

Impact of Mergers and Acquisitions on the Financial Performance of Companies in

Ukraine in short term period

by

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A thesis submitted in partial fulfillment of the
requirements for the degree of

MA in Business and Financial Economics

Kyiv School of Economics

2025

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ACKNOWLEDGMENTS

The author wishes to thank her adviser Maksym Solodarenko for valuable comments and constant help during work on the thesis.

Special thanks to Nauris Berzins, Argen Partners managing partner, who provided me the access to YouControl database, the main source of data for this thesis.

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LIST OF ABBREVIATIONS

M&A Mergers and Acquisitions

CHAPTER 1. INTRODUCTION

Mergers and acquisitions are an increasingly popular and essential tool for companies' growth, strategic development and improvement, which allows companies to enhance their market share, decrease costs and achieve financial stability. Year after year, companies acquire other companies, both large and small, private and public, foreign and domestic, as well as those within and outside their industry.

Mergers and acquisitions can often be used reciprocally, but these two terms have a slight difference, and recognising the difference is important for understanding their purpose. Mergers involve the creation of a new entity from two separate companies. On the other hand, an acquisition occurs when one company acquires another. Both terms describe a consolidation of companies using various types of financial transactions. Two main kinds of mergers and acquisitions exist - horizontal and vertical. Horizontal M&A happen when two companies are in direct competition, and vertical means M&A of companies in the same production vertical but at a different stage of production. The decision to merge means that corporations choose to take over existing companies rather than pursue internal growth and expansion. Thus, in general, existing larger firms take control of other smaller firms.

The purpose of this work is to analyse the literature on mergers and acquisitions to answer the questions of why they occur, who benefits from them and what results they produce in short term period. The decision to merge means that corporations choose to take over existing companies rather than pursue internal growth and expansion. Thus, in general, existing larger firms take control of other smaller firms.

In Ukraine, where the economic situation and business environment are constantly changing due to political instability and global financial challenges, it is vital to understand

how mergers and acquisitions impact the financial performance of companies. For businesses that are seeking ways to grow and stabilise their businesses, this topic is of high interest. Thus, the central question of this work is whether mergers and acquisitions have a positive effect on the financial performance of companies in Ukraine.

This topic has importance for understanding the effect of such deals in the context of the Ukrainian market, where even during the war, the number of transactions continues to grow. Mergers and acquisitions are used by companies as a tool for growth, development, and achieving stability. Increase in market share etc. However, do these processes always lead to positive results for companies in short term? Can M&A be useful in the short term, and what results do they give? The answers to these questions are critically important not only for individual enterprises but also for the development of the Ukrainian economy. This study is mostly motivated by the increasing number of recent mergers and acquisitions in Ukraine.

To check these hypotheses, data for all mergers and acquisitions were gathered for the most relevant years for the Ukrainian M&A market. A quantitative, comparative and statistical study will be conducted based on the comparison of the financial performances of Ukrainian companies before and after the merger or acquisition. Indicators such as revenue, operating profit, and net profit will be studied. Statistical methods will be used for a better understanding of dependent samples.

The master's thesis consists of several consecutive sections, each of which contributes to the overall understanding of the topic and results. The second chapter provides an overview of the primary theoretical and practical studies that were conducted in the field of M&A. This chapter helps systematise existing knowledge on the question and compares it with other studies.

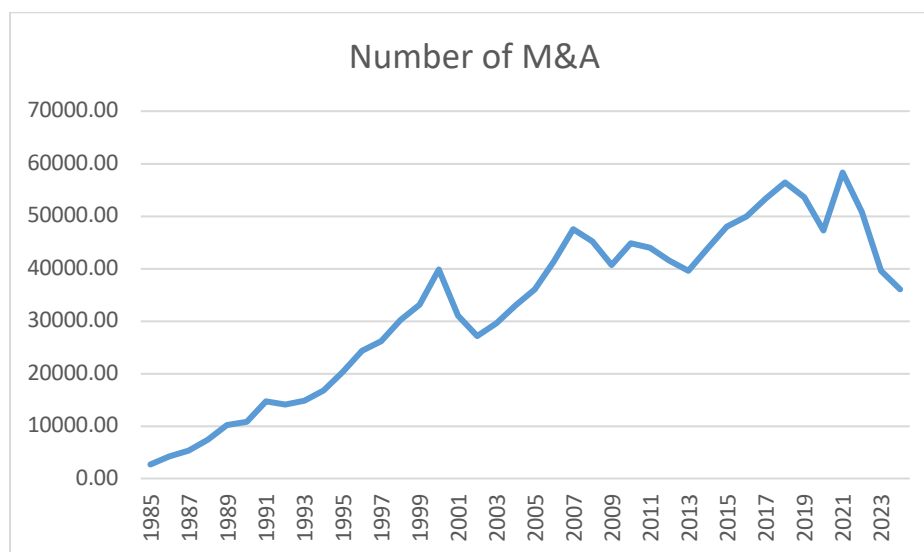
Chapter 3 is about the methodology used to conduct the study. This chapter describes precisely how companies were selected for the study, what financial indicators were taken for comparison, as well as what statistical analysis methods were used to test hypotheses. Chapter 4 contains a description and analysis of the data used in the study. It will present detailed information on the financial performance of selected deals. This part will examine all standard features that merging companies have. Specific statistical conclusions will be given, obtained during statistical tests and comparative analysis. Chapter 5 will only concentrate on interpreting the results and assessing how well they correspond to the stated hypotheses. And the last chapter is mostly about providing conclusions and recommendations for companies considering M&A as a development strategy.

CHAPTER 2. INDUSTRY OVERVIEW AND RELATED STUDIES

Increasingly more companies all over the world address to mergers and acquisitions as one of the vital tools to expand, diversify, develop and strengthen their competitive position. Across all industries, enterprises are using M&A as a chance to acquire new technologies, expand into new markets and optimise resources. As a result, M&A can impact company's financial performance influencing important metrics like profitability, efficiency and liquidity.

Competitors influence, advancement in technologies and geopolitical situation in the world are among few economic factors that influence merger and acquisition pattern. Companies are forced to revise their strategies to consider M&A strategies because of the continuous and worldwide difficulties in the economic environment. Businesses are supposed to seek for ways to remain flexible and resilient in a constantly changing world.

Figure 1 Quantity of M&A in the world.



