

# OVERVIEW OF THE TOP 30 UKRAINIAN IT COMPANIES



# INTRODUCTION

In March 2023, the State Statistics Service published<sup>1</sup> the financial statements of companies for 2022. Despite the fact that not all companies have submitted financial statements due to the war, it is currently the most comprehensive legally and publicly available database of financial statements of Ukrainian companies, with more than 350 thousand records. Financial statements in the form of open data provides additional opportunities for journalists and anti-corruption activists, allows businesses to find more about their counterparties, and are an important source of data for analysts and scientists. Together with other non-governmental organisations and businesses, the Better Regulation Delivery Office (BRDO) advocated for the publication of financial statements<sup>23</sup>.

For a long time, analysts and observers of the Ukrainian IT market have relied on expert opinions and generalised statistics for their analysis. The availability of financial statements of specific legal entities allows us to consider this industry in more detail. In this overview, we use the financial statements of the Top 30 IT companies by net revenue. The sample included companies which indicated one of the following as a primary NACE codes: 58.21, 58.29, 62.01, 62.02, 62.03, 62.09, 63.11, and submitted 2022 financial statements to the statistical authorities.

A significant limitation of this overview is the complex corporate structures of companies. For example, some groups of companies include several (and sometimes dozens) legal entities. This overview covers 30 legal entities, except for one section that also covers groups of companies. Another limitation is that only 30 legal entities are considered. The information and findings of this overview should not be generalised to the entire IT market. Finally, some companies did not submit financial statements for 2022 to the statistical authorities.

This overview was prepared by Dmytro Lebedyev and Ihor Samokhodskyi, experts of IT&Telecom sector of BRDO.

We are grateful to **YouControl** analytical service for providing the data and helping us analyse it.



**FOR YEARS, THE PUBLIC HAS BEEN DEMANDING FOR THE FINANCIAL STATEMENTS OF COMPANIES TO BE PUBLISHED AS OPEN DATA. IN MARCH 2023, THE STATE STATISTICS SERVICE FINALLY PUBLISHED THE 2022 FINANCIAL STATEMENTS DATASET. THE AVAILABILITY OF FINANCIAL STATEMENTS OF SPECIFIC LEGAL ENTITIES ALLOWED BRDO ANALYSTS TO TAKE A CLOSER LOOK AT IT INDUSTRY.**

<sup>1</sup> <https://data.gov.ua/dataset/7436ae83-dfcl-4836-9962-8af3e83lc522>  
<sup>2</sup> <https://brdo.com.ua/news/fahivtsi-z-vidkrytyh-danyh-vymagayut-vid-podatkovoyi-min-yustu-ta-derzhstatu-oprylyudnyty-finzvitnist-kompanij>  
<sup>3</sup> <https://www.rise.org.ua/blog-ua/vidkrita-zayava-koalitsiyi-rise-ukraine-shchodo-zabezpechennya-dostupnosti-vidkritih-danih>

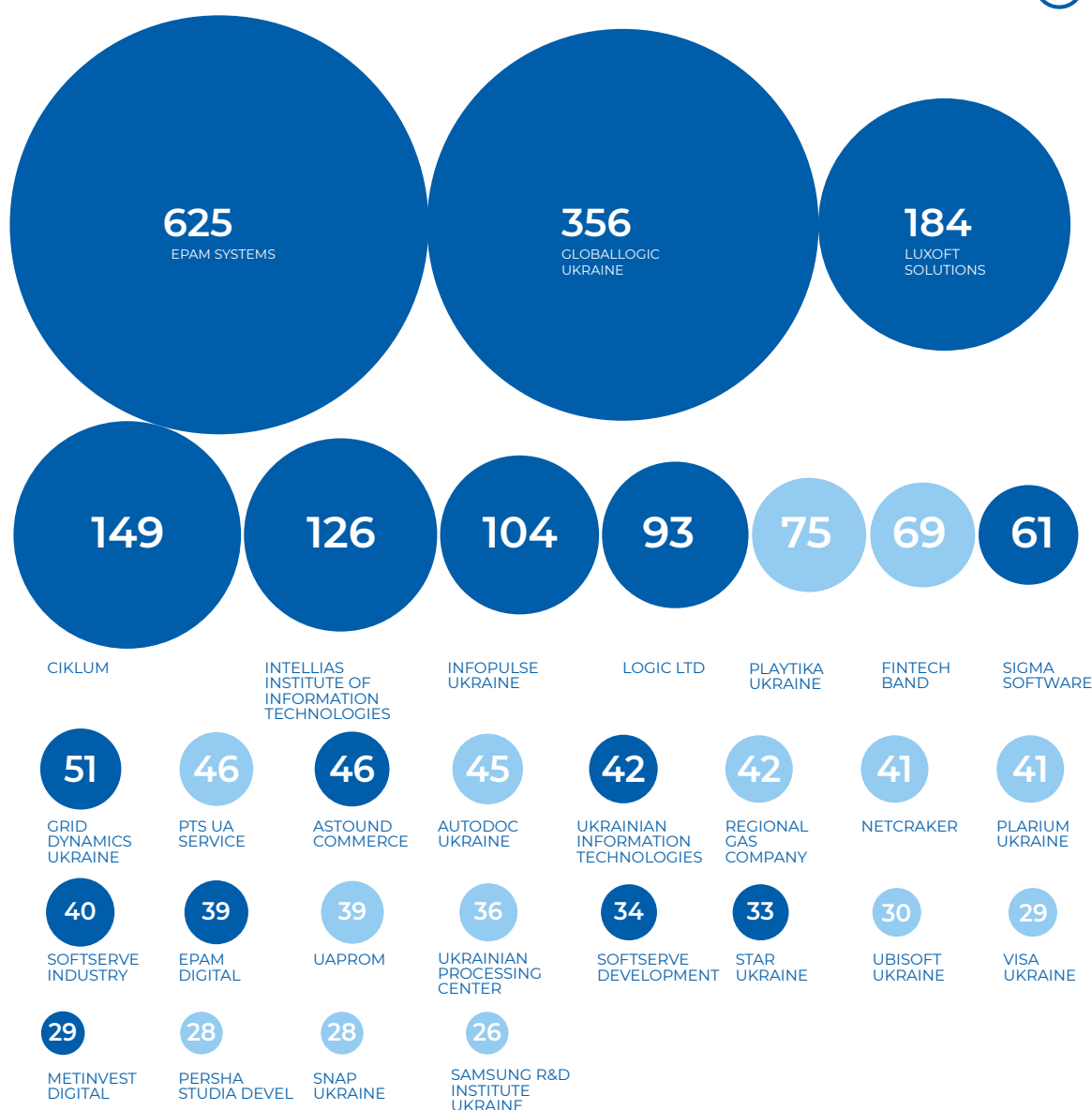
# NET REVENUE



Global service companies, such as EPAM, GlobalLogic, and Luxoft, enjoy the highest revenues. The Top 5 entities provided about 20% of IT services exports in 2022.

