



# **Scaling Up: Accelerating Ukraine's Tech Sector**

**u.ventures**

**UKRAINE-  
MOLDOVA**  
AMERICAN ENTERPRISE FUND



**civitta**



# GOALS OF THE REPORT

01.

**Provide an overview** of the Ukrainian startup ecosystem

02.

**Highlight** Ukraine's tech ecosystem **potential** and identify opportunities for investors

03.

**Identify gaps** of the Ukrainian startup ecosystem

04.

**Outline key interventions** to strengthen Ukraine's startup ecosystem

## SUPPORTED BY



**u.ventures**

**civitta**

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# **u.ventures**

**We back local entrepreneurs  
who dare to build exciting  
global ventures**

**u.ventures is a venture fund  
established by Ukraine -  
Moldova American  
Enterprise Fund**

**investing from 100,000 to  
\$2M in early stage tech  
startups (Seed, Series A).**

**Supported by**



# OUR FOCUS

**Ambitious founders from Ukraine and Moldova**

**Who target global markets**

**With scalable product with competitive edge**

**And developed conviction or insight about target market**

# INVESTMENTS



INSTOCK 



**OneNotary**

**carmoola**

**To date, u.ventures invested over \$12M in 30 Ukrainian and Moldovan startups.**

# civitta

**We are the catalyst  
of the new economy**

**CIVITTA is an international innovation advisory with strong local presence in 20 countries across Europe.**

**We combine hands-on experience of supporting startups and scaleups, implementing ecosystem support and corporate innovation programs and developing innovation policies.**

# CIVITTA CONTRIBUTES TO INNOVATION ECOSYSTEM DEVELOPMENT AT DIFFERENT LEVELS

## SUPPORT STARTUPS

€100M

of funding attracted for startups



## FACILITATE CORPORATE INNOVATIONS

### CORPORATE INNOVATIONS



+ many more

## DEVELOP ECOSYSTEM

1 000+

startups participated in programs

€2Bn

attracted by startups that participated in programs



# CONTENT

**Ukrainian Tech Ecosystem Overview**

**Challenges And New Opportunities  
Of The Ukrainian Tech Ecosystem**

**Elevating Ukraine's Tech Industry  
to the Global Scale**





# UKRAINIAN TECH ECOSYSTEM OVERVIEW

# REPORT'S KEY TAKEAWAYS

## 1 UKRAINE'S TECH SECTOR: THRIVING AGAINST ALL ODDS

- Ukraine's tech industry shows significant growth despite challenges such as the ongoing war with Ukrainian startup ecosystem ranking 46<sup>th</sup> globally in 2024 vs 50<sup>th</sup> in 2022.
- Over 2,600 active startups with valuations tripling since 2020.
- IT services exports hit \$6.7B in 2023, making up 41% of total services export.

## 2 UKRAINE AS A GLOBAL TECH HUB: POWERED BY TOP TECH TALENT

- Ranks 2<sup>nd</sup> in Central and Eastern Europe for IT outsourcing and 7<sup>th</sup> globally in IT competitiveness.
- Home to over 346,000 IT specialists, offering a robust talent pool.
- Key challenges include addressing talent retention and closing funding gaps to fully harness the sector's potential.

## 3 TIME TO SCALEUP

- Scaleup entrepreneurs are the engine of the economy, but increased specialized support is needed so more companies can scale faster.
- Due to the market demand dynamics and limited availability of capital, tech companies that reach scale are generally more mature and have taken longer to expand.
- "International first" companies boost Ukraine's global competitiveness and offer significant growth opportunities.

## 4 IMPROVING CONNECTEDNESS OPENS NEW ECONOMIC OPPORTUNITIES

- About 120,000 highly skilled Ukrainian tech professionals have relocated abroad due to the war, creating new networks that can be leveraged to drive investments and new business for Ukrainian economy.
- Improving connectedness by easing regulatory barriers and facilitating free flows of capital between key tech hubs and engaging talent globally should be Ukraine's top policy priority for economic growth.

# UKRAINE IS A TECH NATION WITH A STRONG TECH INDUSTRY RECOGNIZED GLOBALLY



**\$6.7B**

IT services export in 2023

Share in total services export: 41%



**2 300+**

Active IT companies

Spanning more than 20 industries



**~346 000**

IT specialists in 2023

Grew 78% compared to 2018



**2 600**

Active startups as of 2024

Startups valuation tripled since 2020



Attractiveness for IT outsourcing (CEE)

**2<sup>nd</sup>**

Global skills report 2023 tech proficiency (Europe)

**3<sup>rd</sup>**

IT Competitiveness Index 2023 (IT economic impact)

**7<sup>th</sup>**

IT competitiveness Index 2023 (talent)

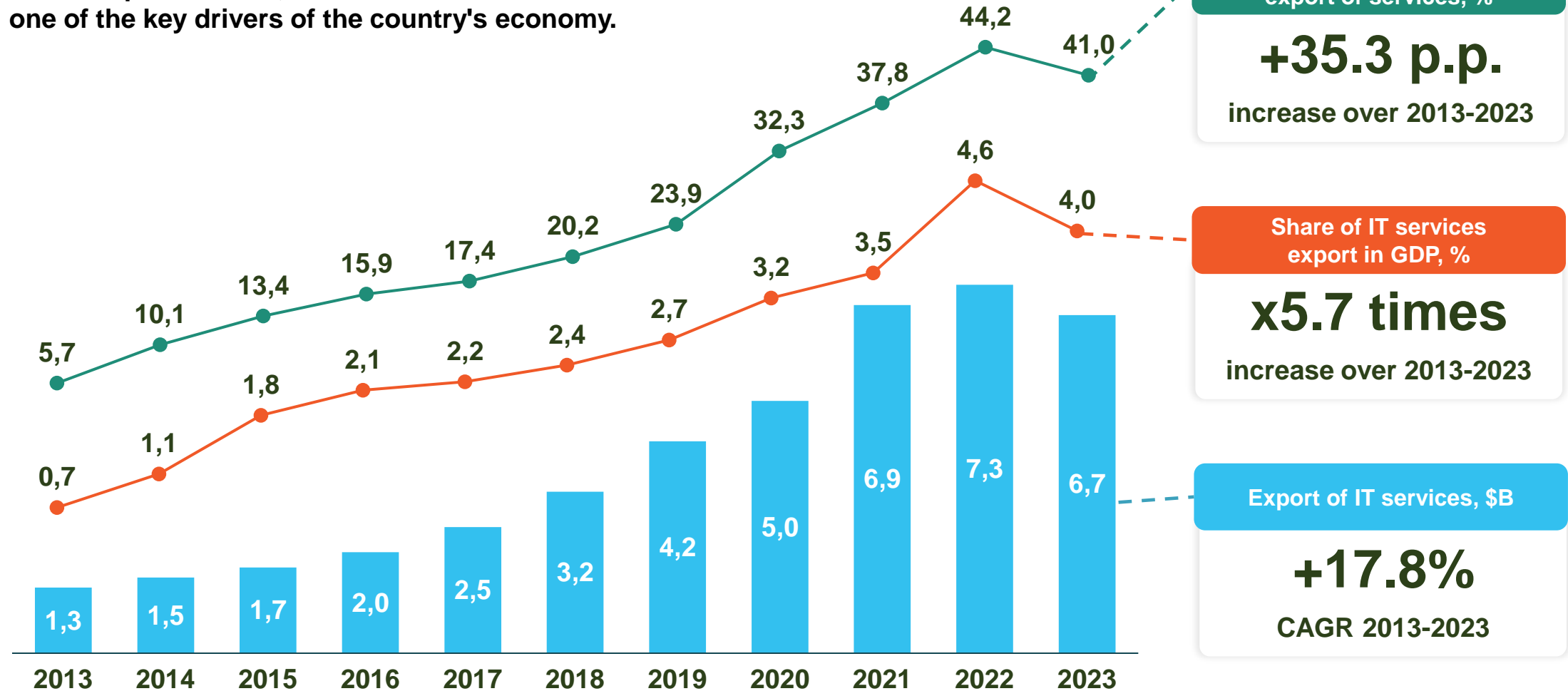
**7<sup>th</sup>**

Startup Ecosystem Index 2023

**30<sup>th</sup>**

# IT SECTOR PLAYS A CRUCIAL ROLE IN UKRAINE'S ECONOMY

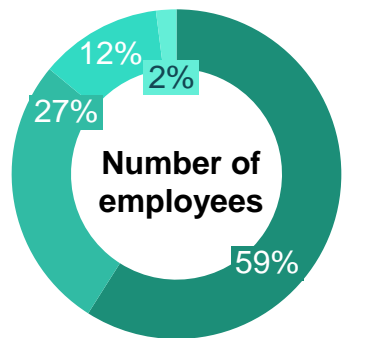
Over the past decade, Ukraine's IT sector has become one of the key drivers of the country's economy.



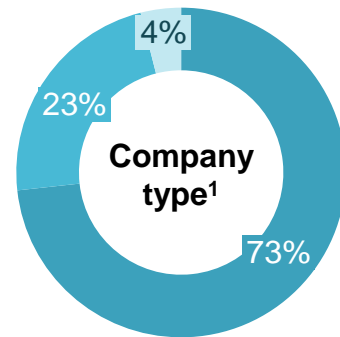
# UKRAINE HAS OVER 2,000 IT COMPANIES SPECIALIZING IN PRODUCT DEVELOPMENT

## 2400+

IT companies listed in the Ukrainian Tech Ecosystem database

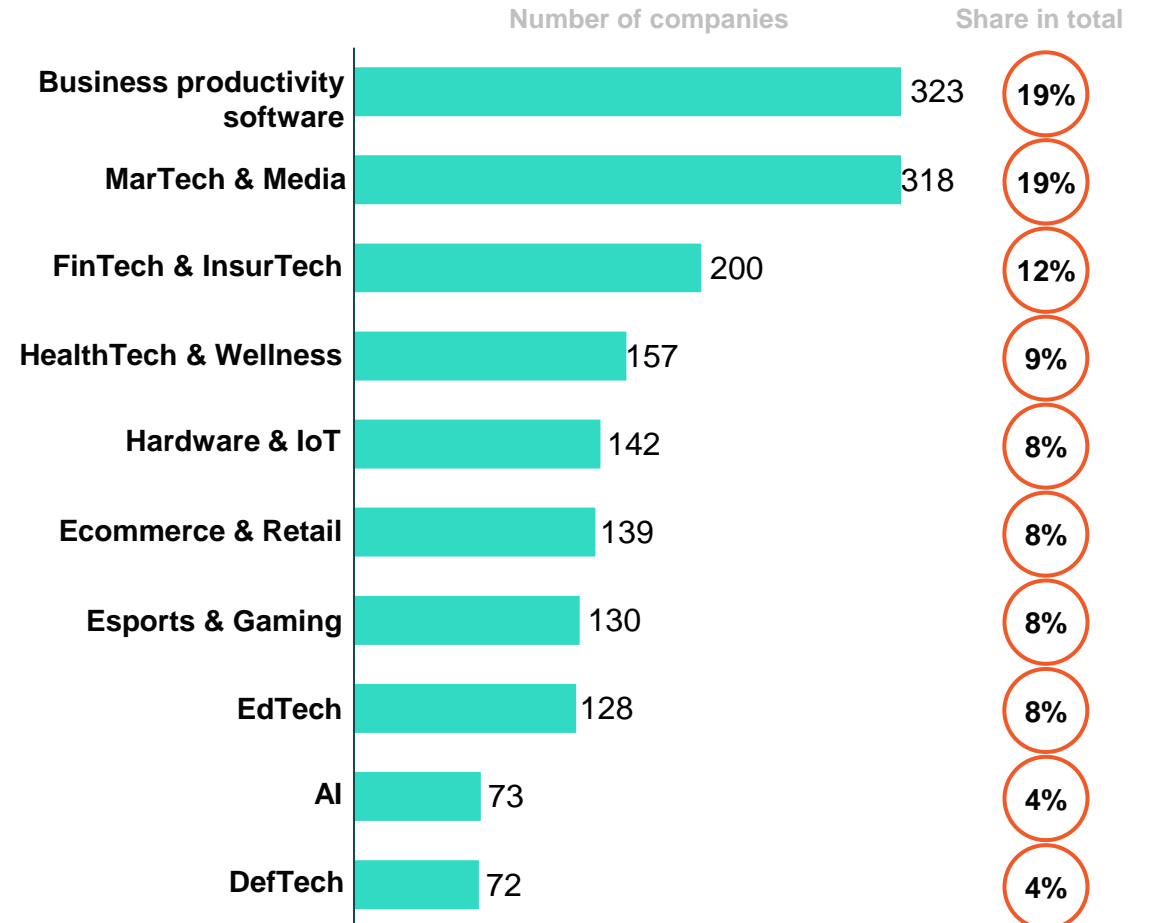


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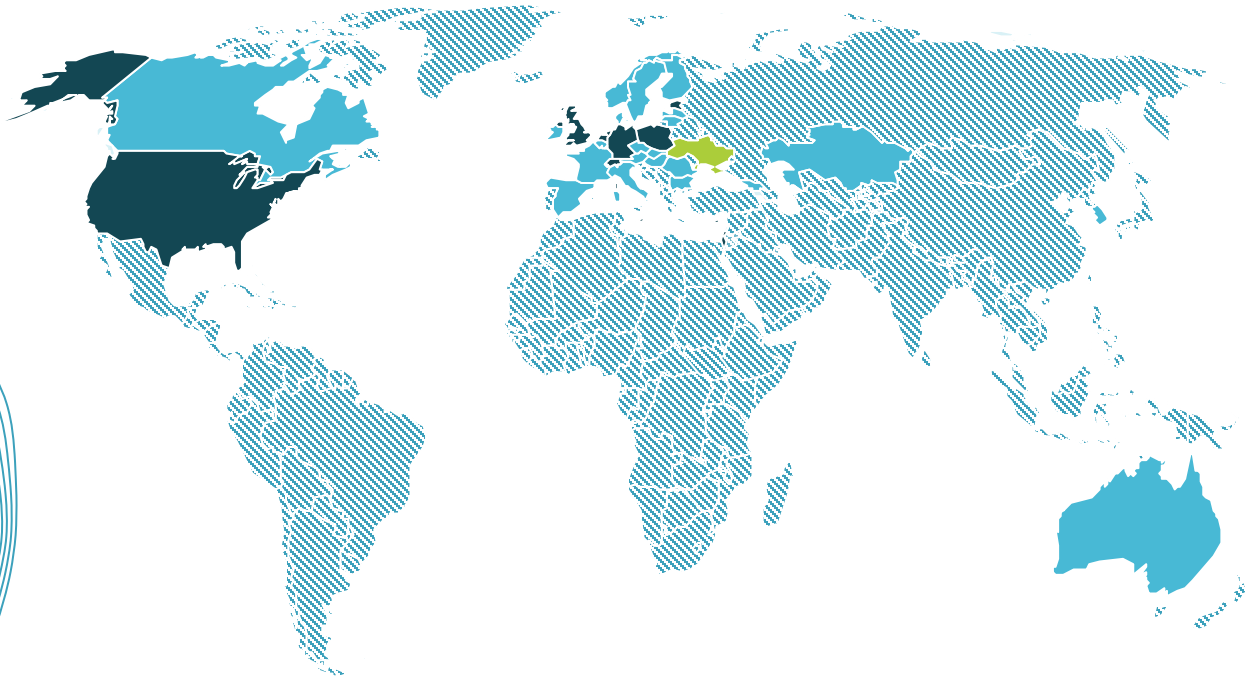
■ Product companies  
■ Service companies  
■ R&D

### Ukrainian IT Companies Top 10 Segments<sup>1</sup>













# UKRAINIAN IT COMPANIES WORK CLOSELY WITH PARTNERS ACROSS KEY TECH HUBS, PRIMARILY USA, UK, ISRAEL, AND GERMANY

Ukraine exports IT services to more than 40 countries worldwide with the focus on the USA and Western & Central Europe.



- Top-10 importers of the Ukrainian IT export
- Other importers

Top-10 countries-importers of Ukrainian IT services in 2023:

Country	Import value, \$M	Change vs 2013	Share of total IT export
 USA	2 677	x6,6	40%
 Malta	567	x19,0	8%
 UK	535	x4,0	8%
 Cyprus	362	x7,4	5%
 Israel	293	x8,3	4%
 Germany	275	x4,7	4%
 Switzerland	274	x2,4	4%
 Poland	162	x20,2	2%
 Estonia	158	x15,5	2%
 Netherlands	132	x4,7	2%

# FROM 2018-2023, UKRAINE'S IT WORKFORCE GREW BY 78.4% RANKING SECOND IN CEE

87%

of IT specialists have higher education

80%

Have an intermediate or higher level of English

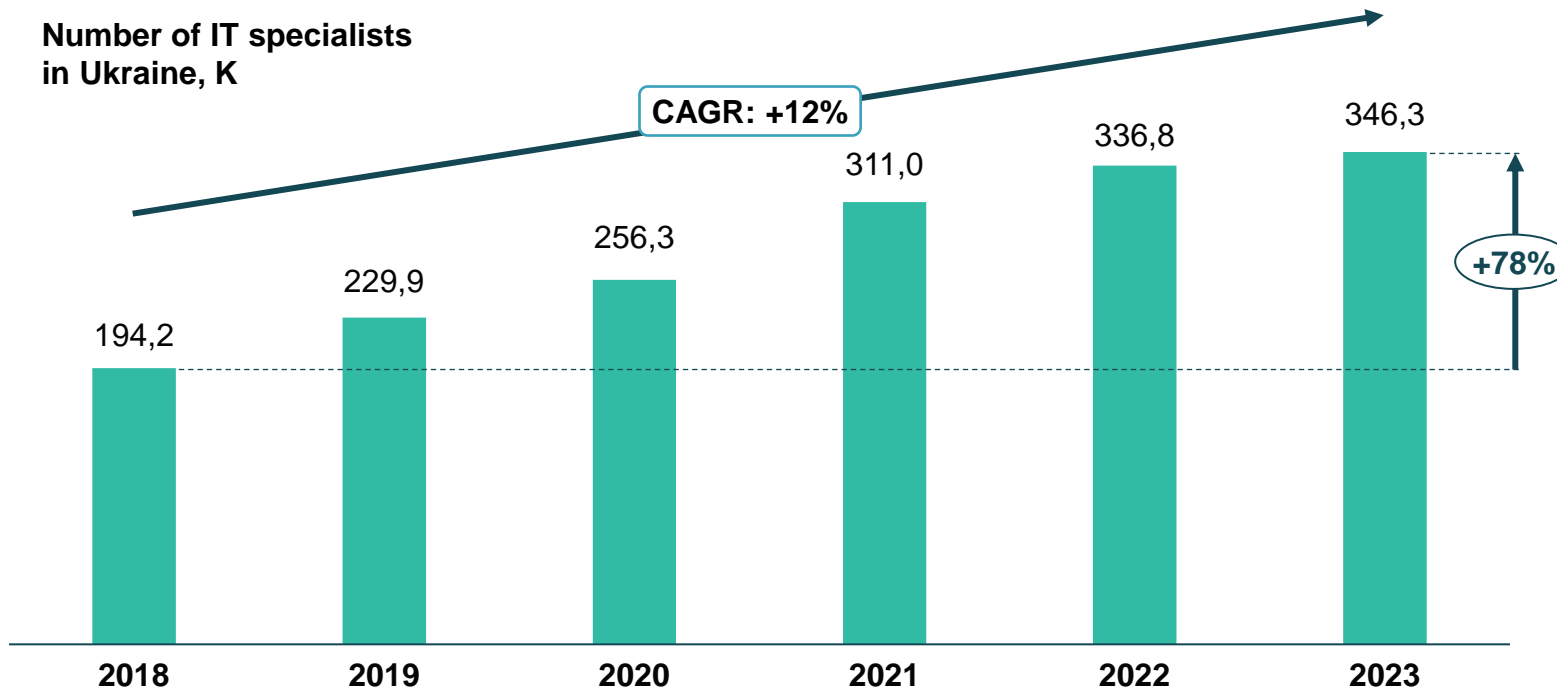
74%

of people in IT are technical specialists

66%

of IT specialists have 3+ years of experience

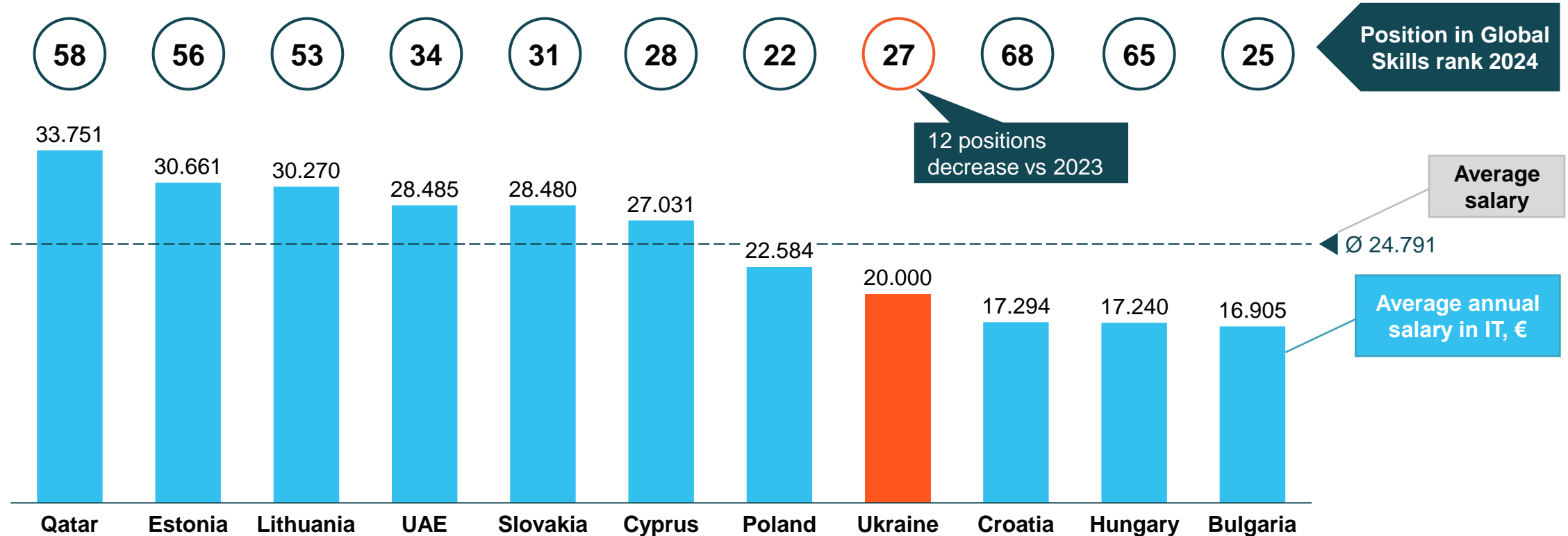
Number of IT specialists in Ukraine, K



## Comments

- Over the past five years (from 2018 to 2023), there was a **78.4% increase in the number of IT specialists in Ukraine.**
- **Ukraine ranked 2nd** among Central and Eastern European countries in terms of **attractiveness for IT outsourcing and hiring IT specialists as of 2023.**
- In 2022, **Ukraine was ranked fifth** among the best software developers in the world.

# UKRAINIAN IT SPECIALISTS OFFER EXCEPTIONAL VALUE AT LOWER COSTS COMPARED TO GLOBAL PEERS



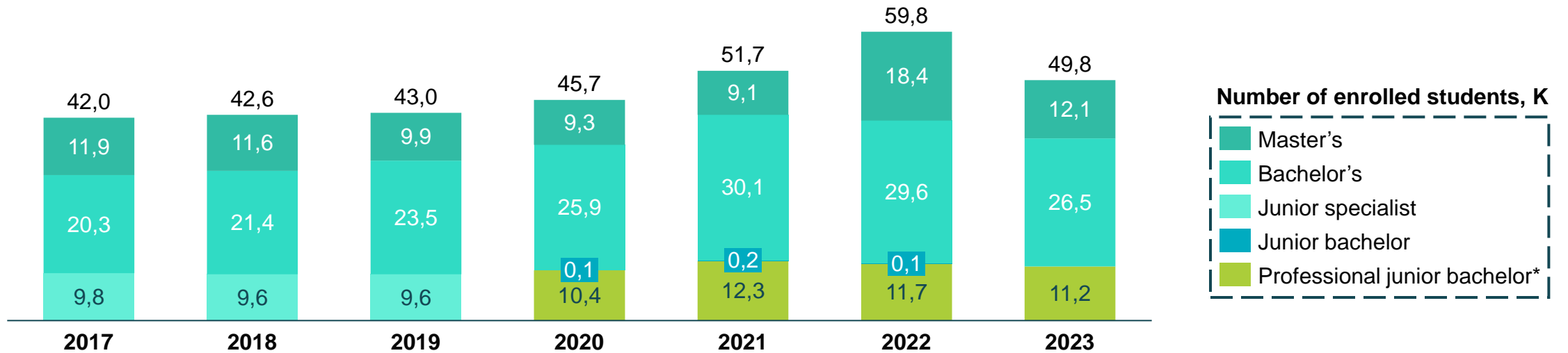
## Comments

- **Ukraine ranks third in Europe and seventh globally for proficiency in the Technology field**, with a score of 94% according to the Global Skills ranking that covered 100 countries.
- Despite this high level of expertise, compensation rates in the IT sector in Ukraine are **below average** compared to countries with lower levels of technology proficiency. Thus, Ukrainian IT specialists offer high value-for-money ratio.



# RISING ENROLLMENTS IN IT PROGRAMS ARE BOOSTING THE SUPPLY OF SKILLED TECH PROFESSIONALS

The enrollment of students in higher education institutions for IT specialties remains high even despite the war, ensuring a steady supply of skilled tech professionals for the future.



The high demand for tech education in Ukraine is met by ~400 educational institutions across the country, which results in the largest tech talent output in Europe.

