

THE ROLE OF EXTERNAL CONTECT IN THE M&A TRAJETORU OF UKRAINE'S IT SERVICES INDUSTRY

РОЛЬ ЗОВНІШНІХ ЧИННИКІВ В ТРАЄКТОРІЇ ЗЛИТТІВ ТА ПОГЛИНАНЬ НА РИНКУ ІТ-ПОСЛУГ УКРАЇНИ

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Abstract. *This article analyzes how mergers and acquisitions (M&A) activity in the Ukrainian IT services market has been influenced by the broader external context during the period 2016–2025. The research integrates evidence from publicly reported transactions, press releases, and industry sources with macroeconomic, geopolitical, and sectoral data to provide a comprehensive view of the forces shaping deal activity. Ukraine's IT services sector, while representing a modest share of the global market, has developed into a competitive and export-oriented industry characterized by a skilled workforce, cost advantages, and deep integration into global value chains. However, the trajectory of M&A in the sector has been strongly affected by shifts in the global IT services market, the impact of the COVID-19 pandemic, global macroeconomic cycles, and the unprecedented disruption caused by Russia's full-scale invasion in 2022.*

The study distinguishes three analytically significant phases: the pre-pandemic period (2016–2019), marked by steady expansion and inbound acquisitions from foreign strategics seeking delivery capacity in Ukraine; the pandemic-driven surge (2020–2021), which reinforced these trends under conditions of accelerated global digital transformation and abundant liquidity; and the post-2022 phase, characterized by market recalibration, weaker global demand, and heightened geopolitical risk, leading Ukrainian firms to pursue outbound acquisitions to diversify delivery geographies, access strategic markets, and strengthen resilience. Across all phases, the primary strategic rationale for deals remained the securing or expansion of delivery capabilities, although the means of achieving this shifted from inbound capacity-building to outbound diversification in response to the changing risk-return profile.

By situating M&A transactions within the interplay of global market cycles, macro-financial conditions, and domestic geopolitical realities, the article underscores the decisive role of context in shaping both the feasibility and the strategic direction of deals. The findings contribute to the academic literature by demonstrating that predictive models of M&A, particularly in emerging markets and volatile environments, can be significantly improved through the systematic incorporation of contextual variables alongside firm-level and industry-specific factors. These

insights are of practical value to investors, corporate strategists, and policymakers seeking to anticipate and navigate M&A opportunities in the IT services domain under conditions of uncertainty.

Keywords: *mergers and acquisitions, IT services, macroeconomic context, geopolitical risk, acquisition strategy, predictions, buyers, sellers, targets.*

Анотація. У цій статті аналізується вплив ширшого зовнішнього контексту на діяльність зі злиттів та поглинань (M&A) на українському ринку IT-послуг у період 2016–2025 років. Дослідження об'єднує оприлюднені дані з транзакцій, прес-релізів та галузевих джерел з макроекономічними, геополітичними та секторальними даними, щоб забезпечити комплексне уявлення про сили, що формують активність укладення угод. Сектор IT-послуг України, хоча й становить скромну частку світового ринку, перетворився на конкурентоспроможну та експортно-орієнтовану галузь, що характеризується кваліфікованою робочою силою, ціновими перевагами та глибокою інтеграцією в глобальні ланцюги створення вартості. Однак на траєкторію M&A у цьому секторі сильно вплинули зміни на світовому ринку IT-послуг, вплив пандемії COVID-19, глобальні макроекономічні цикли та безпрецедентні потрясіння, спричинені повномасштабним вторгненням Росії у 2022 році.

У дослідженні виокремлено три аналітично значущі фази: період до пандемії (2016–2019), що характеризується стабільним розширенням та вхідними придбаннями від іноземних стратегічних компаній, які шукають можливості для постачання в Україні; сплеск, зумовлений пандемією (2020–2021), який посилив ці тенденції в умовах прискореної глобальної цифрової трансформації та значної ліквідності; та фаза після 2022 року, що характеризується перекалібруванням ринку, слабшим світовим попитом та підвищеним геополітичним ризиком, що спонукає українські компанії до здійснення зовнішніх придбань для диверсифікації географії поставок, доступу до стратегічних ринків та зміцнення стійкості. На всіх етапах основним стратегічним обґрунтуванням угод залишалося забезпечення або розширення можливостей постачання, хоча засоби досягнення цієї мети змістилися від нарощування вхідних потужностей до зовнішньої диверсифікації у відповідь на зміну профілю ризику та дохідності.