The list also includes smaller service companies, R&D centers of foreign product companies (legal entities of Samsung, Ubisoft, Snap), and Ukrainian product companies (legal entities of EVO, AUTODOC). The business of some companies is not directly related to IT, although it involves a significant technological component. For example, two companies in the Top 30 are engaged in payment processing (Ukrainian Processing Center, PJSC, and Visa Ukraine, LLC). Fintech Band, LLC develops the monobank online banking service, and Regional Gas Company, LLC supplies gas to end users and develops equipment for gas distribution.

## Top 30 IT companies by net income in 2022, \$ million



Data Source: State Statistics Service<sup>4</sup>, aggregated by YouControl. Service companies are marked in blue, product companies and R&D centers are marked in light blue.

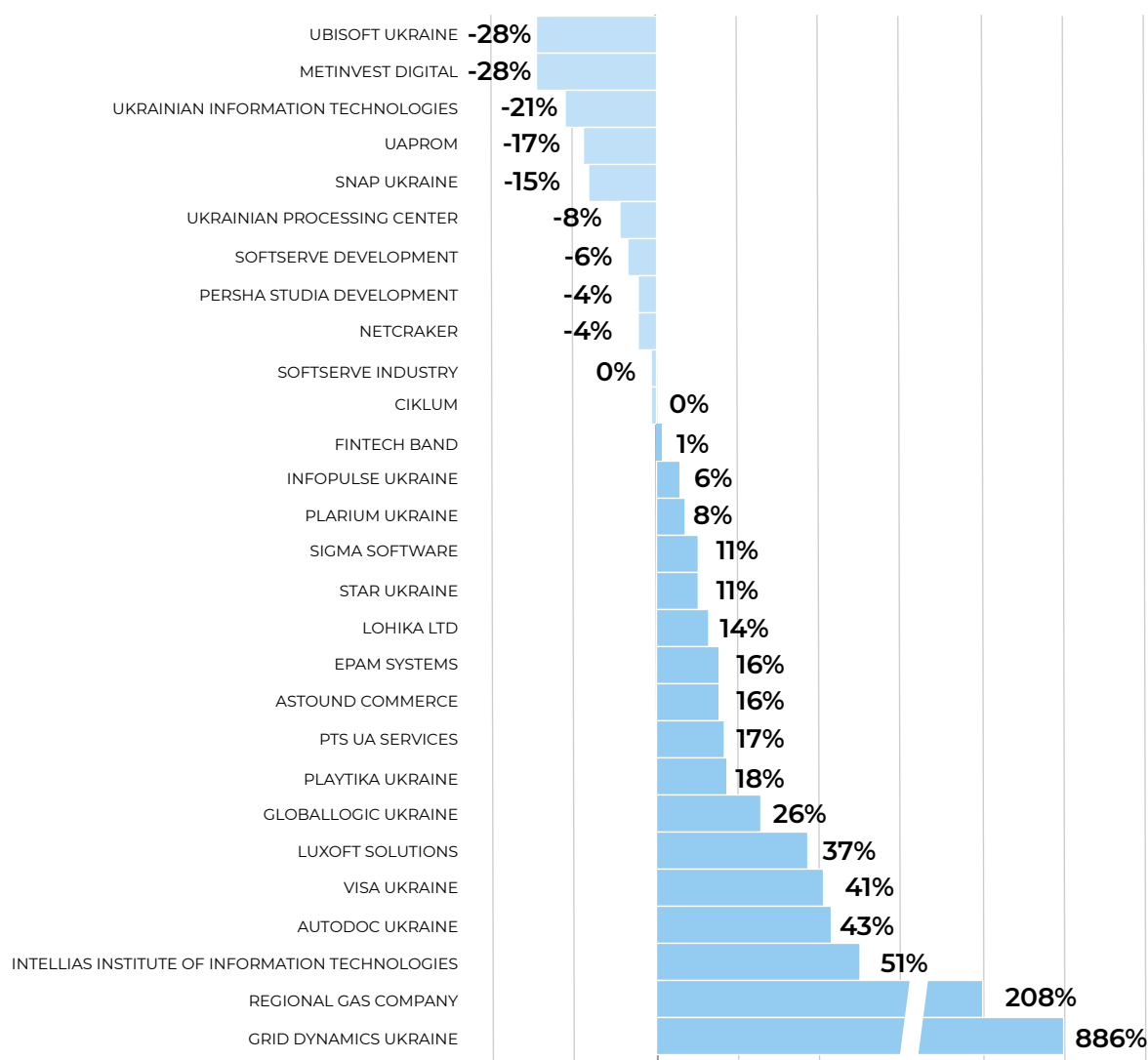
The wartime year of 2022 had a different impact on market participants. Overall, the IT market continued to grow, with the Top 30 companies generating \$412 million more revenues than in 2021 (61% of this increase is attributed to the five largest service companies).



## DESPITE THE WAR, THE TOP 30 IT COMPANIES IN UKRAINE RECEIVED \$412 MILLION MORE REVENUE IN 2022 THAN IN 2021.

However, ten companies on the list closed 2022 with less revenue than in 2021. For some companies, this is due to a decrease in demand for their services within Ukraine (for example, for the owner of Ukrainian marketplaces, UAPROM, LLC), while for others this is due to the decision to reduce their presence in Ukraine (for example, for Ubisoft Ukraine, LLC).

