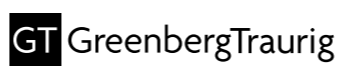


**ecosystem** profile picture

# POOL AND



PARTNERS



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Dear Reader,

The global pandemic forced us into a new reality, one that we are still trying to define and adapt to. COVID-19 has changed the way we live and work, bringing about an unprecedented leap of digitalization. This abrupt change helped some businesses take off and drove others to the ground. There was a time before the pandemic, and there will be a "time thereafter" - hopefully soon. While we are here and now, let's figure out where we stand.

The impact of the pandemic on European startup ecosystems has not been uniform. To better understand its extent, we embarked on a journey through various startup scenes, big and small. We took the first Profile Picture in Poland, close to our home. While COVID-19 was an essential stimulus to this analysis, we wanted to dig deeper. To gain a more comprehensive understanding of what's happening in the ecosystem, we contacted more than 20 international and local venture capital funds active in Poland. We hope that the findings will improve your understanding of the Polish VC ecosystem and help you navigate your actions in these turbulent times.



**Paweł Michalski**  
CEO  
VCLeaders

## SNAPSHOT

Population 2019 **37.9m**  
(Eurostat, January 2020)

---

GDP per capita 2019 (EUR) **13 930**  
GDP per capita 2019 (PPS) **71**  
(=21st out of 27 EU Member States)  
(Eurostat, 2020)

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GDP growth 2019 **4.1**  
(% yoy)  
(Eurostat, 2020)

---

GDP growth 2020 (% yoy) **-4.6**  
(Eurostat, July 2020)

---

Internet usage **78**  
(2018/2019, % of population)  
(WorldBank, 2018)

---

No. of startups **2 500-4 700**  
(EuropeanStartups.co, July 2020;  
StartupPoland 2019 Report)

---

VC funding 2019 (EUR) **221m-294m**  
(EuropeanStartups.co, 2020;  
Inovo Venture Partners & Polish Development Fund)

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VC funding 2020 YTD (EUR) **86.3m-102m**  
(EuropeanStartups.co as of September 23rd, 2020,  
Inovo Venture Partners H1 2020)

---

Major tech hubs: **Warsaw**  
**Poznań**  
**Wrocław**  
**Kraków**

---

# ECONOMY AT LARGE

**W**ith a population of 37.9m and a GDP of USD 592 billion (WorldBank, 2019, current USD), Poland is the sixth-largest economy in the European Union and the largest in Central and Eastern Europe (CEE). In terms of population, it is second only to Ukraine. According to Eurostat, Poland's real GDP per capita has more than doubled over the last 20 years, from EUR 6 440 in 2000 to EUR 12 980 in 2019. For the first time in almost 30 years, and mainly due to COVID-19, the country might experience a negative GDP growth rate.

If European Commission's forecasts are right, Poland's unprecedented growth trajectory will end this year, with a negative GDP growth rate of -4.6%. It is worth noting that Poland's drop in economic activity this year was the lowest among the EU Member States, according to the Spring 2020 European Economic Forecast. According to the same forecast, the GDP should bounce back by four percent in 2021 (the second-lowest in the EU).

Poland has a young and highly skilled workforce and a relatively low cost of labor. According to the latest Eurostat data, labor costs in Poland are estimated at EUR 10.7 an hour compared to the EU average of EUR 27.7. Only Bulgaria, Romania, Lithuania, Hungary, and Latvia have lower costs of all the CEE countries. It is also home to almost 300 000 professional developers, making it the largest talent pool in CEE and number eight in Europe.

## **CASE IN POINT: COUNTRY CLOUD**

Google and Microsoft have recently announced their collaboration with so-called "Country Cloud" ("Chmura Krajowa") - a Polish cloud services platform co-founded two years ago by PKO Bank Polski (the largest Polish commercial bank, partially state-owned) and Polish Development Fund (PFR, the state-owned sovereign wealth fund). In total, EUR 2.55 billion will be invested in supporting the Polish economy's digital transformation by the American tech giants.



# ECOSYSTEM AT LARGE

In the 2020 StartupBlink Ecosystem Ranking Poland dropped by seven slots to the 27th ecosystem in the world, a notch behind Czechia and just before Austria. Warsaw, Poland's central startup hub, has followed the country trend and declined by 19 positions to take the 73rd place in the world. Poznań, Wrocław, and Kraków, ranking at 170, 171, and 181, respectively, contest for the title of Poland's second-largest hub. It's worth noting that Wrocław registered an impressive result by jumping 36 spots.



## CASE IN POINT: EIT INNOENERGY CENTRAL EUROPE

EIT InnoEnergy is a company investing annually about EUR 100m in the areas of energy, cleantech, mobility and broadly understood smart technologies that reduce energy costs, increase system performance or industry competitiveness. The company is present in 40 countries. It cooperates with more than 500 partners, including the largest industrial companies. The activities of EIT InnoEnergy are managed through six regional offices: in Benelux, Central and Eastern Europe, the DACH-region, France, Iberia and Scandinavia. The company is now expanding to the United States, hoping to open up transatlantic opportunities for sustainable energy commercialization. It is worth noting that EIT InnoEnergy's CEE branch is located in Kraków and is covering the largest scope of the company's activities in terms of the number of markets

involved: from Estonia to Turkey. **The largest market in CEE, Poland, serves as a central hub of EIT InnoEnergy activities in the entire region.** EIT InnoEnergy is supported by the EIT, a body of the European Union.

The [Global Startup Ecosystem Report](#) ranks Warsaw between the 61st and the 70th emerging ecosystem in the world. The city received top notes for **tech talent** and **funding available**, and the worst for market reach (measured by access to customers which allow companies to scale and go global).

## **CASE IN POINT: CAMBRIDGE INNOVATION CENTER WARSAW**

Founded in 1999 by two MIT graduates, Cambridge Innovation Center (CIC) started as a real estate company only to become an international innovation-districts creator. Since its founding, CIC has attracted thousands of client-companies to its locations in the US and Europe, including Miami, Philadelphia, Providence, Rotterdam, and St. Louis. Its first location in Kendall Square became a local phenomenon, and a widely recognized premier tech and life sciences hub. Up to date, CIC has attracted investors with a total of USD 17.3 billion assets under management to its buildings. CIC opened the Warsaw campus in 2020 as its second localization in Europe. CIC Warsaw is located at VARSO PLACE, a commercial complex of 140 000 square meters with VARSO TOWER - the highest skyscraper in the EU. With its global network and know-how on building startup communities, CIC hopes to accelerate the growth of Warsaw's startup ecosystem.

The current number of tech companies is estimated between 2 500 and 4 700 (compared to about 128 000 startups in the European



Union, including the UK). Startup Poland Foundation believes that the number of startups in the country almost tripled between 2015 and 2019. At the moment of writing, Polish startups employ about 48 000 people (compared to 1.8m startups jobs in the entire EU), according to EuropeanStartups.

**Magda Lukaszewicz**, Investment Associate at London-based Balderton Capital believes that:

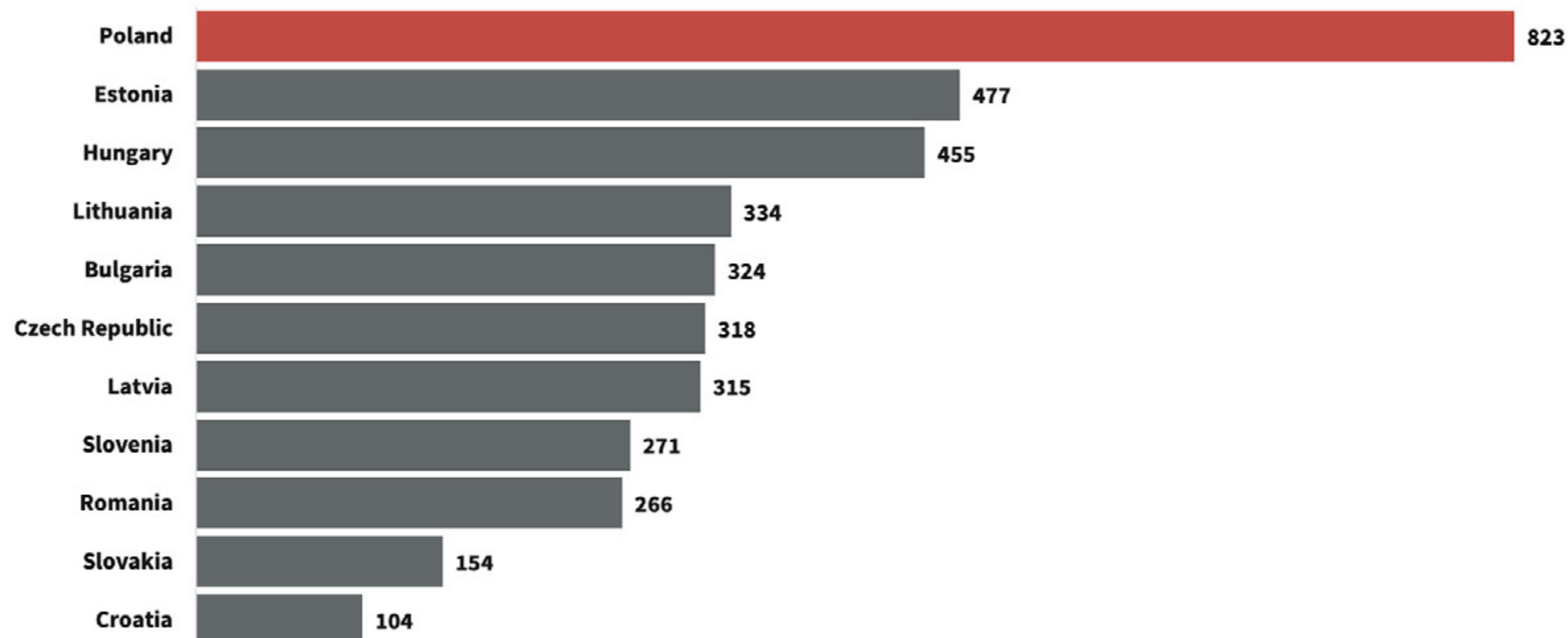
*Poland has a unique tech savvy talent pool, large domestic population, and an equally large population with Polish roots, living outside of Poland, which is important in terms of relevant international skills. In the long term, it's probably the country with the biggest startup and innovation potential in Europe.*