Здійснюючи групування угод M&A з врахуванням таких параметрів, як: світові ринкові цикли, макрофінансові умови та внутрішні геополітичні реалії, стаття підкреслює вирішальну роль контексту у формуванні як доцільності, так і стратегічного напрямку угод. Отримані результати є яскраво демонструють, що прогностичні моделі злиттів та поглинань, особливо на ринках, що розвиваються, та у нестабільному середовищі, можуть бути значно покращені шляхом систематичного врахування контекстуальних змінних разом із факторами на рівні фірми та галузі. Ці висновки мають практичну цінність для інвесторів, корпоративних стратегів та політиків, які прагнуть передбачити та орієнтуватися у можливостях злиттів та поглинань у сфері IT-послуг в умовах невизначеності.

Ключові слова: *злиття та поглинання, IT-послуги, макроекономічний контекст, геополітичний ризик, стратегія придбання, прогнози, покупці, продавці, цілі.*

Introduction. Over the past two decades, the global IT services sector has expanded into a cornerstone of digital transformation, driven by technological innovation, globalization of service delivery, and the growing demand for specialized expertise. The market's evolution has been punctuated by distinct macroeconomic cycles, regulatory shifts, and geopolitical events, all of which influence corporate strategies and mergers and acquisitions (M&A) activity. M&A transactions in this sector are not only vehicles for capacity expansion or capability enhancement but also responses to shifting competitive landscapes and external shocks.

Ukraine's IT services industry, while accounting for a modest share of the global market, has emerged as a competitive and export-oriented hub. Leveraging a highly skilled talent pool and cost advantages, it has become an attractive delivery location for global strategists. However, the sector's trajectory has been shaped by powerful external forces: global economic cycles, technological adoption patterns, and, most recently, the unprecedented disruption of Russia's full-scale invasion in 2022. These forces have altered not only operational conditions but also the strategic rationale and feasibility of M&A involving Ukrainian IT services firms.

Although extensive research exists on M&A in the global IT services industry, there remains a lack of in-depth analysis of how external context—global market trends, macroeconomic conditions, geopolitical developments, and domestic sector performance—specifically affects M&A activity in an emerging market setting. Existing studies often focus on firm-specific drivers or aggregate market patterns, underplaying the role of contextual variables that can decisively influence deal initiation, negotiation, and completion.

This article addresses this gap by examining the M&A activity of Ukrainian IT services firms from 2016 to 2025 through the lens of contextual influences. It seeks to identify how shifting global and domestic conditions have shaped both inbound acquisitions by foreign firms and outbound acquisitions by Ukrainian firms, and to highlight the implications of these findings for both academic research and practical M&A strategy in the IT services domain.

The purpose of this article is to analyze how mergers and acquisitions (M&A) activity in the Ukrainian IT services market has been shaped by the broader external context—namely, the evolution of the global IT services market, changes in the macroeconomic environment, shifts in Ukraine’s geopolitical situation, and the performance of the Ukrainian IT services sector itself. By integrating these contextual dimensions into the analysis, the study aims to provide a nuanced understanding of the strategic rationale behind M&A transactions involving Ukrainian IT services firms over the 2016–2025 period.

Recent literature review. The academic literature on mergers and acquisitions (M&A) in the IT services sector is extensive but has largely concentrated on developed economies and global-scale transactions, with less attention to emerging markets such as Ukraine. The theoretical foundations explaining M&A motivations are rooted in strategic growth theory (Porter, 1985), the resource-based view (Barney, 1991), and market power theory (Scherer & Ross, 1990), complemented by empirical frameworks such as Trautwein’s (1990) typology of M&A motives. These perspectives emphasize efficiency gains, market expansion, capability acquisition, and defensive strategies in response to technological or competitive pressures.

In the IT services domain, scholars have highlighted the role of offshoring, cost arbitrage, and talent access as central drivers of cross-border acquisitions (Doh et al., 2009; Manning et al., 2011; Lacity et al., 2016). More recent works have examined the pandemic’s role as a catalyst for rapid digital transformation, accelerating demand for IT capabilities and influencing deal volumes (McKinsey & Company, 2020; OECD, 2020). This aligns with findings from PwC (2021) and Bain & Company (2022), which report record M&A activity in 2020–2021, driven by liquidity abundance, high valuations, and strategic expansion in digital competencies.

