

## Ukraine's Bright Horizon

An Interview with Natalie A. Jaresko,  
Managing Partner, Horizon Capital, Kiev



Natalie A. Jaresko

**EDITORS' NOTE** Natalie Jaresko is a cofounder of Horizon Capital and has served as its Managing Partner since March 2006, simultaneously serving as President and CEO of Western NIS Enterprise Fund (WNISEF), a position she has held since February 2001. Prior to joining WNISEF, Jaresko worked at the U.S. Department of State. From 1992 to 1995, she served as the First Chief of the Economic Section of the U.S. Embassy in Ukraine, and before that, she served in various economic positions at the State Department in Washington, DC. A certified public accountant, Jaresko holds a bachelor of science degree in accounting from DePaul University (Chicago) and a master's degree in public policy from Harvard University's Kennedy School of Government.

**COMPANY BRIEF** Kiev-based Horizon Capital ([www.horizoncapital.com.ua](http://www.horizoncapital.com.ua)) is a private equity fund management firm that originates and manages investments in mid-cap companies with outstanding growth and profit potential in Ukraine and Moldova. Horizon Capital's team manages two funds at present: Emerging Europe Growth Fund (EEGF) and Western NIS Enterprise Fund (WNISEF).

**What should our readers know about Ukraine's investment climate today, and what factors do you see having the most impact on it in coming years?**

Ukraine is experiencing a very promising period of economic growth and expansion of

international trade and economic ties. Over the past seven years, Ukraine's GDP has grown continuously at an average of 4 to 5 percent annually, with increases in consumer disposable income in the double digits and with low inflation. The economy is gradually becoming less reliant on historical trade ties and is integrating itself into the global economy in many areas. The business community is looking to meet international standards voluntarily, as it seeks access to international capital markets. Thus, although additional reforms are still needed to complete the transformation of this once-closed, planned economy into an open-market economy, the key elements are in place and serve as a basis for high-growth, profitable business.

Ukraine is an emerging market. In private equity, if not in other segments as well, successful investment requires a focused and experienced investor. The private equity investor needs to build a strong relationship with other shareholders and management. That relationship cannot be built via the Internet or telephone; it requires face-to-face meetings to develop a common vision and trust. The judiciary in Ukraine is not yet strong enough for investors to rely solely on a contractual "safety net." Thus, the choice of partner often has even greater meaning in this market than in other more mature private equity markets.

In the private equity sector, I believe we will see increasing competition – especially in deals over \$50 million – as well as the availability of more leverage, both for buyouts and for expansion. Global firms, such as Warburg Pincus, are already becoming active here. The increased supply of capital and demand for deals will drive up pricing, and change the nature of this market with time. That said, competition will ensure that the best firms – those with the greatest value to offer portfolio companies – will remain leaders in this market. I believe we will remain one of those leaders, based on our experience, relationships, and track record.

**Horizon Capital has previously cited banking, retail, energy, metals, mining, and food-processing among the sectors attracting the highest foreign investment interest in Ukraine. Are you seeing continued investor interest in these sectors? Which other sectors are attracting significant investor interest?**

We are focused on those segments of the economy that are benefiting from the fast-growing disposable-income levels of consumers.

Although we have witnessed seven years of uninterrupted growth, we also note that Ukraine's per capita disposable-income levels have not yet reached those of its neighbor, Poland. Thus, this growth still has a great deal of steam, and the sectors that we are most interested in at this time are consumer goods, both food and non-food; financial institutions, especially related to retail; manufacturing; construction materials; media; and others. In fact, we just sold one of our portfolio companies, Shostka, the leading hard-cheese manufacturer in Ukraine, to Fromageries Bel S.A., which clearly saw the value of Shostka's quality, brand, and distribution leadership platform.

Other sectors – related to Ukraine's export potential, rather than its domestic market – are also attracting the attention of investors: steel, chemicals, agriculture, and software development, for example. Ukraine is heavily endowed with natural resources, from its rich clays to granite deposits to coal. Thus, these commodity-driven businesses are of great investor interest, as are the follow-on opportunities that arise.

**Horizon Capital manages two funds: Emerging Europe Growth Fund [EEGF] and Western NIS Enterprise Fund [WNISEF]. What are the key characteristics of these two funds?**

EEGF is a \$132 million mid-cap fund with institutional and individual investors from Europe and the United States, including a fund of funds, university endowments, banks, insurance companies, and private pension funds. EEGF has invested approximately 40 percent of this capital to date, and has already completed one full exit from a portfolio company, despite the fact that the fund only closed to new investors in February 2007. We are very pleased with both the investment pipeline and the exit environment, and believe 2006 will be a very good vintage for our investors.

WNISEF is a private equity fund funded by the U.S. government to invest in small and medium-sized businesses in Ukraine and Moldova – in essence, to "kick-start" the private equity industry in the region. We began investing in this region in 1995, and have invested \$122 million over the past 12 years in 30 businesses in a wide variety of sectors. Based on our team's ability to successfully navigate this business environment, our track record, and Ukraine's promising economic environment, we founded Horizon Capital in 2006. ●