# FUNDING OVERVIEW

**W**hile Poland has about 5% of the tech talent pool, it attracted only 0,5% of VC money invested in Europe last year, according to the [2019 State of European Tech report](#). Still, with USD 700m invested since 2013, Poland ranks second in CEE by invested venture capital (this is excluding two mega-rounds raised by Romanian unicorn UiPath). However, Poland is a clear number one in terms of the **number of venture capital rounds**, thanks mainly to a surge in seed funding last year.

Number of funding rounds since 2013



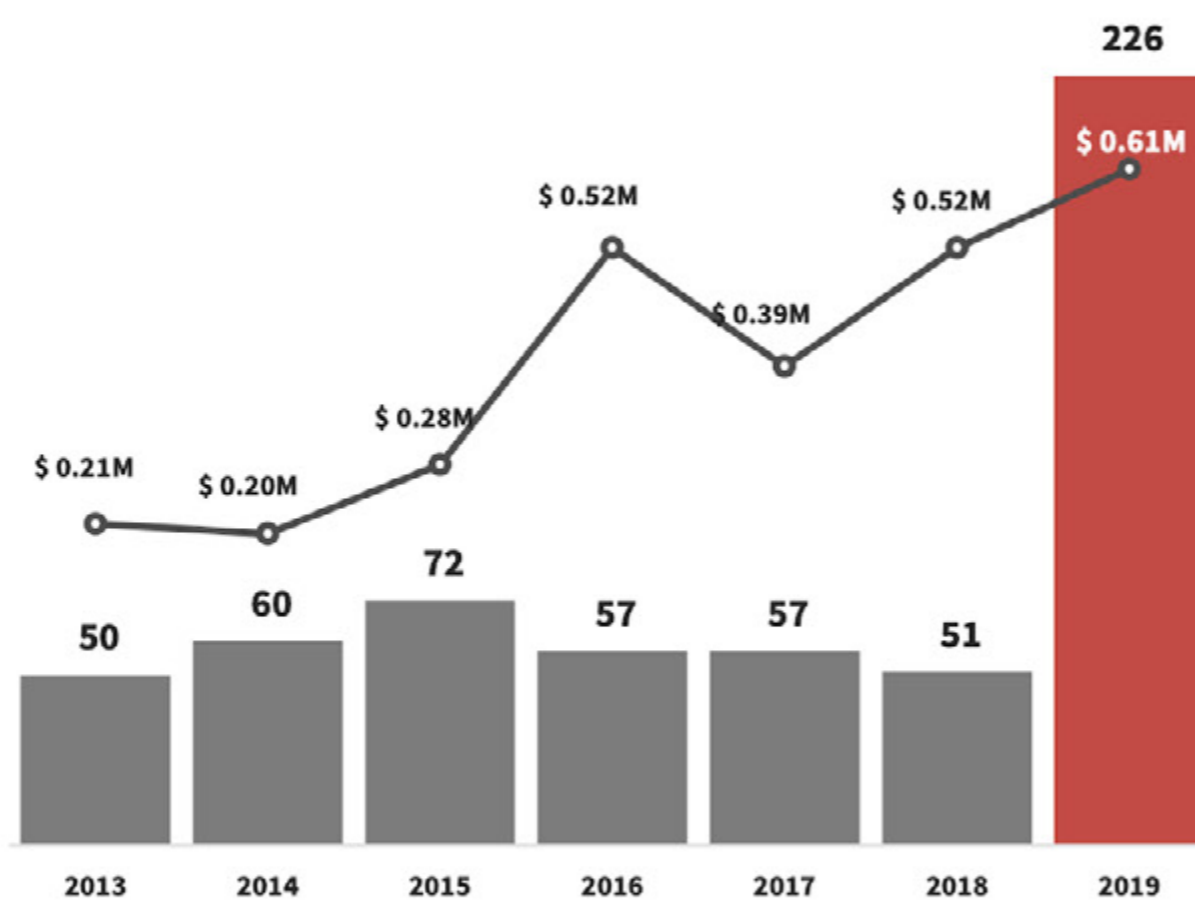
Source: Dealroom.co, PFR Ventures

PFR

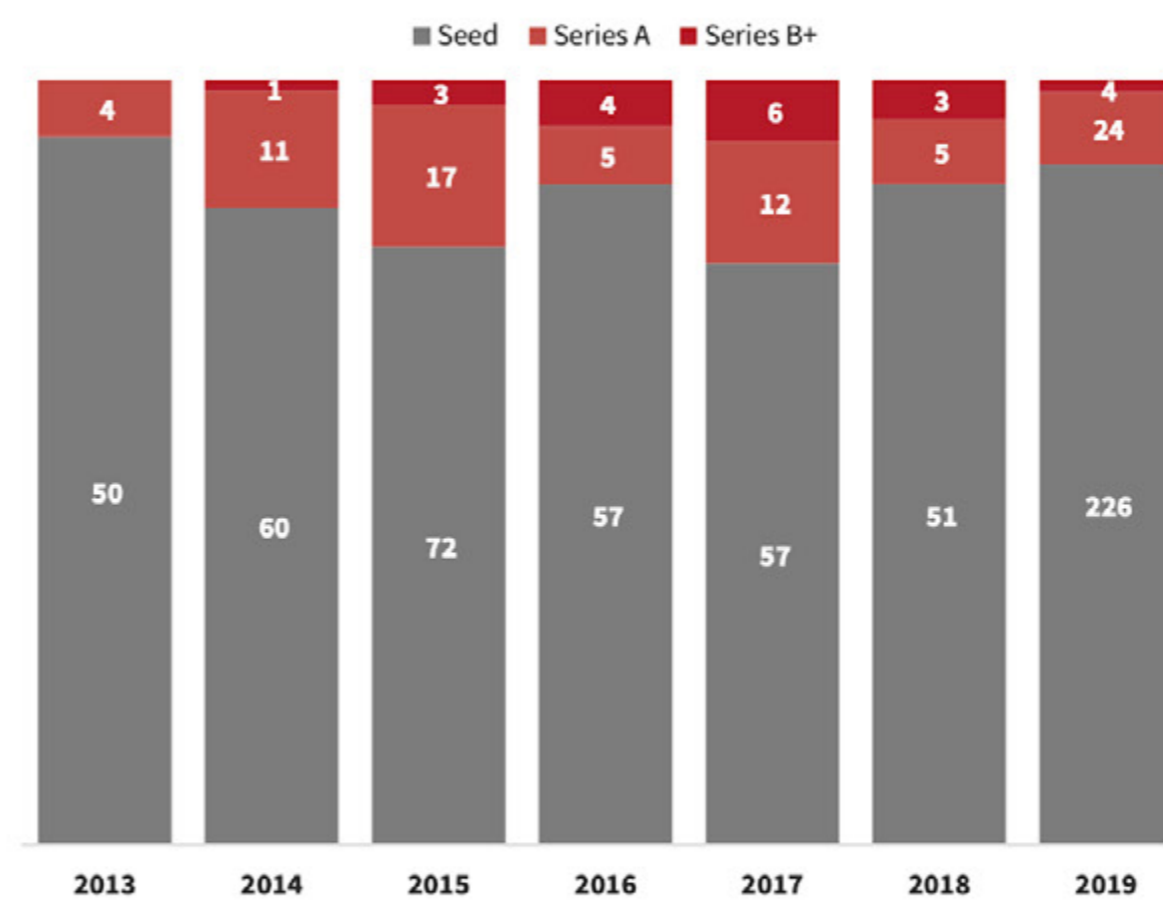
dealroom.co

Two factors could explain the dominance of seed funding in Poland. On the one hand, it is still a very young ecosystem. On the other, it experienced an influx of new VCs thanks to a EUR 1 billion LP investment program managed by PFR Ventures – the LP arm of the Polish Development Fund (more on that below).

Number and average size of (pre)seed round in Poland



Number (pre)seed rounds in Poland vs Series A vs Series B+



Source: Dealroom.co, PFR Ventures.



It is worth noting that 2019 was a record year for Polish VC, with EUR 221m (according to EuropeanStartups.co) - EUR 294m (according to Inovo Venture Partners) invested compared to EUR 66.2m in 2018 and EUR 167m in 2017. As of September 23rd, [the European Startups platform reports](#) only EUR 86.3m invested in Poland year-to-date, which translates into a 59% drop in funding vis-a-vis 2019. However, the record number was skewed by a few mega rounds that happened last year, including a EUR 81m round for DocPlanner, a EUR 27m Brainly round, and a EUR 27m round for Booksy.