Source: Own presentation based on the fundings of Institute for Mergers, Acquisitions & Alliances

(Figure 1.) shows how many mergers and acquisitions (M&A) occurred globally annually between 1985 and 2024. The number of transactions performed annually is displayed on the Y-axis, while the X-axis denotes the years. Significant trends in M&A activity are depicted in the graphic, especially the quick expansion up to 2007 and the subsequent steep fall during the 2008 global financial crisis. Deal activity steadily increased after the crisis, reaching a peak in 2017. There were subsequent oscillations, including a decline in 2020 because of the COVID-19 pandemic. M&A activity has, however, increased since 2021, suggesting that the market has stabilized and recovered from the crises.

Many companies see M&A as a way to broaden their business scope, achieve better market position, adapt to a crisis or to the economic environment. For this reason, both developed and emerging economies rely on mergers and acquisitions as an integral tool. Often, the amount of M&A and the deal value correspond to the market fluctuations, and they are related to the business cycles and fluctuations. Crisis are often the best opportunities for investing as future growth is expected. For Ukraine, which is currently undergoing a full-scale invasion and is a transitioning economy, M&A, both internal and cross-border deals, can have a decisive role, by attracting foreign investments, providing new workplaces and contributing to economic growth.

Table 1. M&A Deal Statistics in Ukraine (2013-2024)

Year	Deal Volume (No. of Deals)	Deal Value (Excl. Significant Deals, USD Million)	Significant Deals (>USD 500m, USD Million)
2013	500	3,319	109
2014	36	994	1,588
2015	48	1,011	1,588
2016	55	785	0
2017	67	987	0
2018	81	1,109	714
2019	81	1,686	734
2020	69	955	1,947
2021	75	1,947	0
2022	28	494	0
2023	47	749	500
2024	49	1,052	1,052

Source: KPMG in Ukraine. M&A Radar 2024

Table 1 presents the whole statistics on mergers and acquisitions that happened in Ukraine from 2013 to 2024. The overall picture demonstrates trends in both deal volume and value. The biggest data fluctuations took place at that time when Ukraine was undergoing political and economic developments and crises.

2013 is shown as the best year for the Ukrainian M&A market. During this year, 500 deals in total worth 3.3 billion occurred, marking this year as one of the best. However, 2014 oppositely caused a deep fall because of the Crimea conflict and the occupation of Ukrainian territory. The value of the deals fell to barely USD 994 million, while the number of deals fell sharply to 36.

Since 2022, the Ukrainian M&A market faced a challenging environment. M&A activity has continued to be significantly impacted by Russia's ongoing full-scale invasion, which has also presented other difficulties. After almost three years of conflict, there has been some adjustment, though, as local players are actively looking for possibilities in Ukraine.

Nevertheless, foreign investors have taken a more cautious stance and are waiting for more precise indications about when and how to go back into the market more aggressively.

According to KPMG in Ukraine. M&A Radar (2024) with a deal volume of 49 in 2024, which is identical to that of 2023, Ukrainian M&A activity has shown stability against this drop of a mild economic recovery. M&A activity in 2024 has been significantly influenced by Ukraine's privatization initiative. State-owned assets are still up for sale by the government in an effort to increase economy efficiency, transparency, and private sector involvement. Despite the ongoing armed war and economic concerns, privatization efforts have given corporations the chance to purchase important assets at competitive prices by focusing on attracting both domestic and global investors. In 2024, the total declared deal value was around USD 1.1 billion, which was 15.7% less than in 2023. However, the normalized 2024 aggregate deal value exceeded 2023 levels by 40.5% after removing particularly big deals that can skew the comparison. The fact that the amount of deals remains relatively similar during 2023-2024 gives hope that in 2025 we can hope for an expansion. Ukrainian businesses have adjusted to harsh times and perceive it as a possibility to grow. By the time of writing this thesis, the data for H1 2025 was published and it demonstrates growth of the average transaction value from USD 37 million in H1 2024 to USD 42 million in H1 2025.

M&A deals in Ukraine appear in different sectors. But as the foreign investment, there are some patterns. Famous Ukrainian agriculture sector which is a core of our economy and accounts for 10% of GDP and 40% of export is also quite popular as a merging target. Additionally, the IT sector has seen rapid growth, with foreign tech giants showing increasing interest in investing in or acquiring Ukrainian tech businesses. In fact, some of the largest M&A deals in 2023 occurred within the IT sector. Other significant sectors include energy and infrastructure, retail, and consumer goods, all of which are key areas driving M&A activity in Ukraine. When diving into the topic of mergers and acquisitions

some of the KSE Master thesis in this scope of interest, a lot of valuable insights were made. Gashchenko I. (2019) in her study provides analysis of the effects of international mergers and acquisitions on the wealth of shareholders of the acquiring company, so it provides understanding whether international M&A have positive effect on the company that is purchasing. Study showed that due to access to new markets, cost synergies M&A often lead to increased wealth for the shareholders. As a conclusion, the author states that foreign mergers and acquisitions can be beneficial for acquirers if they can successfully manage post-merger integration.

The same problem was discussed in the work by George Giannopoulos Alexandra Lianou and Mahmoud Elmarzouky (2023) where authors tried to evaluate the impact of M&A on the shareholders' wealth in Greece. They stressed that effects of mergers and acquisitions are important for regulators and policymakers because it can help to understand the risks and benefits of such deals, that can lead to the implementation of policies that protect shareholders interests. Both studies about Greece and Ukraine are performing studies with a very limited sample size, and even with these difficulties both works have achieved important results. Research in Greece shows that companies that engage in M&A during economic downturns often experience a decline in shareholder wealth. This may be due to the increased uncertainty and risk during economic instability. However, there is a debate in the literature whether mergers during economic downturns represent an opportunity for companies to improve their efficiency and increase shareholder value through consolidation and acquisitions of distressed assets.

Another often discussed topic related to the question of M&A is whether empire-building motive of the top management can be an incentive for the deal. Empire-building focuses on the fact that managers can use mergers not for improving the company, but to expand their ego and influence. Often it is related to personal interests of directors. Increasing control over more than their company with the help of merger can be motivated by the wish of control and increasing power. There are moments when company leaders strive

to create larger and more complex organizations, which allows them more opportunities for personal influence. When such incentives are under merger, often it can lead to risks associated with the deal.