Another strand of literature addresses the influence of external context—macroeconomic conditions, geopolitical developments, and sectoral cycles—on M&A decision-making (Gaughan, 2017; Vergun & Granchak, 2024). Studies on post-2022 market dynamics emphasize the dampening effects of monetary tightening, inflation, and geopolitical instability on transaction flows, particularly in high-risk geographies (OECD, 2023; IMF, 2023; Reuters, 2024). This is consistent with research into M&A under heightened country risk, which shows that buyers adjust geographic diversification strategies, delivery models, and integration plans to mitigate operational vulnerabilities (Gartner, 2023; Forrester, 2023).

Empirical studies on Ukraine’s IT services sector (IT Ukraine Association, 2021, 2024; AVentures Capital et al., 2020; OECD, 2024) document the industry’s export orientation, skilled labor base, and resilience under wartime conditions. However, the intersection of these sectoral characteristics with M&A patterns remains underexplored in academic work. While global IT services M&A research identifies delivery capacity expansion and geographic diversification as recurring motives, little has been written on how these motives evolve when firms face simultaneous global market shifts and acute domestic shocks.

This gap suggests the need for a contextualized analysis that integrates established M&A theories with real-world constraints and opportunities in volatile environments. Such integration can enrich not only descriptive accounts of deal activity but also predictive models, which—following recent methodological critiques (Palepu, 1986; Powell, 2001)—should incorporate external context as a determinant of both target attractiveness and buyer readiness.

Main research outcomes

Global IT Services Market and Ukraine's Role in It

The global IT services market, encompassing software development, IT consulting, infrastructure management, and outsourcing, has experienced significant growth over the past two decades. As defined by (McKinsey & Company, 2019), the IT services market includes activities that enable organizations to design, develop, implement, and manage information systems and technology processes. According to (Precedence Research, 2024), the global IT services market was valued at approximately \$250–300 billion in 2000 and is projected to reach \$1.22 trillion in 2024, reflecting the sector's role as a key enabler of digital transformation across industries.

Ukraine has established itself as a significant, albeit modest, player in this global ecosystem, accounting for approximately 0.5% of the total market. In 2024, Ukrainian IT service exports reached an estimated \$6.45 billion, representing 4.4% of the country's gross domestic product (GDP) (IT Ukraine Association, 2024). This figure reflects Ukraine's integration into global value chains and its specialization in high-skilled segments of the IT services industry, particularly software engineering and development.

The Ukrainian IT services sector demonstrated growth in almost 64 times over the last 24 years. In 2000, Ukraine's IT services export market was in its infancy, with estimated export revenues of approximately \$100–120 million, based on retrospective analyses by (IT Ukraine Association, 2021), as well as sector reconstructions by (AVentures Capital et al., 2020; Lviv IT Cluster, 2020). This early-stage size reflects limited specialization and the initial emergence of outsourcing in Ukraine, preceding the sector's exponential growth in the 2010s.

The Ukrainian IT workforce is a cornerstone of this export capacity. As of 2024, the sector employed around 302,000 IT professionals, with 238,000 based in Ukraine and the remainder operating abroad (Ministry of Digital Transformation of Ukraine, 2024). The country's educational infrastructure, particularly its strong tradition in science and engineering disciplines, continues to feed a growing pool of software engineers, developers, and consultants.

Ukraine's IT services are predominantly exported to advanced economies, with the United States accounting for 37% of total IT service exports. Other significant export destinations include the United Kingdom, Malta, Cyprus, Israel, and Switzerland (National Bank of Ukraine, 2024). This export structure is consistent with the broader pattern observed in the global IT services sector, where demand is concentrated in developed markets with mature digital infrastructure and complex technological needs (OECD, 2021).

In fiscal terms, the Ukrainian IT services sector contributed over \$1 billion in tax revenues to the national budget in 2024, underscoring its role not only as an export engine but also as a fiscally significant industry (State Tax Service of Ukraine, 2024). Given its scale, export orientation, and high value-added nature, the sector continues to be a focal point of Ukraine's economic development strategy and international competitiveness.

Evolution of the Global IT Services Market during 2010–2025 period and impact on it by the outside context.

A review of academic literature, market research, and macroeconomic data suggests that the period from 2010 to 2025 can be meaningfully divided into three distinct phases: (1) steady expansion and globalization (2010–2019), (2) pandemic-driven acceleration (2020–2021), and (3) post-pandemic slowdown and recalibration (2022 onward).