### Net revenue growth, %



Data Source: State Statistics Service, aggregated by YouControl, calculations by BRDO.



# **THERE ARE DOUBTS ABOUT THE RELIABILITY OF INFORMATION ABOUT UKRAINIAN IT COMPANIES WITH A REPORTED REVENUE PER EMPLOYEE BELOW \$2.6 THOUSAND PER MONTH.**

Most companies receive \$4 to \$5 thousand in revenues per month per employee (the number of employees was obtained through a survey of companies conducted by dou.ua). Gaming software companies (Playtika, LLC and PTS UA Services, LLC) receive somewhat more. The median compensation of a Middle Software Engineer is \$2.6 thousand per month<sup>5</sup>.

There are doubts about the reliability of information about companies with revenue per employee below this amount.

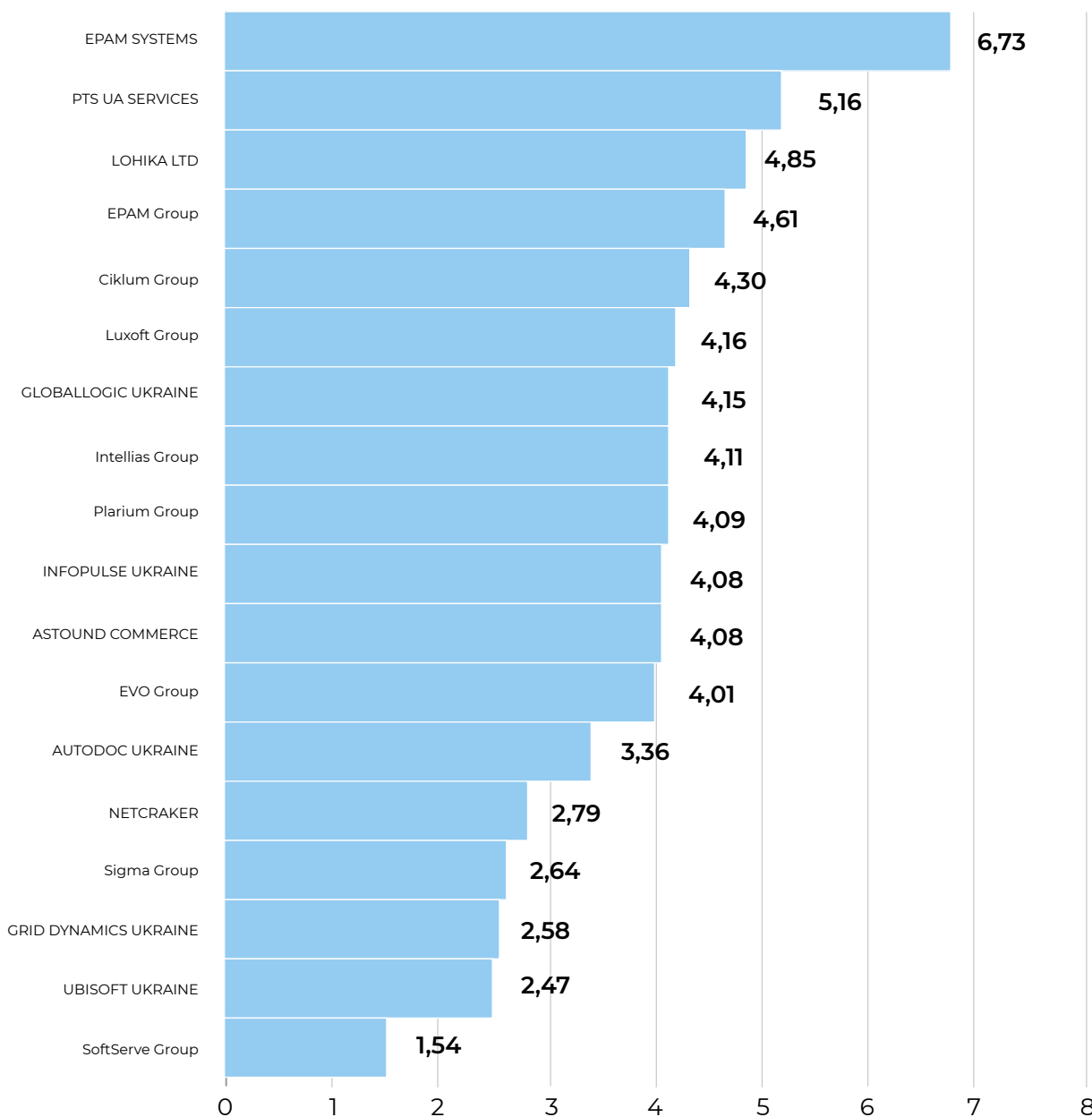
The variation in revenue per employee can be explained by the specifics of products and services, the different proportions of technical and non-technical employees, and financial and legal models that allow for a reduction in the amount of revenue of a legal entity.

The amount of income reported in the financial statements does not always correspond to the actual income of a company. Ukrainian legal entities may provide services to their parent companies for an amount sufficient only to cover expenses, leaving part of the total revenue in another jurisdiction.

There is also a widespread practice of employees working directly for the parent office, formally bypassing Ukrainian legal entities. In this case, a Ukrainian legal entity does not receive any revenue, although the presence of this employee is reported in the dou.ua survey.

Finally, the abnormally low income per employee may be due to the fact that there are legal entities in the group of companies that the authors failed to identify.

## Monthly revenue per employee, \$ thousand



Data Source: State Statistics Service, aggregated by YouControl, dou.ua. Companies whose legal entities are in the Top30 in terms of revenue and in the Top 50 in terms of the number of employees according to the dou.ua survey<sup>6</sup>. For correctness of the calculation, the legal entities with the relevant NACE codes that are related to legal entities in the Top 30 were also taken into account<sup>7</sup>. The number of employees is the average between the January 2022 and January 2023 surveys.