Opposite to empire-building motive can be efficiency motive that have a more positive effect on the result of the merger. Enterprises can reduce the cost by pooling resources, facilities for production and by optimizing management structure. When companies merge they can receive benefits that will cover all costs associated with the M&A deal. This debate is clearly described in the work of Kalle Arminen (2020)

This controversial issue will be also addressed in my work by understanding how many M&A deals result in positive outcomes for the company.

Industry and literature overview on the merger and acquisition provide a variety of views and insights. Different impact on shareholders' wealth, contrasting incentives of the managers of the company can lead both to positive and negative financial outcomes. Understanding these opposing theories is important for developing a comprehensive analysis Next chapter will be anchoring conclusions from this chapter.

CHAPTER 3. METHODOLOGY

The method that is used in this paper is mostly based on a number of previous studies that investigated the relationships between mergers and acquisitions (M&A) and firm financial performance. This thesis provides a better understanding of the possible short-term results of mergers and acquisitions and highlights its effects on the financials of the companies.

Studies that were already discussed in the prior chapter are the chore for developing methodology in this chapter. This thesis is mostly concentrated on Ukrainian mergers and acquisitions. All the deals are internal and have happened in the last 5 years. Both this thesis and the previous have a common goal, showing if M&A have positive effect on either shareholders, owners, or the whole company. The study is a unique one because it is totally based on self-compiled database. By using more recent data, this study allows understanding of the latest trends in Ukraine and gives knowledges of using mergers and acquisitions as a tool of dealing with crisis and economic downfall. Also, another aim of this thesis is to find correlation between the M&A deal and financial health of the companies that merged. Almost in all the deals there were one bigger company that acquired small one in result having or a brand-new company or the company that was acquiring changed its size.

This work's main attempt is to make reasonable conclusions and dive deeper into the connections between the M&A deal and financial performance of the business. The related studies showed different relation, so with this thesis we will have a general view on this topic.

The work with data, financial information on 25 deals, starts with comparative and descriptive statistics of the sample data. By doing this, we will have the possibility to

compare all average performances of business. This step can show the presence of trends in such financial indicators:

- changes in revenue
- changes in operating profit
- changes in net profit

This approach provides a first glimpse and general idea of the effectiveness of the mergers and acquisitions at a base level.

Next step is testing data for dependent samples. So, to check whether there are statistically significant differences in financial indicators. The average values of key performance indicators before and after the M&A transaction are compared for each company separately using a t-test. When comparing the means of two groups in this case, the pre-merger and post-merger performance data this statistical test is especially helpful. By using the t-test, it is possible to decide whether any changes in the operational and financial variables are statistically significant, supporting or refuting the study's hypothesis.

The next part of the analysis will be correlation analysis. It is conducted to investigate whether the type of deal, horizontal or vertical, affects the financial results of the companies. Horizontal mergers happen when both companies are engaged in the same activity and produce similar products or provide similar services. Totally opposite are horizontal mergers, which are a merger of technologically related companies but at different production stages. Vertical mergers concentrate on the integration of several manufacturing phases, whereas horizontal mergers usually seek to expand market share and achieve economies of scale within the same industry. At first glance, it may seem that in most cases horizontal mergers and acquisitions should, bring greater benefits due to the consolidation of companies operating in the same direction, unlike vertical mergers,

where a company takes a risk that may not pay off and bring unexpected results for companies.

So, this step is helping us determine whether there is a relationship between the type of deal and changes in its revenues, operating profit and net profit.

And finally, for the most comprehensive analysis, linear regression analysis is applied to assess the impact of various factors, deal value, and deal type on changes in revenue. The regression model will look like this:

$$\Delta Revenue = \beta_0 + \beta_1(Deal\ value) + \beta_2(Deal\ type) + \epsilon \quad (1)$$

where:

- $\Delta Revenue$ – change in company revenue after the merger.
- $Deal\ value$.
- $Deal\ type$.
- ϵ – error.

This model allows us to evaluate how the change in deal value and deal type changes the financial performance after the deal.

The proposed methodology allows conducting a comprehensive analysis of the impact of mergers and acquisitions on the financial performance of all chosen companies. For

avoiding mistakes several steps were taken such as - extreme values outside of the 5th and 95th percentiles were eliminated to guarantee the analysis's correctness. By doing this, the impact of unusual transactions that do not accurately represent standard merger and acquisition procedures is avoided, which could skew the outcomes. During regression analysis, multicollinearity between independent variables was checked using the Variance Inflation Factor (VIF) indicator. By adding these steps, better results are achieved.

CHAPTER 4. DATA

The sample data utilized to examine how mergers and acquisitions (M&A) affect financial performance is provided in this chapter. As a result, the sample date was manually determined once the date was extracted from the database YouControl. YouControl is a Ukrainian online service, that provides information on companies and solopreneur ship that provides all the necessary data based on open sources.

The sample data was gathered in the period during 2020 and 2022. Because 2022 is already the year when a full-scale war started and it is more difficult to analyze transactions at that time, Figure 1 shows that the best years in terms of the quantity and total value of transactions, namely 2020 and 2021, were utilized for analysis.

Data from public sources and the report on all InVenture transactions (2024) revealed twenty-five transactions. The following criteria are used to create Ukraine's mergers and acquisitions (M&A) database:

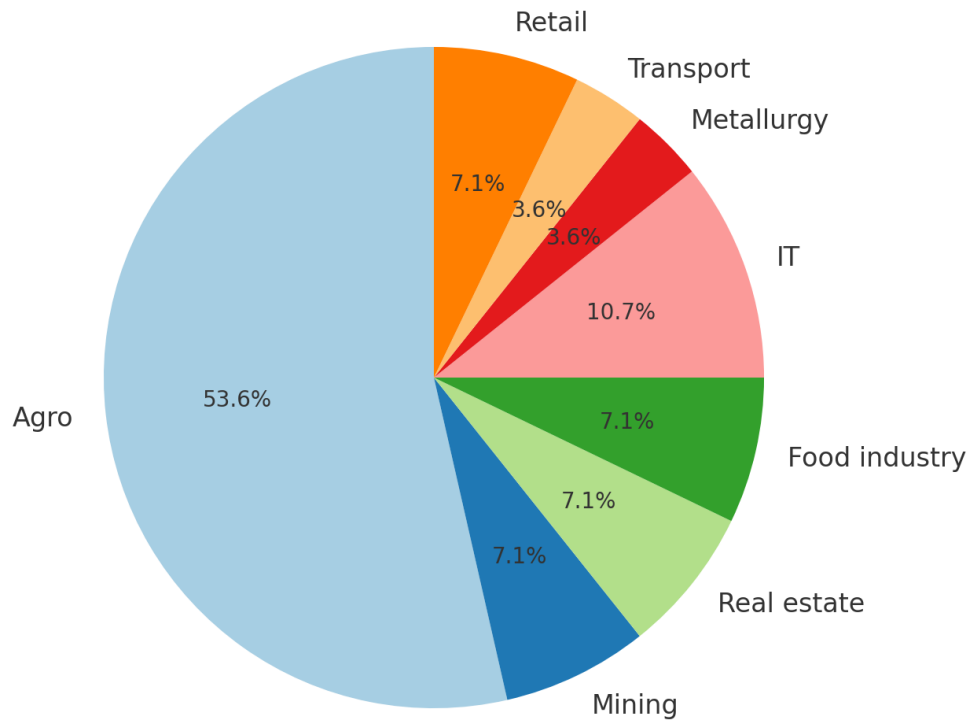
- open sources,
- media coverage of business and enterprise sales and purchases, and large real estate items.
- personal data (insider information) gathered by InVenture analysts and economic observers from business owners and upper management engaged in business acquisitions and sales.
- information from international organizations that maintain statistics on M&A transactions in Ukraine (KPMG).
- professional evaluations by InVenture analysts and partners.

Not all information is available because of the non-transparency of the Ukrainian economy, particularly when it comes to transaction values. Additionally, all numerical indicators that were in hryvnia were converted into US dollars using the average exchange

rates for the years in which the mergers and acquisitions occurred in order to make comparisons easier. The description of the sample data, which is contained in the APPENDIX Sample data.

We have 25 agreements. Let's start with a visual breakdown of deals by sector.

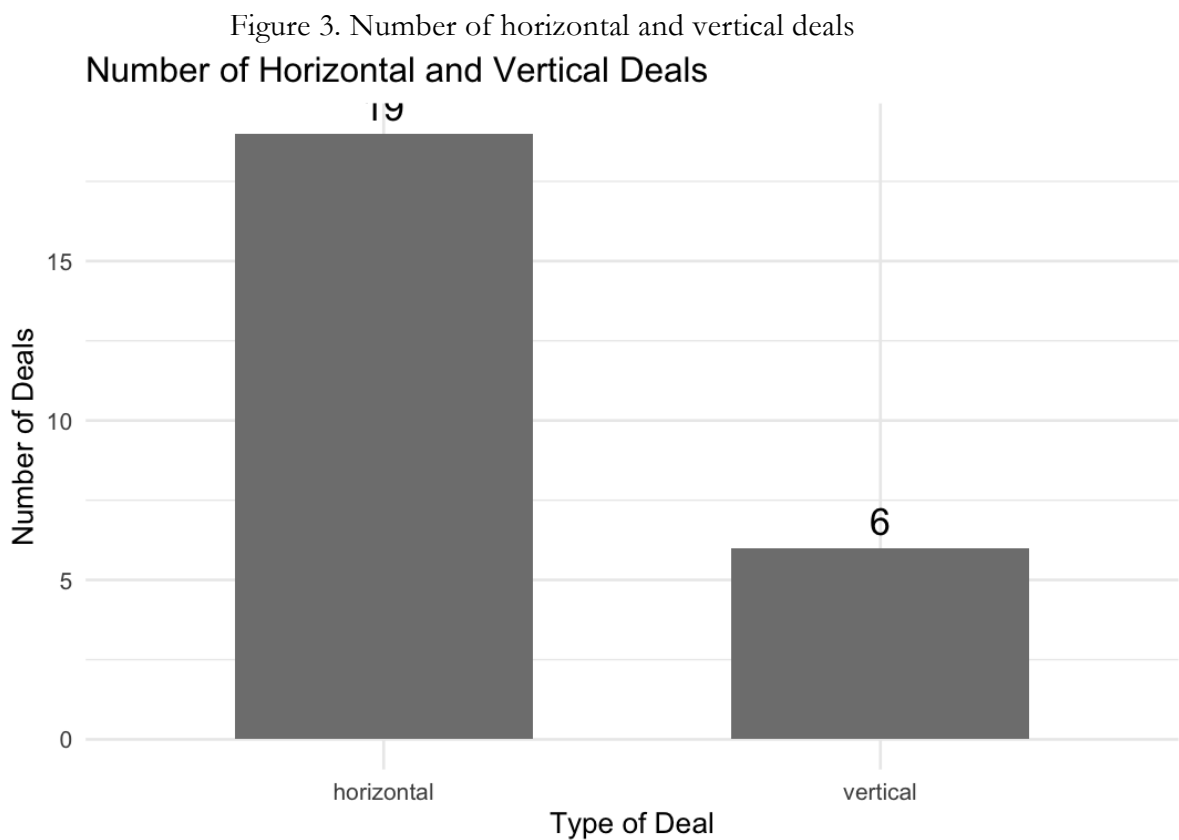
Figure 2. Distribution of M&A deals by sectors



The distribution of mergers and acquisitions (M&A) transactions across various industries is graphically depicted in the pie chart. Each sector is represented by a segment of another color in the graphic, which shows the frequency of deals in industries including metallurgy, IT, food industry, and agriculture, among others. It is not surprising that the largest number of deals are in agriculture, as the agricultural sector is one of the

most powerful, and it should be added that this sector is among the most popular for foreign investment.

The following chart shows the distribution between horizontal and vertical mergers and acquisitions. It is immediately apparent that horizontal deals predominate.