In parallel, Ukraine's IT services industry followed a similar—but uniquely resilient—trajectory shaped by cost-competitive talent, war-time adaptation, and evolving export demand (IT Ukraine Association, 2022; OECD, 2024).

This segmentation is supported by:

1. Structural Shifts in Demand and Supply.

Before 2020, growth was driven by globalization, cost arbitrage, and steady adoption of cloud and digital services (Lacity et al., 2016; Manning et al., 2011). In 2020–2021, the COVID-19 pandemic caused a demand surge for digital services, creating a distinct growth spike (McKinsey & Company, 2020; OECD, 2020). Importantly, rather than depressing IT demand, the pandemic accelerated it due to widespread remote work, rapid digitalization needs, and surging consumer digital engagement. Since 2022, macroeconomic tightening, geopolitical disruptions, and inflation-driven monetary policy changes have reshaped growth patterns (World Bank, 2024; OECD, 2023).

2. Discrete Economic and Market Turning Points

The onset of COVID-19 in early 2020, coupled with unprecedented fiscal and monetary stimulus, marked a structural break in IT spending patterns (IMF, 2021; OECD, 2020). The subsequent inflation shock, interest rate hikes, and geopolitical instability beginning in 2022 triggered a valuation and liquidity reset across the tech sector (IMF, 2023; Reuters, 2024).

3. Empirical Evidence from Public Market Valuations

Valuation data for leading global IT services firms—EPAM, Globant, Endava, and Grid Dynamics—show peaks in late 2021 or early 2022, followed by persistent declines, regardless of their geographic exposure (Capital IQ, 2024). This pattern aligns with broader equity market corrections in growth sectors (S&P Dow Jones Indices, 2023).

Given these factors, the three-period framework provides an analytically sound structure for understanding the sector's evolution.

1. 2010–2019: Sustained Expansion through Offshoring and Globalization

During this period, the IT services market expanded steadily, driven by globalization of IT labor and offshoring strategies. Developed economies increasingly outsourced IT functions to emerging markets such as Ukraine, India, and Eastern Europe for cost savings, access to skilled talent, and scalability (Doh et al., 2009; Manning et al., 2011). Technological advancements—such as improvements in broadband infrastructure, collaborative software, and cloud computing—enabled distributed delivery models to flourish (Lacity et al., 2016). According to Gartner (2019), global IT services spending grew from \$793 billion in 2010 to \$1.02 trillion in 2019, reflecting the rising integration of IT into core business operations.

Ukraine emerged as a key near-shore destination, with exports of computer/IT services rising rapidly through the 2010s. Independent compilations using National Bank of Ukraine (NBU) data show computer services exports climbing from low single-billions early in the decade to **~\$4.17 billion by 2019** (IT Ukraine Association, 2022; Valdez, 2019). Sector workforce expansion accompanied export growth, reflecting sustained client demand for Ukrainian engineering talent (IT Ukraine Association, 2022).¹

2. 2020–2021: Pandemic-Driven Digital Acceleration

The COVID-19 pandemic acted as a catalyst for rapid digital transformation. McKinsey & Company (2020) found that businesses accelerated digitalization of customer engagement and supply chain processes by three to four years, and the share of digitally enabled products increased by the equivalent of seven years' growth. OECD (2020) documented an unprecedented shift to remote work, e-commerce, telehealth, and digital education. For example, telehealth visits in the U.S. rose from 1.4 million to 35 million per quarter in early 2020 (Koonin et al., 2020).

Concurrently, central banks adopted ultra-loose monetary policy—to support GDPs amid economic shocks caused by COVID-19, they cut interest rates to record lows and injected unprecedented liquidity into financial systems (IMF, 2021; BIS, 2021). This stimulus not only drove stock market growth but also boosted consumer spending. Many consumer-centric companies, facing rapid digital adoption needs, invested heavily in IT services to adapt their business models, fueling the IT services market expansion during this period (World Bank, 2021; Deloitte, 2021).

Venture capital activity also surged globally in 2020–2021, reaching record highs—CB Insights (2022) reports \$621 billion invested in 2021, more than doubling the 2020 figure. Many of these startups allocated substantial budgets to IT development, further stimulating IT services demand.

Sectors serviced by IT industry benefiting most included e-commerce, healthcare (especially telehealth), online entertainment and streaming, fintech, and logistics tech—while traditional travel, hospitality, and in-person entertainment saw IT spending contractions due to demand collapse (PwC, 2021; OECD, 2021).