<sup>6</sup> <https://dou.ua/lenta/articles/top-50-winter-2023/?from=doufp>

<sup>7</sup> EPAM Group: EPAM SYSTEMS, LLC, EPAM DIGITAL, LLC, EPAM SOLUTIONS, LLC; LuxoftGroup : LUXOFT SOLUTIONS, LLC, LUXOFT UKRAINE, LLC

EVO Group: UAPROM, LLC, ZAKUPKI.PROM.UA, LLC, VCHASNO SERVICE, LLC, EVO CLOUD, LLC;

SoftServe Group: SOFTSERVE INDUSTRY, LLC, SOFTSERVE DEVELOPMENT, LLC, UKRAINIAN INFORMATION TECHNOLOGIES, LLC, SOFTSERVE MUNICIPAL TECHNOLOGIES, LLC, IT TECHNORESOURCE, LLC, SOFTSERVE UKRAINE, LLC, SOFTSERVE INNOVATIONS, LLC, SOFTSERVE INTEGRATION, LLC, «Softserv», LLC;

Plarium Group: PLARIUM UKRAINE, LLC, PLARIUM KYIV, LLC; Ciklum Group: CIKLUM, LLC, CIKLUM UKRAINE, LLC;

Intellias Group: «INTELLIAS INSTITUTE OF INFORMATION TECHNOLOGIES, LLC, INTELLIAS CONSULTING, LLC; Sigma Group: SIGMA SOFTWARE, LLC, SIGMA SOFTWARE DS, LLC.

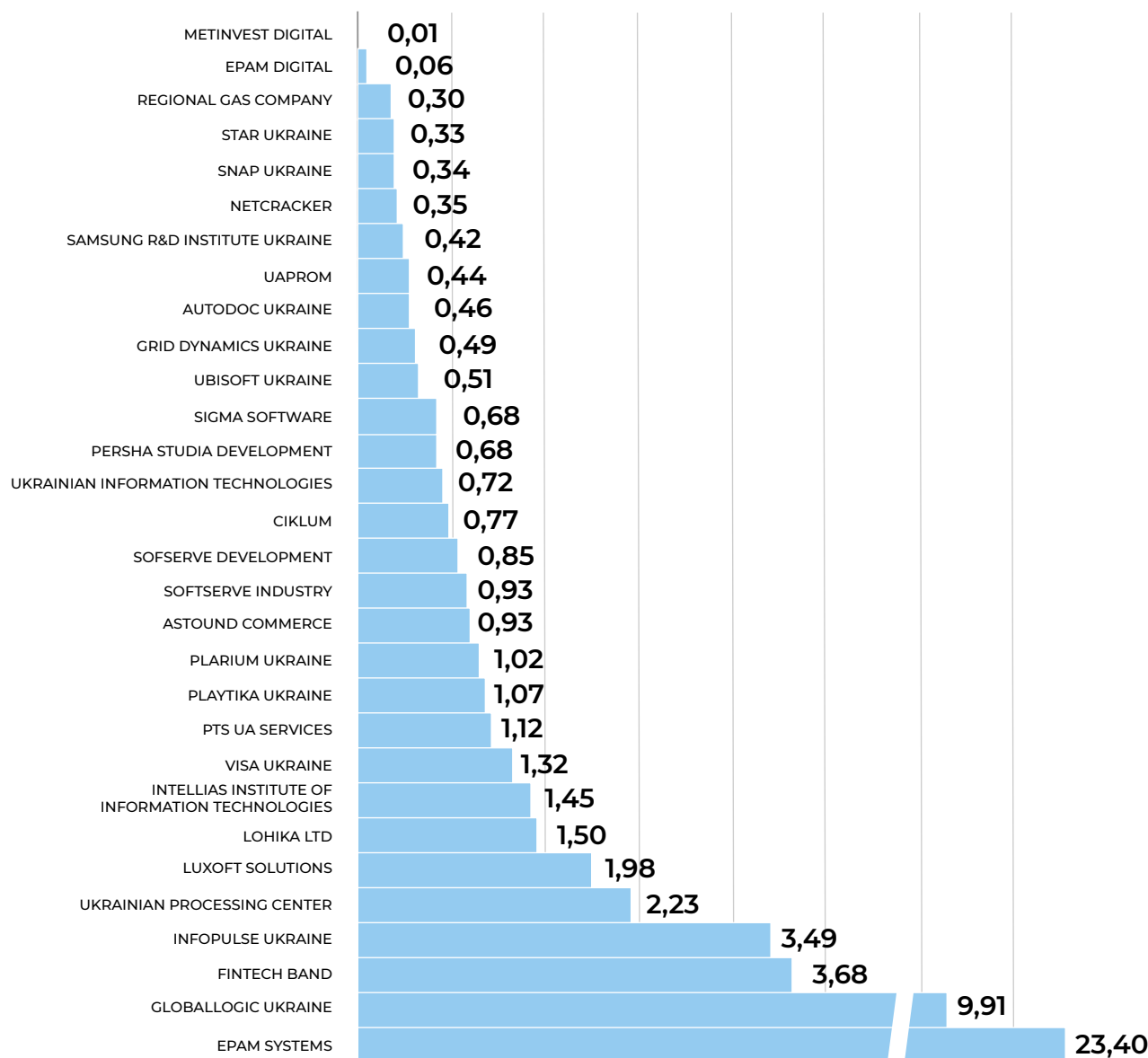
# CORPORATE INCOME TAX





In 2022, the top 30 companies paid a total of \$ 61.5 million in corporate income tax. The two largest taxpayers are EPAM SYSTEMS, LLC and GLOBALLOGIC UKRAINE, LLC. At the same time, the top five companies include smaller ones, such as Fintech Band, LLC (9th in terms of revenue) and Ukrainian Processing Center, LLC (22nd in terms of revenue).