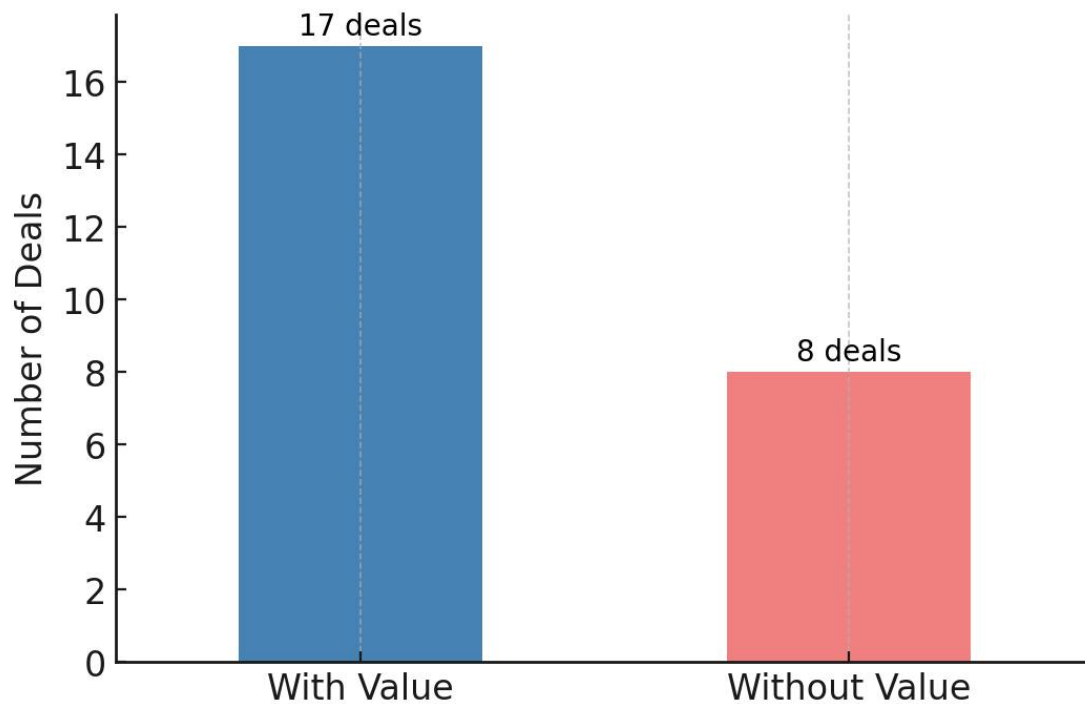


With six vertical trades and 19 horizontal deals, the bar chart displays the distribution of both types of transactions. This striking contrast implies that most mergers and acquisitions in the dataset are horizontal, involving the merger of businesses in the same sector or industry, as opposed to vertical, involving the merger of businesses at separate production stages or within the same supply chain. Because they can provide higher

economies of scale, market consolidation, and competitive advantage within the same industry, horizontal agreements dominate.

In Figure 4 the distribution of M&A deals with and without a defined deal value is shown in the bar chart. Eight deals in the entire sample lack this information, whereas 17 deals have a recorded deal value. With a contract value of \$80 million, the real estate transaction between SLAVIAN and Sky Mall was the most costly in the dataset. On the other hand, in the IT industry, Playrix and BOOLAT PLAY and DCH with LIE BUTIK with DCH both appeared in early 2021. The deal value is almost \$11.8 million on average.

Figure 4. Number of deals with and without deal value



Additionally, the data shows that all 25 of the dataset's acquisitions led to a management change following the mergers. The average value of the deal is \$11.8 million, the most popular sector in M&A transactions is agriculture, the last popular is mining, 19

horizontal deals compared to 6 vertical, 17 deals with known value and 8 remained unpublished. This a very shorten data description used as a conclusion for this chapter. And it gives us the finalized general understanding of the sample data used in this thesis. Due to the variety of deals, the study can give the advanced knowledges of this topic.

Chapter 5. Results

This part of the thesis is dedicated to show the results of the analysis conducted under methodology presented in previous chapter. The emphasis was on the financial performance of the businesses before and after the deal. Sales change, change in operating profit and net profit are the main figures that are of higher interest for us. As was previously said in all the methods used are described in Chapter 3 using a variety of statistical techniques, regressions, correlations, t-tests and descriptive statistics.

5.1. Descriptive Statistics and Comparative Analysis

For this study, I chose three main financial metrics that, to my mind, can cover that topic and explain how mergers and acquisitions affect the financial health of the business: revenue, operating profit and net profit. Firstly, let's start with revenue. Table 2 shows revenue changes before and after the deal.

Table 2. Descriptive Statistics revenue

Statistic	Revenue Before	Revenue After	Change in Revenue (%)
Mean	115.1442	113.7671	847.1109
Max	2315.11	2144.18	16299
Min	0.0003	0.22	-72.96

So, as we can see, before the merger and acquisition deal, the average revenue was 115.14 million USD; after the deal, it dropped to 13.77 million USD. Some companies showed strong growth, some downfalls, but nevertheless, the average number is almost 850%. The lowest change in revenue was -73% and the biggest growth was by 16000%. Of course, all the companies are of different sizes and with different revenues, so the most important number from this table is the average revenue growth (847.11%).

Operating profit will be the next metric that I want to present.

Table 3. Descriptive Statistics operating profit

Statistic	Operating Profit Before (mln USD)	Operating Profit After (mln USD)	Change in Operating Profit (%)
Mean	0.93	3.85	-1545.76
Max	5.81	51.36	8690.32
Min	-0.60	-35.45	-44060

Before the merger and acquisition happened, the average operating profit for all the companies was around 1 million dollars. After the transaction, the average operating profit of all 25 companies more than doubled it reaching 3.85 million USD. So, concluding we can say that among all companies, operating profit improved after the M&A. But there is a reduction in the mean change in operating profit, that is -1545.76%. The lowest change is -44060% drop in operating profit, and the largest 8690.32% rise. The difference in numbers demonstrates that all companies are different and react differently to the deals of mergers and acquisitions.

Following metric is the net profit.

Table 4. Descriptive Statistics net profit

Statistic	Net Profit Before (mln USD)	Net Profit After (mln USD)	Change in Net Profit (%)
Mean	-3.42	-4.08	-2085.20
Max	34.09	44.54	1250
Min	-115.46	-233.82	-56800

Now, let's discuss the net profit. Before the mergers and acquisitions, the average net profit was -3.42 million USD. After the transaction, it diminished further to -4.08 million USD. So, we can see a general drop in all 25 associated companies. Also, the mean change in net profit shows a reduction (-2085.20%). However, not for all companies,

mergers and acquisitions resulted in net profit loss; the maximum change was 1250%. The worst change was a decline -56800%.

