startups by providing office space, connections to investors and various legal and business services.

The M&A activity already exceeds the previous years by the number of deals. This year has already seen seven acquisitions, several involving foreign companies. Japan's Rakuten acquired Slice.com, Semantria by Lexalytics for an estimated \$10m nd the French BlaBlaCar bought Podorozhniki.com for an estimated \$1-\$3m. Backup Agent, a Dutch company with a large R&D team in Ukraine, was acquired by Acronis, whose headquarters are in the USA. In the local market, Softserve acquired UkrGermanEnterprise; both are outsourcing companies; prom.ua bought zakupki-online.com, a B2B procurement platform, for an estimated \$800,000.

In the e-commerce segment, Fotomag and Senturia faced financial difficulties and were sold off. There have been two mergers so far. One joined Superdeal and Pokupon, the two largest players in the local coupon market (together accounting for over 60% of it). The other merger brought together SoftTechnics and Intersog, two outsourcing companies.

Political instability results in a dramatic drop in investment volume. In 2012-2013, the majority of investors participating in rounds over \$3m were either international investors or investors with Russian roots. During the political crisis of 2014, such investors have been keeping their money close to the belt. The data received to date for the year demonstrate this trend: while the number of \$2m-plus deals in 2013 was at least ten, this year we have seen only three such deals: Starwind raised \$3.25m from Almaz Capital, ABRT and AVentures Capital; and Gillbus raised \$3m from Intel Capital, InVenture Partners and FinSight Ventures; food ecommerce startup Zakaz.ua raised \$2.5m from CIG, a Ukrainian family office. There was the first in Ukrainian market media for equity deal with StarLightMedia agreed to provide discounted advertising for topmall.ua for \$3.2m in exchange for equity.

Slower growth rates await companies that are physically present in Ukraine and/or oriented to the local market. The growth of many local companies has significantly slowed and will continue low for the rest of the year. As the corporate and government sectors have frozen their investment projects, local IT integrating companies have suffered a major slump in demand. The growth of the outsourcing industry has slowed from 30% to 15%. We believe that this is a short-term phenomenon caused by the overreaction of some international clients – and expect the industry to resume its steady growth at 30% in the next five years. Unlike outsourcing, e-commerce companies did not experience a decline in UAH terms in comparison with the same period last year. However, in USD terms we estimate a drop of 35-45% due to devaluation of the Hryvnia (the Ukrainian currency). The earlier projected growth of 40-50% remains fundamentally possible but is likely to be delayed until the Ukrainian economy recovers and peace is restored. Foreign ecommerce players, however, remain active in the local market: Russian fashion retailer Lamoda and Smart Guy, a major Danish e-retailer, launched in Ukraine this year.

Global product companies will continue to enjoy growth while new startups should prepare to think globally. Product companies oriented toward the global market will not feel the general slowdown of the Ukrainian market. The market leaders will continue to grow at 50-100% a year. Many of them are projected to conquer new geographies and keep their investor attractiveness. Paymentwall, Depositphotos, InvisibleCRM, Jooble, PaymentWall, Grammarly and BPMOnline are among the largest companies with R&D in Ukraine, and they are continuing their rapid growth this year. Younger startups should be ready to face a stark choice: show traction quickly and become profitable or die fast. Thus the best startups will still be able to raise capital, but the tickets will not be high. Most locally-oriented companies are unlikely to gain traction. However, entering the global markets outside the CIS may allow businesses to finesse domestic political risk.

Foreign companies will be the main buyers of Ukrainian global companies over the next few years. This trend has already started in 2014: Japan's Rakuten has acquired slice.com, America's Lexalytics acquired Semantria, French BlaBlaCar has bought podorozhniki.com to name a few. In the second half of the year and in 2015 we expect to see many more exits of companies with international presence and global products, including a few major IPOs.

Private equity funds have started investing in Ukrainian IT. We have already witnessed a number of secondary deals involving international and local private equity funds, including the acquisition of GlobalLogic by Apax Partners, Portmone by Dragon Capital's European Virgin Fund, and Ciklum by Horizon Capital. We expect to see more such deals in 2015-2016.

THE DEAL BOOK OF UKRAINE

PART 1 | INVESTMENT ACTIVITY OVERVIEW

The political overhaul has created new opportunities for the industry, with a long-term positive impact.

Political change has brought young, western-educated and progressive people into government – and they have started lobbying for long-awaited and much-needed changes in the IT sector. As a result, a law on e-commerce has passed its first reading in the Ukrainian Rada (parliament). Although the law still requires improvements, it represents a major breakthrough for the sector, with long-term positive implications. Beyond this, a recently-established group called the Reanimation Package of Reforms is encouraging Ukrainian government officials and major mobile providers toward the launch of 3G and 4G networks in the country. As the IT community of Ukraine will continue its lobbying efforts over the next 2-3 years, we expect to see more positive news regarding deregulation of the sector, IT infrastructure development, creation of e-government, and reforms in IT and computer science education. More startups are likely to emerge while the government aims to modernize through the automation of various government services as well as social projects oriented towards increased transparency among political entities. A Yozma-type fund is being discussed in Ukraine within the venture community: some players believe this model could contribute to make the IT industry the main driver of Ukraine's economy.

1113.2 COULD UKRAINE FOLLOW THE ISRAELI EXAMPLE?

With the right private initiatives and government support, Ukraine could repeat Israel's success.

Ukraine's marked resemblance to Israel suggests that the country has a chance of emulating Israel's successful IT experience. Both are young countries with big international diasporas; both are eager to join the developed world and are experienced in the high-tech sector; both demonstrate growth in entrepreneurship development; and unfortunately both have unfriendly neighboring countries. In 2013 Israel closed a record 662 deals totaling \$2.3bn. Some 45 companies had exits, with a total exit volume of \$6.4bn. Much of this stunning growth has been attributed to a round of successful reforms in the venture capital and startup sector. The biggest and most successful Israeli initiative – Yozma – matched government money 1:1 with investment from private sources in Israeli startups. As a result, in the first three years of the initiative, Yozma contributed to the emergence of over 10 venture funds.

Today Israel has some 70 venture capital funds investing in Israeli and foreign startups and the largest number of startups per capita of any country.⁶ The Ukrainian IT community has already started discussions of similar reforms and held meetings with key political figures to initiate plans. We hope to see such plans become a reality over the next few years. The following is a list of the most noteworthy initiatives and organizations piloted in 2013-2014, with their purposes and goals.

6. See Ilia Kenigshtein's presentation on Israel: http://www.slideshare.net/kenigshtein/ss-34422854

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1114 NOTABLE INDUSTRY INITIATIVES

The troubled 2014 year could, paradoxically, go down in Ukraine's history as a foundational period for its young high tech venture industry. While, for the first time, the new authorities seemed to pay due attention to the sector's needs – seeing in it a vector to the country's modernization – several important organizations emerged, providing the industry with a long-awaited structuration and collective stimulus. Also worthy of note are industry events, some of which are listed in Appendix 4.



The Brain Basket Foundation is a growth-oriented non-profit launched by Ukraine's leading IT companies with the goal of making the country's IT industry the driving force of Ukraine's economy. The Foundation, launched in spring 2014, aims to raise the funds and resources to train 100,000 IT specialists by 2020 – making IT the number one export industry in Ukraine, contributing \$20bn yearly while driving startup growth and advancing the implementation of e-government. The Brain Basket Foundation is supported by key figures of the Ukrainian business, educational and political scene as well as by such international businesses as Microsoft, Cisco and Ciklum. It enjoys the support of Sir Richard Branson as well as of Kyiv mayor Vitaly Klitschko. www.brainbasket.org



Chasopys is a co-working space based in Kyiv designed for entrepreneurs in various fields. Started in 2012, it quickly became a full-time office space for startups while many industry events take place there.

www.coworking.chasopys.ua/en



Growthup Acceleration program offers a two-part program to introduce prospective entrepreneurs to concepts behind business-development and to provide support in building startups. The first part of the acceleration program includes a series of seminars that provide insight into key principles of venture investments and the technology market. The second part of the program offers participants personalized attention from mentors who have been selected based on their qualifications and expertise on issues pertaining to the given project. www.growthup.com/en/program-en



HPLife Global Program is aimed at the development of entrepreneurs who have recently started their business and want to enhance their management skills. The goal of the program is to help the participants transfer from intuitive project management to the conscious one; to represent the best practices of management and business project development. www.ent.bionic-university.com/uk/hp/



Hub Odessa is a co-working space and a business incubator in Odessa, Ukraine that hosts many educational events for entrepreneurs. www.coworking.od.ua

Innovative Ukraine

In early 2014, amid the revolutionary events, the leaders of the Ukrainian IT community set out Innovative Ukraine to advocate comprehensive government reform program for the IT industry. Key reforms include the deregulation of the sector, the elimination of corruption schemes, the enactment of e-commerce, tax and education laws and the automation of government services. Innovative Ukraine has developed a program to replicate the experience of Israel, the USA and other countries in boosting the IT and technology sector. In particular, the program suggests mirroring Israel's Yozma initiative, according to which the government must implement attractive tax incentives to foreign venture capital firms investing in Ukraine, matching all private investment with government funds 1:1.



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 already enabled the passage of 12 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 available in Ukraine.

www.platforma-reform.org



Lviv IT-BPO Cluster is an association of leading Lviv-based IT and BPO companies that jointly undertook an initiative to transform the business environment in the city. By uniting companies, universities and local authorities for the implementation of projects with high added value, the organization aims to make Lviv one of the most competitive business services centers in Central and Eastern Europe, foster business ecosystem development for an IT-BPO cluster in Lviv and create an internationally competitive R&D center in the city. The cluster started its activities in 2010. www.it-bpo.lviv.ua/en



Launched in 2011, Startup UA is a platform that connects entrepreneurs with Ukrainian private investors offering financial investment in high-margin startups. The platform's mission is to increase the wealth of Ukrainian society (investors, entrepreneurs and others) by developing the investment ecosystem in Ukraine and matching high-potential projects with interested investors. www.startup.ua



Startup Ukraine is a co-working center in Kyiv, Ukraine started by Anna Petrova in 2011. The center aims at developing entrepreneurship in Ukraine. One of its main goals is to create a community of 10,000 entrepreneurs in Ukraine in three years time. Aside from providing a co-working space, the center serves as an educational and networking platform for entrepreneurs and other professionals. www.startupukraine.com



The Ukrainian Innovation Development Association (UAID) was launched in mid 2014, gathering twenty of the most significant players on the Ukrainian high-tech scene. These include international technological companies, IT service providers, technoparks, investment companies and educational institutions. The mission of the Association is to create conditions for the rapid development of high-tech business in Ukraine. UAID's main goals are to boost Ukraine's investor attractiveness and to increase country's work efficiency and the welfare of its people. www.uaid.com.ua

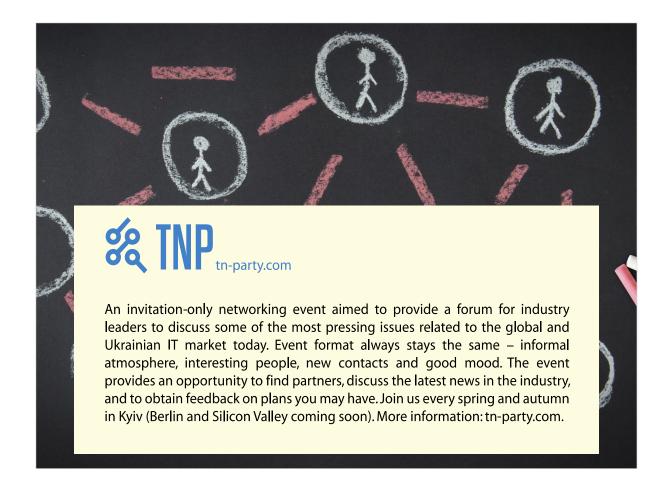


Launched in June 2014, UAngel is a business angel network that provides a platform for entrepreneurs to meet investors and for investors to syndicate locally and internationally. It facilitates the introduction of entrepreneurs to potential investors through events, presentations, investor coffee mornings, 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

UVCA

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

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THE DEAL BOOK OF UKRAINE

PART 2

DEAL BOOK RAINE

TABLE

METHODOLOGY

How we approached deal selection, data grouping and analysis

2.11 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 – fro 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.

2.1.2 DEALS INCLUDED

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

21 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 2010-2014. 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.

2.1.4. 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.

2.1.5 INVESTMENT ROUNDS 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

2.1.6 LIQUIDITY EVENTS CLASSIFICATION

Туре	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

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.

21 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.

2.1.8. STARTUP CATEGORIES

Consumer internet, including portals 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;

Finance, including mobile payments;

Others that do not belong to the categories above.

2.2. DEAL TABLE

Company	Brief Description	Sector	Amount	Deal type	Investors	Investor type	Capital origin	Date
GlobalLogic	An offshore software R&D service company	Enterprise	\$420m	Acquisition	Apax Partners	M&A	Foreign	Oct 2013
TogetherNetworks	Online dating service	Online services	\$65.2m	Buy-back	Noosphere Ventures	VC	Ukraine	July 2013
Viewdle (viewdle.com)	Image recognition technologies	Software	\$45m	Acquisition	Google	M&A	Foreign	Oct 2012
Slando (slando.ua and slando.ru)	A classifieds site in Russia and Ukraine; Slando.ru became part of Avito.ru while Slando.ua remained wholly owned subsidiary of Naspers	Consumer Internet	\$29m	Acquisition	Naspers	M&A	Foreign	May 2011
Ciklum (ciklum.com)	Offshore and near shore software development, outsourcing and agile consulting	Enterprise	\$20m	Secondary	Horizon Capital	PE	Ukraine	Apr 2012
Maxymiser (maxymiser .com)	A provider of online testing, personalization and cross-channel optimization solutions.	Enterprise	\$12m	Round B	Pentech Ventures Investor Growth Capital	VC	Foreign	Jan 2012
Cupid (cupid.com)	Online dating site	Online services	\$12m	IPO	IPO	IPO		Jun 2010
Handster	Independent mobile store for Android	Mobile	\$10m	Acquisition	Opera Software	M&A	Foreign	2011
Oll.tv (oll.tv)	Online TV service	Consumer Internet	\$10m	Secondary	SCM	M&A	Ukraine	May 2012
Fotomag (fotomag.com.ua)	Online market for electronics, home appliances and furniture	E- commerce	\$10m	Acquisition	Undisclosed	M&A	Ukraine	Oct 2013
KP Media	Largest news and media portals in Ukraine	Online services	\$10m	Acquisition	United Media Holding, private investor	M&A	Ukraine	Sep 2011
Viewdle (viewdle.com)	Image recognition technologies	Software	\$10m	Round B	Best Buy, Blackberry Partners Fund, Qualcomm	VC	Foreign	Oct 2010
Semantria (semantria.com)	Cloud based sentiment and text analytics services for small to medium sized businesses	Software	\$10m	Acquisition	Lexalytics	M&A	Foreign	Jul 2014
Topmall.ua (topmall.ua)	Online shopping store	E- commerce	\$5m	Round A	TA Venture	VC	Ukraine	Apr 2013
ModnaKasta (modnakasta.ua)	Shopping club for fashion goods	E- commerce	\$5m	Round A	Naspers	PE	Foreign	2012 2013

Company	Brief Description	Sector	Amount	Deal type	Investors	Investor type	Capital origin	Date
Portmone.com (portmone.com)	An interbank system for electronic delivery and payment of bills	Other	\$5m	Secondar y	Dragon Capital	M&A	Foreign	Dec 2013
Jelastic (jelastic.com)	Delivers platform-as- infrastructure, cloud for enterprises, hosting providers and developers	Software	\$3.5m	Round A	Maxfield Capital	VC	Russia	Sep 2013
DeNovo (de-novo.biz)	Datacenter and cloud IT services	Enterprise	\$3.5m	Round A	IFC, Intel Capital	VC	Foreign	Nov 2010
Starwind Software (starwindsoftware .com)	Leading provider of software-defined storage for Microsoft Hyper-V environment	Enterprise	\$3.25m	Round B	Almaz Capital, ABRT, AVentures Capital	VC	Foreign, Ukraine	Apr 2014
Topmall (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	\$3.2m	Media for equity	StarLightMedia	VC	Ukraine	Oct 2014
Maxymiser (maxymiser.com)	Global provider of online testing, personalization and cross-channel optimization solutions.	Software	\$3m	Round A	Pentech Ventures Scottish Investment Bank	VC	Foreign	Jan 2009
TicketForEvent (ticketforevent.com)	Professional event registration and eticketing software	Consumer Internet	\$3m	Round A	Abele Ventures	VC	Russia	Nov 2012
Depositphotos (depositphotos.com)	A royalty-free photostock online service	Consumer Internet	\$3m	Round A	TMT Investments	VC	Russia	Sep 2011
Gillbus (gillbus.com)	Ticket booking system for buses in Ukraine, Russia and Thailand	Consumer Internet	\$3m	Round A	InVenture Partners, Intel Capital, Finsight Ventures	VC	Foreign	Jun 2014
MoneXy (monexy.com)	Online payments platform and cloud- based wallet	Other	\$3m	Acquisition	FidoBank	M&A	Ukraine	2012
Divan.tv (divan.tv)	OTT and Smart TV online service	Consumer Internet	\$2.5m	Round A	Undisclosed	Private investor	Foreign	Jan 2009
Viewdle (viewdle.com)	Image recognition technologies	Software	\$2m	Round A	Anthem Venture Partners	VC	Foreign	Jan 2009
Jelastic (jelastic.com)	Delivers platform-as- infrastructure, cloud for enterprises, hosting providers and developers	Software	\$2m	Round A	Almaz Capital, Foresight Ventures	VC	Foreign	May 2012
BackupAgent (backupagent.com)	Vendor of cloud backup software	Software	\$2m	Round A	Runa Capital	VC	Russia	Mar 2013