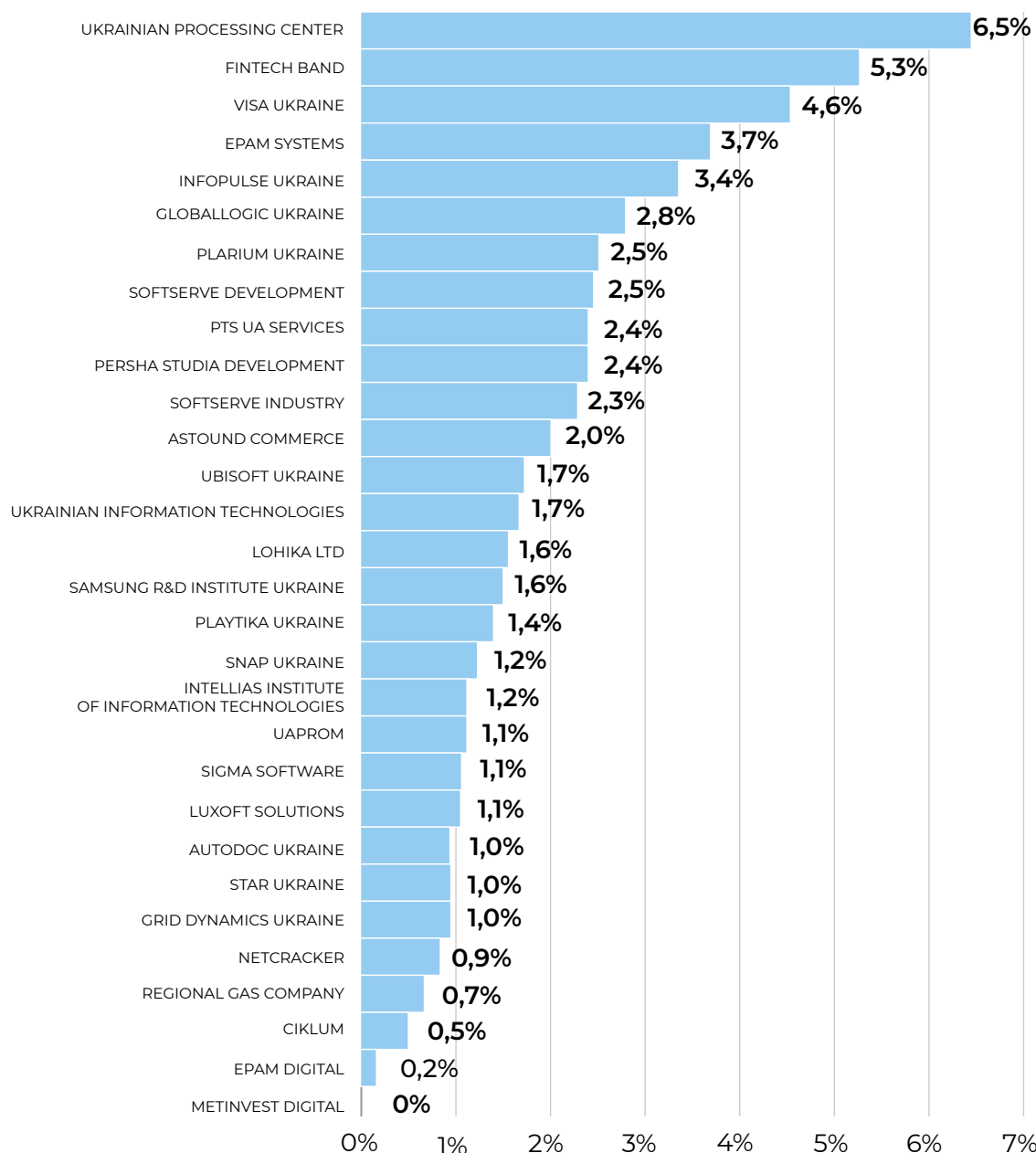
## Corporate income tax paid, \$ thousand



Data Source: State Statistics Service, aggregated by YouControl.

Low ratio of corporate income tax to revenue can be indicative of thin margins or tax optimisation practices. This indicator is widely used by businesses and by the State Tax Service. Most companies in the Top 30 pay 1-3% of their net revenue in corporate income tax. The companies with highest margins (Ukrainian Processing Center, PJSC, Fintech Band, LLC, Snap, Visa Ukraine, LLC) pay more taxes.

## Share of corporate income tax in total revenue, %



Data Source: State Statistics Service, aggregated by YouControl. Total revenue is calculated as the sum of the «Net revenue», «Other operating income», «Other financial income», and «Other income» fields

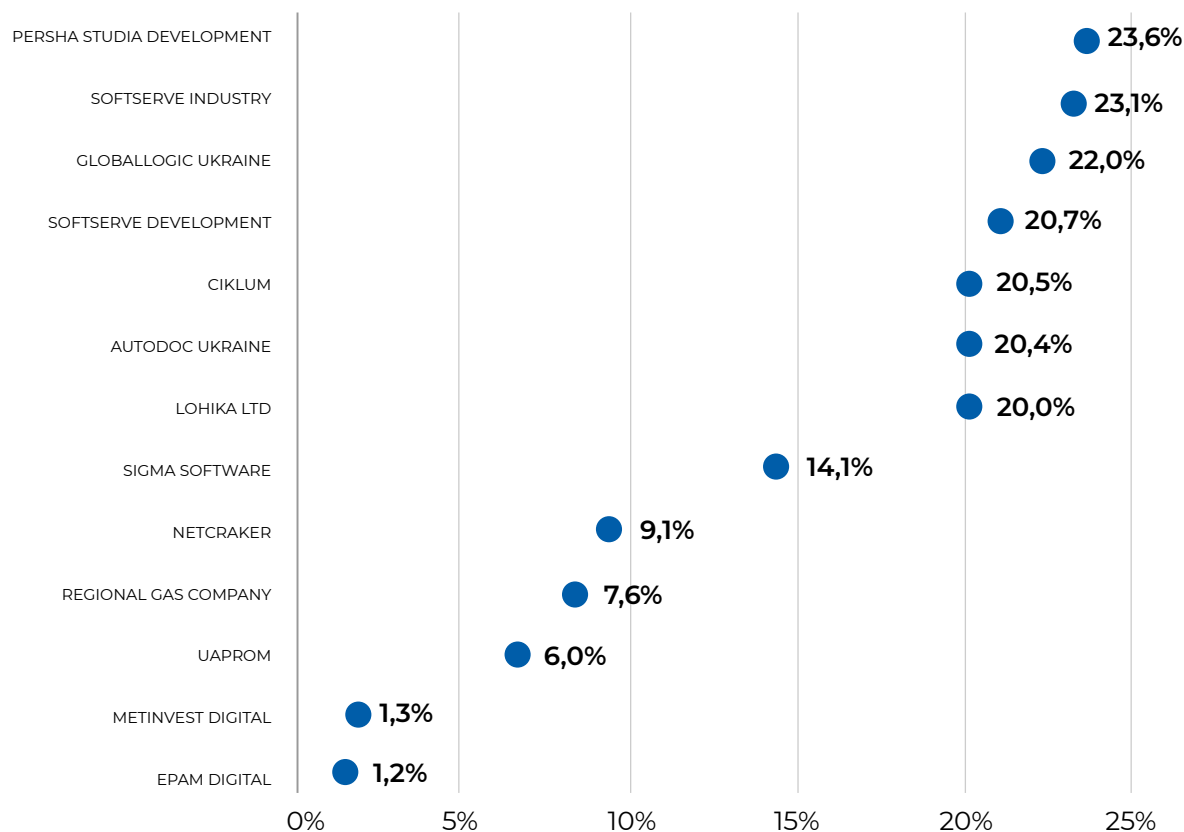
The weighted average effective corporate income tax rate<sup>8</sup> among the Top 30 companies was 18.1%, with a nominal rate of 18%. At the same time, there is considerable variation across individual companies. Seven companies pay more than 20% and six companies pay less than 15%.