Mergers and acquisitions have a detrimental effect on most businesses' financial performance, particularly when it comes to net profit. The majority of transactions result in large financial losses rather than a notable increase in net profit. On the other hand, there are instances where businesses exhibit exceptionally rapid growth, especially in terms of sales and operational profit. This suggests that the outcomes of M&A can differ substantially and rely on a few variables, such as the particulars of the business, the nature of the transaction, and the integration plan. Therefore, it may be said that mergers and acquisitions have a negative effect based on the majority of deals in short term period.

5.2. Statistical Analysis

A t-test for dependent samples is used to determine whether financial indicators - more especially, revenue, operating profit, and net profit - before and after the M&A transactions differ statistically significantly.

According to the t-test's null hypothesis (H_0), there is not a significant difference between the financial indicators prior to and following the M&A. According to the alternative hypothesis (H_1), the financial metrics prior to and following the M&A differ significantly.

- Null Hypothesis (H_0): The mean values of the financial indicators (net profit, operating profit, and revenue) before and after the M&A do not differ significantly.
- Alternative Hypothesis (H_1): The mean values of the financial indicators (net profit, operating profit, and revenue) before and after the M&A differ significantly.

The results of the t-test is following:

Table 5. t-tests for Revenue, Operating Profit, and Net Profit

Financial Metric	t-value	p-value	95% Confidence Interval	Mean Difference
Revenue	0.186	0.854	(-13.92, 16.67)	1.377 million USD
Operating Profit	-1.044	0.307	(-8.69, 2.85)	-2.919 million USD
Net Profit	0.125	0.902	(-10.21, 11.52)	0.657 million USD

Based on p-values greater than 0.05, this table clearly demonstrates that none of the indicators (Revenue, Operating Profit, and Net Profit) indicate statistically significant variations following the M&A. Overall, the findings indicate that the financial performance of many businesses that have merged or acquired has not changed significantly. The overall effect on financial performance is small, notwithstanding the possibility of little increases or decreases for certain businesses.

After t-test correlation is done. The goal is to investigate if the financials of the participating companies is impacted by the type of deal - horizontal or vertical. The primary objective is to ascertain whether the type of deal and the changes in revenue, operating profit, and net profit following the M&A are related in any way. Here, our goal is to verify the following theory:

- Null Hypothesis (H_0): There is no discernible relationship between the type of contract (horizontal or vertical) and changes in net profit, operational profit, or revenue.
- Alternative Hypothesis (H_1): There is a strong correlation between changes in revenue, operational profit, or net profit and the type of agreement (horizontal or vertical).

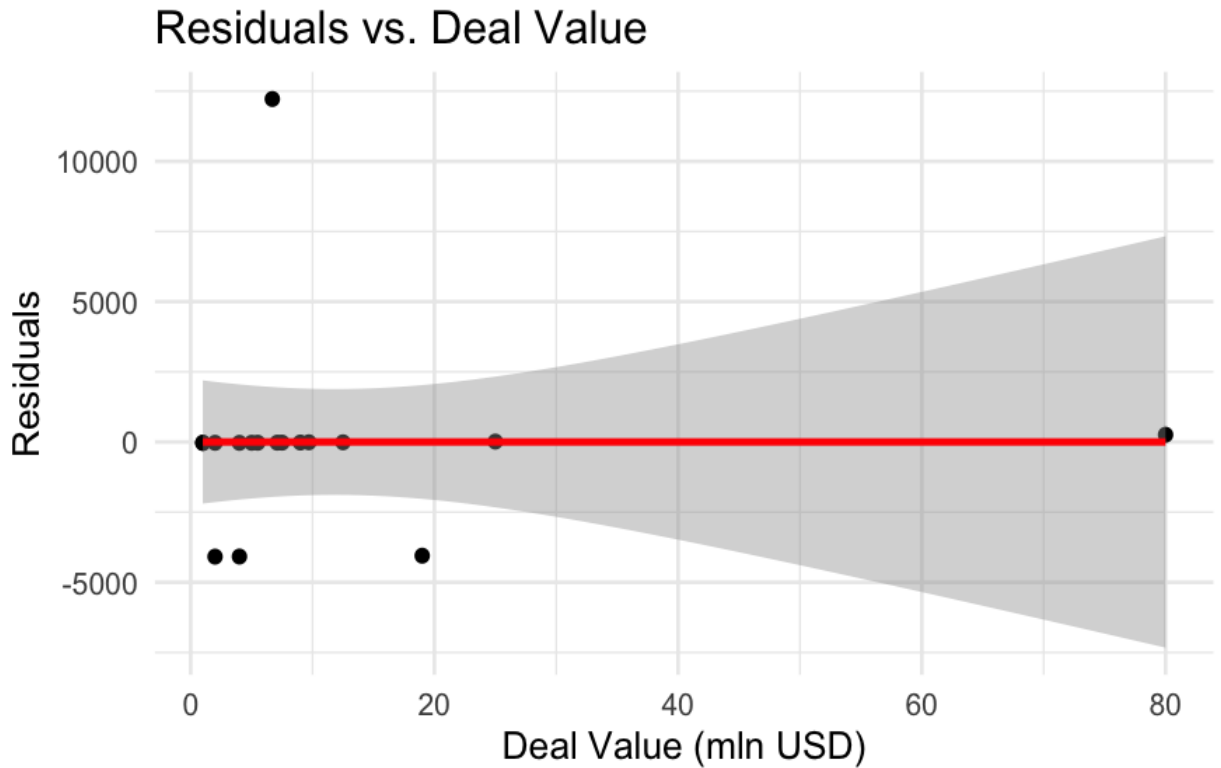
With a correlation coefficient of 0.32, correlation analysis revealed a moderately positive relationship between the type of transaction (horizontal or vertical) and the development

of the companies' revenues following the merger. Accordingly, vertical mergers might have a marginally greater impact on revenue growth than horizontal ones. But since the association is weak, it is impossible to draw firm conclusions. Given the extremely low correlation coefficients (-0.03 for operating profit and 0.11 for net profit), there is essentially no relationship between operating profit and net profit and the kind of transaction. This implies that these financial metrics are not significantly impacted by the type of transaction. Therefore, even while vertical deals might have a slight effect on sales, overall, the kind of transaction has no bearing on how much a company makes following a merger.

And the final part of the analyses and results - Linear Regression Analysis.