*As a pan-European entity we are pleased to observe a shift happening within the Polish market. However, there is still a long way to go when compared to Western Europe. Private capital is still limited which is highly visible on later stages when the need for follow-up money is at odds with the market. Obviously, capital is an essential factor for survival*



**Łukasz Skarka**

Head of CEE Early Stage  
Cleantech Investments  
EIT InnoEnergy Central Europe




































*and growth of tech companies, but it could also cause excessive competition and unrealistic expectations towards both the founders and the product or solution. It hasn't been the case so far. Overall, we are excited about the long-term trend and even though we are mainly working with our portfolio at the moment, we still want to invest in good companies in Poland.*

## **CASE IN POINT: POLISH VC FUNDS**

We have prepared a list of the largest VC funds based in Poland or having a distinctive focus on the country (i.e., they are required to invest in Poland as part of their LP commitment). You can see the full list [here](#).

From the funding perspective, the Polish ecosystem is growing, supported by the widely available public funding. For years, the government has been actively inducing the VC market through various programs ([National Capital Fund](#), [National Center For Research and Development](#), [PFR Ventures](#)). An array of support instruments has been accessible to all kinds of investors, both Polish and foreign, resulting in a remarkable growth of funding on the market. The number of active funds grew from 43 in 2016 to about 100 in 2020 (the exact number of active VCs is hard to verify, with numerous firms announcing their readiness to invest and not following through).

# The Largest Active VC Funds in Poland

 <b>Cogito Capital Partners</b>	<a href="mailto:cogitocap.com">cogitocap.com</a>	€125,000,000.00
 <b>OXX</b>	<a href="mailto:oxx.vc">oxx.vc</a>	€122,900,000.00
 <b>Finch Capital</b>	<a href="mailto:finchcapital.com">finchcapital.com</a>	€92,500,000.00
 <b>OTB Ventures</b>	<a href="mailto:otb.vc">otb.vc</a>	€88,500,000.00
 <b>AVIA Capital</b>	<a href="mailto:aviacapital.eu">aviacapital.eu</a>	€50,000,000.00
 <b>Innovation Nest</b>	<a href="mailto:innovationnest.com">innovationnest.com</a>	€50,000,000.00
 <b>ICOS Capital</b>	<a href="mailto:icoscapital.com">icoscapital.com</a>	€50,000,000.00
 <b>TDJ Pitango Ventures</b>	<a href="mailto:tdjpitango.com">tdjpitango.com</a>	€47,000,000.00
 <b>Market One Capital</b>	<a href="mailto:moc.vc">moc.vc</a>	€45,000,000.00
 <b>EEC Magenta CVC</b>	<a href="mailto:eecventures.com">eecventures.com</a>	€40,000,000.00
 <b>INOVO</b>	<a href="mailto:inovo.vc">inovo.vc</a>	€40,000,000.00
 <b>Montis Capital</b>	<a href="mailto:montiscap.com">montiscap.com</a>	€35,000,000.00
 <b>AperVentures</b>	<a href="mailto:aperventures.com">aperventures.com</a>	€32,500,000.00
 <b>SpeedUp Energy Innovation</b>	<a href="mailto:speedupgroup.com">speedupgroup.com</a>	€25,000,000.00
 <b>Augere Venture</b>	<a href="mailto:augereventure.pl">augereventure.pl</a>	€20,000,000.00
 <b>Biomed Innovations</b>	<a href="mailto:biomedin.pl">biomedin.pl</a>	€17,900,000.00
 <b>Sunfish Partners</b>	<a href="mailto:sunfish-partners.com">sunfish-partners.com</a>	€16,250,000.00
 <b>KnowledgeHub</b>	<a href="mailto:kh.vc">kh.vc</a>	€15,525,000.00
 <b>Atmos Ventures</b>	<a href="mailto:atmos.vc">atmos.vc</a>	€15,500,000.00
 <b>YouNick Mint</b>	<a href="mailto:younickmint.com">younickmint.com</a>	€14,250,000.00
 <b>Arkley Brinc</b>	<a href="mailto:arkleybrinc.vc">arkleybrinc.vc</a>	€14,000,000.00
 <b>Movens Capital</b>	<a href="mailto:movenscapital.com">movenscapital.com</a>	€13,157,000.00
 <b>bValue</b>	<a href="mailto:bvalue.vc">bvalue.vc</a>	€13,000,000.00
 <b>Satus Starter</b>	<a href="mailto:satus.vc">satus.vc</a>	€12,500,000.00
 <b>EEC Magenta</b>	<a href="mailto:eecventures.com">eecventures.com</a>	€12,500,000.00
 <b>SMOK Ventures</b>	<a href="mailto:smok.vc">smok.vc</a>	€11,500,000.00
 <b>Kogito Ventures</b>	<a href="mailto:kogito-ventures.com">kogito-ventures.com</a>	€7,500,000.00
 <b>Pomerangels</b>	<a href="mailto:pomerangels.com">pomerangels.com</a>	€7,500,000.00
 <b>Next Road Ventures</b>	<a href="mailto:nextroad.vc">nextroad.vc</a>	€7,500,000.00
 <b>Cofounder Zone</b>	<a href="mailto:cofounder.zone">cofounder.zone</a>	€7,500,000.00
 <b>RST Ventures for Earth</b>	<a href="mailto:vfe.vc">vfe.vc</a>	€7,500,000.00
 <b>FundingBox</b>	<a href="mailto:fundingbox.vc">fundingbox.vc</a>	€6,900,000.00
 <b>THC PathFinder</b>	<a href="mailto:thcpathfinder.vc">thcpathfinder.vc</a>	€6,500,000.00
 <b>Black Swan Fund</b>	<a href="mailto:blackswanfund.pl">blackswanfund.pl</a>	€6,250,000.00
 <b>RBL_VC</b>	<a href="mailto:rbl.vc">rbl.vc</a>	

We discussed the role of public LP initiatives with **Maciej Ćwikiewicz**, CEO of PFR Ventures. He mentioned that PFR Ventures was able to draw a lot of lessons from its predecessor, the previously mentioned National Capital Fund (now part of the PFR Group).

*The experience we had at the National Capital Fund revealed that we needed more financial firepower and a more diversified portfolio of funds to boost the growth of the VC market. When PFR Ventures started, we had more than EUR 550m which gave us a shot at both. Merging the National Capital Fund into our structures also helped us concentrate the right people to deal with these challenges under one roof.*

*We are already seeing the effects of our LP programs: we invested into almost 30 funds, that have almost EUR 500m in total commitments. The average size of rounds is increasing too - funds are now finally able to close deals at or above the EUR 2.5m threshold in Poland. We also attracted various international players to the market: Oxx, Finch Capital or Icos Capital are great examples of that. Last year was a record one in terms of VC capital invested in Poland and our funds were present in almost 20% of these deals. We hope for 2020 to remain as successful, while increasing the share of funds backed by PFR Ventures in all transactions.*



**Maciej Ćwikiewicz**

CEO  
PFR Ventures

A stark difference between the Polish and developed VC markets is the absence of local institutional LPs. Pension funds, for example, whose long time horizon and “patient” capital typically make them perfect for this asset class, do not invest in venture capital whatsoever. This is a result of stifling pension system regulations, penalizing investment managers making losses in the short term – something VC managers call the J-curve and are totally accustomed to. In effect, raising a VC in Poland means a very long roadshow and talking only to high net worth individuals and family offices.

Asked about PFR Ventures’ role in attracting more private LPs in the future, Maciej Ćwikiewicz commented:

*We have recently started another fund-of-funds focused on private equity and plan to strengthen our position in that asset class in the future. We also consider starting allocating funds within new VC-focused LP programs in the future, with a market-driven approach. In the meantime, we will promote this asset class among locally active pension houses and investment funds – after all VC/PE has proven to often produce better results than floated companies.*

*I also believe that we will observe a number of spectacular exits from National Capital Fund-backed funds in 2020 and 2021. These could offer an important signal for private LPs and show that achieving great returns in venture capital in Poland is possible. As for PFR Ventures – I also expect signing a number of new deals with GPs before the year’s end.*

The government's support provided more funding choices for entrepreneurs. However, it also added to several issues that are worth addressing.

- The quick increase in the number of players on the market casts doubt on their readiness to provide startups with more than just money, but also connections, guidance, and mentoring.
- Over half of Poland's funds are nano-VCs, which means that they have less than €10M at their disposal. As a result, the vast majority of investors in Poland are not able to provide follow-on funding to a growing number of startups.
- Thirdly, most of the "nano-VCs" are constrained in their investment strategies by one dominant LP, the National Center for Research and Development (NCBiR). The Center's LP allocations are a part of the EU's Smart Growth Operational Program. This program is, in essence, not structured to align with the market standard for VC investments. One example of a practical consequence for GPs is the need for their LP to approve investment decisions formally. This approach hardly reflects the traditional principal-agent relationship between GPs and LPs and provides a fertile ground for bureaucracy and red tape.