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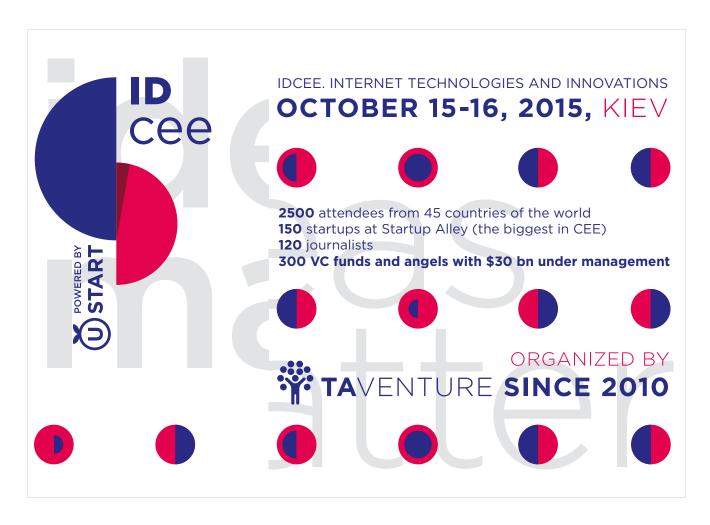
Company	Brief Description	Sector	Amount	Deal type	Investors	Investor type	Capital origin	Date
RIA (ria.ua)	General, auto and real estate classified	E- commerce	\$2m	Round A	Naspers	Strategic investor	Foreign	2010
Label.ua	Invitation only online fashion boutique	E- commerce	\$2m	Round A	Flint Capital	VC	Russia	2013
Prom.ua (prom.ua)	B2B and B2C marketplace for CIS	E- commerce	\$2m	Round A	Naspers	Strategic investor	Foreign	2012
Slando (slando.ua)	Largest classified in Ukraine	E- commerce	\$2m	Follow-on	Naspers	VC	Foreign	2013
UkrGerman Enterprise	Outsourcing services	Enterprise	\$2m	Acquisition	SoftServe	M&A	Ukraine	2014
Aukro (aukro.ua)	Largest auction website	E- commerce	\$2m	Seed	Naspers	VC	Foreign	2013
Rupay (rupay.com)	Online payment platform	Other	\$2m	Acquisition	RBC ilformation Systems	M&A	Russia	2007
Podorozhniki (podorozhniki .com)	Brings together drivers and pass- engers for occasional or regular trips	Consumer Internet	\$2m	Acquisition	BlaBlaCar	M&A	Foreign	Jan 2014
Keen Systems (keenprint.com)	Allows to build online print shops	Software	\$1.62m	Round A	Altair Capital, IDG-Accel	VC	Foreign	Jan 2014
Advice Wallet (Settle) (advicewallet.com)	Mobile loyalty platform for local businesses	Mobile	\$1.5m	Round A	Life Sreda	VC	Russia	Aug 2014
InvisibleCRM (invisiblecrm.com)	Software for seamless integration of CRM products	Software	\$1.5m	Round A	ABRT, MTVP	VC	Russia	2006
Starwind Software (starwindsoftware .com)	Leading provider of software-defined storage for Microsoft Hyper-V environment	Entreprise	\$1.5m	Round A	ABRT	VC	Russia	Jan 2011
Eurobox (eurobox.co)	Network of postal terminals	E- commerce	\$1.5m	Round A	Bull Ventures	VC	Russia	Nov 2013
Divan.tv (divan.tv)	OTT and Smart TV online service	Consumer Internet	\$1.5m	Seed	Undisclosed	Private investor	Ukraine	2011
Interkassa (interkassa.ua)	E-money aggregator for currency exchange	Other	\$1m	Acquisition	Undisclosed	M&A	Ukraine	2009
RollApp (rollapp.com)	A platform for moving existing software to the cloud	Software	\$1m	Round A	Leta Capital, TMT Investments	VC	Russia	Jul 2013
Jelastic (jelastic.com)	Delivers platform-as- infrastructure, cloud for enterprises, hosting providers and developers	Software	\$1m	Grant	Skolkovo	Grant	Russia	Jul 2012
Divan.tv (divan.tv)	OTT and Smart TV online service	Consumer Internet	\$1m	Seed	AVentures Capital	VC	Ukraine	Jul 2010
ExpoPromoGroup (expopromoter .org)	Promotion of business events and ticket sale	E- commerce	\$1m	Seed	Dekarta Capital	VC	Russia	Jan 2011

Company	Brief Description	Sector	Amount	Deal type	Investors	Investor type	Capital origin	Date
Karabas.com (karabas.com)	Online booking for entertainment events, cinema, theater	E- commerce	\$1m	Acquisitio n	Kassir.ru	M&A	Russia	Mid 2012
ModnaKasta (modnakasta.ua)	Shopping club for fashion goods	E- commerce	\$1m	Seed	Markafoni Group	VC	Foreign	2011
Prom.ua (prom.ua)	B2B and B2C marketplace for CIS	E- commerce	\$1m	Seed	Naspers	VC	Foreign	2009
Rallyware (rallyware.com)	Enterprise software to engage independent workforces	Enterprise	\$1m	Seed	Angels, TechStars	Angel	Foreign	2013
MoneXy (monexy.com)	Online payments platform and cloud-based wallet	Other	\$1m	Seed	Yuriy Chayka	Angel	Ukraine	2011-13 (several injections)

A D V E D T I S E M E N T

Official data

Unconfirmed amounts



DEALS UNDER \$1 MILLION

Company	Brief Description	Sector	Amount	Deal type	Investors	Investor type	Capital origin	Date
Keen Systems (keenprint.com)	Allows to build online print shops	Software	\$925k	Seed	500 startups	Accelerator	Foreign	Aug 2012
Zakupki.online.ua	B2B procurement management platform in Ukraine	E- commerce	\$800k	Acquisition	Prom.ua	M&A	Ukraine	Oct 2014
CheckIO (checkio.org)	Game for coders that improves coding skills	Education	\$750k	Seed	AVentures Capital, TA Venture, Vegas Tech Fund	VC	Ukraine	Dec 2013
Betegy	Data- and algorithm- based statistical football predictions	Consumer Internet	\$700k	Seed	BMP Media, angels	VC	Foreign	Aug 2012
Mail.ua (mail.ua)	Free email provider	Consumer Internet	\$500k	Acquisition	Mail.ru	M&A	Russia	Aug 2012
DataProm	Goods recommendation service for e- commerce	Software	\$500k	Seed	Fison	VC	Ukraine	May 2014
Jelastic (jelastic.com)	Delivers platform-as- infrastructure, cloud for enterprises, hosting providers and developers	Software	\$500k	Seed	Runa Capital	VC	Russia	Dec 2010
Pufetto (pufetto.com.ua)	Online furniture store	E- commerce	\$500k	Seed	TA Venture, angels	VC	Ukraine	Dec 2013
Augmented Pixels (augmentedpixels .com)	Augmented reality solutions for retail, real estate, marketing and media	Mobile	\$500k	Seed	AVentures Capital	VC	Ukraine	Feb 2013
Hilt (hilt.com.ua)	Online store that offers big discounts on designer clothing and accessories	E- commerce	\$500k	Seed	Xevin Investments	VC	Foreign	Nov 2012
MySchool (myschool.ua)	Online education platform for students, teachers and parents	Consumer Internet	\$450k	Seed	Yaroslav Maxymovych	Angel	Ukraine	2011
AdCenter	Atomized advertising platform for social networks	Enterprise	\$400k	Acquisition	VertaMedia	M&A	Foreign	Jul 2014
Attendify (attendify.com)	Mobile events apps for event planners	Mobile	\$400k	Seed	TMT Investments	VC	Russia	Jul 2013
Coppertino / VOX (coppertino.com)	"VOX" music player and storage	Mobile	\$400k	Seed	AVentures Capital	VC	Ukraine	Aug 2013
RollApp (rollapp.com)	A platform for moving existing software to the cloud	Software	\$350k	Seed	TMT Investments	VC	Russia	Aug 2011

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Company	Brief Description	Sector	Amount	Deal type	Investors	Investor type	Capital origin	Date
Top Enterprise Solutions (topes.com.ua)	Service for optimization of suppliers" performance	Software	\$350k	Seed	Imperious Group	VC	Russia	Mar 2014
Chooos (chooos.com)	Allows to sell products through Facebook pages	E- commerce	\$350k	Seed	Imperious Group	VC	Russia	Oct 2013
Bazzilla (bazzilla.com)	Direct delivery service	Consumer Internet	\$330k	Seed	Imperious Group	VC	Russia	Mar 2013
Address (address.ua)	Real estate classified	Consumer Internet	\$310k	Seed	e.Ventures, Vivex Invest	VC	Foreign	Jun 2010
Advice Wallet (advicewallet.com)	Mobile loyalty platform for local businesses	Mobile	\$300k	Seed	Imperious Group	VC	Russia	Jul 2013
Publicfast (publicfast.com)	Platform for promotion through opinion leaders' social reach	Software	\$300k	Seed	Imperious Group	VC	Russia	Dec 2013
Favim.com (favim.com)	View and collect most inspiring images from the web	Consumer Internet	\$300k	Seed	TMT Investments	VC	Russia	Oct 2012
YoCard (yocard.com)	Mobile app that aggregates digital discount cards from retailers	Mobile	\$300k	Seed	Startup.ua	Angel	Ukraine	Oct 2013
LendingStar (simzirok.com)	P2P crowd lending and investment platform for social networks	Other	\$300k	Seed	Imperious Group	VC	Russia	Jan 2014
Zakaz.ua (zakaz.ua)	Online grocery	E- commerce	\$300k	Seed	Alexander Olshanskiy	Angel	Ukraine	Jan 2010
ClickGanic (clickganic.com)	Online platform that allows webmaster to display tailored content to its visitors	Other	\$300k	Seed	Clickky, angel investor	Angel	Ukraine	Aug 2014
MoneXy (monexy.com)	Online payments platform and cloud-based wallet	Other	\$300k	Seed	Yuriy Chayka	Angel	Ukraine	2009
Petcube (petcube.com)	A home gadget which allows to watch and play with pets using a smartphone	Consumer Internet	\$250k	-	Kickstarter	Crowd- funding	Foreign	Nov 2013
Endorphin (endorphin.me)	Social media tool	Consumer Internet	\$250k	Seed	The Untitled Venture Capital Company	VC	Russia	Oct 2012

Company	Brief Description	Sector	Amount	Deal type	Investors	Investor type	Capital origin	Date
Mapia (mapia.ua)	Places directory with description and map location	Consumer Internet	\$250k	Seed	Vivex, e.Ventures	VC	Foreign	Jul 2009
CallsFreeCalls (callsfreecalls.com)	VoIP service for free calls and texting online	Mobile	\$250k	Round A	Altair Capital	VC	Russia	Dec 2013
Attendify (attendify.com)	Mobile events apps for event planners	Mobile	\$200k	Seed	TMT Investments	VC	Russia	2013
EpsySoft (epsysoft.ua)	Outsourcing services	Enterprise	\$200k	Seed	APEX VNT Limited	VC	Foreign	Jul 2014
Football4You (football4you.net)	Football fans social platform	Consumer Internet	\$200k	Seed	Imperious Group	VC	Russia	Jun 2013
Hashtago (hashtago.com)	SaaS for brands to activate users by means of cross- platform hashtag- centered activities	Consumer Internet	\$200k	Seed	Imperious Group	VC	Russia	Oct 2013
Youscan (youscan.com)	Social media monitoring and analytics/ Social CRM market in Russia and Ukraine	Software	\$200k	Seed	The Open Fund	VC	Foreign	2011
2Event (2event.com)	Mobile app that connects people with similar interests in event, travel, or accomodation	Mobile	\$200k	Seed	Yaroslav Maxymovych	Angel	Ukraine	2013
Preply (preply.com)	Online marketplace for Skype and local tutoring activities	Education	\$175k	Seed	Vostok Ventures, angels	VC	Ukraine	Aug 2012
Runfaces (runfaces.com) / Vtalkie (vtalkie.com)	Cross platform video messaging app available on ios, android, windows phone, blackberry and web	Consumer Internet	\$160k	Seed	EastLabs, EastOne	Accelerator	Ukraine	2012
Novus (novus.ua)	Online security systems store	Other	\$130k	Seed	Yuriy Chayka	Angel	Ukraine	Apr 2013
Rallyware (rallyware.com)	Enterprise software to engage independent workforces	Enterprise	\$118k	Seed	Techstars	Accelerator	Foreign	Feb 2013
DriverNotes (drivernotes.net)	Car service and maintenance app	Mobile	\$100k	Seed	Best Business Group	Angel	Ukraine	Dec 2013
Datawiz (datawiz.io)	Machine learning and AI powered data analytic service	Software	\$100k	Seed	Altair Capital	VC	Russia	Jan 2014

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Company	Brief Description	Sector	Amount	Deal type	Investors	Investor type	Capital origin	Date
Klumba (klumba.ua)	Portal for parents and the largest shopping site for children products	E- commerce	\$100k	Seed	908.ua	VC	Ukraine	Sep 2010
Podorozhniki (podorozhniki .com)	Brings together drivers and passengers for occasional or regular trips	Consumer Internet	\$100k	Seed	Glavstart	Angel	Russia	Nov 2011
Yaware (yaware.com)	Time tracking software for office and remote employees	Consumer Internet	\$100k	Seed	MagneticOne	VC	Ukraine	Dec 2011
Ecois Me (ecois.me)	Energy consumption optimization platform	Software	\$100k	Seed	Hubraum	Accelerator	Foreign	Jul 2014
A-Reality (a-reality.com.ua)	Augmented reality solutions for businesses	Software	\$75k	Seed	Best Business Group	Angel	Ukraine	Feb 2013
1NewTrack (1newtrack.com)	Music recommendation service based on users' taste	Consumer Internet	\$75k	Seed	Altair Capital	VC	Russia	Jan 2014
Refine.io (refine.io)	Allows to build interactive, functional prototypes in about the same time as a wireframe	Mobile	\$75k	Seed	Yandex	VC	Russia	Jul 2011
TR Data (trdata.com)	Bloomberg for emerging markets	Other	\$70k	Seed	SeedCamp	Accelerator	Foreign	Aug 2012
Petcube (petcube.com)	A home gadget which allows to watch and play with pets using smartphone	Consumer Internet	\$70k	Seed	Semyon Dukach, SOS ventures, Haxlr8r	VC	Foreign	2013
Unikarta (uni-cards.com)	Payment card also used for money transfers	Other	\$60k	Seed	Yuriy Chayka	Angel	Ukraine	2009
MittenPay (mittenpay.com)	A mobile POS solution for beauty industry	Mobile	\$60k	Seed	Yuriy Chayka, Mikhail Myroshnichenko	Angel	Ukraine	Oct 2013
Ready To Travel (readyto.travel)	Air ticket search	Consumer Internet	\$50k	Seed	WannaBiz	Accelerator	Ukraine	May 2013
Gutenbergz (gutenbergz.com)	Storytelling company that creates stories for a digital world	Education	\$50k	Seed	WannaBiz	Accelerator	Ukraine	May 2013
Kartinka.net (kartinka.net)	Interactive pictures	Other	\$50k	Seed	Yaroslav Maxymovych	Angel	Ukraine	2011
2Event (2event.com)	Mobile app that connects people with similar interests in event, travel, or accomodation	Mobile	\$50k	Seed	Yaroslav Maxymovych	Angel	Ukraine	2012
Rallyware (rallyware.com)	Enterprise software to engage independent workforces	Enterprise	\$45k	Seed	Semyon Dukach	Angel	Foreign	Dec 2012
HappyTom (happytom.com.ua)	Food delivery service for pets	Online services	\$43k	Seed	Imperious Group, Happy Farm	VC	Russia	Oct 2014
MittenPay (mittenpay.com)	A mobile POS solution for beauty industry	Mobile	\$43k	Seed	Imperious Group, Happy Farm	VC	Russia	Oct 2014