This environment boosted equity valuations in growth sectors, with IT services firms reaching all-time-high EV/EBITDA multiples in 2021 (Capital IQ, 2024). Liquidity also supported record M&A volumes in IT services, as strategic buyers and private equity investors pursued acquisitions to expand capabilities (PwC, 2021).

The surge in global demand was visible for the Ukrainian IT services industry: exports rose from about \$5.0 billion (2020) to \$6.8 billion (2021, +36%), while the number of IT professionals

expanded from ~244k to ~285k (IT Ukraine Association, 2022). The sector's strong fundamentals reflected both cost-competitiveness and deeper participation in higher-value digital engineering.

3. 2022–2025: Recent Period

After the end of the pandemic—which in theory could have spurred growth—global GDP slowed sharply, from 6.3% in 2021 to 3.5% in 2022 and 2.7% in 2023 (World Bank, 2024), due primarily to: (1) geopolitical turbulence caused by Russia's full-scale invasion of Ukraine in February 2022, disrupting supply chains and causing commodity price volatility; and (2) high inflation following pandemic-era stimulus, prompting aggressive monetary tightening (OECD, 2023; IMF, 2023). The U.S. Federal Reserve and European Central Bank's interest rate hikes significantly reduced liquidity, limiting available capital for growth.

Slower GDP and higher inflation constrained consumer spending, negatively affecting consumer-oriented giants like Alphabet, Meta, and Apple, which responded with layoffs and IT budget cuts. Reduced venture capital activity—global VC funding fell from \$681 billion in 2021 to \$445 billion in 2022 and \$285 billion in 2023 (Crunchbase, 2024)—forced many startups to reduce IT services spending.

Higher financing costs reduced liquidity, pressuring equity valuations across the tech sector.

Clients increasingly prioritized higher-value services and preferred IT partners with closer onshore presence to mitigate geopolitical and operational risks (Gartner, 2023).

Sectorally, defense technology, cybersecurity, and automation solutions saw rising demand, while consumer tech, adtech, and non-essential retail technology contracted** (IDC, 2023; Forrester, 2023).

In Ukraine Russia's full-scale invasion (Feb 2022) created acute operating risks: relocation of teams, infrastructure strikes, and rolling blackouts. Firms maintained operations via rapid relocation to safer regions (e.g., Lviv) or abroad, widespread adoption of backup power/connectivity (generators, batteries, satellite internet), and robust business-continuity planning (RFE/RL, 2023; Politico, 2024; TS2, 2025). But still many international clients paused or ended cooperation with teams located in Ukraine due to war-related risks, unless vendors could reassign work to engineers abroad. Firms offering higher-value expertise retained more clients, while others faced attrition (IT Ukraine Association, 2023; Politico, 2024). Computer/IT services exports reached ~\$7.3 billion in 2022 but declined to ~\$6.7 billion in 2023 and ~\$6.45 billion in 2024, reflecting both global and war-specific challenges.

Definition, strategic purpose of M&A transactions and the role of context in the M&A predictions

Mergers and acquisitions (M&A) refer to the consolidation of companies or assets through various financial transactions, including mergers, acquisitions, consolidations, tender offers, purchase of assets, and management acquisitions. According to (**Harvard Business School, 2021**), M&A deals are strategic processes whereby one company acquires or merges with another to achieve objectives such as expanding market access, gaining technological capabilities, lowering operational costs, or strengthening competitive positioning. The underlying rationale often involves synergies—benefits arising from the combined performance of two entities being greater than the sum of their individual parts.

In academic literature, M&A activity is commonly framed within the theories of **strategic growth** (Porter, 1985), **resource-based views** (Barney, 1991), and **market power theory** (Scherer & Ross, 1990). These perspectives highlight that M&As are not solely driven by financial metrics but also by strategic motivations such as entering new geographic markets, acquiring human capital or intellectual property, and responding to technological disruption or industry convergence (Gaughan, 2017). Moreover, (**Trautwein, 1990**) categorizes M&A motivations into seven theoretical models, including efficiency, monopoly, valuation, empire-building, and process theories—demonstrating the diversity and complexity behind such transactions.

Beyond academic theory, institutions such as **PwC** and **Deloitte** emphasize that M&As are increasingly shaped by geopolitical considerations, regulatory environments, and digital transformation strategies, particularly in sectors like IT services and software development (PwC, 2024).

