

DealBook of Ukraine

2019 edition

Covering the deals announced in
2018 and selected deals of Q1 2019



Intro

AVentures Capital presents **The DealBook of Ukraine – 2019 edition.**

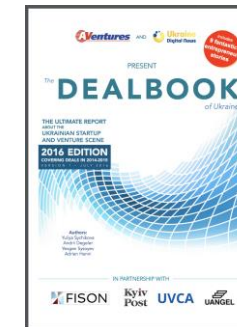
The DealBook is our annual overview of the Ukrainian tech investment industry. This edition comprehensively covers the full year 2018 and selective activities in the first quarter of 2019.

We would like to cordially thank all the market participants who contributed their insights to the report.

Prepared in partnership with



DealBook of Ukraine – the previous editions



Other reports on Ukrainian tech



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Investments & Advisory within the software technology sector



<http://aventurescapital.com/>

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Inaccuracies and updates

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

New and updated data will be included in the next publication, improving the level of detail and the quality of the report.

Please submit corrections, updates and/or suggestions to yv@aventurescapital.com. Our thanks in advance for your assistance, which will make the next DealBook a better resource for the investment community.

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Funding

Capital raised by Ukrainian
tech companies in 2018

A record volume of deals in 2018

US\$ 323M

Total volume of Venture Capital and Private Equity deals in Ukrainian technology sector in 2018

+22%

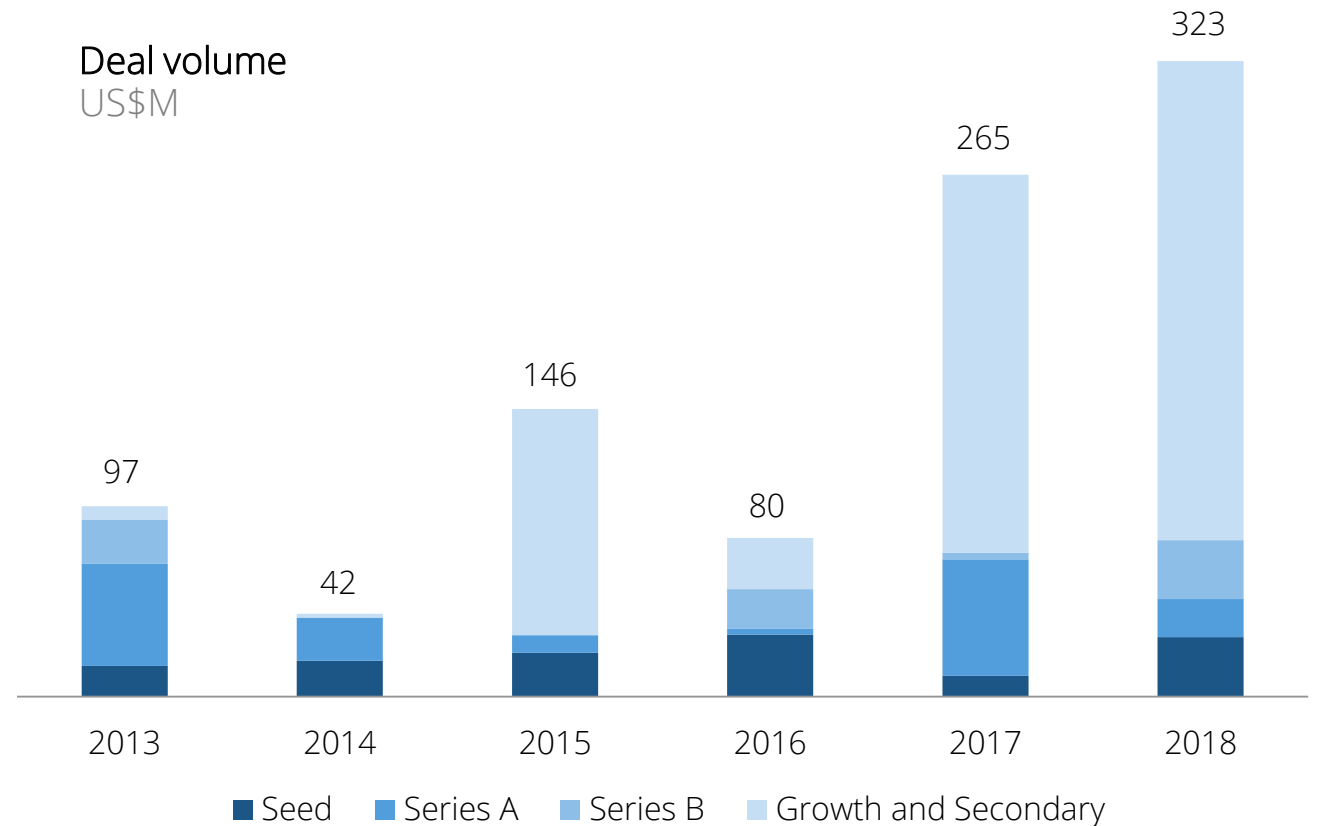
YoY annual deal volume growth in 2018 vs 2017