Company	Brief Description	Sector	Amount	Deal type	Investors	Investor type	Capital origin	Date
BethClip (bethclip.com)	Cloud productivity tool for file sharing on multiple devices	Software	\$43k	Seed	Imperious Group, Happy Farm	VC	Russia	Oct 2014
Foodle (justfoodle.com)	Local restaurants menu guide	Mobile	\$43k	Seed	Imperious Group, Happy Farm	VC	Russia	Oct 2014
Dental Cloud (dental-cloud.com.ua)	SaaS for dentists	Software	\$43k	Seed	Imperious Group, Happy Farm	VC	Russia	Oct 2014
ARQuest (ar-quest.com)	Quest games for cities	Consumer Internet	\$43k	Seed	Imperious Group, Happy Farm	VC	Russia	Oct 2014
PulsSoft (pulssoft.com)	Software for advertising	Software	\$43k	Seed	Imperious Group, Happy Farm	VC	Russia	Oct 2014
Audaster (audaster.com)	Voice messaging for Twitter	Mobile	\$43k	Seed	Imperious Group, Happy Farm	VC	Russia	Oct 2014
Exclusivio (exclusiv.io)	Social media stories exchange	Other	\$43k	Seed	Imperious Group, Happy Farm	VC	Russia	Oct 2014
Pet-Register (pet-register.net)	Cloud CRM for veterinairans	Software	\$43k	Seed	Imperious Group, Happy Farm	VC	Russia	Oct 2014
Sportamba (sportamba.com)	Social app for sports fans	Mobile	\$43k	Seed	Imperious Group, Happy Farm	VC	Russia	Oct 2014
myTips (myTips.co)	Platform for creating and A/B testing onboarding tutorials	Software	\$35k	Seed	SeedCamp	Accelerator	Foreign	Nov 2013
uGift (ugift.com.ua)	Online gift card service	E-commerce	\$30k	Seed	Semyon Dukach	Angel	Foreign	Jul 2013
Credery (credery.com)	P2P lending platform	Other	\$30k	Seed	Yuriy Chayka	Angel	Ukraine	2012
LeadScanner (leadscanner.ru)	Lead generation service which brings sales leads from social media in real time	Software	\$30k	Grant	Global Technology Foundation (GTF)	Accelerator	Ukraine	Dec 2013
Hashtago (hashtago.com)	SaaS for brands to activate users by means of cross- platform hashtag- centered activities	Consumer Internet	\$30k	Grant	Global Technology Foundation (GTF)	Grant	Ukraine	Oct 2013
Gutenbergz (gutenbergz.com)	Storytelling company that creates stories for a digital world	Education	\$30k	Grant	Global Technology Foundation (GTF)	Accelerator	Ukraine	Sep 2013
myTips (myTips.co)	Platform for creating and A/B testing onboarding tutorials	Software	\$30k	Grant	Global Technology Foundation (GTF)	Accelerator	Ukraine	Oct 2013
Pics.io (pics.io)	Online photo editor with RAW support	Software	\$30k	Grant	Global Technology Foundation (GTF)	Accelerator	Ukraine	Sep 2013
iblazr (iblazr.com)	Enhancing flash for iPhone, iPad, Android and Windows phone	Mobile	\$30k	Grant	Global Technology Foundation (GTF)	Accelerator	Ukraine	Dec 2013

Company	Brief Description	Sector	Amount	Deal type	Investors	Investor type	Capital origin	Date
Jeapie (jeapie.com)	Mobile marketing automation	Mobile	\$30k	Grant	Global Technology Foundation (GTF)	Accelerator	Ukraine	Oct 2013
uGift (ugift.com.ua)	Online gift card service	E- commerce	\$30k	Grant	Global Technology Foundation (GTF)	Accelerator	Ukraine	Sep 2013
Hit24 (hit24.lviv.ua)	Product delivery to any home or office	E- commerce	\$20k	Seed	Yuriy Chayka	Angel	Ukraine	Aug 2012
Likez (likez.ru)	Website for finding antiques, trends and trinkets	Consumer Internet	\$20k	Seed	Fenox IT	VC	Foreign	Sep 2012
HappyScan (happyscan.me)	Mobile marketing tool for restaurants, brands and retail based on QR-codes	Mobile	\$20k	Seed	EastLabs	Accelerator	Ukraine	Apr 2013
Skwibl (skwibl.com)	A visual collaboration platform for designers and their clients	Software	\$20k	Seed	Innovyz	Accelerator	Foreign	Jul 2012
Active Gift (activegift.me)	Helps find best gifts for any occasion	Consumer Internet	\$20k	Seed	EastLabs	Accelerator	Ukraine	Jan 2012
Kabanchik (kabanchik.com.ua)	A marketplace for outsourcing small tasks to others in the neighborhood	Consumer Internet	\$20k	Seed	EastLabs	Accelerator	Ukraine	Apr 2013
ClickGanic (clickganic.com)	Online platform that allows webmaster to display tailored content to its visitors	Other	\$20k	Seed	WannaBiz	Accelerator	Ukraine	Mar 2014
Poptop (poptop.fm)	Artist booking service for private events	Consumer Internet	\$20k	Seed	EastLabs	Accelerator	Ukraine	Apr 2013
Mofity.me (motify.me)	App that helps people achieve their personal goals	Software	\$20k	Seed	EastLabs	Accelerator	Ukraine	2012
Preply (preply.com)	Online marketplace for Skype and local tutoring activities	Education	\$20k	Seed	EastLabs	Accelerator	Ukraine	Jan 2012
PromoRepublic (promorepublic .com)	SAAS based platform for marketing professionals who conduct online digital promotions	Software	\$20k	Seed	EastLabs	Accelerator	Ukraine	Jul 2012
Skwibl (skwibl.com)	A visual collaboration platform for designers and their clients	Software	\$20k	Seed	EastLabs	Accelerator	Ukraine	2012
All-News (all-news.com.ua)	News aggregator	Other	\$20k	Seed	Yaroslav Maxymovych	Angel	Ukraine	2014

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Company	Brief Description	Sector	Amount	Deal type	Investors	Investor type	Capital origin	Date
Petcube (petcube.com)	A home gadget which allows to watch and play with pets using smartphone	Consumer Internet	\$20k	Grant	Global Technology Foundation (GTF)	Grant	Ukraine	Oct 2014
1NewTrack (1newtrack.com)	Music recommendation service	Consumer Internet	\$15k	Seed	Semyon Dukach	Angel	Foreign	Aug 2013
Advice Wallet (advicewallet .com)	Mobile loyalty platform for local businesses	Mobile	\$15k	Seed	Happy Farm	Accelerator	Ukraine	Nov 2012
Kwambio (kwamb.io)	Platform for designers and users of 3-D printing	Other	\$15k	Grant	IDCEE grant	Grant	Ukraine	Oct 2014
EcoisMe (ecois.me)	An aggregator of energy management systems	Other	\$10k	Grant	IDCEE grant	Grant	Ukraine	Oct 2014
Copyrightys (copyrightys.com)	Online service for intellectual property protection	Software	\$10k	Seed	Yuriy Chayka	Angel	Ukraine	2012
Robo (startrobo.com)	Robotics toys for kids	Mobile	\$10k	Seed	Genesis Angels	VC	Foreign	Dec 2013
Danceter (danceter.com)	Dance events platform	Consumer Internet	\$10k	Seed	EastLabs	Accelerator	Ukraine	Feb 2014
Latio (lat.io)	Loyalty app for shops	Mobile	\$10k	Seed	EastLabs	Accelerator	Ukraine	Feb 2014
Life.beats (lifebts.com)	A cloud-synced mobile application for medication adherence	Mobile	\$10k	Seed	EastLabs	Accelerator	Ukraine	Feb 2014
Likeastore (likeastore.com)	Social bookmarking for geeks	Consumer Internet	\$10k	Seed	EastLabs	Accelerator	Ukraine	Feb 2014
Mersimo (mersimo.com)	Fundraising platform that monetized content shared online	Other	\$10k	Seed	EastLabs	Accelerator	Ukraine	Jul 2012
Sportamba (sportamba.com)	Social app for sports fans	Mobile	\$10k	Seed	EastLabs	Accelerator	Ukraine	Feb 2014
Kartinka (kartinka.com.ua)	Allows advertisers to place targeted ads on images	Enterprise	\$5k	Seed	EastLabs	Accelerator	Ukraine	Jul 2012
Looksery (looksery.com)	Face tracking and face modification technology for real- time video messaging	Software	\$5k	Grant	IDCEE grant	Grant	Ukraine	Oct 2014
Hintarea (hintarea.com)	Constructor of online tutorials for websites	Software	\$4k	Seed	EastLabs	Accelerator	Ukraine	Feb 2014
PayJoy	A payment gateway for web and mobile app	Other	\$4k	Seed	EastLabs	Accelerator	Ukraine	Feb 2014
All-News (all-news.com.ua)	News aggregator	Other	\$5k	Seed	Yaroslav Maxymovych	Angel	Ukraine	2013

DEALS WITH UNDISCLOSED INVESTORS OR UNDISCLOSED AMOUNT

Company	Brief Description	Sector	Amount	Deal type	Investors	Investor type	Capital origin	Date
Kwambio (kwamb.io)	Platform for designers and users of 3-D printing	Other	\$500k	Seed	Undisclosed	Undis- closed	Ukraine	Oct 2014
Smart Atoms (lametric.com)	Raised money for hardware device LaMetric	Other	\$400k	Seed	Undisclosed	Crowd- funding	Undisclosed	Aug 2014
Runfaces (runfaces.com) also known as Vtalkie	Cross platform video messaging app	Consumer Internet	\$300k	Seed	Undisclosed	Undis- closed	Undisclosed	Oct 2012
Stylematic (stylematic.co)	Apparel & shopping recommendations	Consumer Internet	\$300k	Seed	Undisclosed	Angel	Undisclosed	Feb 2014
AdCenter	Atomized advertising platform for social networks	Enterprise	\$300k	Seed	Undisclosed	Angel	Ukraine	2012
Hubbub.fm (hubbub.fm)	Voice-based solutions to enhance online social communication	Consumer Internet	\$250k	Seed	Undisclosed	Undis- closed	Undisclosed	2012
Ubertesters (ubertesters.com)	Mobile app beta testing platform	Mobile	\$250k	Seed	Undisclosed	Undis- closed	Undisclosed	Oct 2012
MyTeamVoice (myteamvoice.com)	Professional voice chat for games	Software	\$200k	Seed	EastLabs, Undisclosed	Accelerator	Ukraine	2012
Friendin (friendin.net)	Ukrainian social network	Consumer Internet	\$200k	Seed	Undisclosed	Undis- closed	Undisclosed	Oct 2011
iblazr (iblazr.com)	Enhancing flash for iPhone, iPad, Android and Windows phone	Mobile	\$155k	Seed	Crowdfunding	Crowd- funding	Undisclosed	Jul 2013
Pics.io (pics.io)	Online photo editor with RAW support	Software	\$150k	Seed	Undisclosed	Undis- closed	Undisclosed	Nov 2013
Shopyy (shopyy.com.ua)	Mobile in-store geolocation app with discounts and sales campaigns	Mobile	\$100k	Seed	Angel investor	Angel	Undisclosed	Jan 2014
Best.ua (best.ua)	Online review platform for local businesses	Consumer Internet	\$70k	Seed	Undisclosed	Angel	Undisclosed	Apr 2011
PromoRepublic (promorepublic.com)	SAAS based platform for marketing professionals who conduct online digital promotions	Software	\$60k	Seed	Undisclosed	Undis- closed	Undisclosed	Jul 2012
Kabanchik (kabanchik.com.ua)	A marketplace for outsourcing small tasks to others in the neighborhood	Consumer Internet	\$60k	Seed	Undisclosed	Angel	Undisclosed	Apr 2013
Diarize (diarize.co)	Picture sharing mobile platform	Mobile	\$50k	Seed	Undisclosed	Angel	Undisclosed	Jun 2012

Company	Brief Description	Sector	Amount	Deal type	Investors	Investor type	Capital origin	Date
Multitest (multitest.ua)	Finds best internet provider	Consumer Internet	\$50k	Seed	Undisclosed	Angel	Undisclosed	2014
Advice Wallet (advicewallet .com)	Mobile loyalty platform for local businesses	Mobile	\$25k	Seed	Undisclosed	Undis- closed	Undisclosed	Feb 2013
HappyScan (happyscan.me)	Mobile marketing tool for restaurants, brands and retail based on QR-codes	Mobile	\$20k	Seed	Undisclosed	Undis- closed	Undisclosed	Apr 2013
TshirtAbout.me (tshirtabout.me)	Online editor that helps you create t-shirts using Facebook profile	Consumer Internet	\$15k	Seed	Angel Investor	Angel	Undisclosed	Aug 2012
Afisha.ua (afisha.ua)	Event calendar in Ukraine	Consumer Internet	Undisclosed	Acquisition	Rambler	M&A	Russia	Oct 2010
Auction.ua (auction.ua)	Online auction site	E- commerce	Undisclosed	Merger	Allegro Group	M&A	Foreign	Jan 2010
Semantria (semantria.com)	Cloud based sentiment and text analytics services for small to medium sized businesses	Software	Undisclosed	Seed	Oleg Rogynskyy, Lexalytics	Angel	Ukraine	Feb 2011
Casmul (casmul.com)	Multiplayer and social platform for iPhone, Android and Flash games	Mobile	Undisclosed	Acquisition	PlayPhone	M&A	Foreign	Jul 2011
Coppertino / VOX (coppertino.com)	Creator of "Vox" music player	Mobile	Undisclosed	Seed	AVentures Capital, TA Venture	VC	Ukraine	Apr 2014
DeNovo (de-novo.biz)	Datacenter and cloud IT services	Enterprise	Undisclosed	Acquisition	KM Core	M&A	Ukraine	Sep 2010
Eduson	Online catalogue of business courses	Education	Undisclosed	Seed	Detonate Ventures	VC	Ukraine	2014
Finline.ua (finline.ua)	Online platform for choosing right credit card and loan terms	Other	Undisclosed	Seed	Undisclosed	Undis- closed	Undisclosed	Apr 2013
Cloudessa	Cloud network security virtualization platform	Enterprise	Undisclosed	Seed	Undisclosed	Undis- closed	Undisclosed	2012
Gorod24 (gorod24.com.ua)	A super deal site	E- commerce	Undisclosed	Seed	Rebate Networks	VC	Foreign	Dec 2010
Gorod24 (gorod24.com.ua)	A super deal site	E- commerce	Undisclosed	Acquisition	Access Industries	M&A	Foreign	Jun 2011
Win Interactive (win- interactive.com)	Social and mobile gaming company	Other	Undisclosed	Acquisition	Playtika (www.playtika .com)	M&A	Foreign	2012
MyTeamVoice (myteamvoice.com)	Professional voice chat for games	Software	Undisclosed	Seed	Altair Capital	VC	Russia	2012
Hummus Interactive	Mobile browser games development	Other	Undisclosed	Seed	Detonate Ventures	VC	Ukraine	2011

Company	Brief Description	Sector	Amount	Deal type	Investors	Investor type	Capital origin	Date
Footboom	Content project focused on football	Online services	Undisclosed	Seed	Detonate Ventures	VC	Ukraine	2012
Lotobar	Platform for digital distribution of State instant lotteries, regulated market	Online services	Undisclosed	Seed	Detonate Ventures	VC	Ukraine	2014
Videocloud (videocloud .com.ua)	Cloud video surveillance	Online services	Undisclosed	Seed	Yuriy Chayka	Angel	Ukraine	2014
Mail.ua (mail.ua)	Free email provider	Consumer Internet	Undisclosed	Seed	Alexander Olshanskiy	Angel	Ukraine	Oct 2010
nuPSYS (nupsys.com)	Patented 3-D visualization software that simplifies network automation and management across multiple technologies	Software	Undisclosed	Seed	AVentures Capital, undisclosed funds	VC	Ukraine	Apr 2013
Neural Analytics	Device for non-invasive measurement of intracranial pressure	Other	Undisclosed	Seed	Detonate Ventures	VC	Ukraine	2013
SemanticForce (www.semanticforce .net)	Social media monitoring and analytics/ Social CRM market in Russia and Ukraine	Software	Undisclosed	Seed	Undisclosed	VC	Undisclosed	2011
Maxymiser (maxymiser.com)	Global provider of online testing, personalization and cross-channel optimization solutions.	Software	Undisclosed	Secondary	NXT Capital	PE	Foreign	Jun 2013
Pokupon (pokupon.ua)	A super deal site	Consumer Internet	Undisclosed	Seed	KiteVentures	VC	Foreign	2010
Pokupon (pokupon.ua)	Merger of leading coupon services in Ukraine	Consumer Internet	Undisclosed	Merger	Superdeal (superdeal. com.ua)	M&A	Ukraine	May 2014
Prestigeshop (prestigeshop .com.ua)	Online shopping club	E- commerce	Undisclosed	Seed	Vivex Invest, e.Ventures	VC	Foreign	2010
Prestigeshop (prestigeshop .com.ua)	Online shopping club	E- commerce	Undisclosed	Acquisition	Otto Group	M&A	Foreign	May 2010
Smartdoc (smartdoc .com.ua)	Contract creating service for Ukrainian legislation	Software	Undisclosed	Seed	Vostok Ventures	VC	Ukraine	Jan 2012