*Developed VC markets benefit from deal terms standards, which on the one hand enable closing seed/pre-seed rounds as fast as within two-weeks' time, and on the other translate into a relative reluctance of the VCs to take an individual approach to each deal. Substantial reliance on public funding by numerous*



**Paulina Kimla-Kaczorowska**

Senior Associate  
Greenberg Traurig



*Polish VCs and the necessity to meet additional requirements relating to such funding, as well as a moderate number of deals closed translate into extended negotiations of the deal terms but also a more flexible approach. When negotiating such individual terms the parties need to consider how they may influence any future funding rounds, possibly with the participation of foreign VCs with experience in more mature markets.*

*There is a strong need for standard deal terms and more investor education. Broken captables are still too common, rendering great companies uninvestable for any professional VC.*



**Wojciech Niesyto**

General Partner  
Kogito Ventures

- For a Polish startup, it is twice as easy to get a state grant as it is to get a term sheet. According to a report by Startup Poland foundation, the success ratio for startups looking to raise a venture round is 32%, and for public grant applications, it is 69%. It means that investors need to compete directly with the public sector for fundable ideas. However, half of the grants are less than EUR 125 000, which hardly allows for getting your idea off the ground.

- Last but not least, only about 5% of the VC deals in Poland were completed by foreign investors, according to the 2019 PFR Ventures report. However, in terms of the transaction value, they constituted 63% of invested venture capital in Poland that year. The practical conclusion is that the ecosystem needs to attract international VCs to keep up with the pace of its development.

*Poland has undoubtedly been one of the most interesting and most active markets from the deal flow perspective for us. We have seen a steady growth of companies coming from the region, in the first half of 2020, we have noted a nearly 100% yoy increase in deal flow of companies coming from Poland. Undoubtedly, the quality of the companies has also improved. I am very optimistic about the Polish ecosystem and look forward to making more investments in the region - comments **Magda Połuszny**, Investor at the London-based Speedinvest X.*

*We have seen explosive growth of angel/seed funding in Poland in recent years due to the rise of new nano-VCs and also doubling the size of established seed funds. These are great foundations for future scale-up businesses seeking an early-growth type of funding. Having a pan-European or global investor on board at this stage is often required by founders. In ENERN, we look forward to seeing even more rising stars like our portfolio companies Docplanner, Booksy, or Intiario - comments **Tomas Pacinda**, Principal at Prague-based ENERN Investments.*

It is important to note that several Polish specialist VC firms are active across Europe. The most notable examples are three Warsaw-based and one Kraków-based firms:

- Market One Capital (focused on marketplaces and network-effects platforms),
- Inovo Venture Partners,
- OTB Ventures (focus on series A rounds in CEE),
- Innovation Nest (Kraków-based, B2B SaaS investor).

## CASE IN POINT: MONTIS CAPITAL

We sat down with **Łukasz Dziekoński**, CEO and Managing Partner at Warsaw-based Montis Capital, one of the earliest, as well as one of the largest PFR-backed funds. Montis runs its first-time Series A fund investing in industry 4.0 and life science projects across the CEE region. The investment target in the first sector is a combination of hardware and software solutions that are in the process of scaling up sales across global markets. Within the life science area, the fund focuses on biotechnology-related solutions. Montis Capital has an investment ticket ranging from one to six million EUR. Founded in November 2018, the fund has made four investments so far with the investment horizon ending in 2023.

### MONTIS CAPITAL PORTFOLIO



#### ■ **Talkin' Things** (April 2019, follow-on July 2020)

Talkin' Things is a provider of complete ecosystems for smart packaging solutions based on RFID/NFC technology – making any product a “connected product”. The company claims that with funds from Montis it has launched the most

innovative intelligent tags' factory in the world. Thanks to the factory, Talkin' Things achieved a groundbreaking unit price of 3 cents per intelligent tag – making the product available for any global FMCG brand. Even so, the company already cooperates with clients from all over the globe and holds numerous disruptive patents.

■ **Skriware** (May 2019)



Skriware is an EdTech company, providing an integrated ecosystem of devices and software solutions for 21st-century learning. Skriware's IoT ecosystem provides a meaningful and fun learning experience by bridging the gap between applied science and creative mindset using 3D printing, robotics and gamification technology. Skriware has a network of distributors in 26 countries.

■ **BIOTTS** (May 2020)



BIOTTS is a biotechnology company, that researches and develops proprietary technologies for the transport of medicinal substances and drug formulas. In particular, it created an innovative transdermal transport technology that enables a through-the skin transmission of various drugs: neurological, cardiological, antidiabetic, anticancer, as well as hormones, antibiotics, analgesics, and anti-inflammatory agents.

■ **Plum Research** (June 2020)



Plum Research is a Big Data company developing its own online streaming

measurement method. Plum Research aggregates and analyzes data on video content viewing in popular online services and analog TV. The technology enables analysis of video consumption and related issues, such as developing a demographic and behavioral profile of the viewer. The company's clients include the largest film studios and TV broadcasters in the world.

*There is a substantial group of very successful local entrepreneurs, who built their businesses in the 90s and early 00s. Despite their success, their conservative investment mentality does not allow them to enter the VC market. Part of the problem lies in their risk profile - they see too many risks and not many rewards - which leads to their reluctance to give away the management of their capital to independent professionals. Truth be told, public LP programs have helped us get off the ground.*

Asked about the sudden spike of early-stage deals closed, Łukasz pointed out that there indeed is a critical mass of money supply going into seed investments. However, as he noted, there is still a tangible shortage of Series A money and beyond.



**Łukasz Dziekoński**

CEO and Managing Partner  
Montis Capital

## UNICORNS

Poland has not produced any unicorns yet. Two local tech companies that have already achieved a valuation of more than USD 1 billion are CDProjekt Red and Allegro. The former, a video game developer, publisher, and distributor founded in May 1994 is best known for The Witcher game series. With a market capitalization of EUR 10.83 billion, it has recently become the most valuable company quoted on the Warsaw Stock Exchange. Allegro, a Polish e-commerce marketplace and a local competitor to Amazon, was founded in 1999 and sold to Naspers in 2007. Currently owned by a consortium of PE funds, it is reportedly planning its IPO this year at a valuation of EUR 10 billion. Neither of those companies has been VC-backed, and it is hard to refer to them as startups - after all, they are both more than 20 years old.

## FUTURE UNICORNS

There are several contenders to the title of the first Polish unicorn company. [Docplanner](#) - a booking platform and management software provider for doctors - is the closest to achieve that status. With EUR 114m raised over several rounds, the company has been most recently valued at EUR 250m - 420m, according to Dealroom. [Huuuge Games](#), a real-time social casual gaming platform has a valuation of EUR 170m - 250m. The third spot is contested by [Booksy](#) and [Brainly](#), whose most recent valuations are estimated at EUR 80m - 160m as well as [Cosmose](#) recently valued at ca. EUR 85m.

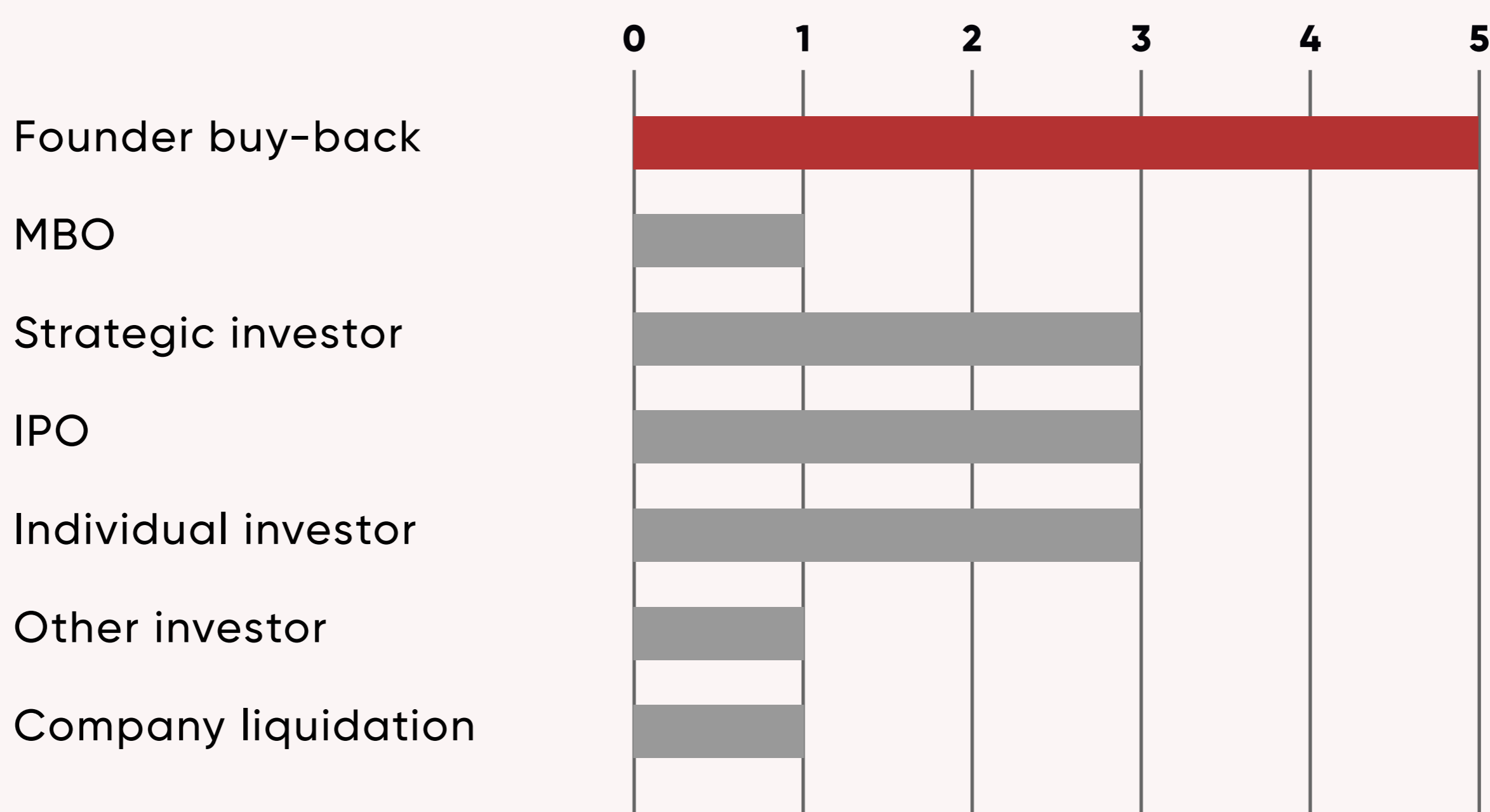
## NOTABLE EXITS

It is difficult to talk about notable exits in the Polish ecosystem. According to Dealroom, there was only one exit worth more than EUR 100m in the last 36 months. Among companies sold to international acquirers, two transactions that stand out are Shoplo's acquisition

