Private Equity Pulse

Central Asia and Caucasus

Reliance Restricted

May 2026

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Preface

May 2026

Timur Pulatov
Partner, Head of EY-Parthenon, Central Asia countries and Caucasus

Welcome to the inaugural edition of EY's Central Asia and Caucasus Private Equity Pulse.

For much of the past decade, the region has remained on the margins of global private capital flows – rich in natural resources and supported by strong demographic potential yet limited by underdeveloped investment infrastructure. This is now changing. Uzbekistan's economic liberalisation, Kazakhstan's ongoing capital market reforms, Georgia's growing role as a regional financial hub, and the South Caucasus' increasing importance as a transit corridor have together strengthened the case for private equity in the region.

In this context, we launched the inaugural Private Equity Pulse Survey – the first structured effort to capture the views of private capital professionals actively investing across Central Asia and the Caucasus. Conducted in April and May 2026, the survey reflects the perspectives of senior decision-makers from private equity firms. Participants shared their views on market conditions, investment priorities, and the key changes needed to support further growth.

The results highlight a market shaped by a clear tension: strong opportunity alongside ongoing structural challenges. While investor confidence in the region is growing – and many respondents are increasing their deal activity – this optimism is balanced by a key constraint: limited exit options. Without reliable and predictable exit routes, the region will continue to attract selective and cautious investors, rather than the broader institutional capital needed to scale its private equity market.

This report brings together the survey findings with regional data and global private equity trends to provide a practical and forward-looking perspective for investors, policymakers, and advisors. Our aim is not only to present the results, but also to explain the key drivers behind them and highlight what could accelerate the region's development.

We are grateful to the senior investment professionals who gave their time and candor to this survey. Their insights are the foundation of everything that follows.

We hope this report serves as a useful resource – and that it marks the beginning of an annual conversation about the state and direction of private capital in Central Asia and the Caucasus.

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Key takeaways

1 **Exit infrastructure** is the single biggest constraint on Central Asia and the Caucasus private capital growth, cited by 73% of respondents – ahead of regulatory uncertainty and fundraising difficulty.

2 **Uzbekistan** is the dominant investment geography, reflecting the country's rapid economic liberalisation, GDP growth of 7.7% in 2025 (World Bank), and an expanding investable universe.

3 **Technology, Financial Services & Fintech, and Logistics** are the top three sectors of interest – pointing to a market shifting away from legacy natural resources toward productivity-enhancing industries.

4 **Equity-only financing dominates** due to underdeveloped leverage markets; this constrains return potential and underscores the urgent need for capital market deepening.

5 **Transaction readiness** is among the most consequential – yet **most addressable** constraints in CCA private markets. With 60% of investors citing target preparedness as a top challenge, businesses that invest in transparent financials, sound governance, and operational clarity stand to benefit significantly – compressing timelines, narrowing valuation gaps, and **converting pipeline interest into closed transactions.**

67%
Dominant Strategy
Equity-only financing

73%
Top Challenge
Limited exit channels

15
Survey Participants
Senior PE/VC/FO Professionals

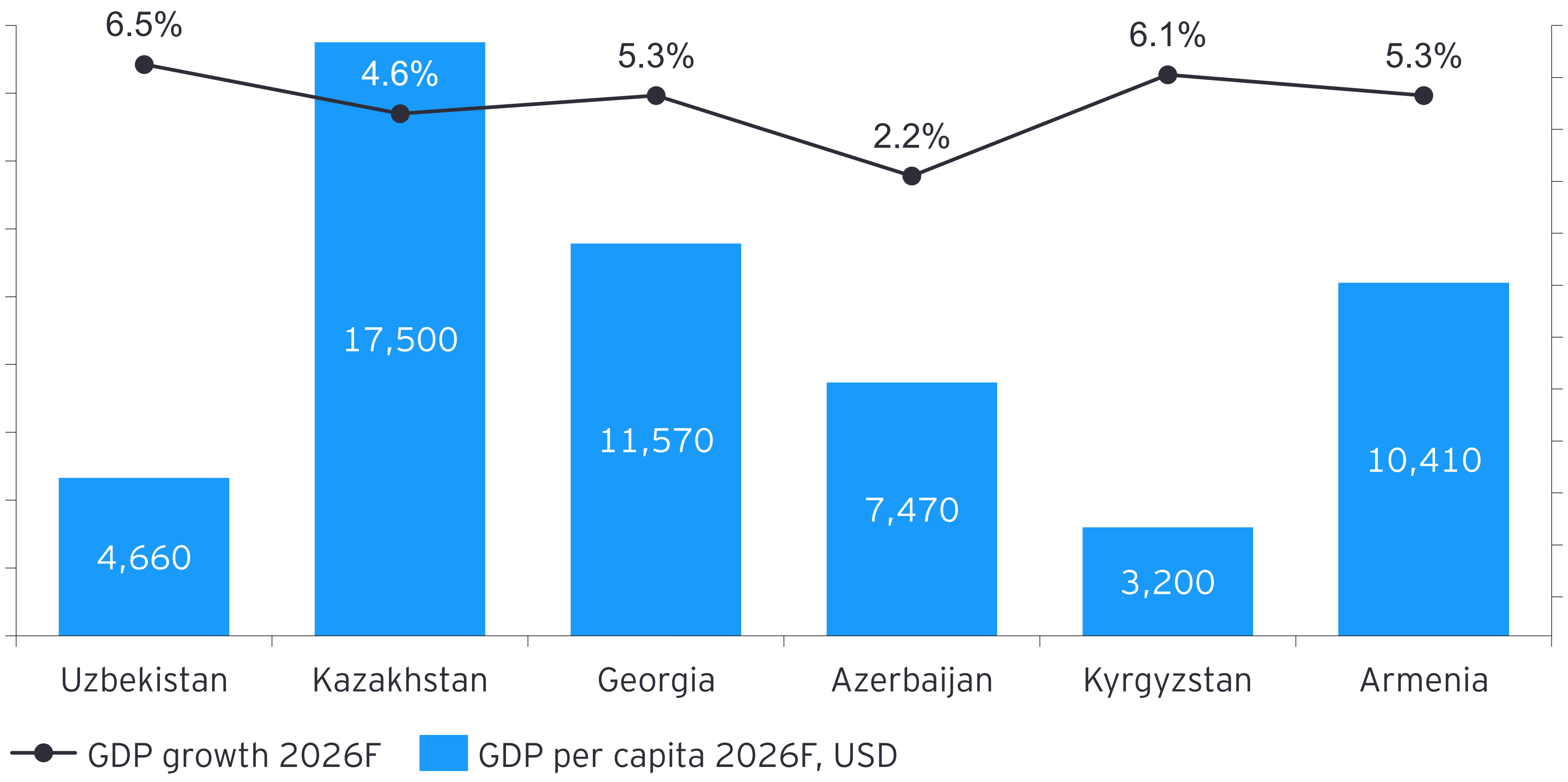
1

Investment landscape

Economic Overview: Central Asia & Caucasus

The ADB forecasts the Central Asia and the Caucasus region to grow by 5.8% in 2025 and 5.0% in 2026, above IMF 2026 forecasts for advanced economies at 1.8% and emerging market and developing economies at 3.9%.