Company	Brief Description	Sector	Amount	Deal type	Investors	Investor type	Capital origin	Date
Sinichki (sinichki.com.ua)	Social network for moms	Consumer Internet	Undisclosed	Seed	908.vc	VC	Ukraine	Mar 2012
Shareroot	Atomized marketing platform for Pinterest	Other	Undisclosed	Seed	Detonate Ventures	VC	Ukraine	2014
TheOldReader (theoldreader .com)	Web-based news aggregator	Consumer Internet	Undisclosed	Seed	Undisclosed	Undis- closed	Undisclosed	Aug 2013
Slice (slice.com)	Online e-commerce service	Software	Undisclosed	Acquisition	Rakuten	M&A	Foreign	Aug 2014
Taxer (taxer.ua)	Online accounting services	Software	Undisclosed	Seed	Undisclosed	Undis- closed	Undisclosed	Jul 2012
Superdeal (superdeal .com.ua)	A super deal site	E- commerce	Undisclosed	Seed	e.Ventures	VC	Foreign	2011
Supportyourapp (supportyourapp .com)	Customer support service outsourcing	Enterprise	Undisclosed	Seed	Undisclosed	Undis- closed	Undisclosed	Feb 2014
Travel Technology Lab LLC (iterios.com)	Online travel company	Software	Undisclosed	Seed	Undisclosed	Undis- closed	Undisclosed	2012
Tochka.net (tochka.net)	News and media portal	Consumer Internet	Undisclosed	Merger	United Online Ventures (currentlly UMH Digital), KP Media	M&A	Ukraine	Feb 2012
ThinkGrid (thinkgrid.com)	Enabler of cloud computing that equips IT providers with the tools to address the changing needs of the SMB market	Software	Undisclosed	Acquisition	Colt Technology	M&A	Foreign	Aug 2012
ThinkGrid (thinkgrid.com)	Enabler of cloud computing that equips IT providers with the tools to address the changing needs of the SMB market	Software	Undisclosed	Seed	Runa Capital	VC	Russia	Oct 2011
Tickets.ua (tickets.ua)	Online travel company	E- commerce	Undisclosed	Merger	KyiAvia	M&A	Ukraine	Nov 2012
WeVorce	Platform for amicable divorce	Online services	Undisclosed	Seed	Detonate Ventures	VC	Ukraine	2013
Renatus (renatus.com)	Game publishing company	Other	Undisclosed	Seed	Noosphere Ventures	VC	Foreign	2012
BackupAgent	Dutch company, with R&D in Ukraine. Provider of cloud backup to SMEs and telcos.	Software	Undisclosed	Acquisition	Acronis	M&A	Russia	Aug 2014

THE DEAL BOOK OF UKRAINE

PART 2 | DEAL TABLE

Company	Brief Description	Sector	Amount	Deal type	Investors	Investor type	Capital origin	Date
Poster (joinposter.com)	iPad POS for restaurants	Mobile	Undisclosed	Seed	908.vc	VC	Ukraine	Jun 2013
Kuadriga (kuadriga.com)	IT outsourcing	Enterprise	Undisclosed	Acquisitio n	Ciklum (ciklum.com)	M&A	Ukraine	Mar 2013
Doc.ua	Online food delivery service	Online services	Undisclosed	Round A	C-IG Digital	VC	Ukraine	Mar 2014
Eda.ua	Online physician search service	Online services	Undisclosed	Round A	C-IG Digital	VC	Ukraine	Mar 2014
Ekipazh Service (ekipazh- service.com.ua)	Online food delivery service	E- commerce	Undisclosed	Seed	Undisclosed	Angel	Foreign	Apr 2012
Co-brand (co-brand.com.ua)	Co-branded payment cards	Other	Undisclosed	Seed	Yuriy Chayka	Angel	Ukraine	2013
E-groshi (e-groshi.ua)		Other	Undisclosed	Seed	Yuriy Chayka	Angel	Ukraine	2014
E-groshi (e-groshi.ua)	A single loyalty card	Other	Undisclosed	Seed	Yuriy Chayka	Angel	Ukraine	2013
Softtechnics (softtechnics.biz)	Outsourcing services	Enterprise	Undisclosed	Merger	Intersog	M&A	Ukraine	May 2014
Zakaz.ua (zakaz.ua)	Online grocery	E- commerce	Undisclosed	Seed	Acrobator.c om, Bas Godska	VC	Russia	2012
Lamoda (lamoda.ua)	Online shopping site	E- commerce	Undisclosed	Round A	Lamoda Holding	VC	Ukraine	2013
Shafa (shafa.ua)	Classifieds for exchange and sale of used clothes	E- commerce	Undisclosed	Seed	ModnaKasta	Strategic	Ukraine	2013



- 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 earlystage venture capital fund.
- The fund invests in software, cloud technologies, consumer internet, e-commerce, mobile, payment, internet-of-things and other high-growth segments.















Mobile

THE DEAL BOOK OF UKRAINE

PART 3

INVESTORS
RESPOND:
HOW ATTRACTIVE
IS UKRAINE'S
HIGH-TECH?



Kirill Cehoval
Director at Intel Capital

Intel Capital is one of the largest technology investors globally, investing \$300-500 million every year – roughly half of which is outside the US. We have been present in the CIS region since 2000 and consider Ukraine among the most attractive IT hubs worldwide. What makes it stand out is the depth of engineering talent, exemplified by multibillion-dollar R&D output consumed by companies and markets around the world every year. This competitive advantage makes Ukraine an integral part of the global ecosystem and a unique destination for tech investors.

Over the past 10-15 years Ukraine has transitioned from an outsourcing platform for large global corporations into a much more diverse market that can generate its own innovative technologies. We have seen local entrepreneurs coming up with solutions that proved competitive not only in the growing domestic market but also abroad. Grammarly, Paymentwall, DepositPhotos, Jelastic and MacPaw are good examples of global companies with "brains" in Ukraine. These types of stories are very exciting, given the considerably larger addressable markets and opportunities to scale. The flip side is that many of these companies are often bootstrapped and not looking for new capital. Yet we would argue that having experienced VCs on board goes far beyond growth capital and can meaningfully accelerate business development.

Despite the seemingly attractive attributes of Ukraine's IT landscape, many investors remain wary of this market. There are only a handful of VCs actively pursuing post-seed stage opportunities, one of them being Intel Capital. Understandably, one of the key challenges for the industry is to fix this imbalance by more actively promoting the Ukrainian tech sector to investors and getting them more comfortable with putting capital to work. An unstable macro backdrop clearly does not help, but investing in core technologies often brings immunity from political and economic uncertainty and leads to successfully weathering the storm in the end.



Stepan ChernovetskyiPresident of Chernovetskyi Investment Group (CIG)

CIG focuses its investment interest exclusively on the IT and Internet sectors, in particular cloud computing, SaaS and other software, mobile apps, B2B and B2C service (including Internet services), data management and storage systems, CRM systems and e-payments.

The situation in the country has undoubtedly had a negative effect on the economy, and investors and entrepreneurs in general. But we are convinced that times of crisis are also times of great opportunity for market participants and for the country. It is possible that the current crisis will help the government see the potential in high-tech and IT entrepreneurship in the country, as well as motivate local startup teams to create globally oriented projects and earn money there.

Our investment potential allows us to make investments in times of prosperity and times of crisis. We sincerely believe in the success of the Ukrainian IT market, and our recent deal for \$2.5 million with Zakaz.ua, the leader in grocery delivery in Ukraine, is serious confirmation of that.

This contribution was first published in Russian language in Startup.ua

ADVERTISEMENT

The Ukrainian Direct Marketing Association (UADM) in partnership with Ukraine Digital News and AVentures Capital presents the first-ever industry report on the Ukrainian online retail industry

« E-commerce in Ukraine »



To receive an executive summary at no charge, or order the full version, please contact Mrs Alla Katrenko at katrenko@uadm.com.ua



Dmitry ChikhachevManaging Partner at Runa Capital

The technology business is primarily about talented people, and Ukraine has one of the best supplies of graduates in computer science across the Central and Eastern European region: over 15,000 per annum (about the same as Poland and nearly half of Russia's total). And not only the quantity, but also the high quality of the Ukrainian graduates is notable. The country's modern tech education system is built on an extremely strong heritage, with many schools witnessing hundreds of years of innovation and important achievements in science and technology. Two good examples of Ukraine's tech tradition are Igor Sikorsky and Boris Paton, both graduates of Kyiv Polytechnic Institute.

Using this talent pool, Ukraine rapidly became the largest Eastern European player in IT outsourcing: over 800 companies, 40,000 employees and a nearly \$2 billion annual turnover with a 30-40% CAGR. Most of the major SW development companies have established and successfully grown their business in Ukraine, including Ciklum, EPAM and Luxoft. Further, as we often see in other markets, quantity turned into quality when the first product companies emerged and the first successes were noted: led by Readdle, Grammarly, Jelastic, StarWind, MacPaw and InvisibleCRM, the success list is a long one today and will add more companies in the coming years. Early success stories attract more talented young people to tech entrepreneurship, thus reinforcing growth.

Opening the country's borders to European and American IT entrepreneurs, professionals and investors by waiving entry visas was another important factor that contributed to the success of the local technology ecosystem, as the free flow of knowledge is key to growth. Ukraine became an important technology hub, connecting Europe's east and west; IDCEE, for example, has proved itself one of the most prominent IT events in Europe. In addition, a number of local professional investors and incubators have emerged and are actively contributing to the growth of the industry, among them TA Venture, AVentures Capital and a number of angel investors. Various supportive policies adopted by the government are additional accelerating factors as well – both materially and emotionally – and the importance of the IT industry to the overall growth of the national economy now seems indisputable.



Andriy Dovzhenko Managing partner at SMRK VC Fund

We are quite optimistic about the VC market for several reasons. While there are many startups with a global potential, just a few VC funds are active on the market and the competition level is low.

Of course, the recent troubles have had an impact on the entire economy, including our industries. Today the future is uncertain, but we strongly hope that all these changes will be for the best.



Anna Dvornikova and Stas Khirman co-founders at TEC Ventures

Our international network AmBAR and event SVOD (Silicon Valley Open Doors) were the first platforms through which Ukrainian startups began entering the Silicon Valley ecosystem. Among such companies was Viewdle, which had its first public presentation at SVOD'06 and was ultimately acquired by Google. (Viewdle was later acquired by Google and became the first Ukrainian company ever acquired by Google).



Another one was TranscribeMe, a company founded by a Kiev-born entrepreneur who had lived for many years in New Zealand before graduating from Stanford MBA and starting his successful Silicon Valley venture. GetGoing, the brainchild of a Ukrainian-born entrepreneur, was funded by a few top names in the Valley. At SVOD'14 we had a very promising presenting startup called Skwibl, which has its offices both in Ukraine & Australia.

Over these years we've made an interesting observation: while many Eastern-European startups are focusing on their local markets – often even going by easy "copy-cat" paths to bring Western tested and proven ideas to their local markets, – the majority of Ukrainian companies are focusing on new ideas, technologies and on addressing western markets from the start.



Brian FeinsteinPartner at Bessemer Venture Partners

We think talented founders and innovative technology can come from anywhere in the world. Ukraine was always an area of interest for us from this perspective. The political situation hasn't changed our attitude although it's certainly introduced an additional layer of risk to any investment.



Bakhrom IbragimovTechnology investments in CEEMEA at EBRD

I believe Ukraine offers an attractive investment scene for VCs. It has a lot of technical talent. The cost base to start and operate a business is very competitive as can be seen in some early-growth companies showing impressive results in a very capital-efficient way. In addition, being a relatively smaller market, many Ukrainian start-ups think about global markets from day one thus aiming for higher targets. Lastly, I also feel a strong drive for unity and change amongst founders – which is key for making big things happen.

[Even in the present circumstances,] we are active in Ukraine and eager to find right investment opportunities for us. We welcome entrepreneurs reaching us. You can learn more about us at www.ebrd.com/vc



Andrey Kolodyuk
Managing Partner at AVentures Capital

AVentures Capital started investing in 2001, when we were one of the first companies in the venture capital sphere. Today, there are more than 30 investors in Ukraine, seven of which joined the league in 2014 despite the turbulent times.

In the past few years, Ukraine has had 250 investment deals, with half of them into companies with global reach and focus. Local IT companies clearly follow the Israeli model, where companies had to build products and services demanded globally due to the limitations of the internal economy, making Israel the country with the biggest number of startups per capita. That said, Ukraine indeed has a good chance to repeat Israel's high-tech success.

Today, Ukraine is known not only for its world-famous entrepreneurs like Max Levchin (ex-PayPal) and Jan Koum (ex-WhatsApp) but also for its rising IT stars. Recently, Ukraine-based Viewdle was bought by Google and Slice was acquired by Rakuten. These are just a few examples, and I am convinced we will hear about new exits very soon.

The Ukrainian Venture Capital and Private Equity Association was launched this year, which further proves the consistency and maturity of today's venture capital industry. Among its members, there are such powerful companies as Intel Capital, Horizon Capital, KM Core, AVentures Capital, Vostok Ventures and TA Venture.

Our main goal is to make Ukraine a number-one IT Hub in Europe, competing with other hubs like Berlin and London, and I believe we are right on track to make it happen.



Cem Sertologu
Partner at Earlybird Venture Capital

We continue to be bullish on Ukranian tech companies and are actively evaluating investment opportunities. The country has a strong science and technology education legacy and an entrepreneurial energy. The current situation makes it an intimidating market for Western VCs, but we feel it is probably getting an undue level of discount.



Roman Simonov Managing Director at Siguler Guff

Siguler Guff has been actively investing in Ukrainian IT companies for the last eight years and has seen the market evolve over time. Ukraine has an unparalleled supply of high-quality engineers which positions the country as one of the most attractive IT outsourcing destinations. One of Siguler Guff's most successful portfolio companies, EPAM Systems, Inc., capitalized on the opportunity to work with Ukraine's top-tier engineers and has become one of the largest IT outsourcing providers globally.

As the IT market evolved, international corporations began opening R&D centers in Ukraine. During the last decade, we have witnessed Ukraine become a top choice for both large and small IT companies opening R&D centers. In fact, earlier this year Siguler Guff successfully exited its investment in a big data analytics company that operates primarily in the US market and has an R&D office in Odessa. With an abundance of engineers working on international projects, it was only a matter of time before we started seeing quality companies with international ambitions started by Ukrainian entrepreneurs. We are currently in advanced stages of negotiations with a few of these companies and hope to close one or two deals this year.

Siguler Guff operates in Ukraine under the name Ukraine Partners. We remain bullish about the Ukrainian IT market which remains an important part of the firm's overall emerging markets strategy.



Viktoriya Tigipko Managing Director at TA Venture

Launched in 2010, TA Venture is a \$50m venture capital fund investing in Europe, USA and in emerging markets like India, Brazil, China, as well as in African countries. Our portfolio comprises more than 70 companies at different stages of development, and we have already exited from ten companies.

Ukraine is one of the regional leaders in the IT industry – 50% of Ukrainian startups are focused on the global market. The country boasts a huge pool of talented and highly qualified local IT developers with valuable experience of working at the leading global outsourcing companies operating in Ukraine. The 2014 Global Outsourcing 100 ranking includes six companies operating in Ukraine; three of them are in the Top-5 Rising Stars list.

Ukraine has a good starting base for the development of its startup/VC ecosystem. Despite the current slowdown of economic growth in Ukraine due to political instability, the prevailing VC investment trends in the Central and Eastern European region are starting to emerge in Ukraine as well. In line with the global trends, there is a growing number of VC funds and family offices looking for investment opportunities in Ukraine.

Illustrating these trends, the recent merger of U-Start (a Swiss-based advisory boutique focused on the work with family offices across the globe) and IDCEE (Ukraine's key international tech conference organized by TA Venture since 2010) proves that Ukraine can be considered as an entry point for family offices to the promising CEE market. This also provides an excellent opportunity for Ukrainian family offices to become an important part of the VC ecosystem in Ukraine.



Vasile Tofan
Principal at Horizon Capital

Horizon Capital is a private equity fund manager investing primarily in Ukraine, Moldova and Belarus. With over \$600 million currently under management, targeting mid-cap companies. Having completed more than 100 local transactions since the early '90s, we are arguably the most prolific private equity investor in the region.