Important note: the analysis is based on the reported deals only. Tech venture capital and private equity deals considered

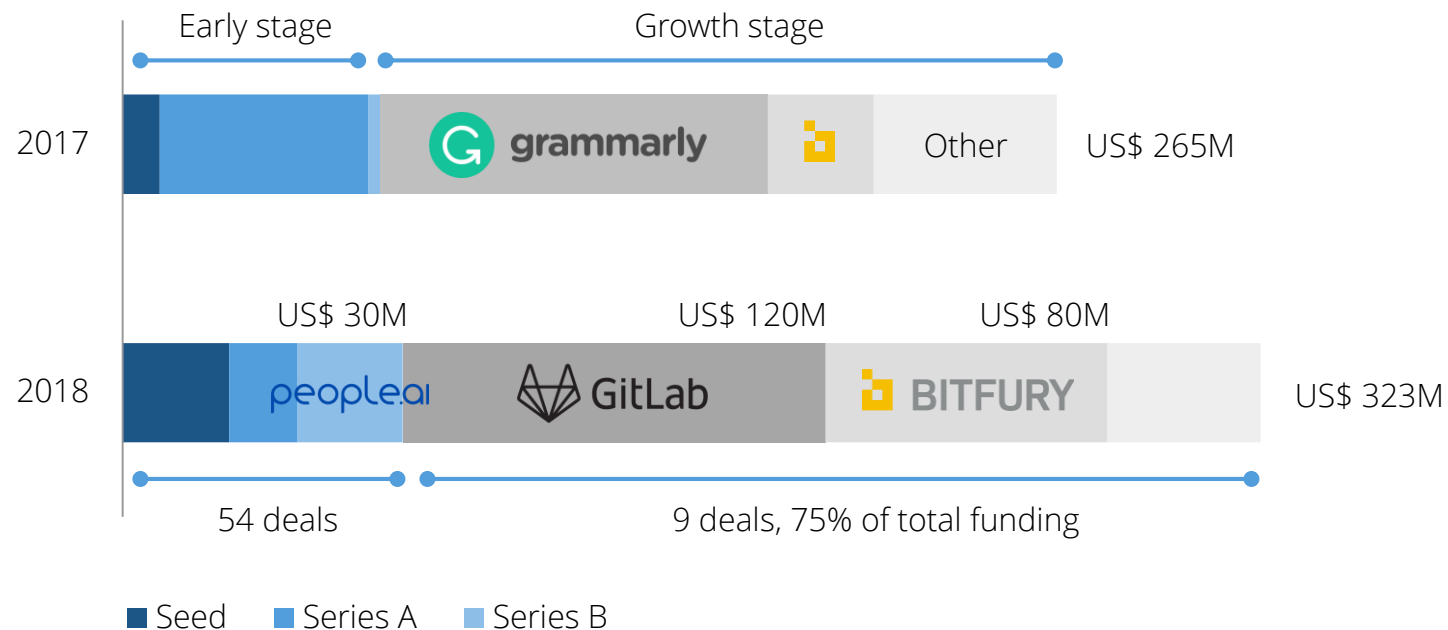
Source: AVentures analysis



US\$ 1bn invested in Ukrainian tech companies since 2013, making it one of the top funding destinations in CEE