Regional GDP Performance & Forecast



Sources: IMF, World Economic Outlook, April 2026

Country Spotlights

Uzbekistan - The High-Growth Frontier

Uzbekistan is Central Asia's most populous country, with over 38 million people. Since 2017, the government has implemented reforms to liberalise the economy and strengthen private-sector-led growth. Real GDP grew by 7.7% in 2025, supported by export recovery, private consumption, and growth in services, agriculture and industry. Uzbekistan also has a young demographic profile, with 55% of the population under 30. A young population, increasing urbanisation, and a proactive FDI agenda underpin attractive opportunities in consumer, fintech, and logistics-focused PE strategies.

Kazakhstan - The Anchor Market

Kazakhstan is Central Asia's largest economy, with a population of just over 20 million. Real GDP growth reached 6.5% in 2025 and is projected by the World Bank to moderate to 4.6% in 2026, reflecting stabilization of oil output and softer domestic demand. Kazakhstan is also a key part of the Middle Corridor linking China and Europe, while AIFC provides a separate court system with English common law-based procedures, a fintech regulatory sandbox, and financial-market infrastructure. The National Infrastructure Plan to 2029 supports investment across energy, transport, water and digital infrastructure.

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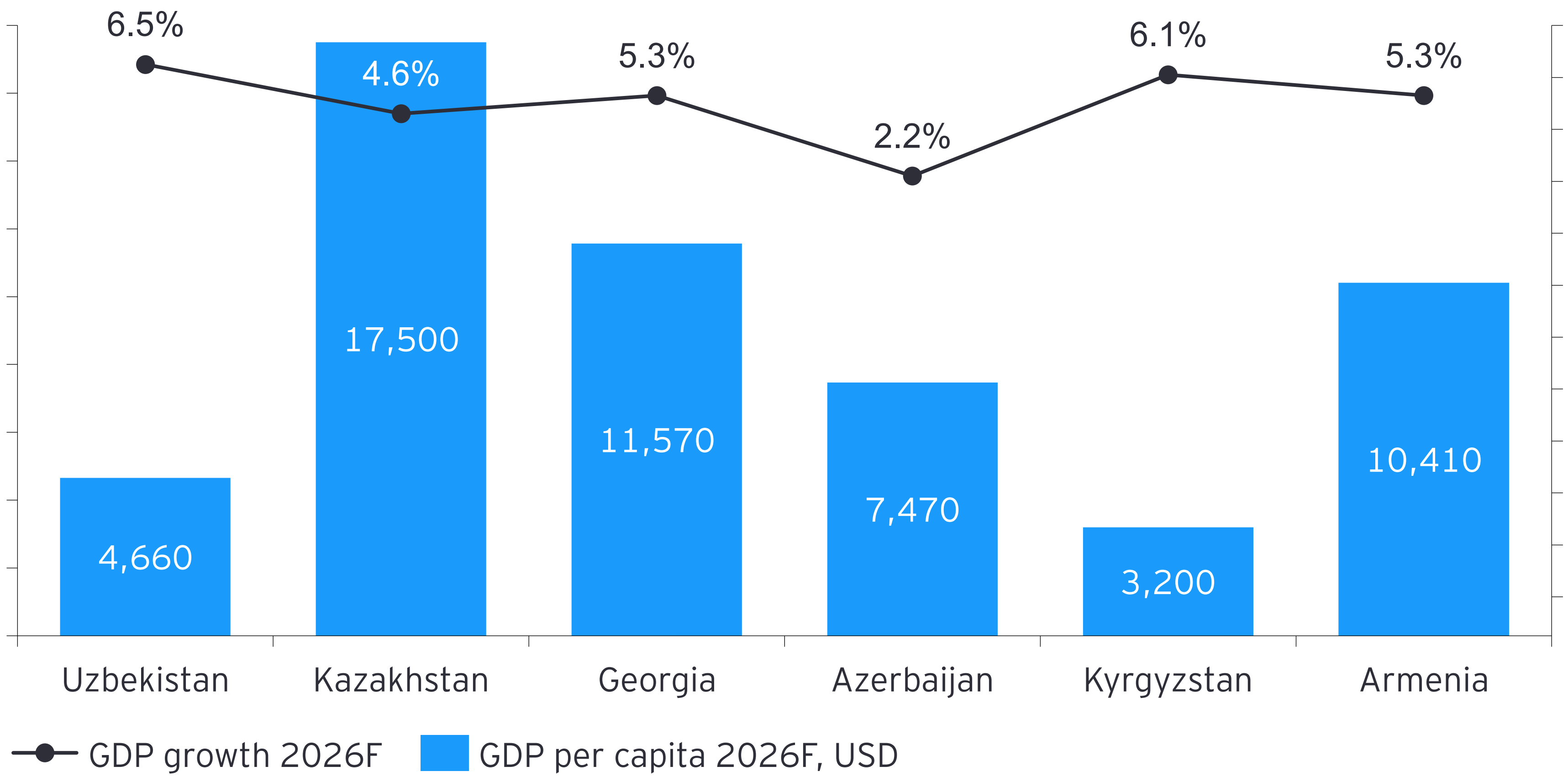

Sources: IMF, World Economic Outlook, April 2026

Country Spotlights

Georgia - The Caucasus Gateway

Georgia is a small, open economy of approximately 3.7 million people, with a comparatively business-friendly environment, low taxes and strong regional connectivity. Real GDP growth reached 7.5% in 2025, supported by private consumption and broad-based services activity, including ICT, transport and accommodation. Georgia remains positioned on the Middle Corridor linking Asia and Europe, but the effective halt of its EU accession process makes political, and reform-momentum risk an important investor caveat.

Azerbaijan - The Transit & Energy Hub

Azerbaijan is an upper-middle-income South Caucasus economy of about 10.3 million people, historically reliant on oil and gas but pursuing diversification beyond hydrocarbons. Real GDP growth slowed to 1.4% in 2025, reflecting weaker performance in both hydrocarbon and non-hydrocarbon sectors. The World Bank projects growth to rise to 2.0% in 2026, supported by a less pronounced decline in crude oil output and gradual recovery in the non-hydrocarbon sector. Azerbaijan's Caspian location and role in regional connectivity support opportunities in transport infrastructure, renewable energy and non-extractive private-sector development.

