



# Sell-side (vendor) assistance services for IT companies

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May 2024



# Foreword

The IT sector in Ukraine is the country's most dynamic and active M&A landscape. Even in the face of economic uncertainty and the geopolitical turbulence of a full-scale invasion, investors remain enthusiastic about pursuing M&A deals with Ukrainian IT companies.

However, in addition to the typical concerns related to doing M&A deals in Ukraine, sellers must also account for the specificities of the Ukrainian IT sector when seeking to unlock their company's true potential and maximise sell-side deal value.

Deals in Ukraine's IT sector are often hindered by limited experience in managing an M&A deal, as well as IT companies' rapid growth; frequently meaning that financial records may not be as meticulous as necessary to reflect a company's true value.

In these scenarios, shareholders and management may have paid less attention than needed to: (i) the company's legal and operating

structuring, (ii) formalising auxiliary functions (e.g. finance), and (iii) the daily routine of comprehensive documentation. Neglecting any of these can complicate the investment process, extending timeframes and driving down value.

Given all these factors, buyers are also showing increased vigilance and a greater level of diligence than usual when doing deals in a turbulent environment. This can also result in a longer and more demanding deal process, combined with the typical buyer-side pressures to drive down any deal price.

Here at KPMG in Ukraine, we know from experience that deal preparation and smooth transaction management are crucial to securing an appropriately valued sale or fundraising.

**Our sell-side (vendor) assistance services are here to help you maximise your business' value and navigate the complex process of sell-side M&A preparation.**



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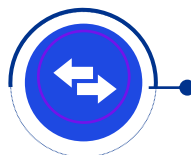
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# Typical sell-side issues faced by IT companies in negotiations with investors...



## Lack of or limited experience in M&A/fundraising

- Limited familiarity with the stages and key aspects of a typical M&A/fundraising process



## Quality of financial information

- Low-quality historical financials: unaudited accounts, unconsolidated accounts, cash accounting, etc.
- Off-the-books (unrecorded) transactions
- Related party and intragroup transactions
- Lack of properly formalised financial projections/business plan



## Company structure

- Complex, opaque operating and legal structure
- Absence of 'economic substance' for group companies in other jurisdictions
- Potential dormant entities with unknown tax histories