by SumUp in 2019 and Base CRM's acquisition by Zendesk in 2018, both for an undisclosed amount.

It is worth noting that Babble Labs, with headquarters in San Jose and its R&D based in Poland, has recently exited to Cisco (terms undisclosed). The company raised EUR 16.4m, including a Series A participation from Warsaw-based OTB Ventures.

## 2020 EXITS BREAKDOWN



Source: PFR Ventures

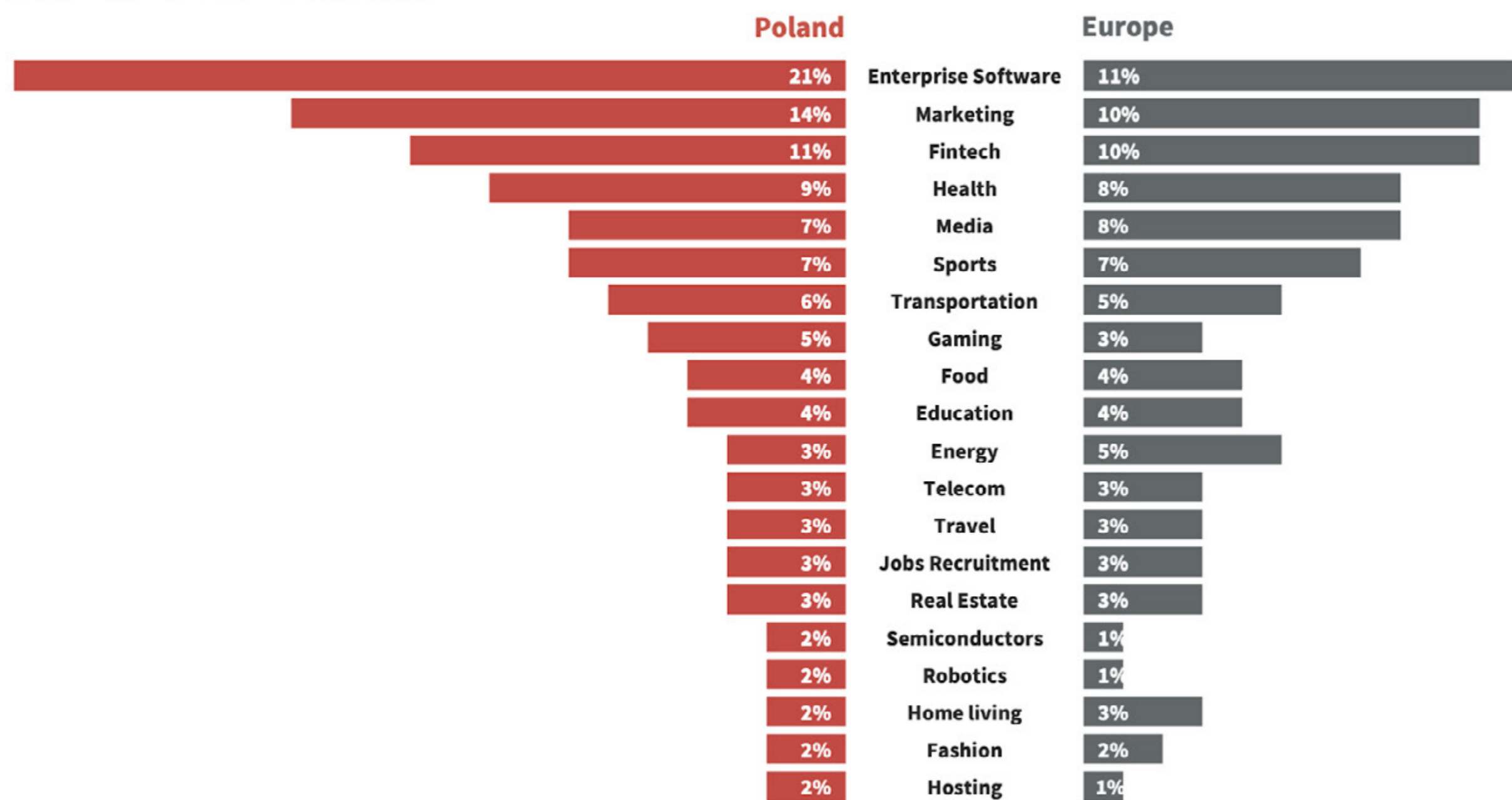
## INDUSTRY DISTRIBUTION

As observed in "Poland and CEE Tech Ecosystem Outlook Report", Poland has a strong concentration of startups in enterprise software, MarTech and FinTech, and an above-average number of gaming startups. This is somewhat reflected in the funding data for the last 36 months - the top three destinations for VC money were companies active in Enterprise Software, Health, and FinTech.

**Thierry Zois**, Investment Manager for Finch Capital, believes Poland to be particularly strong in artificial intelligence. He told us that Polish *"techies"* are really competent and there are great companies in various tech-related fields, like computer vision or machine learning.

However, he added that Polish companies where tech is not at the forefront of the business are not as exciting In his words: *what Poland lacks are great sales professionals – people who know how to run operations and are able to face the customer.*

Industry distribution by number of startups



Source: Dealroom.co. Only includes industries with >2% share of total number of startups.



**Wojciech Szwankowski**, CFO and Managing Partner at Montis Capital, believes most funds in the CEE region focus largely on pure software companies, especially those operating as SaaS or Marketplace.

*Industry 4.0 and Life Science companies are very often overlooked by investors due to their capital and operational*



**Wojciech Szwankowski**  
CFO and Managing Partner  
Montis Capital



*intensity, as well as the long time needed to validate their ideas. We believe that this creates an immense opportunity. COVID-19 has probably accelerated these two sectors: BioTech solutions strengthening immunology systems and Industry 4.0 solutions leading to automation and shortening of global logistics and supply chains. They will be at the epicenter of VC attention.*

**Olena Kolikhova**, Manager at EY, told us that she is observing a move away from the investments into conventional concepts and increasing investors' interest in the areas with a significant impact on the global market.

*Artificial intelligence, big data, cybersecurity, as well*

*as technologies helpful in reducing the negative environmental impact through sustainable usage of resources - these are the trends which have remarkably grown over the last couple of years. Poland has the opportunity to become a strong player in the CEE market in these areas. There is a number of factors contributing to that:*

- growing number of public and private initiatives that support the startup ecosystem,*
- an increased focus on education in these areas,*



**Olena Kolikhova**

Manager  
EY

- *an increasing openness to cooperate with innovative technology providers,*
- *talent migration from corporates into the startup world.*

*All of these elements strengthen the ecosystem. As EY we see our role as one of the local, regional and global ecosystem partners, that can bring in international expertise and support Polish companies in raising capital, market expansion and route to market, by providing financial, tax and legal services as well as building use-cases with entrepreneurs and testing them with EY clients.*



# ENABLING FACTORS

**W**e also discussed what VCs consider as enabling factors for the ecosystem. **Marcin Kurek**, Managing Partner and Co-founder at Market One Capital, who's been active in the Polish tech ecosystem since 2008, told us he observed rapid growth of the Polish startup scene over the last twelve years. He also emphasized that the ecosystem took the most significant steps forward over the previous two years. He commented that:

*This development overlaps with the massive migration of best talent from corporate to the startups' world. A low unemployment rate and much more funding available enabled that trend. I believe that this is the key to create a significant startup hub in Warsaw, one that could compete with Berlin in the future. We want the best Gen-Z talents to think about starting their own business first, and only then consider joining a corporate.*

**Nick Stocks**, General Partner at London-based White Star Capital, told us he believes that one of the most encouraging factors he sees in the development of the Polish ecosystem is the community that is emerging between founders.

