M&A Radar 2024: Ukraine

February 2025

KPMG in Ukraine

kpmg.ua

Contents

3 Introduction

4 Overview

10 2024 in review

19 M&A Dynamics

28 Sector activity

37 2025 Outlook

41 KPMG Ukraine M&A Database

Introduction

M&A Radar Ukraine 2024: Navigating deal-making in transformative times

The Ukrainian M&A market in 2024 has had to navigate a complex landscape. Russia's ongoing full-scale invasion has continued to present significant challenges and has continued to have a significant impact on M&A activity, which must also contend with the wider context of global political and macroeconomic developments. There has been some level of adaptation after nearly three years of war, however, with domestic players actively pursuing opportunities within Ukraine. Nonetheless, foreign investors have adopted a more cautious approach, and are awaiting clearer signals about how and when to re-engage more actively.

A complex geopolitical and financial landscape has also influenced foreign investor appetite in general, prompting a focus on strategic investments and a heightened aversion to high-risk ventures. Nonetheless, the global M&A landscape in 2024 saw dealmaking picking up momentum as investors demonstrated increasing adaptability to evolving economic conditions, with the first nine months of 2024 recording a 16% increase in deal value compared to the same period in 2023 attributable to a rise in relatively larger deals in the United States. Increased generalised activity among international investors may provide additional momentum for inbound investments into Ukraine among those companies that have the appetite and the foresight to take advantage of opportunities on the regional market.

Despite the ongoing war and its associated uncertainties, Ukrainian businesses have demonstrated a commitment to growth through diversification and international expansion; underscoring an awareness of current challenges and showcasing their potential even amid Russia's prolonged aggression against Ukraine. Such efforts on the part of both business and the state to reassure foreign investors and bolster confidence in the future of both the market (and the country as a whole) will be crucial for attracting further investment.

Against the backdrop of a moderate economic recovery, with GDP growth reaching approximately 3.6%, there has been a level of relative stability in the M&A market in terms of deal activity, with the total volume of deals equal to that of 2023 (49 deals) and a disclosed total deal value amounting to roughly USD1.1 billion.

Such results would not be possible without comprehensive international support which has played a pivotal role in sustaining Ukraine's economic stability and maintaining confidence. Major financial aid packages, coupled with emerging frameworks such as measures to encourage effective war risk insurance programmes, have aimed to foster a more secure investment environment. Coupled with Ukraine's privatisation efforts, which delivered record revenues of UAH12 billion (USD300 million) in 2024, highlights how the government of Ukraine is committed to attracting strategic investments in the future.

As Ukraine looks ahead, a tenacious and adaptable M&A market, supported by international partnerships and domestic policy measures, signals that investments and M&A can still find their place and create increasing value even in unprecedented circumstances. Despite persistent challenges, Ukraine's ability to align recovery efforts with investment opportunities positions the country's M&A market as a vital component of national economic transformation and long-term international development.

Svitlana Shcherbatyuk

Head of Transaction Services,
Deal Advisory,
KPMG in Ukraine

sshcherbatyuk@kpmg.com

Oleg Neplyakh

Partner,
Head of Advisory,
KPMG in Ukraine

oneplyakh@kpmg.com

Volodymyr Maksymenko

Associate Director,
Transaction Services,
Deal Advisory,
KPMG in Ukraine

vmaksymenko@kpmg.com

Ivan Volkov

Manager,
Transaction Services,
Deal Advisory,
KPMG in Ukraine

ivolkov@kpmg.com

Overview

↓15.7% ↓26.3% ↑18,6%

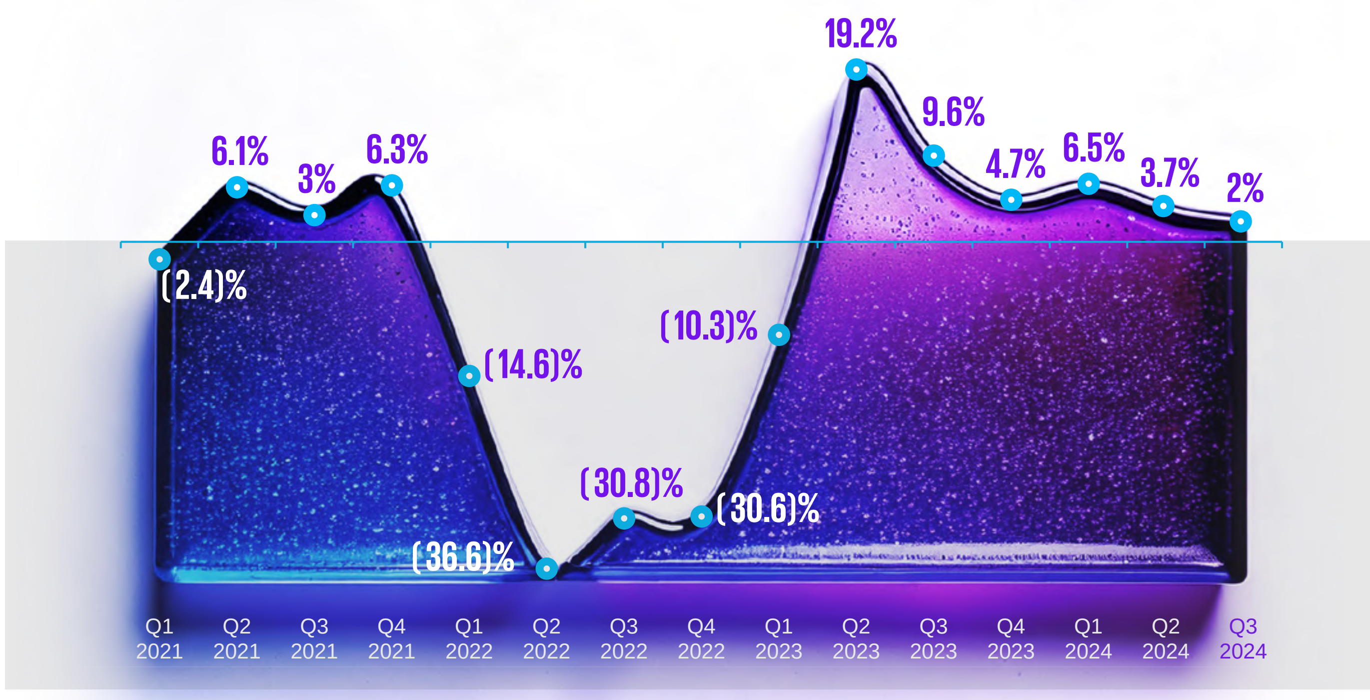
49	$1.1bn	$33m	$33m	3.6%↑
Deal volume	Deal value ↓15.7%	Average transaction value ↓26.3%	Average transaction value (excluding significant transactions) ↑18,6%	GDP

The Ukrainian economy has continued to stand firm in the face of ongoing challenges in 2024, achieving approximately 3.6% growth in real GDP. This economic expansion was primarily driven by the adaptability of businesses and households to wartime conditions, substantial budgetary spending on defence and social programmes, and significant international financial assistance. The Ministry of Finance of Ukraine reported that external financial support in 2024 amounted to USD41.7 billion, underscoring the critical role of foreign aid in sustaining economic stability.

However, Russia's ongoing attritional war continues to weigh heavily on the Ukrainian economic landscape, with the cumulative damage to infrastructure and property steadily increasing. Industrial assets, housing, and energy facilities remain among the hardest hit. While more information will soon be forthcoming in the UN's RDNA4, the scale of destruction is only expected to increase as a result of persistent war-related challenges, including supply chain disruptions, population displacement, and labour market contraction. Emphasising the deepening economic impact of the ongoing war, the latest assessment by the Ministry for Development of Communities and Territories of Ukraine notes that the official state Register of Damaged and Destroyed Property (RDDP) recorded as many as 235,000 properties damaged or destroyed as of November 2024. The impact of destruction on this scale in multiple economic sectors has slowed the pace of Ukrainian recovery and limited growth and development in key industries such as agriculture and manufacturing.

Inflationary pressures persisted throughout the year, with annual inflation reaching 12% in December 2024, compared to 9.7% as previously anticipated in the National Bank of Ukraine (NBU) October 2024 forecast. Key drivers of inflation, all of which have been exacerbated by the ongoing war, include rising food prices, increased production costs (notably in labour

Quarterly GDP change, %



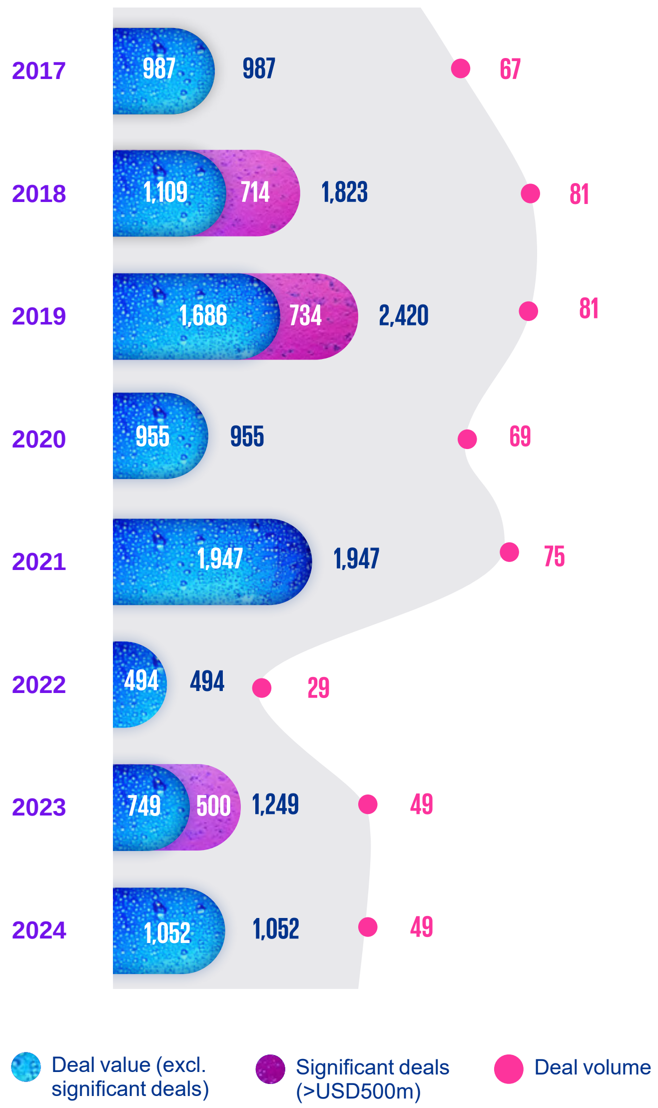
and energy), hryvnia devaluation, and vulnerabilities in Ukraine's energy sector.

However, despite these obstacles, a prudent monetary policy framework on the part of the NBU prudent monetary policy has generally proven effective in maintaining price stability and mitigating the worst of inflationary shocks. In response to these heightened inflationary pressures, the NBU raised the annual key rate to 13.5% in December 2024. This measure aims to preserve the sustainability of the foreign exchange market, anchor inflation expectations, and gradually steer inflation toward the NBU's medium-term target rate of 5%.

Looking ahead, the Ukrainian economy is projected to continue its trajectory of recovery with the International Monetary Fund (IMF) forecasting GDP growth ranging between 2.5–3.5% in 2025. War-related risks, however, including continued attacks on energy infrastructure and ongoing labour shortages, present persistent challenges that must be addressed. Opportunities for investment remain tied to the evolving geopolitical and economic landscape both in Ukraine and across the world. Continued international support, the success of current targeted domestic policies, and progress in infrastructure restoration will all be critical to ensuring sustainable growth. Nonetheless, Ukrainian businesses and institutions have remained steadfast in the face of adversity, with a tenacity that serves as a testament to the nation's determination to rebuild. Against this backdrop of moderate economic recovery, Ukrainian M&A activity has demonstrated relative stability, with 2024 deal volume of 49 deals being equal to that of 2023. Total disclosed deal value in 2024 amounted to approximately USD1.1 billion, a 15.7% decrease when compared to 2023. However, when adjusting these figures to exclude exceptionally large transactions that may distort the overall comparison, normalised 2024 overall deal value surpassed 2023 levels by 40.5%. Driven by a diverse range of smaller and mid-sized transactions, this trend indicates that market participants in the Ukrainian M&A have adapted to the new economic environment and that there is capacity for future growth in 2025. Notably, the relatively low level of transparency in transaction disclosures (with only 65% of deals reporting values in 2024) also suggests that the actual overall deal value may be significantly higher.

Similarly, while average transaction value in 2024 totalled USD32.9 million, a comparative decline when compared to USD44.6 million in 2023, it must be noted that the USD500 million acquisition of Lifecell by NJJ Capital accounted for nearly 40% of the overall M&A transaction value in 2023. Once again, excluding this outsized transaction leaves us with an adjusted average transaction value of USD27.7 million in 2023, revealing a 18.6% growth in 2024. This increase reflects an expanding volume of smaller and mid-sized transactions, as well as investors' growing confidence in efforts to mitigate war-induced risks enacted by both the Government of Ukraine and partner nations and international financial institutions, encouraging increased confidence when engaging with the Ukrainian M&A market.