Global growth vs local startups



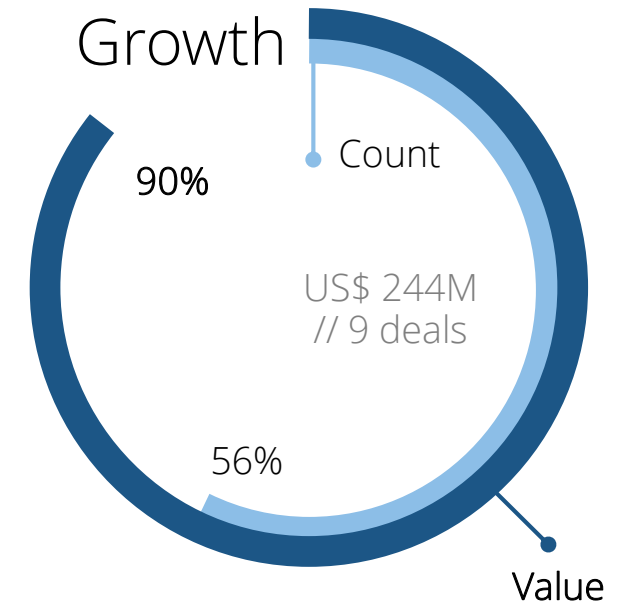
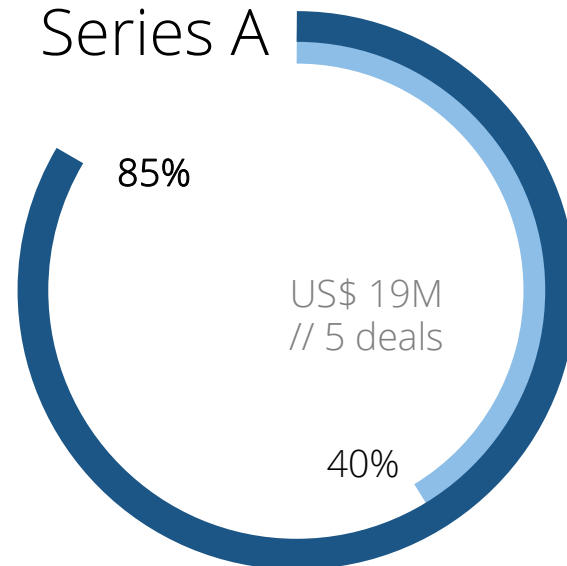
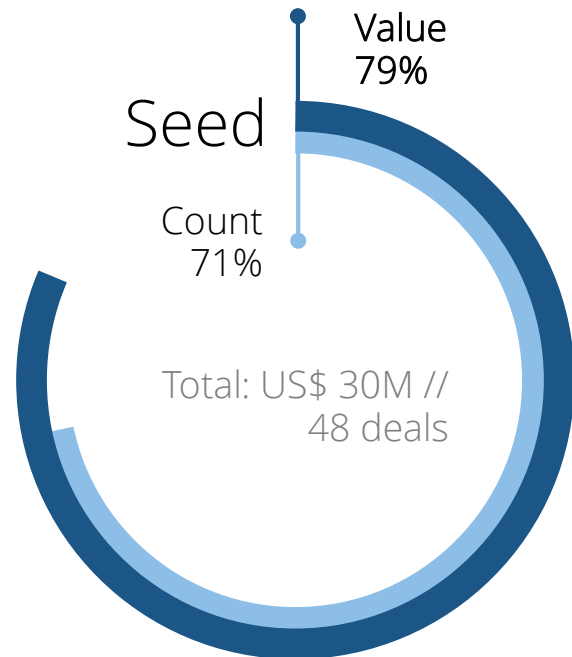
In 2018 71% of the funding was received by **three global companies** which leverage R&D in Ukraine: GitLab, Bitfury and People.ai