Over recent years, Horizon has increasingly sought investment opportunities in Ukraine's IT sector. We are attentive to the increasing Internet penetration, the availability of a large, skilled talent pool of engineers and the increasingly globalizing software industry. To that end, our investments have ranged from Datagroup, a leading telecom provider, to Ciklum, one of the top IT outsourcing companies. Given that Horizon's investment ticket normally lies in the \$15-\$40 million range, we have targeted mature, established businesses in need of growth capital. Encouragingly, an increasing number of technology companies in Ukraine have reached the development stage where an investment of that size would be justified and needed.

We are very bullish on the prospects of the IT sector for the upcoming 3-5 year period. The local tech ecosystem is slowly coming of age. The maturity of local IT outsourcing businesses is a major driver – from Ciklum, to EPAM, to SoftServe, to GlobalLogic and Luxoft. The pool of some 50,000 software engineers working for these and other companies is a huge asset given the global scarcity of good programmers. Most importantly, this latent pool of entrepreneurial talent is transitioning step by step into higher value-added product companies.

The turbulent economic situation is only speeding up that transition, with more globally-focused Ukrainian tech companies being launched now than ever before. It is unsurprising that when opportunities are scarce, talented young people are doubly encouraged by the prospect of striking out on their own. With the software industry becoming increasingly modularized and delivery platforms more accessible, the chance of launching a global business out of a Kyiv apartment is more real than ever before.

The cohort of businesses that matured in the aftermath of the global recession of 2008-2009 has already produced some great success stories: Jooble, DepositPhotos, Terrasoft and Paymentwall are all among global leaders in their respective niches. We will undoubtedly see entrepreneurial heroes emerge from the current economic challenges in the years to come.



Dmitry TomchukFounder of Fison

These are not the best times today for the real sector in Ukraine. The deplorable situation not only has its origins in the Yanukovich administration, but in the outwardly almost prosperous times even before that. So many systemic errors built up and management was so corrupt that I am amazed that anything at all has survived into our days.

IT is undoubtedly the most promising field for the investor, and there are a number of reasons for that: the thieving officials don't understand the sector and don't know how to steal from it. Risk is reduced because of the geographic and organizational dispersal of projects. The average age in the sector is under 30, and that means progressive thinking, ambition, constant striving to raise the bar, high IQ and, therefore, a high-value product.

Thus, the IT sphere has proven to be the most stress-resistant and protected from shock because of its "virtual" nature.

Not only that, high-tech projects are in demand all over the world. They have high liquidity and they're cosmopolitan, not tied down territorially. Innovations in any branch of high tech will soon be as real as electricity and radio became in the 20th century. There will be high demand and developments in these spheres will always be in demand.

I believe the ongoing crisis will cause minimal losses for IT startups, which cannot be said for the real sector. That sector is now hostage to a multitude of factors: internal political processes, Russian-Ukrainian relations, the crisis in the eastern part of the country, the country's prospects for European integration, geopolitics, games being played by officials inside Ukraine and much more. So I don't envy investors who put their money in Ukrainian industry and agriculture.

In these traditional sectors, the future depends in large part on whether and how the government's new Strategy 2020 reform program is implemented.



Michael Treskow
Vice President at Accel Partners

A global VC firm founded in Palo Alto 30 years ago, Accel has been investing in European startups out of our London office since 2000. We spend a significant amount of time in CEE, and Ukraine serves as a prime example for our interest in the region.

Startups in Ukraine have access to a highly skilled developer population, a large domestic market across multiple regions, and even larger neighboring markets. More importantly, we continually meet entrepreneurs with global ambitions and have seen a number of companies establish offices in the US, which in some IT verticals is a critical step towards success. Finally, I am personally constantly impressed by the breadth of ideas in the Ukrainian entrepreneurial community. From consumer to enterprise, and from local execution of existing concepts to fundamentally new ideas, the teams' visions are diverse and independent, which always guarantees interesting meetings.



Oleksii Vitchenko
Founder and CEO of Digital Future

The Ukrainian startup industry has its own specifics. It is actively developing, but still lagging decades behind the world leaders in the startup scene, such as the USA and Israel. However, the ambitions of Ukrainian startups grow with every passing year. In 2014, we observed that more and more national projects lose interest in the local market and aim to conquer the global one. The Ukrainian startup industry is sensitive to global trends, if judging, for instance, by the increasing number of e-commerce projects simultaneously in the world and in Ukraine. We are very pleased with this trend since e-commerce is the main focus of our company.

Ukraine's difficult political situation has affected the startup and venture scene in a particular way. Despite the crisis, the number of investors has increased. But based on our experience, we do not feel that competition has got tougher. Now many investors are pretty cautious. They try to minimize risk by sharing risks with other investors. Also, there are a group of "smart" investors who invest not only money but also their expertise (for example, marketing and traffic like we do). Today's important task for our government is to work on the investment climate and develop venture capital infrastructure in our country. Creating a favorable environment for private capital investments is vital for the growth of the Ukrainian startup ecosystem.

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Fison is a \$20 million investment company founded in 2013 by Dmitry Tomchuk and Dmitry Vishnyov. One third of its capital was crowdfunded – a unique practice in the country – with 17,000 individual investors bringing their contribution from as low as \$100. The company invests a part of its capital in seed- and early stage startups with a focus on mobile apps, e-commerce and Big Data. www.fison.org

THE DEAL BOOK OF UKRAINE

PART 4

ENTREPRENEUR S T O R I E S



Ciklum founder and business angel Torben Majgaard: "The IT sector is relatively immune from Ukraine's woes – and it is now booming"

- You've been a witness of how the Ukrainian startup scene has evolved over the past few years: what are your observations and impressions?

This scene has come slowly but seems now to be very active – and this is really good for Ukraine. It has become almost "hyped and fasionable" to do a startup in this country but – for all my personal love for startups – we should not forget that it is not simple or easy to build a business. So many fail in doing so! Even though they have tremendous energy, would-be entrepreneurs should remain cautious and think twice before dropping their dayjob.

- What are, in your opinion, the assets and the weaknesses of Ukrainian startups in terms of international competition?

Let me say, to start with, that I don't see the war, the corruption etc. in our business. The IT sector is relatively immune from all this – and it is now exploding. It looks like Ukraine is set to become the next IT nest of Europe.

Creating a startup, meanwhile, is arguably harder in Ukraine than in Europe or the USA, for example. The reason is that success is very much connected to understanding the market and the customers. Ukraine is still a very small and in many ways underdeveloped market, and winning the US and EU markets is naturally easier if you live there.

Another weakness is the lack of experience. If you put together a startup in London you can easily find CEOs, CTOs etc. who have done it before, successfully or not. This valuable experience is seriously lacking in Ukraine. What's more, in the USA there are a number of ex-entrepreneurs turn business angels who have are more risk-willing than VCs. There are practically no such people in Ukraine. By the way, deal amounts in the USA are significantly higher than in Western Europe, valuations are higher, and the average time period between two rounds is much lower. By these parameters, Ukraine stands at a third level, behind Europe and far behind the USA.

On the other hand, there is a strong will to make changes in Ukraine. By being successful with a startup, you create a different opportunity for yourself. Combined with a significant and strong pool of local programmers at lower costs, this gives Ukraine a real chance.

Maidan – where many were from the IT industry – has had an impact, and this has been particularly visible over the past six months. New faces have emerged in the government and parliament. There is more confidence, as witnessed by many recent initiatives in the industry. But still, Ukraine is well behind the USA and the EU, and will remain so for a long time.

- You often present your company, Ciklum, as an incubator. Please explain.

Unlike big outsourcing companies who have, for example, 2,000 people working for a bank, Ciklum is of a much different DNA: we are more like a big cluster of startups. Some of them are very young, having started just weeks ago, others have up to 20 years of experience.

Let's take the example of Just-Eat, a startup which was valued at more than \$2 billion when it went public in London in the spring of this year. A part of their tech team is located here in Ciklum. Technology stands as an important part of their business, and the tech team is involved in important corporate discussions. This Ukrainian tech team has grown with the company, with the people working in this team a part of the success.

Also working with us is Musicqubed, whose entire tech team (around 30 people) is in Kiev. They have just closed another round of financing.

These are all Ciklum teams – or, more precisely, these tech teams are considered as being part of both Ciklum and the startup. Different from the standard outsourcing practice, Ciklum works with a very transparent model: the customer sees all the costs and works with Ciklum as an all-round partner to optimize team's work as an integrated part of the customer's business.



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

Needless to say, teams from different clients communicate, share experiences and become partners with each other. So, if you are part of such team you are in a learning curve. Ciklum can almost be said to be an academy training people to do successful startups as most of our customers are successful. This networking advantage is increased by the international dimension of Ciklum, which has offices across Europe and one in New York. Thus, we can be very helpful for expansion and networks.

- Is your personal activity as a business angel connected to these processes?

In total, I have 15-20 portfolio startups. Five of them are from Ukraine. For example, this past spring I invested in VOX (Cuppertino), which is preparing another round, in which I am taking part. Another of my startups is adQuota, a premium mobile advertisement platform operating across Europe which I founded myself.

I am inviting my portfolio startups to join the Ciklum environment as we gain experience in providing value to them we will fine-tune the model. Ultimately, we may open these opportunities to Ukrainian teams outside my own business angel portfolio.

- In early 2014, you were one of the main initiators of the BrainBasket foundation. How do you think this organization could play a role in the startup ecosystem?

About 30,000 IT people over the last decade have learned IT by themselves. Now we must help the next 30,000 do the same. Let the previous generation share their success stories with the next one. Brainbasket's online portal will include plenty of tools to do this, including a matchmaking system for volunteers to share their knowledge, it is taking off a bit slower than I would like but seems to come around now.

If you have another 100.000 learning to code and join the industry, most of them will get jobs in the outsourcing industry as that is where most jobs are. Ciklum hopes to employ another 5,000 people over the coming years. Eventually many of these will create their own startups.

 As founder and chief executive officer, Torben Majgaard has built Ciklum into one of the largest IT companies in Ukraine and Eastern Europe. He brings 12 years of experience working in Eastern Europe and 22 years of IT expertise to quickly build a 2500-person company in this fast-changing market. Mr. Majgaard is also a Supervisory Board Member of the Brain Basket Foundation, a joint initiative between the Ukrainian government and the IT industry.



Dmitry Sergeev, founder of DepositPhotos: "More freedom in Ukraine will mean more startups and more economic success"

- How does your company position itself in the competitive field of stock photography agencies?

We take a way broader perspective than any other microstock agency selling stock images. Beyond our main activity, we experiment with new concepts, such as Clashot,¹ a revolutionary product in the microstock industry, especially for editorial photography. By engaging pretty much anyone who owns a smartphone, amateur photographers have been able to create a community of inspired smart-photographers who generate lively, modern, creative content. This allows us to leverage b2b2bc channels and help large brands to run effective and interesting marketing campaigns with Clashot's user base.

- Since your start in Ukraine, you have turned into an international company with headquarters in New York and business offices in Italy, UK, Ukraine and Russia. Do you feel that Ukrainian startups are well placed, or have disadvantages, in becoming international companies?

It is absolutely great to start a tech business from Ukraine. People in Ukraine are completely ready to make a product that can potentially compete with any other IT product in the world. The intellectual resources of this country are colossal – it's an independent European country with free spirited, young people, who are able to think globally and make global startups possible. At DepositPhotos we've been able to build a team of 300 talented Ukrainians who started from the ground in a competitive industry, went all the way to the top and now aiming to become number one.

True, there were limited venture investments in Ukraine so far, and fast growing companies here are underestimated. That's a fact, but I hope investors will pay to Ukrainian talents and the tech sector in general the attention they deserve.

- In 2011, you raised a \$3m series A round from TMT Investments, an international fund with fund managers from Russia. Is this the natural way for a Ukrainian startup to start with money from the region?

Obviously Russia and Ukraine had been close for a long time – both geographically and mentally, with a lot of people in Ukraine speaking the Russian language. This certainly helps communication and explains the significant presence of Russian funds here – even today to a certain extent. In our case, we were not specifically looking for Russian money. But as it turned out, our TMT partners are extremely active and talented businessmen – perhaps the finest people right now in Russia. We became friends over time.

^{1.} https://itunes.apple.com/us/app/clashot/id572266787?mt=8

– What is your vision of the Ukrainian startup scene of today and how the political turmoil has affected it?

I think that everything happens only for the better; progress and innovations are possible only where there is freedom. Ukraine's course towards freedom will be hard to turn back. This means there will be more and more startup entrepreneurs and more and more successes, contributing to stabilizing the economy. The war with Russia is only temporary – a horrible mistake that will evaporate in the very near future. In a business and historical perspective, wounds can heal fast.

As for domestic politics, there have been a few roadblocks associated with government initiatives and legislations in the country. However, at this given moment, my outlook is positive. I hope the Ukrainian government is going to support entrepreneurship and the tech community in Ukraine, and that Ukranians will be able to acclaim more leaders like the Klitschko brothers, for example.

 Russia-born Dmitry Sergeev is a serial Internet entrepreneur. In 2008, he succesfully sold his site DepositFiles and switched to another project, DepositPhotos. Acting as an intermediary between the creators of photos and their customers his international photobank, this service currently offers more than 25 million photographs, vector images, and video clips licensed royalty-free. Dmitry is engaged in photography himself and has an artistic interest in music.

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Looksery CEO Victor Shaburov: "After a period of increased risks for investors, hopefully the market will become more open and democratic"

- What is your vision of the Ukrainian IT, startup and venture scene in general, and its future prospects?

Ukraine has great IT/math educational assets and a lot of talent. Currently, it also has comparatively low development costs, making the launch of new startups very attractive. The availability of venture capital is restricted now, though this sector is developing with new funds coming to the market.

- To which extent have the recent political troubles affected the industry, and what do you see next?

Undeniably, the political situation has increased the risks for investors, and this has a negative impact in the short term. But as soon as the situation stabilizes, the trend will turn positive, and hopefully the market will become more open and democratic.

- How should industry players react to the current situation?

At this stage, it is important for IT companies to understand that they should also give something back to the community. Universities are underfunded and becoming disconnected from real-world industries. At our modest level, we provide sponsor suppport to the Mechnikov State University and the Rishelevskii Lyceum. We also organize programming contests in Odessa. The more industry players support the community, the better.

• Victor Shaburov has founded or co-founded several startups since 2000. These included SPB Software, which asserted itself as a major mobile developer on WinMo and Android platforms before being acquired by Yandex in 2011, and Handster Inc, which became the leading independent Android store. Following Handster's acquisition by Opera Software in 2011, Mr. Shaburov became the Vice President of Storefronts at Opera Software. During his two years in office, the number of store visitors increased from 18 million to 105 million monthly. Co-founded with Yuri Monastyrshin, Looksery is based in San Francisco and Odessa, Ukraine. This startup specializes in face tracking and face modification technologies for real-time video messaging. In October 2014, Looksery launched a mobile application that aims to change the selfie landscape forever with its new and superior real-time photo and video messaging effects. The core technology is also available for licensing to a variety of players in the video communications industry.



Vlad Voskresensky, high tech entrepreneur and member of parliament:

"The sweetest spot is international startups with business development in advanced markets and R&D in Ukraine"

- What is your vision of the Ukrainian IT, startup and venture scene in general, and its future prospects?

I'm a firm believer in the potential of Ukrainian IT, and here is why:

- I know from the inside how much talent there is in Ukraine and what quality this talent
 is. Unlike 5-10 years ago, now the world is aware of this, with Ukraine standing in very
 high positions in IT outsourcing charts and stats. It's not a rock, but it is definitely a field
 – and a field with pretty high-quality grass. That field will start to harvest soon in any
 case;
- 90% of the country's IT is in the outsourcing industry. This means that there is a huge
 potential for software companies to emerge, since business is always looking for ways
 to increase the value added which in software is way higher than that of outsourcing
 services. The potential is also high for R&D centers;
- Given the level of IT expertise in Ukraine, the sweetest spot is arguably not pure startups, but international startups with business development in such successful areas as Silicon Valley or Israel and R&D in Ukraine, which has a lot of creative talent.
- To which extent have the recent political troubles affected the industry, and what do you see next?

Honestly, I don't think they have had any deep impact. For sure some things have changed, with some companies having reviewed their risk mitigation policies or relocated R&D from Ukraine to other countries (but also relocated R&D from Russia to Ukraine). However, the changes are really minor: they do not exceed typical business environment variations, and businesses are used to dealing with them.

 Vlad Voskresensky is co-founder and CEO of InvisibleCRM, a San-Francisco-based startup that has developed a suite of desktop applications for sales force automation. In October 2014, Mr. Voskresensky was elected at the Ukrainian parliament.



Allbiz: From local startup to international platform

International B2B e-commerce platform Allbiz is an example of how a local startup grew into a successful global business. The story began as early as 1999 with the idea of its founder Ivan Zakrevsky to create an integrated platform for trading. The goal was to help vendors and customers find each other. Zakrevsky invested his own funds in the project. Soon after success in Ukraine, this idea proved to be in demand across neighboring countries too. Thus in 2006, the online catalog evolved into an international platform ALL-BIZ.INFO, containing detailed information about goods and services of companies from Russia, Ukraine, Moldova, Kazakhstan and Belarus. By 2010, the annual service sales of the company reached \$1 million.