Ukrainian M&A, 2017–2024



TOP-10 Ukrainian M&A deals by value[1] in 2024

No.	Target	Bidder	Bidder country	Value, USDm	Sector
1	**Creatio**	Sapphire Ventures, StepStone Group, Volition Capital	USA	200	Innovations and technology
2	**Datagroup-Volia**	NJJ Capita	France	120	Communications and media
3	**United Mining and Chemical Company**	NEQSOL Holding	Azerbaijan	95	Metals and mining
4	**Karavan Outlet**	Dragon Capital	Ukraine	60	Real estate and construction
5	**Hotel Ukraine**	Ola Fine LLC (Maksym Krippa)	Ukraine	60	Real estate and construction
6	**MHP SE**	Salic Ltd.	Saudi Arabia	54	Agriculture
7	**Aeroc**	BGV (Gennadii Butkevych)	Ukraine	45	Industrial products
8	**Amtel**	Histion LLC	Ukraine	40	Real estate and construction
9	**Allset**	SoundHound AI	USA	35	Innovations and technology
10	**Idea Bank JSC**	TAS Group	Ukraine	34	Banking and insurance

Inbound

Domestic

1 includes only transactions with disclosed value

Oleg Kovtun

Managing Partner, FinPoint

FinPoint: "Closing deals has become more challenging, but those who act now gain unique opportu-nities"

The Ukrainian M&A market has had to undergo significant changes in recent years, first in response to the global pandemic crisis engendered by COVID-19, then to the regional and international consequences of Russia's full-scale invasion. Uncertainty, limited financing, and war-related risks have reshaped investor approaches, deal structures, and payment mechanisms. How do investors in Ukraine and abroad make decisions in such an environment? Why and where do strategic buyers still remain active? And what are the prospects for Ukrainian companies entering into and engaging with international markets?

Oleg Kovtun, Managing Partner at independent Ukrainian investment banking firm FinPoint, shares his insights in an exclusive interview for KPMG Ukraine's M&A Radar 2024.

What changes in the dynamics of the Ukrainian M&A market have you observed in the past 2–3 years? What hallmarks define the behaviour among Ukrainian and foreign investors?

The Ukrainian M&A market has decreased both in terms of the number of transactions and overall value. Closing deals has become more challenging due to increased uncertainty and risks, as well as limited funding.

Before engaging in any meaningful negotiations, we must first answer two questions clearly:

- Firstly, are we able to conduct a transaction in wartime conditions? Or are we looking to make a deal "immediately after the war"? Both strategies have their merit, but it is important to communicate intentions clearly from both the buyer's and seller's sides.
- Secondly, are we able to settle in the desired currency and jurisdiction?

Most foreign investors are taking a "wait-and-see" approach. Important factors for them include:

- Decreased investment size, for example, through deferred payments, co-financing from international institutions or local partners, and utilising local currency liquidity.
- Mitigation of war risks: state programmes from EU countries or insurance options.
- Short-term synergies (cost reduction, quick exports).
- Though not a primary factor, obtaining a discount regarding valuation is still important for investors.

The most active buyers right now are Ukrainian and foreign investors with excess local currency liquidity and a willingness to settle in Ukraine. However, owners of successful Ukrainian companies are less inclined to sell "in hryvnia" due to restrictions on repatriating and reinvesting funds.

How has Russia's full-scale invasion of Ukraine affected FinPoint's ability to close deals? What are the main challenges for the company and its clients during this period? What specific features in terms of closing mechanisms, pricing, payment orders, or SPA provisions have you observed in Ukrainian deals made during the war?

Transactions during wartime in Ukraine tend to incorporate the following features:

- Payments. Instruments such as fund reservation, advance payment, penalty sanctions, and cost compensation have all increased in importance as these help to increase the reliability and timeliness of payments. If a buyer does not have all the funds available immediately, a multi-stage payment structure needs to be established.
- Material Adverse Change (MAC) clauses. During peacetime, this section of documentation contained a relatively simple general description. However, since we are now operating under the most significant adverse change (i.e. war), creatively but clearly stipulating the exit conditions from a transaction in case of further deterioration is absolutely vital. This could include specific figures regarding the condition of company deterioration or any specific changes in the security situation.
- Currency devaluation risk. This entails the need to accelerate payments or seeking a balanced solution if deal closing takes a long time.
- Payment orders. The currency of payments has naturally become as important a factor as the company's value. For example, parties can sometimes quickly agree on a price but negotiate for a long time on which part should be paid in Ukraine and which part should be paid outside.
- Price determination. More attention needs to be paid to the price adjustment mechanism between signing and closing, given the increased risks of devaluation, market shocks, war risks, etc.
- Regulatory risks. Business interactions with the state have also become riskier in wartime conditions.

Which recent deals involving FinPoint do you consider most important in terms of your history and the Ukrainian market specifically?

FinPoint had three significant achievements in 2024. We successfully expanded transactions beyond Ukraine and continue to increasingly broaden our scope while focusing on our key sectors: pharmaceuticals, agro-processing, and IT.

We also secured unprecedented credit funding to restore a company near the front line, which we consider a real “win” in terms of boosted confidence in Ukraine’s prospects.

Finally, together with our partners Rothschild & Co, we actively support the state sector of the Ukrainian economy in uniquely complex projects.

Discuss the experience of FinPoint in international deals. What distinct features of working in international markets could you highlight?

FinPoint advised clients on successfully completing a number of international deals in 2024, including two acquisitions by Ukrainian company Farmak in the pharmaceutical sector in Poland and the UK, as well as the sale of a fintech business focusing on developing countries. We also have a portfolio of active international transactions in various stages (initial introductions, negotiations, due diligence), mostly in the EU/Central Eastern Europe region.
In the course of our work over the past year, we have noted and can highlight the following distinct features of working on transactions outside Ukraine:

- Ukrainian investors are perceived as higher risk throughout the whole transaction cycle for European sellers/companies. Proactively demonstrating seriousness of intent, building trusted relationships, and investing more effort than a typical European buyer under similar conditions are all therefore crucial to successful dealmaking.
- Additional focus on due diligence in areas where business significantly differs from the usual practices in Ukraine. For example, deals in the EU entail certain regulatory risks: labour legislation, environmental factors, construction of new facilities, or implementation of state support programmes. These all significantly differ from country to country, and often do not align with experiences in Ukraine.
- A reasoned approach to business valuation. European companies operate in an environment of low interest rates and accessibility to credit financing for M&A.

- Liability insurance. Unlike in Ukraine, most risks for the previous owner can typically be insured through the warranty and indemnity (W&I) insurance instruments.

What typical questions from international investors have you encountered regarding the current situation and challenges that Ukraine faces, and what are your key messages to the investment community regarding the Ukrainian market?

Obviously, the primary questions from international investors right now are about war risks and the prospects for the end of the invasion. However, there are also positive messages regarding Ukraine that we are quick to signal:

- The irreversibility of the EU accession process, as well as the necessary implementation of European rules and standards and alignment with the EU acquis to meet this goal.
- Co-financing for Ukrainian projects is available from international financial institutions, helping to provide a measure of mitigation against investment risks.
- Ukraine presents bold investors with a unique opportunity to be pioneers in the country's reconstruction phase.
- Access to transparent and professional local partners as co-investors.
- There are also many success stories of Ukrainian businesses demonstrating their resilience and adaptability in the face of challenging conditions.

2024 in review

Ukrainian economic performance amid prolonged hostilities

The Ukrainian economy continued to show signs of further adaptation to changing circumstances in 2024, in spite of severe pressure from the Russian full-scale invasion.

According to the Ministry of Economy of Ukraine, GDP experienced 3.6% growth across the entire year, approximating forecasts made at the beginning of 2024. This performance demonstrates a clear-eyed and realistic understanding of Ukraine's economic prospects on the part of the Ministry.

The main drivers of this growth were Ukraine's transport and construction industries, as well as processing and domestic trade. Proactive government programmes such as "Affordable Loans 5-7-9%" and eOselya gave added momentum to GDP growth, while state purchases of defence industry products also contributed additional stimulus to the Ukrainian economy. "Made in Ukraine" government programmes to support local manufacturers were said to have contributed 0.64% to January–November 2024 GDP growth (equivalent to more than UAH88 billion), with most impactful being the "Affordable loans 5-7-9%" programme which contributed UAH61.8 billion alone.

In 2024, Ukrainian businesses received 24,746 preferential loans with total amount UAH93.1 billion.

The Ukrainian government also provided UAH11 billion worth of grants to 22,700 SMEs as part of the eRobota government programme in 2024, with half of the funds granted already returned to the state budget in the form of taxes and fees.

New initiatives have recently been launched in light of the success of these government programmes, including Winter Support payments, 15% compensation for purchases of locally manufactured equipment, and National Cashback for Ukrainian-made goods and produce.

Ukrainian businesses, meanwhile, are ramping up operations for both domestic and export sales, with Ukrainian exports increasing to USD41 billion in 2024, up by 13.4% compared to 2023. Key drivers enabling such export growth included the stable operation of the maritime logistics corridor for merchant vessels navigating to and from Ukraine's Black Sea ports, a more cost-effective export route compared to land routes like rail and road. The European Union (EU) remains Ukraine's key trading partner, with 59% of export activities and approximately 50% of imports related to the EU.

International support

The resilience demonstrated by the Ukrainian economy in 2024 (as with all prior years of Russia's full-scale invasion) would not have been possible without substantial and long-standing financial and military support provided by Ukraine's international partners. A total of USD41.7 billion in external financing was provided by eleven development partners in 2024, enabling Ukraine to address acute and systemic economic pressures exacerbated by the Russia's full-scale war on the country. This includes USD12.6 billion in grants as opposed to loans, and which will therefore not increase the Ukraine's public debt. Overall financial support from international partners totalled USD115.2 billion from the start of the full-scale invasion to the close of 2024.

Regarding specific programmes, the "Ukraine Facility" approved by EU Leaders at the beginning 2024 provided more than 40% of all external financing (equivalent to USD17.3 billion) for the year, with the facility offering EUR50 billion in grants and concessional loans between 2024–2027. G7 countries have also approved disbursement of USD50 billion to Ukraine as part of the Extraordinary Revenue Acceleration (ERA) Loans initiative, involving funds that will be repaid utilising proceeds earned from immobilised Russian sovereign assets. Under the ERA, the EU approved a macro-financial assistance (MFA) loan of up to EUR35 billion and Japan approved a similar loan of USD3 billion, both in October 2024. Likewise, in December 2024 the United States approved disbursement of a USD20 billion loan to benefit Ukraine under its ERA commitments. The first tranche of USD1 billion secured by revenue from Russian assets was provided to Ukraine at the end of December 2024.

In terms of novel approaches to military aid for Ukraine, several European governments have implemented programmes to purchase weapons from Ukrainian manufacturers and direct these goods to the Armed Forces of Ukraine. Given that Ukrainian arms manufacturers' capacity exceeds government resources by several multiples, such forms of military aid benefit Ukraine by compensating for limited Ukrainian government arms purchase capacities while supporting local Ukrainian arms companies and boosting locally-produced military equipment manufacturing. To this end, Ukraine signed several implementation agreements with Denmark to bolster its defence capabilities. Under these agreements, Denmark will procure self-propelled artillery systems, drones, anti-tank weapons, and missiles worth EUR535 million from Ukrainian defence companies to supply the Ukrainian Armed Forces with funding sourced from the governments of Denmark and Sweden, as well as interest accrued on frozen Russian assets. This "Danish format" initiative has inspired broader international support with Lithuania adopting a similar model and committing EUR10 million to develop Ukraine's long-range "Palianytsia" missile-drone and Norway pledging direct funding for defence production in Ukraine.

Regarding reconstruction, the Black Sea Trade and Development Bank (BSTDB) and the Japan Bank for International Cooperation (JBIC) have committed a combined USD150 million to support Ukraine's recovery projects and promote green initiatives. International Finance Institutions and Development Finance Institutions also continue to play a pivotal role in Ukraine's recovery efforts, with the European Investment Bank earmarking EUR2 billion in guarantees for public infrastructure projects under its Pillar 2 initiative. The Government of Ukraine and the European Commission are currently reviewing proposed projects that best align with Ukraine's unified portfolio of public investment projects.

The EBRD has also approved over EUR1.3 billion to support investments in eight public and private sector projects across Ukraine, focusing on rebuilding transport and energy infrastructure, fostering distributed generation, and enhancing energy efficiency. Norway has also contributed significantly to Ukraine's recovery efforts with a similar focus on energy, investing over USD100 million through the United Nations Development Programme (UNDP). This funding, equivalent to NOK1.1 billion, is targeted at restoring Ukraine's energy infrastructure, building backup capacities, and accelerating the transition to a more diversified and sustainable energy balance.

National Bank of Ukraine and Government of Ukraine bonds

Ukraine's domestic government bond market has played a vital role in mobilising internal financial resources, providing a stable and reliable mechanism to partially address the government's financing needs amidst challenging war-time economic conditions. National Bank of Ukraine Governor Andriy Pyshnyy recently highlighted this continued recovery of Ukraine's domestic government bonds market which regained functionality in 2023 and sustained positive momentum into 2024: over the course of the year, the Ukrainian government successfully raised the equivalent of UAH640 billion through issuing government bonds, with net proceeds exceeding repayments by UAH255 billion. This recovery underscores recovering investor confidence in Ukraine's sovereign debt market and its capacity to support fiscal sustainability during Russia's ongoing invasion.