Flat early stage investment. Disclosed Seed – Series B funding grew by US\$ 6M YoY: US\$ 79M in 2018 vs US\$ 73M in 2017

Foreign capital prevalence

The majority of both early-stage and late-stage financing came from foreign investors

Share of foreign capital in the disclosed deals



Top-20 deals

The largest deals were financed by foreign capital
91% of capital for the 20 largest deals was provided by foreign investors. Deal targets – international businesses, co-founded in Ukraine, leveraging R&D in the country

Sources of early-stage funding

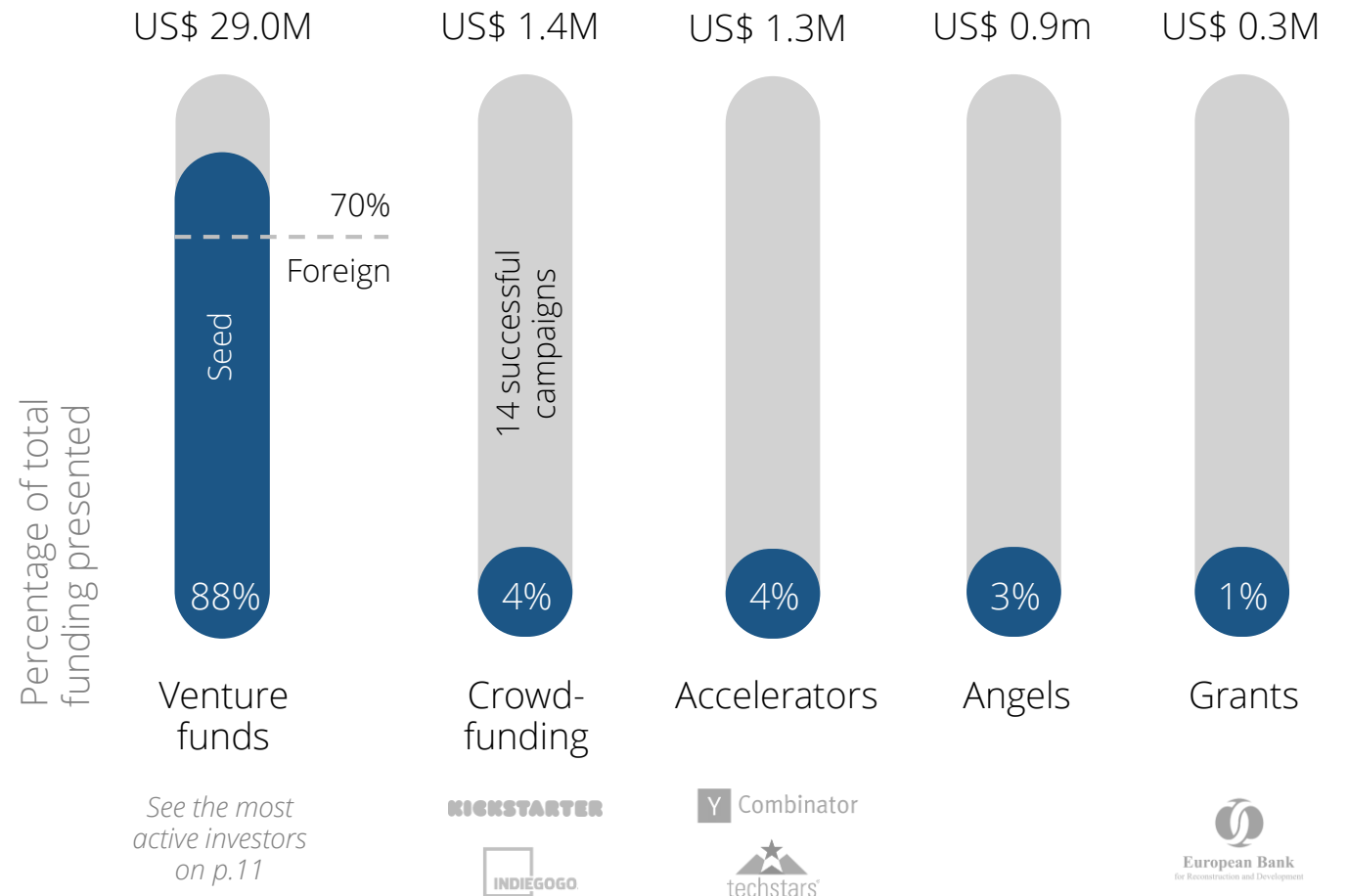
There is still a limited number of Ukrainian early-stage funds