**#1** among European countries for the number of tech graduates

**130k** trained engineering professionals annually

# UKRAINE'S STARTUP ECOSYSTEM IS AMONG THREE FASTEST GROWING IN CEE AND IS 4<sup>TH</sup> LARGEST IN TERMS OF ECOSYSTEM VALUE

Ecosystem value growth 2017-2022, times

x16.6

x15.7

x9.3

x8.0

x6.8

x5.4

x4.4

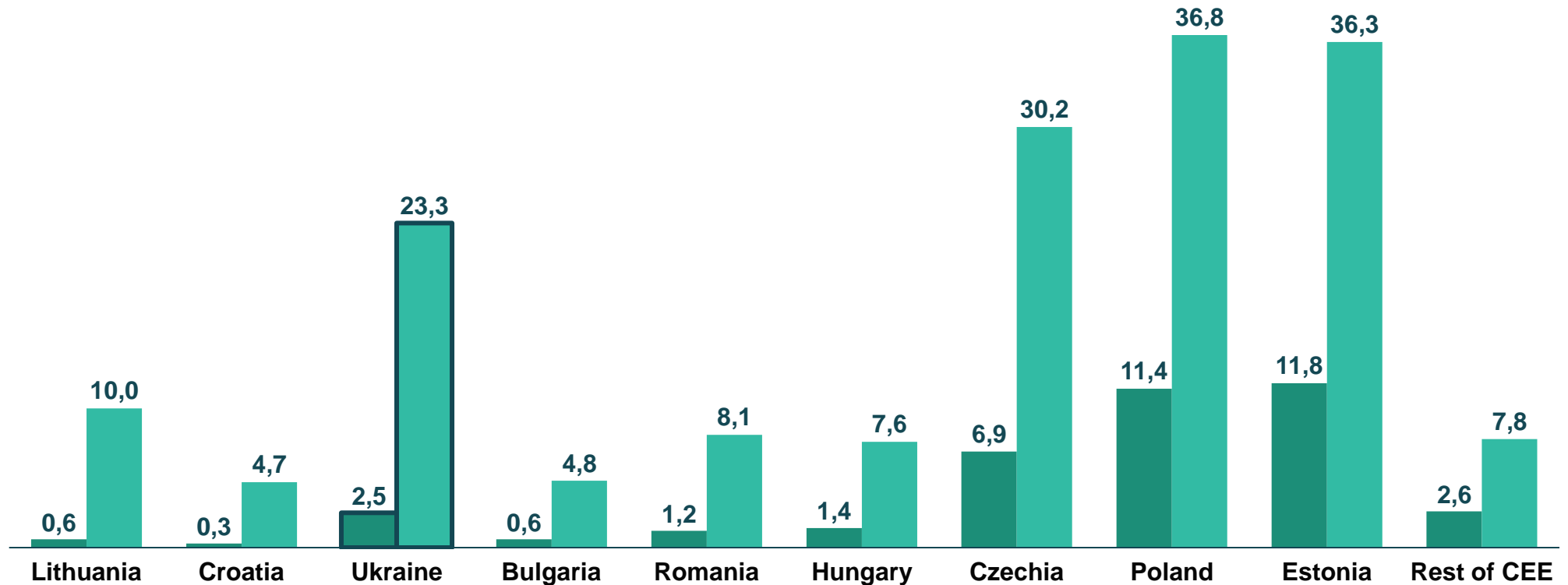
x3.2

x3.1

x3.0

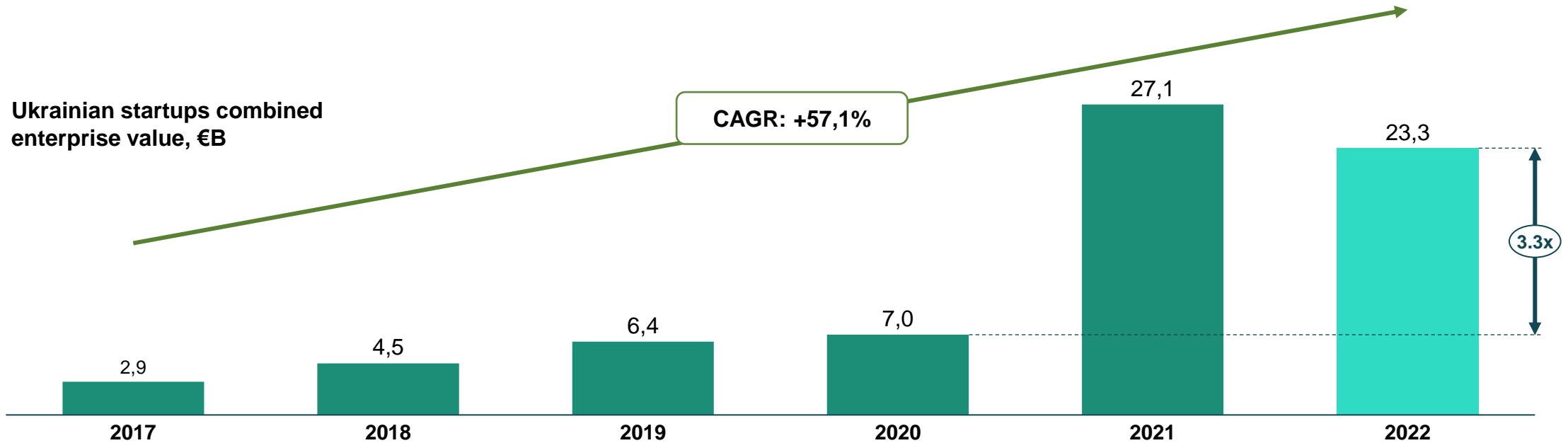
Ecosystem value, €B

2017  
2022



# SINCE 2020, THE COMBINED VALUATION OF UKRAINIAN STARTUPS HAS TRIPLED, REFLECTING THE ECOSYSTEM GROWTH AND INVESTOR TRUST

Ukrainian startups' valuation drastically increased during the COVID era proving their resilience. In 2021, startups attracting investments had their value tripled compared to pre-COVID 2019. The situation worsened in 2022 with the start of full-scale war but not as much as expected.



Industries distribution of Ukrainian startups reflect the world's trends and include the following industries:

E-commerce

FinTech

EdTech

AgriTech

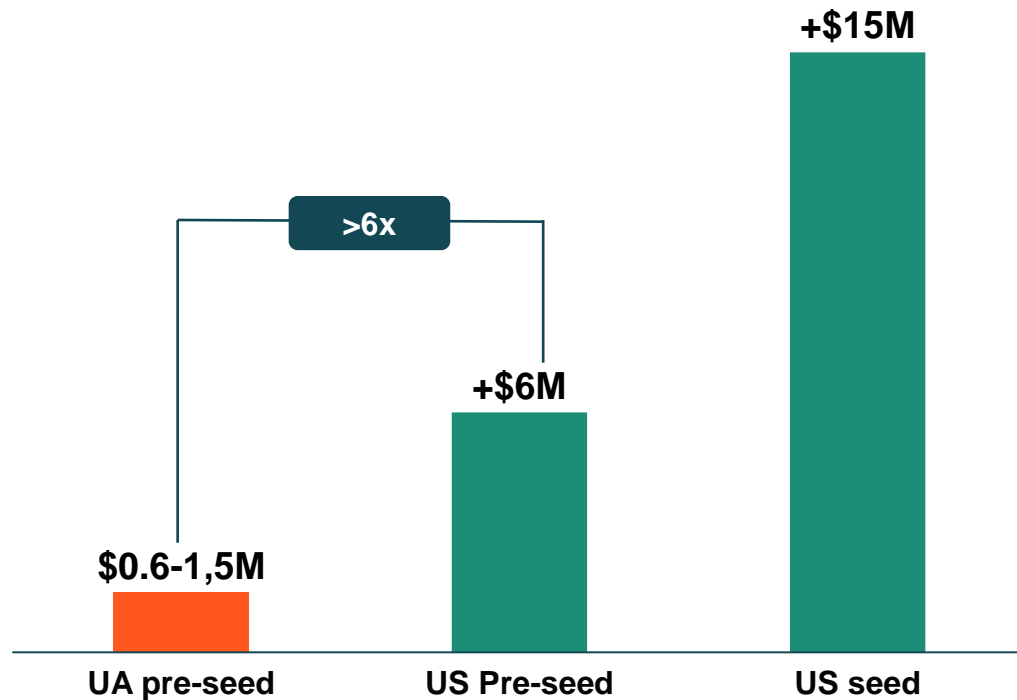
HealthTech

Military Tech

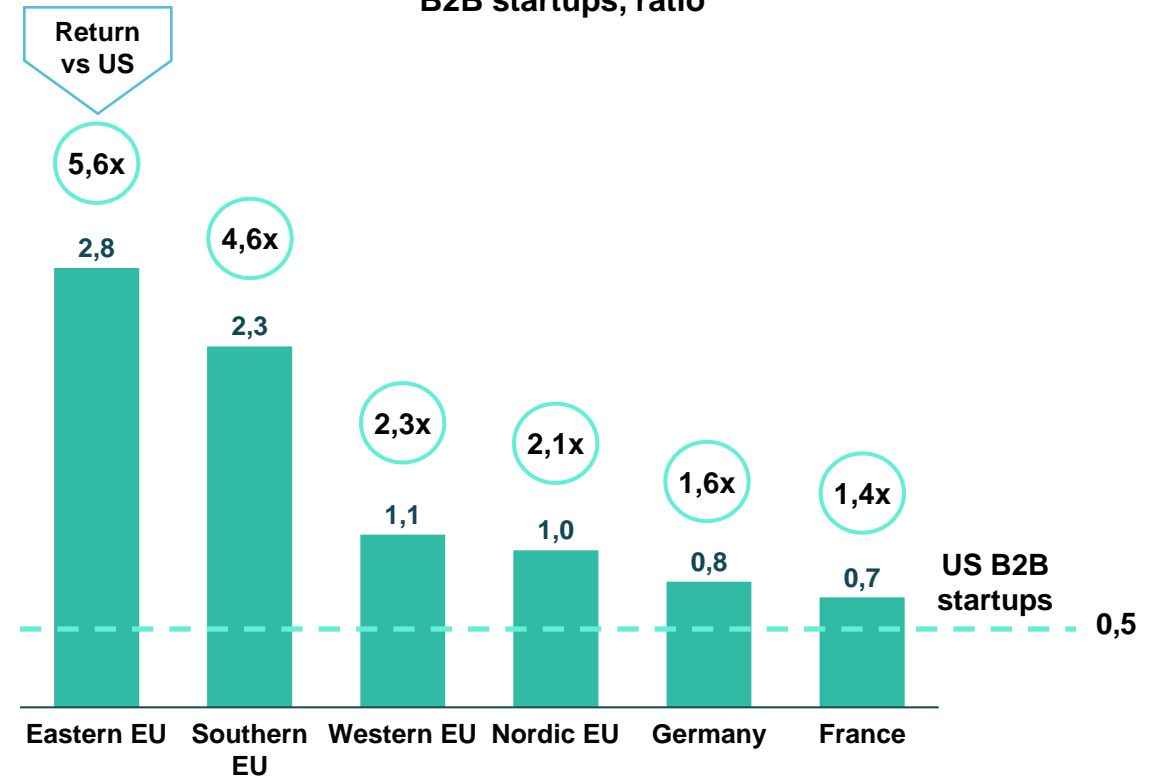
# INVESTING IN UKRAINIAN STARTUPS YIELDS HIGHER RETURNS FROM A SMALLER INITIAL INVESTMENT

Investing in Ukrainian startups provides better value for money than in the US, with valuations averaging six times lower. Ukrainian startups generate five times more revenue per dollar invested compared to US startups, despite US startups receiving much higher valuations.

Startup pre-money valuations at pre-seed and seed stage in Ukraine and the US

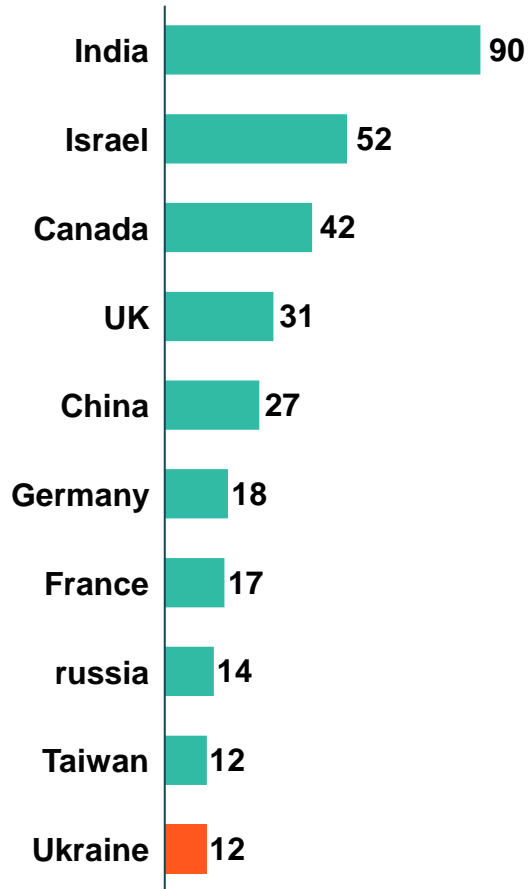


Median revenue per total equity funding, B2B startups, ratio

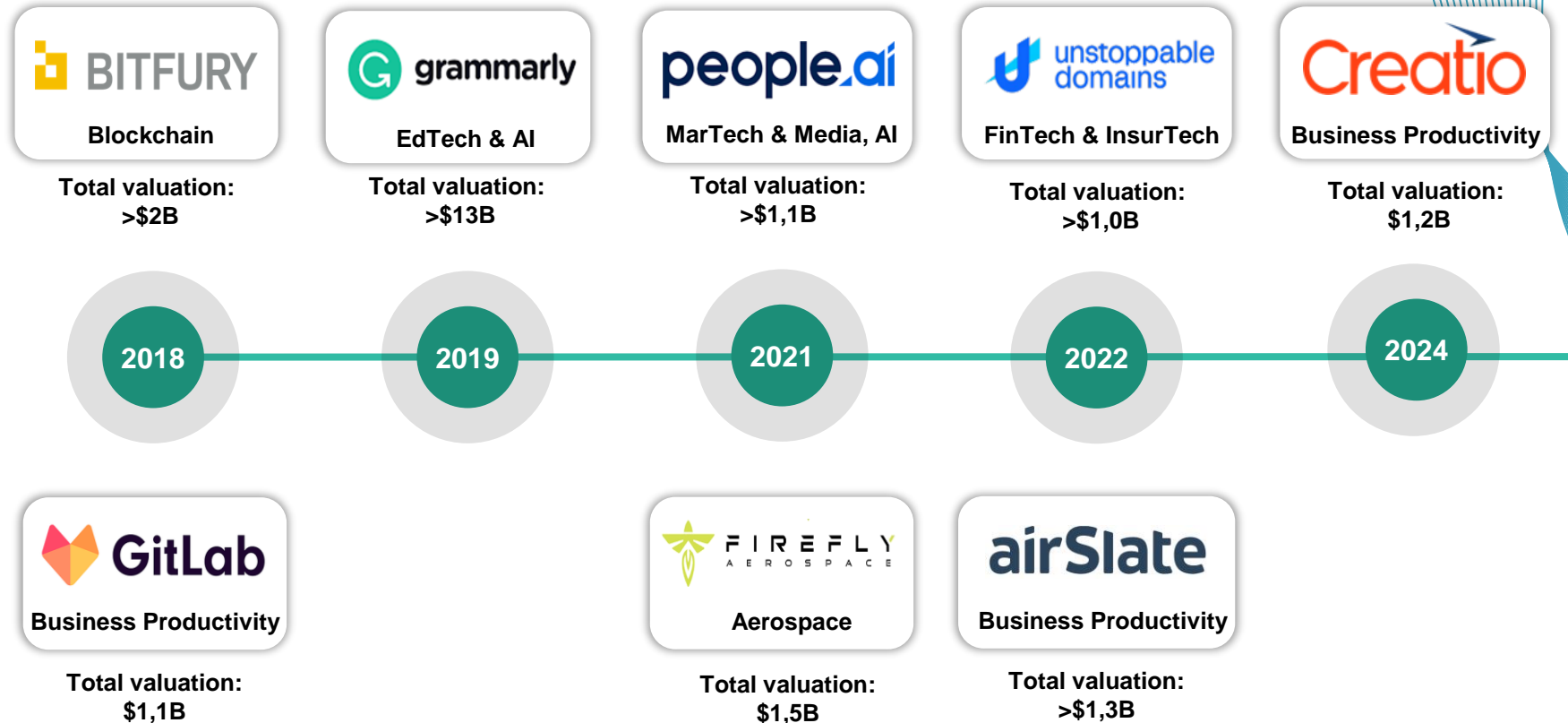


# EIGHT STARTUPS WITH UKRAINIAN ROOTS HAVE REACHED A \$1 BILLION VALUATION AND UNICORN STATUS

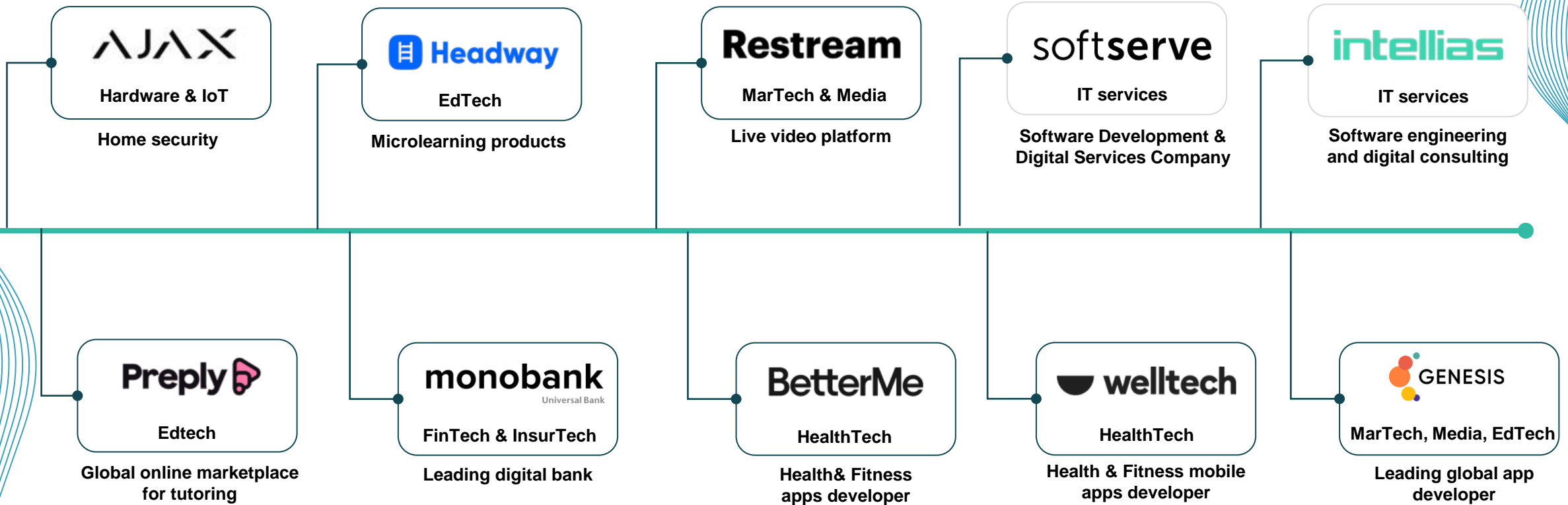
Ukrainians rank in the Top-10 for founders of US-based unicorns



Timeline of the Ukrainian unicorns



# AND MULTIPLE MORE STARTUPS ARE SOON TO BECOME UNICORNS



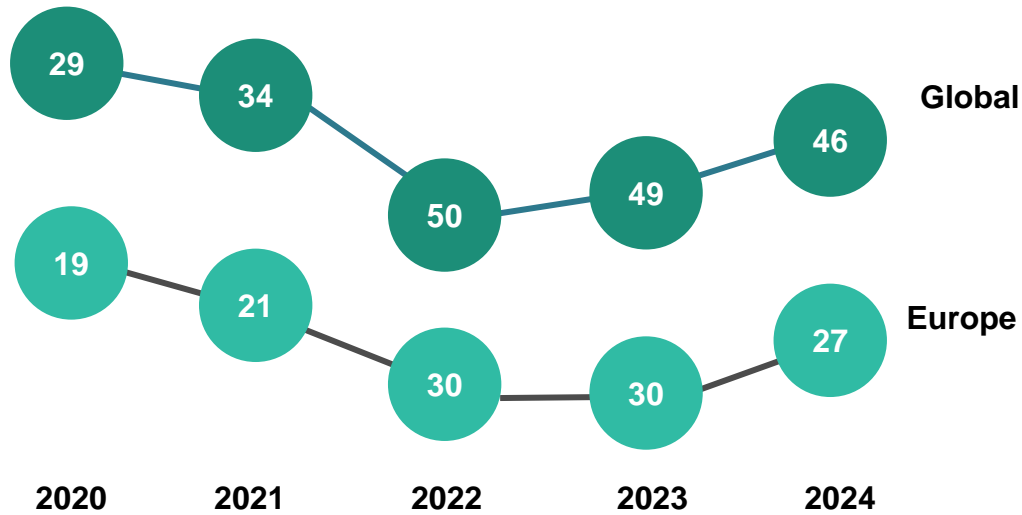
 - Product companies



**IMPACT OF  
THE WAR**

# DESPITE SIGNIFICANT NEGATIVE IMPACT OF THE WAR UKRAINE'S STARTUP ECOSYSTEM RANKS AMONG THE TOP 50 GLOBALLY

Due to the war, Ukraine lost 16 places in the Startup Ecosystem Index 2022, but managed to remain in the top 50 in the world and demonstrates positive trend for the second year in a row

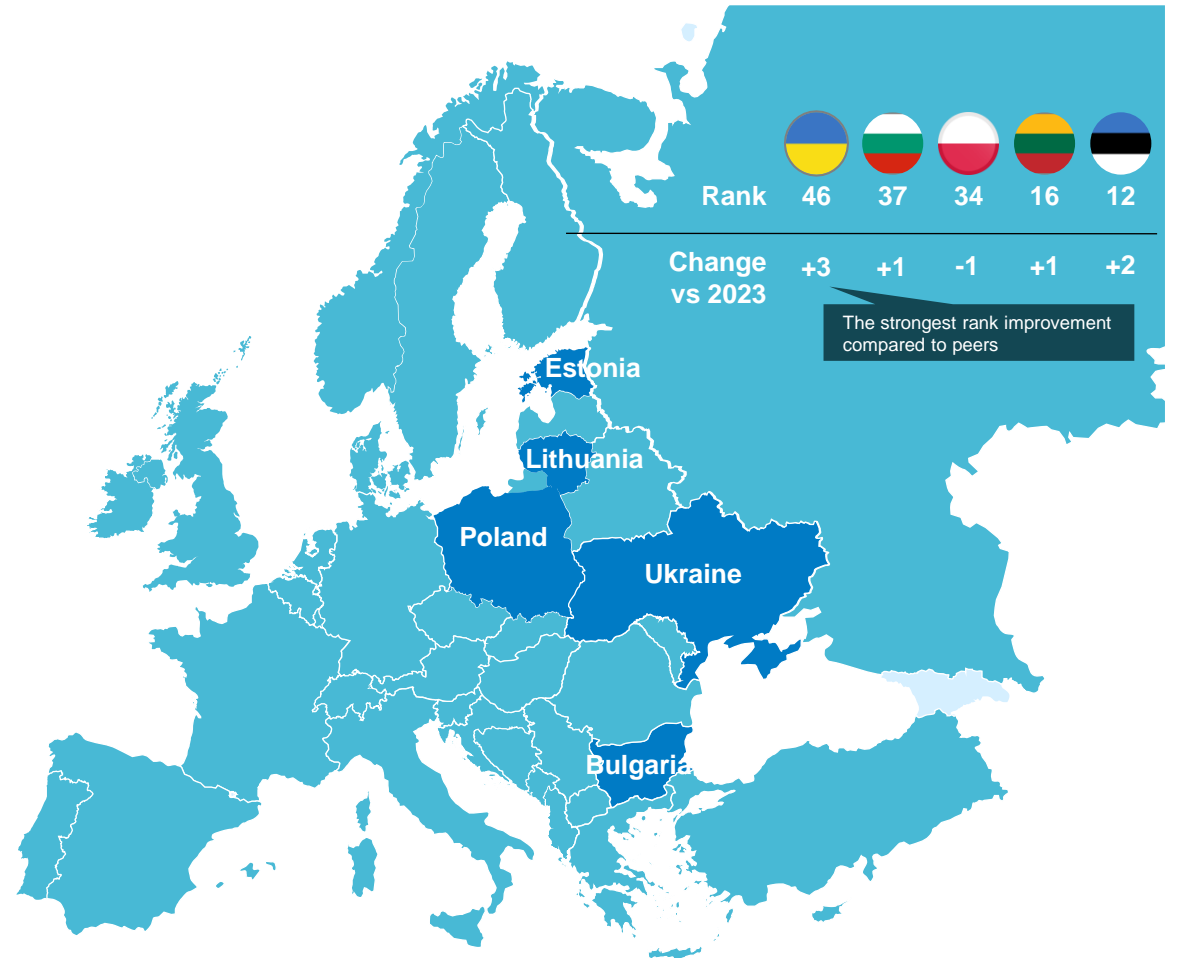


International support not only prevented the further decline but also helped to improve Ukraine's startup ecosystem ranking globally.



Some of the organizations that initiated tailored grant programs for Ukrainian startups.

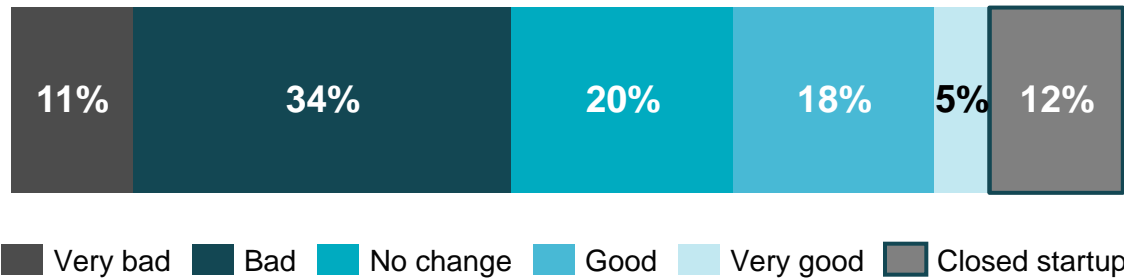
Ukraine and its peers' rankings in the 2024 Global Startup Ecosystem Rank



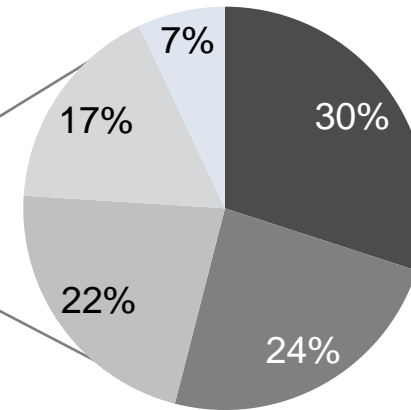


# WITH THE FULL-SCALE INVASION 12% OF STARTUPS HAD TO STOP OPERATIONS

According to startup survey, with the outbreak of the war 45% of startups described their condition as very bad or bad.



Very bad Bad No change Good Very good Closed startup

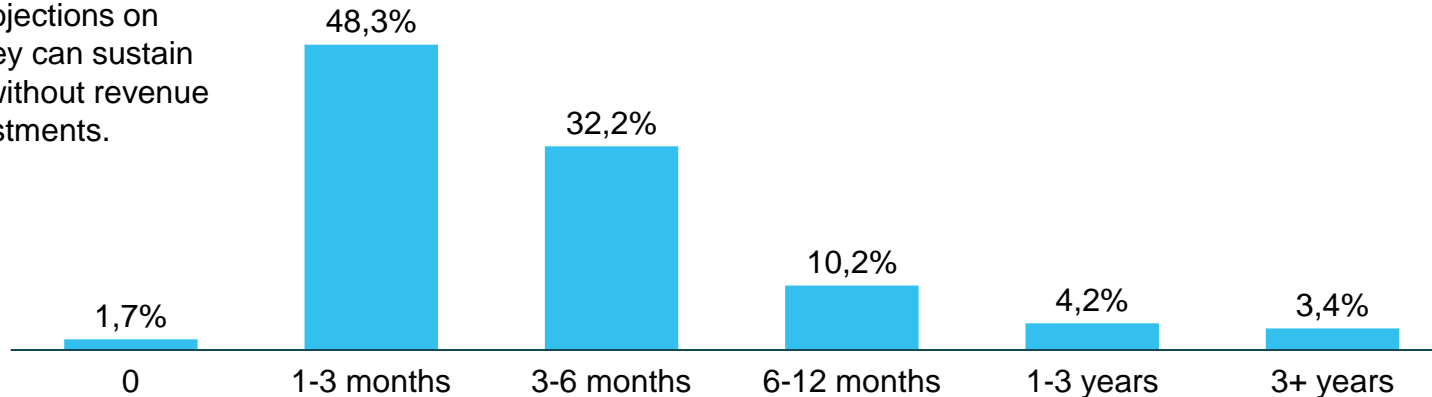


Reasons for closing the business according to founders:

- Loss of sales market in Ukraine
- Loss of capital resources
- No possibility of going abroad
- No operational capabilities
- Loss of means of production

Startups faced internal financial constraints and struggled to attract external investments in the beginning of the war, leading them to cut costs by reducing teams or relocating.