The NBU should also take credit for the success of its monetary policy and maintaining macroeconomic stability. During the first half of 2024, inflation hovered close to the NBU's 5% target, significantly below the 10% level recorded in pre-war December 2021. While inflation accelerated to 12% in December 2024, this figure is demonstrably comparable to pre-war levels and markedly lower than the wartime peak of 26.6%. This recent uptick in inflation was largely driven by temporary factors such as lower crop and vegetable yields. However, prudent NBU policies offer promising prospects for bringing inflation closer to the target range of 4–6% in 2025, supported by monetary policy discipline and anticipated improvements in agricultural output and energy stability. As a response to curb increased inflation, the NBU increased the key rate from 13% to 13.5% in mid-December. However, such options would not be available without international support contributions which enabled the NBU to sell USD34.8 billion in 2024 to maintain the Ukraine's currency market stability and even increase Ukraine's international reserves by 8% in 2024, increasing to USD43.8 billion.

The ongoing military aggression unilaterally imposed by Russia on Ukraine has naturally necessitated increased military and war-related expenditures, placing pressure on the Ukrainian government to identify additional sources of financing. In response, Verkhovna Rada approved a law in early October to raise certain taxes in response to these challenges, coming into effect on 1 December 2024. These new measures are projected to generate UAH137 billion in additional revenue in 2025. However, while these measures aim to bolster government finances, concerns still persist regarding their potential impact on an already vulnerable population.

The Ukrainian government therefore faces a delicate balancing act, striving to secure critical fiscal resources while ensuring the continued resilience of businesses and safeguarding citizens in difficult circumstances. Striking the right balance will be essential for supporting Ukraine's economic recovery and laying the groundwork for sustainable long-term stability.

Privatisation gains momentum[2]

Danylishyn Vladyslav

Director of the Privatisation Department,State Property Fund of Ukraine (SPFU)

In remarks provided to KPMG in Ukraine, Vladyslav Danylishyn, Director of the Privatisation Department at the SPFU, noted that the SPFU acted as a key sell-side player in Ukraine's M&A market in 2024, driven by the launch of the "Large Privatisation" programme. This programme is set to continue into 2025, with its first auction offering a 100% stake in the charter capital of MotorDetal-Konotop LLC scheduled for March. Several more major enterprises, including Odesa Portside Plant, Zhytomyr Liquor and Vodka Distillery Factory, Ukrbud, Vinnytsia Pobutkhim, and Sumykhimprom are all being prepared for sale, with the SPFU currently focusing its efforts on positioning these assets for prospective investors.

Figures from the Ministry of Economy of Ukraine attest to the success of Ukraine's domestic privatisation programme in achieving a remarkable surge in revenues, generating almost UAH12 billion for the state budget in 2024 (approximately USD300 million).[3] This represents a significant increase from the UAH3.3 billion (USD90 million) raised in 2023 and marks the highest annual proceeds from privatisation in recent years, both in terms of the total value and the significance of the assets privatised. One of the most notable transactions was NEQSOL Holding's acquisition of 100% of the shares in United Mining and Chemical Company (UMCC), Ukraine's largest producer of titanium feedstock, for UAH3.9 billion. NEQSOL has also committed to investing at least UAH400 million (approximately USD10 million) in modernising UMCC operations.

Ukraine's real estate sector has also seen significant privatisation deals, typified by the sales of two major city-centre hotels in Kyiv: Hotel Ukraine (sold to Maksym Krippa's Ola Fine LLC for UAH2.5 billion) and Hotel Kozatskiy (sold to Nadiya LLC for UAH400 million). The privatisation of aerated concrete company Aeroc is also noteworthy: previously owned by sanctioned Russian entities, Aeroc's denationalisation marks the first privatisation of a sanctioned asset in Ukraine. Acquired by Gennadii Butkevych's BGV for UAH1.9 billion and almost doubling in value from its initial auction price, this process signals the potential of privatising sanctioned assets as a viable means of alleviating war-related economic challenges.

Increased privatisation revenue in 2024 underscores the Ukrainian government's commitment to attracting investment and offers a positive indicator of successful strategies towards economic recovery. These privatisation successes highlight the crucial role of strategic asset sales in fostering sustainable growth and rebuilding Ukraine's economy.

2 Privatisation deal amounts indicated in this section are stated excluding VAT. As such, the total economic impact (including VAT where applicable) will be even higher than the stated figures.
3 Actual 2024 cash inflows from these privatisations totalled UAH9.9 billion (excluding VAT) as the UAH1.9 billion payment for Aeroc was only finalised in 2025 (despite the auction itself taking place in 2024).

Defence industry

Now entering its fourth year, Russia's invasion of Ukraine has long transitioned from a failed blitzkrieg to a protracted war of attrition. The battlefield in Ukraine offers a testing ground for cutting-edge military technologies and the soaring demand for advanced weapons systems has spurred significant growth in the domestic miltech sector, particularly in the field of unmanned aerial vehicles (UAVs). This rapid development has attracted the attention of both local and international entrepreneurs and investors.

Highlighting the multinational interest in Ukrainian grassroots defence companies, several local start-ups operating in areas such as communications, navigation, intelligence, electronic warfare, and robotics secured investments from Ukrainian, European, and American funds in 2024. Defence-tech start-ups have also benefited from Brave 1, a government-initiated platform that goes beyond funding to provide growing companies with informational and organisational support.[4]

2024 also saw the long-anticipated entry of established international defence technology players into the Ukrainian market. German defence company Rheinmetall, for example, had previously announced the creation of a joint venture with Ukrainian defence concern Ukroboronprom in 2023, with production finally commencing in 2024. Rheinmetall also unveiled plans to construct a munitions manufacturing facility and showcased an ambitious roadmap to open a total of four plants in Ukraine. French-German conglomerate KNDS also declared plans to establish a Ukrainian subsidiary, while Czech firm Sellier & Bellot likewise revealed plans to build an ammunition and rifle production plant in Ukraine with partnership from state weapons concern Ukroboronservice.[5]

These developments reflect Ukraine's growing integration into the global defence supply chain, highlighting the potential for the local miltech and defence tech sectors to play a decisive role in the country's defence against future aggression and its long-term strategic positioning, both economic and military.

4 Individual investments in these start-ups did not exceed USD2 million and, as such, they have not been included in the deal value and volumes presented in this report.
5 Joint ventures and subsidiaries of international weapons manufacturers established in Ukraine, while significant for the defence sector, do not fall under the scope of M&A activity. As such, these transactions have not been included in the deal values and volumes presented in this report.

Energy

Destruction of energy infrastructure and power generating facilities due to continued Russian missile and drone attacks remains a critical challenge for Ukraine. 2024 witnessed further strikes on Ukrainian energy assets, targeting both distribution systems and generation facilities. However, these adversities have also acted as a catalyst to accelerate domestic energy reforms, as well as pushing progress towards decarbonisation and energy independence. Ukraine unveiled a USD78 billion investment portfolio of "green" projects as part of its National Energy and Climate Plan (NECP) at this year's COP29, reaffirming its commitment to climate goals despite Russia's ongoing invasion.

The Ukrainian government introduced several programmes in mid-2024 to support energy sector recovery and diversify energy resources, including interest-free loans for citizens and expanding use of the "Affordable Loans 5-7-9%" scheme to cover purchasing alternative energy equipment and storage systems. 17 major Ukrainian banks signed a memorandum in June 2024, committing to providing preferential loans for energy infrastructure recovery, with financing ranging from EUR500,000 to EUR25 million at rates starting from 13.5% per annum. UAH72.8 billion in loans had already been approved and UAH10.5 billion disbursed as of December 2024.

On a larger scale, Ukraine's biggest energy generation company DTEK invested UAH11 billion to repair and renovate thermal generation facilities and coal mines in 2024. Large Ukrainian businesses have also taken proactive steps to secure energy independence. Home improvement retailer Epicentr continued its initiative to expand solar power capacities at its stores, with approximately 11.4 MW of panels already operational. Private courier service Nova Post Ukraine deployed 43 MW in diesel generator capacities across its branches, with plans to install a further 10 MW in solar and gas power plants at five terminals, including cogeneration units. Petrol and service station chain OKKO has already equipped half of its stations with solar panels and plans to expand this initiative to all suitable locations, while also securing EUR60 million in financing from the EBRD to construct a bioethanol production plant in Ukraine's Ternopil region.

The construction of new power plants is a lengthy process, prompting Ukrainian companies to search for rapid and unorthodox solutions. NVP Energo-Plus, for example, recently announced plans to acquire a decommissioned 60 MW thermal power plant from Lithuania and relocate the asset in its entirety to Ukraine in a project with an estimated cost of EUR50 million. Talks are also underway regarding leasing floating power stations mounted on cargo ships from Turkish company Karpowership. These gas-powered units could potentially supply electricity to the Black Sea coastal region of Odesa, where large-scale power generation facilities are currently lacking.

Once again, international partners have helped to reinforce Ukraine's energy resilience through significant financial commitments. In November 2024, EU and US government both committed to provide DTEK Group with a collective EUR107 million for capacity restoration. This was swiftly followed by Ukraine and the United States signing a USD825 million Memorandum on Energy Resilience in December. The EIB also launched a EUR600 million energy support plan targeting critical public and private sector projects, while the EBRD and Ukrainian natural gas company Ukrnafta signed an EUR80 million loan agreement to fund construction of distributed gas power plants and cogeneration facilities.

These coordinated efforts from both domestic stakeholders and international partners underline Ukraine's progress in transforming its energy sector. By focusing on sustainability and energy independence, such measures will be essential to Ukraine's economic growth and long-term energy security.

Oleksandr Selyshchev

CEO of DTEK Renewables

How does the war and constant attacks on Ukraine's energy infrastructure affect DTEK Renewables' plans for national energy transformation? Is the company witnessing an accelerated shift towards renewable energy sources and how is DTEK adapting its long-term strategy to these new conditions?

For many years, DTEK Renewables has been a driving force in the development of renewable energy in Ukraine. To date, the company has built over 1 GW of solar and wind power capacity; among the largest cumulative project capacity in the country.

The russian full-scale invasion of Ukraine in 2022 resulted territories housing 500 MW of our wind energy assets being occupied by the aggressor state. For that moment, DTEK Renewables already embarked on an ambitious large-scale project to construct the 500 MW Tyligulska Wind Farm in Mykolaiv region, having already installed several wind turbines prior to the full-scale invasion.

The outbreak of full-scale war meant that we had to temporarily suspend implementation of Tyligulska but we decided to resume construction of the wind farm following the spring 2022 successes of the Armed Forces of Ukraine and constructive negotiations with [turbine manufacturer] Vestas. With all the necessary safety measures in place, work on the site resumed in September 2022. By May 2023, our team had commissioned the first phase of the Tyligulska Wind Farm, comprising 19 wind turbines with a total installed capacity of 114 MW.

DTEK Renewables has continued to explore the potential for fully implementing the remaining planned capacity for this wind farm while also advancing development of other promising wind energy projects with a total capacity of 1.2 GW.

The full-scale russian invasion has accelerated Ukraine's green energy transition, with President Volodymyr Zelensky identifying the development of renewable energy in Ukraine as one of the priorities for creating an international energy hub in Europe. This important strategic decision by the state is also driven by an understanding that renewable energy enterprises enhance Ukraine's energy security due to their geographically-dispersed nature, making their generative capacities more resilient to attacks.

The Tyligulska Wind Farm project demonstrates DTEK's commitment to strengthening Ukraine's energy security through a decentralised, low-carbon energy system. Amid russian aggression, our energy teams work around the clock to restore energy infrastructure and power plants, implement new projects, reduce capacity deficits in the energy system, and prevent power outages.

As you noted, DTEK has announced the construction of the second phase of Tyligulska Wind Farm, valued at EUR450 million. What were the main challenges in securing financing, given the project's proximity to the conflict zone? What key arguments did the company use to persuade foreign investors?

As mentioned, construction of Tyligulska Wind Farm was approved even prior to the fullscale russian invasion, with the project boasting strong performance metrics thanks to excellent local wind conditions and the use of modern generating equipment.

Russia's aggression naturally necessitated certain adjustments to our plans for completing the wind farm, especially pertinent as the construction site is located just 100 km from the frontline.

Nonetheless, our team worked for over a year to overcome a range of challenges – safety, logistical, financial, organisational, and more – in order to reach the necessary agreements with creditors and partners, and to launch this largescale project that is so critically important for Ukraine's energy recovery.

In my view, the key propositions we presented to our partners were:

- **Political Support:** This involved the instrumental backing of the Danish government, who have been especially supportive of our country in its struggle for independence – including energy independence – and for whose efforts we are which we are immensely grateful.
- **Proven Experience:** DTEK's successful construction of the first phase of the project in wartime conditions has provided us with a clear understanding of potential security issues and the solutions to address them.
- **European Recovery Fund Assistance:** Support from the European Recovery Fund has been essential in financing the replacement of energy facility equipment damaged by the war, as well as providing protective equipment.
- **Government and Utility Support:** Assistance from the government of Ukraine and Ukrenergo has helped ensure robust security measures.
- **Local and Partner Endorsements:** Support from relevant local authorities and all our business partners who collectively united with us around the idea of making this large project possible emphasises the level of confidence in the successful completion of the Tyligulska Wind Farm project.

And of course, our unwavering belief in the victory of the Armed Forces of Ukraine is perhaps the most important argument for our partners faith throughout both the first and the second phase of the project.