Their capital is limited – most invest through Fund I and some think of raising a larger Fund II

Two-fold effect for startup ecosystem:








- More shut-downs due to cash shortage
- Those companies who reach Seed / Series A tend to have more robust businesses than international peers

Significant headroom for development of local early-stage financing ecosystem



Examples of early-stage startup funding rounds, 2018

Ukrainian tech companies have been raising funds from the leading international funds

	Company	Sector	Funding round	Sum, US\$ M	Lead investor	Other investors
	People.ai	AI	Series B	30	Andreessen Horowitz	Lightspeed Venture Partners, GGV Capital, Y Combinator
	YayPay	FinTech	Series A	8.4	Information Venture Partners	Birchmere, QED, Fifth Third Capital, Gaingels, 500 Fintech Fund, Runway Venture Partners
	DreamTeam	eSports	Seed	5.0	Mangrove Capital	-
	Restream	Streaming	Seed	4.5	Silverton Partners	Anorak Ventures, COLOPL, K Cube, Liquid2 and angels
	Preply	Marketplace, EduTech	Seed	4.0	Point Nine Capital	SMRK, RTA Ventures, Diligent Capital Partners, angels
	Spinbackup	Enterprise software	Seed	1.5	bValue	TMT Investments, angels
	3DLook	AI	Seed	1.0	u.ventures	500 Startups, u.ventures, angels

See the entire list in the Deal Table, p. 23

Most active investors



Over the last few years US funds contributed most of the funding at Series B and growth stages, as Ukrainian tech companies frequently succeed on the US market

Various large international funds (e.g. Andreessen Horowitz) have made 1-2 deals with global companies which leverage R&D in Ukraine

Venture funds from the CEE region are actively looking at Ukrainian tech investment opportunities. We expect more deals in Ukraine by CEE-focused funds

Ukrainian tech ecosystem potential

Ukraine offers an abundance of world-class tech talent

Mobilizing hidden tech business potential can unlock a huge upside

172k

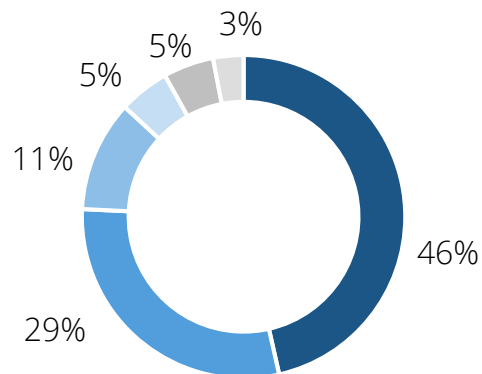
IT professionals as, end-2018

23k

Tech graduates annually

Over 50% work in outsourcing & outstaffing
Developers by company type as of the end-2018