*We've observed this in most advanced ecosystems - Silicon Valley, New York, London - experienced founders become active angel investors and advisors for the*

*next generation. This is highly encouraging and needs to be incentivized as much as possible - he told us.*

*To build a thriving startup ecosystem, Poland definitely needs more angel investors.*

*If we think about the whole market as a giant funnel, Poland has to populate the top - this would stimulate innovation and create more local companies attractive for downstream VC funds and even getting listed on the stock exchange some years later. If the aspiring angel has a full-time job and investing will be his side gig, he needs a lot of time and determination to even start.*



**Wojciech Niesyto**

General Partner  
Kogito Ventures

*The myth we're fighting is that you need to be able to write very big checks to become an angel - adds **Łukasz Obuchowicz**, General Partner at Kogito Ventures.*

*In well-developed markets angels usually invest in groups, share deals, and make multiple small ticket investments to*



**Łukasz Obuchowicz**

General Partner  
Kogito Ventures

*build a diversified portfolio. We're promoting angel syndicates and encouraging experienced founders to co-invest, as their know-how contribution is far more important than the size of their checks.*

As noted by Niesyto and Obuchowicz, the Polish Development Fund launched the Biznest LP program in a push to support angel funding. Funds that received an investment via Biznest can co-invest (50:50) with business angels and share part of the fund's profits with them. However, being an angel in Poland still takes a lot of effort, because of:

- no tax incentive schemes like Enterprise Investment Scheme in the UK or INVEST - Zuschuss für Wagniskapital in Germany,
- lots of red tape to close the deal (notary needed, no documentation standards, no widely accepted e-signature),
- no balancing of losses with profits in the angel portfolio,
- double taxation risk and/or social security costs if angels invest via investment vehicles.

**Aleksander Janiszewski**, Partner at Greenberg Traurig with global VC experience, noted that supportive elements of the ecosystem are advancing too:

*As the market is becoming more mature and professional, so are the legal and other related services. With going international being a seminal element of VC and startup playbooks, it is essential for the advisors to have the ability to support their clients on that journey. Knowing how things are done elsewhere and understanding transnational needs and expectations are key to fostering the ecosystem and unlocking global aspirations. With healthier inbound and outbound deal flow market know-how is advancing.*



**Aleksander Janiszewski**

Partner  
Greenberg Traurig

**Łukasz Skarka**, Head of CEE Early Stage Cleantech Investments at EIT InnoEnergy CE placed an emphasis on knowledge-sharing. He believes that Polish startups have received substantial financial impulse recently and that this experience needs to be shared with other founders.



**Łukasz Skarka**

Head of CEE Early Stage  
Cleantech Investments  
EIT InnoEnergy Central Europe

*I believe that as investors it is our mission to be the source of valuable knowledge and that EIT InnoEnergy's pan-European experience makes us a true value-add partner. I also believe that we need to build more bridges between VC markets in CEE and the rest of the world.*

**Krzysztof Witkowski**, Associate Partner at EY and EYnovation Leader in Poland also believes that knowledge-sharing is crucial, while emphasizing the significance of international connections:

*It's important for the Polish ecosystem to learn about the best market practices from different startup ecosystem players. Over the last years, we have supported a number of VC portfolio companies with our Growth Navigator sessions: assessing their current capabilities, clarifying their strategic priorities and building action plans to achieve sustainable growth. Together with Polish Development Fund, we also prepared structured online courses on topics like business model canvas or capital raising. We believe that by sharing experience and knowledge with the startup community we contribute to building a better working world.*



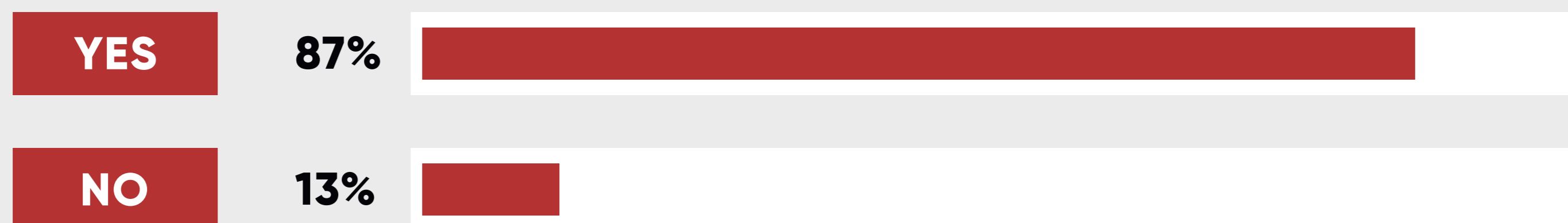
**Krzysztof Witkowski**

Associate Partner  
EY

# THE INFLUENCE OF COVID-19

**W**e surveyed 24 VC firms, both local and international, active in the Polish ecosystem (i.e., ones that have already invested in Poland and are open to spending more). We asked about COVID-19's impact on the state of doing business in the country. You can see the full summary [here](#).

**Do you think COVID-19 had a lasting impact on the ecosystem?**



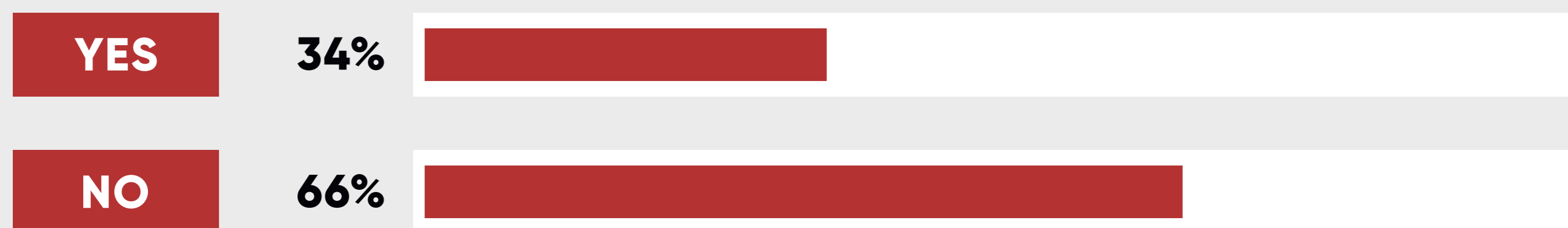
The vast majority of surveyed VCs believe that COVID-19 will leave a lasting mark on the ecosystem. More than 60% have changed the way they operate in Poland, while 50% believe COVID-19 altered the way they work with their portfolio in the long run.

Remote work was the single most cited change to how VCs operate in the country. As a result, many of the interviewed investors point out they are more focused on underlying data when assessing investment opportunities. They also claim to be much more deliberate about where and how they source their next investments.

Two-thirds of the surveyed VCs consider government support measures to be insufficient to help struggling startups. Interestingly,

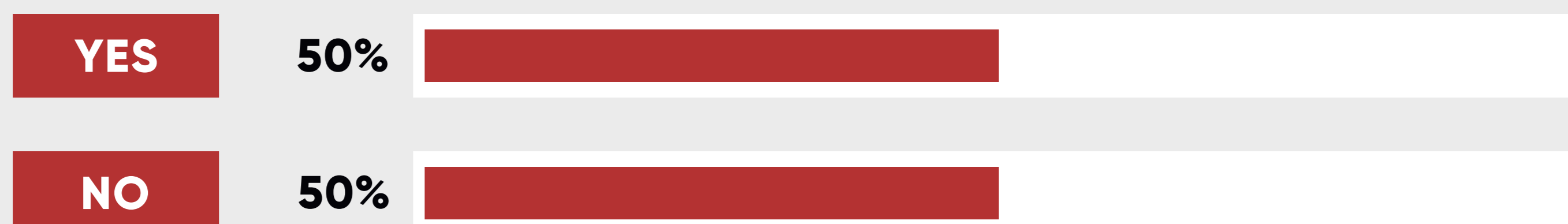


**Do you consider the government support measures to offer sufficient relief to start-ups?**



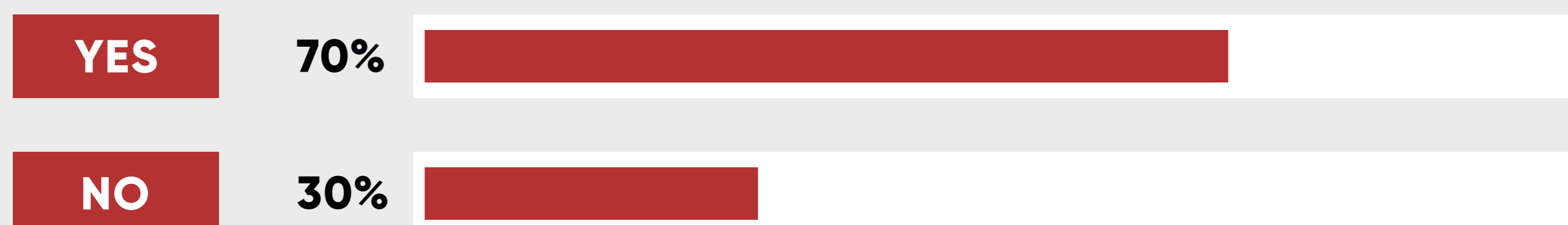
almost the same number of respondents have seen a reduction in spending of their portfolio companies due to the pandemic.