Having received investment capital in 2010, thanks to which it built a network of local representative offices in 20 countries in less than two years, the business started attracting users from all over the world.

The company was also renamed into Allbiz and moved to the domain <u>www.all.biz</u>. Without the raised financing, such rapid growth would not be possible. In 2011, the site was ranked at 415th position in Google's last listing of the "Top 1,000 most visited sites on the web."

As of late 2014, Allbiz brings together 1.36 million vendors from 90 countries and more than 200 million customers from around the world. The platform supports 26 languages, allowing customers and sellers to make profitable deals in any region of the globe without language barriers.

Today, Allbiz is dynamically growing company with offices in Ukraine, Russia, Kazakhstan, Moldova, Azerbaijan, Georgia, Uzbekistan, Poland, Romania, Greece, Egypt, India and China. Its headquarters are located in Cyprus. The number of employees exceeds 550 people.

The project continues to expand its geographical presence by entering new markets and focusing on marketing.

Digital Ukraine in English



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THE DEAL BOOK OF UKRAINE

APPENDICES

THE DEAL BOOK OF UKRAINE

APPENDIX 1

SELECT
ARTICLES
ON LATEST
INDUSTRY
DEVELOPMENTS



The current turmoil will stimulate high tech investment from large Ukrainian groups

By Denis Dovgopoliy

Many oligarchs as well as financial and industrial groups are beginning to understand that physical assets will be hard to preserve. Considering the demographic and cultural movements in Europe and the United States, we cannot consider our world stable in the long term. Looking at the dynamic political, economic, demographic, national and religious maps of the world, we cannot fail to see processes that lead to instability and perhaps war.

The majority of Ukrainian oligarchs and groups have faced the inability to preserve their assets to the current context of rebellion in Eastern Ukraine. They lost control of some of their enterprises and some were physically destroyed. That began to stimulate several processes.

I know at least six financial and industrial groups that have thought about assets abroad that, in case of disorder or wars, will be hard (or impossible) to take away. After talking to several emissaries, I learned that they see two scenarios:

- Investment in mature IT projects as a portfolio investor with an average check of 10 million or more, at the mezzanine (pre-IPO) stage. This approach entails minimal risks with soon coming income (dividend policy or expected growth). Moreover, one Ukrainian oligarch invested in Alibaba and is quite satisfied with the result. They are afraid to enter at an earlier stage, as they have no expertise in risk analysis at such stages and, more importantly, they are not seen as startup-oriented investors. At least two groups are creating "venture subdivisions" that will build up expertise and work as a family office or venture arm. But there are other examples which I don't know about.
- Investment in funds. They entered here at earlier stages and became limited partners in the funds. Unfortunately, because of the immaturity of the sector, they negotiate with European or mutual funds (always requiring that the team have 10 years' fund management experience + successful exits or successful funds). They are trying to gain entry with big checks (10 million to 30 million bucks) and expect first refusal right in later rounds (10 million to 20 million per deal). I don't know of any case where they have been offered such a right. These deals are not advertised and the funds are very fearful of money from Ukraine. It is possible that our people will be used at first as dumb money for co-investment. That's bad, but it'll do for a start. This can be seen as a hybrid scenario: LP in the fund + direct investment in later rounds.

What's bad for us? Our venture seed fund GrowthUp is too small for them and we have been left without that money, even though there were negotiations (and some are still ongoing).

What's bad for the market? Investment in Ukrainian startups is not being considered (of course, no one here can absorb such amounts).

What's good for the market? The market will undergo expertise and, in two or three years, some of those structures will do round B, or maybe A.

I would like to point out that everyone is interested in high technology. The only criterion is relative independence from infrastructure and local law. No other business can provide that at the moment.

September 2014

This opinion appeared in Russian language on Mr. Dovgopoliy's blog http://dennydov.blogspot.ru and in English in Ukraine Digital News.

 Denis Dovgopoliy is a prominent figure of the Ukrainian high-tech scene. His life is divided between business (business development for startups, consulting, board membership) and social activities (Startup Crash Test, iForum, and others) within the Ukrainian and Russian entrepreneurial communities.

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GrowthUP is the first Ukrainian accelerator dedicated to technology startups that works with projects from the earliest stages of development by providing assistance to entrepreneurs in launching and building their businesses, in attracting the initial customers, and in testing and verifying their primary hypotheses.

Our team has been operating in this field since 2005 and offers experience gained through the development of dozens of successful projects. In 2013 we opened campuses in Berlin (Germany) and Silicon Valley (California, USA), and established GrowthUP+, a venture fund for seed investments.





How business angel practice is emerging in Ukraine

By Natalia Berezovska

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 of this year not stop this development, 2014 even saw the creation of a dedicated association, UAngel, along with that of UVCA, which gathers venture capitalists.

UAngel chairman Natalia Berezovska shares her vision of this emerging practice, its challenges and prospects.

Angel investing is not absolutely new for Ukraine: there have always been individuals supporting risky ventures. They just didn't happen to know this comforting term 'angel' that could describe their sometimes impulsive and not very business-savvy actions.

They didn't know the title for this activity, but they also didn't know the right way to operate. Mostly, they followed the emotional impulse, not an accurate calculation and a considered strategy. The majority do not know the basis of angel investing even now, with many acting erratically and not taking it as a hands-on process.

Nevertheless, the Ukrainian venture industry has changed significantly over the last few years – a number of new members from various spheres have emerged and formed an ecosystem. These are funds that target early- and late-stage investments, incubators, accelerators, various hubs and co-working spaces, grant and education initiatives for entrepreneurs, numerous branch events from small meet-ups to internationally recognized conferences, and, of course, the whole segment of fervent entrepreneurs or those aiming to become them. As a result, the number of people that can be referred to as angel investors has increased.

Until recently, such an important element of the ecosystem as a classic business angel network didn't exist in Ukraine. Thus, with the launch of UAngel we have not only a communication platform for angels, but also a channel for getting more information on Ukrainian angels and the peculiarities of their investment behavior.

Still few angels on the market

An accurate number of angels operating in Ukraine is still not available. Each of the leading angel networks in the USA unites around 200 members. In Ukraine, experts could distinguish only around 50 to 200 more or less active angels. It is quite problematic to receive accurate statistics due to a number of reasons.

On one hand, it has never been safe to make public statements about your income and assets. On the other hand, the absence of legal certification similar to that in the USA confirming the status of an accredited investor does not stimulate people to publicize their activities.

This anonymity factor makes the whole process more difficult for both angels – even if they don't realize it – and entrepreneurs. The latter usually don't know for sure where to look for an early-stage investment. In the media, one could find news on investments in a number of Ukrainian companies (including MyRobot, Kwambio, Kupazh, Multitest, JetMe, MouseHouse and others) that involved angels. However, actual names usually remain undisclosed.

Ukrainian business angels typically invest in a limited number of companies (3-4 is the common practice; some feel discouraged as soon as their startups face difficulties). 'Portfolio' approaches are virtually non-existent, while business angels have a variety of attitudes or invested amounts (we know of examples from \$5,000 to \$500,000). It means that very few people in this category have a genuine strategy for sustainable startup investment practice. However, step by step they tend to become more mature and some stay angels for a longer period.

A variety of situations

Business angels in Ukraine mostly fall into four categories:

- Business owners or top executives within an IT-related business (they already earn money in tech and invest in projects they could verify based on their own skills and connections in this area)
- Owners or executives in other industries, mostly traditional offline sectors (we observe people from such different areas as private equity or retail making their first steps as angels. We also see some people from Eastern Ukraine interested in angel investing, whose traditional operating business was lost due to the ongoing turmoil);
- Entrepreneurs with relevant skills, changing their roles occasionally (at one time they
 could be operating their business full-time and may switch to the role of an angel after
 selling their company shares);
- Entrepreneurs who are permanently involved in handling or incubating their fully controlled ventures, but at the same time are experimenting with creating venture investment departments or divisions.

Free from obligations that tend to be typical for venture funds, business angels rarely try to evaluate their portfolio in terms of an average annual return. That's why the number and specialty of their deals cannot always be regarded according to coherent logic. Angels often experiment with various approaches – they invest in stand-alone projects, become limited partners of venture funds or launch and inspire their own projects.

Regarding their motivations, Ukrainian angels rarely mention high return expectations (as we know, angels all over the world target yearly investment return rates of 25-30%) as their main reason. At this stage of market development, they are guided by other things – an opportunity to be engaged with innovation, to keep up with trends, find synergy for their current businesses, obtain a technology, be closer to the creative class of young entrepreneurs and talent pool – but not primarily by the desire to earn more money. Maybe, they preserve this desire somewhere internally, but don't believe it is realistically possible, due to few major success stories and the present problems in our market.

Ukrainian angels' specific challenges

The problems faced by Ukrainian angels are somehow different from those in other emerging markets. Among them is a lack of industry expertise, weak regulatory frameworks and low trust levels, a weak entrepreneurial ecosystem and limited educational resources. However, the most serious problem is a limited deal flow of a good quality. A typical conversation between angels mentions "1000 projects screened and not even one invested," while good projects stay under a low profile until they become too big for angels.

Another huge macro problem that restrains venture market development and angel investments is the small size of the domestic market, with customer behavior still unformed in numerous categories. In a country with a 46-million population, it will always be more profitable to sell FMCG goods and clothing. Many Ukrainians are active smartphone users that are not leveraged by 3G opportunities, are not used to paying with their bank cards online or downloading paid applications. As a result, tech entrepreneurs have a hard time validating their hypothesis on this market, achieving fast growth of their product and surviving. And not just surviving, but scaling their product and making it successful on a global market, which is expected by investors, as well as reaching an exit.

Nevertheless, angel investing remains alluring for investors who cherish being in-line with innovations. Technology penetration changes every sphere of our life and the deceleration of the traditional economy is pushing angels and entrepreneurs into each other's arms. Angels should therefore not only realize what their status comprises, but why they should stay together and what benefits they can receive from cooperation and associations such as UAngel.

Considering the positive changes that will occur despite the conditions of an unstable economy that Ukraine will face in the following years, we invite all interested parties to join UAngel and overcome these obstacles together.

November 2014

 Natalia Berezovska is Chairman of the Board at UAngel and CEO & Co-Founder at Detonate Ventures.



Could Ukraine be the next Silicon Valley?

By Greg Satell, Forbes, Nov. 24, 2014

Even among the sordid histories of Eastern Europe, Ukraine is particularly tragic. In just the 20th century, it was starved by Stalin, decimated by Hitler, subjected to seventy years of incompetent Soviet rule, looted by its own government and, most recently, invaded by Putin.

Ukraine's situation today remains desperate. The country is in dire financial straits, dependent on financial assistance from the IMF, US and EU. Crimea has been annexed, the eastern provinces of Donetsk and Luhansk are caught in a frozen conflict and its chief antagonist, Russia, controls its gas supply.

Yet still, Ukraine is not without promise. While much of its Soviet era industry lies dormant within the conflict zone, its tech industry is booming. I recently talked with Yevgen Sysoyev of AVentures, a venture capital firm in Kyiv, and he thinks that we may be seeing the birth of a new Ukrainian renaissance. While that may sound crazy, he might very well be right.

What makes a tech Mecca?

Ever since Silicon Valley emerged as the center of the technology world in the seventies and eighties, others have tried to followed its lead. Most have failed, but a few, such as New York, Tel Aviv, and Austin have succeeded brilliantly. No one has unseated the Bay Area yet, but these places have built thriving technology startup scenes.

If you examine today's startup hubs further, it becomes clear that they all have some things in common. Each, for instance, has strong universities turning out capable technology talent. They also have what Richard Florida calls the Creative Class—a tolerant environment that promotes an active subculture of art galleries, music scenes and avant garde cafes.

Anybody familiar with the technology industry in Ukraine knows that Kyiv has these things in spades. It is already a thriving outsourcing center. Elance, the leading online freelance site, ranks Ukraine as the third best place in the world to find people with advanced skills. Kyiv is a fun place, with a thriving culture and, above all, is tolerant and inviting.

Yet there is a final element that Ukraine has been missing. Every great startup culture requires a catalyst, one breakout company that spawns the local financial and professional networks new firms need to thrive. Silicon Valley had Hewlett Packard, Tel-Aviv had ICQ, and New York had Doubleclick. In Ukraine, there's no one, but that may soon change.

Ukraine's emerging technology ecosystem

AVenture's Sysoyev estimates that the Ukrainian tech industry is worth about \$5 billion and splits the market into four distinct sectors. The first, outsourcing, is the most developed and employs roughly 50,000 engineers across 500 firms. A small but growing contingent of global R&D centers set up by Samsung and other tech giants makes up the second sector.

The third major area is e-commerce, which benefits from Ukraine's relatively undeveloped traditional retail industry. Online shopping has really gained traction in recent years and Sysoyev estimates that the market is now worth about \$2 billion, roughly equal to the outsourcing business in Ukraine.

Yet where Sysoyev sees the most potential is in a fourth sector that is starting to emerge—homegrown software firms who design, build and market their own products for the global market. He mentions six that have the potential to become billion dollar businesses in the next five years: Paymentwall, Grammarly, bpm online, InvisibleCRM, Depositphotos and Jooble.

He also notes that there is a slew of exciting new startups. Some, like Petcube and iblazr received initial funding from crowdfunding sites like Kickstarter, but most make do by bootstrapping themselves to profitability. Clearly, if the capital infrastructure in Ukraine was to improve, we'd see a lot more startup activity.

If Sysoyev is right about the possibility of Ukrainian tech companies achieving major valuations in the near future, then Ukraine really does have a chance to break out and become a true technology hub. Even one billion dollar Ukrainian company could attract enough capital to catalyze the entire tech sector (ICQ, which seeded Tel Aviv's tech sector, was initially acquired for about \$400 million).

A distinctly Ukrainian model

American startups have a distinct advantage. With a gargantuan domestic market and the world's most extensive venture capital ecosystem, they can incubate in their home country, access financing and, when they reach critical mass, embark onto the global stage. Ukrainian firms, however, aren't so lucky.

So Ukrainian startups have come up with a new model. The companies that Sysoyev cited all focus on the international, rather than local business. Grammarly, for example, produces proofreading software for English speaking markets. Jooble, a job search engine, operates in 59 countries. Most, although they maintain operations in Ukraine, are legally based somewhere else.

Another important difference is that, due to the lack of venture financing, Ukrainian firms have to become profitable very quickly in order to survive. In a sense, that's limiting, but it also gives Ukrainian startups an edge that many early stage tech companies lack. They develop an acute business sense very quickly and learn how to compete.

And while their revenues are generated abroad, these companies remain very much rooted in Ukraine. Top executives continue to reside in their home country and all of their product development and R&D are based there. That gives them a real cost advantage over many of their international competitors.

Opportunities and challenges

Despite the poor political situation in Ukraine, there are good reasons for optimism. It's got a high quality, low cost workforce. The conflict zones of Donetsk and Luhansk remain a safe distance from the technology centers of Kyiv, Kharkiv and Zaporizhia. European parties won massive majorities in the recent parliamentary elections and the culture is progressive.

Yet still, serious challenges remain. Ukraine is a deeply corrupt country and devilishly hard to do business in. It must undertake rapid reform—and endure no small amount of economic pain—to satisfy the stringent EU and IMF requirements required to maintain international support. Putin, in the meantime, seems determined to undermine the country's upward rise.

However, I've noticed an important change in Ukraine since I started doing business there over a decade ago. In 2004, its people took to the streets in the Orange Revolution to demand democratic ideals. Now they protest for real reforms—insisting that corruption be rooted out, tainted officials be fired and laws be changed to reflect international norms.

No doubt, it will be a tough road ahead. But it's also important to remember that Ukraine is one of the largest and best educated countries in Europe, with an excellent base of talent and technology infrastructure. So while it may seem unlikely for Ukraine to become the next tech mecca, I wouldn't bet against it.

This article was first published in Forbes http://www.forbes.com/sites/gregsatell/2014/11/24/could-ukraine-be-the-next-silicon-valley/

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Russians still actively invest in Ukrainian startups; Western VCs eye the market, too

By Adrien Henni, Ukraine Digital News, Oct. 8, 2014

Amid political turmoil, Russian investors have been involved in four of the five largest investment deals on the Ukrainian startup scene since early 2014. This trend was revealed by an analysis provided by Yevgen Sysoyev of AVentures Capital, a Kyiv (Kiev) based international fund.

A \$3 million deal involving Gillbus, a bus-ticket software developer, took place in June. Investors included Russian funds InVenture Partners and FinSight Ventures, as well as global fund Intel Capital. Launched in 2010, this Ukrainian company has offices in Russia and South-East Asia, and is exploring new markets including Africa.