- Outsourcing
- Product
- Outstaffing
- Not IT
- Startup
- Freelance



International companies with R&D in Ukraine

As of the end-2018



Opportunity for high-quality talent to migrate from R&D and build global technology companies

Fundraising: recap

01 | A record volume of deals in 2018

- Ukrainian tech sector raised US\$ 323M in Venture Capital and Private Equity deals
- Total deal volume grew by +22% vs 2017

03 | The majority of early-stage financing came from foreign investors

- 79% of Seed deal volume and 85% of Series A deal volume supplied by foreign investors
- We expect more CEE-focused funds to be active in Ukraine
- Significant headroom for development of local early-stage financing ecosystem

02 | Winners take it all

- 75% of funding – late-stage growth deals
- 71% of the funding was received by three global companies which leverage R&D in Ukraine: GitLab, Bitfury, People.ai
- Early-stage deal volume remained flat

04 | Huge hidden upside potential

- 172k tech professionals in Ukraine
- About 60% are employed in outsourcing and outstaffing
- Mobilizing current tech talent pool to build global technology companies can unlock huge upside for Ukraine

M&A

Recent mergers & acquisitions
in Ukrainian tech sector

M&A landscape

Product companies M&A has been limited so far: many businesses have been bootstrapped or funded within the last couple of years

- Portfolio of local VC funds matures → more exits in the near future. Some deals have already happened in 2019 and will be announced this year
- Global product companies — more exits to come as the candidates get more mature
- Ukrainian market consolidation drives local deal activity

Software development outsourcing sector represented the majority of M&A deal activity in 2018/19

Key reasons:

- The sector grows consistently by 20-25% YoY vs 5% globally
- Fundamentals are strong for continuous growth: skilled talent pool, proximity to western markets, stable supply of tech graduates
- Market consolidation: we see several well-funded CEE players expanding through M&A roll-on

Examples of recent Ukrainian e-com and product M&A deals

Target	Acquirer	Target bio	Year
OLX Africa	Genesis (Jiji)	OLX operations in Nigeria, Kenya, Ghana, Uganda, Tanzania	2019
EVO	Rozetka	Group of e-commerce companies, active in Ukraine, Belarus, Kazakhstan, Russia	2018
Newzmate	Piano Software (US)	Content marketing automation service for media business	2018

Examples of recent Ukrainian software development M&A deals

Target	Headcount	Acquirer	Target bio	Year
CoreValue	385 (2018)	IT Kontrakt (Poland)	Outsourcing with Salesforce consulting expertise	2019
Acceptic	150 (2019)	Yael Group (Israel)	Outstaffing, based in Kharkiv, majority of revenue from Israel	2019
Adyax	350 (2018)	Smile (France)	Outsourcing, European leader in the open source CMS Drupal	2018

More details on Software Development M&A in our Software Development Report
Note: announcement year stated

Q1 2019 overview

Notable Q1 2019 deals

Several landmark deals were announced in the first quarter

	Target	Sector	Deal sum	Investors / Acquirer	Target bio
Venture Capital and Private Equity deals					
	Ajax	IoT	US\$ 10M	Horizon Capital	Security IoT products company
	Ciklum	Outsourcing	n/a	Dragon Capital, AVentures Capital	A leading global custom software development company
	Turnkey Lender	FinTech	n/a	OSK Ventures, Vertex Ventures, Majuven, u.ventures	Lending automation, decision management, and risk mitigation solutions
	Murka	Gambling	n/a	Blackstone Group	Social casino development

Appendix

Investors portfolio, top e-commerce
players and the Deal Table

Investors portfolio (1/2)



Early stage



Selected Ukrainian portfolio companies by funds



Note: only Ukrainian companies mentioned for international funds (e.g. Almaz Capital)

Investors portfolio (2/2)