DTEK continues to implement large scale wind energy projects, including Poltavaska Wind Farm (650 MW). Can it be said that the future of Ukraine's energy sector lies in the development of green energy? What are the main challenges you face in making investments in the restoration and reconstruction of Ukraine?

In August 2024, the Ukrainian government approved the National Renewable Energy Action Plan for the period up to 2030, along with its accompanying implementation measures. According to the plan, renewable energy sources are expected to account for 27% of Ukraine's gross final energy consumption by 2030.

DTEK Renewables is doing its part in actively working on implementing promising renewable energy projects to ensure that these national targets are met, and that Ukraine's energy system is renewed in accordance with major global trends while also becoming less vulnerable to attacks.

Achieving Ukraine's energy security can be realised by increasing the share of electricity produced from renewable sources and by constructing energy storage systems that operate effectively in conjunction with existing power capacities (i.e. those from coal, hydro, and nuclear generation). Implementing measures that enable increased modernisation and development of Ukraine's electrical grids will also be vital to achieving these goals.

To overcome the challenges facing the renewable energy sector, the state must continue progressing towards liberalising the Ukrainian electricity market by enacting the necessary legislative and regulatory reforms, and maintaining productive communication with both domestic and foreign investors to secure financing and develop effective mechanisms that accelerate investments to restore and reconstruct Ukraine's energy system.

To attract funds from new investors, the issue of historical debts will also need to be resolved. Such debt represents a persistent problem despite recent efforts to address its impact on investor confidence.

There are also two further challenges:

- **Guaranteeing a Minimum Price:** Establishing a mechanism (similar to a longterm Power Purchase Agreement) that ensures a minimum price to encourage banks to invest in the sector.
- **Investment Insurance:** Creating a mechanism for insuring investments made with companies' own capital.

These issues can be tackled in cooperation with our international partners, represented by international financial institutions and global finance organisations. The concept of establishing appropriate funds for these purposes is currently under discussion and, if implemented, would initiate largescale wind energy expansion in Ukraine: at present, projects with a capacity totalling 5 GW are already prepared for implementation.

War risks insurance

Russia's ongoing war against Ukraine has understandably tempered investor confidence. However, the emergence of war risk insurance mechanisms marks a significant step toward creating a more secure investment environment.

A number of initiatives are paving the way for enhanced protection against war-related risks, building on the Ukrainian government enacting legislation enabling investment insurance through the Export Credit Agency (ECA) at the end of 2023. By the second half of 2024, the ECA had insured several projects, including the purchase of a gas turbine generator by print company Flexores through "Affordable Loans 5-7-9%" financing provided by MTB Bank. This was followed by UAH92 million in insurance for new manufacturing equipment to help domestic food producer Vilis modernise its facilities and increase production. The continued development of war risk insurance infrastructure remains a key priority for the Ukrainian government.

International stakeholders have also contributed to bolstering Ukraine's war risk insurance framework. In March 2024, Marsh and Lloyd's of London announced an expansion of their Ukraine-backed marine war insurance programme. Initially covering grain shipments through the Black Sea corridor, the programme was further extended to include all non-military cargo, such as iron ore and steel. This expansion marks a crucial step in reducing insurance costs for exporters navigating war-related risks. The US International Development Finance Corporation (DFC) launched a war risk reinsurance mechanism in partnership with AON and insurer ARX, formally confirmed at the EU-Ukraine Investment Conference. Similarly, the EBRD has introduced its EUR110 million Ukraine Recovery Guarantee Facility (URGF), also in collaboration with AON. This initiative supports international reinsurers in re-entering the Ukrainian market by insuring cargo, motor vehicles, and railway rolling stock, with plans to expand coverage to other assets.

The URGF is expected to facilitate the insurance of over EUR1 billion worth of goods and vehicles per year, providing vital support to small- and medium-sized enterprises (SMEs) that have suffered significant war-related losses.

Yuriy Katser, Director, Head of Legal Services at KPMG in Ukraine, notes that: "The recent development of the Draft Law 'On the War Risk Insurance System' represents the achievement of a significant milestone, suggesting the establishment of a State Agency for War Risk Insurance to manage policies and maintain a centralised database.

The draft law also mandates insurance for specific assets, such as mortgaged properties and construction projects, while introducing standardised insurance products and outlining the roles of insurers, reinsurers, and intermediaries, with the National Bank of Ukraine ensuring compliance.

However, while this draft law establishes a new system, it is still unclear how the system will function, how market participants (including insurance companies) will respond, and what the implications for insurance costs will be. As such, we are beginning to see feedback with concerns and proposed amendments from market participants and the professional community.

Nonetheless, despite these uncertainties, the introduction of this draft law reflects positive momentum in the development of a war risk insurance market in Ukraine."

Official moves to address war risk insurance issues on the part of the government of Ukraine and international partners represent a promising step toward revitalising investment in Ukraine, even in the face of military aggression. By mitigating war-related risks, war risk insurance offers a means of encouraging both domestic and foreign investment in the country by alleviating investor anxieties.

M&A Dynamics

M&A Dynamics

Domestic

↓10.2%

$406m

Deal value

↑4%

26

Deal volume

Building on gains achieved in 2023, the Ukrainian economy maintained a course of gradual recovery in 2024; with domestic dealmaking continuing to play a sizeable role in the M&A market. Domestic transactions accounted for 38.6% of total deal value and 53.1% of total deal volume, highlighting the importance of internal deals despite both value and volume remaining below pre-war levels.

This trend was partially influenced by measures implemented by the NBU to curb capital outflows. While the NBU took incremental steps to ease foreign exchange restrictions throughout 2024, these adjustments were relatively limited in scope and did not materially alter the broader regulatory environment.

Nonetheless, the continued contribution made by domestic M&A reflects the resilience of Ukrainian businesses, as well as their focus on reinvestment and consolidation within the local market. These dynamics underscore the critical role of domestic transactions in sustaining overall M&A activity during a period of economic stabilisation and regulatory constraints.

Two of the most notable domestic deals announced in 2024 included: (i) Dragon Capital's acquisition of Karavan Outlet Mall in Kyiv (valued at approximately USD40–60 million) as part of the company's ongoing strategy to optimise its commercial real estate portfolio, and (ii) Maksym Krippa's acquisition of Hotel Ukraine through privatisation auction (with a purchase price of USD60 million) that aimed to complementing Krippa's existing real estate portfolio and capitalise on the Hotel's long-term appreciation potential. These transactions showcase a continued investor focus on the Ukrainian real estate sector, driven by confidence in its prospects for recovery and growth despite a challenging economic environment.

While deal volume remained relatively stable, with 26 domestic M&A transactions recorded in 2024 (25 transactions in 2023), total deal value declined by 10.2% (down from USD452 million in 2023 to USD406 million in 2024). This downturn was driven by a reduction in average transaction values for domestic transactions: down to USD24 million in 2024, marking a 20.7% decline compared to the 2023 average. Transparency levels have slightly increased, however, with the proportion of transactions disclosing deal values increasing from 60% in 2023 to 65% in 2024.

Concentrating on specific sectors, approximately 73% (USD297 million) of domestic M&A spending in 2024 was centered around three key industries: real estate and construction, industrial products, and agriculture.

Real estate and construction attracted a total of USD209 million in 2024, driven by several noteworthy transactions. These included the aforementioned privatisation of Hotel Ukraine, adding to a portfolio that includes Parus business centre which was previously purchased in 2023. Significant transactions in the sector also involved Dragon Capital as either a buyer or seller, with the investment group acquiring Karavan Outlet Mall in Kyiv from DCH Group while also divesting Amtel warehouse complex in the Kyiv region to 'Novyi Styl' door manufacturer Histion.

The industrial products sector also made a notable contribution to domestic deals, led by the privatisation of Aeroc, a leading Ukrainian manufacturer of autoclaved aerated concrete, which was acquired by BGV for approximately USD45 million.

Agriculture was represented by four domestic transactions, with the most notable by disclosed value being MHP's acquisitions of Miasnyi Hutir for USD15 million and Ovocheva Skarbnytsia for USD10 million. Other examples of domestic transactions in this sector included Continental Farmers Group's acquisition of a grain elevator complex in Lviv region for USD18 million. These deals highlight stable investor intertest in the Ukrainian agricultural sector.

Outbound

↑677%
$85m
Deal value

↑42.9%
10
Deal volume

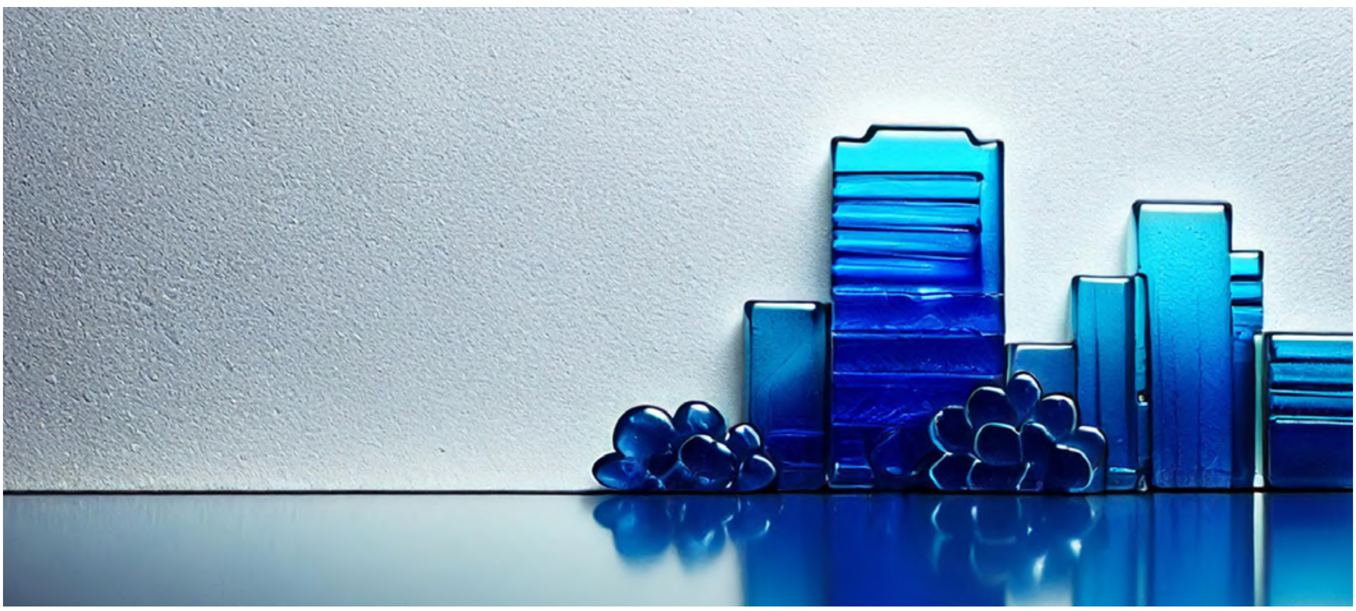
In terms of outbound deal activity, Ukrainian businesses have continued to diversify their investments and capitalise on opportunities in international markets.

Outbound transactions accounted for 20.4% of total deal volume in 2024, with 10 transactions conducted abroad.

Notable outbound transactions included prominent Ukrainian IT outsourcing company Ciklum acquiring US-based digital engineering services firm Infogen for USD30 million. In the energy sector, DRI, the EU renewables arm of private energy company DTEK, entered the Polish renewables market by acquiring a 133 MW battery storage project, the largest in Poland, from Columbus Energy for approximately EUR30 million. This acquisition complements DTEK's ongoing expansion into renewable energy and energy storage projects in Ukraine and abroad, including acquisition of a 53 MWp photovoltaic power plant and 50 MW wind farm in Romania in 2023 and projects in development across Romania, Italy, and Croatia. Transactions in bordering nations represent strategic steps towards integrating Ukraine's energy system into the European grid while deals made further abroad enable portfolio diversification and knowledge sharing across the wider EU.

Ukrainian businesses in various industries have also taken steps to expand their international presence through targeted acquisitions. Intellias, one of Ukraine's largest software developers, strengthened its position in the US and UK markets through the acquisition of C2 Solutions, a US-based Digital Health and Medical Devices expert, and NorthLink Digital, a UK-based IT consultancy specialising in financial services and insurance. Similarly, leading Ukrainian pharmaceutical company Farmak acquired the Polish pharmaceutical marketing firm Symphar, bolstering its presence in Central and Eastern Europe, as well as UK-based A&S Pharma, a specialist in sourcing and licensing generic pharmaceutical products for the UK market.

This increased focus on foreign markets highlights the adaptability of Ukrainian businesses, which are choosing to pursue outbound deals and seize new opportunities while maintaining their core operations in Ukraine. By acquiring assets and establishing a presence in international markets, Ukrainian companies are enhancing their global footprint while simultaneously reinforcing their domestic foundations. This strategy underscores a commitment to Ukraine's economic recovery and long-term growth, positioning the country as a more integrated and competitive player on the international stage.



Inbound

↓28.7%

$561m

Deal value

↓23.5%

13

Deal volume

Inbound M&A transactions continued to account for a significant proportion of overall deal activity in 2024, representing approximately a quarter of total deal volume and slightly more than half of total deal value.