Startups' projections on how long they can sustain operations without revenue or new investments.



**~30%**

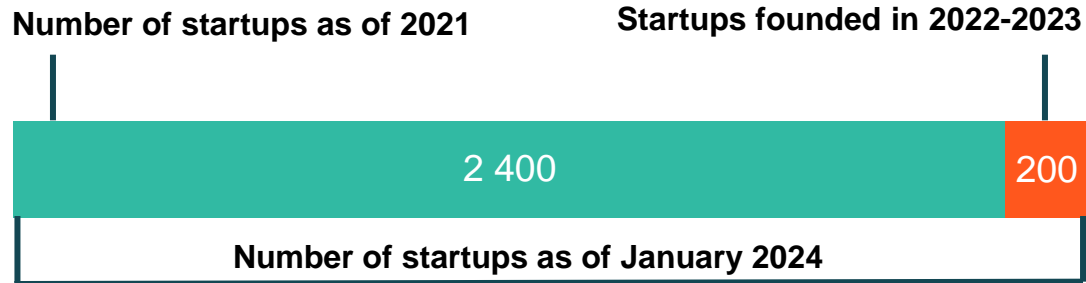
of entrepreneurs had to change their location

**37%**

of startups had to reduce their headcount

# DESPITE THE WAR, UKRAINIAN STARTUPS CONTINUE TO SHOW REMARKABLE RESILIENCE AND DETERMINATION

Even during the war new startups keep emerging.



Existing Ukrainian startups improve their current situation and expand their teams.

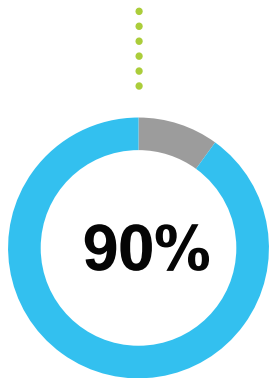
## 66%

of founders asses positively their startup situation in 2023 compared to 2022

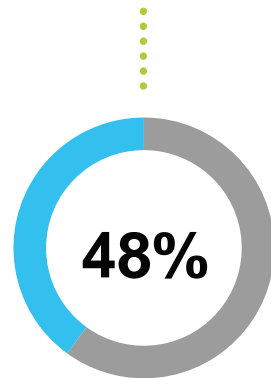
## 41%

of startups increased the number of their team members compared to 2022

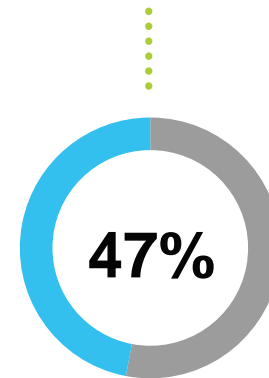
Startups see growth potential in the future



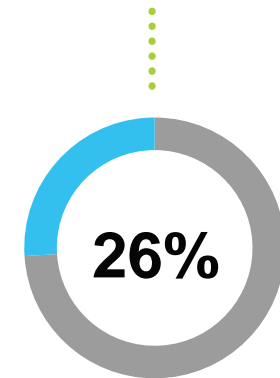
Startups planed active business development in 2024



Startups plan to return to Ukraine after the victory



Startups were expanding their business in 2023



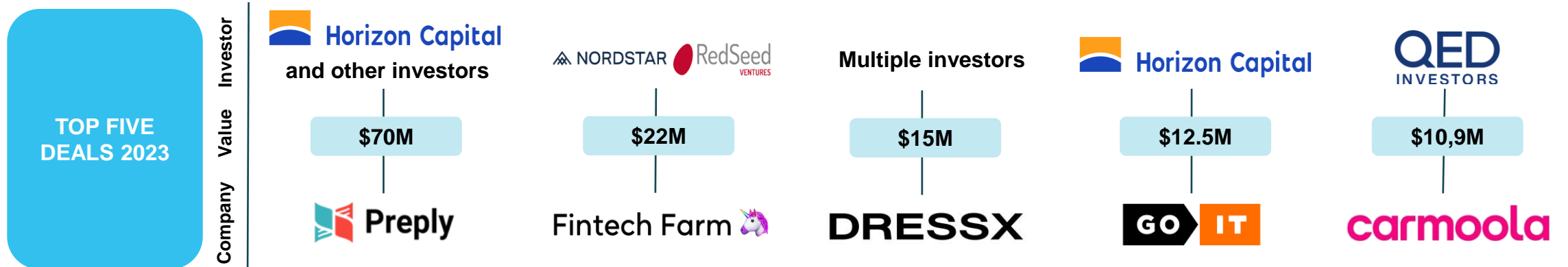
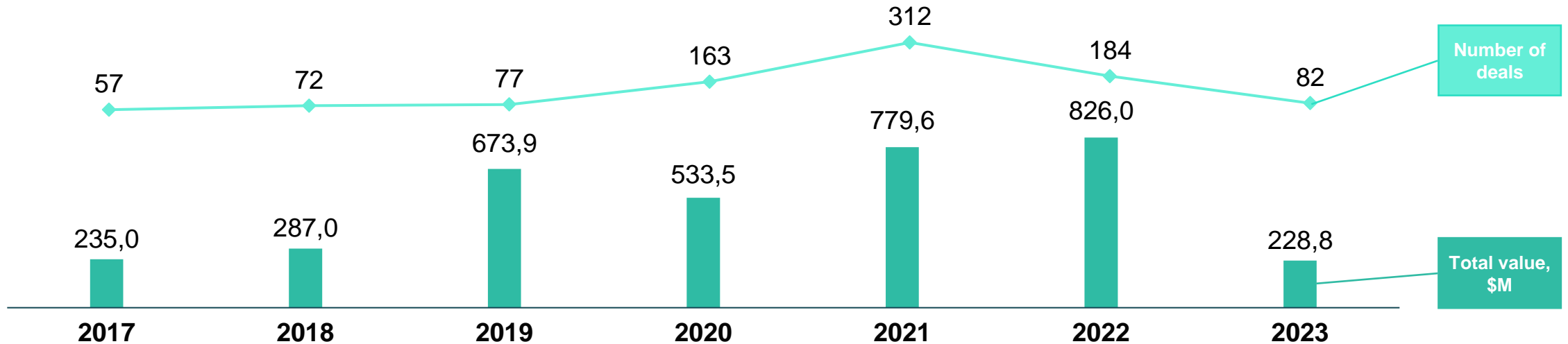
# UKRAINIAN STARTUPS SHOW STRONG FUNDING MOMENTUM THROUGH 2023-2024, RAISING CAPITAL ACROSS STAGES FROM PRE-SEED TO GROWTH

2023											
JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
<b>FUEL</b>	DEUS ROBOTICS \$1.5M	ASPICHI \$500.0K	Fintech Farm \$22.0M	INPUT SOFT \$250.0K	HAIQU \$4.0M					GO IT ~\$15M	
	\$1.0M	awesomic. \$800.0K	zeely \$1.0M	osavul \$1.0M	preply \$70.0M			Deskree \$1.5M		GAMETREE \$1.7M	
	finmap € 1.0M	DRESSX \$15.0M		new homes mate \$5.5M	MAST HEAD data \$1.3M	workee \$900.0K				AiSDR \$3.0M	INSTOCK \$3.2M

2024							
JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG
VISEVEN \$10-30.0M carmoola \$19.6M competera \$3.0M	mindly \$2.0M Job Cannon \$500.0K Datisland \$500.0K	Choice \$2.5M ARKIS \$2.3M peopleforce \$2.0M CARBOMINER €1.5M	Permit.io \$8.0M OneNotary \$5.0M ORBITAL KURS \$4.0M Beholder \$1.0M BUNTAR \$1.0M HIMERA \$500.0K	OPEN DELTA \$2.2M	Fintech Farm \$10.0M Portal AI \$5.0M Esper \$5.0M	Creatio \$200.0M	Choice \$2.5M

# IN 2022, DESPITE THE ONGOING WAR, THE VALUE OF UKRAINIAN VC DEALS NEARLY DOUBLED COMPARED TO 2020

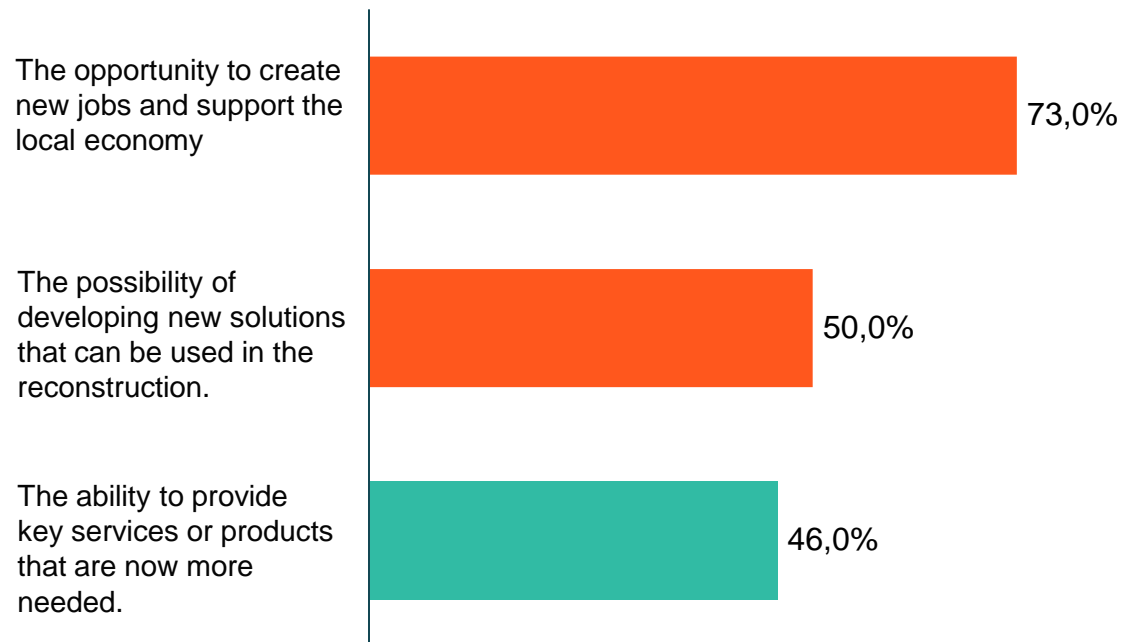
Over 2020-2022, even including the first year of war, Ukrainian VC and PE deal value almost doubled due to the increasing activity of both local and international players. In 2022, Ukraine ranked 6<sup>th</sup> in value of venture financing in the CEE region.



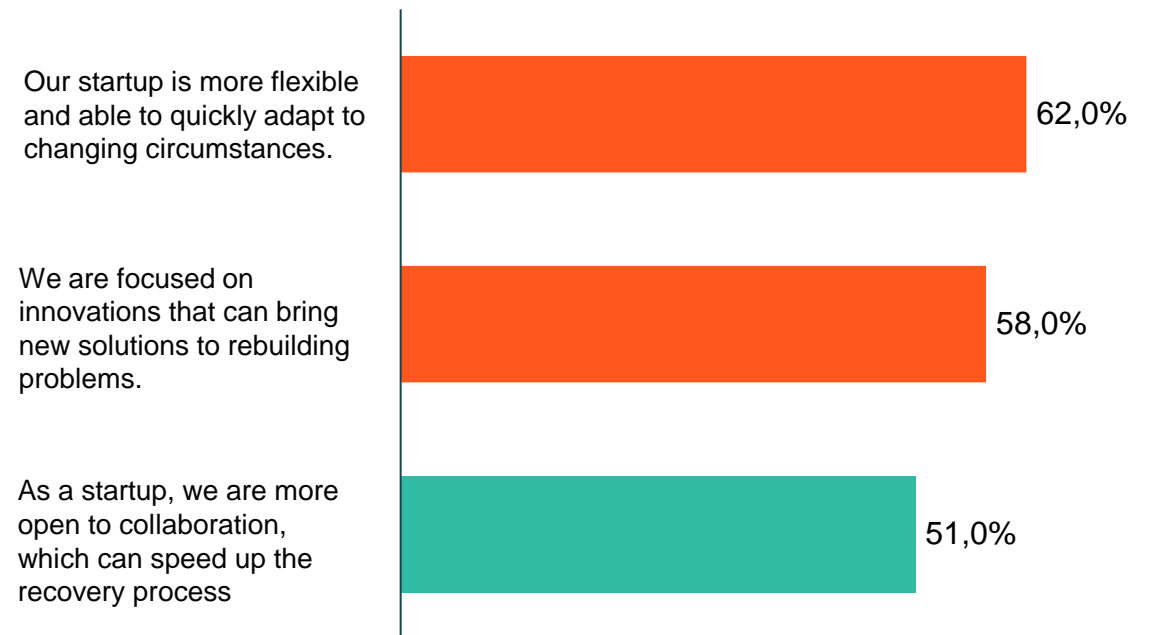
# STARTUPS ARE WILLING TO CONTRIBUTE TO THE REBUILDING OF UKRAINE THROUGH INNOVATION AND FAST EXECUTION

According to startup survey by PUSB, Ukrainian startups see opportunities to contribute to rebuilding of Ukraine and are actively planning for it. Another survey shows, that 78% of them are even willing to contribute by creating a new rebuilding project in the future.

Q1: What opportunities do you see for your startup in the context of the country's reconstruction?



Q1: What are the most important advantages of your startup in the process of rebuilding the country, compared to traditional companies?



# UKRAINE EMERGES AMONG GLOBAL LEADERS IN DEFENSE TECHNOLOGY

Ukraine has become world-leading hub for the development of DefTech solutions. Recognizing this, the Ukrainian government and armed forces launched BRAVE1, a cluster to foster collaboration among stakeholders in the defense technology industry.

## BRAVE<sup>1</sup>

 UKRAINIAN DEFENSE INNOVATIONS

## \$3M

Allocated for developers creating defense innovations since April 2023

## 173

Grants distributed since the Brave1 launch

## \$39M

Allocated for grants in 2024 ranging from \$10K to \$200K

## >1 000

Applications were submitted to the Brave1

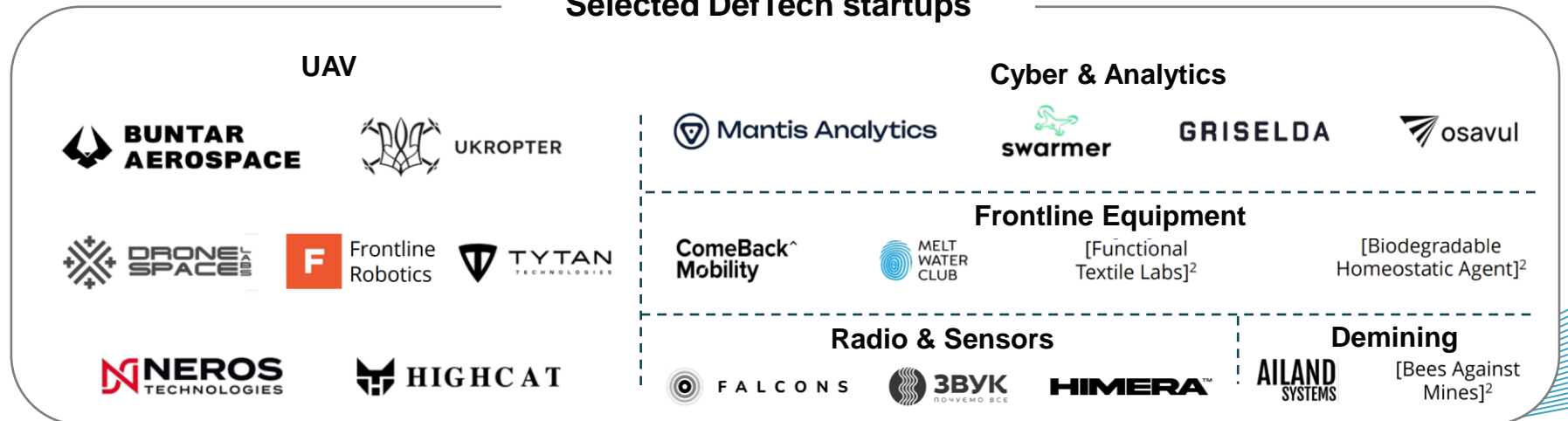
## 1 000+

estimated number of DefTech teams in Ukraine

## \$6.7m

est. investments in DefTech in 2023

### Selected DefTech startups



# DESPITE HORRIFIC CHALLENGES, THE WAR HAS UNCOVERED NEW OPPORTUNITIES

## Challenges

**The war's associated risks have deterred investors** reducing investment appeal



**Brain drain:** relocation of scientists, tech talents, entrepreneurs and young people



**Changing government priorities:** less attention to startups ecosystem



**Decreased local demand and purchasing power** for technologies



**Decreased trust and confidence** in Ukrainian specialists and companies due to perceived risks



**Focus on the survival and urgent needs** of Ukraine and Ukrainians



## Opportunities

**New economic opportunities for reconstruction and rebuilding of Ukraine**



**Advancements in defense** and other emerging **technologies**, with potential for export



**Ukraine is a candidate for EU membership**



**New funding programs** unlocked for Ukrainian startups



**Ukraine can emerge as a new manufacturing hub**, leveraging its strategic geographical position



**Ukraine can drive new reforms** and spearhead innovative projects in energy, technology, agriculture, and beyond





# CHALLENGES AND NEW OPPORTUNITIES OF THE UKRAINIAN TECH ECOSYSTEM



# ECOSYSTEM IMPROVEMENT STRATEGIES SHOULD HELP UKRAINE STRENGTHEN KEY ELEMENTS WITHIN ITS ECOSYSTEM

## Startup Ecosystem



**Ease of  
doing  
business**



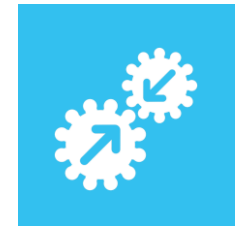
**Talent**



**Startup  
support**

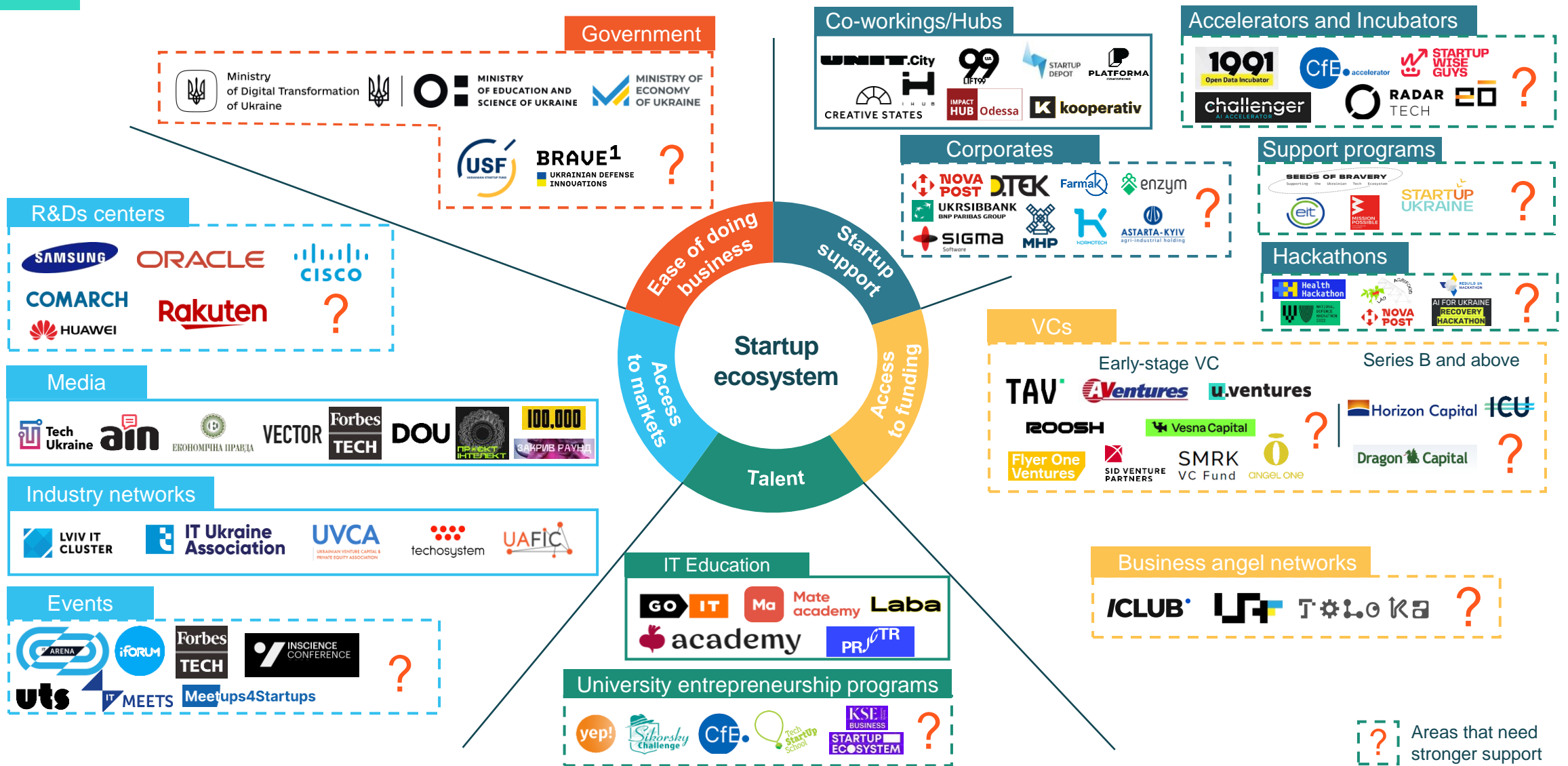


**Access  
to funding**



**Access to  
markets**

# DESPITE SIGNIFICANT PROGRESS SEVERAL AREAS OF THE ECOSYSTEM STILL NEED STRONGER SUPPORT



# KEY CHALLENGES OVERVIEW

## Ease of doing business

- Despite advancements in Ease of Doing business, there are still gaps in judicial protection of investors and IP rights. Robust financial sector reforms and alignment with global standards are critical to attracting new capital and driving Ukraine's economic recovery

## Talent

- Ukraine loses its top talents to the countries with the best tech ecosystems and fails to attract finest foreign talents.
- Business education is scarce and insufficient resulting in management, sales, and marketing skill gaps among founders and talents
- Tech education in Ukraine lags behind evolving national priorities and world trends.

## Startup support

- Low investment in R&D hinders development of the Ukrainian startup ecosystem and undermines startups' tech competitiveness.
- Startup support is limited across all stages of startup lifecycle with almost none support measures available for scaleups.
- There is not enough ideation events and support programs that trigger startup creation.
- Local accelerators are struggling to find sustainable business models, many offering one time off generic programs. Startups lack quality acceleration support offering focused industry specific knowledge and networks.

## Access to funding

- Number of skilled and experienced business angels limit access to smart money at the early stage of startup development.
- At the same time, VC funding scene in Ukraine is underpopulated, especially for series A and later funding stages.
- The Ukrainian tech ecosystem faces a shortage of M&A activities and IPOs, limiting liquidity and slowing potential growth acceleration

## Access to markets

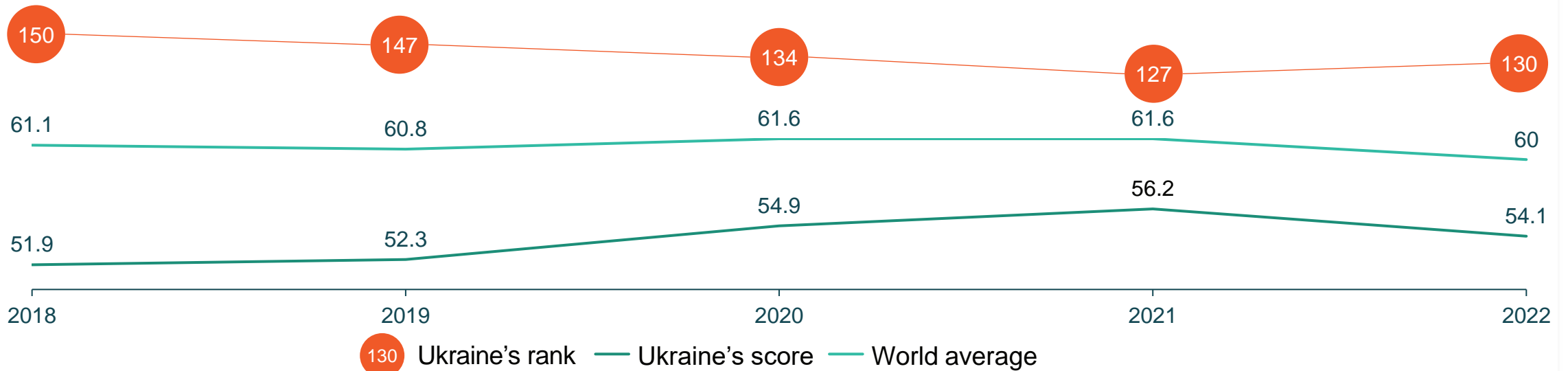
- Limited connectivity of Ukraine, particularly with global financial hubs and leading tech ecosystems, restricts Ukrainian startups' access to international capital and complicates entry into foreign markets.



**Ease of doing  
business**

# UKRAINE IMPROVED ITS REGULATORY EFFICIENCY, BUT OTHER PERFORMANCE INDICATORS EITHER WORSENEDED OR REMAINED UNCHANGED

Despite an overall increase in Economic Freedom Index since 2018, Ukraine remains in the middle tier of 'mostly unfree' countries.



In 2022, Regulatory efficiency aspect improved in Ukraine, but other indicators either worsened or remained unchanged.

## Rule of law

Property rights ▼  
 Judicial effectiveness ▼  
 Government integrity ▼

## Government size

Tax burden ▲  
 Government spending ▼  
 Fiscal health ▼

## Regulatory efficiency

Business freedom ▼  
 Labor freedom ▲  
 Monetary freedom ▲

## Open markets

Trade freedom ▼  
 Investment freedom ▬  
 Financial freedom ▬

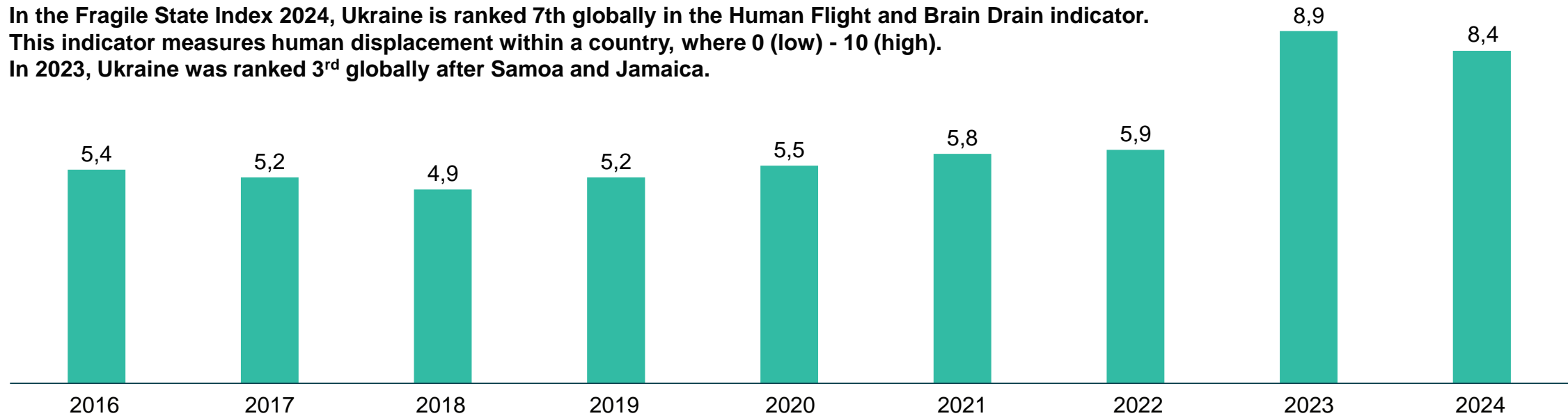
▼ ▲ ▬ - indicator change compared to 2021



**Talent**

# DESPITE NURTURING TOP TALENT, UKRAINE FACES THE DUAL CHALLENGE OF BRAIN DRAIN AND DIFFICULTY IN ATTRACTING TOP FOREIGN TALENT

In the Fragile State Index 2024, Ukraine is ranked 7th globally in the Human Flight and Brain Drain indicator. This indicator measures human displacement within a country, where 0 (low) - 10 (high). In 2023, Ukraine was ranked 3<sup>rd</sup> globally after Samoa and Jamaica.