Growth stage



Selected Ukrainian portfolio companies by funds

Dragon Capital

Horizon Capital

CIKLUM
EMPOWERING COLLABORATION

AJAX

intellias



ROZETKA

jooble

Aventures

Product companies with most international revenue



Photo editing software



Micro-stock photo-bank online marketplace



Second most visited job aggregator in the world



Tech holding with fast-growing products operating in developed and emerging markets



AI-powered spell-check SaaS company



Document management SaaS



AI platform for enterprise sales, marketing, and customer success



Multifunctional cryptocurrency exchange



Leader in Connected Pets IoT market segment



Cloud CRM for sales, marketing and service automation



Security and cleaning software for Mac



E-commerce travel distribution company, EMEA region



Payment and content distribution platform for digital goods



Single application for entire software development lifecycle



Full service bitcoin and blockchain technology company



Developer of iOS productivity apps



Full-stack platform for both online advertisers and publishers



Mobile app for event planning



Mac software development company



Storage management and SAN software for SMBs



Tools to increase user adoption and ROI of enterprise applications (CRM, ERP etc.)



Top e-commerce companies

Global players (dropshipping)

amazon

ebay

AliExpress™

JOOM

Aventures

Local players (locally founded or dedicated presence)

Electronics

 **ROZETKA**

Fashion

Kasta

also #2 in perfumes & personal care

lamoda

Perfumes & personal care

MAKEUP
BE BRANDY. BE TRENDY.



Classifieds

OLX












prom

owned by Rozetka

Funding deals of 2018 (1/4)

Logo	Company	Sum raised, US\$M	Investors	Investor type	Stage	Brief description
 GitLab	GitLab	120.0	Iconiq Capital, Goldman Sachs, Khosla Ventures, GV	VC	Series D	Single application for entire SW development lifecycle
 BITFURY	BitFury	80.0	Korelya Capital, Macquarie Capital, Dentsu, iTech Capital, Lian, Galaxy Digital LP	VC	Series C	Full service bitcoin and blockchain technology company
 people.ai	People.ai	30.0	Andreessen Horowitz, Lightspeed Venture Partners, GGV Capital, Y Combinator	VC	Series B	AI platform for enterprise sales, marketing, and customer success
 BUSFOR	Busfor	8.5	Vostok New Ventures	VC	Growth	Bus ticketing online travel agency and distribution platform
 YayPay	YayPay	8.4	Information Venture Partners, Birchmere, QED, Fifth Third Capital, Gaingels, 500 Fintech Fund, Runway Venture Partners	VC	Series A	Accounts receivable software that automates payment workflows
 DREAMTEAM	DreamTeam	5.0	Mangrove Capital	VC	Seed	Infrastructure platform and payment gateway for eSports and Gaming
 Restream.io	Restream	4.5	Silverton Partners, Anorak Ventures, COLOPL, K Cube, Liquid2 and angels	VC	Seed	Platform to simulcast and analyze live video to multiple destinations globally
 Preply	Preply	4.0	Point Nine Capital, SMRK, RTA Ventures, Diligent Capital Partners, angels	VC	Seed	Human-to-human online tutoring marketplace
 Promo Republic	PromoRepublic	1.5	Finnish and UK VCs and Business Finland	VC	Series A	Social Media content automation SaaS for SMBs
 Spinbackup	Spinbackup	1.5	bValue, TMT Investments, angels	VC	Seed	Cloud Data Protection company
 Zakaz.ua	Zakaz	1.3	CIG	VC	Series A	Grocery delivery service

Funding deals of 2018 (2/4)