**Have you seen major pivots among your portfolio companies?**



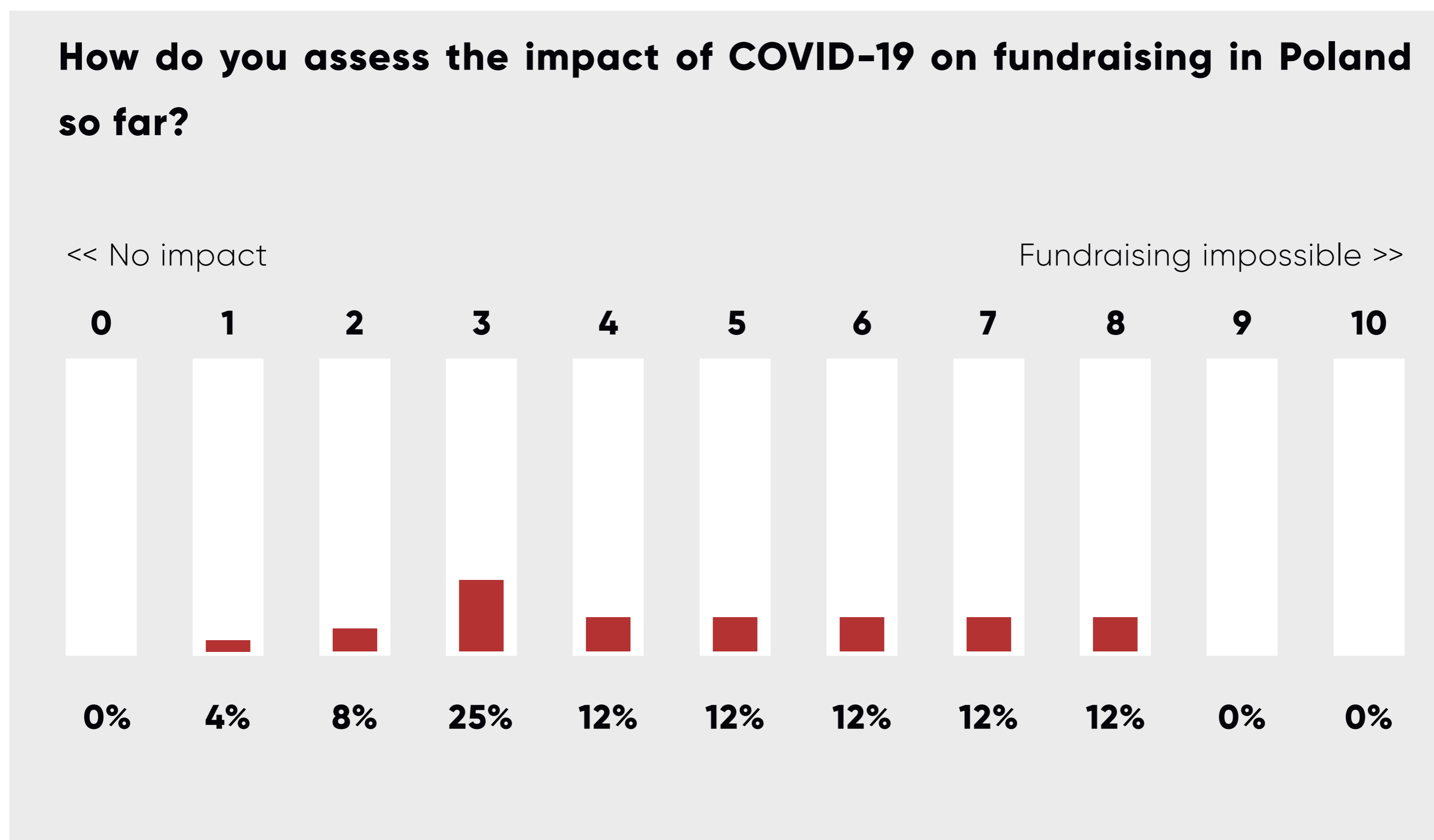
Half of the respondents have seen major pivots among their portfolio companies. The majority of our respondents have seen their portfolio companies change their international plans due to COVID-19.

**Have your portfolio companies laid-off employees as a direct result of COVID-19?**



Seventy percent of VCs say their portfolio companies laid off employees as a direct result of the pandemic. The lay-offs have not been severe - 74% of the affected companies had to reduce their staff by up to 20%.

Finally, on a scale from 0 to 10, our respondents believe that funding conditions have been affected by COVID (we got an average rating of 4.7) but are not in dire straits. It is somewhat contrary to a recent Q2 funding report prepared by Inovo Venture Partners. According to Inovo, Q2 showed a significant decrease in both deal volume and magnitude, even compared to the first quarter of 2020, with 24 transactions totaling EUR 24m.



*Great tech companies don't have problems raising rounds, and the recent rounds of Infermedica or Symmetrical prove that - comments **Maciej Małysz**, Partner at INOVO Venture Partners. He adds: Poland is still a relatively young ecosystem, so some fluctuations are natural, but COVID-19 doesn't seem to have a fundamental impact on the funding environment. It is also important to consider that some founders decided to keep their rounds private, so the reality is better than reported in public sources.*

**Krzysztof Witkowski**, Associate Partner at EY and EYnovation Leader in Poland believes that although the activity of VCs was slower in the first half of 2020, global trends show that VC markets are still staying resilient despite COVID-19. That includes the VC market in Poland.

*Some sectors, like the sharing economy or hospitality, have significantly dropped due to the pandemic. The current situation forced VCs to focus on their existing portfolios which reflected in the decreasing number of new deals. However, based on what we observed, VCs have already started capitalizing on the opportunities emerging in a transformed landscape, like telemedicine, remote education or work-from-home.*

*At the same time, we see that Polish companies with disruptive technology and effective business models have no problems with raising capital. It's natural, that some companies will not be able to raise a round and may not survive. But if companies manage to learn how to be leaner, more digitally transformed, and develop relationships with strong international partners, they will come out of the crisis stronger than they went into it. EY is such an international partner, who can not only provide business advice, but also help companies grow and reach new markets.*