Ukraine moved up in Global Competitiveness Index ranking by 2 places in 2023, however its performance in talent retention and attraction remains weak.

## 64<sup>th</sup>

Global Talent Competitiveness Index 2023 rank

Talent Attraction ranking

## 80<sup>th</sup>

Brain gain

## 56<sup>th</sup>

International students

Talent Retention ranking

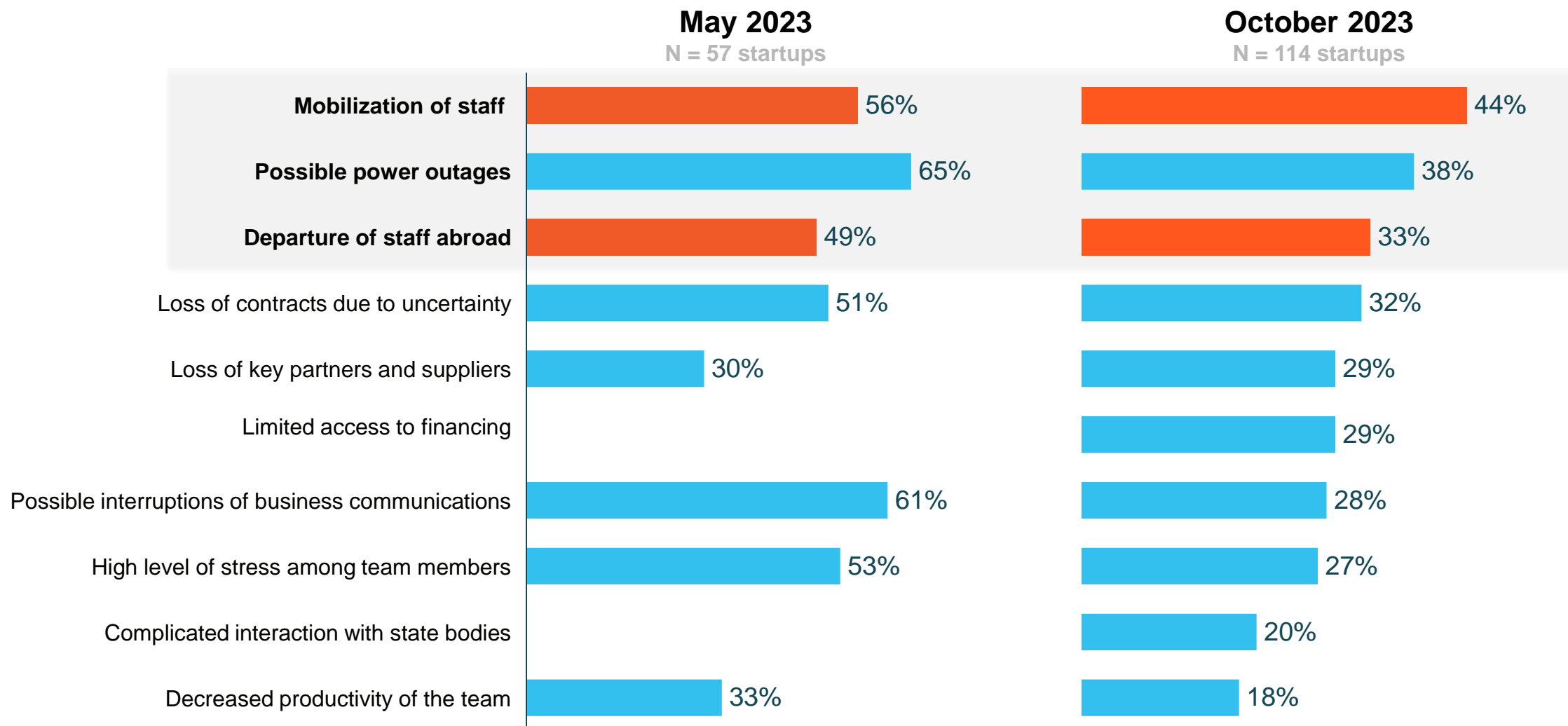
## 118<sup>th</sup>

Brain retention

## 72<sup>th</sup>

Social protection

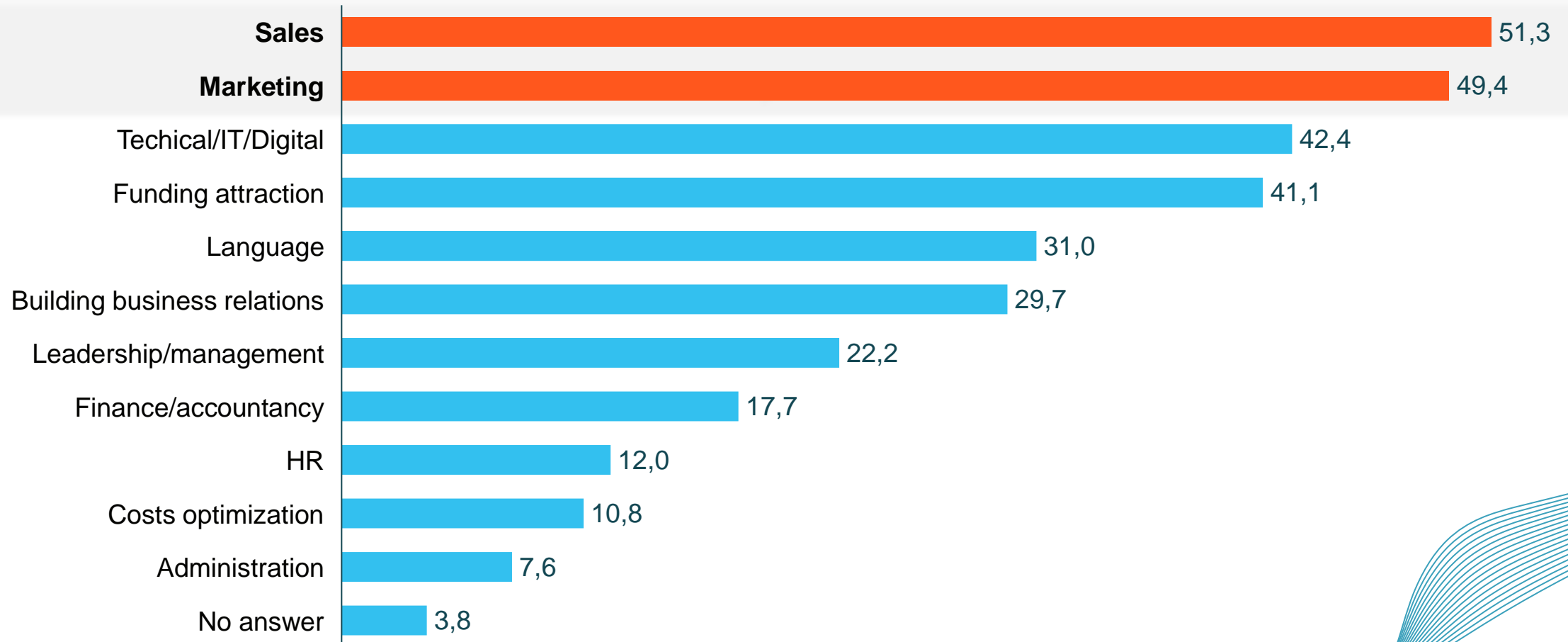
# ONGOING MOBILIZATION AND MIGRATION OF STAFF ABROAD ARE AMONG TOP THREE RISKS FOR UKRAINIAN STARTUPS DURING THE WAR

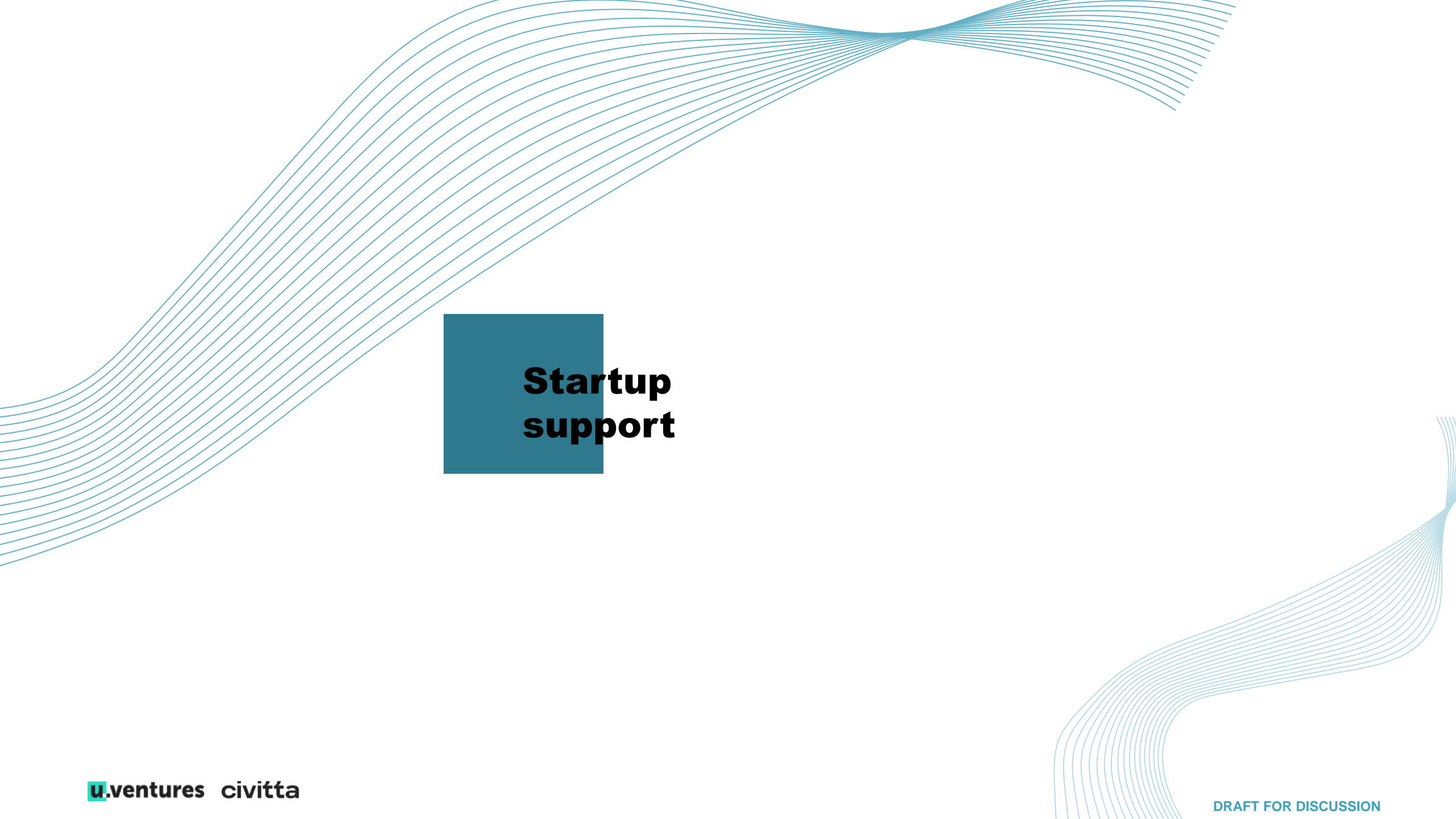




# NEARLY HALF OF STARTUPS ACKNOWLEDGE THE LACK OF SALES AND MARKETING SKILLS IN THEIR TEAMS

Q: Team members' competency gaps:

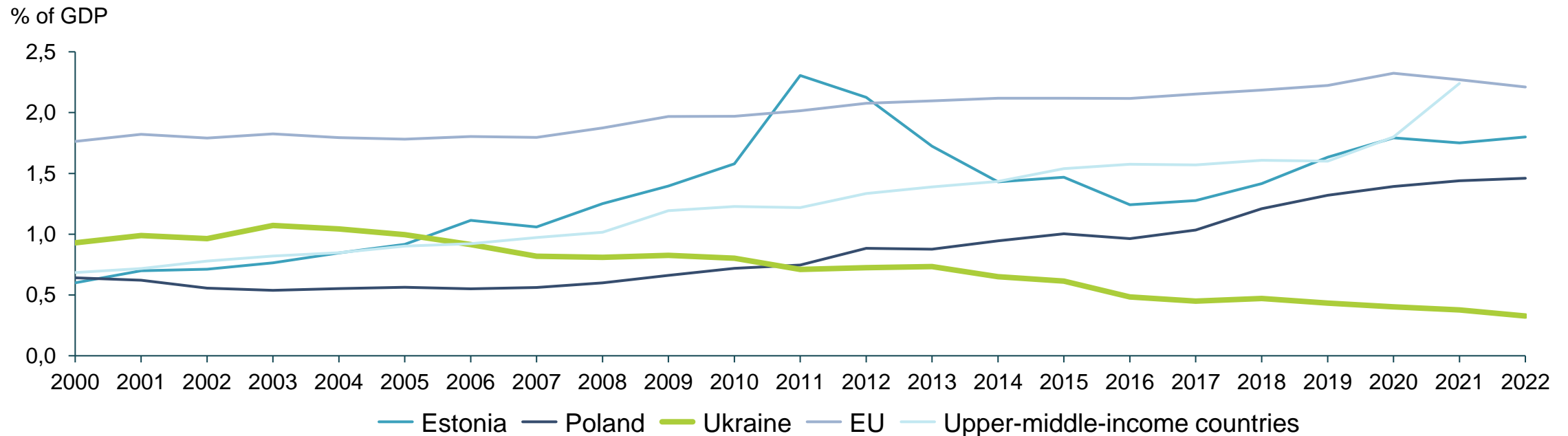




**Startup  
support**

# INSUFFICIENT INVESTMENT IN R&D STIFLES INNOVATION, LIMITING GROWTH OF UKRAINIAN STARTUP ECOSYSTEM






Over the period 2000-2022, Ukraine has significantly reduced public spending on R&D (% of GDP).





## Comments

- In 2022, Ukraine invested **only 0,33%** of GDP in R&D, which is **5-6 times less than in the EU** and three times lower than required to self-sustain the scientific sector
- Insufficient investment in R&D limits Ukraine's capacity to innovate and create advanced technologies suitable for export.
- Investing in R&D is **crucial** for a country's startup ecosystem. It provides a **groundwork for creating and supporting startups**, as well as ensuring long-term tech competitiveness

# UKRAINE HAS FEWER COWORKING SPACES AND STARTUP ACCELERATORS PER CAPITA COMPARED TO PEER COUNTRIES

Indicators	 Ukraine	 Poland	 Israel	 Lithuania	 Estonia
Global Startup Ecosystem ranking	46	34	3	16	12
Startups per million population	42,8	100	3 000	52,9	100
Accelerators per million population	0,5	0,5	5,2	8,9	12,3
Coworking spaces per million population	1,2	2	5,5	14,4	12,3
Number of startups	~1 500	>3 300	~9 000	~900	> 1 400
Total number of accelerators	19	20	48	24	16
Total number of coworking spaces	42	81	51	39	16
Population, M	~35	~40,2	~9,3	~2,7	~1,3

# DESPITE GROWING POPULARITY OF STARTUP PROGRAMS, THERE'S A SHORTAGE OF SPECIALIZED ACCELERATORS AND SCALEUP PROGRAMS

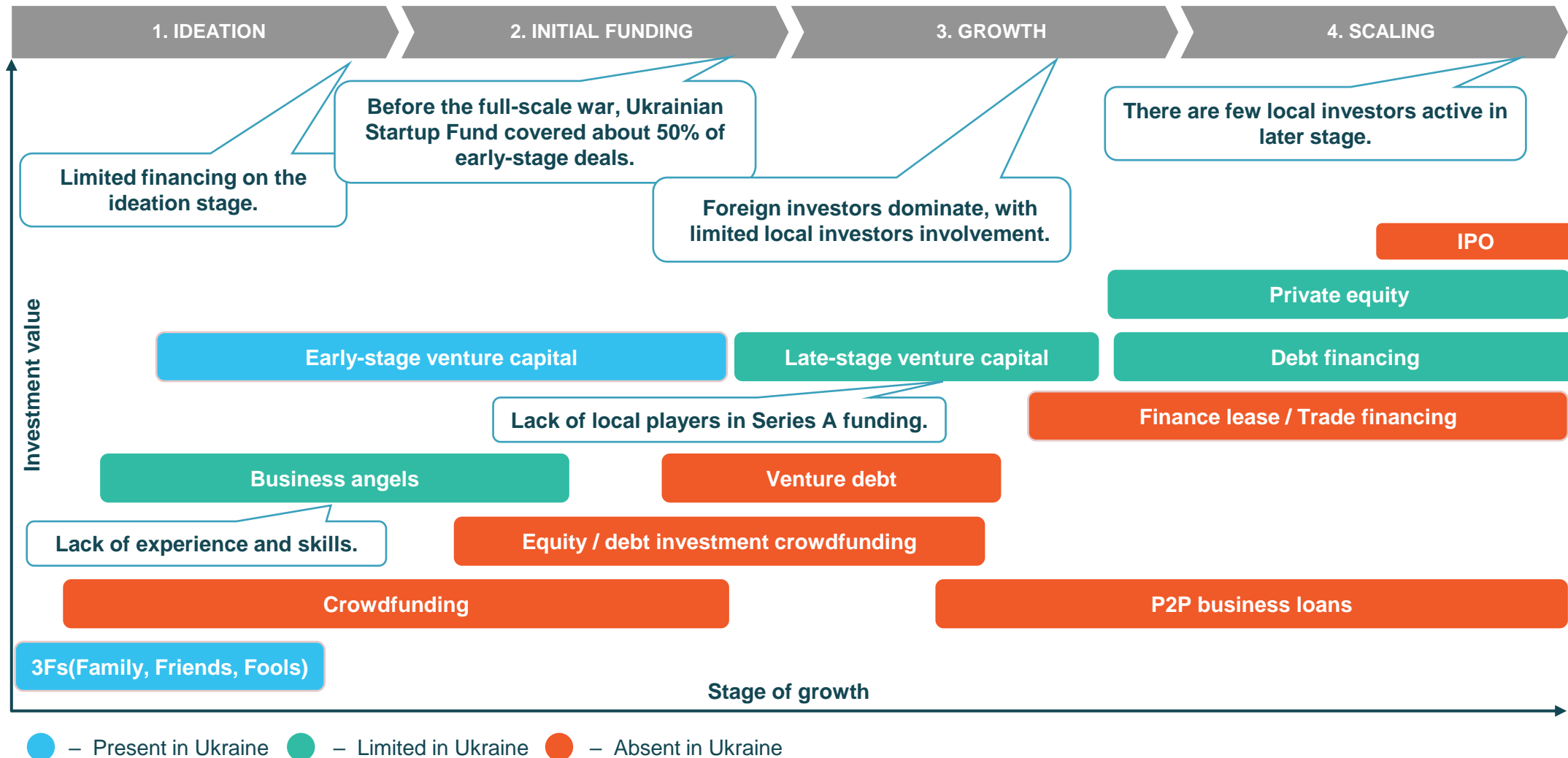
SPECIFICATION	INDUSTRY SPECIFIC		?	
	GENERAL		?	
		INCUBATION	ACCELERATION	SCALING
		STAGE OF GROWTH		

- Ukraine's culture of incubators and accelerators is **relatively weak**, with only 10 out of 70 registered business incubators operating de-facto.
- Local accelerators are **limited in their network of international experts and investors** and usually offer generic programs, leading startups to either seek opportunities abroad or do not participate in any programs at all.
- Industry specialized support programs**, such as those for Defense, Greentech, Cybersecurity, AgriTech, Fintech and MedTech sectors, **are scarce in Ukraine**.
- Support programs in Ukraine primarily focus on pre-seed and seed startups, with **limited support measures available for late-stage and scaling startups**.

The background features several decorative elements: a series of light blue wavy lines in the top-left and bottom-right corners, and a solid dark teal square in the center. The text 'Access to funding' is positioned to the right of this square.

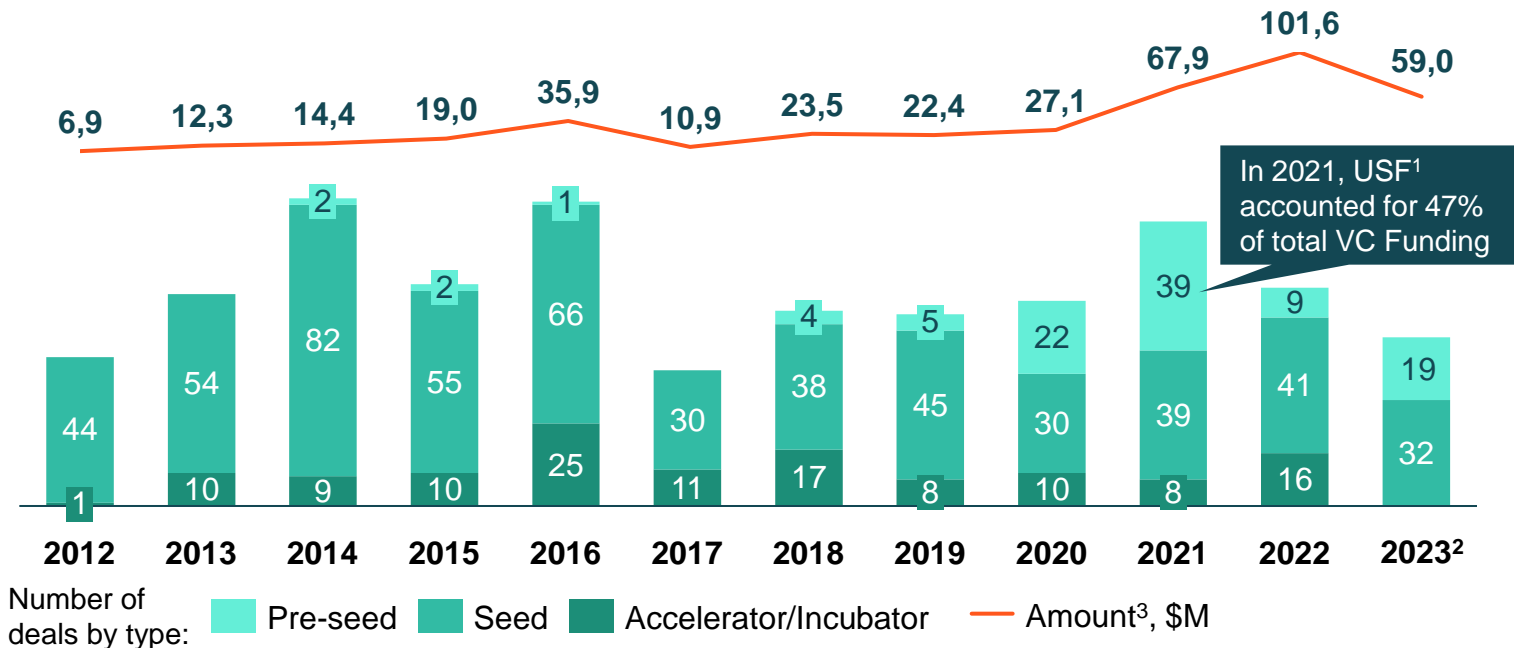
# Access to funding

# STARTUPS STILL LACK FUNDING, ESPECIALLY IN SERIES A AND B ROUNDS



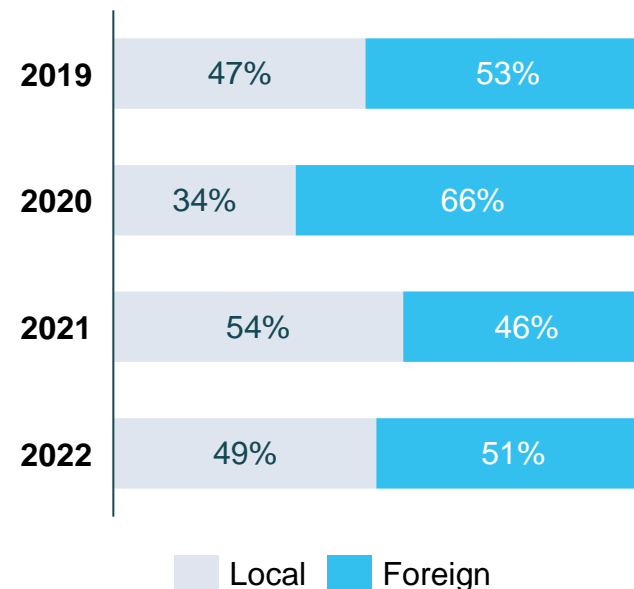
# ACCESS TO VENTURE CAPITAL HAS IMPROVED, PRIMARILY DRIVEN BY INCREASED INVESTMENTS FROM INTERNATIONAL FUNDS

Historically, seed investment has been dominant in early-stage funding, whereas other types of investments have been limited.