Importantly, the context in which an M&A transaction takes place—encompassing macroeconomic conditions, geopolitical developments, industry-specific cycles, and technological trends—can decisively influence both the motivations and the feasibility of a deal. As shown in recent research, including (Vergun, Granchak 2024), M&A predictions that fail to incorporate such contextual variables risk overlooking critical drivers of deal activity or misjudging the likelihood of transactions. Context shapes not only the strategic rationale for buyers and sellers but also their capacity and willingness to act, making it an essential factor for enhancing the explanatory power and practical relevance of predictive models.

M&A deals with participation of Ukrainian IT services firms.

The table below summarizes 20 publicly reported mergers and acquisitions involving Ukrainian IT services firms between 2016 and 2025. There were no meaningful deals observed before 2016. Data was compiled from press releases, company announcements, trade media, and other public sources. Each transaction was reviewed to identify the strategic rationale from the buyer's perspective, which is presented alongside the deal details. Based on this analysis, transactions were categorized into types reflecting the acquirer's profile:

- **Ukrainian firm** — companies with the majority of their workforce, and all or nearly all delivery engineers, located in Ukraine at the time of the deal, regardless of ownership structure.
- **Foreign firm** — companies with no, or only a minority, of their workforce located in Ukraine before the acquisition.

The dataset covers three distinct subperiods: pre-pandemic/pre-war (2016–2019), pandemic surge (2020–2021), and post-2022 period, reflecting major shifts in market conditions and strategic priorities. Across all periods, the most common transaction motive was securing or expanding delivery capacity, though outbound acquisitions by Ukrainian firms became more prominent from 2022 onward.

Numerically, the sample includes **3 deals in 2016–2019, 6 deals in 2020–2021, and 11 deals in 2022–2025**, showing a gradual increase in activity despite mounting geopolitical and macroeconomic headwinds. The relative shares of inbound versus outbound transactions and the balance between domestic and cross-border activity illustrate an evolving strategic landscape in which Ukrainian firms, facing heightened operational risks and global demand shifts, increasingly sought foreign acquisitions to diversify delivery locations, access new client markets, and strengthen competitive positioning.

1. Pre-pandemic period (2016–2019)

During this period, only three transactions involving Ukrainian companies were recorded, all of which were inbound acquisitions by foreign firms. This pattern reflects Ukraine's role at the time as a nearshore/offshore delivery hub for international strategics, rather than as an active acquirer abroad. The main rationale for these acquisitions was to establish or expand delivery capabilities in Ukraine, enabling buyers to secure engineering capacity and integrate Ukrainian delivery nodes into their global networks. Such transactions were aimed at leveraging the cost and skill advantages of the Ukrainian IT talent pool, without fundamentally altering the acquirers' existing go-to-market strategies or client portfolios.

2. Pandemic surge (2020–2021)

Although six transactions were completed during this period, M&A processes in the IT services sector typically require around 12 months from initiation to completion (Bain & Company, 2022; PwC, 2021). This means that many deals closed in 2020 were initiated in the pre-pandemic period, reflecting trends already established between 2016 and 2019. Foreign strategics were seeking to establish or expand delivery capabilities in Ukraine, attracted by its large pool of skilled engineers, competitive cost base, and proven track record in delivering complex projects for international clients. These factors became even more compelling in 2020–2021 as the COVID-19 pandemic accelerated global digital transformation, increased the need for geographically diversified delivery, and spurred many strategics to expand in Ukraine to meet rising demand from their own clients.

The main rationale behind these transactions remained the strengthening of delivery capacity in Ukraine to support global client needs. While inbound acquisitions by international firms continued, the period also saw a notable share of domestic consolidation as Ukrainian companies reinforced their talent base and operational scale to address surging demand. A notable departure from

these patterns was Ciklum's acquisition of CN Group, a Czech-based IT services provider. This was the first relatively significant case of a Ukrainian company acquiring a foreign target to expand delivery capacity beyond Ukraine, diversify geographical risk, and access new client markets (M&A_Deals_years dataset).

3. Recent period (2022–2025)

This period recorded the highest number of transactions—eleven in total—marking a notable shift in the structure and motivations of M&A involving Ukrainian IT services firms. Deals completed in 2022 were, in many cases, initiated in 2021, and thus continued some of the trends of the previous period, particularly those involving foreign firms establishing or expanding delivery capabilities in Ukraine. However, from early 2022 onwards, profound changes in both the global and Ukrainian markets reshaped the M&A agenda for all participants.