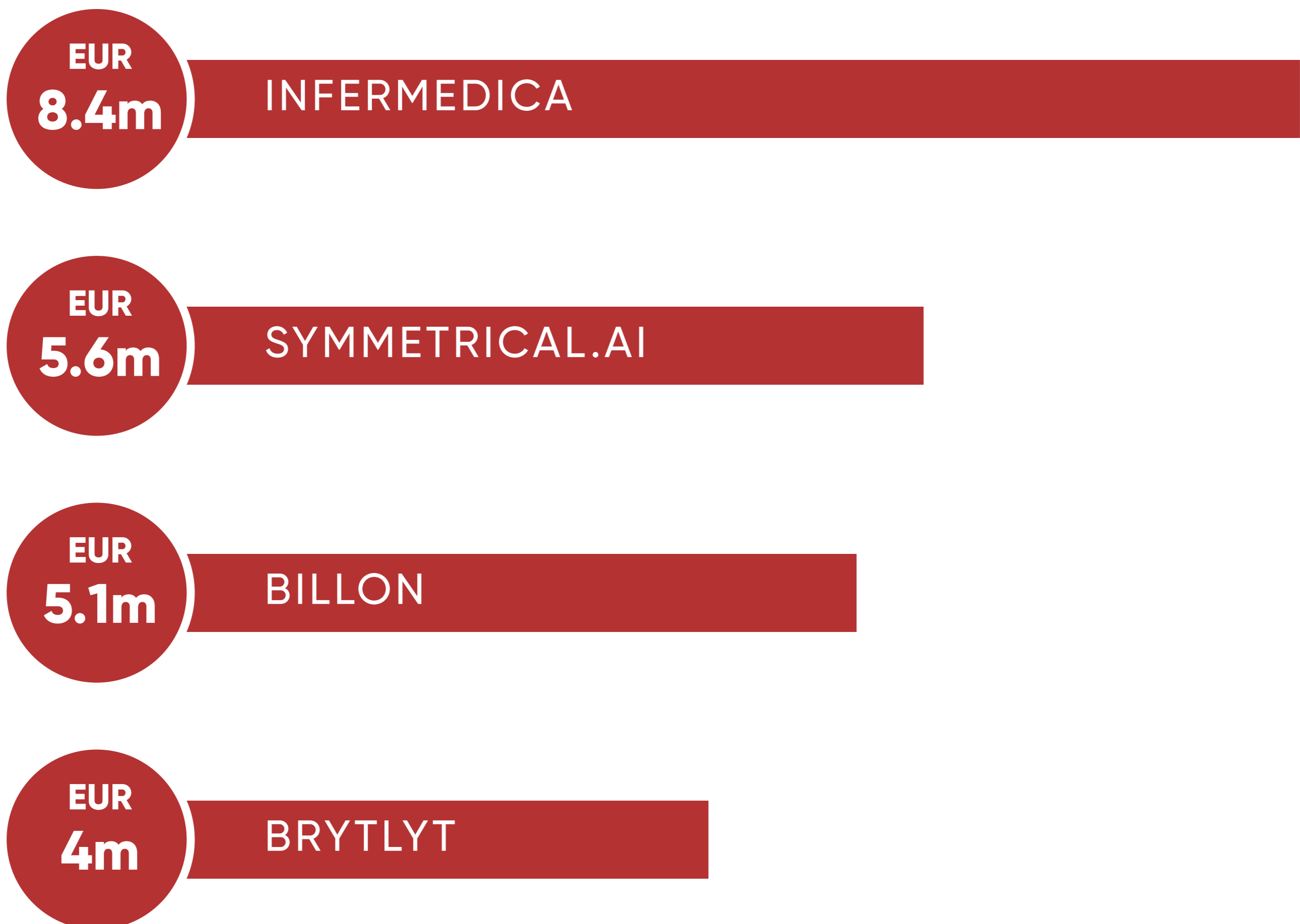


**Krzysztof Witkowski**

Associate Partner  
EY

## CASE IN POINT: COVID DEALS

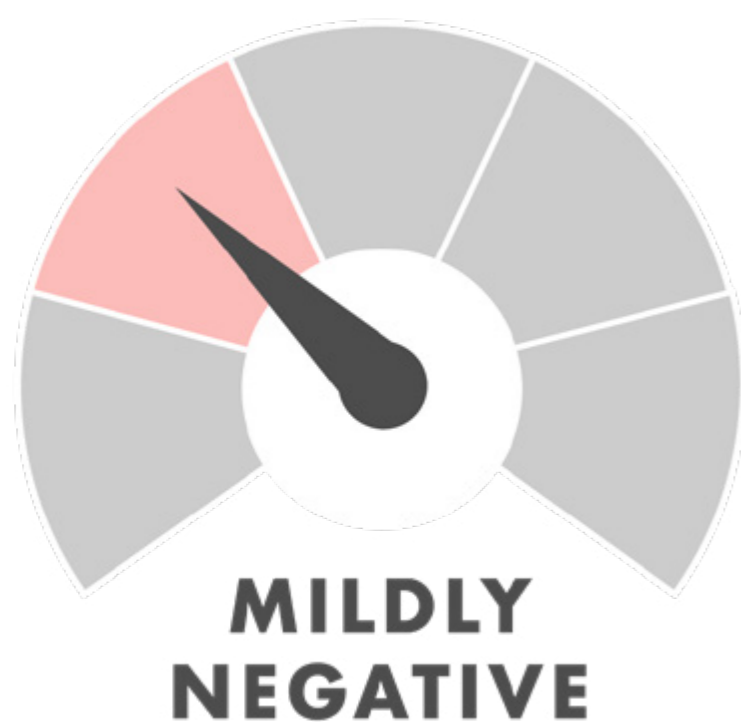
The most significant “COVID-rounds” so far were closed by Infermedica, Symmetrical.ai, billon, and Brytlyt. It’s worth noting that all three have international investors leading their respective rounds. It is also interesting to see the EUR 2.7m round raised by LESS\_ that attracted the attention of Robert Lewandowski, a prominent Polish football player, as well as a couple of notable business angels, including the founders of Allegro and Maspex (the largest food company in CEE).



Company	Amount raised	Selected investors	Date
<a href="#">Indoorway</a>	EUR 450k	Satus Starter	September 2020
<a href="#">VersaBox</a>	EUR 2.5m	Fidiasz EVC, SpeedUp Energy Innovation, Movens VC, RST Ventures for Earth	September 2020
<a href="#">Talkie.ai</a>	EUR 450k	Movens VC, LT Capital	September 2020
<a href="#">Esports Lab</a>	EUR 900k	Satus Starter	September 2020
<a href="#">Infermedica</a>	<b>EUR 8.4m</b>	Heal Capital, EBRD, Karma Ventures, Inovo Venture Partners, Dreamit Ventures	August 2020
<a href="#">Magaloop</a>	undisclosed	Market One Capital, Piton Capital, Redalpine, Atlantic Food Labs, FJ Labs	July 2020
<a href="#">Plum Research</a>	EUR 2,6m	Montis Capital	July 2020
<a href="#">Hotailors</a>	EUR 2.8m	Alfabeat	July 2020
<a href="#">InStreamly</a>	EUR 230k	Smok Ventures	July 2020
<a href="#">Verestro</a>	undisclosed	MasterCard	July 2020
<a href="#">Remotemyapp</a>	EUR 2m	DTCP	July 2020
<a href="#">Symmetrical.ai</a>	<b>EUR 5.6m</b>	Partech, GFC, Finch Capital, Market One Capital	June 2020
<a href="#">Aether Biomedical</a>	undisclosed	Chiratae Ventures, Sunfish Partners, Joyanace Partners	June 2020
<a href="#">Biotts</a>	EUR 1.6m	Montis Capital	June 2020
<a href="#">INURU</a>	EUR 2.2m	ARIA Fund	June 2020
<a href="#">Brytlyt</a>	<b>EUR 4m</b>	Finch Capital, Amadeus Capital	May 2020
<a href="#">Less_app</a>	EUR 2.7m	Robert Lewandowski	May 2020
<a href="#">Your KAYA</a>	EUR 1.1m	bValue	May 2020
<a href="#">Inhire</a>	undisclosed	Pracuj Ventures	May 2020
<a href="#">ICSEC</a>	EUR 480k	EEC Ventures	April 2020
<a href="#">Airly</a>	EUR 940k	undisclosed	April 2020
<a href="#">CyberStudio</a>	EUR 250k	LT Capital	March 2020
<a href="#">DevSkiller</a>	EUR 1m	SpeedUp Group	March 2020
<a href="#">PsiBufet</a>	EUR 360k	Kogito Ventures, ButternutBox	March 2020
<a href="#">ZMorph</a>	EUR 1.1m	Warsaw Equity Group	March 2020
<a href="#">billion</a>	<b>EUR 5.1m</b>	Rising Tide Fund, FIS	March 2020

# SHORT TERM OUTLOOK

## **ECONOMY AT LARGE: MILDLY NEGATIVE OUTLOOK**



Poland has been a success story in terms of economic development over the last three decades. It has also been relatively mildly affected by the current pandemic. However, most recent economic forecasts put it on a mildly negative trajectory, with only four percent GDP growth in 2021 (second-lowest in the EU), which means that it would take Poland more than a year to bounce back from COVID-19.

## **ECOSYSTEM AT LARGE: POSITIVE OUTLOOK**

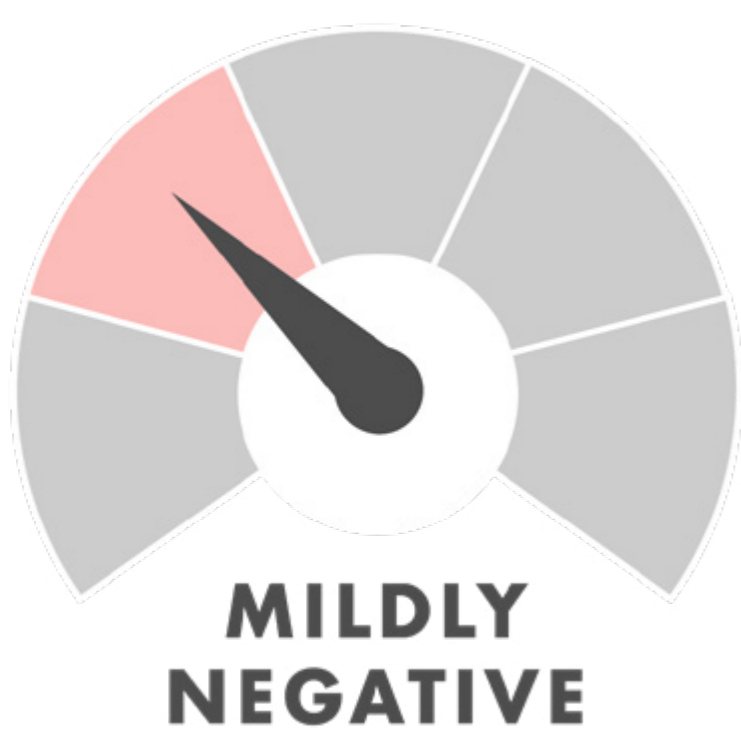


Poland has an excellent technical talent pool and a growing number of startups and founders who already started forming supportive communities. The ecosystem is still very young, but the first generation of accomplished entrepreneurs is backing the next generation of founders. Several important ecosystem players have emerged, including the Polish Development Fund and its venture arm PFR Ventures as well as others (e.g., Cambridge Innovation Center Warsaw), who hope to boost the development of the ecosystem even further.



## **FUNDING ENVIRONMENT: MILDLY POSITIVE OUTLOOK**

Local VC investors believe that COVID-19's influence on the fundraising environment has been relatively mild (a 4.7 average score on a 1-10 scale). The year-to-date funding is down by more than 60%; however, it's worth noting that 2019 was a record-breaking year for local startups in that regard. The majority of active VCs have the capital and the willingness to invest in great early-stage startups. Still, the key to further growth lies with international players who could support local companies in their global expansion.



## **COVID-19 AND ITS CONSEQUENCES: MILDLY NEGATIVE OUTLOOK**

Startups have laid-off people, VCs have been more conservative in choosing their next investment, and governmental resources did not provide sufficient relief - at least according to investors we surveyed. Yes, COVID left its mark, and it might be a lasting one in many aspects. However, we don't believe it will break this young ecosystem.

## ABOUT THE AUTHORS

**VCLeaders** is an educational platform for the venture capital world. Our goal is to shape the best market practices and empower great VC investors in their journey to help innovators transform the world. By offering educational programs and resources we intend to **inspire, share, and connect**.

Through our Thought Leadership series of articles, reports, and interviews we **inspire** the current and aspiring VCs to never stop learning and gain a deeper understanding of the venture capital ecosystem.

By organizing the **VCLeaders Academy**, a comprehensive educational program for VC professionals, we create a space for personal development and **sharing** of know-how with the best and brightest in the business. So far, over 100 participants attended its three editions.

Last but not least, VCLeaders is a **community** of venture capitalists committed to the highest standards. It is a space for these people to **connect** and support each other in their journeys to become the best version of themselves.



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