Number of deals by type: ■ Pre-seed ■ Seed ■ Accelerator/Incubator — Amount<sup>3</sup>, \$M

Foreign capital constitutes at least half of both Seed & Grants financing



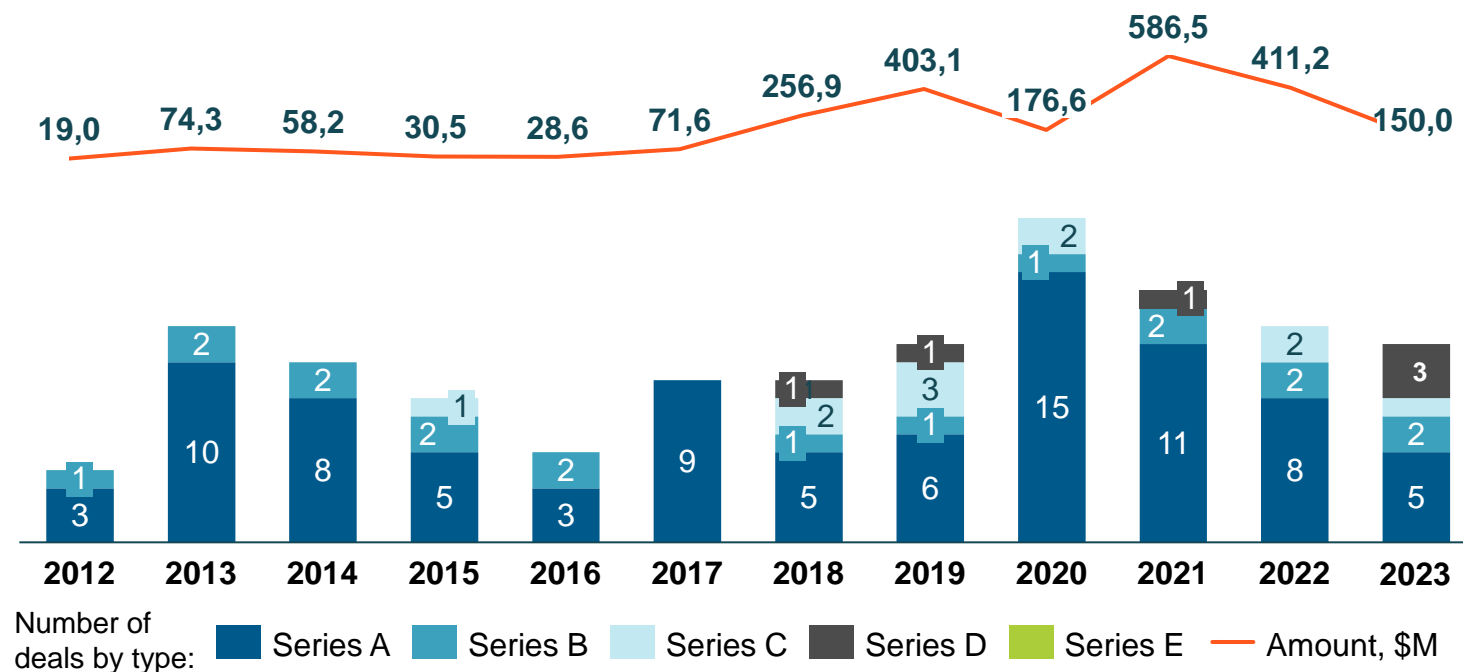
## Comments:

- In the early stages, both Ukrainian and foreign investors **contribute almost equally** to funding startups. Ukrainian investors usually **provide up to \$1M in Seed funding**, while foreign investors **take the lead in Series A and later rounds** with larger investments.

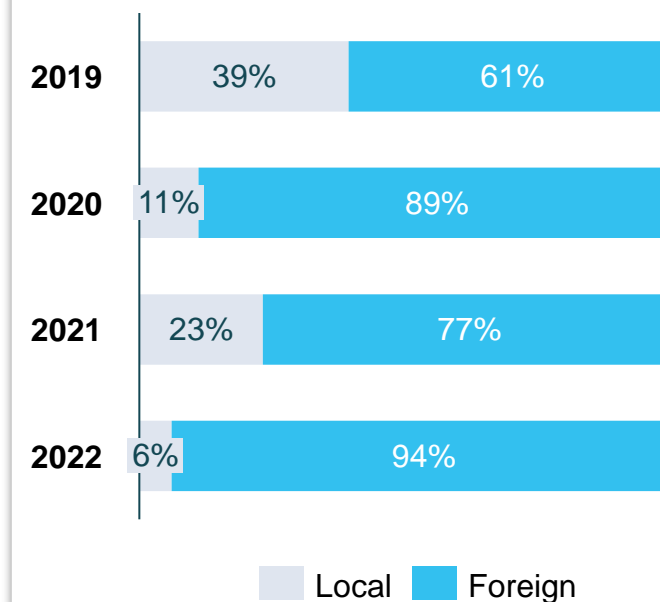


# FOREIGN CAPITAL LARGELY DOMINATES IN LATE-STAGE FUNDING IN UKRAINE

In Ukraine, the primary focus for late-stage financing is on Series A funding.



Series A financing in Ukraine mostly comes from foreign sources.

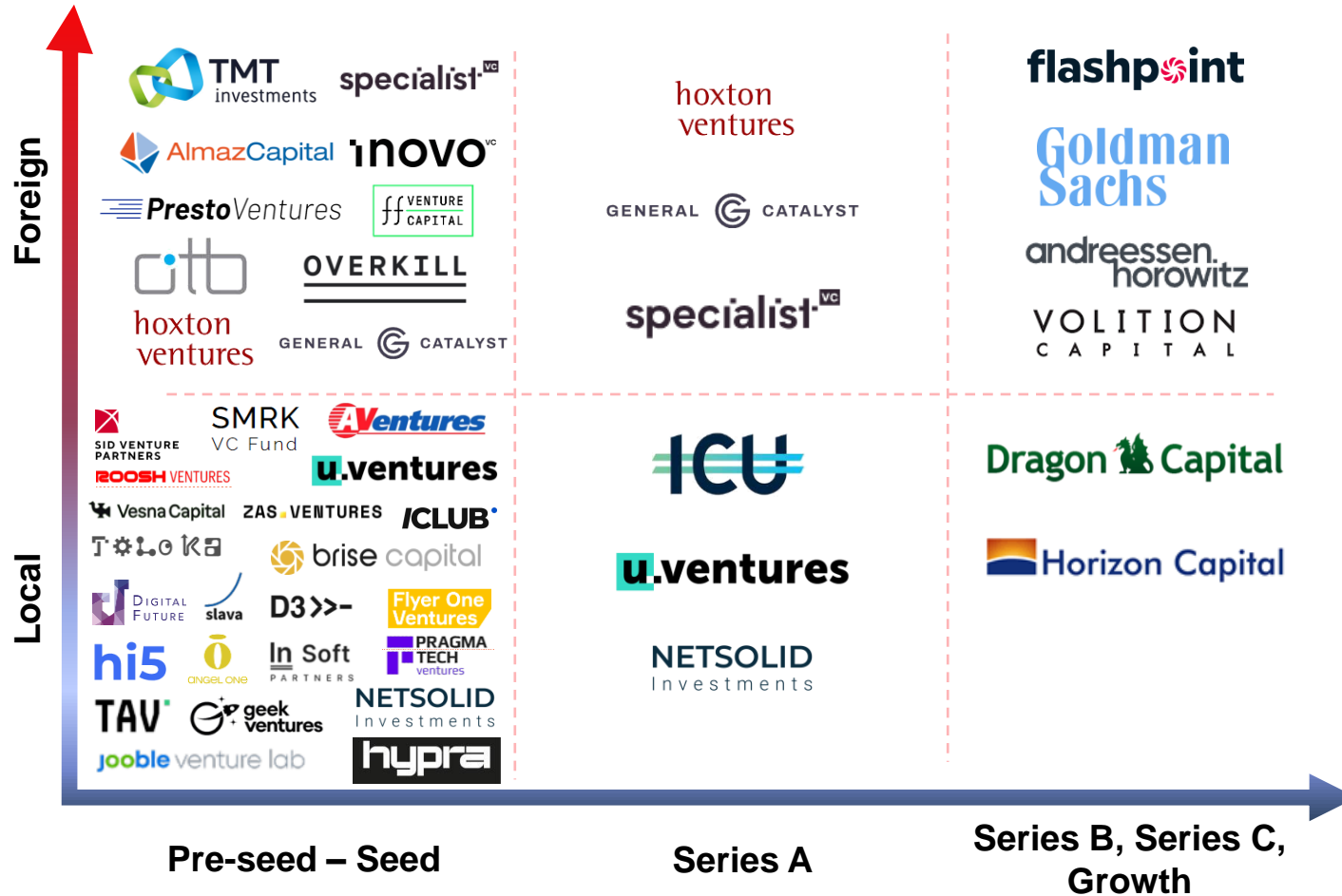


## Comments:

- Ukrainian startups in advanced stages **usually prefer foreign funding over local sources due to a combination of factors.**
- Firstly, the **limited number of local funds with sufficient capital** restricts the options for startups seeking investment at later stages.
- Additionally, foreign investors often **bring not only capital** but also valuable expertise, international networks, and access to larger markets.

# SERIES A AND ONWARDS SHOW THE LARGEST VC FUNDING GAP

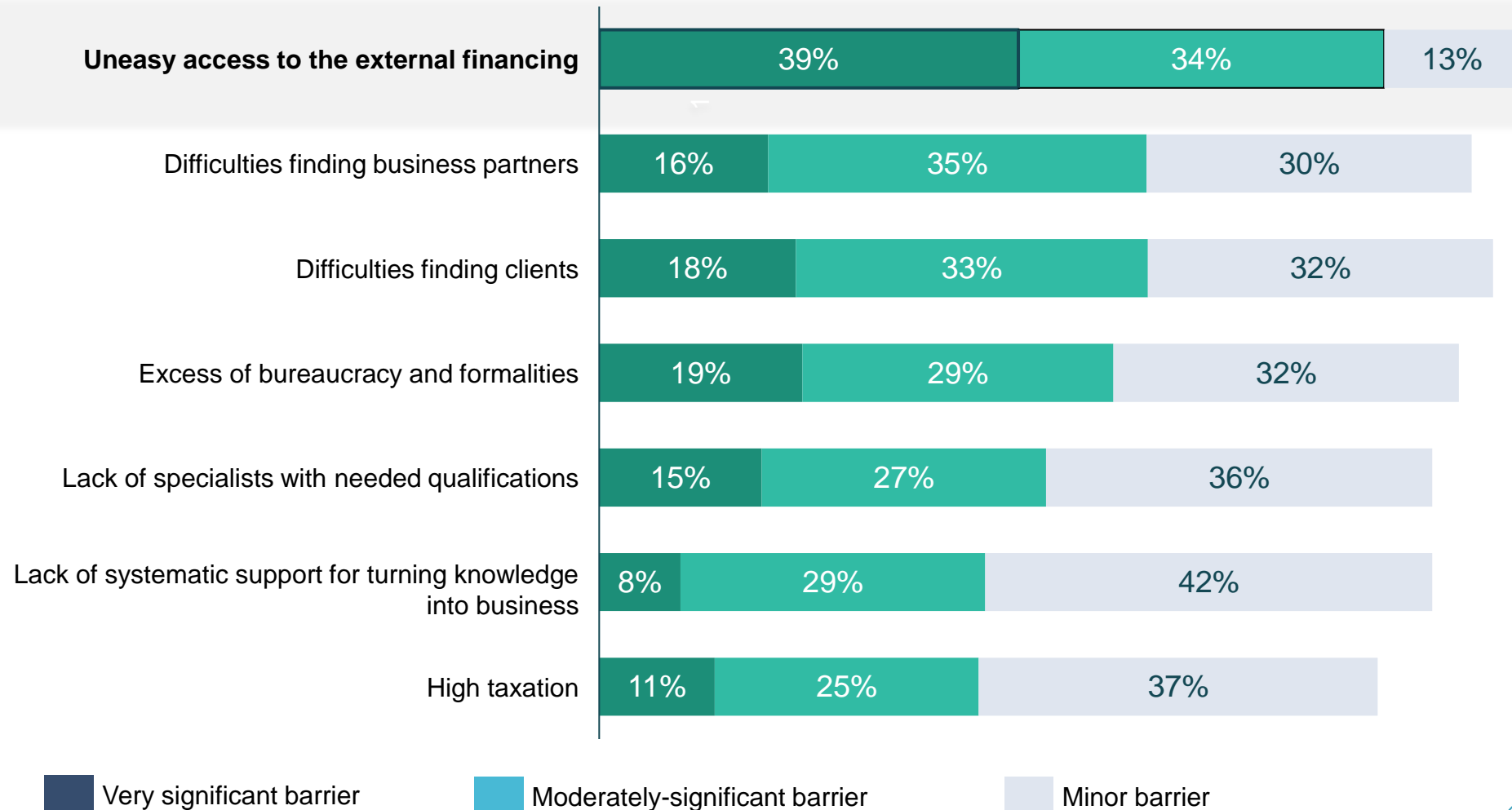
## Ukraine's VC funding scene



## Number of VC funds present in peer countries

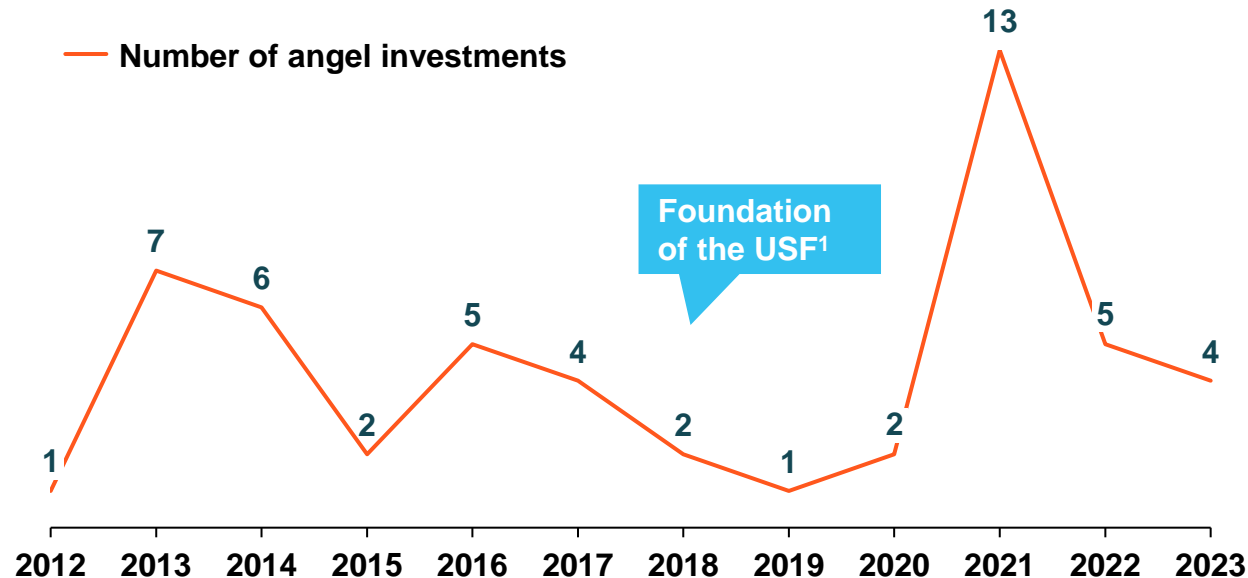


# 73% OF UKRAINIAN STARTUPS CITE ACCESS TO FINANCE AS SIGNIFICANT BARRIER TO THEIR GROWTH



# THERE'S A SHORTAGE OF BUSINESS ANGELS TO SUPPORT STARTUPS WITH RISK CAPITAL AND NETWORKS

Around 380 local angel investors are involved in investing in IT startups in Ukraine, but their investment activity is low.



Only three angel networks are currently active in Ukraine.

**ICLUB**

Established in 2018 by TA Ventures fund, **ICLUB** is a global community of angel clubs that includes ~1 000 members and has 80 deals recorded totaling ~€40M.

**USF**

Founded in 2023 by Startup Depot, **United Angels Network** comprises approximately 10 Ukrainian and international members, with three recorded investment to date.

**Toloka**

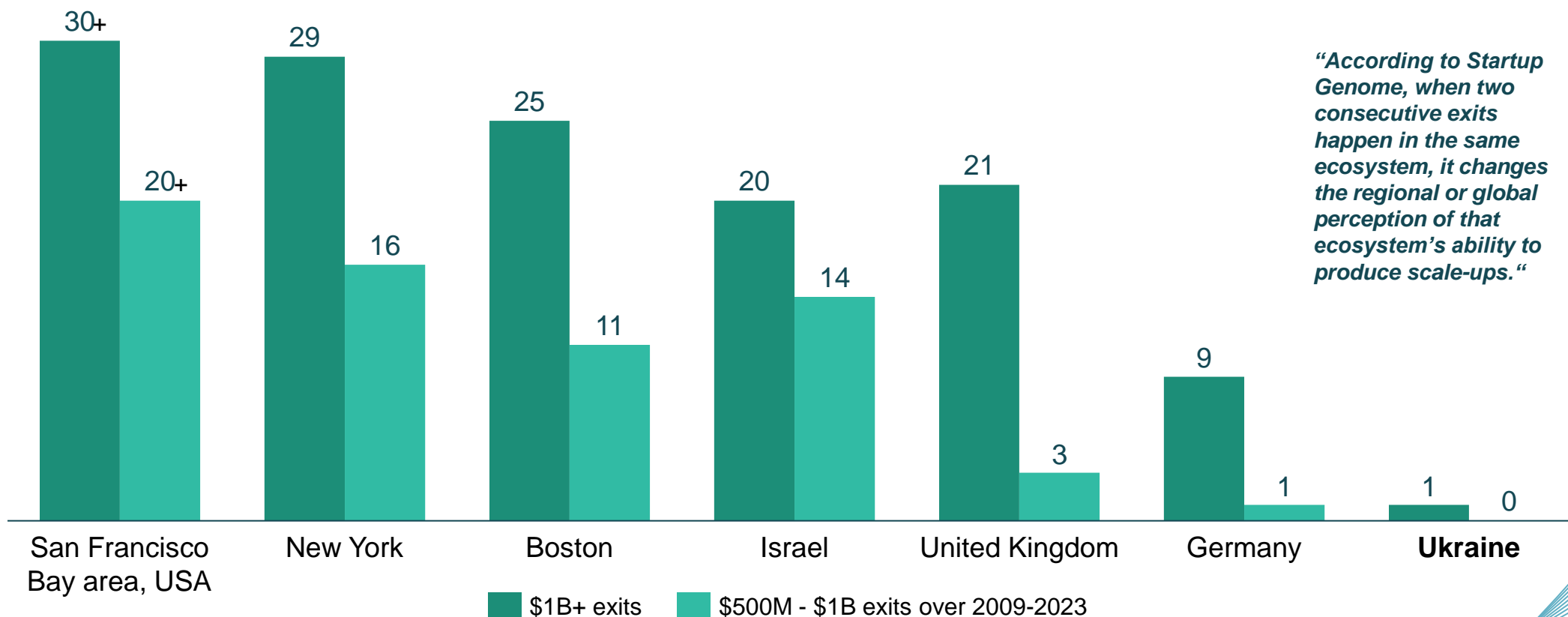
Established in 2023, **Toloka.vc** is a Ukrainian venture syndicate comprising more than 700 individual investors with six investments recorded totaling ~\$3M.

## Comments:

- Before the full-scale war, angel investors in Ukraine accounted for about **5% of individuals with a net worth of \$1M or more**.
- In 2023, the number of angel investors in Ukraine **declined by 54%** compared to 2021, due to both relocation and decreased wealth among investors.
- In top ecosystems angel investors are **essential for early-stage funding**, providing startups with not just funds but also mentorship and experience.
- However, in Ukraine, the near absence of angel investing means that startups **often rely on grants** as their primary source of funding in the earliest stages.

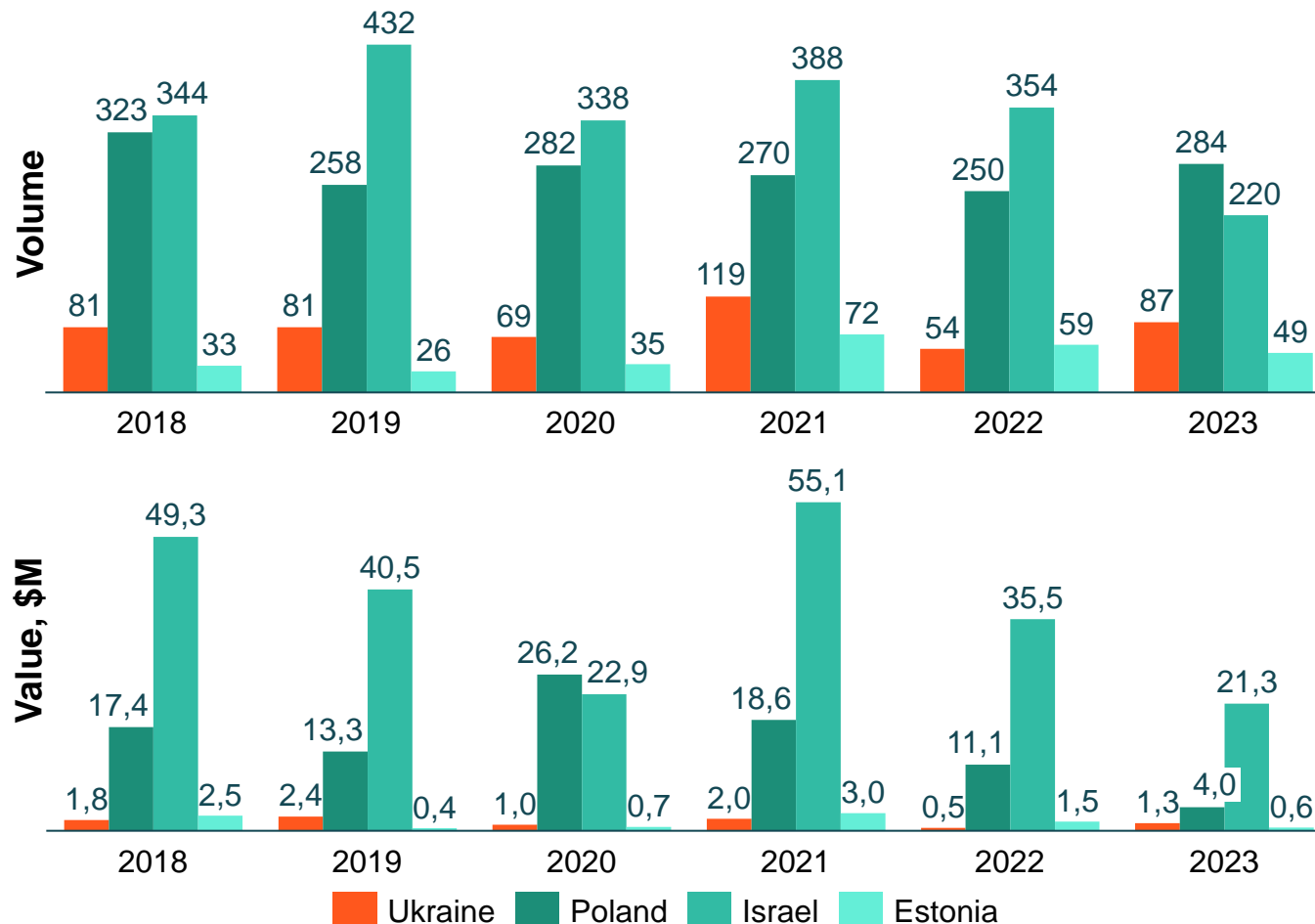
# LIMITED HIGH-VALUE EXITS RESTRICT THE ECOSYSTEM'S ABILITY TO TRANSITION INTO THE NEXT GROWTH PHASE AND ATTRACT NEW INVESTORS

High-value exits play a critical role in driving the growth and development of the startup ecosystem. Leading startup ecosystems, such as the USA and Israel, produced multiple high-value exits over 2009-2023, while Ukraine had only one.



# UKRAINE HAS ONE OF THE LOWEST LEVELS OF M&A ACTIVITY COMPARED TO ITS PEERS

Despite its size and the number of companies, Ukraine has one of the lowest levels of M&A activity compared to its peers



According to M&A Synergy Study: The Case of Ukraine there are such problems of M&A activity in Ukraine :

Underdevelopment of the stock market

High share of insiders among shareholders

Extensive use of offshore vehicles in M&A deals

Underdeveloped business culture and ethics

Insufficient use of mechanisms like IPO and LBO financing

Lack of transparency and accessibility of data about deals

High share of hostile takeovers, shady deals, and raider seizures of business assets

# \$1B+ M&A DEALS ARE MOSTLY FOCUSED ON ACQUIRING LOCAL R&D TEAMS, LIMITING THE EXIT VALUE CAPTURED BY THE LOCAL ECOSYSTEM

ASSET	ACQUIRER	DEAL VALUE, \$B	UA CHAPTER	DATE
NeoGames [IL]	Aristocrat [AU]	1.8	R&D	2023
Scopely [US]	Savvy Games [SA]	4.9	R&D	2023
Global Logic [US]	Hitachi [JP]	9.6	R&D	2021
Game Show Network [JP]	Scopely [US]	1.0	R&D	2021
SBTech [IM]	DraftKings [US]	3.3	R&D	2020
NetEnt [SE]	Evolution Gaming [LV]	2.1	R&D	2020
Mellanox [IL]	Nvidia [US]	6.9	R&D	2019
Luxoft [RU / CH]	DXC Technology [US]	2.0	R&D	2019
Playtika [IL]	Консорціум Giant [CN]	4.4	R&D, Early co founder	2016
WhatsApp [US]	Facebook [US]	19.0	R&D, Co founder	2014

# TECH IPOs ARE RARE AND REPRESENTED ONLY BY FEW SUCCESSFUL EXAMPLES FROM DOMESTIC ENTREPRENEURS

The largest Ukrainian IT companies (\$100M+ in revenue) are either not listed or listed on foreign stock exchange.