The innovation and technology sector remained a focal point for foreign investors, contributing nearly half of all inbound deal volume (seven transactions) and value (USD287 million). This sustained interest reflects ongoing trends from 2023 and earlier periods, driven by the fact that Ukrainian IT companies primarily operate in international markets and have a mobile workforce with a smaller physical footprint from an operational standpoint. These features make innovation and technology less vulnerable to war-related risks while also maintaining international visibility, adding to the sector's attractiveness as a resilient investment option for foreign investors.

In addition to focussing on innovation and technology, inbound M&A transactions in 2024 were driven by strategic acquisitions in other key sectors of the Ukrainian economy. Diverse investors, such as Horizon, NEQSOL, SALIC, and others sought to enter new markets, diversify portfolios, and expand existing operations.

These landmark transactions were made possible with the support and advice of KPMG in Ukraine, with examples including the communications and media sector include French company NJJ Holding's acquisition of leading fixed-line communication and pay-TV provider Datagroup-Volia for USD120 million. NJJ Holding plans to merge the company with Lifecell (acquired through a separate deal in late 2023) to create a unified telecom platform focused on expansion and investment in the Ukrainian market. Notably, NJJ Holding has emerged as a new strategic investor in Ukraine, executing significant deals since the onset of the full-scale invasion.

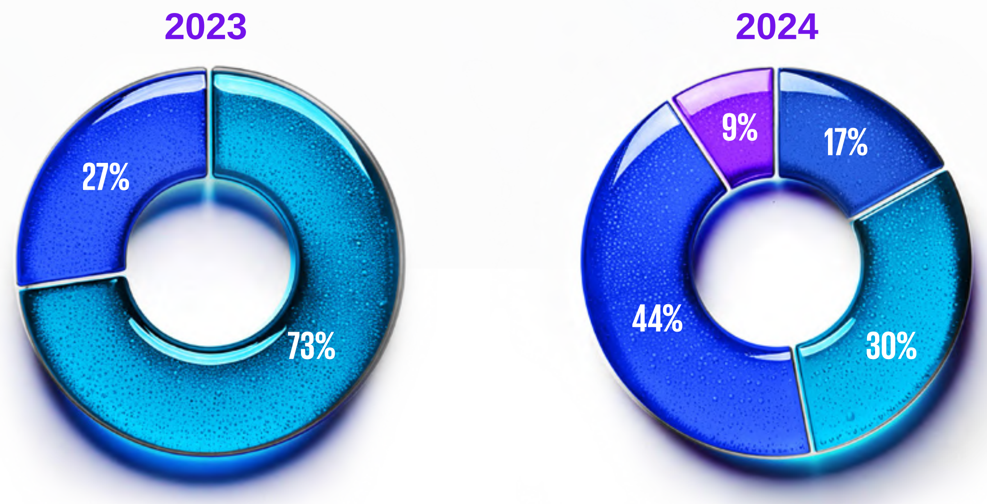
In the metals and mining sector, KPMG in Ukraine was instrumental in the successful privatisation of formerly state-owned titanium concern United Mining and Chemical Company through a USD95 million acquisition on the part of NEQSOL. This transaction marked NEQSOL's entry into the global titanium industry and also marked its first M&A transaction in Ukraine since the onset of the full-scale invasion.

Activity in Ukraine's agriculture sector was represented by a single notable inbound transaction which KPMG in Ukraine also helped to facilitate: the acquisition of a 12.6% stake in MHP by the Saudi Agricultural and Livestock Investment Company (SALIC), aimed at expanding SALIC's global operations and creating a more integrated and efficient value chain. This deal is also notable as the first inbound deal in the Ukrainian agriculture sector originating from the Middle East region since the start of the full-scale invasion.

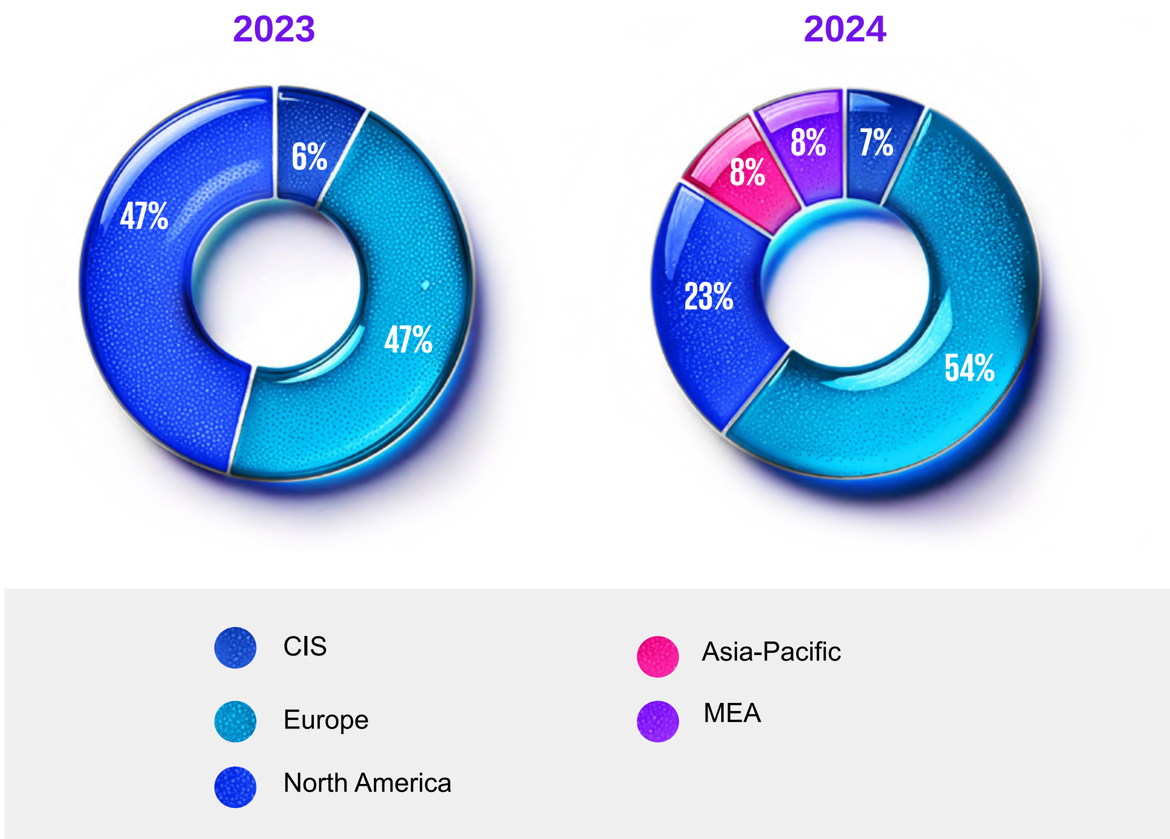
Geographically, Europe and North America continued to dominate inbound M&A activity in 2024, collectively accounting for 74% of total disclosed deal value. Europe contributed USD167 million across seven transactions, while North America accounted for USD245 million from three transactions. North American investments were primarily driven by venture capital funding targeting Ukrainian IT companies, including the year's largest inbound transaction: Sapphire Ventures' leadership in a USD200 million investment round for Creatio, valuing the company at USD1.2 billion. European investments, similar to 2023, were predominantly led by NJJ Capital's aforementioned USD120 million acquisition of telecommunications company Datagroup-Volia.

However, some notable inbound transactions originated from less traditional regions, with NEQSOL's acquisition of UMCC representing investment from Azerbaijan and SALIC's acquisition of a stake in MHP reflecting interest from Saudi Arabia. These transactions demonstrate increasing diversification of investor interest in Ukraine's M&A market, with activity spanning a wider geographic and sectoral spectrum.

Inbound M&A deal value by region (USDm), 2024 vs 2023



Inbound M&A deal volume by region, 2024 vs 2023



Dmytro Zozulia

Head of M&A, MHP

MHP's experience:"How adaptation, efficiency, and strategic partnerships are shaping Ukraine's business landscape"

MHP, an international food and agri company, is not only one of the key players in the Ukrainian food market, but also an active investor that transforms approaches to the industry's development through strategic acquisitions, partnerships, and efficient asset management. The company does not have a fixed M&A strategy, but instead has a clear development vector: searching for new opportunities, assessing the prospects of deals, and strategically planning their integration into MHP's structure.

How does this process work? Why does the company invest in both full acquisitions and partnerships? What integration models are used after the deal is closed? Svitlana Shcherbatyuk, Head of Transaction Services, Deal Advisory, KPMG in Ukraine, discussed these topics and other aspects of M&A strategy with Dmytro Zozulia, Head of M&A, MHP.

What was 2024 like for MHP, what achievements or events in the company's life would you like to highlight?

Let's start with the publicly available information. Our company is traditionally one of the largest taxpayers in Ukraine. Between 2022–2024, including the period of the full-scale invasion, we paid almost UAH18.2 billion in taxes at various levels. This is evidence of MHP's stable development and its movement in the right direction. Since the beginning of the full-scale war, we have not changed our strategic priorities: supporting the country's food security, focusing on culinary products (ready-to-cook and ready-to-eat foods), and driving international expansion. All these areas are important to us.

Speaking about 2024, I would emphasise two things: in terms of international expansion, we have done a lot of work to explore opportunities in foreign markets. In the local market, our company has finally formed an internal M&A department with a full mandate to operate in Ukraine.

We are developing in two key areas. The first is an expansion in our areas of expertise. Today, we have strong positions in poultry, snacks, meat and sausage products, and we are entering the vegetable segment. Some segments, such as the chicken market, have reached their peak growth in Ukraine. Other areas, though, still have significant potential for expansion. The second area of development is expanding our presence in culinary categories, where we are focusing on horizontal integration and entering new market segments and categories where we are not yet present.

How does MHP adapt its M&A strategy to geopolitical and economic changes? Which sectors or regions are priorities for your growth through acquisitions? How has the M&A process changed in recent years?

I have been working at MHP for five years and, as such, things have never been “normal”: first there was COVID-19 and then a full-scale war, so I can say that adaptability is our way of life. The basic principle of MHP remains unchanged, however. We are a Ukrainian company, and we believe in the future of Ukraine and continue to invest here. There has never been a question of whether or not to invest in Ukraine. Despite all these recent events, we have been doing so continuously, even in 2022.

When it comes to financing investments, we have a fairly simple approach: we invest the money earned in Ukraine in Ukraine and finance our international projects using the profits we generate abroad. This ensures transparency and clarity in our decisions. However, capital controls and the desire of sellers to receive payment abroad significantly complicate transactions with Ukrainian assets. While we are flexible in terms of stakes, valuation, or development strategy, the issue of buyout payments remains one of the main challenges for the market.

Another challenge is the unwillingness of businesses to operate within a formal legal framework. When switching to such formal models, certain businesses often become unprofitable. The situation is exacerbated by the widespread use of individual entrepreneur schemes, which creates distorted competition.

Our message to entrepreneurs is simple. You need to be transparent and clear if you want to capitalise, sell your business, or attract an investor. If a business model cannot withstand the standard tax burden, it is not sustainable. As Ukraine moves towards transparency in business affairs, it will become increasingly difficult to build a business on tax evasion. There will definitely be those who learn how to do business the "right" way, and those that do will succeed whole those who cannot change will fail. "White" companies, so to speak, will take the place of "grey" ones when it comes to attracting investors and taking over the market.

Despite the full-scale war and the risks associated with it, MHP has continued its transformation from a raw materials supplier to a culinary company and acquired related companies in Ukraine in 2024. What are the key stages behind this transformation that have already been implemented? What challenges and opportunities do you see in this process?

If we talk about really important deals in Ukraine last year, there were two of them: we acquired the logistics company KTL Ukraine and the meat processing company Ukrainskyi Myasnyi Hutir.

KTL has strengthened our logistics business, with logistics services being a separate business for MHP that has grown within the company. Today MHP-Logistics also serves external customers as part of a fully-fledged business line that competes on the market.

We already had rail and road transport and one of the largest cold logistics chains in the country. Now, with the acquisition of KTL, we are adding sea transport in a deal that demonstrably strengthens one of the business lines within the MHP ecosystem.

As for Ukrainskyi Myasnyi Hutir, many people misunderstood the nature of this deal, writing that MHP had acquired DMYTRUK-FOODS and the associated brand Kabanosy. In actuality, the owner of the Kabanosy brand had two business lines: snack food and traditional prepared meat and sausages. We were interested in the latter because, firstly, we are already working in this field and, secondly, we see great growth potential there. The meat processing market in Ukraine remains highly fragmented and has significant potential for consolidation.

Today, there are hundreds of producers in the industry, ranging from large national companies to regional enterprises. Compare this with 15 years ago when Poland had a similar situation, but now just six major players control 78% of the market there. Ukraine is moving in the same direction and there are several factors that will contribute to this consolidation: the emergence of strong players who are ready for consolidation; changes in regulation, including food safety and taxation; and the natural retirement of business owners who started in the 1990s. As a result, the market in Ukraine will naturally become more structured.

I believe that the next stage for the structure of the prepared meat and sausage industry will be as follows: up to ten national companies, 20–30 strong regional players, and then niche and craft producers that will operate in their segment but will not have a significant scale. With the acquisition of Ukrainskyi Myasnyi Hutir, we are not just increasing our business in the meat and poultry sector but also strengthening our regional presence, particularly in western Ukraine, and taking a step towards our target business structure.