The difference between the nominal corporate income tax rate and the effective tax rate may be due to specific accounting policies, tax credits or liabilities, special tax regimes, etc.

8 Ratio of actual taxes paid to financial performance before tax



## Effective corporate income tax rate, %



Data Source: State Statistics Service, aggregated by YouControl, calculation by BRDO. The chart shows companies whose effective rate differs from 18% by 1 percentage point or more.

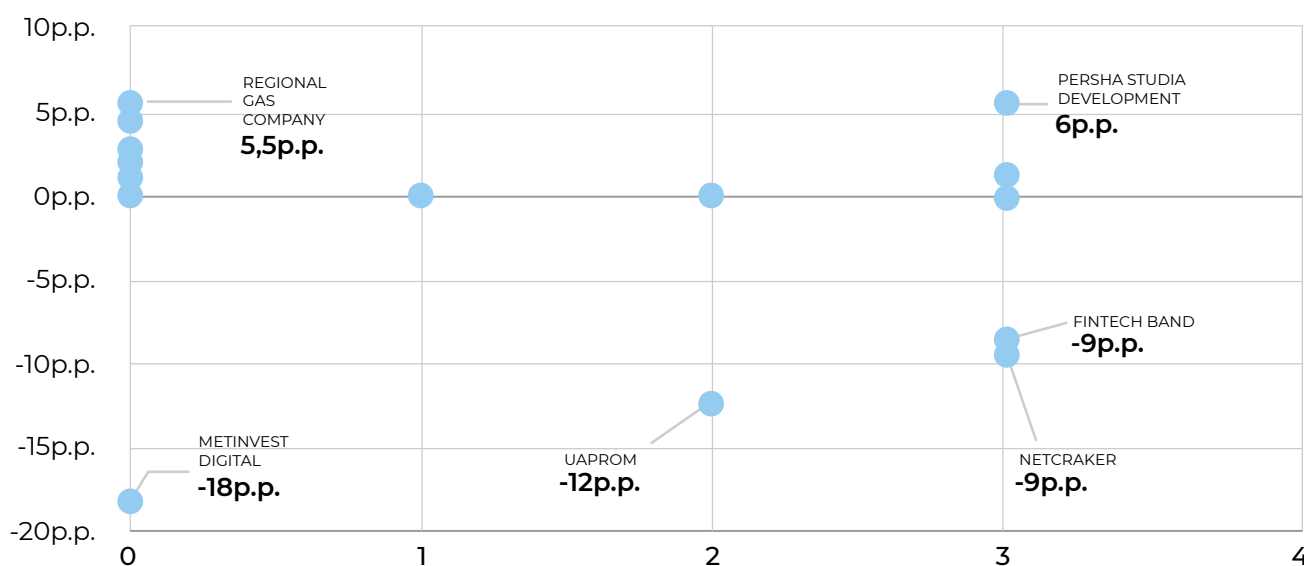
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**IN 2022, A SPECIAL TAX REGIME WAS INTRODUCED FOR IT COMPANIES AS PART OF THE DIIA.CITY RESIDENCY – THE EXIT CAPITAL TAX. OF 8 COMPANIES THAT BECAME RESIDENTS IN 2022 AND PAID CORPORATE INCOME TAX IN 2021-2022, ONLY 3 REDUCED THEIR EFFECTIVE TAX RATE.**



In 2022, a special tax regime was introduced for IT companies as part of the Diia.City residency. Among other things, it allows to choose special conditions for corporate income taxation, namely taxation of certain transactions (dividends, sale of corporate rights, royalties, financial assistance, other expenses) at a rate of 9%. These special taxation conditions are known colloquially as the Exit Capital Tax (ECT). The ECT is supposed to reduce the tax burden on companies. Companies could take advantage of this opportunity only starting from the second quarter of 2022.

## Change (2022 vs. 2021) in the effective corporate income tax rate by the number of quarters spent as a resident of Diia.City, p.p.



Data Source: State Statistics Service, aggregated by YouControl, Ministry of Digital Transformation, BRDO calculations. Companies that have spent «0» quarters as Diia.City residents have not submitted an application or submitted it in IV quarter with the status of a resident to be acquired in 2023.