The largest deal of this year was concluded in April, involving AVentures, Russia's ABRT and Almaz Capital, an international fund operating from Moscow and California. These funds injected \$3.25 million in Starwind, a developer of solutions for data storage virtualization. Founded by two Ukrainian entrepreneurs, Artem Berman and Anton Kolomentsev, this startup is now hedquartered in the US but has its R&D team based in Ukraine.

In January, a capital injection of \$1.62 million went to Keen Systems, a developer of web-to-print solutions created by Vitaliy Golomb. Golomb left Ukraine in his childhood, but is now actively working to develop the country's startup ecosystem. The funding was provided by IDG-Accel, a venture fund from Asia, and Russian serial angel investor Igor Ryabenkiy.

The investment by Russian fund Life Sreda in Kyiv-based Settle, a service for paying checks at cafes, also attracted attention. That transaction, which amounted to \$1.5 million, was concluded in August.

The only deal without Russian money concerned Zakaz.ua, a service providing deliveries from supermarkets, which picked up \$2.5 million last month from CIG, the fund of Leonid Chernovetskiy. By the end of the year, this fund – which is the first classic example of a family office in the Ukrainian venture market – plans to complete another pair of deals in Ukrainian projects.

Business far from politics

The investors interviewed by Ukraine Digital News are, indeed, distant from political considerations. "Ukraine has a strong high tech sector due its traditionally high educational level and to its openness to international exchanges," said Alexander Galitsky, founder of Almaz Capital.

"Our fund's policy regarding this country has in no way been affected by the recent political turmoil. The first reason is that investing in Ukraine is part of our mandate. The second reason is that, in our industries, project development and investment cycles are counted in years, which keeps them aside from political ups and downs," added the prominent VC, who was born in Ukraine.

An international venture fund with Russian origins, Runa Capital has included Ukraine among the target countries of its second fund, which launched recently.

"The technology business should be outside of politics, and we are sad about what is going on and about the negative emotional background created by the recent events in Ukraine," said Dmitry Chikhachev of Runa Capital, in a recent exchange with East-West Digital News. "But discriminating in business or science by country of origin is equally irrelevant, and our goal is to find the best teams [no matter from which country]."

Pioneering VCs from the West

Intel Capital's participation in the Gillbus round and the recent acquisition of an e-commerce startup by a Ukrainian affiliate of Naspers have been the only significant moves from western VCs over the past few months. True, interest from western players in Ukrainian startups was just emerging when the revolution took place last winter.

But some other Western VCs are eyeing the market, too.

"We think talented founders and innovative technology can come from anywhere in the world. Ukraine was always an area of interest for us from this perspective. The political situation hasn't changed our attitude, although it's certainly introduced an additional layer of risk to any investment," said Brian Feinstein, partner at Bessemer Venture Partners, in an exchange with Ukraine Digital News.

Michael Treskow, Vice President at Accel Partners, lauds "the breadth of ideas in the Ukrainian entrepreneurial community — from consumer to enterprise, and from local execution of existing concepts to fundamentally new ideas." He adds that, "Interesting meetings are guaranteed."

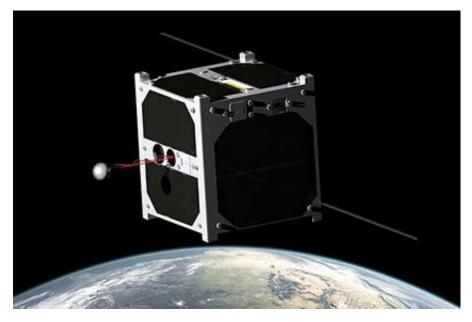


From universities to big Soviet-era enterprises, VCs eye Ukrainian space startups

Ukraine Digital News, Nov. 14, 2014

Is the Ukrainian space industry attractive to venture investors? Business magazine Capital has identified examples of successful startups and asked local and international VCs to comment on the matter.

There already are space startups at universities in the country. Nanosputnik PolyITAN, developed by students at Kyiv Polytechnic Institute as part of the international program QB50, is an example. PolyITAN-1 was launched into orbit on a Dnepr rocket on June 19 and last month the project received investments of 500,000 hryvnias (just over \$32,000) from the Academic V.S. Mikhalevich Fund.



A Cubesat-style nanosputnik (illustration from Wikipedia)

Also this year, Ukrainian Pavel Tanasyuk launched a sputnik into orbit as part of the Space BIT project, which makes it possible to issue electronic money and complete operations with it outside the jurisdiction of any country.

The Ukrainian eFarmer project, which gives farmers access to maps of fields, is a resident at the startup incubator of the European Space Agency.

These startups, designed to use space to solve earthly problems, are easier to develop because of the low level of risk associated with them.

Mark Watt, a partner in the American-Ukrainian asset management firm Noosphere – which has just invested in commerce platform Prosto.ua – said the search for such projects is mainly conducted in universities. "The criteria, as with most startups, is viability, scalability, the commercial element and the team," he said.

Currently, Noosphere aims to evaluate whether or not it is possible for Ukraine to catch up after 20 years when the space industry was not given due attention by the government or investors.

The company is working with Dnepropetrovsk National University, where it opened a School of Engineering. A Space Research and Technology Laboratory is opening soon as well.

Noosphere has been considering proposals for investment in projects involving plasma engines and minisputniks. "But so far it is too soon to say anything specific. We have just started," Watt said, adding that much will depend on the future situation in Ukraine and its social, political and legislative microclimate.

In Ukraine, space startups can also be based at enterprises in the rocket-building sector, such as Yuzhmash, TA Venture analyst Sergey Kravets said. But it is not clear at present how innovative and competitive their technology is for new projects.

Space technology development requires large investments of capital, mainly for R&D, Kravets said. According to Kravets, those investments have a lengthy payback period and high risks, as exemplified by the recent Virgin Galactic rocket ship crash and the failed launches of SpaceX's rockets.



Google's Motorola Mobility acquires image and gesture recognition company Viewdle

TechCrunch, Oct. 3, 2012

Earlier this week, we heard rumors that Google was in the process of acquiring. Turns out those rumors were true. Google's Motorola Mobility unit just announced that it has acquired the augmented reality and image recognition firm Viewdle.

Here is the statement we just received from a Motorola spokesperson:

"Motorola Mobility today announced that it has acquired Viewdle, a leading imaging & gesture recognition company. Motorola and Viewdle have an existing commercial agreement and have been collaborating for some time. Terms of the transaction were not disclosed."

Previous to this acquisition, a source close to the company told us earlier this week, Viewdle had already been in acquisition talks with Google around 2008 and with Motorola in 2011, around the same time the company was acquired by Google. While Motorola isn't disclosing the price of the acquisition, the rumor mill pegs it between \$30 million and \$45 million.

Viewdle was founded in Ukraine in 2006 and still keeps a considerable presence there, but the company is now headquartered in Silicon Valley. The company raised about \$12.5 million in venture funding since launch, including a \$10 million Series B round in 2010. Among the company's investors are Best Buy Capital, BlackBerry Partners Fund, Qualcomm, KCP Capital and Anthem Venture Partners. The founders, our source tells us, were heavily diluted in the process.



StarWind Software secures \$3.25 million Series B funding from Almaz Capital, ABRT Venture, AVentures Capital

Press release, April 15, 2014

StarWind Software Inc., a leading provider of software-defined storage for Hyper-V environments, today announced a \$3.25M Series B round of venture capital financing. The round was led by Almaz Capital, with participation from ABRT Venture, and AVentures Capital. Alexander (Sasha) Galitsky, a general partner at Almaz Capital, will join the company's board.

Microsoft's Hyper-V is emerging as the leading virtualization platform for SMBs, with growth similar to that of VMware's ESX in enterprise space last decade. The funding will enable StarWind to capitalize on its leading position in the growing Hyper-V market.

"Sales of StarWind VSAN for Hyper-V have been growing over 100% a year, because the product is simpler to use, cheaper to deploy, and provides compelling value for companies large and small by eliminating the need for hardware components and specialized administrative support," Galitsky explained. "This is a large business opportunity where the founders are uniquely equipped to address what has until now been a prohibitive problem, in particular for small and medium-sized enterprises."

StarWind's founders, Artem Berman and Anton Kolomyeytsev, have been developing proprietary technology on the frontier of iSCSI SAN since 2003. With its upcoming release StarWind SAN will become the first solution running on Windows platform that creates clusters of multiple hypervisor hosts without separate physical shared storage.

"StarWind offers a great value proposition for Windows Server administrators who are virtualizing on Hyper-V platform. It provides business continuity without requiring expensive proprietary hardware and added IT staff," stated Veeam Software CEO and ABRT Partner Ratmir Timashev who led the Series A investment.



Coppertino raises funding from AVentures, TA Venture and Torben Majgaard

By Brendan Maynard, Ukraine Digital News, April 18, 2014

Coppertino, a Los Angeles-based startup with Ukrainian origins, announced today that it has raised half a million dollars at an undisclosed valuation from leading Ukrainian investment firms AVentures and TA Venture as well as from Torben Majgaard, the Danish founder of Ukrainian IT-outsourcing company Ciklum.

Founded in 2011 by Petro Bondarevskyi and Ivan Ablamskyi, Coppertino has maintained its R&D center in Ukraine. Its main product, VOX, is a minimalist and free music player for Mac capable of handling any audio format.

Since its launch last year, VOX has become one of the most popular music players for Mac, amassing 500,000 downloads. In order to expand the service, Coppertino has announced integration with SoundCloud, Deezer, Spotify, Rdio, Grooveshark, free-music library Jamendo, and personalized internet-radio service Aupeo.

The company also states that they have negotiated with musicians such as Egyptian hip-hop artist Deeb, DJ London Elektricity, Moby, and German DJ ATB regarding the prospect of partnerships.

A major Ukrainian investment fund founded in 2000, AVentures is led by Andrey Kolodyuk and Yevgen Sysoyev. It focuses mainly – but not exclusively – on startups from Ukraine, or with Ukrainian roots.

TA Venture is a leading venture fund that is backed by \$50 million in committed capital and led by Viktoriya Tigipko.

Majgaard, who hails from Denmark, founded the IT-outsourcing company Ciklum in 2002 and has built it into one of the of the largest companies in this market in Eastern Europe.

This latest round adds to the \$400,000 in seed funding that Coppertino raised from AVentures in July 2013.



Intel Capital backs Ukraino-Russian bus ticket software developer

East-West Digital News, June 21, 2014

Gill Business Systems (Gillbus), a company that develops inventory distribution systems (IDS) for the bus-transportation industry, has secured \$3 million from a consortium of three venture funds – Intel Capital, InVenture Partners and FinSight – at an undisclosed valuation.

Launched in Ukraine in 2010, Gillbus aims to make distribution of tickets for buses "as smooth as tickets for airlines." The company claims that the demand for its services and the volume of the transactions on its platform have increased ten-fold over the past two years.

Intel Capital Investment Director Maxim Krasnykh told East-West Digital News that his fund had been attracted by "a market of about \$5 billion in Russia and Ukraine, combined with low technology penetration, the opportunities in other markets, and the startup's highly capable team."

"The intercity bus-transportation industry in Russia and Ukraine still uses outdated technologies which cannot consolidate the carriers' inventory and interact efficiently [with offline and online ticket-selling agencies]. This leads to poor customer service and [lower financial performance] for bus carriers," explains Gillbus Business Development and Investments Director Ilya Ekushevskiy.

With offices in Moscow and Bangkok, the company is now expanding across Russia and South-East Asia. "We are also exploring other regions including Africa and Kenya in particular. We are seeking cooperation with strong foreign partners specialized in distribution (especially OTAs), as well as with foreign venture funds, for further expansion across new markets," Gillbus representative Artem Altukhov told East-West Digital News.

Intel Capital "fully functional" in Russia and Ukraine

InVenture Partners is a \$100-million fund launched two years ago by Sergey Azatyan and Anton Inshutin that targets consumer technologies, financial and telecom products, online marketing and advertising tools, tourism platforms, and corporate services.

THE DEAL BOOK OF UKRAINE

APPENDIX 1 | LATEST INDUSTRY DEVELOPMENTS

FinSight is an internationally-oriented fund just launched by Russian companies Finam and Skagit Investment that aims to raise \$50 million to \$100 million.

Intel has invested over \$1 billion in the Russian market since 1991 and "remains committed to support its growth and the development of Russian innovative economy," the fund stated.

Its venture branch, Intel Capital, is one of the most active international venture funds in both the Russian and Ukrainian venture markets with nine portfolio companies in Russia and two in Ukraine. While "monitoring the current developments in the two countries, we are not involved into politics in any form," Krasnykh said. "Our offices in Russia and Ukraine are fully functional," he added.

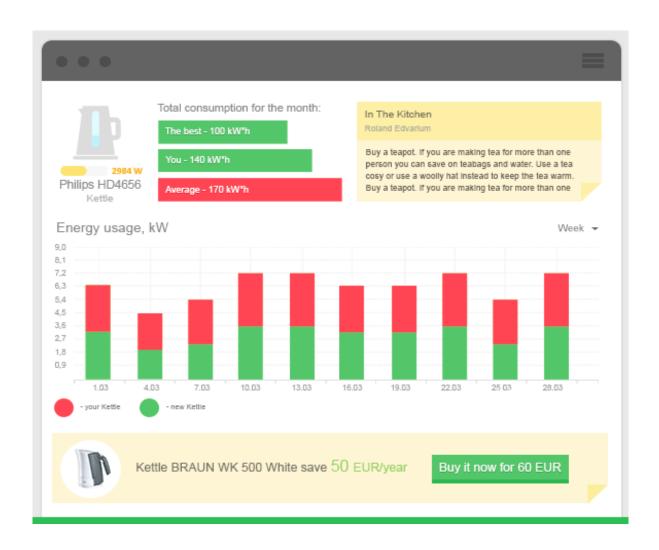


Energy-management startup EcoisMe announces investment from Deutsche Telekom and Polish incubator Hubraum

Ukraine Digital News, July 8, 2014

EcoisMe, which has developed a system for managing energy at home, has obtained 30,000 euro from Polish incubator Hubraum at an undisclosed valuation. Consequently, the Ukrainian startup will move operations to Krakow, Poland.

EcoisMe has also reached an investment agreement with Deutsche Telekom, which manages Hubraum. According to the second agreement, the German telco giant will obtain 15% of shares in the Ukrainian startup in exchange for 50,000 euro.



EcoisMe will receive the funding once they have demonstrated initial progress, says CEO Ivan Pasichnyk. Last autumn, EcoisMe completed the acceleration program at Hubraum, but have only now signed an investment agreement. The company previously completed the Class C program at leading Kiev-based incubator Happy Farm.

EcoisMe is a service that aggregates your appliances and shows the user how much energy each device uses, while also incorporating social and gaming elements. Tracking energy-usage begins with the purchase of a "smart meter" from an authorized partner of EcoisMe (for approximately \$100-200) and then registering it on the Ukrainian startup's site. Sensors will then indicate which devices are connected to outlets in the home and for what purpose. From there, the information is transmitted wirelessly to the manufacturer, who analyzes and displays the data in real-time. Each device running on electricity receives a unique ID, which displays the time at which it was turned on, when it was turned off, and the level of consumption.

To raise revenue, EcoisMe intends to sell the data analyzed and aggregated by the project's engine.

The team behind EcoisMe selected Poland over other countries as a new home due to its suitable business-climate and as a result of positive feedback from Polish telcos and electricity-providers. "Our project is focused on the electricity market. It is monopolized in Ukraine, but the cost of energy is low enough that a culture of careless consumption has developed among the local population. The potential to develop at a satisfactory rate is not there," said Pasichnyk.

Heading abroad in search of investors and customers is not a new practice for Ukrainian startups, as PolitaiMo, which develops games using drones, obtained \$24,000 and left to incubate in Dubai and myTips went to join London-based Seedcamp.

This story was originally published on AIN.UA, a leading Russian-language publication covering the Ukrainian tech and investment scene. It appeared in English in Ukraine Digital News.



Kyiv startup Advice Wallet secures \$1.5 million from Russia's Life.SREDA

Ukraine Digital News, August 1, 2014

Life.SREDA, a Moscow-based venture capital firm focusing on mobile and online fintech startups, is to invest \$1.5 million in Settle, a mobile payment service developed by Kyiv (Kiev) -based startup Advice Wallet.

Combining mobile payments and a loyalty scheme in one app, Settle makes it possible to both order and then pay your bill at a restaurant or café through a smartphone. Users register via a social network and link their bank card to the app. The app displays the menu and allows clients to divide up a bill between friends, carry out P2P transactions and receive offers from establishments.

Establishments can join the program for free, receiving a special tablet with software that tracks the activity of clients and delivers their bill. Settle takes a commission on every bill.

The startup is planning to use the iBeacon technology with the application, reported Russian tech blog Rusbase. A sensor would thus detect when a client arrives with the app, sending them a personal greeting and a discount on one of their favorite drinks.