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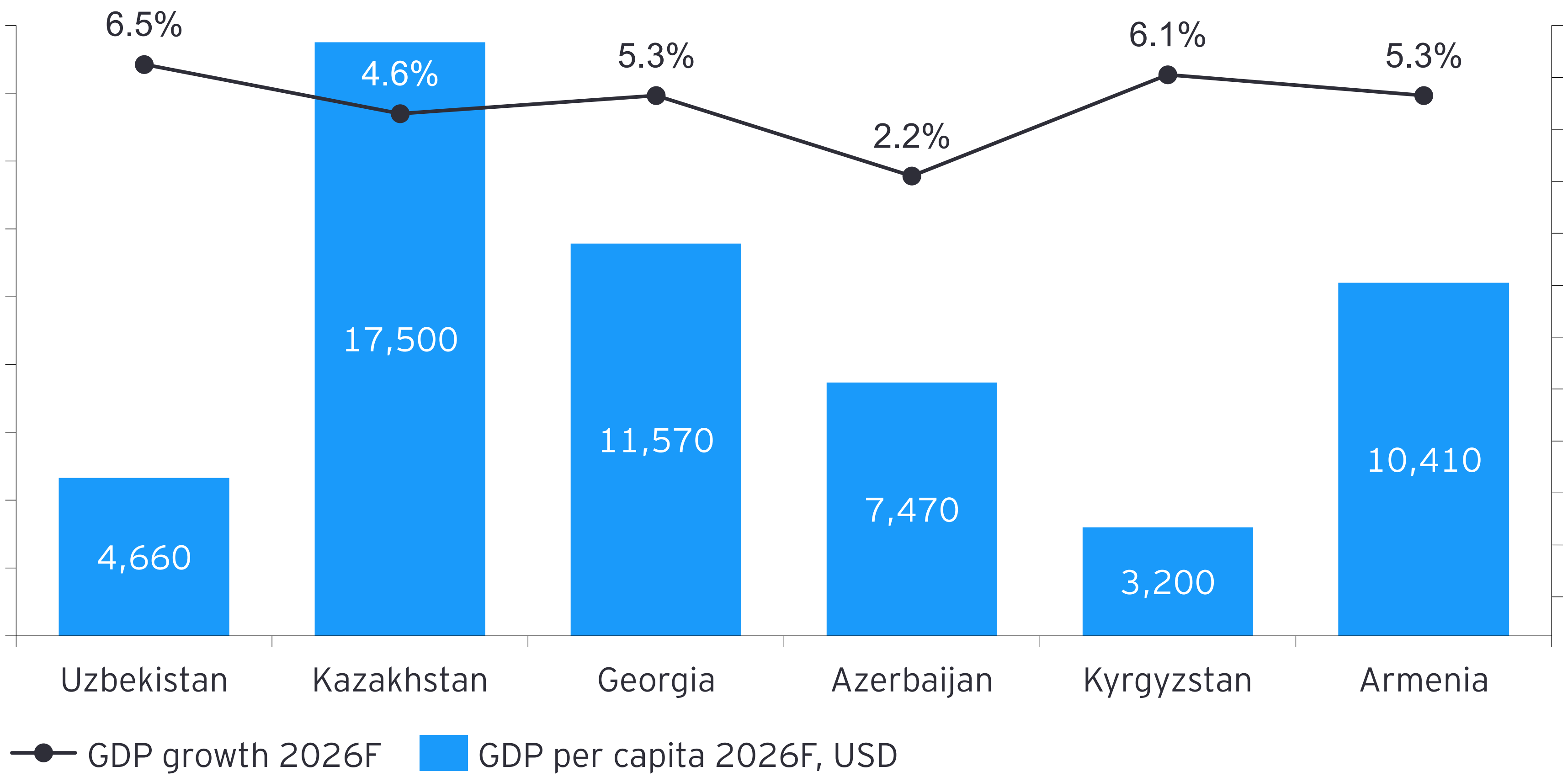

Sources: IMF, World Economic Outlook, April 2026

Country Spotlights

Kyrgyzstan - The Frontier Opportunity

Kyrgyzstan is a small, young and growing economy of about 7.4 million people. Real GDP expanded by 11.1% in 2025, supported by strong private consumption and investment, with services, construction and industry contributing to growth. The World Bank projects growth to moderate to 6.1% in 2026 as consumption and investment slow from a high base. Policy priorities under the 2025 National Development Plan include connectivity, agriculture, renewable energy and green tourism, while risks remain linked to Russia and China spillovers, remittances, and energy and food prices.

Armenia - The Quiet Tech Contender

Armenia is a small upper-middle-income economy in the South Caucasus, with a population of around 3.1 million. Real GDP growth reached 7.2% in 2025, supported by private consumption, investment, services and construction, and is projected to moderate to 5.3% in 2026. Armenia's economy has shifted toward services and ICT, supported by diaspora links and digital innovation, although connectivity gaps, weak competition and shortages of high-skilled labor remain key constraints.

Global PE Trends & Relevance for Central Asia and Caucasus

Exit Pressure Remains the Industry's Central Challenge

Globally, PE firms are sitting on a record backlog of unsold companies, with over 63% of active portfolio companies held for more than four years in North America alone (With Intelligence, 2026).

Central Asia and Caucasus Relevance

Exit challenges are even more acute in Central Asia and the Caucasus. Building domestic secondary infrastructure, developing the DFI co-investment pipeline as a buyer base, and improving cross-border exit pathways are critical priorities. Survey data confirms this: 73% of survey participants rank limited exit channels as their top challenge – mirroring global trends but without the structural tools to address them.

Value Creation as the Core Return Driver

With leverage and multiple expansion fading as return drivers, operational value creation has become paramount. Value at exit now comes from revenue growth rather than financial engineering. Firms investing in operational talent, technology adoption within portfolio companies, and active management are outperforming peers.

Central Asia and Caucasus Relevance

The region's equity-only financing model (73% of respondents) means this global trend has always been the de facto playbook for investors. The region's investors must already generate returns almost entirely through portfolio company improvement - a discipline that aligns well with the global direction of travel. Investment in management teams, financial reporting capabilities, and digital adoption within portfolio companies is both a necessity and a competitive advantage in Central Asia and the Caucasus.

Technology & Fintech as Dominant Sector Themes

Globally, Technology (particularly AI, SaaS, and cloud) and Financial Services lead PE deal flow. EY notes that 88% of GPs see digital infrastructure as the most promising growth area for 2026. The shift toward tech investing is structural, not cyclical, driven by recurring revenues, capital-light models, and high growth potential.