 NYSE

softserve

Not listed



GitLab



NASDAQ



GENESIS

Not listed

intellias

Not listed

There are several reasons why companies decide not to go public in Ukraine:

Requirement to issue shares of companies in the national currency

Prohibition by Ukrainian legislation to issue more than 25% of shares abroad

Insufficient financial resources to go through all stages of preparation and conduct of the IPO

Differences between national legislation and foreign stock exchange requirements

Differences in accounting and tax reporting with foreign companies

## Comments:

- As the Ukrainian stock market is in the initial stages of development, it is **rare for an IPO to be chosen as a liquidity event**; as a rule, a M&A or other transactions such as secondary market transactions are chosen.
- At the same time, it is worth noting that few of large Ukrainian companies **choose to create a foreign holding company/ project company that then goes on to an IPO on a foreign stock exchange.**

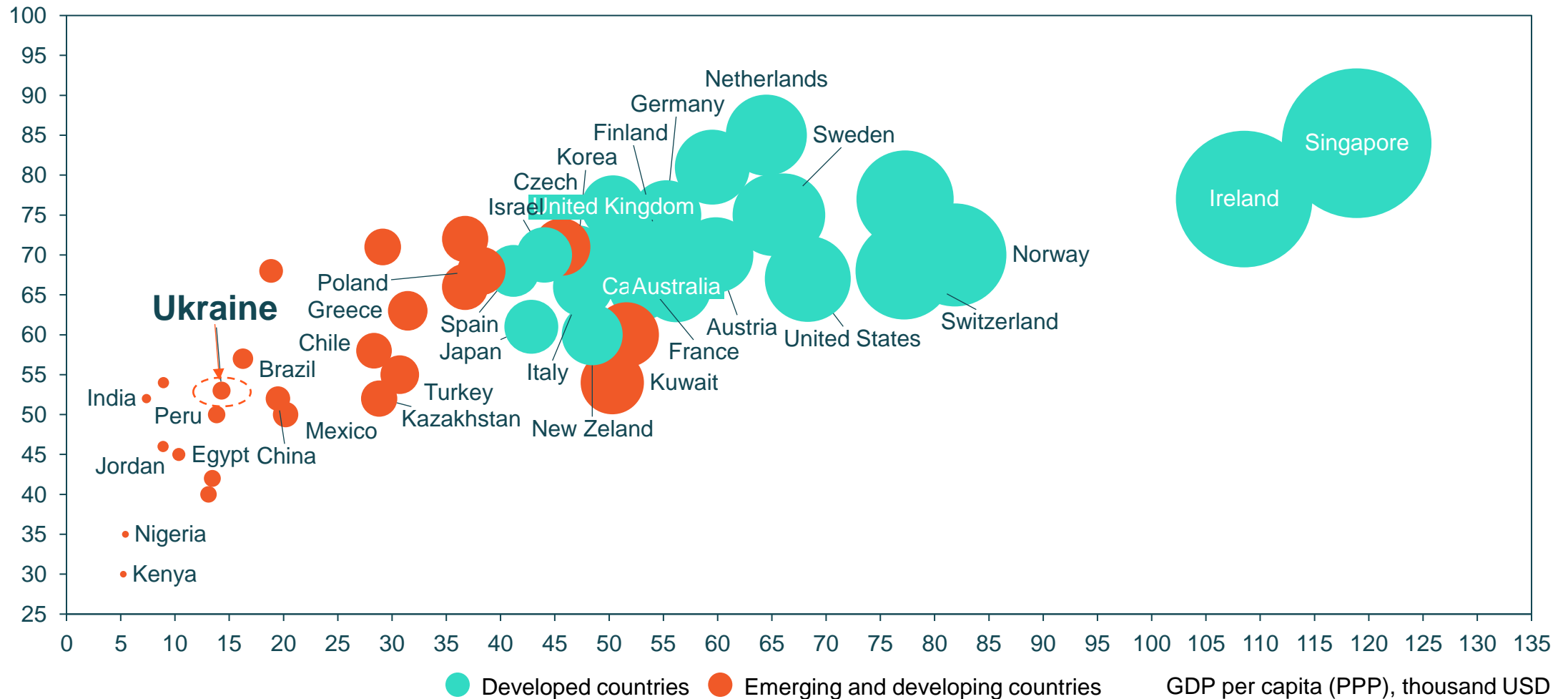




**Access to markets**

# LEADING TECH COUNTRIES ARE MUCH MORE CONNECTED THAN THE REST OF THE WORLD

Connectedness index<sup>1</sup>

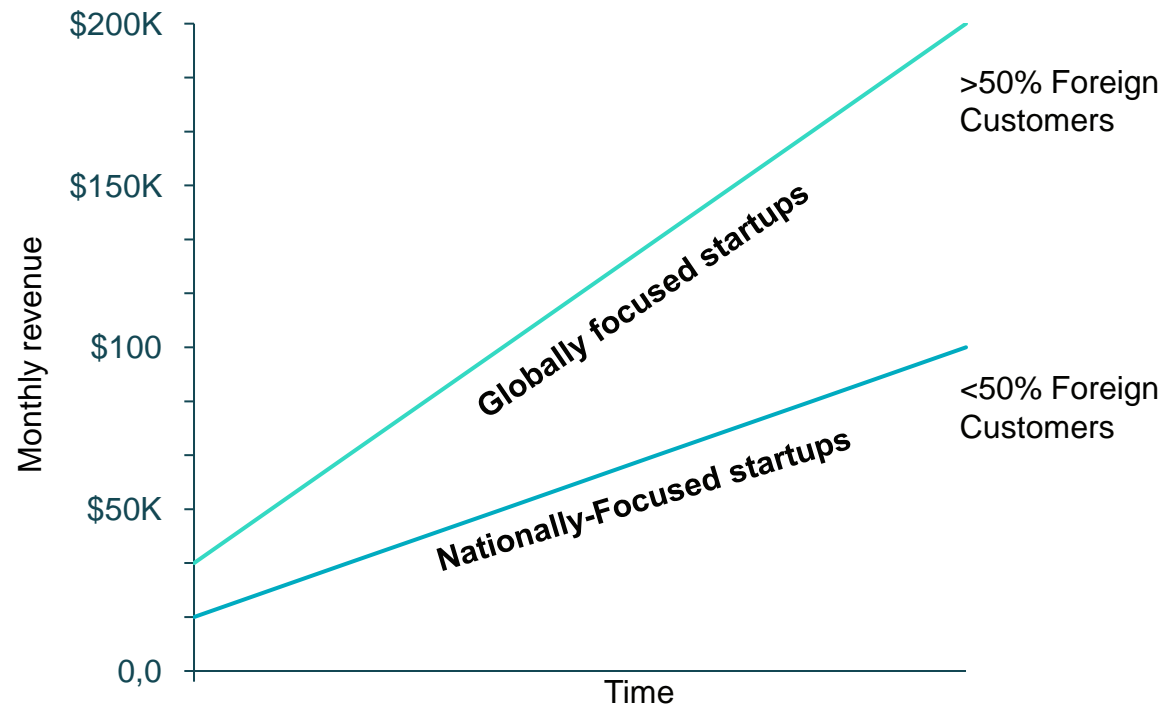


Source: DHL - Global Connectedness Index – [2022]; The World Bank

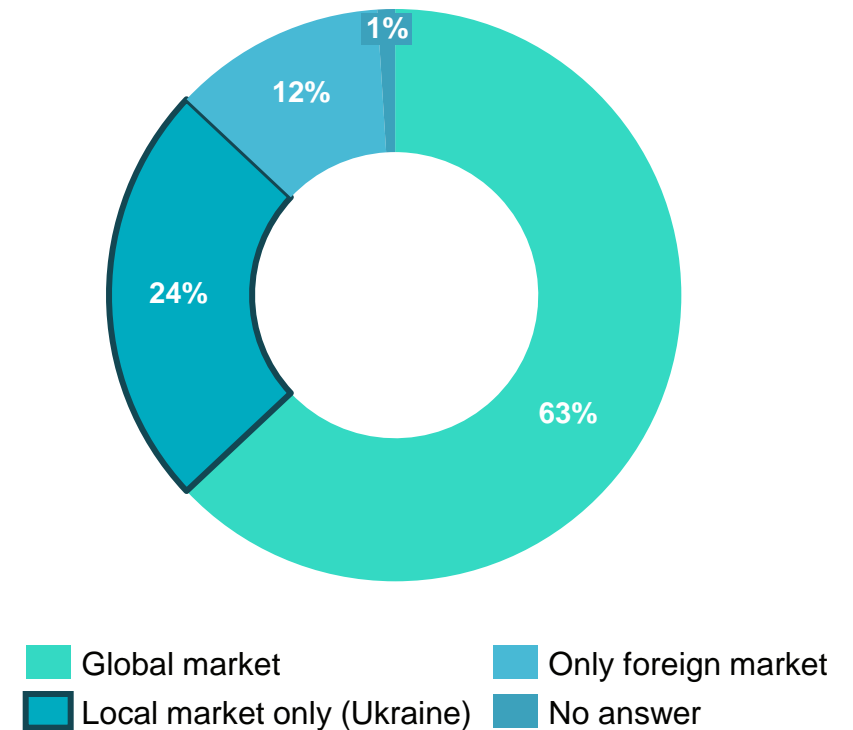
Notes: (1) The Global Connectedness Index, developed by DHL, measures the depth and breadth of international trade, capital, information, and people flows.

# FOCUSING ON FOREIGN MARKETS EARLIER HELPS STARTUPS GENERATE HIGHER SALES

Global Connectedness provides the global knowledge necessary to build startups that can compete on a global scale effectively.

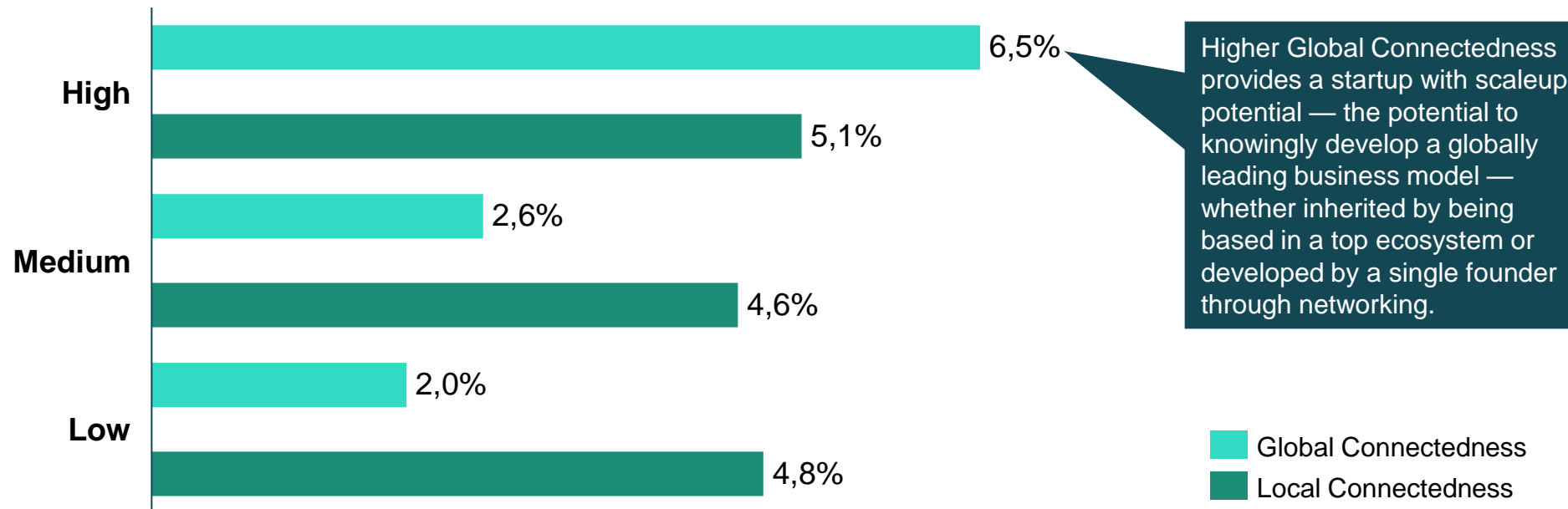


Every fourth Ukrainian startup targets only local market which limits the potential revenues.



# HIGH LEVEL OF FOUNDERS' GLOBAL CONNECTEDNESS CONSIDERABLY INCREASES STARTUP'S CHANCES TO BECOME A SCALEUP

Startups led by founders with high level of global connectedness have a 3.25x higher chance of becoming a scaleup than those with a low level.



## Comments:

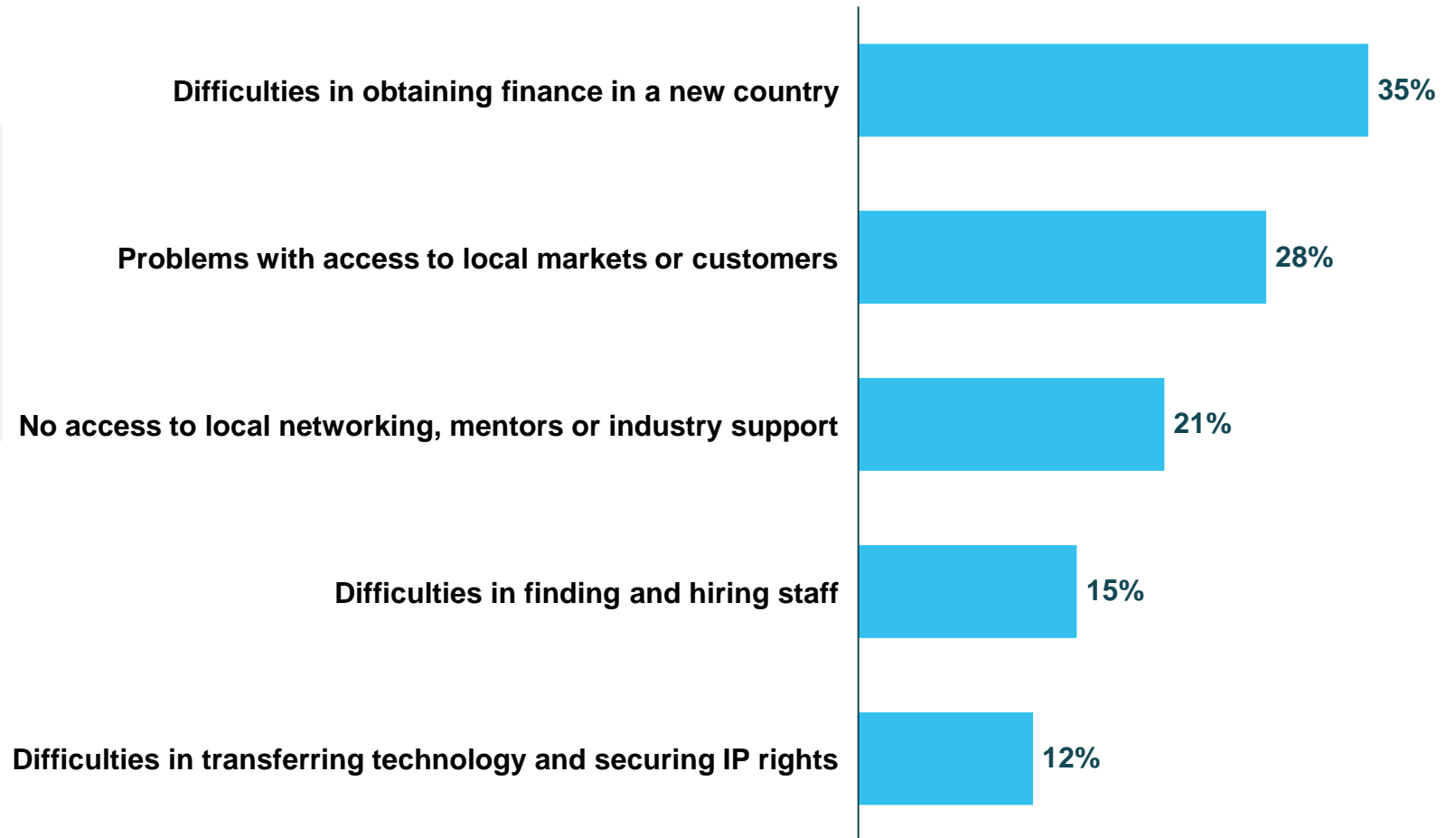
- Startup ecosystems that are more connected to top startup ecosystems globally (such as Silicon Valley, New York City, and London) see their startups **internationalizing at a much higher rate on average (66% correlation)**.

# INSUFFICIENT ECOSYSTEM CONNECTEDNESS MAY LEAD TO A LOW NUMBER OF EXITS AND GAPS IN ACCESSING FUNDING

# 76%

Startups face challenges in operating when international markets

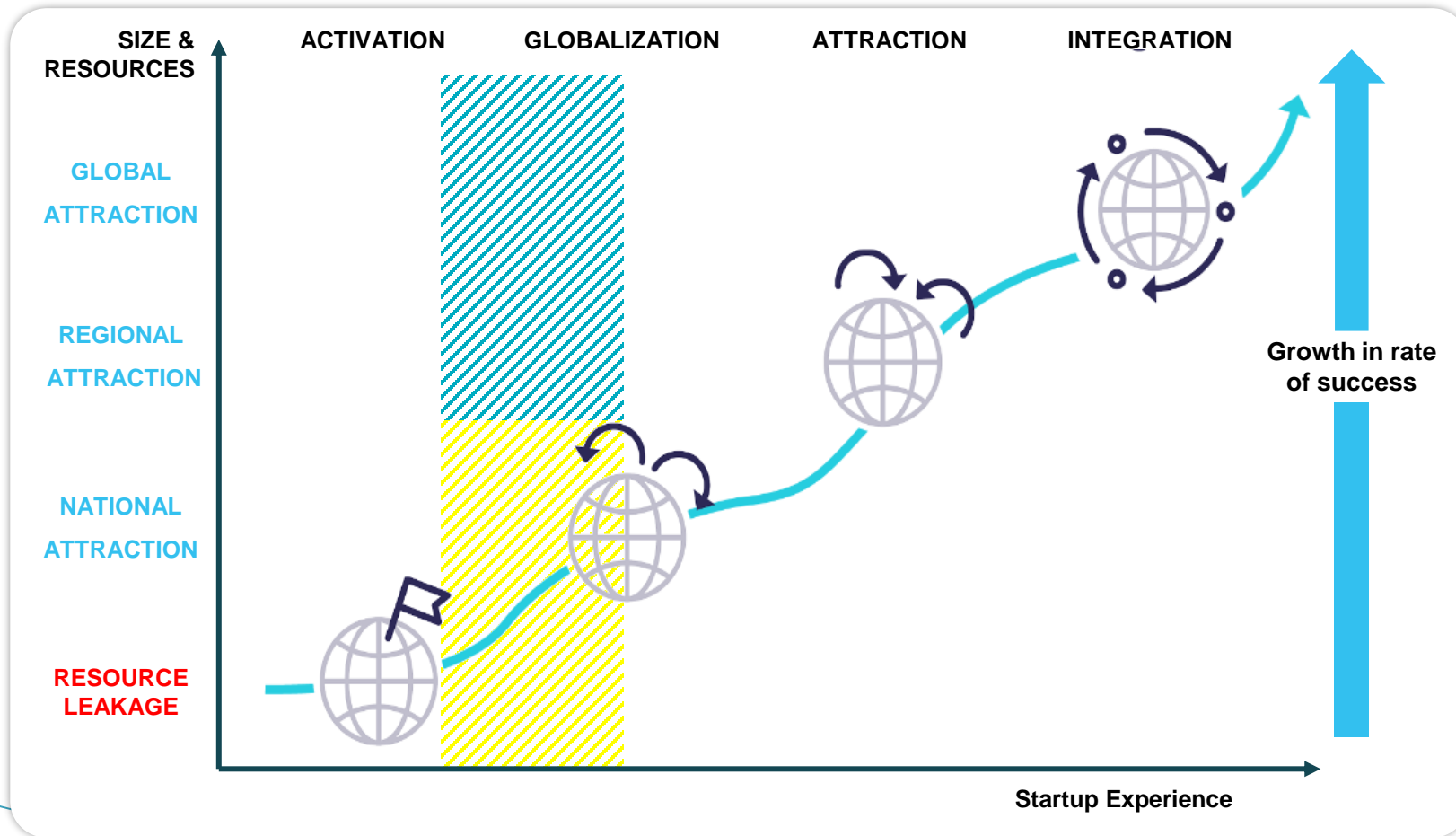
Q: What are the main challenges you faced entering new markets?





**ELEVATING UKRAINE'S TECH  
INDUSTRY TO THE GLOBAL  
SCALE**

# UKRAINE IS ADVANCING TO BECOME A GLOBAL PLAYER IN TECH BUT MUST ALIGN ITS STRATEGIES TO LEVERAGE THIS NEW POSITION EFFECTIVELY



## Comments:

- According to Startup Genome methodology Ukraine's startup ecosystem, is currently **transitioning from the Late Activation to Globalization phase**
- In the Activation phase, the ecosystem has **limited startup experience and a low output of startups**. The key focus here is to **increase the number of startups locally, boost early-stage funding like Seed and Series A rounds**
- Significant challenge at this stage is the **leakage of resources**—startups, talent, and capital—to more developed ecosystems
- Moving towards Globalization involves surpassing 1,000 startups, **improving startups experience**, and **achieving significant exits exceeding \$100M**, which attract national attention and resources.

# WHAT COULD BE DONE TO STRENGTHEN THE TECH ECOSYSTEM: SUMMARY

## Ease of doing business

- Introduce tax incentive schemes to enhance Ukraine's business environment, attracting startups and investors.
- Accelerate financial sector reforms and align with global standards to unlock international capital, fueling new economic growth.

## Talent

- Strengthen connections with expatriates and offer return incentives to transform brain drain into brain circulation.
- Expand business education and short-term programs to close founders' knowledge gaps and foster growth.
- Create incentives for companies to build global teams in Ukraine, giving startups access to diverse talent and addressing skill shortages.

## Startup support

- Expand tech ideation opportunities like ideathons and hackathons to boost startup creation.
- Implement university entrepreneurship programs to equip talent with essential business skills early on.
- Tailor acceleration programs to specific stages or industries to improve support efficiency.

## Access to funding

- Create a Fund of Funds to strengthen the investment landscape, especially for Series A and beyond.
- Create incentives for angel investor networks to increase early-stage funding opportunities.
- Encourage tech exits through M&A and IPOs to attract more capital to Ukraine's ecosystem.

## Access to markets

- Expand soft-landing programs, export consultancies, and global events to accelerate startups' entry into international markets.
- Foster deeper startup-corporate partnerships to unlock market access and scale faster.
- Encourage knowledge exchange between Ukraine's ecosystem builders and top global hubs to boost innovation and growth.





**Ease of doing  
business**

# TAX INCENTIVES FOR BOTH STARTUPS AND INVESTORS ARE A COMMON PRACTICE IN LEADING ECOSYSTEMS

## Forms of tax incentives

- **tax credits** (direct reductions in tax owed)
- **tax deductions** (lowering taxable income)
- **tax exemptions** (exclude certain income or activities from tax)
- **tax deferrals** (postponing tax payments)

Leading startup ecosystems have several such initiatives introduced:



UK

**R&D tax relief scheme:** SMEs can claim an enhanced deduction of 230% on R&D expenditures.

**Seed Enterprise Investment Scheme:** Income tax relief for investors of up to 50% (up to £100K a year) on the amount invested.

**Enterprise Investment Scheme:** Income tax relief for investors of up to 30% on investments, along with capital gains tax exemptions.



India

- **'Startup India Initiative'** which includes:

**Income Tax Exemption:** Startups can avail of a 100% income tax exemption for 3 consecutive years out of their first 10 years.

**Tax Holiday:** Startups are provided with a three-year tax holiday on profits.

**Investments above fair market value (FMV):** Investments made by angel investors, incubators, and funds that exceed FMV are tax-exempt.



Singapore

**Tax Exemption Scheme for Startups:** Startups can get a 75% tax exemption on the first S\$100K of income and 50% on the next S\$100K for their first three assessment years. After that, they can apply for Partial Tax Exemption.

**Productivity and Innovation Credit (PIC):** Provided SMEs with tax deductions of up to 400% on qualifying expenditures in innovation-related and R&D areas.



Israel

- **'Angels law'** which includes:

**Tax credit:** A tax credit is provided to investors in Israeli start-up companies. The credit amount equals the investment multiplied by the investor's capital gains tax rate.

**Tax exemption:** High-tech companies get a tax exemption for any loan interest paid to foreign financial institutions.

# RELIABLE LEGAL PROTECTION IS ESSENTIAL FOR INVESTORS AND ENTREPRENEURS

## Strengthen investor protection

Implement **legal reforms** including clear regulations on foreign investment, corporate governance, shareholder rights, and disclosure requirements.

Ensure an **effective judiciary** to provide fair and timely resolution of investor disputes. Establish specialized commercial courts to handle investment-related cases.

Enhance **transparency** in business conduct and enforce strict anti-corruption measures. Implement whistleblower protections and encourage reporting of corrupt practices.

Implement **significant deregulation** by reducing the number of controlling institutions and required licenses and permits. .

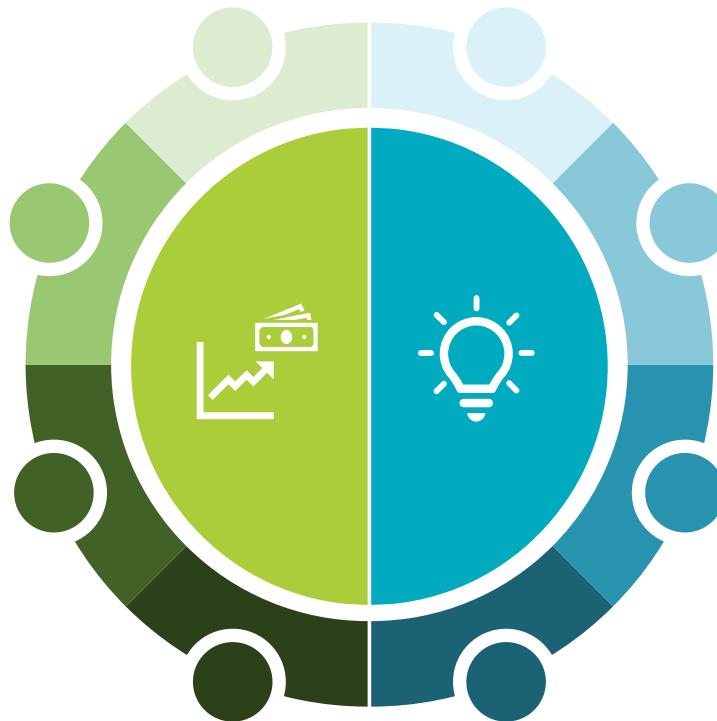
## Improve intellectual property protection

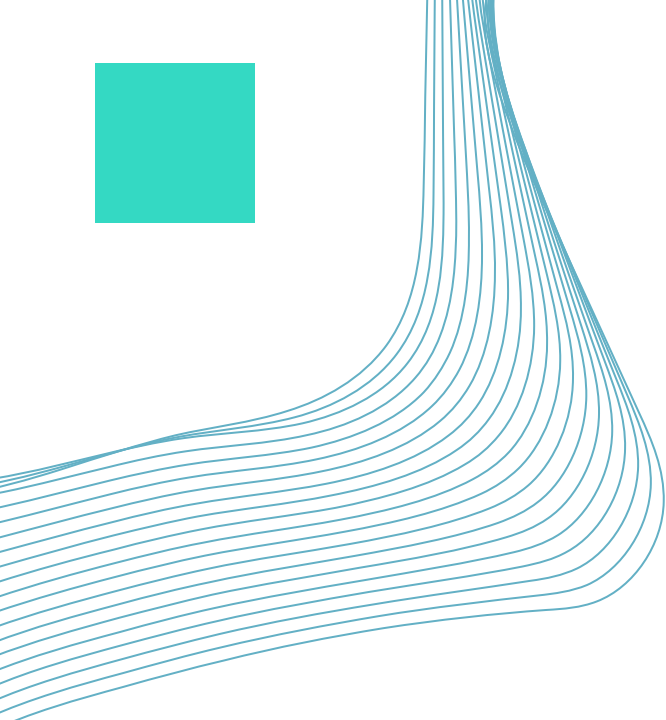
**Strengthen and update IP laws** such as copyright, trademarks and patent laws to align with international standards..

Equip and empower specialized **IP enforcement agencies** to combat piracy, counterfeiting, and IP infringement.

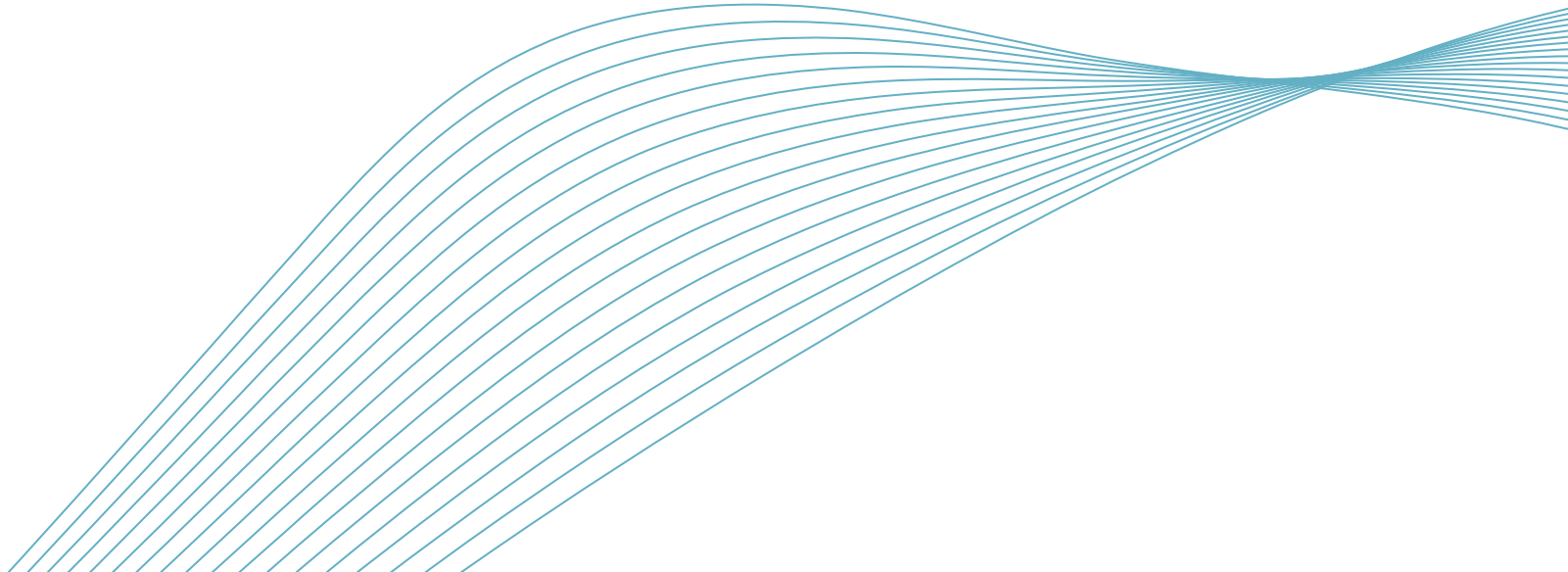
Establish specialized **IP courts or fast-track procedures** within the judiciary to handle IP disputes efficiently

Conduct **public awareness campaigns** and educational programs about the importance of respecting intellectual property rights.