From a process perspective, this deal was very interesting because it actually involved a demerger: a business split before the deal. We had to separate the meat processing business from the overall structure and create two companies out of one, before buying one of them. This made the deal quite complicated. The process lasted nine months and went according to schedule, thanks to the well-coordinated work of both our internal team and our partners from DMYTRUK-FOODS.

Does MHP plan to increase its presence in foreign markets through M&A? Will such acquisitions help it circumvent potential protectionism and act as a local player in markets abroad?

External transactions are a key part of our strategy. We have proved that by entering new markets, we win through efficiency. This is not a hypothesis, but a proven track record.

Take the European poultry producer Perutnina Ptuj, for example: thanks to MHP, this company has increased its production expertise, changed its organisational structure and procurement system, implemented OKR methodologies, and accelerated its digital transformation; all of which has improved Perutnina Ptuj's performance. The company's EBITDA increased from USD34 million in 2018 to USD91 million in 2023. This proves that companies with unrealised potential can grow significantly with the help of our expertise.

We see a lot of businesses facing the same challenges: change of ownership, adaptation to new market conditions, operational inefficiencies. We are ready to step in, improve processes and create value.

MHP is the spirit of Ukraine on an international scale. We are using our expertise in poultry production and related segments to expand globally. This is where we have the greatest potential for growth.

You have repeatedly said that you have no plans to slow down. Can you share any additional insights into which areas or companies you are interested in? What deals are you currently working on?

I can't offer any comment on deals that have not yet taken place because things can change at any time. The Ukrainian experience attest to this: you can go very far in negotiations but everything can change at the last moment. When it comes to making moves in an international context, there are even more risks involved.

As for what is already in the public domain, we have submitted a binding offer for Uvesa, a market leader in the Spanish poultry and pork industry. We are now awaiting the shareholders' decision. If more than 50% support the deal, we will move on to the next stage.

How has the SALIC [the Saudi Agricultural and Livestock Investment Company] acquiring a stake in MHP affected your operations and how does the establishment of the joint venture in Saudi Arabia influence your global strategy? Are you considering a similar approach for other regions?

It is important to understand that SALIC is a shareholder like anyone else who buys our shares on the market. That being said, SALIC is a Saudi investment company wholly owned by the Public Investment Fund of the Kingdom of Saudi Arabia and was established to implement the country's food security strategy. This deal therefore has two important aspects.

First, it is a confirmation that MHP as a company is held in high regard, as SALIC is a professional investor in the food sector. We already know that we're super-efficient but it's a good sign when this is confirmed by one of the key players in the global food market.

The second and, in my opinion, even more important point in the current geopolitical environment, is that SALIC is not afraid to invest in Ukraine. This is a clear signal to the global market: despite all the risks, Ukraine remains attractive to investors, and this contributes to greater confidence and optimism about the country's future prospects.

I hope this will be the first call for wider investment, especially in the area of food security. Ukraine has a strong resource base and high demand for its products, but there is no systematic attraction of international capital. European markets will gradually open up and we will become part of global food chains as both an exporter of raw materials and a producer of finished products. This fundamentally changes our role in the international arena and the Gulf countries can become key drivers in this process. They are already actively investing in food assets around the world, and it is only a matter of time before these countries and this region takes an even greater interest in Ukraine. For them, this is not just business, but part of a long-term food security strategy that opens up great opportunities for all of us.

As for our company itself, nothing has changed globally for MHP. There have been no changes at the operational level, nor at the strategic level either. We are still moving towards becoming a global culinary company. Nothing has changed for Yuriy Kosyuk, the founder and CEO of MHP, either. His share has not changed.

What are the key challenges you face when operating in Ukraine that your international competitors may not? Which factors require the most attention and which risks affect your operations? How do you manage to cope with these challenges, and which solutions have proved successful and which have not?

We have been living in a state of full-scale war for three years now, while our western competitors obviously do not face such a situation. But we continue to do business and, if we put military risks aside, one of our key challenges is people.

You can look at this issue from different angles. Firstly, the availability of labour: in many regions, there is already a shortage. That also means the need for a skilled workforce because just having people is not enough: it's important that they have the necessary skills. The next aspect is the reintegration of war veterans into the civilian economy, their professional education, and adaptation to new conditions. And then there is the outlook from a more strategic level: what will happen tomorrow? What is the demographic situation? How many young professionals will we have in 5–10 years?

The second challenge is the cost of money, which is significantly higher than that of our international competitors. However, as I have said, MHP is a very efficient business. We have many interesting projects and our economies of scale are working, which creates even more opportunities for investment. Moreover, we have quite serious competition for investments within the company. We are even raising the internal bar for what is considered an attractive project because resources are limited and there are many more ideas and opportunities for development. So competition for funding within the company itself is only growing.

MHP is actively investing in Ukraine, expanding its market presence and looking for partners for growth. Has your strategy for working with Ukrainian businesses changed? What approaches to partnerships and M&A are your priorities today?

I would like to emphasise once again that we are an investor in Ukraine, but this does not always mean buying 100% of a business. We are open to partnerships as the food market is much wider than our current presence. While we can develop independently in some areas, finding partners and moving together is faster.

We conducted research to better understand the needs of businesspeople when it comes to attracting investors. We talked to large and small companies, and analysed minority deals and full sales. We wanted to understand what is important for a business in cooperating with investors. As such, we now have a very clear understanding of our value proposition.

We know what we should do for our partners and what we should refrain from doing. On the one hand, we can provide our partners with resources, economies of scale, and consistency. Sometimes we can even give them a broader vision of their business potential. On the other hand, we shouldn't limit our partners' freedom or control them. Partnership is not about hiring a person: it's about helping where we can and not interfering where they know what they are doing.

That is why MHP is not just an investor but a true strategic partner. We help businesses scale up, enter new markets, and become part of the global game.

Key sectors

The challenges posed by Russia's ongoing invasion of Ukraine, set against the longstanding resilience of Ukrainian industry, have continued to have a significant influence on the M&A landscape in 2024. The impact of these factors is multifaceted: war-related challenges necessarily evolve with the changing threats imposed by the military activity, while the adaptation of various sectors has continued to drive the Ukrainian economy. Key contributors to M&A activity include innovation and technology and agriculture, alongside sectors which have recently risen to increased prominence in response to infrastructure attacks, such as real estate and construction and power and utilities. Collectively, these four sectors accounted for nearly 65% of both total deal value and volume in 2024.

Innovations and technology

Experiencing a relatively lower level of impact as a result of the ongoing war, the innovation and technology sector remains a cornerstone of Ukraine's economy, making a sizeable contribution to Ukraine's GDP and accounting for more than one-third of all services exports in 2024. IT has likewise continued its role as a key driver of M&A activity, attracting foreign investment and reinforcing its position as a critical industry for Ukraine's economic resilience.

Agriculture

Despite destruction and occupation of land associated with Russia's invasion, as well as risk and threat to life as a result of military actions and mines, local agribusinesses with assets in Ukraine-controlled territory have demonstrated remarkable adaptability to wartime conditions. With the Ukrainian maritime Black Sea corridor now operating without interruption, agriculture remains a fundamental pillar of the local economy as Ukraine's leading export industry and a major contributor to M&A activity. This ability to withstand challenges aligns with developments envisioned in KPMG's 2023 M&A Radar Ukraine, which predicted that Ukraine's agricultural sector would continue to attract strong investor interest due to its strategic importance, export potential, and long-term growth prospects.

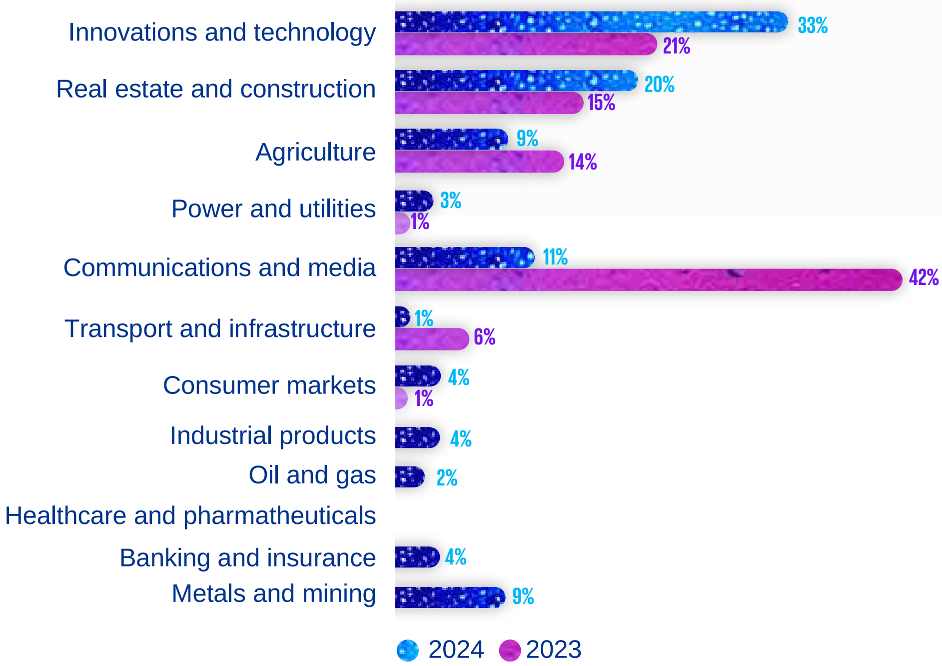
Real estate and construction

Following trends observed in 2023, activity in the real estate sector saw further growth in 2024, with shopping centres in particular seeing increases in turnover and foot traffic. The M&A market reflected this recovery, focusing on the acquisition of business centres and shopping malls. This trend was further supported by heightened interest from the retail sector in real estate assets. Real estate, meanwhile, has also emerged as an attractive sector for investors, driven by confidence in its potential for appreciation underpinned by both its strategic value in supply chain integration and its prospects for capital growth. Heightened interest from retail businesses further supports real estate activity, with companies increasingly making targeted acquisitions of warehouses and shopping malls to strengthen their operations.

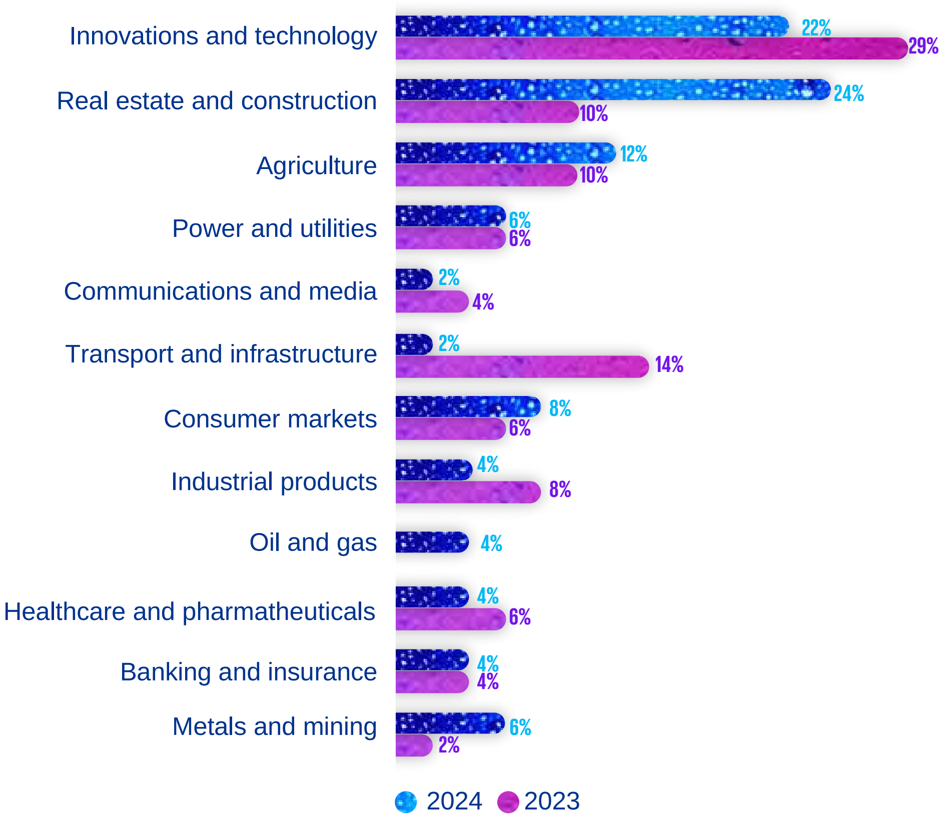
Power and utilities

The escalation of Russian missile and drone attacks on Ukraine’s energy infrastructure has posed a challenge for energy security, prompting large Ukrainian businesses to prioritise energy independence. As such, there is a consequent heightened investor interest in the power and utilities sector as new projects are initiated to improve the stability of Ukraine’s energy supply and distribution network. Much of the focus has been on firms establishing own-generation facilities, increasing their durability in the face of energy shocks as well as their readiness for a green transition to renewable energy sources in some cases. This approach has been complemented by strategic M&A activities, reflecting a growing need for resilience and diversification in the Ukrainian energy sector.