Central Asia and Caucasus Relevance

Regional investor preferences closely mirror this global consensus - Technology & Fintech tied as the top sector choices at 60% each. This alignment suggests Central Asia and Caucasus investors are well-positioned to attract global LP interest as the region produces tech and fintech champions. Kazakhstan's AIFC fintech framework, Uzbekistan's growing startup ecosystem, and Georgia's digital services sector provide real investment pipeline. The challenge is building companies to a scale and governance standard that meets international LP expectations.

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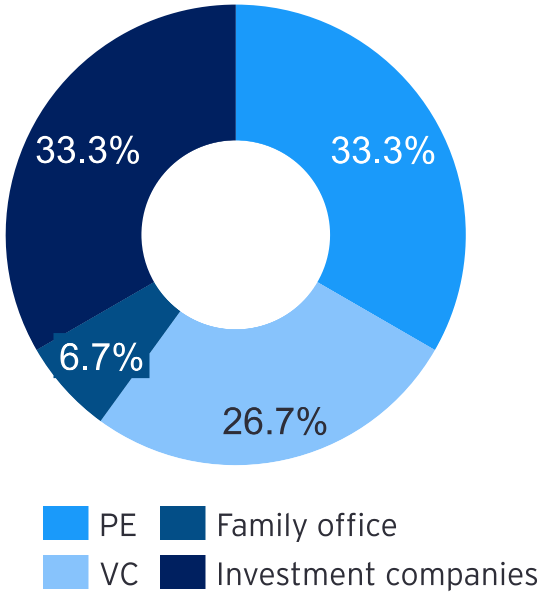
PE outlook

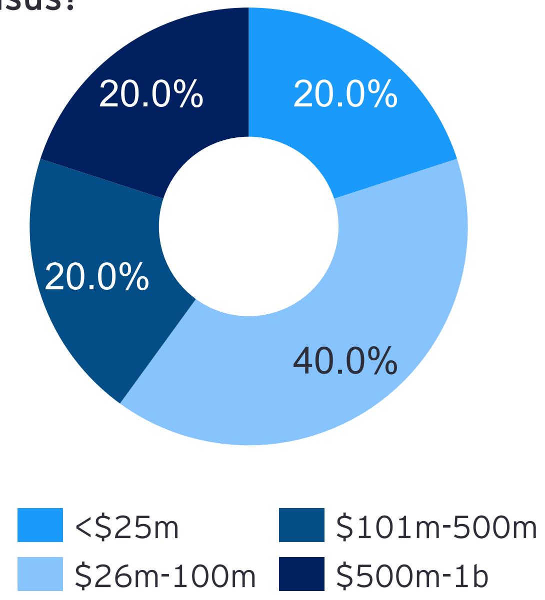
Investor profile

Q: How would you best describe your organization?



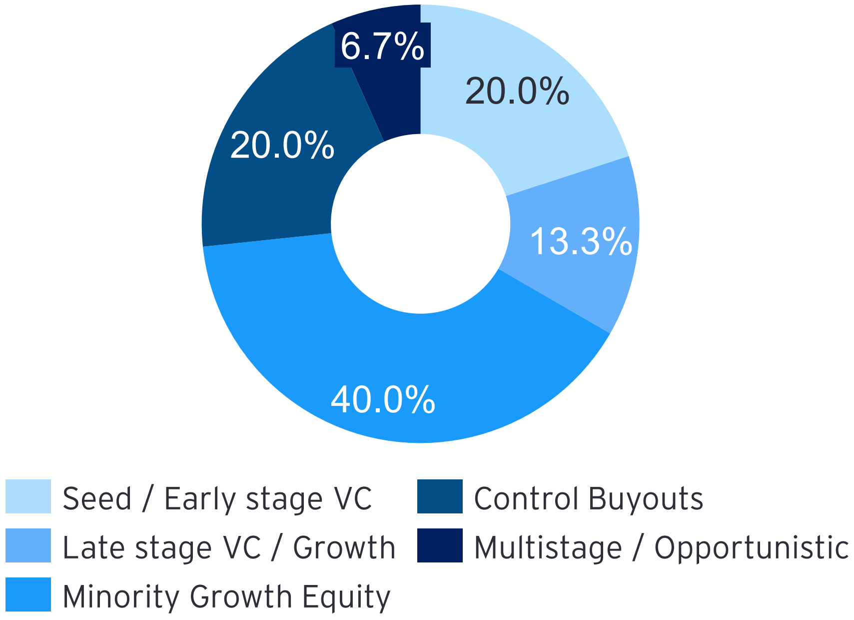
Sources: EY survey

Q: What is your approximate AUM (Assets Under Management) allocated to Central Asia and Caucasus?



Sources: EY survey

Q: What stage/profile do you primarily target?



Sources: EY survey

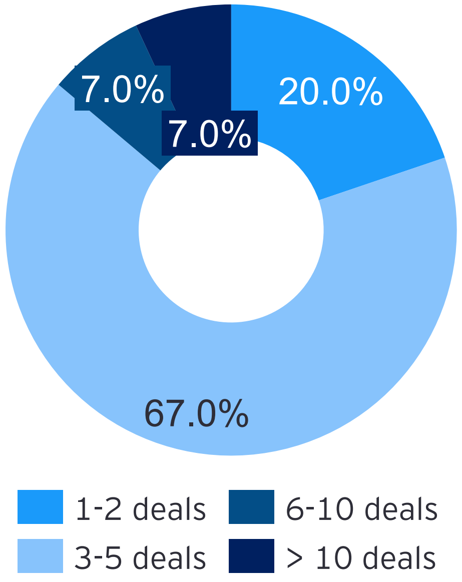
PE and investment companies together account for two-thirds of the active private capital landscape.

The respondent base is predominantly composed of mid-market managers, with 40% overseeing assets in the 26-100 million USD range within the region. This segment forms the backbone of the Central Asia and the Caucasus private equity ecosystem–sufficiently scaled to drive meaningful value creation, yet agile enough to operate effectively in markets characterized by limited transaction infrastructure.

Minority growth equity is the dominant strategy (40%), reflecting the reality of Central Asia and the Caucasus markets: founder-led businesses rarely cede full control, and the market for large leveraged buyouts remains nascent.
The meaningful presence of VC/early-stage investors (33% combined) reflects the technology ecosystem emerging in Kazakhstan and Uzbekistan.

Investor profile

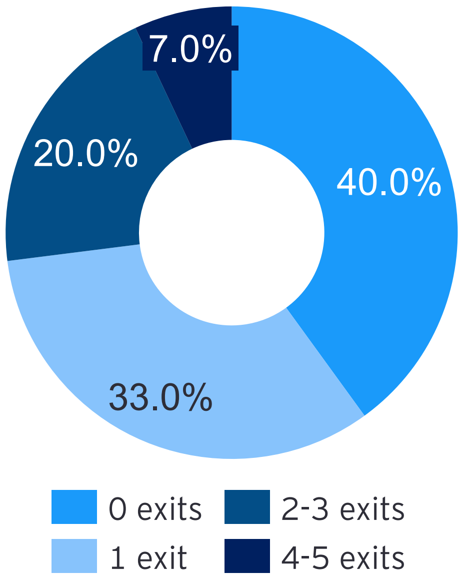
Q: On average, how many new deals do you close per year in Central Asia and Caucasus?