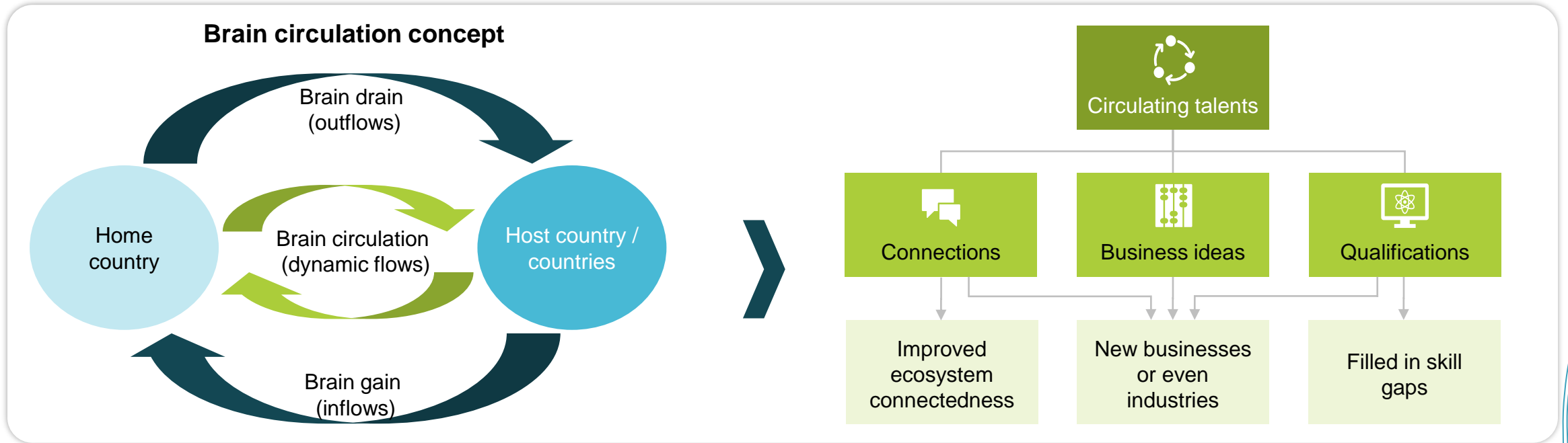




**Talent**



# THE BRAIN CIRCULATION CONCEPT HAS BEEN SUCCESSFUL IN ISRAEL AND PRESENTS NEW OPPORTUNITIES FOR UKRAINE



Based on Israeli experience, Ukraine might implement such measures to promote brain circulation:

## Global talent hubs

Set up global talent hubs in large tech cities to connect with Ukrainian talents abroad.

## Encourage to 'recycle'

Encourage successful Ukrainian founders abroad to recycle their expertise and wealth back into the Ukrainian ecosystem.

## Business support

Establish support programs for Ukrainian startups founded by returning expatriates.

## Networking events

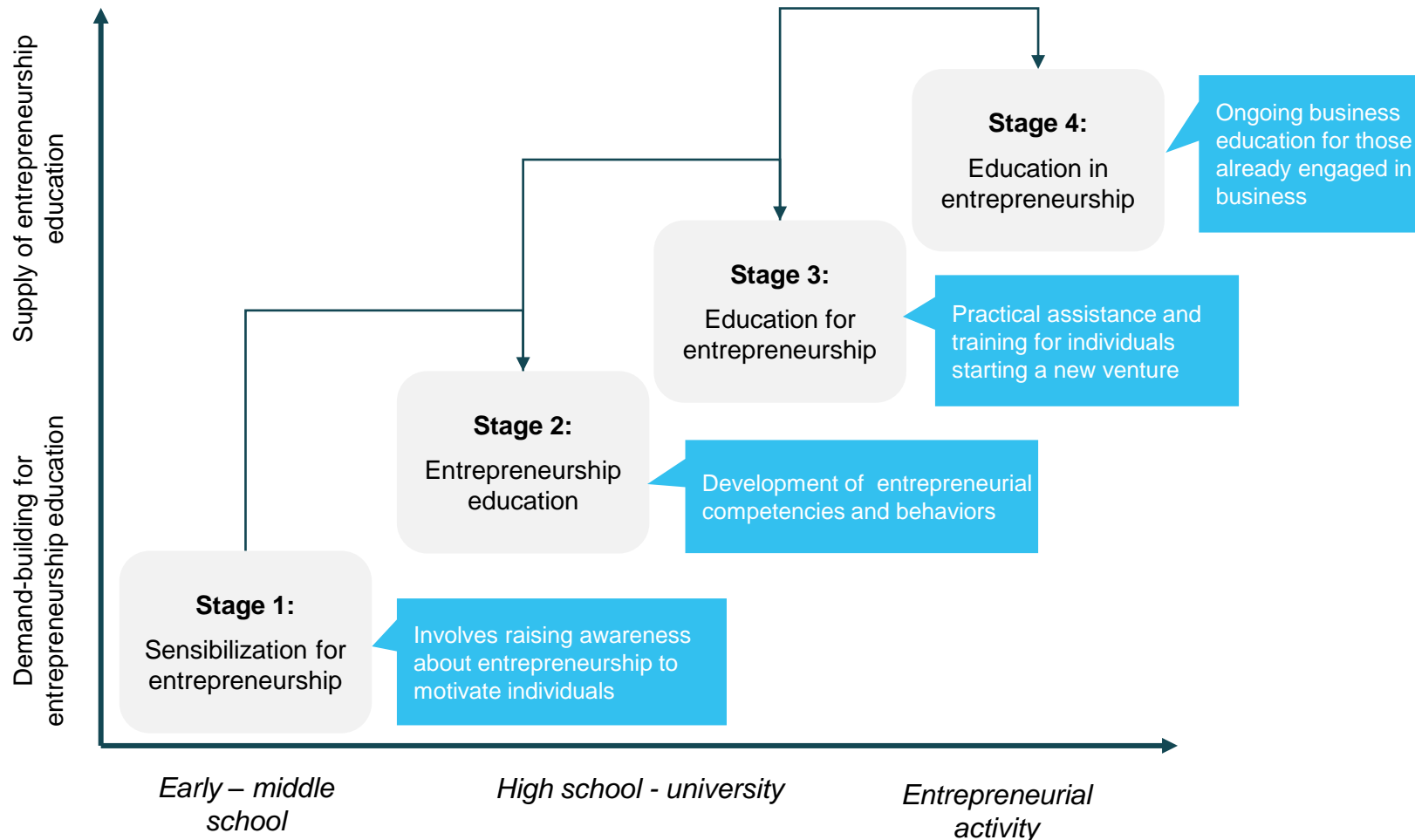
Organize networking events to inform expatriates about opportunities in Ukraine.

## Returning benefits

Introduce benefits for returning expatriates, including housing support, grants, etc.

# COMPREHENSIVE ENTREPRENEURIAL EDUCATION AT ALL LEVELS BOOSTS STARTUP FORMATION AND IMPROVES THEIR CHANCES OF SUCCESS

Stages of entrepreneurship education provision



International evidence about the impact of entrepreneurial education policies



Improved rates of startup creation and innovation



**Estonia**

- **Ranks first** in its income group in Entrepreneurial Education Policy at School and Post-School
- Has **one of the highest number of startups per capita** in Europe



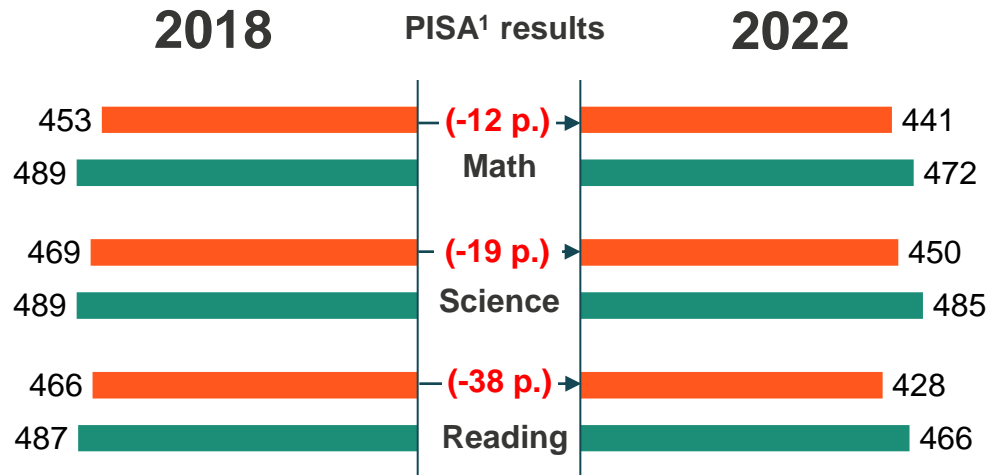
Improved startup survival rate



**Switzerland**

- **Ranks in Top 10** of the National Entrepreneurial Context Index
- Has **the highest startup survival rate among countries with high income**

# UKRAINE'S STEM EDUCATION SHOULD ALIGN WITH NATIONAL PRIORITIES AND GLOBAL TRENDS TO CULTIVATE A FUTURE-READY WORKFORCE



## Comments

- According to PISA survey in 2022, Ukrainian school students demonstrated **average knowledge** in all three studied areas compared to OECD average
- Ukraine's performance **worsened across all areas compared to the 2018 survey** primarily due to COVID pandemic while also due to legacy education model
- The solution could be integrating the **STEAM** (Science, Technology, Engineering, Arts, Mathematics) **education framework** used by PISA top-ranking countries such as **the USA, Singapore, and Estonia**.

	Primary school	Middle school	High school
Goal	<ul style="list-style-type: none"> <li>• <b>Stimulate curiosity</b> and sustain interest in learning</li> <li>• <b>Spark students' interest</b> in pursuing further courses related to STEAM.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Cultivate a long-term interest</b> in natural sciences and mathematics</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Support informed decision-making</b> for future STEM education paths</li> </ul>
Activities	<ul style="list-style-type: none"> <li>• Conduct educational excursions, science days, and creativity workshops</li> <li>• Introduce simple experiments, construction projects, and invention activities</li> </ul>	<ul style="list-style-type: none"> <li>• Research, integrated lessons, thematic weeks, educational practices, and interdisciplinary projects.</li> <li>• Promote participation in specialized clubs, competitions, and conferences</li> </ul>	<ul style="list-style-type: none"> <li>• Provide specialized STEM courses (profiling) to cater to individual interests and career aspirations.</li> <li>• Utilize advanced tools and equipment related to technical modeling, robotics, programming.</li> </ul>

# TARGETED FUNDING CAN CREATE STRONG INCENTIVES FOR NEW EDUCATION PROGRAMS, FOSTER INDUSTRY PARTNERSHIPS AND EXCHANGES

Ukrainian specialists are widely known for their tech expertise. However, skills that are relevant to modern technologies are typically acquired not through university programs, but via specialized courses and self-education

90%

of IT specialists hold or pursue higher education as of 2023

57%

of graduates expected to gain tech specialized knowledge from the university

38%

reported that they attained such knowledge in the university



60%

of IT specialists take courses or additional trainings

To improve university tech education, it should be actualized according to Ukraine's strategic priorities and world's trends.

1

Design new **specialized programs in promising areas** such as AI&ML, Cybersecurity, IoT, Quantum computing, and others.

2

Facilitate **cooperation between educational institutions and businesses** to align academic programs with global trends and market demands.

3

Ensure **highly qualified STEM teaching staff**: raise salaries to the level of the average salary of graduates of technical faculties.



# EXPANDING OFFERINGS IN BUSINESS, SALES, AND MARKETING PROGRAMS CAN HELP BRIDGE SKILL GAPS AMONG FOUNDERS

The majority of the Ukrainian tech startup founders have technical background. Introducing business programs focused on sales, marketing, and management could enhance Ukrainian founders' skills and boost startup success. Ukrainian business education can be improved in several ways.

## Provide

opportunities to participate in leading international business programs

Introduce grant opportunities, scholarships, exchange programs, or special loans to study business abroad.

## Introduce

business programs in Ukraine tailored for tech entrepreneurship

Design tech-specific business programs taught by practitioners, such as Martin Trust Center for MIT Entrepreneurship and Tech Investing course in ETH Zurich.

## Develop

collaborative business programs with foreign institutions

Develop international collaborative business programs such as Stanford ignite with Stanford University and Mission Possible with Oxford University.

Top-level business education would benefit not only to its students but also to the entire startup ecosystem.



Having business education improves fundraising chances



Startups led by founders with business education have higher success rates



Access mentors and peers who can provide valuable guidance and support.

## Founders



A well-educated founder base attracts more investors and funding opportunities



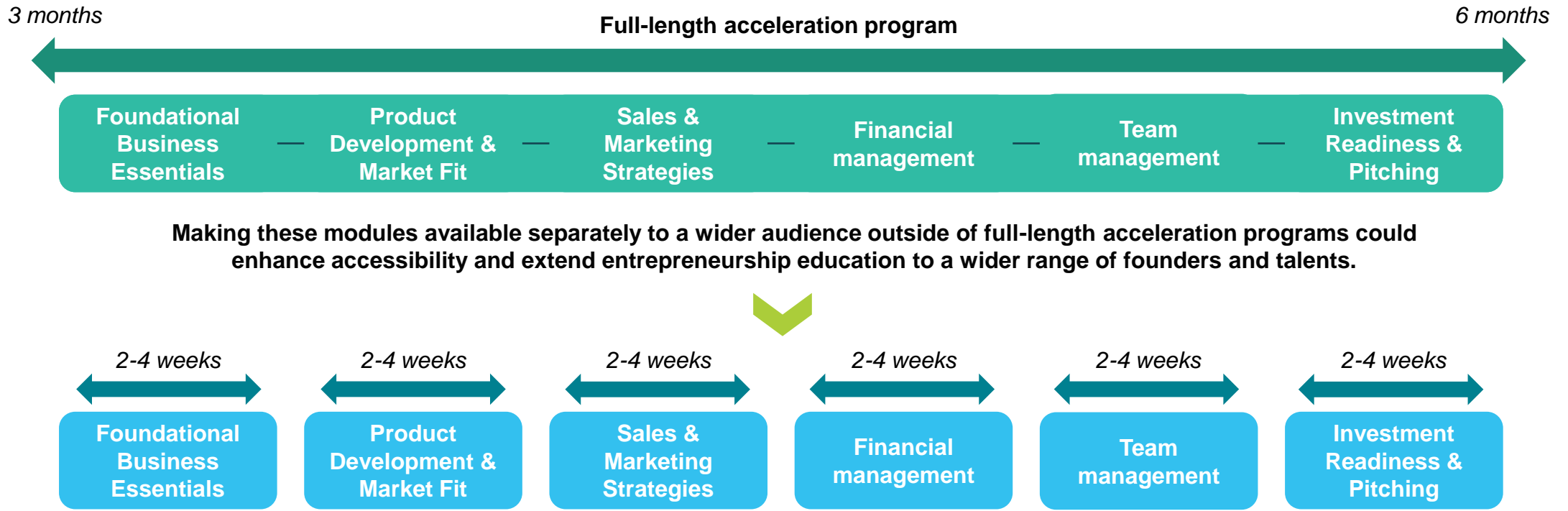
Business-educated founders foster culture of mentorship and knowledge-sharing



Increased number of sustainable and successful startups

## Ecosystem

# SHORT-TERM PROGRAMS ARE MORE APPEALING TO EMERGING ENTREPRENEURS FOR THEIR LEANER, MORE PRACTICAL CURRICULUMS



## Comments

- Founders often have specific needs and inquiries that may not align with the entire scope of a traditional accelerator program.
- Short-term modules address this by offering focused learning on key topics such as investment readiness, sales, marketing, and product development.
- These modules provide targeted solutions to immediate challenges, enabling founders to acquire skills efficiently without committing to a full-length program.
- Additionally, acceleration programs typically (some are equity-free) involve taking equity from startups in a form of payment, whereas short-term modules or specialized programs can be free or paid with money

# FORMING GLOBAL TEAMS ENABLES COMPANIES TO TAP INTO DIVERSE TALENT WORLDWIDE AND EFFECTIVELY ADDRESS SKILL GAPS

## Benefits of building global teams in startups

### Access to a vast talent pool

Hiring globally allows startups to tap into a wider talent pool, enabling companies to find highly specialized candidates that may not be available locally.

### Increased creativity

By bringing together talents from diverse cultural backgrounds, global teams foster a rich environment for creativity and innovation.

### Unique insight into the global market

Having international team provides startups with valuable insights into various markets, including culture, legal aspects, and business practices which can ease global expansion.

### Improved workplace diversity

Global teams lead to increased diversity, which enhances business innovation, agility, and employee retention.



**A US-UA quantum computing startup.  
In 2023, Haiqu raised \$4M in pre-seed funding.**

- The startup was formed and incubated in 2022 in Toronto by Richard Givhan (USA) and Mykola Maksymenko (UA)
- Haiqu initially began as a remote collaboration among co-founders, **facing challenges** due to the scarcity of quantum engineering talent
- Haiqu addressed this challenge by **expanding globally** which enabled it to tap into critical talent pools in quantum and software engineering worldwide

**Now Haiqu has a distributed team spanning:**



United States



Ukraine



Canada



Switzerland

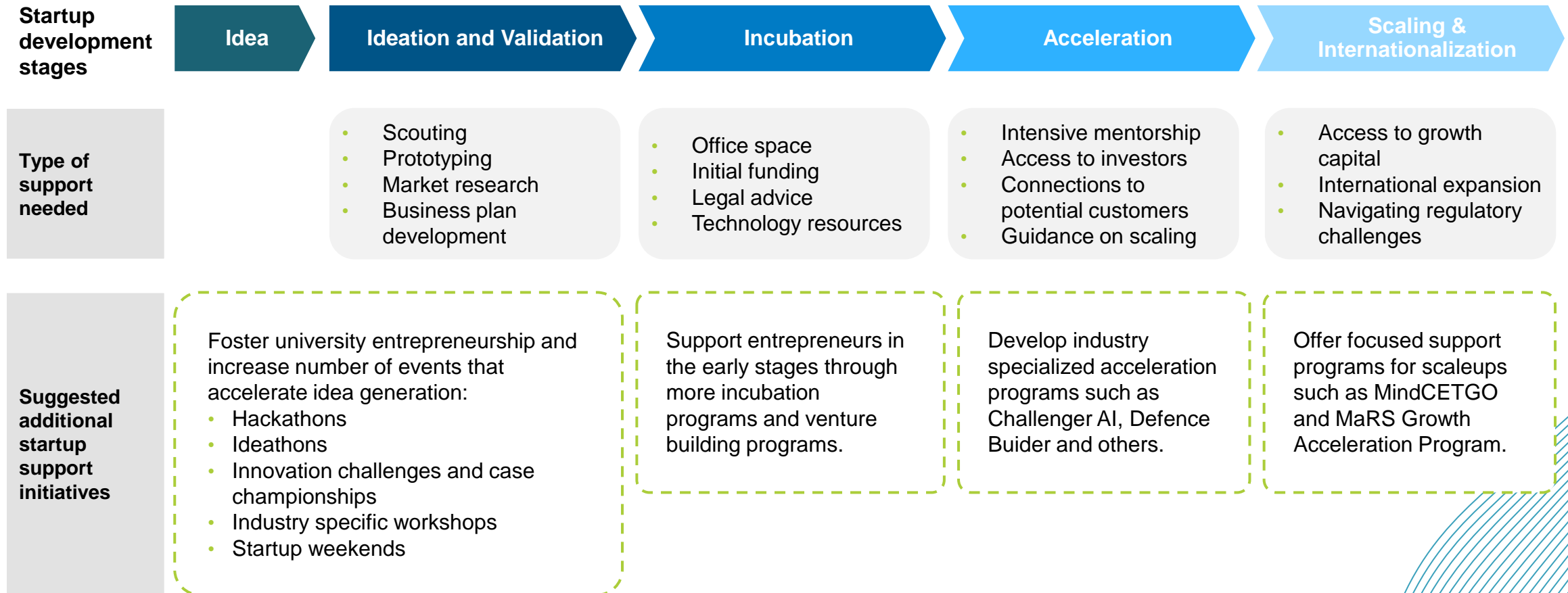


Germany

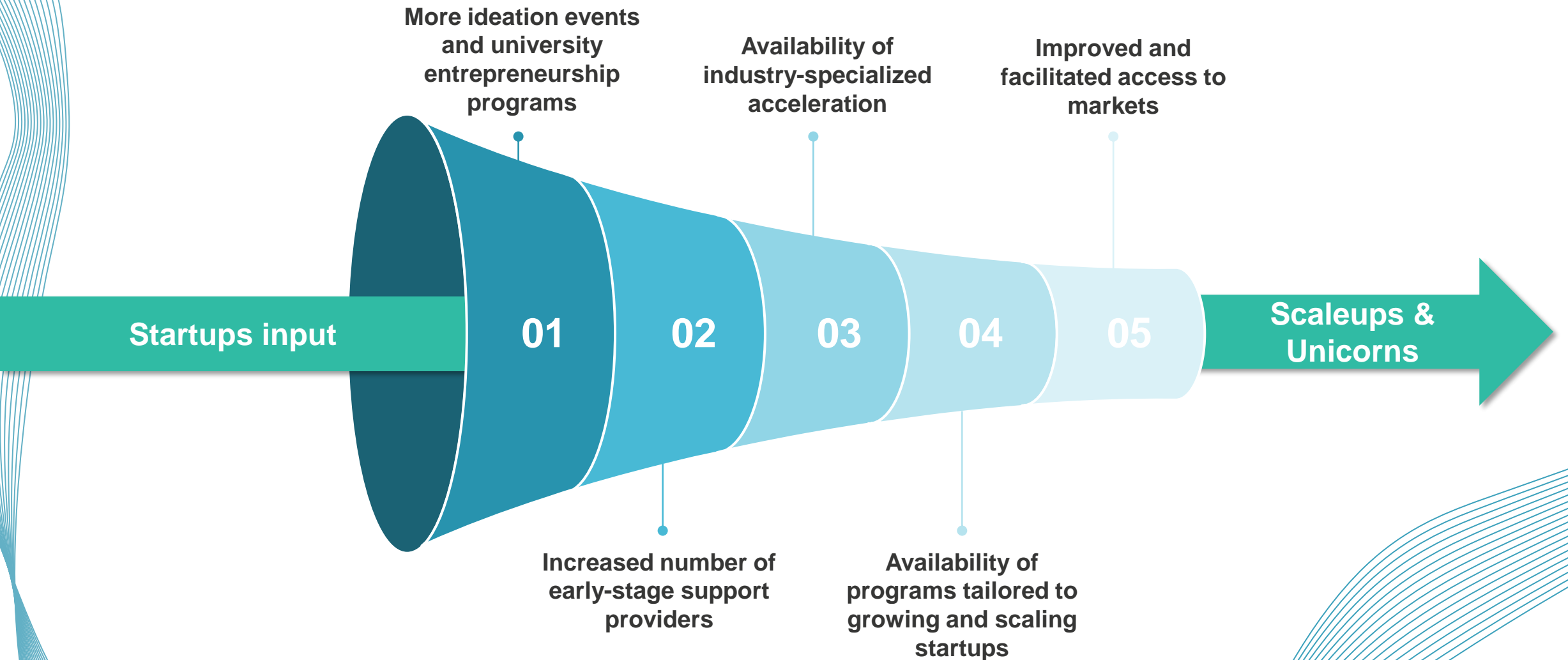


**Startup  
support**





# WHAT CAN BE DONE AT EACH STAGE OF STARTUP DEVELOPMENT STAGE



# STRONGER STARTUP SUPPORT INFRASTRUCTURE WILL IMPROVE STARTUP ECOSYSTEM'S PIPELINE



# INCREASED OPPORTUNITIES FOR TECH IDEATION WILL DRIVE MORE STARTUP CREATION

 <b>Event</b>	 <b>Description</b>	 <b>Duration</b>	 <b>Focus</b>
<b>Hackathon</b>	Intensive events where participants collaborate to design, develop, and present innovative solutions within a defined timeframe and topic.	24-48 hours	Emphasis on rapid ideation, prototyping, and innovation
<b>Ideathon</b>	Events aimed at generating multiple creative ideas in a short time within a set problem area.	Few hours to a full day	Thinking outside the box and generation of creative concepts
<b>Case &amp; innovation challenges</b>	Events where participants seek innovative ideas or solutions to specific problems presented by companies or organizations.	Weeks to months	Problem-solving, creativity, and strategic thinking
<b>Industry specific workshops</b>	Facilitated sessions focused on specific industries where participants ideate and collaborate on potential startup ideas.	Few hours to several days	Ideas generation that are relevant and applicable to the specific industry
<b>Startup weekends</b>	A hackathon-like immersive events where participants form teams around ideas and develop a prototype, demo, and VC presentation.	54 hours	Entrepreneurship, teamwork, and rapid ideation and validation

# UNIVERSITY ENTREPRENEURSHIP PROGRAMS SHOULD PRIORITIZE LEARNING ABOUT RISK, FUNDRAISING, AND PITCHING EARLY IN STUDENTS' CAREERS

University entrepreneurship program develop crucial skills for being a startup founder

Entrepreneurship fundamentals

Business planning and strategy

Market research and idea validation

Financial literacy and budgeting

Mentorship and networking

Pitching and presentation skills

Legal and regulatory awareness

Digital tools for business

Internships

Entrepreneurial mindset



Impact

Increased entrepreneurial intent and startup creation

Improved quality of new startups and survival rate

Fostered entrepreneurial culture among young people

Accelerated innovation adoption in business

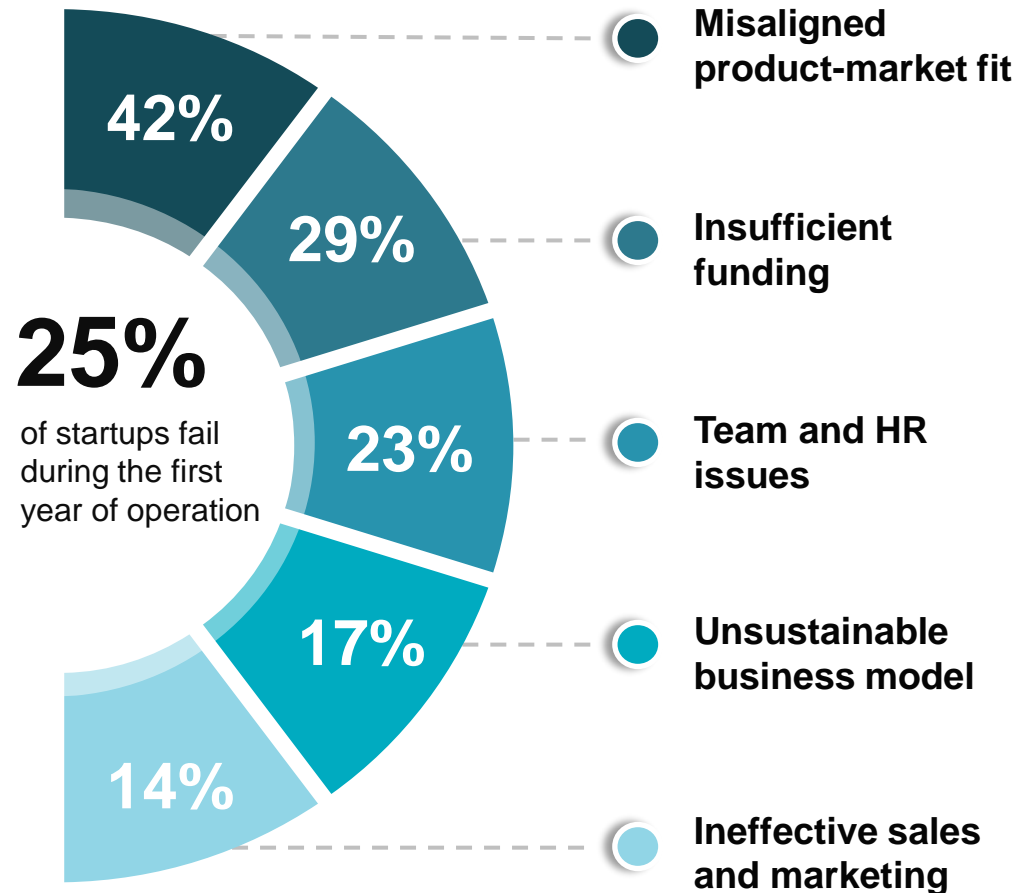
## Comments

- University entrepreneurship programs provide a platform for young entrepreneurs to **experiment and learn from failure**, which is crucial for founder's skill development and readiness.
- Research<sup>1</sup> shows that startups created within higher education institutions **generate more jobs and sales** compared to those incubated elsewhere.
- The success rate for first-time founders is **notably lower**, standing at only 18%. Second-time founders, benefiting from prior experience, are statistically more likely to succeed than first-time founders. Approximately 60% of CEOs who founded unicorn startups **have previous founder experience**.