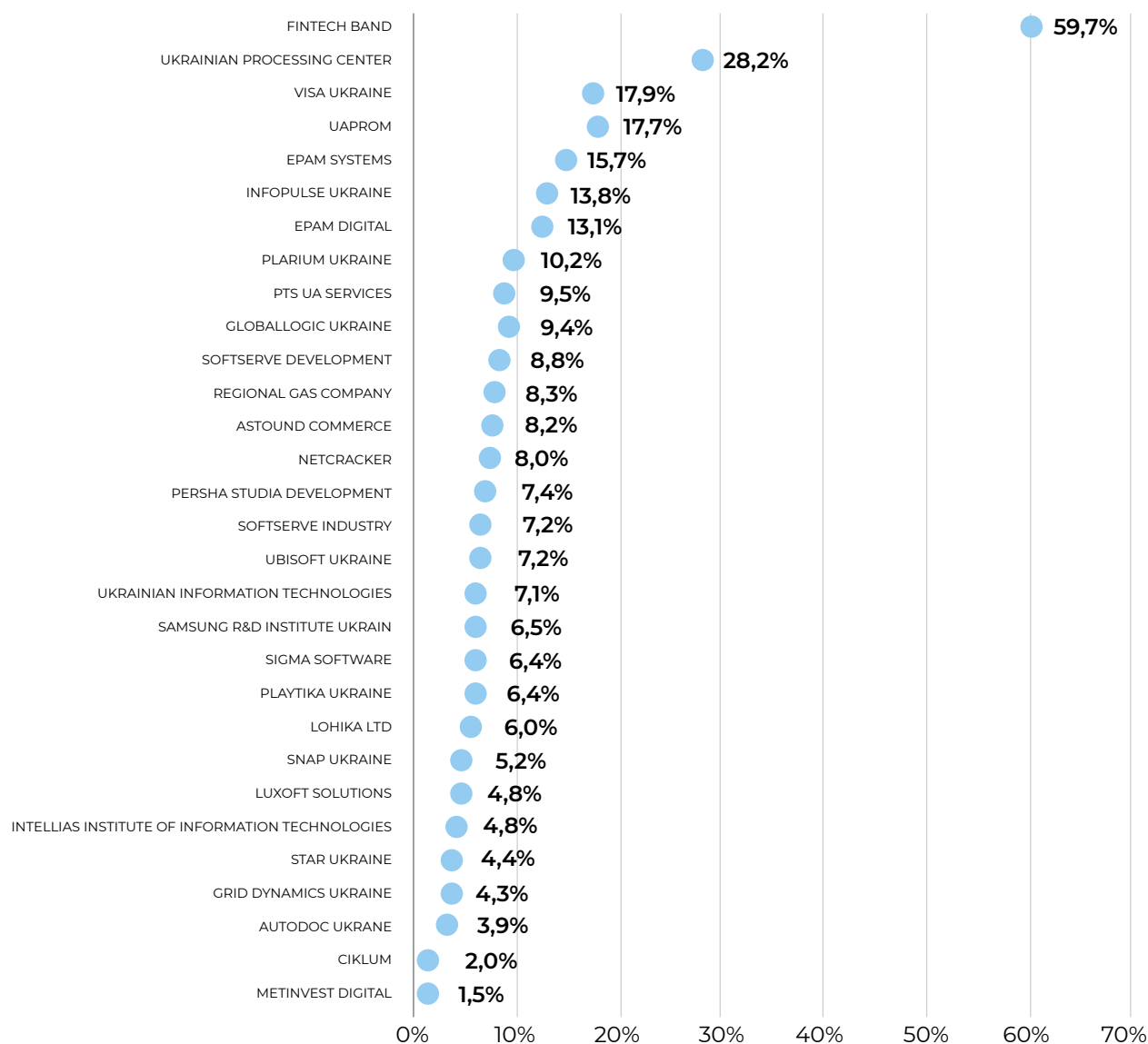
Of the eight companies that became Diia.City residents in 2022 and paid corporate income tax in 2021-2022, only three reduced their effective tax rate. At the same time, the effective corporate income tax rate for two companies even increased. It is unclear whether the decrease in the effective rate is due to the companies' choice of the ECT. This can be explored in more detail by analysing the financial statements of all companies that have chosen the ECT<sup>9</sup>.

# PROFITABILITY AND NET PROFIT



The net profit margin of most companies in the Top 30 is below 15%. Two product companies operating on the local market have uncommonly high margins: Fintech Band, LLC (60%) and UAPROM, LLC (18%), as well as both payment processing companies: Ukrainian Processing Center, PJSC (28%) and «Visa Ukraine (18%).