## Specific employment practices when engaging IT specialists

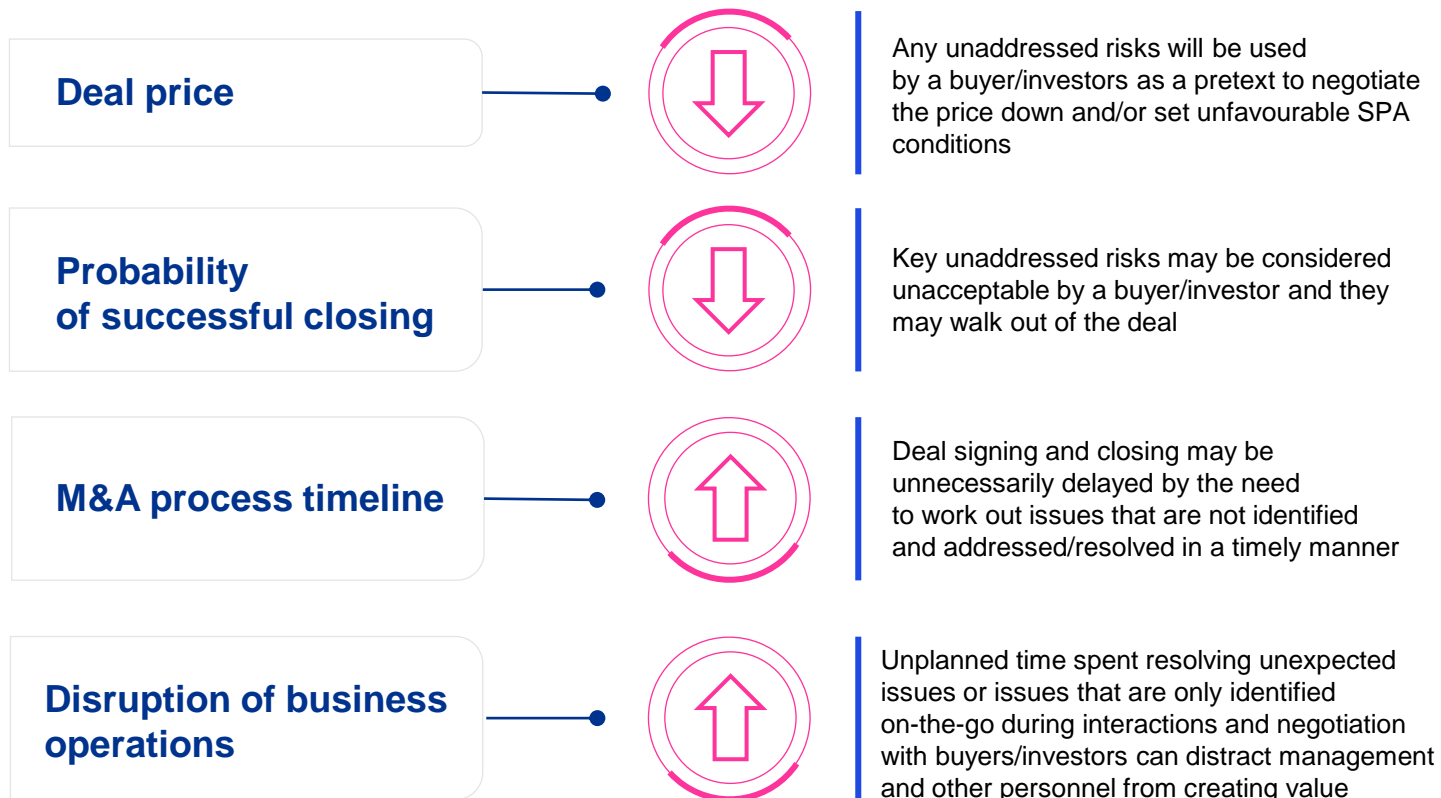
- 'Conservative' approach when engaging IT specialists (e.g. as private entrepreneurs)
- Business activity conducted in Ukraine without registering as a legal entity (i.e. "permanent establishment")
- Benefits offered on free-of-charge-basis that are more typical of employment arrangements



## Other common issues

- Improperly registered key IP asset rights
- Non-compliance with legal data protection requirements and GDPR