Year	Target	Acquirer	Type of Deal	Strategic Rationale
2016	Lohika	Altran	Foreign firm acquiring Ukrainian firm	- To establish Ukrainian delivery capabilities - To expand presence in the North American market.
2017	IntroPro	Luxoft	Foreign firm acquiring Ukrainian firm	- To expand Ukrainian delivery capabilities
2019	Core Value	IT Kontrakt (future)	Foreign firm acquiring Ukrainian firm	- To expand presence in the Telecom and Media market in the United States - To establish Ukrainian delivery capabilities
2020	Archer Software	Cprime	Foreign firm acquiring Ukrainian firm	- To establish Ukrainian delivery capabilities
2020	Daxx	Grid Dynamics	Foreign firm acquiring Ukrainian firm	- To expand service offering and to enter new verticals (i.e. automotive) - To establish Ukrainian delivery capabilities
2021	IdeaSoft	Sigma Software	Ukrainian firm acquiring Ukrainian firm	- To expand Ukrainian delivery capabilities - To strengthen presence in certain verticals (FinTech, Telecom)
2021	Intellica Group	Digicode	Ukrainian firm acquiring Ukrainian firm	- To expand Ukrainian delivery capabilities - To strengthen tech stack (Blockchain, Big Data, AI/ML) - To establish delivery capabilities in CEE region, but outside Ukraine - To gain clients in Western Europe
2021	CN Group	Ciklum	Ukrainian firm acquiring foreign firm	- To expand service offering via adding higher value (when compared to existing Ciklum's) services. - To expand Ukrainian delivery capabilities
2021	Perfectial	Avenga	Foreign firm acquiring Ukrainian firm	- To expand presence in fintech, healthcare, media verticals gaining new clients there in US and Europe - To expand Ukrainian delivery capabilities
2022	PULS Software	Sigma Software	Ukrainian firm acquiring Ukrainian firm	- To strengthen tech stack (mobile development, AR/VR)
2022	Skellia	Nortal	Foreign firm acquiring Ukrainian firm	- To establish presence in the gametech vertical - To establish Ukrainian delivery capabilities
2022	Digitally Inspired	Intellias	Ukrainian firm acquiring Ukrainian firm	- To expand presence in the UK market via acquiring clients - To expand presence in E-commerce and Retail verticals
2022	Rozdoun	Adaptavist	Foreign firm acquiring Ukrainian firm	- To establish Ukrainian delivery capabilities - To expand delivery capabilities in United States - To expand tech stack by adding Pega platform expertise - To expand presence on the United States market, particularly in healthcare and life science verticals, but also in banking, financials services, transportation and logistics
2023	Hoverstate	SoftServe	Ukrainian firm acquiring foreign firm	- To expand service offering via adding higher value-added services. - To establish delivery capabilities in India
2024	Infogen Labs	Ciklum	Ukrainian firm acquiring foreign firm	- To expand presence on the United States market - To expand service offering via adding higher value-added services. - To establish United States delivery capabilities
2024	C2 Solutions	Intellias	Ukrainian firm acquiring foreign firm	- To expand presence on the United States market - To establish healthcare vertical presence - To expand service offering via adding higher value-added services.
2024	NorthLink Digital	Intellias	Ukrainian firm acquiring foreign firm	- To establish delivery capabilities in United Kingdom - To expand further on the UK market - To expand further presence in banking and financial services verticals - To expand service offering via adding higher value-added services.
2025	A Society Group	Sigma Software	Ukrainian firm acquiring foreign firm	- To establish delivery capabilities in United States and Sweden - To expand further on the United States market - To expand further presence in automotive, manufacturing and defense verticals - To expand service offering via adding higher value-added services.
2025	GoSolve Group	Ciklum	Ukrainian firm acquiring foreign firm	- To expand delivery capabilities in Poland and India - To expand tech stack in Go, HPC and cloud-based delivery - To expand presence on the United States market, in healthcare and retail verticals
2025	CodeAstu	Ciklum	Ukrainian firm acquiring foreign firm	- To expand service offering via adding higher value-added services. - To expand delivery capabilities in India - To expand presence on the United States market

The full-scale invasion of Ukraine, combined with a global post-pandemic slowdown and tighter financial conditions, significantly altered growth strategies. In 2022, a Ukrainian firm acquired another Ukrainian firm to strengthen its position in the attractive UK market—an approach chosen because organic expansion had become more difficult than in previous years. For foreign firms, the heightened geopolitical and operational risks effectively halted meaningful acquisitions in Ukraine; no significant inbound transactions by foreign strategics were recorded in 2023–2025.