## Net profit margin, %

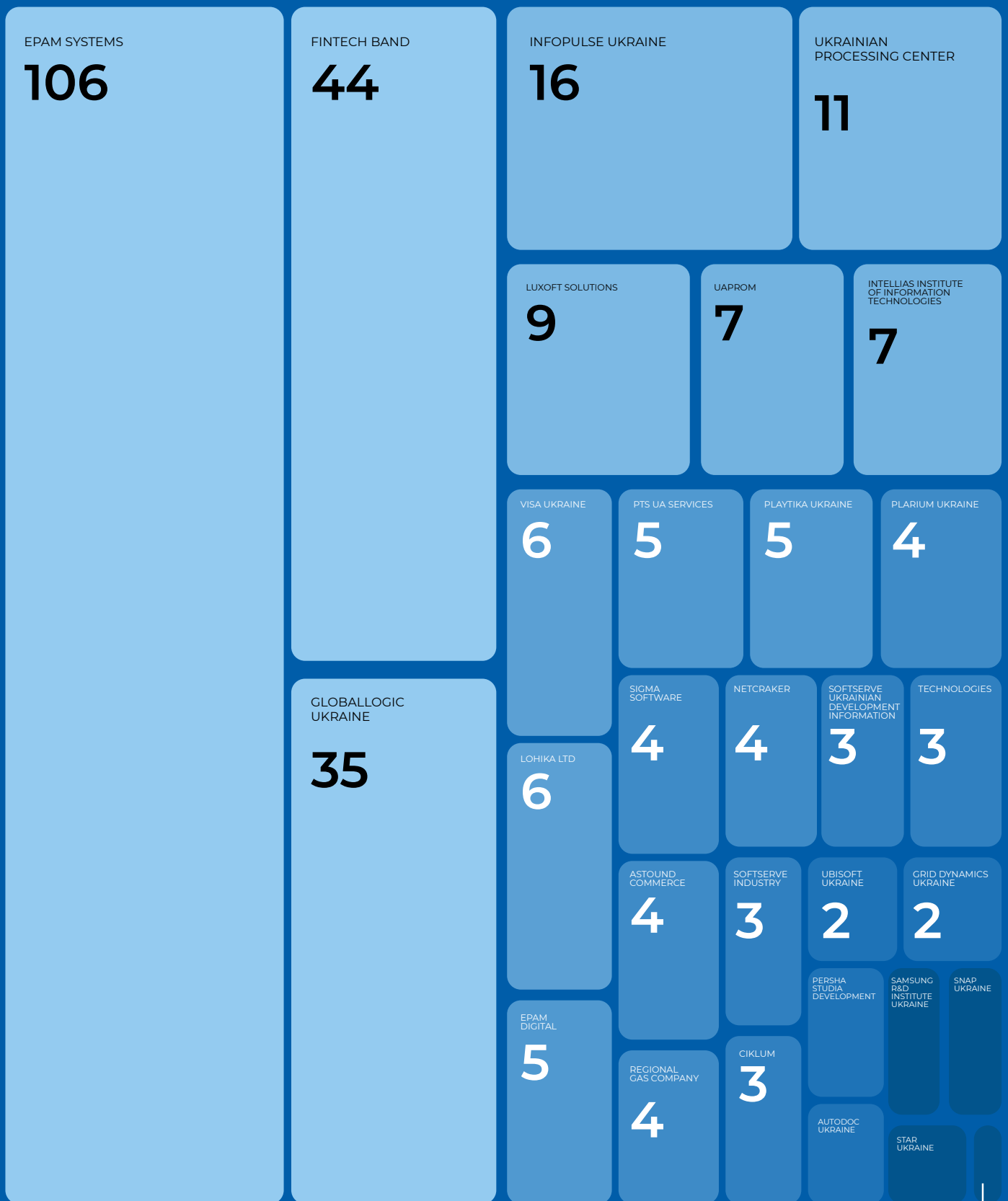


Data Source: State Statistics Service, aggregated by YouControl, calculations by BRDO. Margin is calculated as the ratio of net income to total revenue (Net revenue, Other operating income, Other financial income, Other income)

In 2022, the top 30 companies generated \$307 million in net income. The largest service companies, such as EPAM Systems, LLC and GlobalLogic Ukraine, LLC, and the aforementioned Fintech Band, LLC, have the highest profits. These three companies account for more than 60% of the net income of the Top 30 companies.



## Net income, \$ million



METINVEST  
DIGITAL

Data Source: State Statistics Service, aggregated by YouControl..



# EMPLOYEES



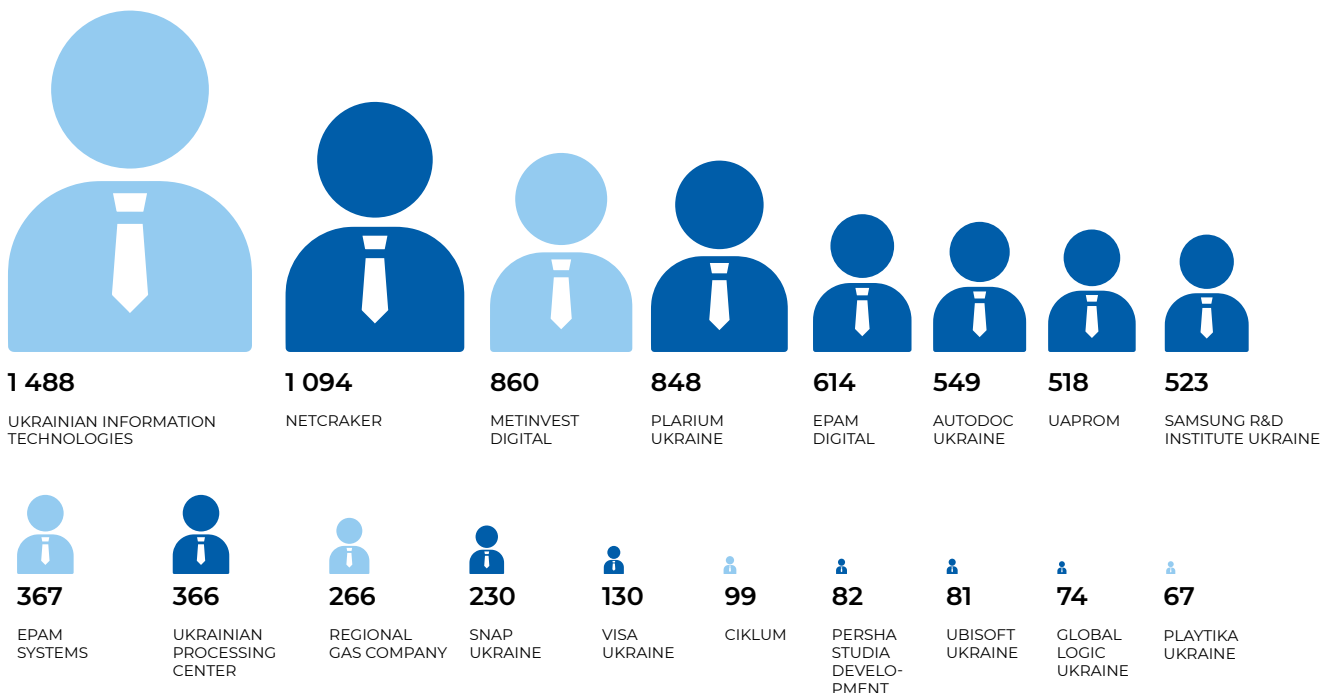


## THE DOMINANT MODEL AMONG THE TOP 30 IT COMPANIES IN UKRAINE INVOLVES CONTRACTING OF SOLE PROPRIETORS, RATHER THAN FORMAL HIRING OF EMPLOYEES.

Some of the Top 30 companies prefer to hire employees. At the same time, the dominant model still involves contracting of sole proprietors: 17 out of 30 companies have less than 100 employees, and 7 out of 30 have less than 10.

Most Diia.City residents from the Top 30 (12 out of 15) have at least 50 regular employees. Diia.City's residency allows labour taxation at lower rates and will limit the sole proprietorship model in the future. We expect companies that already hire employees to be more motivated to acquire residency status. It is also possible that companies will establish separate legal entities specifically for the purpose of obtaining the status of a Diia.City resident.

### Number of employees



Data Source: State Statistics Service, aggregated by YouControl, Ministry of Digital Transformation. The graph shows legal entities with more than 50 employees. Companies that are residents of Diia.City are highlighted in navy blue..