# ...and the negative effect they have on the transaction



# Key vendor assistance benefits

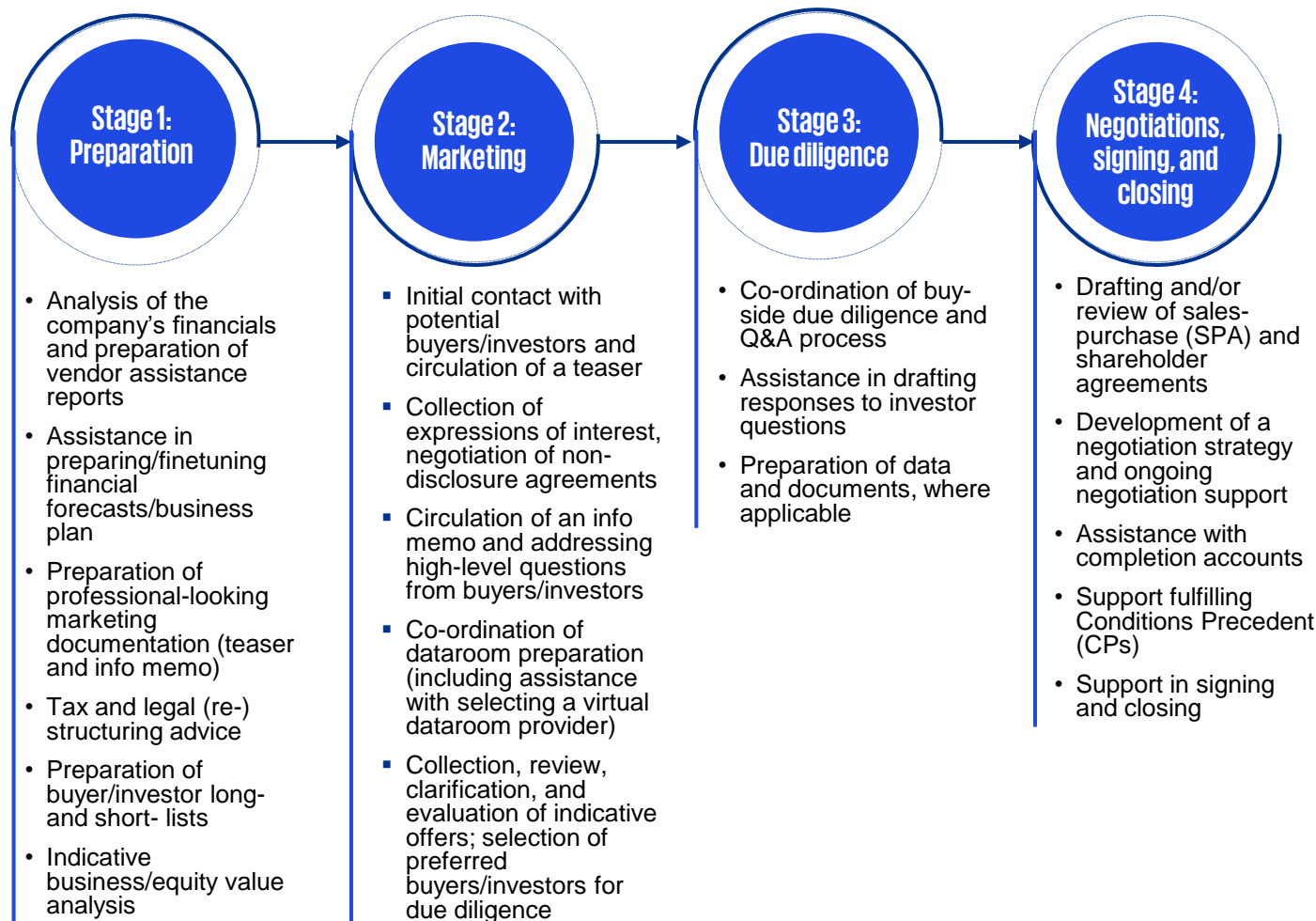
- 01** Preparation of accurate and trustworthy information
  - We assist with or prepare marketing materials.
  - We prepare a vendor assistance (VA) report and financial data pack.
  - The VA report presents our assessment of the business from the seller's perspective. A redacted version of the report may also be provided to potential investors.
- 02** Providing you with recommendations on key risk areas and steps to mitigate them
  - Based on our analysis of the business, we identify value leakage and provide you with appropriate mitigation steps.
- 03** Determination of value creation drivers and deal structure
  - We help you identify your strongest value creation opportunities and the best strategy to achieve them.
- 04** Protecting you at the SPA stage
  - We prepare an initial SPA.
  - We review and comment on the investor's subsequent mark-ups and queries.
  - We support you with completion accounts.
- 05** Ongoing support during negotiations
  - We help develop a comprehensive negotiation strategy and support you directly during negotiations.
- 06** Ensuring a smooth transaction process
  - We assist with: (i) VDR opening and population, (ii) the Q&A process, and (iii) dealing with investor requests.
  - We "hold your hand" throughout the sell-side process.



*Companies that make an effort to prepare for deals are usually more successful in achieving their transaction expectations.*



# Adding value at various stages of the M&A process



*The steps involved in a typical M&A process are detailed on this page. We can also suggest changes to the process outlined here, depending on the company's stage of development and shareholder objectives.*



# KPMG's sell-side advisory services

## Corporate finance

- M&A/fundraising support
- Business valuation
- Financing
- Restructuring

## Transaction services

- Financial vendor assistance
- VDR support
- SPA and other transaction document advice
- Completion support
- Post closing support

## Tax M&A

- Tax vendor assistance
- Tax structuring
- SPA advice (related to tax matters) and closing accounts assistance

## Legal M&A

- Legal vendor assistance
- Legal structuring
- Drafting/reviewing transaction documents (SPA, SHA, termsheet etc.)
- Antitrust clearances
- Legal support in signing, fulfilment of CPs (if any) and closing

## Other advisory services

- IT and cyber due diligence
- Compliance due diligence
- ESG due diligence
- Commercial due diligence
- Accounting support



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