Sources: EY survey

The 3-5 deal cadence (67% of respondents) is characteristic of focused, conviction-driven investing in frontier markets.
It reflects the reality that sourcing, conducting diligence, and closing transactions in markets with limited financial infrastructure takes considerably more time and resources per deal than in more developed markets.

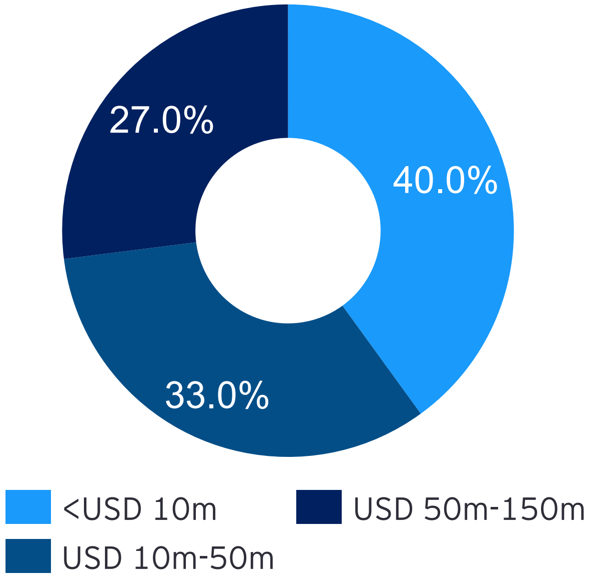
Q: On average, how many exits do you complete per year in Central Asia and Caucasus?



Sources: EY survey

Exit frequency remains the market's most significant structural constraint. Forty percent of respondents reported completing no exits in a typical year, while only 27% achieved two or more. This dynamic reflects structural limitations rather than investment quality: the Central Asia and the Caucasus exit ecosystem offers limited pathways to liquidity.

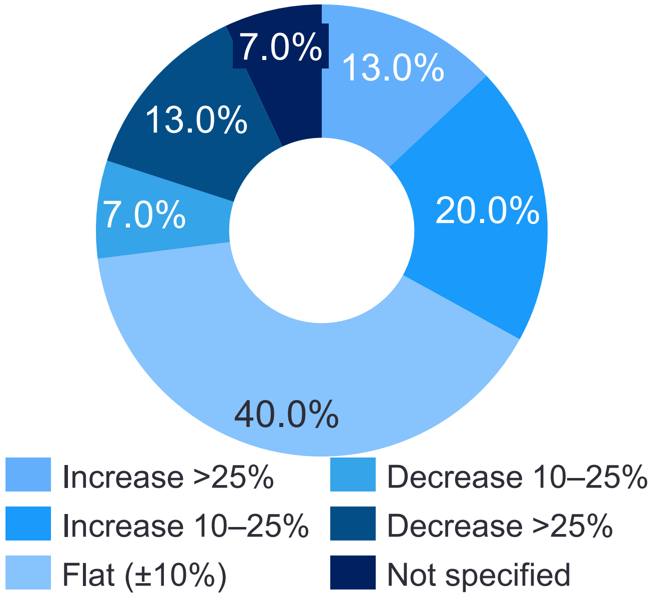
Q: What is your typical equity ticket size per deal?



Sources: EY survey

The dominance of below USD 50m tickets positions Central Asia and the Caucasus as principally a small-to-mid market. This concentration in the lower end of the market is both a feature and a constraint: it broadens the deal universe but limits the ability to absorb institutional LP capital, which increasingly seeks larger deployments.

Q: How do you expect your deal activity over the next 12 months vs. the last 12 months?

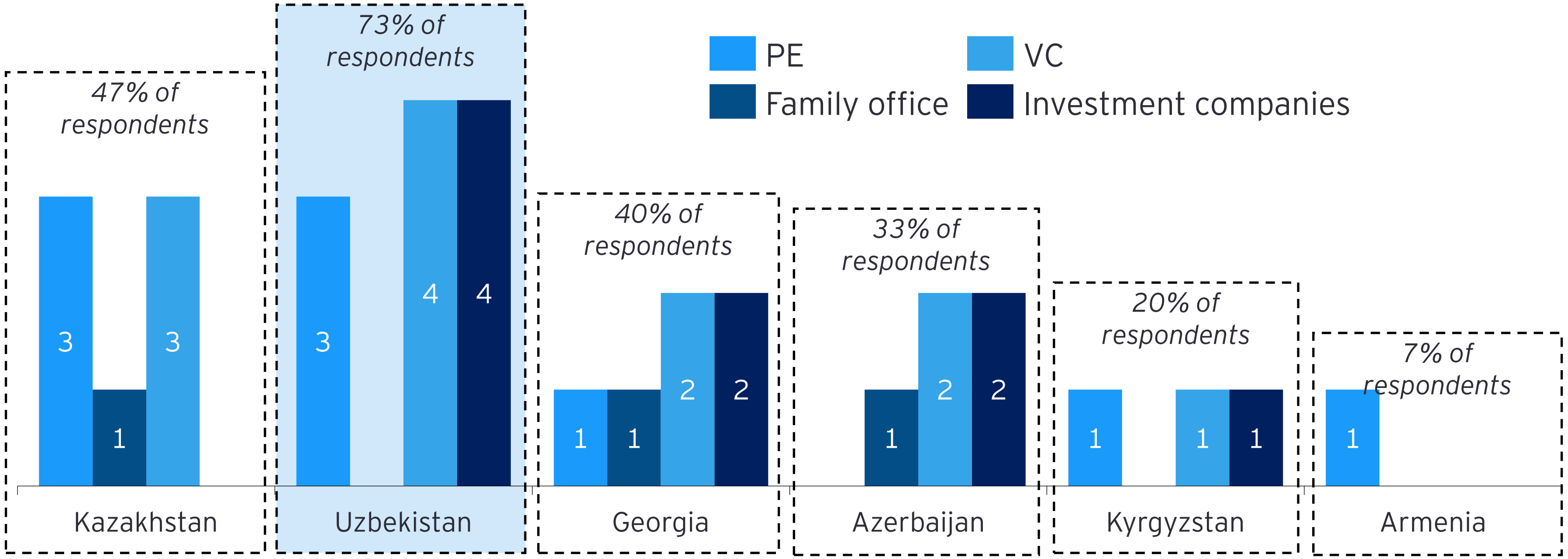


Sources: EY survey

Investor sentiment is cautiously positive. 45% of respondents expect deal activity to increase over the coming year, compared to 20% anticipating a decline. It signals growing confidence in the region's structural growth trajectory, particularly in Uzbekistan and Kazakhstan.