According to the chapter methodology, a linear model was tested, which yielded the following results

Figure 5. Linear model



The outcomes of linear regression demonstrated that changes in earnings following mergers and acquisitions are only marginally impacted by the type and value of the transaction. The value of the transaction did not turn out to be a major determinant for changes in earnings, and the type of transaction has a moderate impact, although this effect is only somewhat statistically significant. The model's low explanatory power ($R\text{-squared} = 0.2024$) indicates that the variables chosen can only account for a tiny percentage of the variations in revenue. Furthermore, the model is not statistically significant overall, according to the p-value for the F-statistic (0.2053). This implies that in order to improve the outcomes, the model needs to be enhanced.

Lasso Regression was used to decrease any overfitting and increase the model's explanatory power. Regression was used in this work to make the influence of non-important variables smaller by making their coefficients zero. One of the main purposes

of this approach was to ascertain whether regularization could result in a more accurate model that more fully explains revenue fluctuations after mergers and acquisitions.

Table 6. Lasso

(Intercept)	967.7438
`Deal value (mln usd)`	0.0000
Deal_Type_Numeric	0.0000

As we can see, after doing the Lasso regression, both metrics, deal value and deal type, have no role at all in the change of revenue. Type and value of the deal showed almost no effect on the revenue change after the deal. Both coefficients are almost zero, so we can make a conclusion that these variables do not contribute to the explanation of the change in revenue in this model after the M&A.

CHAPTER 6. CONCLUSIONS AND RECOMMENDATIONS

According to this thesis, the goal was to determine whether mergers and acquisitions have a positive or negative effect in the short-term period on the financial performance of companies in Ukraine. The main focus was on three indicators, such as revenue, operating profit and net profit. After the combination of several types of analyses, such as descriptive, correlation, statistical, comparative and regression modelling, we can make a conclusion that M&A are mostly associated with a negative impact on the business indicators.

From descriptive statistics, we can state that on average, the revenue dropped from 115.14 million USD prior to the M&A to 113.77 million USD following the deal, according to the revenue study. With an average rise of 847.11%, the revenue shift was significant for a number of companies, suggesting that some saw exceptional growth after the merger. However, a small number of businesses experienced a drop in revenue; the lowest change was -72.96%, while the biggest rise was an astounding 16,299%.

Prior to the M&A, operating profit averaged 0.93 million USD; following the acquisition, it increased to 3.85 million USD. However, with an average decrease of -1545.76%, the overall change in operational profit was negative. In contrast, net profit generally decreased from an average of -3.42 million USD prior to the M&A to -4.08 million USD following the transaction. With the worst-case scenario displaying a startling drop of -56800%, the mean change in net profit was a huge negative -2085.20%. In conclusion, we can state that M&A has a negative impact in the short term.

Revenue, operating profit, and net profit did not differ statistically significantly before and after the M&A transactions, according to the dependent samples' t-tests. All three indicators' p-values were higher than 0.05, indicating that there was no discernible

difference in the companies' financial performance following the transactions. To find out if the sort of M&A deal - horizontal or vertical - had an effect on the financial outcomes, correlation analysis was done.

The kind of agreement and changes in revenue were shown to have a small positive connection (0.32), suggesting that vertical mergers may have a marginally beneficial impact on revenue growth. Nevertheless, there was insufficient correlation to make firm judgments. The type of deal and operational or net profit had little to no correlation, according to the report.

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Linear regression also confirmed that the type and value of the deal have no impact on the performance. To improve the efficiency of the model, Lasso regression was applied, which also indicated that neither deal value nor deal type predicts or explains revenue change. All findings stated same conclusion about negative impact of M&A deals.

The results of the thesis are that although mergers and acquisitions might help certain businesses perform better financially, the outcomes vary depending on the specifics of each deal. Companies that are engaging in the mergers and acquisitions process can have a notable increase in sales and operational profit. This thesis's results underline the importance of companies to think about M&A as a development tool. But before entering this process, both advantages and disadvantages must be taken into account.

So, as in our model, we failed to find metrics that would predict the likelihood of success after an M&A transaction for companies; businesses must consider other elements not selected in this work.

But it doesn't mean that this work has no benefits for companies that are thinking about mergers and acquisitions. Before engaging in any M&A transaction, enough time has to be dedicated to carrying out diligent analysis. It can include analysing the target company's financials, understanding the company's reputation both among customers and employees. The success of the deal depends on the work done before the deal. Both companies have to achieve synergy to maximise benefits for both.

Growth and efficiency are frequently promised by mergers, the true benefits depend on how well the two businesses integrate. To reduce interruptions and inefficiencies, this includes coordinating company cultures, systems, and operations. Businesses who don't properly handle this integration procedure can not achieve the expected rewards of the transaction. Businesses should control their expectations as well.

According to the report, while some businesses see increases in operating profit or sales, net profit gains are not always assured, and there are sometimes short-term hidden costs. As a result, businesses should approach M&As knowing what to anticipate financially in the near aftermath. Future studies in a number of areas could contribute to a deeper comprehension of the consequences of M&A.

Investigating this subject has been very fascinating and has given me a greater understanding of the mergers and acquisitions (M&A) industry. There is still plenty to learn, but the knowledge gathered by examining the immediate consequences of M&A deals provides a useful starting point. Future studies may therefore focus on the long-term financial performance of companies following mergers and acquisitions. Although the immediate aftermath of M&A transactions was the main focus of this study, it would

be interesting to look at how businesses do a few years later. Is time an important player in the M&A deals? Is the long-term effect easier to determine or not? The question is still open whether, in the long run, the financial benefits of the deal increase or there is a decline in the financial metrics of the company. After all the integration challenges, is it possible for the business to remain stable?

There is also a sense in comparing the results of M&As in different countries to receive a general understanding of the worldwide scope of these transactions. International and cross-border M&As are absolutely different and a very interesting topic. Lots of these can be dedicated to discovering their specific features. Cultural integration, distance, and different regulatory frameworks are just a small part of the things that are different. It would be interesting to determine whether some nations or geographical areas are more suited for M&As by comparing results in different countries. Different countries have different business environments, political situations, economic conditions, and regulatory frameworks; all these factors have an impact on M&A. After comparing these results, we may have a very valuable work for companies that are thinking about expansion abroad. And as a tool of expansion, M&A can be just the right thing.