Logo	Company	Sum raised, US\$M	Investors	Investor type	Stage	Brief description
	3DLook	1.0	u.ventures, 500 Startups, angels	VC	Seed	Mobile body scanning tech for apparel retail and other industries
	Poptop	0.8	Northstar Ventures, angels	VC	Seed	Global entertainment booking service provider
	Senstone	0.6	Undisclosed	Undisclosed	Seed	Portable voice assistant
	Ecoisme	0.6	Equity crowdfunding, KIC InnoEnergy	VC	Seed	Energy saving system combining a utility switch and energy monitoring
	Competera	0.5	SMRK	VC	Seed	Cloud-native price optimization software
	Superorder.io	0.4	SMRK	VC	Seed	Crypto trading platform
	Cardiomo	0.2	Undisclosed	Undisclosed	Seed	Wearable technology for health monitoring and heart diseases prevention
	Noplug	0.1	Starta Accelerator	Accelerator	Seed	Online plagiarism checker
	Creditor Data Platform	0.1	NOVA Business School	VC	Seed	A platform for buying/selling turned down loan applications
	Flawless App	0.1	Techstars London	Accelerator	Seed	MacOS app for visual quality check
	InkHunter	0.1	Y Combinator	Accelerator	Seed	Augmented Reality mobile app to try and buy tattoos

Funding deals of 2018 (3/4)

Logo	Company	Sum raised, US\$M	Investors	Investor type	Stage	Brief description
	Kwambio	0.1	Techstars / Stanley Black & Decker	Accelerator	Seed	3D printed ceramics on-demand
	Go To-U	0.02	VWFS Startup Battlefield	Accelerator	Seed	Platform connecting EV drivers and eco-friendly businesses
	Intellias	Undisclosed	Horizon Capital	PE	Growth	Software engineering company, 1200+ employees
	Renetti	Undisclosed	u.ventures	VC	Seed	Omni-channel platform for personalised upholstery
	Hideez	Undisclosed	ICU, other VCs	VC	Seed	Cybersecurity startup providing the last-mile solution for a physical and logical access
	Petcube	Undisclosed	Almaz Capital, ICU, Cabra	VC	Series A	Worldwide leader in pet cameras & software
	Scalarr	Undisclosed	Speedinvest	VC	Seed	Anti-fraud solution for mobile advertising
	YouTeam	Undisclosed	Digital Future, WanaBiz, u.ventures, Y Combinator, angels	VC	Seed	Marketplace for offshore development teams
	Signalayer	Undisclosed	Digital Future	VC	Seed	Popup creation platform for enterprise marketers
	Cardiolyse	Undisclosed	Startupbootcamp	VC	Seed	E-healthcare company focused on analytics of human heart electro signals
	Discoperi	Undisclosed	FinForge	VC	Seed	Car driving safety solutions

Funding deals of 2018 (4/4)

Logo	Company	Sum raised, US\$M	Investors	Investor type	Stage	Brief description
	Softcube	Undisclosed	The Venture City, Techstars Berlin	Accelerator	Seed	Automatic video ad creation
	Kray Tech	Undisclosed	VentureBot, angels	VC	Seed	Drone-based solution for aerial crop protection
	Let's Enhance	Undisclosed	Digital Future, Techstars London	VC	Seed	AI-powered platform to automate image enhancement for commercially ready visuals
	PatentBot	Undisclosed	Betatron	Accelerator	Seed	Trademark registration solution
	Shelf.Network	Undisclosed	Broadleaf, other investors	VC	Seed	Distributed auctioning protocol as a platform
	Axdraft	Undisclosed	Overkill Ventures	VC	Seed	On-demand automation of legal processes for enterprise
	Zirity	Undisclosed	Startup Wise Guys	Accelerator	Seed	Virtual try-on tool for glasses and clothes
	Bloknotapp	Undisclosed	Startup Wise Guys	Accelerator	Seed	CRM for beauty salons
	CoinyPay	Undisclosed	Startup Wise Guys	Accelerator	Seed	Chatbot technology provider for Banks and Payment Service Providers
	JetBeep	Undisclosed	Startup Wise Guys	Accelerator	Seed	Mobile wallet platform
	Sureberry	Undisclosed	Startup Wise Guys	Accelerator	Seed	Insurance sales as a service

Note: several additional deals left undisclosed due to privacy considerations