



Review of Corporate Finance Market and Recent Trends

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Although it is hard to say that the financial crisis is completely over for Ukraine, there has been a lot of positive corporate finance activity in the last 6 months.

In the area of capital markets, the end of 2010 saw several large corporates, namely PrivatBank and Avangard, raising successfully USD200 million each through Eurobond offerings. In January 2011 Metinvest successfully established a USD1 billion Guaranteed MTN Program and issued USD750 million notes within this program. On the IPO front, Avangard, Milkiland and Agroton successfully did their public offerings in 2010, followed by KSG and IMK, which debuted on the Warsaw Stock Exchange in May this year. MHP and Kernel did secondary offerings at the end of 2010. We expect to see at least six other agricultural companies to try IPOs this year. The Eurobond activity has not been very active in 1H 2011, but we expect more Eurobond issuers in 2H 2011.

We also see a slow positive trend in the area of bank lending. Admittedly, mostly large corporates are able to attract bank financing, but the pool of such borrowers is gradually increasing. We have also seen a strong trend for trade financing covered by national export credit agencies. International financial institutions, namely IFC and EBRD, remain very active on the market.

Finally, in the M&A area the activity has picked-up in many sectors, with agriculture, FMCG, and financial services being the leading ones. The agricultural sector has experienced a lot of consolidation, especially in the sugar industry, where major sugar producers (Dakor, Rise, and UkrRos) have changed owners in early 2011. The financial institutions sector has seen the sale of VAB Bank and Renaissance Credit, as well as investment by Horizon Capital into UkrFinance Group, one of the largest debt purchase and collection businesses in Ukraine.

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