Additionally, understanding how political, economic, and legal frameworks affect M&A performance can provide businesses with very valuable insights when trying to do business in other countries. Mergers and acquisitions can be, on the one hand, very beneficial and open new horizons, but on the other hand, ruin everything the company has built before. Companies with experience in international M&A can be able to make better decisions by having in background of hard work with cross-border M&A.

And in conclusion, I wanted to add that though this thesis has made a useful look at the short-term results of the mergers and acquisitions, there is still a lot to dwell on. It is a tremendously big topic, and there is plenty of space for debate and talks. Long-term effect, global viewpoint and the larger context of this topic can still be discussed. In

addition to academic benefit, this work can broaden the scope of work for companies and help them decide whether mergers and acquisitions are the right thing for them or not.

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13. Sample data from YouControl <https://youcontrol.com.ua/>

APPENDIX

Table 7. SAMPLE DATA

No of deal	Bidder company	Seller company	Sector	Deal date	Type of deal	Deal value (mln usd)	Revenue before the deal (mln usd)	Revenue after the deal (mln usd)	Change in revenue (%)	Operating profit before the deal (mln usd)	Operating profit after the deal (mln usd)	Change in operating profit (%)	Net profit before the deal	Net profit after the deal	Change in net profit (%)	Management changed?
1	LOUIS DREYFUS	Theeuwes Holding B.V.	Agro	Feb.20	horizontal	4	348.66	374.3	7.35%	2.94	17.59	498.30%	10.85	9.81	-10%	yes
2	REGAL PETROLEUM CORPORATION	Arkona Gas-Energy	Mining	Feb.20	horizontal	9.7	0.07	0.59	742.86%	0.31	27.25	8690.32%	34.09	39.5	16%	yes
3	UNIVERSAL TERMINAL RISOIL	Boconti Ukraine	Agro	May.20	horizontal	n/a	0.0012	5.67	472400%	-0.08	0.42	641.94%	-0.08	0.42	642%	yes
4	BEECONSTRUCT	RENOMENT	Real estate	Jul.20	horizontal	n/a	0.81	0.22	-73%	0.11	0.01	-91.10%	0.03	0.12	324%	yes
5	Zakhidnyi Buh	Vinalo Agro	Agro	Jul.20	horizontal	n/a	69.73	106.39	53%	5.81	51.36	783.84%	4.65	44.54	858%	yes
6	Vittera	EVERI	Agro	Jul.20	horizontal	25	14.33	10.75	-25%	0.21	5.81	2666.67%	25.96	3.66	114%	yes
7	Fozzy Group	AGROFIRMA "ORSHIVSKA	Agro	Aug.20	vertical	n/a	7.36	3.98	-46%	0.36	0.13	-63.89%	-0.89	0.09	110%	yes
8	A'SPIK group	AGRO-ORMS	Agro	Aug.20	horizontal	n/a	10.07	12.96	29%	3.41	6.81	99.71%	7.2	6.81	-5%	yes
9	TAS	DNIPROMETYZ TAS	Metallurgy	Oct.20	horizontal	n/a	50.36	89.75	78%	0.23	6.78	2847.83%	0.97	5.66	484%	yes
10	LNZ Group	AMH MYRONIVSKE	Agro	Jan.21	horizontal	7.5	4.47	3.06	-32%	-0.36	6.07	1786.11%	-0.95	5.7	700%	yes
11	Energy Solutions Ukraine	MISHKOVYTSKY SPIRIT FACTORY	Food industry	Feb.21	vertical	6.7	0.0003	4.89	1629900%	-0.15	0.19	226.67%	-0.15	0.17	213%	yes
12	DCH	LIE BUTIK	IT	Feb.21	horizontal	1	0.56	1.31	134%	-0.11	-0.63	472.73%	-0.11	-0.63	-473%	yes

13	Universal investment Group	NAFTA-TRANSSHIPMENT	Transport	Feb.21	horizontal	7.1	0.61	0.26	-57%	-0.19	-0.67	252.63%	-0.19	-0.55	-189%	yes
14	SILPO-FOOD	FURSHET	Retail	Feb.21	horizontal	9	2315.11	2144.18	-7%	5.69	-35.45	723.02%	115.46	233.82	-103%	yes
15	Playrix	BOOLAT PLAY	IT	Mar.21	horizontal	1	0.25	2.75	1000%	0.02	0.27	1250.00%	0.02	0.27	1250%	yes
16	Pivdennyi	"AHRO FIRMA "PIVDENNA"	Agro	Mar.21	vertical	2	1.01	3.65	261%	-0.6	0.42	170.00%	-1.45	0.43	-130%	yes
17	Concorde Capital	NAVIGATOR MAYNYTSKE	Mining	Apr.21	vertical	n/a	0.26	0.6	131%	-0.001	0.12	12100.00%	0.09	-0.007	-108%	yes
18	MED-SERVICE DNIPRO	TAS Farma	Retail	Apr.21	horizontal	5.5	22.01	28.35	29%	0.1	0.06	-40.00%	0.1	0.01	-90%	yes
19	MHP	DOBROPILSKIY GRAIN PRODUCTS PLANT	Food industry	Jun.21	horizontal	2	0.17	1.15	576%	-0.55	0.09	116.36%	-0.71	-0.001	100%	yes
20	SLAVIAN	Sky Mall	Real estate	Jun.21	horizontal	80	0.03	3.75	12407%	0.01	-4.396	44060.00%	0.01	5.69	56800%	yes
21	The Shumilkins Group	AGROLATINVEST	Agro	Jun.21	horizontal	12.5	5.57	7.09	27%	0.63	0.90	42.54%	0.16	0.72	350%	yes
22	Arnika	LIASHCHIVKA	Agro	Jul.21	horizontal	5	1.75	1.6	-9%	-0.24	0.03	112.50%	-1.88	0.03	102%	yes
23	DRAGON CAPITAL	AQUA-ECO	Retail	Aug.21	vertical	4	2.22	6.59	197%	0.25	0.21	-16.00%	0.19	0.16	-16%	yes
24	Kernel	AHRODIM	Agro	Oct.21	horizontal	n/a	14.67	20.73	41%	4.65	11.07	138.06%	3.62	7.58	109%	yes
25	NEQSOL Holding	FREENET	IT	Dec.21	vertical	19	8.52	9.61	13%	0.75	1.73	130.67%	0.32	1.67	422%	yes