Most attractive geographies based on the investors' responses

Q: In which Central Asia and Caucasus countries do you primarily invest? (Please select up to three countries)



Sources: EY survey

Uzbekistan: The Region's Growth Engine

Uzbekistan's prominence as the most-targeted geography is no coincidence. With GDP growth of 7.7% in 2025, and a rapidly liberalising investment climate, the country has become the preferred destination for growth-oriented capital. This momentum is underpinned by sustained structural reforms, including large-scale privatisation initiatives, capital market development (notably the expansion of IPO pipelines), and increasing openness to foreign investment across key sectors such as energy, financial services, and infrastructure. In parallel, improvements in currency convertibility, regulatory transparency, and investor protections have materially enhanced market accessibility.

Georgia and Azerbaijan attract investors seeking Caucasus exposure, benefiting from EU integration momentum and transit corridor positioning, respectively.

Sector Preferences & Investment Thesis

Technology & Software / Digital

Digital transformation is reshaping Central Asia and the Caucasus economies. Kazakhstan's Astana Hub and Uzbekistan's expanding tech startup ecosystem are producing a growing pipeline of investable software and digital service companies. The region benefits from high mobile penetration, young demographics, and a visible leap-frogging of legacy infrastructure, with companies moving directly to cloud-native models.

Financial Services & Fintech

Banking penetration remains low across much of Central Asia and the Caucasus – particularly in Uzbekistan, Kyrgyzstan, and parts of the Caucasus – creating a large addressable market for digital financial services. Payment processing, lending platforms, insurance technology, and B2B financial infrastructure are attracting growing investor attention. Kazakhstan's AIFC provides a regulatory framework that facilitates fintech innovation.

Logistics

The Middle Corridor – connecting China and Europe through Central Asia and the Caucasus – has emerged as a strategically vital trade route, accelerating investment in logistics, warehousing, freight, and digital supply chain platforms. Azerbaijan's role as a critical transit hub has further elevated the sector. Infrastructure modernisation programmes in Kazakhstan and Uzbekistan are creating ancillary investment opportunities.

Consumer & Retail

Rising incomes, urbanisation, and a young population (median age below 30 in most Central Asia and the Caucasus countries) underpin strong structural demand in consumer sectors. Modern retail format penetration is still low relative to GDP, providing significant headroom for organised retail, food & beverage, and consumer goods platforms.

Energy & Natural Resources

Despite investor interest shifting toward technology and consumer sectors, energy and natural resources retain significant relevance given Kazakhstan's role as a major oil and gas producer and the broader region's endowment in hydrocarbons, precious metals, and uranium. Renewable energy – particularly hydropower and solar – is emerging as a growth subsector given the region's renewable potential.

Q: Which sector is most attractive to you in Central Asia and Caucasus right now? (Please select up to three)

Sector	Mentions	% of Respondents
Technology & Software / Digital	9	*60%*
Financial Services & Fintech	9	*60%*
Logistics	9	*60%*
Consumer & Retail	7	*47%*
Energy & Natural Resources	6	*40%*
Real Estate	5	*33%*
Mining & Metals	1	*7%*
Other (Industrials, Manufacturing)	3	*20%*

Sources: EY survey

Structural Shift in Investment Thesis

The data reveals a meaningful rotation in investor preferences. Mining & Metals – historically central to the Central Asia and the Caucasus investment narrative – received only one mention (7%), while Technology, Fintech, and Logistics (60%) collectively dominate. This reflects both a maturing investor community and a real shift in the underlying economies, driven by Uzbekistan's liberalisation and Kazakhstan's diversification agenda. At the same time, governments across Central Asia and the Caucasus are actively advancing digitalisation and artificial intelligence agendas, positioning AI, data infrastructure, and innovation ecosystems as new pillars of long-term growth and competitiveness.

Deal Sourcing & Transaction Financing

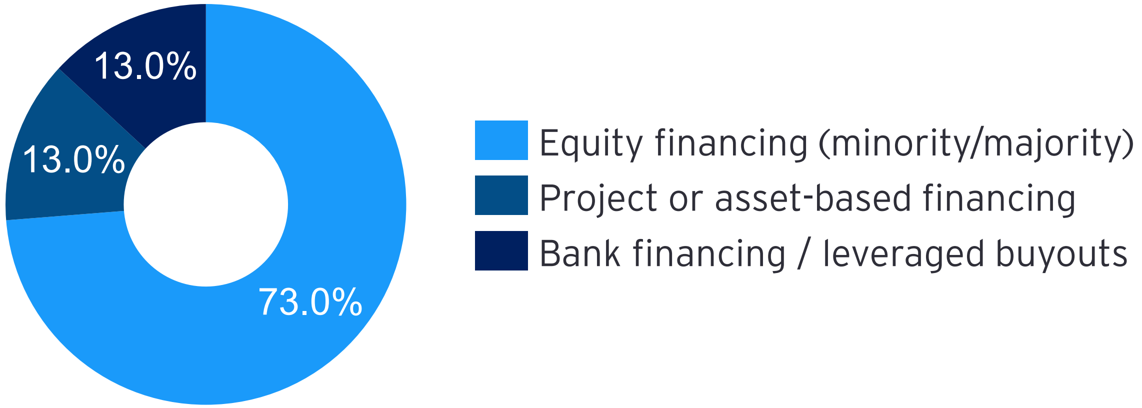
Q: What is your primary deal sourcing channel in the region?

Sources: EY survey

The overwhelming dominance of proprietary deal sourcing (73%) is both a competitive moat and a market structure indicator. In markets without well-developed deal advisory ecosystems, local relationships – built through years of trust, sector expertise, and geographic presence – are the primary route to quality deal flow. This creates significant barriers to entry for foreign investors lacking established regional networks.

The limited role of co-investments and development finance institutions (DFI) referrals (7%) is notable given the significant presence of multilateral institutions (EBRD, IFC, ADB) in the region. There is a meaningful untapped opportunity for increased co-investment frameworks between private capital and development finance institutions.

Q: How do you typically finance your transactions in Central Asia and Caucasus?



Sources: EY survey

The near-total dependence on equity financing (73%) is among the most significant structural differentiators between Central Asia and the Caucasus and more mature PE markets. In developed markets, leverage is a core return driver – typically accounting for 30-40% of buyout financing. In Central Asia and Caucasus, underdeveloped lending markets, high borrowing costs (base rates remain elevated at 14.25% in Kazakhstan and 13.5% in Uzbekistan as of early 2026), and limited lender appetite for PE-backed transactions mean investors must generate returns almost entirely through operational value creation and multiple expansion. This amplifies the importance of hands-on portfolio management.