M&A deal value by sector in 2023-2024



M&A deal volume by sector in 2023-2024



Innovations and technology

↑29%
$342m
Deal value

↓21%
11
Deal volume

↑12 pts
33%
Share of deal value

↓7 pts
22%
Share of deal volume

Despite revenues being slightly lower compared to previous years, Ukraine's IT industry has once again confirmed its position as a significant contributor to the national economy in 2024 and still accounts for 4.4% of GDP. Investor confidence, however, must contend with a number of overarching challenges from 2023 that continue to cause concerns. These include restrictions on international travel for certain business groups and the ongoing need to balance workforce availability with national defence requirements.

Combined with ongoing war-related risks, these issues contributed to a reversal in positive growth trends for the IT sector. Projections from IT Research Ukraine for 2024 indicated a 4–6% decline in export revenue compared to 2023.

Foreign investors accounted for 64% of transactions (seven deals) in the innovation and technology sector in 2024, primarily driven by private equity and venture capital funds. Notable inbound transactions included Sapphire Ventures' leadership in a USD200 million investment round for Creatio, a US-headquartered company specialising in no-code platforms for process management and CRM that maintains a significant operational base in Ukraine. SoundHound AI, meanwhile, acquired Allset, an online marketplace founded by Ukrainians, for USD35–40 million. Also of note was Carmoola's completion of a GBP15.5 million funding round led by QED Investors, VentureFriends, and InMotion Ventures.

Domestic investor activity in the IT sector was relatively subdued in 2024, though Horizon Capital maintained a proactive strategy, announcing an investment in Viseven, a provider of technology-driven marketing solutions for the pharmaceutical and life sciences industries. This marks the third Ukraine-based investment made by Horizon Capital Growth Fund IV.

Ukrainian IT companies continuing to diversify investments and expand into international markets was an ongoing trend that also continued into 2024, with 27% of total deal volume (three transactions) conducted abroad by local Ukrainian investors. Key outbound deals included Ciklum's acquisition of US-based digital engineering services company Infogen for USD15–30 million, strengthening its position in North America. Intellias, meanwhile, acquired both US-based C2 Solutions for USD15–20 million and UK-based NorthLink Digital, aimed at expanding operations into North American and EMEA markets while enhancing diversification.

The innovation and technology sector in Ukraine also saw substantial activity in smaller-scale transactions, with 74 deals valued below USD5 million. Of the deals with disclosed values (approximately 80% of the total), the collective value amounted to USD58 million, highlighting the dynamic nature of Ukraine's IT market. The sector's capacity to attract investment even amidst challenging economic and geopolitical conditions is a testament to the growth potential of Ukrainian IT.

Agriculture

↓44%
$97m
Deal value

↑20%
6
Deal volume

↓5 pts
9%
Share of deal value

↑2 pts
12%
Share of deal volume

Ukraine's agriculture sector was shaped by a number of ongoing challenges and new opportunities in 2024, with the ongoing war presenting persistent obstacles while sectoral reforms and operational resilience offered some positive momentum.

Despite the adversities posed by Russia's full-scale invasion, including minefields, labour shortages, and elevated logistics costs, Ukrainian farmers demonstrated resilience across various agricultural sectors. Ukrainian Grain Association projections anticipated a 9.5% decline in grain and oilseed production, down to 75 million tonnes, primarily in response to summer droughts affecting late crops such as corn and sunflower. Nevertheless, the stable operation of Ukraine Black Sea maritime corridor has provided Ukrainian farmers with access to cost-effective logistics, partially offsetting these setbacks. As reported by the Ministry of Agrarian Policy and Food of Ukraine, while export volumes decreased in physical terms, rising global grain prices resulted in agricultural export revenues of USD24.5 billion, approaching pre-war levels and contributing 59% to Ukraine's total exports. Following historical trends, agriculture remains a critical sector for the local economy and serves as a vital source of foreign currency proceeds, particularly at a time when Ukraine is maintaining a significant trade deficit.

Agriculture has sustained its position as a historically attractive sector for investors in Ukrainian industry, accounting for approximately 9% of total deal value and 12% of deal volume in 2024. The most notable transaction was Saudi agricultural company SALIC's acquisition of a 12.6% stake in food and agritech company MHP for USD54 million, highlighting sustained interest from Middle Eastern investors following the establishment of a joint venture between MHP and Desert Hills Veterinary Services Company (a subsidiary of leading Middle Eastern poultry producer Tanmiah Food Company) in 2023. Domestic deals increasingly featured vertical integration, such as MHP's acquisitions of Miasnyi Hutir (processed meats) and Ovocheva Skarbnytsia (vegetable production). Other examples included Continental Farmers Group's acquisition of a grain elevator complex in Lviv region. Local agricultural producers are also attracting interest from a typical investors seeking to diversify holding and shore up their portfolio with durable assets; exemplified by OKKO Group's acquisition of an undisclosed stake in Ukrpolfrukt LLC and Gadz-Agro LLC.

Ukrainian companies in the agribusiness and food industry sector have also pursued international diversification strategies of their own, leveraging cash reserves generated outside Ukraine to explore opportunities for expansion into European markets. Cash reserves generated domestically, meanwhile, are typically invested back into the local market to finance existing operations and new acquisitions. MHP exemplifies this dual approach of making outbound investments alongside domestic expansions. For instance, MHP recently submitted a binding offer to acquire a controlling stake in UVESA Group, a leading poultry and pork producer in Spain.

Interest in Ukraine's agricultural sector has intensified as a result of the opening of the land market to legal entities on 1 January 2024. During the first 10 months 2024, 1,318 companies purchased 15,035 land plots covering 43,300 hectares. Land prices increased by 20.6%, reaching UAH44,800 per hectare, with legal entities paying approximately 17% more than individual buyers. The State Property Fund of Ukraine also launched sublease auctions for state-owned agricultural land as part of the Land Bank project in 1 October 2024 with 93 auctions conducted in the first month, allocating 14-year subleases on 4,700 hectares and generating UAH140 million in proceeds, with an additional UAH28 million in VAT.

Looking ahead, agriculture's central role in Ukraine's economy and its attractiveness to investors is expected to grow. Notably, experimental cotton cultivation in Odesa region for military-grade gunpowder production highlights the sector's potential to contribute to Ukraine's defence industry supply chain. These developments, coupled with ongoing reforms and continued operational adaptability, highlight the agriculture's critical role in Ukraine's economic recovery and long-term growth.

Power and utilities

↑185%
$32m
Deal value

3
Deal volume

↑2 pts
3%
Share of deal value

6%
Share of deal volume

Ukraine's power and utilities sector has had to contend with ongoing Russian attacks on energy infrastructure, adapting and developing accordingly. Beyond recovery and reconstruction, M&A activity in this sector signals interest in opportunities to transform the energy sector through decentralisation and preparation for transition to greener energy sources.

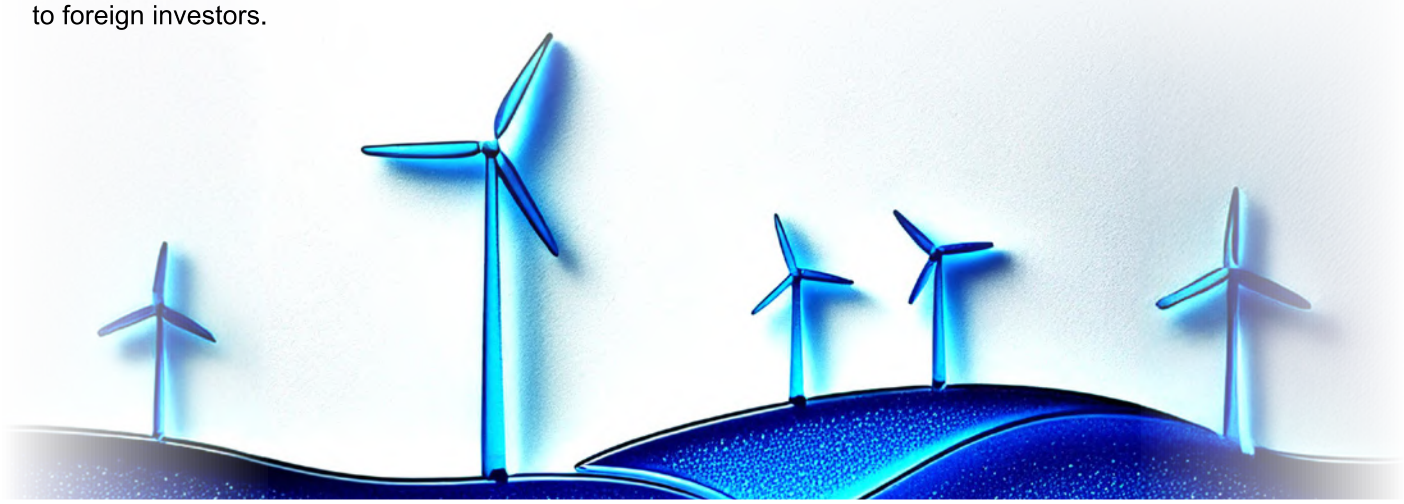
While a significant portion of energy sector investment in Ukraine has occurred outside the scope of traditional M&A transactions, these developments increase company value by enabling continued operations even under wartime conditions. Leading Ukrainian energy company DTEK, for example, announced plans to invest EUR140 million in energy storage installations with a total capacity of 200 MW, expected to be commissioned by October 2025. Further investments from DTEK will be connected with the 650 MW Poltava wind energy station. The project development will be completed in 2025.

International investors have demonstrated confidence in Ukraine's renewable energy potential, with Elementum Energy making a USD300 million investment in a 200 MW wind power plant in western Ukraine and Ukrainian Eco-optima and Czech renewable energy firm MND entering into a joint venture in Lviv region. These projects reflect the investor interest even in the face of military risk, highlighting the appeal of the power and utilities sector to foreign investors.

From an M&A perspective, noteworthy transactions in 2024 included DRI's acquisition of the 133 MW Trzebinia battery storage project in Poland and a 166 MWp solar project in Italy, an example of strategic diversification by Ukrainian companies choosing to enter into international markets. DTEK also extended its 2023 trend of investing in Romanian projects by acquiring a 126 MW solar park from local investors, reinforcing the company's commitment to renewable energy. DRI now has a portfolio of projects in operations and various stages of development, totalling a capacity of nearly 1.4GW across Croatia, Italy, Poland and Romania.

Non-traditional players in the electricity market have also chosen to enter the sector for similar reasons. Petrol station operator OKKO acquired a wind power project in Ukraine's Volyn region, signing a mandate letter with the IFC to finance construction. OKKO has also implemented a EUR20 million 20 MW energy storage project set to come online in 2025, with plans to expand its capacity by a further 20 MW and explore the launch of an energy storage facility in Lviv between 2025 and 2026.

The combination of robust domestic initiatives, international financial support, and diversified corporate strategies positions Ukraine's energy sector as a cornerstone of sustainability and energy security for the nation, offering a promising outlook for its ongoing development in a challenging environment.



Real estate and construction

↑8.6%
$209m
Deal value

↑140%
12
Deal volume

↑5 pts
20%
Share of deal value

↑14 pts
24%
Share of deal volume

Despite ongoing attacks and the impact of the war on investor confidence in the retail and commercial property sectors, real estate and construction retained a prominent share in Ukrainian M&A activity in 2024.

According to insights shared during the RAU Summit 2024, major shopping malls in central and western Ukraine reported turnover exceeding 2021 levels, supported by reduced vacancy rates in these regions.

Real estate and construction attracted a combined USD209 million across 12 deals, reflecting continued investor interest despite the ongoing Russian invasion and missile attacks. Notable transactions included Dragon Capital's acquisition of Karavan Outlet Mall from DCH Group for an estimated USD40–60 million, underscoring strong interest in retail centres. Upstream integration and investment in related infrastructure also emerged as a key trend, exemplified by Avrora's acquisition of the West Gate logistics warehouse from Dragon Capital in a deal with an undisclosed value. Dragon Capital's sale of the Amtel warehouse complex in the Kyiv region to the 'Novyi Styl' door manufacturer Histion for a price between USD35–40 million, meanwhile, also exemplified dynamic activity in logistics assets in 2024.

Privatisation efforts in the real estate sector have also garnered investor attention. Maksym Krippa's Ola Fine LLC secured a deal for Hotel Ukraine in an online privatisation auction with a winning bid of UAH2.5 billion, marking one of three big privatisation transactions in 2024. Serhiy Spodin's Nadiya LLC similarly acquired Hotel Kozatskiy for UAH400 million, providing more evidence of investor confidence in the long-term appreciation potential of Ukrainian real estate assets. This builds on trends from 2023, whereby P-BF Korobivskyi LLC, also owned by Spodin, acquired a number of assets from the insolvent MR Bank, including Magellan Shopping Centre in Kyiv.

These developments underline the steadfast value of Ukiane's real estate and construction sector which continues to attract both domestic and international investments in deal activity driven by recovery efforts, strategic acquisitions, and privatisation opportunities.