"We took the decision to invest in Settle and the Advice Wallet team because they were the first to understand that a loyalty scheme in and of itself is pointless. The key is what it can help the restaurant or bar owner to get from their clients. This information allows for personalisation, with the help of which the café or restaurant can form a one-to-one relationship with their clients," Rusbase quoted Life.SREDA partner Alexander Ivanov as saying.

The trial version is set to be launched on August 8 at the Kyiv bar "Chashka." The service may be launched further across Russia and the Eastern European market, starting with Poland.

In August 2013, Advice Wallet received a \$300,000 investment from the Russian venture fund Imperious Group. In 2012, the Ukrainian startup also received \$70,000 from the Kyivbased Happy Farm incubator, according to Rusbase.



Ukrainian fund Fison injects \$500,000 into e-commerce recommendation startup with global ambitions

Ukraine Digital News, August 1, 2014

The Ukrainian investment fund Fison has invested \$500,000 in DataProm, a Kyiv (Kiev) - based startup developing data-driven recommendation solutions for online retailers. The deal — which valued the startup at \$2 million — was closed in May but made public only last week.

"We've been paying attention to the big data segment for a long time already," Fison's cofounder Dmitry Vishnyov told Ukraine Digital News. "In contrast with the USA and Europe, there were practically no specialists and no projects in this field. We quickly found a common language with [the DataProm team] as soon as we discovered them."

A kind of revolutionary solidarity made the dialogue even easier: "We, the Fison staff and ourselves, are all [revolutionaries] from Maidan," the startup's CEO Anton Vokrug said in an exchange with local tech publication AIN.UA

After testing the solution in Ukraine, DataProm will target the global market, including Europe, Brazil, India, and maybe China. A team of 12 people is working for the startup under an outstaffing arrangement with DataArt. While the DataProm company and trademark have been registered in the Seychelles islands, the corporate website is still under development, AIN reported.

While the raised funds will be spent on product development, Fison is considering additional investment for marketing, Vishnyov told UADN.

Fison is a \$20 million investment company founded last year by Dmytro Tomchuk and Dmytro Vishnev, two businessmen from Dnipropetrovsk (Dnepropetrovsk) in Eastern Ukraine. One third of its capital was crowdfunded — a unique practice in the country — with 17,000 individual investors bringing their contribution from as low as \$100. The company invests a part of its capital in seed- and early stage startups with a focus on mobile apps, e-commerce and big data.

The troubled political situation did have an impact on Ukraine's investment climate, "but not on the assets themselves," Vishnyov told Ukraine Digital News. "Significant projects have global potential and strategy, which reduces the risks of losses for investors. In addition, the Ukrainian president [Petro Poroshenko] is planning to reform the IT sector, which will improve conditions for doing business."



E-commerce site Zakaz.ua secures \$2.5 million from giant investment firm CIG

By Adrien Henni, Ukraine Digital News, Sept. 24, 2014

Last week Zakaz.ua, a major Ukrainan e-commerce site, secured \$2.5 million from Chernovetskyi Investment Group (CIG), an investment company backed by businessman and former Kiyv (Kiev) mayor Leonid Chernovetskyi.

A groceries delivery company serving the inhabitants of Kyiv (Kiev), Zakaz.ua was launched in 2010 by Yegor Anchishkin – whose first startup, Viewdle, was acquired by Google in 2012. Since its inception, Zakaz.ua had already raised "less than \$1 million" in total, reports the Ukrainian edition of Forbes magazine.

Valentin Kalashnik, president of the Ukrainian Direct Marketing Association (UADM), describes Zakaz.ua as "a profitable and autonomous project" and "an example of a scalable business model that can adapt to virtually any market."

Strengthened by "sound management principles, this project has a great chance to become a big international success," the expert told Ukraine Digital News.

Anchishkin had originally planned on entering the Russian market. However, in connection with the recent events, he decided to change his focus and concentrate on other foreign markets. "All the advantages of Russia have been eroded because I can be stopped at the border at any point, while directors of grocery chains could refuse to cooperate with me due to 'patriotic' reasons," Ukrainian tech blog AIN.UA quoted Anchishkin as saying.

"The Ukrainian e-commerce market remains fundamentally attractive for investors, even though many deals have been delayed due to the current geopolitical crisis. Now that there is a light at the end of the tunnel, investment activities are resuming," AVentures Capital's Yevgen Sysoyev told Ukraine Digital News.

CIG was founded in 2012. Its available capital, which exceeds \$750 million, is the personal funds of Leonid Chernovetskyi. The fund focuses on "IT and Internet projects that are scalable internationally," does not only consider Ukrainian startups. "We may invest in foreign companies as well. The key geographical destinations are South-East Asia, India, China, and Brazil," CIG's press service explained to Ukraine Digital News.

The company declined to disclose information about its existing portfolio.



Oleksii Vitchenko launches new investment company "Digital Future"

Ukraine Digital News, Sept. 15 and Nov. 21, 2014

Ukrainian entrepreneur Oleksii Vitchenko launched Digital Future in September 2014. This new investment company aims to analyse the Ukrainian startup landscape, seek out the best new projects and take them to the global market.

Digital Future invests in startups at various stages of development, focusing on e-commerce, digital marketing and mobile technology. The company usually looks to invest from \$25,000 for a 10-15% stake.

Digital Future works alongside accelerator GrowthUp. Launched in 2005 by Denis Dovgopoly, a figure of the Ukrainian startup scene, GrowthUp aims to help Ukrainian tech startups put their companies to the test, develop their business and build up a client base.

Vitchenko's company is already believed to have closed its first investment deal, with Kiev-based startup Easy Ads the recipient. A further eight startups are currently being looked at. In the next 2-3 months Digital Future is planning to invest in 3-4 more startups.

First investment in Jeapie

In November 2014, Digital Venture invested \$50,000 in Jeapie. This mobile notification-delivery service aims to increase the quality of interactions with clients or co-workers through the introduction of "smart" push notifications.

Thanks to user data collection and analysis, Jeapie's customers receive the opportunity to more deeply understand the behavior of users after receiving messages. In the future, customers may personalize the text, supply, and time of delivery for different groups.

"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." "There are a series of limitations with this protocol over the past 20 years. The potential for the push notification has been undervalued, but it is obvious to us that the future is behind them. Surely, they will not be able oust the 'classic' channels, but their predesigned protection from spam and advertising is the path to an upgrade of communications between the business and client to a new level," says Jeapie co-founder Aleksandr Mikhaylenko.

Combined reports from AIN.UA, Rusbase.com and Ukraine Digital News



EBRD considers launching tech fund of up to \$60 million for Ukrainian companies

Ukraine Digital News, Nov. 28, 2014

The European Bank for Reconstruction and Development plans to launch a fund with a volume of \$50 million-\$60 million early in 2015 to invest in Ukrainian high-tech companies, according to EBRD director for Ukraine Sevki Acuner.

As reported by Interfax.ua, the volume of the fund is expected to be around \$50 million-\$60 million. The structure of the fund has yet to be finalized. In addition to direct investment, the EBRD is currently discussing a potential partnership with Ukrainian venture funds, said Andrey Kolodyuk, a prominent Ukrainian VC and co-founder of the Ukrainian Venture Capital Association.

"A matching funds program is being considered. The EBRD will lower its risk by coinvesting with funds that are active on the market or by investing as an LP the funds that are raising capital now," Kolodyuk said in an exchange with Ukraine Digital News.

The EBRD is the largest financial investor in Ukraine. As of October 2014, it had provided 9.8 billion euros (\$12.4 billion) to 337 projects in the country. The bank intends to invest 1 billion euros in projects in Ukraine in 2015.

THE DEAL BOOK OF UKRAINIAN STARTUPS

APPENDIX 2 | LEGAL ADVICE TO UKRAINIAN STARTUPS



Fundraising in the USA: A few legal considerations for Ukrainian startups

Several Ukrainian or Ukraine-connected startups have already attracted venture funding in the USA. More are to come, if judging by the growing appeal of Silicon Valley among Ukrainian tech entrepreneurs. WhiteSummers partner Inna Efimchik offers expert advice on how to address the legal aspects of raising funds in the USA.

After a company founded in Ukraine has (a) raised some initial capital locally, (b) developed a product or service with some respectable number of customers or users, and (c) has already or is ready to expand to the market in the USA, the next logical step is often looking for the next round of funding – expansion capital – from US investors.

Depending on the stage of the company, the round may range from a later seed stage (e.g. Series S-2 or S-3) to, more typically, Series A or Series B. However, if this is the company's first exposure to US investors, many of the issues that will come up will overlap regardless of the company's stage or its valuation. In this editorial, I will go over some of these common issues of which founders should be aware, and for which they may wish to prepare in advance of their fundraising efforts in the USA. The list of topics below is by no means exhaustive, and is based on the common asks or concerns that investors in the USA voice with respect to foreign companies, whether they are from Ukraine or elsewhere.

US company

It is important that there be no confusion about this. Investment by US investors will almost always need to come into a company organized under the laws of a state in the USA, most typically Delaware. If that structure is not in place at the time conversations with investors commence, founders should be prepared with a corporate restructuring plan that includes a US parent company and potentially a family of wholly-owned operational subsidiaries below it in other jurisdictions, such as Ukraine.¹

Domicile of the IP

Relatedly, US investors will insist that the intellectual property necessary for the business in which they are investing belongs to the legal entity into which they are investing or to its wholly-owned subsidiary. Complex licensing arrangements and IP holding companies are generally disfavored.

^{1.} Because of certain peculiarities of Ukrainian law, it is not uncommon for founders of Ukrainian startups to hold their shares in the company not in their own names, but through offshore corporations, sometimes even jointly with other founders. This kind of structure looks very strange to US investors. While they are comfortable for investor stakes to be held by investment vehicles, including offshore ones, the common practice is for founders to hold their shares individually and directly. Investors are looking for transparency and best practices. This will not necessarily be a deal-breaker with the investor, but having a simpler, more transparent structure will avoid unnecessary and tedious conversations.

APPENDIX 2 | LEGAL ADVICE TO UKRAINIAN STARTUPS

On the other hand, keeping intellectual property in a wholly-owned Ukrainian subsidiary may also be considered risky given the uncertainties of the political climate and legal system in that part of the world. Founders should be prepared to have an intelligent discussion with US investors about ownership of intellectual property and have a rationale for the choices they have made.²

Authorization to work in the USA

There are many misconceptions in the startup community about how easy or hard it may be to get authorization to work in the USA. Despite the fact that relocation to the USA of the founders is a part of many startups' long-term plans, many founders just don't think about it until they are ready to relocate, when they find out that it may not be so easy.³

Founders' ongoing role

When reaching out to investors in the USA, it is important for founders to have a realistic assessment of their ongoing role within the company based on their individual strengths. Undoubtedly, some founders will be more than capable of leading their company as CEOs in the USA. Others, however, may be great on the technology side or have strong talent and connections allowing them to do business development in Ukraine, CIS or Europe, but they may not be ideal candidates for the position of CEO for the US business.

Having an honest internal discussion about it and thinking through this ahead of time, difficult and unpleasant though it may be in certain cases, is important. If the founding team does not have a good candidate for the US CEO position among its members, and recognizes this shortcoming in advance of speaking to investors, it can begin recruiting efforts to attract an "American" CEO prior to fundraising. Whether this person actually starts prior to or contingent upon the closing of a financing, being able to list this candidate as part of the team and demonstrating to the investors that the team is making solid business decisions will ultimately improve both the chances of getting funded and the company's chances for success generally.

^{2.} Parallel structures, where intellectual property isn't owned at least indirectly by the US company into which investment is sought, but rather by a founder (or a relative/friend/former classmate of the founder) personally, will not work at all. It is best to rethink those structures before coming to US investors and having to disclose the gaps. 3. There is as yet no "hack" to this problem, as there is no startup or entrepreneur's visa, despite all the talk about the need for one. In fact, work authorization for citizens of Ukraine or other CIS countries requires careful planning, and may often take as long as a year or more to obtain. The reason is that US investors will want, if not the entire Ukrainian team, to relocate and work in the USA, then at least one or two of the key people in the company. Coming here on a B-1 visa for extended periods of time (e.g. 3-4 months in the USA, then back to Ukraine for 1-2 months, then back to the USA for another stretch of 3-4 months) is only a temporary solution and one that will make US investors nervous. A B-1 visa does not provide work authorization, and it isn't intended for an extended stay, so there is a risk each time the founder re-enters that he will be asked to turn around and go home. The visas most typically used by startup founders from Ukraine which do provide work authorization are L1-A (Intracompany Transferee Executive or Manager), H1-B (Specialty Occupations), O-1 (Individuals with Extraordinary Ability of Achievements), and E-2 (Treaty Investors). Startup founders, whose role in their company is likely to require their relocation to the USA, should plan their work authorization strategy with legal counsel well in advance of when they plan to come to the USA to work.

APPENDIX 2 | LEGAL ADVICE TO UKRAINIAN STARTUPS

Existing investors

As mentioned previously, the typical foreign startup that fundraises successfully in the USA will have already raised varying amounts of capital from its own compatriots. That's just a function of the fact that it takes capital to get to a point when a startup is ready to enter a market like the USA, and that it is easier to get capital in one's own community at the early stages. The terms of those initial investments can vary greatly from very company-friendly ones to some pretty egregious deals.

There is probably no easy solution here. But it is important not to alienate those early investors, to treat them as partners and make sure they are on the same side as the company. To the possible extent, their rights should be preserved – and your new investors will appreciate your loyalty to these early supporters.

 A Partner in the Emerging Companies group at White Summers Caffee & James and head of its CIS practice, Inna Efimchik provides business advisory and legal services to entrepreneurs, startup ventures, emerging growth companies, and investors in the USA and internationally. Her practice includes general corporate counseling and securities advising, venture capital financings, debt transactions, strategic partnerships, licensing deals and other commercial transactions, and mergers and acquisitions. During her practice she has represented companies in a wide range of industries, including software, Internet, mobile, life sciences, biotechnology, medical devices, communications and clean technology.

Ms. Efimchik represents several investor groups based in Ukraine and the Russian Federation and many companies originally formed in the CIS countries, which have established a US presence. Prior to bringing her practice to White Summers, Inna Efimchik practiced corporate and securities law at Emergence Law Group, a boutique law firm that she founded, and prior to that, in the emerging companies groups at Cooley LLP and at Heller Ehrman Venture Law Group.

 White Summers Caffee & James is a premier boutique corporate and international law firm that provides skilled legal services to entrepreneurs, tech companies, individuals, and growth businesses at all stages of development, from large-scale global enterprises to innovative startups. Its deep experience and wide range of knowledge positions it to provide highly responsive and effective legal solutions. THE DEAL BOOK OF UKRAINE

APPENDIX 3

RECOMMENDABLE NEWS & DATA SOURCES

APPENDIX 3 | RECOMMENDABLE NEWS & DATA SOURCES

INDUSTRY NEWS AND DATA SOURCES



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 analyis 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

THE DEAL BOOK OF UKRAINE

APPENDIX 4

MAJOR INDUSTRY E V E N T S

APPENDIX 4 | MAJOR INDUSTRY EVENTS

MAJOR INDUSTRY EVENTS



IDCEE (U-Start CEE) Every October Kyiv, Ukraine One of the top five tech events in Central and Eastern Europe, IDCEE gathers annually in Kyiv over 2,000 guests from across Europe, the Americas, and Asia. The event is intended for Internet entrepreneurs, VCs and angel investors, CEOs and CTOs of IT companies, IT professionals, bloggers and digital media contributors. In 2014, IDCEE and U-Start joined forces to become U-Start CEE www.idcee.org



iForum Every April Kyiv, Ukraine iForum is Ukraine's largest event dedicated to the Internet and software development industries. Held in Kyiv, iForum 2013 gathered over 7,000 IT people from every part of the country. www.2014.iforum.ua



Ukraine Tech Gem Every September San Francisco, CA A showcase for Ukraine's tech sector, U.T. Gem is attended each year in San Francisco by top Silicon Valley and Ukrainian investors, entrepreneurs and executives. www.utgem.co



Online Retail Business Every November Kyiv, Ukraine Online Retail Business is an annual retail and ecommerce conference and exhibition. Held since 2007, it has been attended by 700+ people in 2013, and was featured in more than 50 expert reports. www.owox.com



IT Forum
Every September
Zaporizhzhya,
Ukraine

IT forum is the first offline conference hosted in Zaporizhzhya, Ukraine that brings together IT-professionals, leading Ukrainian investors and entrepreneurs. www.it-forum.info



8P Conference Every July Odessa, Ukraine Conference on Internet marketing held annually in Odessa organized by Netpeak company. The event is intended for small and medium-sized business owners, marketing professionals, owners and employees of online stores, as well as SEO, SMO professionals. www.8p.ua



Item Conference Every September Dnipropetrivsk, Ukraine The annual conference hosted in Dnipropetrivsk, Ukraine is dedicated to Internet industry trends. It brings together developers, managers, startups, freelancers and Internet business owners. www.item.dp.ua