By contrast, Ukrainian firms increasingly redirected their M&A activity outward. These acquisitions targeted foreign companies with the aim of diversifying delivery capabilities beyond Ukraine, bringing delivery operations closer to client locations (onshore or nearshore), and expanding market presence in key geographies. This strategic redirection was partly driven by the recognition that, in the more volatile environment of 2023–2025, organic growth alone was insufficient to maintain momentum. Weaker global demand for discretionary IT projects, intensified competition in mature markets, and heightened client emphasis on operational resilience and proximity all made rapid market share gains through organic means more challenging.

In this context, outbound acquisitions served multiple purposes:

1. **Risk mitigation** – reducing dependency on Ukrainian delivery centers by establishing operations abroad.
2. **Client retention and acquisition** – enhancing competitiveness in winning and keeping contracts by offering multi-jurisdictional delivery capabilities.

3. **Market access** – securing a presence in strategic client markets where building scale organically would take significantly longer.

4. **Capability enhancement** – adding higher value-added services and niche technological expertise to compete in more selective and profitable market segments.

While Ukrainian firms continued to pursue these goals organically, M&A provided a faster and more certain route to achieving them, allowing buyers to combine immediate operational capacity gains with long-term strategic positioning.

Conclusions

The analysis of Ukraine's position in the global IT services market through the lens of M&A activity over the 2016–2025 period demonstrates the strong interconnection between global macroeconomic dynamics, geopolitical developments, and strategic corporate decision-making. The Ukrainian IT services sector, while accounting for a modest share of the global market, has evolved into a significant export-oriented industry, underpinned by a large pool of skilled engineers, cost competitiveness, and integration into advanced economies' value chains.

First, the segmentation of the 2010–2025 period into three phases—steady expansion and globalization (2010–2019), pandemic-driven acceleration (2020–2021), and post-pandemic slowdown with wartime adaptation (2022–2025)—proved analytically sound for explaining both market and transactional dynamics. Each phase reflected distinct global and domestic conditions that shaped the strategic rationale for M&A transactions involving Ukrainian IT services firms.

Second, prior to the pandemic and the war, M&A activity was dominated by inbound acquisitions from foreign strategics seeking to establish or expand delivery capacity in Ukraine. These deals were primarily motivated by access to Ukraine's engineering talent and cost advantages, with limited changes to acquirers' client portfolios or go-to-market strategies.

Third, during the pandemic-driven surge, while deal volumes increased, the underlying motivations largely persisted. The heightened global demand for digital transformation reinforced Ukraine's attractiveness as a delivery location. In parallel, domestic consolidation emerged as a secondary trend, with Ukrainian firms scaling talent bases to meet rising demand. The period also marked the first notable outbound acquisition by a Ukrainian IT firm, aimed at diversifying delivery geographies and mitigating future operational risks.

Fourth, the post-2022 period brought a profound shift in M&A strategies. The full-scale Russian invasion, coupled with global economic tightening and weaker demand for discretionary IT projects, halted significant inbound acquisitions by foreign strategics. Ukrainian firms increasingly turned to outbound M&A, targeting foreign companies to diversify delivery locations, access strategic client markets, and enhance resilience. This reflects a transition from Ukraine being primarily a delivery hub for global players to becoming an active originator of cross-border acquisitions.

Fifth, across all periods, the primary strategic rationale for M&A remained the securing or expansion of delivery capabilities. However, the means of achieving this evolved—from inbound capacity-building to outbound diversification—driven by a changing risk-reward calculus in light of geopolitical instability, market volatility, and client preferences for operational proximity.

Finally, the Ukrainian IT services M&A trajectory underscores the importance of context in shaping deal rationales and outcomes. The interplay between global market cycles, macro-financial conditions, and domestic geopolitical realities has been decisive in determining both the feasibility and direction of M&A strategies. This also highlights a broader methodological implication: M&A predictions, particularly in the IT services sector, could significantly benefit from systematically incorporating contextual variables—such as macroeconomic trends, geopolitical risks, and sector-specific demand shifts—alongside firm-level and industry-specific characteristics. Doing so would improve both the explanatory power and practical applicability of predictive models in anticipating future M&A activity.

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