Other sectors

Consumer market

↑245.5%
$38m
Deal value

↑33.3%
4
Deal volume

↑2.7 pts
3.6%
Share of deal value

↑2 pts
8%
Share of deal volume

Metals and mining

↑100%
$95m
Deal value

↑200%
3
Deal volume

↑9 pts
9%
Share of deal value

↑4 pts
6%
Share of deal volume

Industrial products

↑100%
$45m
Deal value

↓50%
2
Deal volume

↑4.3 pts
4.3%
Share of deal value

↓4 pts
4%
Share of deal volume

Banking and insurance

↑100%
$39m
Deal value

2
Deal volume

↑3.7 pts
3.7%
Share of deal value

4%
Share of deal volume

Oil and gas

↑100%
$25m
Deal value

↑100%
2
Deal volume

↑2.4 pts
2.4%
Share of deal value

↑4 pts
4%
Share of deal volume

Healthcare and pharmatheuticals

Deal value

↓33.3%
2
Deal volume

Share of deal value

↓2 pts
4%
Share of deal volume

Communications and media

↓76.9%
$120m
Deal value

↓50%
1
Deal volume

↓30.3 pts
11.4%
Share of deal value

↓2 pts
2%
Share of deal volume

Transport and infrastructure

↓86.7%
$10m
Deal value

↓85.7%
1
Deal volume

↓5.1 pts
1%
Share of deal value

↓12 pts
2%
Share of deal volume

2025 Outlook

2025 Outlook

The Ukrainian M&A market is expected to navigate complex domestic and global challenges in 2025. While resilience and adaptability have characterised the market in recent years, factors such as the ongoing war, macroeconomic uncertainties, and evolving geopolitical dynamics will influence activity in the year ahead.

Ukraine has made considerable progress in recovering from the initial shock of Russia's full-scale invasion, though the evolution of the war into a protracted attritional conflict continues to place strain on the nation's resources and act as a brake to economic growth. A more favourable investment environment will depend on the potential for further international financial assistance, the capacity to stabilise Ukraine's energy sector, and consistent implementation of structural reforms. As Ukraine navigates these complexities, its ability to align reform efforts with investment opportunities will be crucial for attracting both domestic and international investors, fostering sustainable growth amidst ongoing uncertainty.

Crucial international support offers hope. Ukraine enters 2025 with greater financial certainty compared to the previous year, supported by robust external financing commitments. Though Ukraine's 2025 budget projects a deficit amounting to approximately 19% of GDP, USD38.4 billion in external funding sources are expected to cover the vast majority of this shortfall. Accounting for 40% of total budget expenditures, external financing will remain critical for sustaining social and non-defence-related spending.

Unlike early 2024, when key financial frameworks were still pending approval, Ukraine now benefits from established programmes. Coming into effect in the previous year, the EU's Ukraine Facility programme should disburse EUR12.5 billion in 2025, while the IMF also plans to provide USD2.7 billion in loans for budget support. A significant portion of external financing will be channelled through the G7 Extraordinary Revenue Acceleration for Ukraine (ERA) mechanism, unlocking up to USD50 billion in funds financed from the income generated by frozen Russian assets. USD1 billion has already been provided and discussions are underway regarding the optimal allocation of these funds between 2025 and future periods.

Disbursements are conditional on implementing critical reforms, though the availability of these facilities already significantly reduces uncertainty; enhancing predictability to enable improved planning for use of public resources. Ukraine's improved fiscal framework in 2025 therefore reflects a more structured approach to managing economic resilience and fostering stability in recovery efforts.

GDP Growth and Economic Drivers. Ukraine's economic growth is expected to face headwinds in 2025, with the government projecting real GDP growth to slow to 2.7% (compared to 3.5% growth in 2024), similar to IMF 2025 estimates which range between 2.5–3.5%. According to Dragon Capital and ICU Investment Group, this deceleration reflects the challenges posed by damage to energy infrastructure and labour shortages which both pose significant constraints on economic recovery. These structural factors will contribute to the persistence of rising inflationary pressures throughout early 2025, also influenced by temporary seasonal factors such as lower crop yields. Hryvnia depreciation against hard currencies will also exert an upward pressure on prices and the Ministry of Economy projects an average exchange rate of UAH45/USD in 2025. After these initial months, however, the NBU anticipates inflation will decline once more in the second half of the year, more closely aligning with long-term targets of 5%.

War Insurance and Collaborative Initiatives. Dragon Capital and the Institute for Economic Research and Policy Consulting (IER) observe that scaling up war risk insurance programmes could provide a potentially significant boost to economic growth in Ukraine. Legislation passed at the end of 2023 to enable investment insurance through the Export Credit Agency (ECA) was step in the right direction, though tangible progress has been limited. Two additional war risk insurance initiatives were introduced in 2024 in collaboration with international reinsurance broker AON to support both investors and small- and medium-sized enterprises (SMEs): (i) a war risk reinsurance mechanism in partnership with the DFC and insurer ARX, and (ii) the Ukraine Recovery Guarantee Facility (URGF) from the European Bank of Reconstruction and Development (EBRD).

Insurance firms have also continued to establish themselves as a major players on Ukraine's war risk insurance landscape in recent months, with the launch of FortuneGuard, a Lloyd's Lab insurtech solution in January 2025. The Ukraine War Risk Insurance Facility, launched as a collaboration with McGill and Partners, a Lloyd's broker, and leading Ukrainian insurance company ARX, provides insurance options against aerial damage for commercial property and investments in Ukraine. This essential initiative has an insurance capacity of up to USD50 million per risk, significantly increasing existing limits and addressing a critical gap in the Ukrainian market.

A vital step forward, these programmes address the heightened risk environment and will seek to attract investment while safeguarding SMEs. Implementing and scaling these programmes effectively will be pivotal to fostering economic stability and growth in 2025.

Energy Sector Resilience. The continued threat of Russian missile and drone attacks on Ukraine's energy infrastructure underscores a critical need to accelerate reforms and develop a more resilient energy system, with the public and private sector equally recognising the importance of distributed generation capacities, enhanced power efficiency, energy independence, and the key role that renewables must play in achieving these objectives. Transformational investments to strengthen energy autonomy are taking place to address energy vulnerability, with large-scale wind power projects and increasing investment in energy storage systems emerging as strategic priorities. Concerns about energy independence are also driving leading Ukrainian businesses to invest in rooftop solar power stations and other innovative energy solutions, as well as large-scale initiatives attracting investment from other international players in renewable energy generation.

International financial support will be instrumental in sustaining sectoral recovery and development: continued backing from the EBRD, the EIB, and the US (as part of the USD825 million Memorandum on Energy Resilience) will bolster efforts to rebuild and modernise Ukraine's energy infrastructure.

As a cornerstone of Ukraine's economic recovery, the energy sector's focus on sustainability and independence will be pivotal. Despite persistent challenges, the combination of domestic reforms, international financing, and corporate innovation provides a promising outlook, fostering a more secure and sustainable domestic energy future.

The Ukrainian Defence Industry has naturally grown into a driving force behind the country's national security and economic growth, shaping Ukraine's future amidst Russia's ongoing full-scale invasion. As the war continues into 2025, military spending is set to rise further, underscoring the sector's critical importance. The 2025 Ukrainian state budget allocates UAH2.23 trillion to defence spending – an increase of UAH47.6 billion compared to 2024 – representing 26.3% of projected GDP.

Despite this overwhelming focus on defence, the domestic arms industry remains a source of untapped potential. According to former Minister of Strategic Industries Oleksandr Kamyshin, Ukrainian manufacturers have the capacity to produce USD10 billion worth of weapons beyond Ukraine's purchasing capacity. To bridge this gap, several European countries, including Denmark, Sweden, Norway, and Lithuania, have contributed to purchasing military equipment from Ukrainian manufacturers. Denmark also leads plans to establish an international fund to finance military purchases from Ukrainian producers with greater efficiency than western supplies.

Ukraine is also prioritising the localised arms production to enhance domestic technological capabilities, bolstering national security while contributing to long-term economic growth. Joint ventures with leading western defence manufacturers continue to advance, strengthening Ukraine's ability to develop high-tech defence solutions and positioning the country as a future global defence powerhouse.

Underscoring the defence industry's role in Ukraine's economic recovery, foreign and domestic investment will ensure the country remains strategically prepared while encouraging innovation and technological advancement in a time of profound uncertainty.

Readiness for Investment. As the initial shock of the full-scale invasion subsides, local and international investors are returning to Ukraine in moves that demonstrate a growing willingness to identify viable projects in the Ukrainian market and proactively explore opportunities despite Russia's ongoing war of aggression. However, according to Mykhailo Granchak, Managing Director of Investment Banking Services at Dragon Capital, 80% of Ukrainian businesses lack well-developed investment projects. This absence of a robust investment culture presents an obstacle to both inbound and domestic M&A activity, limiting business' ability to attract capital and strategic partnerships. Local businesses also tend to prioritise investments in their own operations rather than exploring growth opportunities through M&A.

Addressing these issues will be critical to unlocking Ukraine's M&A potential in 2025. Strengthening the investment culture, improving the quality of business proposals, and pushing collaboration between local enterprises and international investors is necessary to spur on the next wave of deal-making and drive economic growth.

Uncertainty impacts M&A Activity. Domestic challenges and potential global shifts will clearly influence Ukraine's economic and security landscape in 2025, particularly in light of current and anticipated changes in the administrations of Ukraine's key international partners. Investment decisions will no doubt be affected and short-term M&A activity could be more muted as a consequence. Uncertainty remains regarding both the timing and terms of any potential ceasefire or the viability of subsequent peace negotiations (if any).

A meaningful rebound in M&A will therefore depend on clear and verifiable signposts of stability and economic recovery. Large-scale reconstruction efforts in Ukraine could serve as a catalyst for internal investment projects, as well as across Central and Eastern European: creating new opportunities for regional M&A.

Ukraine's proven ability to navigate uncertainty, secure international financial support, and build collaborative initiatives will be crucial in shaping the narrative of its economic growth in 2025.

Any meaningful rebound in M&A activity depends on sustained progress in structural reforms, macroeconomic stability, and evidence of recovery. Securing international financial support, reducing war-related uncertainty, and working towards shared goals will remain national priorities that shape positive investor sentiment. Beyond reconstruction, Ukraine has the resources and business environment to play a growing role in the regional M&A landscape with significant potential for long-term economic transformation.

While challenges persist, 2025 present Ukraine with the chance to further align economic development and investment strategies, strengthening its position among democratic partner nations.

KPMG Ukraine M&A Database

This report is based on the KPMG M&A database for Ukraine which includes transactions where either the target (inbound) or acquirer (outbound) or both (domestic) are Ukrainian. All data is based on transactions completed between 1 January and 31 December 2024, or announced during this period but pending as at 31 December 2024. Historical data may differ from earlier versions of this report as the KPMG M&A Radar database is updated retrospectively for lapsed deals and information subsequently made public. The KPMG M&A Radar database has been complied over a number of years based on information included in the Mergemarket M&A deals database and Refinitiv database, together with KPMG desktop research from other sources.

This data includes transactions valued in excess of USD5 million, as well as transactions with undisclosed deal values where the target's turnover exceeds USD10 million. Deal values are based on data included by Mergermarket, Refinitiv, as well as company press releases and market estimates disclosed in the public domain. Transaction values were not publicly disclosed for 54% of known Ukrainian M&A deals between 2013 and 2024. This low level of transparency may distort the data included in the KPMG M&A Radar database and the comparability of deal data from one period to another.

Allocation of deals to industry sectors may involve using our own judgment and is therefore necessarily subjective. We have not extensively verified all data within the KPMG M&A Radar database and cannot be held responsible for its accuracy or completeness. Analysis of different databases and information sources may yield deviating results from those presented in this report.

Classification of the deal type between inbound, outbound, or domestic was made based on information in the sources available and from the public domain concerning the dominant geography of the acquirer's major shareholders and/or headquarters, as well as the dominant geography of the target (in turnover or asset terms).

Macroeconomic data

Macro trend	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
GDP, UAH bln, nominal	5,451	5,239	6,538	8,053	9,834	11,602	13,550	15,729	18,314
GDP, USD bln, nominal	199,770	161,990	178,760	200,600	224,600	258,600	298,700	346,100	403,600
Growth, real % YoY	3.4%	(28.8%)	5.3%	3.7%	3.9%	5.9%	4.5%	4.4%	4.5%
CPI: average, % YoY	9.4%	20.2%	12.9%	6.5%	12.8%	6%	4.7%	5.2%	5%
CPI: period-end, % YoY	10%	26.6%	5.1%	12.3%	7.3%	6.7%	3.1%	6.6%	4.6%
Gross fixed investment, real % YoY	9.3%	(33.9%)	52.9%	9.4%	10.1%	13.7%	6.7%	6.4%	5.5%
Industrial production, real % YoY	1.9%	(36.7%)	6.8%	1.5%	3.6%	6.1%	4.4%	4.9%	4.1%
Agricultural output, % change YoY	14.5%	(25.5%)	7.6%	1.5%	4.9%	5%	3.6%	4.4%	5%
Bank average lending rate, %	13.3%	18.6%	22.1%	19.5%	18.9%	14.9%	13.8%	12.5%	12.4%
Real disposable income, % YoY	(4.6%)	3.1%	4.9%	(1.7%)	3.3%	2.8%	4.4%	2.8%	4.7%
Unemployment, % EOP	9.9%	19.9%	19.2%	14.7%	14.8%	13.8%	10.9%	9.3%	9.1%
Budget, balance % of GDP	(3.4%)	(16.2%)	(20.4%)	(19%)	(18.6%)	(14.2%)	(9.5%)	(7%)	(4.8%)
Current account % of GDP	(1.9%)	4.9%	(5.4%)	(7.5%)	(8.6%)	(8.8%)	(7.8%)	(6.6%)	(4.9%)
UAH/USD, year-end	27	37	38	42	45	45	45	45	45
UAH/USD, average	27	32	37	40	44	45	45	45	45

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.ua