Key Challenges for Private Capital in Central Asia and Caucasus

Limited Exit Channels

The top-ranked challenge by a significant margin, limited exit infrastructure is the defining constraint on the Central Asia and Caucasus PE ecosystem. Secondary market transactions between PE firms remain infrequent; strategic buyer pools are shallow for most sectors; and public market exits through domestic stock exchanges (KASE, Tashkent Stock Exchange, Tbilisi SE) are largely unavailable for private equity-backed companies due to listing requirements, liquidity, and investor base limitations.

Cross-border exits – selling to international strategic acquirers or global PE funds - are technically possible but complicated by valuation gaps, jurisdictional complexity, and the limited international profile of most Central Asia and Caucasus portfolio companies. Until exit routes diversify and deepen, capital will remain trapped, holding periods will lengthen, and LP confidence will be constrained.

Transaction Readiness of Targets

More than half of respondents highlighted the poor preparedness of target companies for investment - a challenge unique to emerging market PE. Many Central Asia and Caucasus businesses lack IFRS-compliant audited financial statements, formal governance structures, independent boards, or professionally prepared information memorandums. This extends deal timelines, increases diligence costs, and frequently results in valuation disagreements between sellers and investors.

Regulatory Uncertainty & LP Fundraising

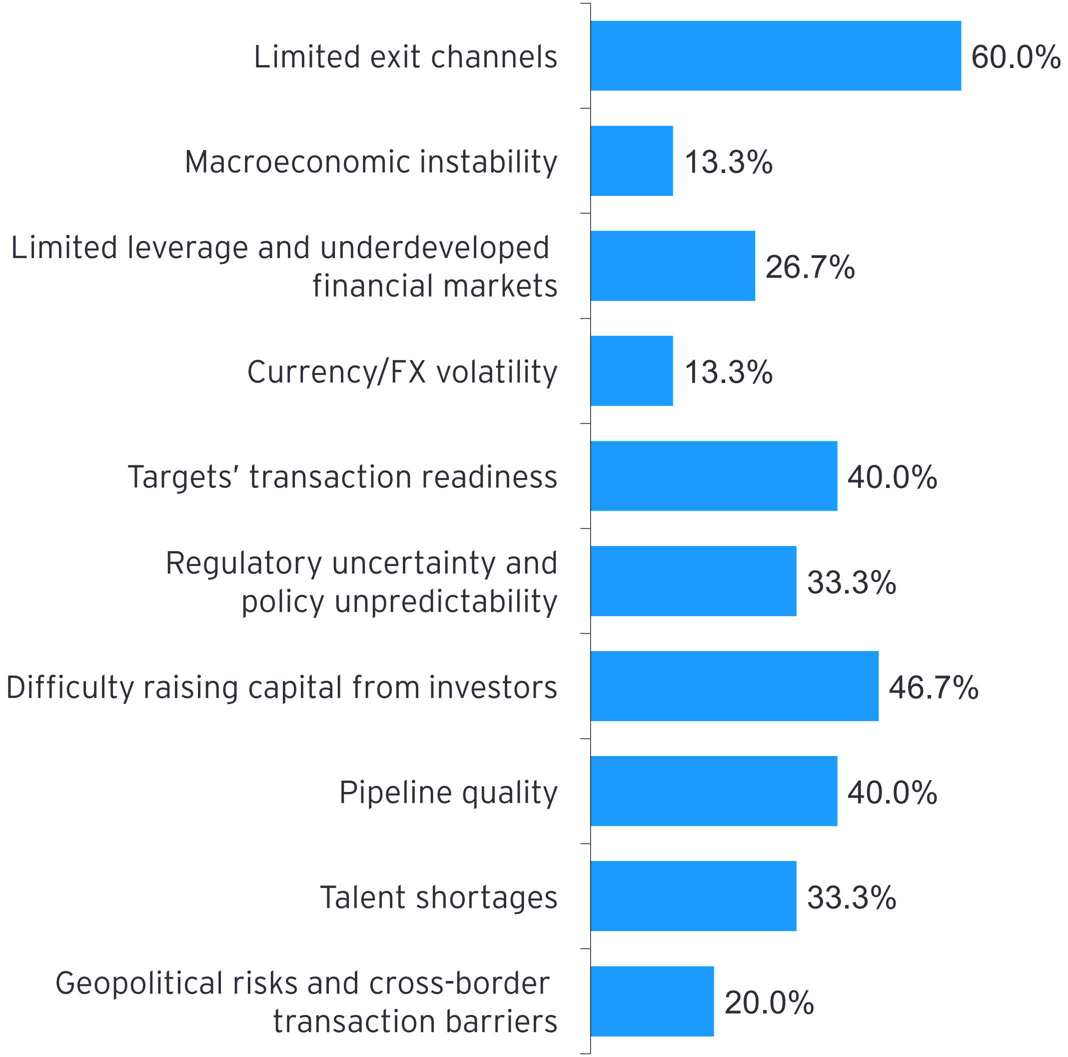
Regulatory unpredictability – spanning tax treatment, foreign ownership rules, corporate governance requirements, and cross-border capital flows – creates significant legal risk for long-duration investors. Inconsistent enforcement and frequent policy changes in certain markets heighten this concern.

On the fundraising side, Central Asia and Caucasus remains below the radar of most institutional LPs. The region's limited track record of exits and returns, combined with its perceived geopolitical risk premium, makes LP capital mobilisation challenging. Most active managers rely on development finance institutions (DFIs), family offices, and regional HNWIs – funding sources with their own constraints on scale.

Talent Shortages

Operational value creation – the core return driver in an equity-only market – demands strong management teams and sector operators. The shallow talent pool of experienced executives, CFOs, and operational specialists limits the ability to transform promising businesses into institutional-quality assets ready for exit. Investment in management team development is increasingly a core part of the PE value-creation agenda in Central Asia and Caucasus.

Q: What are the biggest challenges for PE/SWF in Central Asia and Caucasus today? (Please select up to three.)



Sources: EY survey

Ecosystem Development & Strategic Priorities

Q: Which actions would most improve the PE ecosystem in Central Asia and Caucasus? (Select up to three)

Sources: EY survey

Respondents were asked to select up to three priority actions. Results identify clear consensus on the most impactful levers for ecosystem development.

The primacy of regulatory clarity (40%) reflects the frustration of investors operating in environments where the rules of the game can change unpredictably. Building investor confidence requires not just better laws but consistent, predictable enforcement and a track record of honouring investor protections.