# MORE INCUBATORS, VENTURE BUILDERS CAN DRIVE STARTUPS CREATION; BUT SCALING QUALITY REMAINS DIFFICULT

Startups are especially vulnerable in the early stages of development and fail due to various reasons.



Expanding early-stage support with new players for startups would help address key early challenges and strengthen the Ukrainian ecosystem.

## Venture builder

- Assembles teams and lead business model validation
- Acts as co-founder and provides long-term support, including seed funding and operational infrastructure
- Offers access to networks of mentors, advisors, and experts to guide startups through growth stages

## Incubators

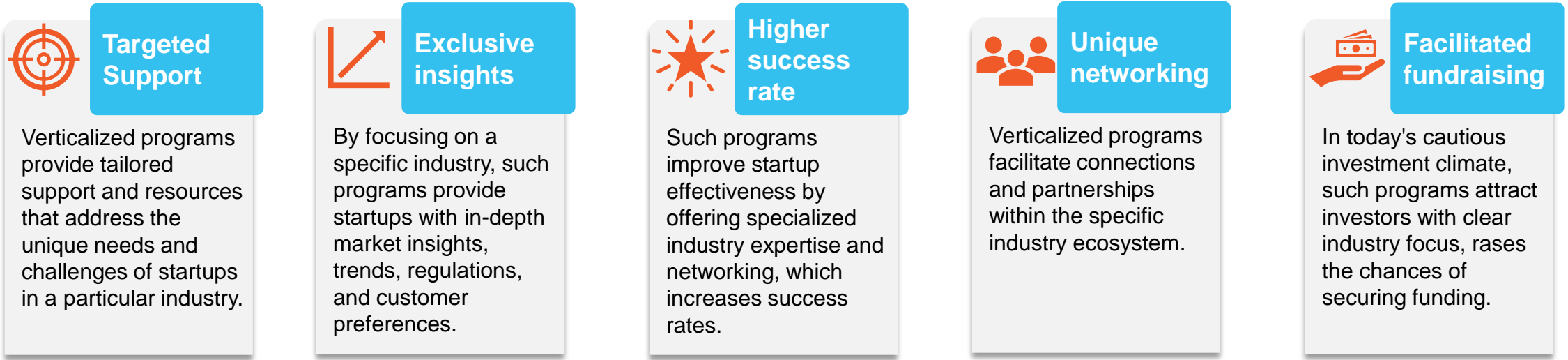
- Entrepreneurs bring their own ideas and teams
- Provides guidance for refining business models
- Operates within a defined program duration
- Connects startups with investors and funding sources
- Offers workspace and access to mentors

## Founders program

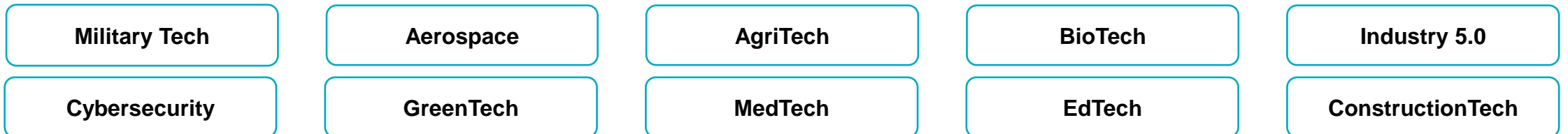
- Provides access to leading business courses from top business education institutions worldwide
- Includes various workshops and mentoring sessions
- Access to community experienced mentors-founders
- Assists in hiring team, refining business model, fundraising, etc

# WITH 46%\* OF ACCELERATORS FOCUSING ON SPECIFIC SECTORS, THERE IS A GLOBAL TREND TOWARDS VERTICALIZATION

Verticalized accelerators not only gain benefits for themselves such as market differentiation and alignment with global trends but also offer significant advantages to startups compared to generic programs.

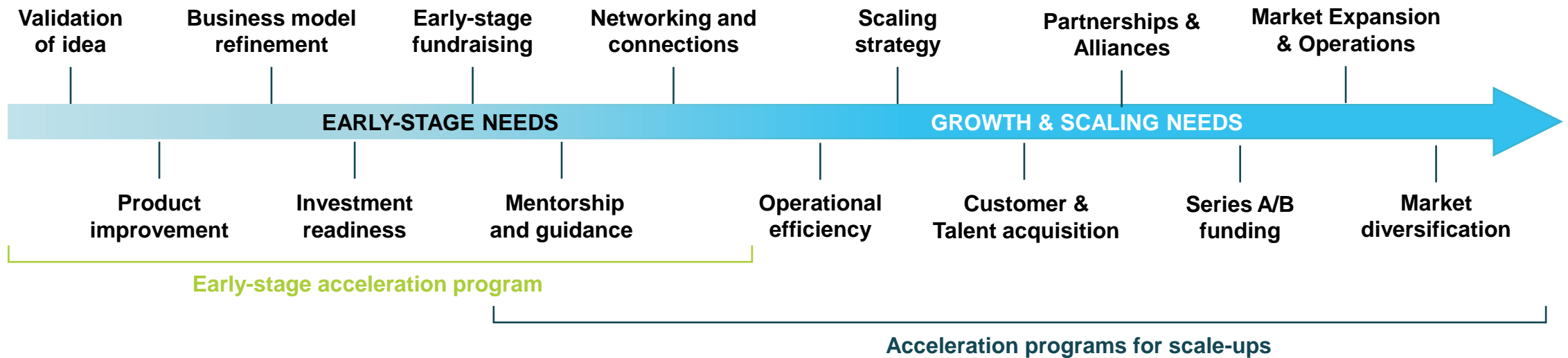


Additionally, there are selected technologies identified as **strategic for Ukraine's development**. Establishing industry-specialized startup accelerators would be beneficial for the country's economic development.



# PROGRAMS FOR "SCALEUPS" CAN CATER TO THE UNIQUE NEEDS OF STARTUPS THAT ARE IN LATER GROWTH STAGES

In Ukraine, there is a key gap in scaleup production, which is critical for driving economic impact from the startup ecosystem. To enhance the success rate of scaleups, there is a need to develop specialized acceleration programs to address their needs.



## Scale-up program features

### Participants

Scale-up programs are designed for startups that have already achieved product-market fit, initial traction, and raised funding.

### Focus

Scale-up programs aim to help startups with challenges associated with rapid expansion.

### Curriculum

Scaleup programs are tailored to more mature startups and offers advanced, specialized content compared to the foundational curriculum for early-stage startups.

### Duration

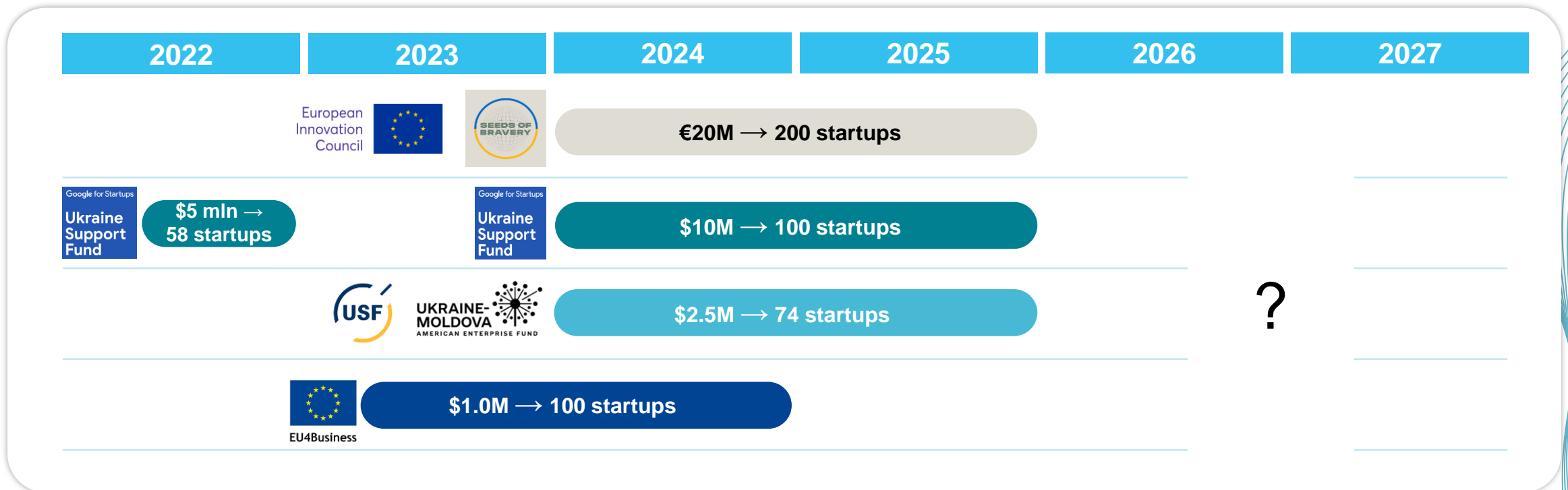
These programs are typically shorter than early-stage accelerators, recognizing that mature startups have different needs and timelines.



**Funding**

# SUPPORTING NEW PRE-SEED INVESTING PROGRAMS IS CRUCIAL FOR THE LONG-TERM DEVELOPMENT OF THE STARTUP ECOSYSTEM

Most of the large grant programs currently launched are set to conclude by 2024-2025. This creates both a need and an opportunity to introduce new programs in the subsequent period to continue supporting SMEs and startups.



# RAISING NEW BUSINESS ANGELS THROUGH ANGELS NETWORK WILL FACILITATE ACCESS TO SMART FUNDING AT EARLY STAGE (CASE STUDY)

# EstBAN

'Estonian Business Angels Network' that brings together angel investors interested in supporting startups since 2012

## 297

members as of 2022

## €13.4M

invested in 2022

## 446

investments in 2022



### Offers educational programs

Organizes workshops, seminars, access to learning materials, and training programs about investing in tech startups.



### Generates and promotes success stories

Highlights success stories of angel investors which serve as inspiration and proof of concept for doubtful investors.



### Facilitates experience exchange

Networking opportunities with experienced mentors who can provide guidance and support to accelerate the learning curve and gain confidence



### Builds angel investors networks

Serve as platform for sharing knowledge, pooling resources, and collaboration between angel investors from the region.

Benefits of becoming an angel investor

Opportunity to play a vital role in fostering innovation and growth

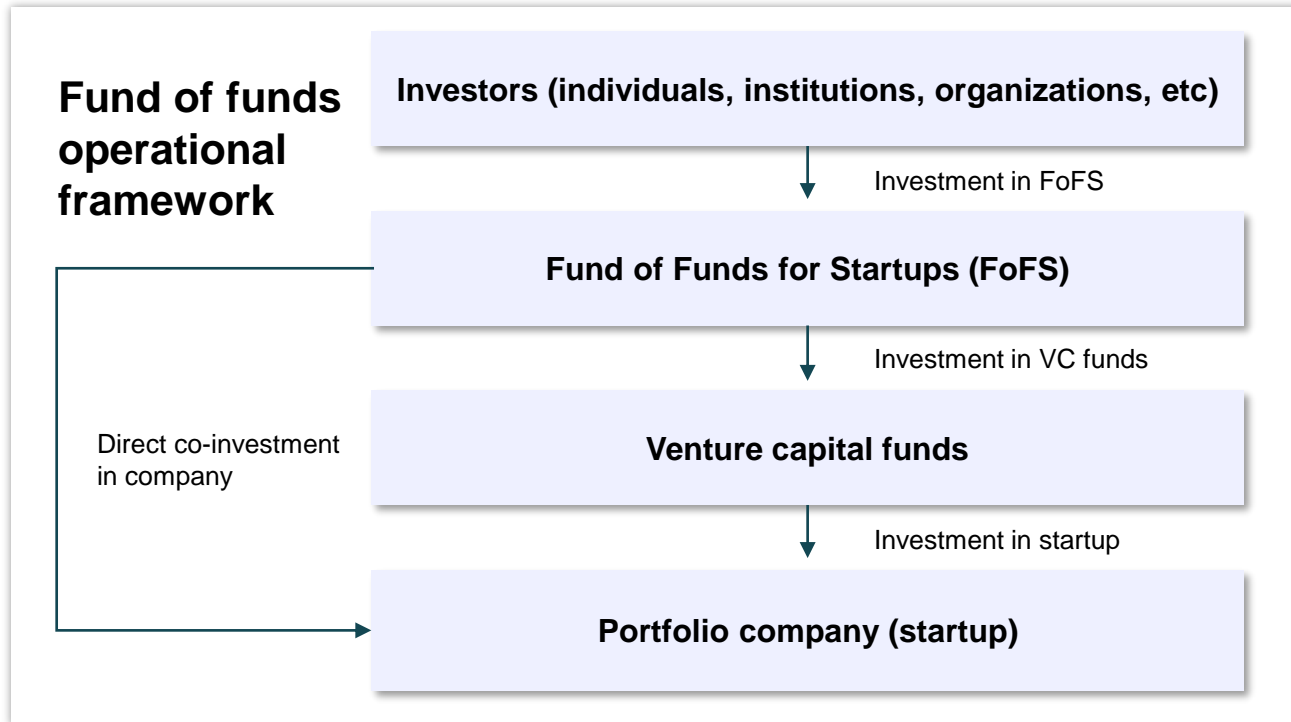
Valuable knowledge and experience

Potential for exponential returns

Rewarding and exciting experience

Interaction with other investors, entrepreneurs, and industry experts

# FUND OF FUNDS CAN FILL THE FUNDING GAPS ON ALL STAGES OF STARTUP DEVELOPMENT



## Comments

- FoFs is an **innovative investment vehicle** that pools capital from various investors to invest in a portfolio of other venture capital funds or/and directly into startups
- FoFs establishment could play a **crucial role in improving investment framework in Ukraine's startup ecosystem**, providing access to funding for startups at all stages of growth, especially in Series A and later rounds
- The impact study of the FoF in India revealed that it generated **18 unicorn startups**.

## Prerequisites for FoFS to be impactful in Ukraine



### Experienced and trustworthy management

The fund should be managed by experienced and trustworthy investment professionals with a strong track record in venture capital.



### Big enough to be impactful

Aim for a substantial fund size of \$300M to \$500M to have a significant impact on capital access in the startup ecosystem.



### International participation for credibility

Seek participation from reputable international players or organizations as limited partners (LPs) to enhance credibility and expertise.



### Impact measurement and reporting

Implement robust impact measurement and transparent reporting to assess job creation, innovation, and economic development.

# WHAT MAKES A SUCCESSFUL M&A EXIT (CASE STUDY)



Startup has **valuable assets that the buyer desires but cannot obtain independently**, i.e. assets that give the startup a competitive edge or access to specific market segment (team, patents, trademark, etc.).

The startup is **generating profits or has a solid revenue stream (complies with Rule of 40<sup>1</sup>) but is undervalued**, either due to untapped growth potential or potential efficiencies to be realized through consolidation.

**The startup is 'clean'** and maintains accurate accounting records, legally compliant, lacks major legal disputes, and has no significant technical or regulatory issues.

## Case study

 **depositphotos**

In 2021, **VistaPrint**, an Irish design and marketing company focusing on SMEs, acquired **Depositphotos**, a Ukrainian developer of the image bank and online graphic design platform Crello, for **\$85M**

### Acquisition rationale

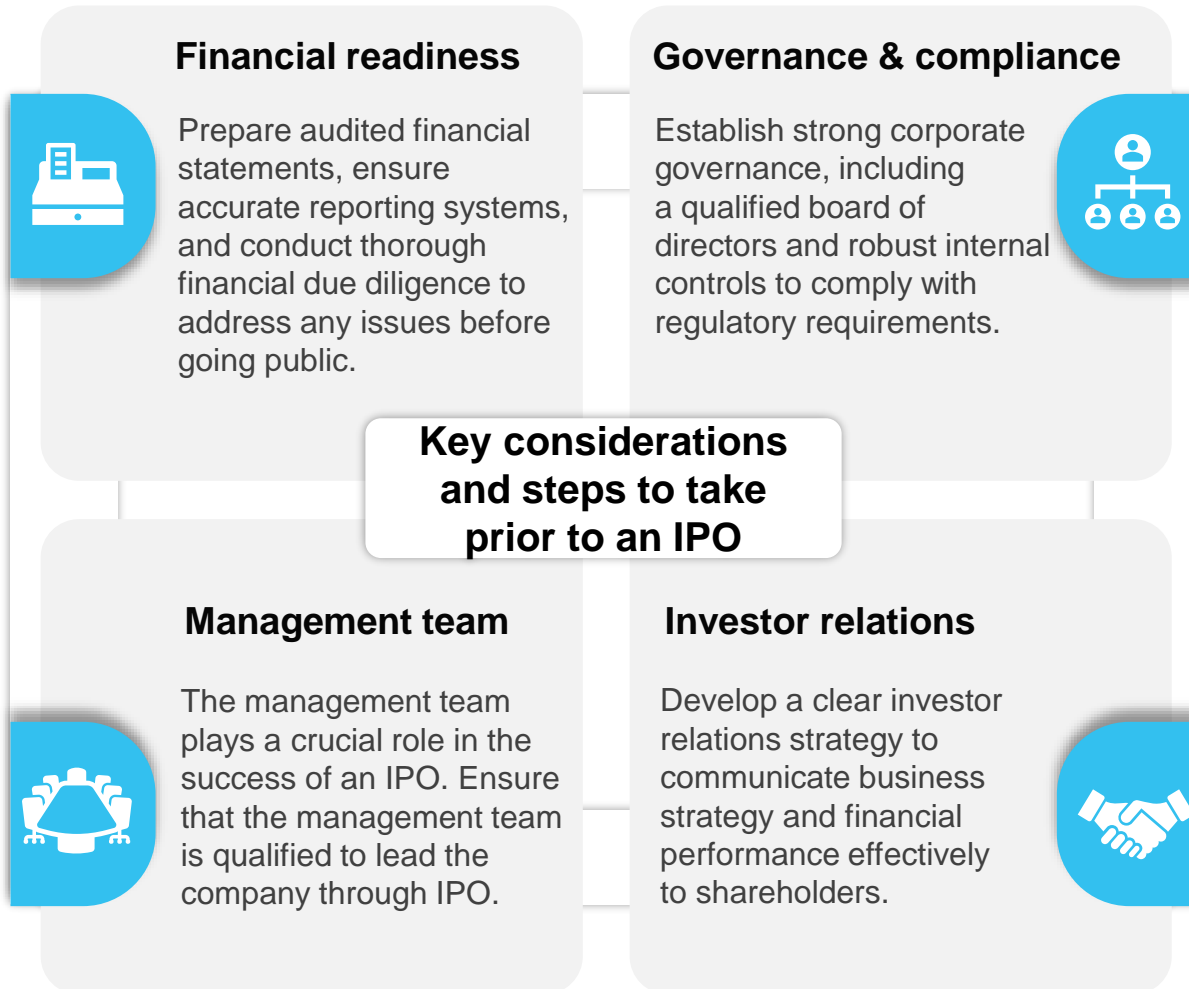
For VistaPrint the primary target was Crello which was crucial for **Vista's transformation** into full digital content creation platform that can compete with Canva and similar design suites.

### Depositphotos' financial performance

Depositphotos secured \$8M in funding prior to acquisition. Startup's revenue increased at **CAGR of ~26%**, from \$6M in 2012 to over \$50M by 2021 (Forbes estimate).



# WHAT MAKES A SUCCESSFUL IPO EXIT (CASE STUDY)



## Case study: Israel

161

Number of Israeli high-tech IPOs over 2019-2023

39%

of IPOs were conducted on Israeli stock exchange

### Why there were that many IPOs in Israel

#### Developed local stock exchange 'TASE'

TASE offers lower listing costs compared to USA and European exchanges, as well as provides a home court advantage.

#### Success stories and investor trust

Israeli companies' successful IPOs boost investor confidence in the Israeli companies and encourage companies to consider IPO.

#### Dual listing opportunity

Companies listed on other stock exchanges can dual-list on the TASE to access local market benefits at low extra effort or costs.



# Access to markets

# EXPORT ORIENTED SERVICES AND PROGRAMS WILL HELP STARTUPS ESTABLISH BETTER PRESENCE IN TARGET MARKETS

## SOFT-LANDING PROGRAMES

Tailored initiatives designed to facilitate startups' entry and establishment in new markets.

- Market research and analysis
- Regulatory guidance
- Networking opportunities
- Infrastructure support

## EXPORT CONSULTANCY

Agencies that provide services in guiding startups through the international expansion.

- Market entry strategy
- Compliance and regulatory assistance
- Distribution channels identification
- Competitive analysis

## INTERNATIONAL EVENTS

Supporting startups in international event participation, such as exhibitions and conferences.

- Stand Design and Setup
- Delegation formation and Coordination
- Networking Support
- Promotional Activities and post-event follow-ups

## EXPORT EXPERT ACADEMY

Expert academies that offer educational programs focused on export-related topics.

- Trainings focused on export strategies
- Workshops and case studies
- Export specialists' mentorship
- Export consultation

### Activities and services

### Initiatives and examples

Partner with various organizations in countries to introduce soft-landing programs for Ukrainian startups.

Improve startups' awareness of available export consultancy services.

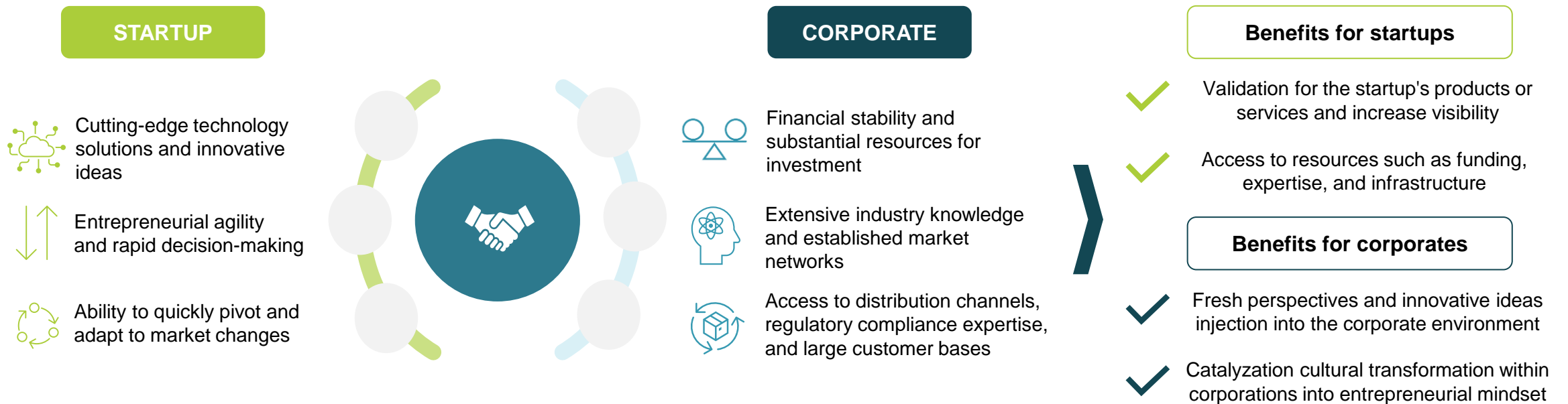
Arrange delegations of Ukrainian startups to top startup-events

Introduce more export academies like DIIA Export Academy.



# ENCOURAGING STARTUP-CORPORATE COOPERATION CAN FACILITATE ACCESS TO NEW MARKETS

A corporate-startup partnership is a give-and-take relationship that involves pooling resources and expertise to achieve shared business objectives. Each side brings valuable resources to the table:



## EXAMPLES OF STARTUP-CORPORATE PROGRAMS

Corporate Accelerator

Disney *accelerator*

Venture client unit

BMW Startup  
**GARAGE**

Sandboxing

**IKEA**  
**BOOTCAMP**

Hybrid venturing hub

**LG NOVA**

# CONNECTING UKRAINE'S STARTUP ECOSYSTEM BUILDERS WITH COUNTERPARTS FROM TOP ECOSYSTEMS FOSTERS EXPERIENCE SHARING AND BUSINESS CONNECTIONS

#1

Global ranking<sup>1</sup>

## USA (Silicon Valley)

Silicon Valley is a global powerhouse for technology innovation and venture capital, home to leading tech giants. It consistently ranks as the world's top ecosystem.

#5

Global ranking

## Israel (Tel Aviv)

Israel is an example of how investing in human capital and R&D can elevate a nation to become a startup nation despite complex geopolitical landscape.

#14

Global ranking

## Estonia

Estonia is called 'the new Nordic silicon valley' and stands out as one of the most successful developing startup ecosystems due to its innovative culture and entrepreneurial spirit.

### Areas to learn from

Access to capital infrastructure

Innovation and scalability

Human capital development

Culture of innovation

Digital governance and E-Services

Entrepreneurs and startup support

### Experience-sharing benefits

Access to top-tier VC networks

Culture of innovation and risk-taking

Talent attraction and retention

Military innovation transfer

Education and innovation hubs

Success stories leverage

Networking with global industry leaders

Entrepreneurial ecosystem best practices

STEM education promotion

Global market access facilitation

Startup-friendly environment creation

Entrepreneurial culture development

### Ways to facilitate experience sharing

Connect to high-impact networks like Endeavor which has proven positive impact on developing startup ecosystems.

Introduce short-term residency programs for Ukrainian ecosystem builders in target ecosystems.

Leverage Ukrainian diaspora by engaging successful foreign founders and investors with Ukrainian roots as ambassadors and connectors for Ukraine's tech ecosystem.



**THANK YOU**

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