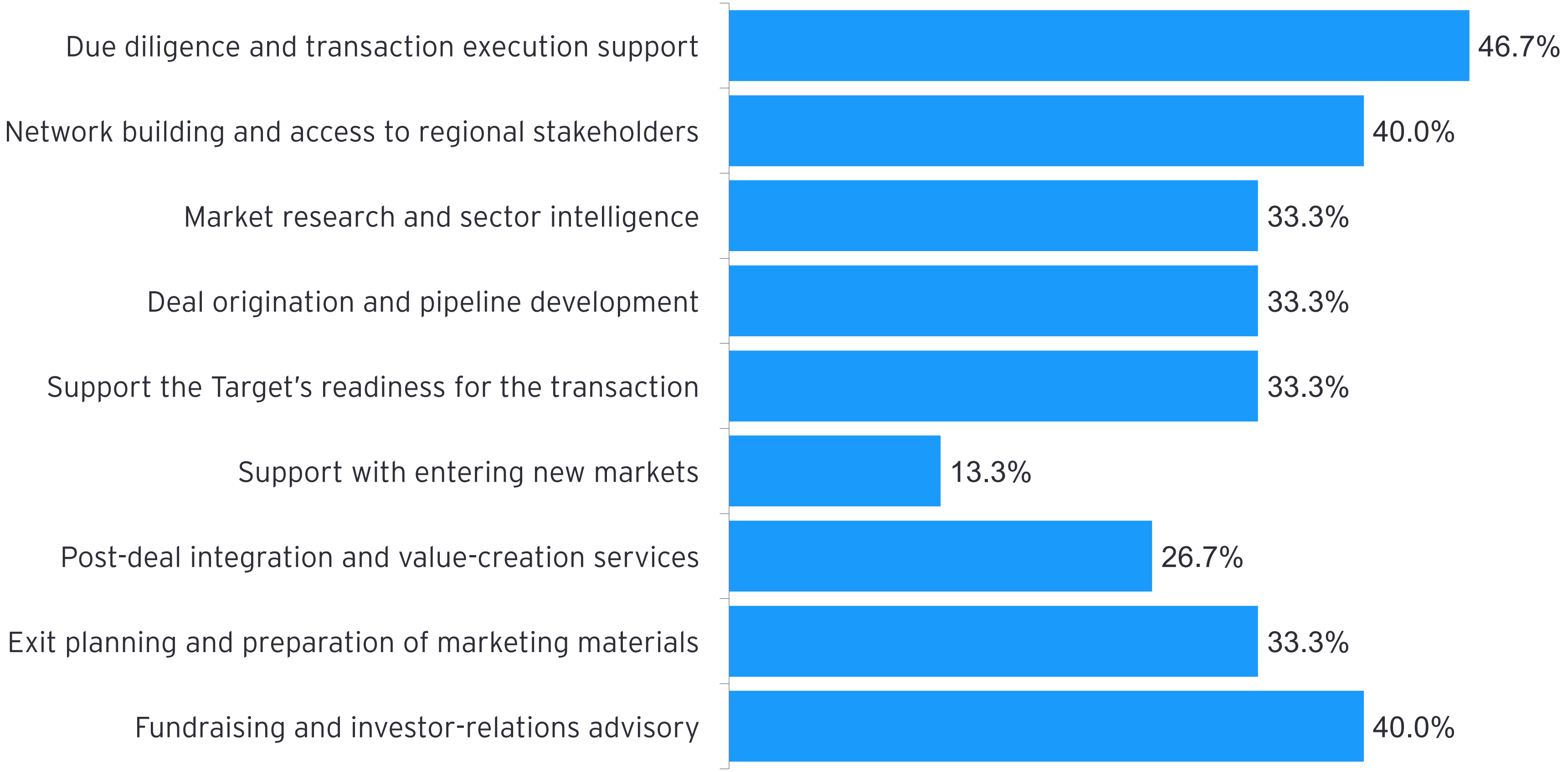
Q: How would you best describe your 5-year strategy (Select up to three)?

Sources: EY survey

The dominant five-year priority – broadening the international LP base – signals the market's maturation ambition. Central Asia and Caucasus managers recognise that scaling beyond the current ecosystem requires attracting international institutional capital, which in turn demands stronger governance, audited track records, and demonstrated exit performance. This creates a self-reinforcing loop: exits enable fundraising, which enables growth. Unlocking exits is therefore the single highest-leverage intervention for ecosystem development.

How Financial Advisors Can Best Support Central Asia and Caucasus PE

Q: How can financial advisors best support your growth in Central Asia and Caucasus? (Select up to three)



The breadth of advisory needs is notable - no single service dominates. This reflects the end-to-end advisory gap in Central Asia and Caucasus: investors need support across the entire investment lifecycle, from pipeline origination through diligence, execution, post-deal value creation, and exit preparation. The equal weighting of deal origination, transaction execution, and stakeholder access underlines the importance of local market embeddedness for any advisory firm seeking to serve Central Asia and Caucasus PE.

3

Recommendations

Recommendations & Outlook

Recommendations for Private Capital Managers

1 **Prioritise exit preparedness:** Begin planning exit routes at investment entry, not exit. Engage with regional M&A advisors early, build cross-border buyer relationships, and consider secondary market transactions as a legitimate liquidity tool.

2 Invest actively in **target readiness** – before and during ownership: Transaction readiness is among the **most controllable value drivers** available to investors. Well-prepared companies attract a broader buyer universe at exit, command stronger valuations, and convert more pipeline interest into closed transactions. In a market where exit routes are limited, readiness is not an administrative step – it is a return driver.

3 Build **strong management teams** as a foundation for growth: The quality of a management team is an important determinant of portfolio company performance in the region. Bringing in experienced CFOs, sector operators, and independent board members creates the conditions for sustainable growth, stronger governance, and a more compelling exit story.

4 Make **value creation part of the investment thesis from day one:** The strongest returns in the region will go to investors who identify operational improvement opportunities – revenue growth initiatives, process efficiencies, digital adoption, governance upgrades – during diligence, not after closing. Treating value creation as an entry-stage discipline, rather than a post-acquisition exercise, accelerates impact, sharpens the exit narrative, and builds the kind of consistent track record that opens doors to international LP capital.

Bottom Line

Central Asia and the Caucasus represent a market with substantial structural potential, constrained primarily by well-understood and addressable limitations. The combination of robust economic growth, an increasingly sophisticated investor base, an evolving sector focus, and rising government reform momentum is creating the conditions for a meaningful acceleration in private capital activity over the next three to five years. Investors who invest early in building capabilities - across advisory relationships, management teams, governance frameworks, and LP networks - will be well positioned to capture disproportionate value as the market continues to mature.

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Sources and Limitations:

This report has been prepared based on publicly available information, proprietary databases, and a survey of selected senior private equity professionals. While reasonable efforts have been made to verify the accuracy of the information, EY does not guarantee its completeness or reliability.

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