



 PFR Ventures

inovo^{VC}

Polish VC Market Outlook Q1 23



Fundusze
Europejskie
Inteligentny Rozwój

Unia Europejska
Europejski Fundusz
Rozwoju Regionalnego



Authors

Analytics Team



Radosław Kuchar

Investment Associate, PFR Ventures



Piotr Marszałek

Analyst, PFR Ventures



Aleksandra Pietrzykowska

Analyst, PFR Ventures



Dmytro Golournyi

Analyst, PFR Ventures



Łukasz Kajdas

Investment Manager, PFR Ventures



Karol Lasota

Principal, Inovo Venture Partners



Igor Rześny

Visiting Analyst, Inovo Venture Partners



Łukasz Nikitiuk

Chief Specialist, Capital Funds Department, NCBR



Katarzyna Syta

Chief Specialist, Capital Funds Department, NCBR



Artem Orlov

Capital Markets Expert, BGK

About the Authors

PFR Ventures

PFR Ventures manages funds of funds, which – together with private investors, business angels and corporations – invest in Venture Capital and Private Equity funds. The objective of PFR Ventures is to use this capital to support Polish innovative companies at various stages of development. PFR Ventures currently holds a portfolio of more than 60 funds that have made over 650 investments.

inovo^{vc}

Inovo VC is a venture capital fund providing financing to the most ambitious entrepreneurs from Poland and the CEE region. We invest in early-stage start-ups up to €4M and help them build global brands. Over the past 10 years, we have provided funds to more than 80 entrepreneurs from 35 start-ups, including Booksy, Infermedica, Spacelift, Tidio and Zowie, and co-invested with top global VC funds such as Insight Partners, a16z, Gradient Ventures and Tiger Global, among others. With its three funds, Inovo VC will manage more than EUR 160 million in capital.

Local data sources:



1Q23 highlights

> **127**

companies received funding

> **95m**

EUR invested

> **68**

Funds involved

> **-27%***

1Q23 / 1Q22 change in funding value

USA: -54%

Europe: -66%

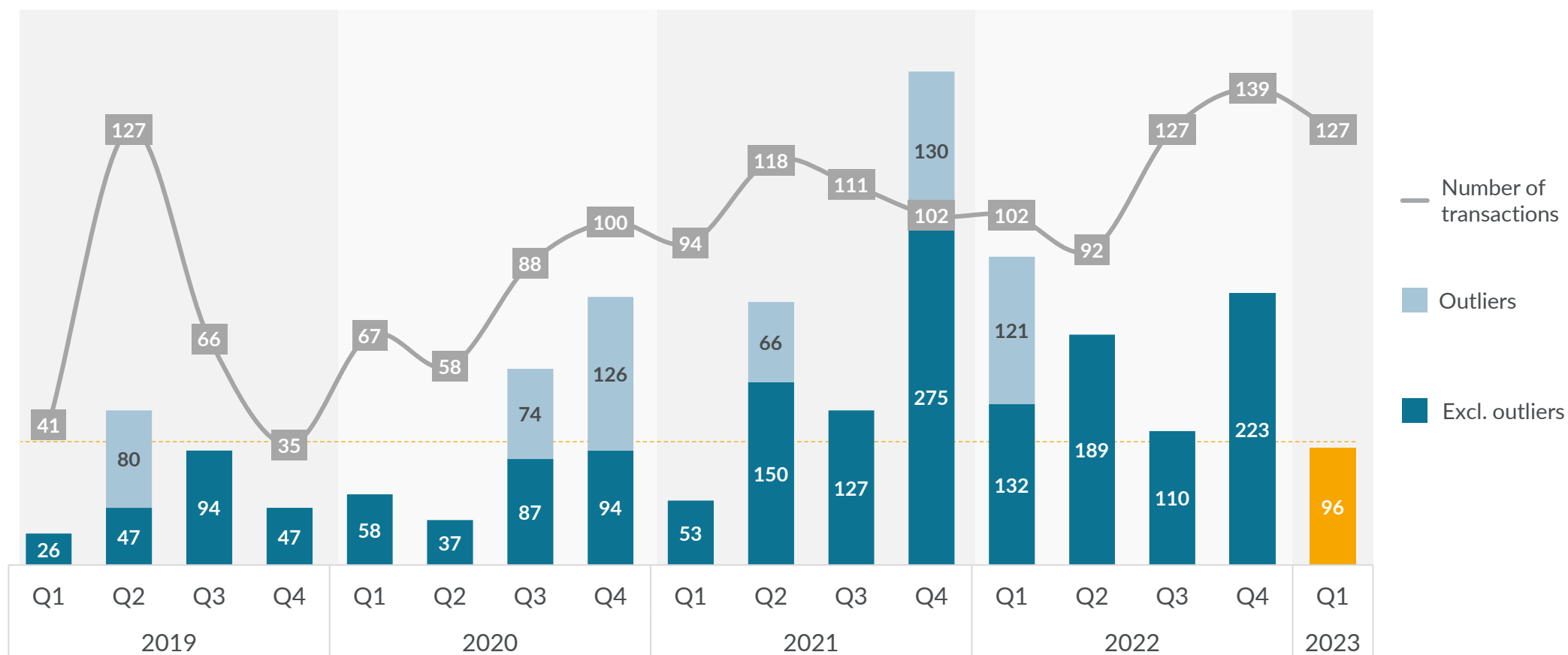
01

Market Outlook



VC investments in Poland 2019 – 1Q23

Quarterly, value and number of transactions (EUR m)



Authors' comments



Aleksander Mokrzycki 

Vice-President of the Board,
PFR Ventures

Global (-54%) and European (-66%) declines in investment value in 1Q23 are also reflected in our ecosystem. We recorded a remarkably high number of investment rounds (129), though most of them are based on domestic seed capital. We have seen less interest from foreign funds, which used to provide capital in Series A+ rounds. Consequently, the average investment value is also falling.

Polish VC funds still have seed capital for innovative projects. Founders will have to face the challenge of convincing foreign investors. This is not impossible, though – as evidenced by the Vue Storefront round, which raised nearly PLN 100 million.

It is worth noting that this is the fourth consecutive quarter with no megaround.



Karol Lasota 

Principal, Inovo VC

There is less activity in the market, as reflected primarily in the shrinking supply of projects despite continued investor demand. There may be many reasons for this: the negative news flow of economic and political reports may deter prospective entrepreneurs. On the other hand, we are witnessing another technological revolution, this time based on LLM models, which is contributing to a new wave of AI uptake. Isn't this the perfect time to build your own global business?

It is also likely that the process of matching investor sentiment and the expectations of founders is still ongoing. Some, following the NASDAQ multiples, are more conservative about company valuations, while others remember how things were 1-2 years ago and often want to wait for a better time to sell shares.

Authors' comments



Małgorzata Ziemińska

Acting Director, Capital Funds Department,
NCBR

The limited activity of VC funds may have already been partly due to the SVB situation, which, although it occurred at the end of 1Q23, caused significant damage to the sector's fundamentals globally. This, combined with the conflict in Ukraine and high inflation in Poland, contributed to the withholding or even withdrawal of funding for new rounds.

Currently, BRIdge Alpha funds are mainly focused on managing their investment portfolio to effectively take companies out of the seed phase. Therefore, we expect an increase in the number of BRIdge Alpha divestment processes in the coming quarters, which should translate into interest in these projects in subsequent investment phases.



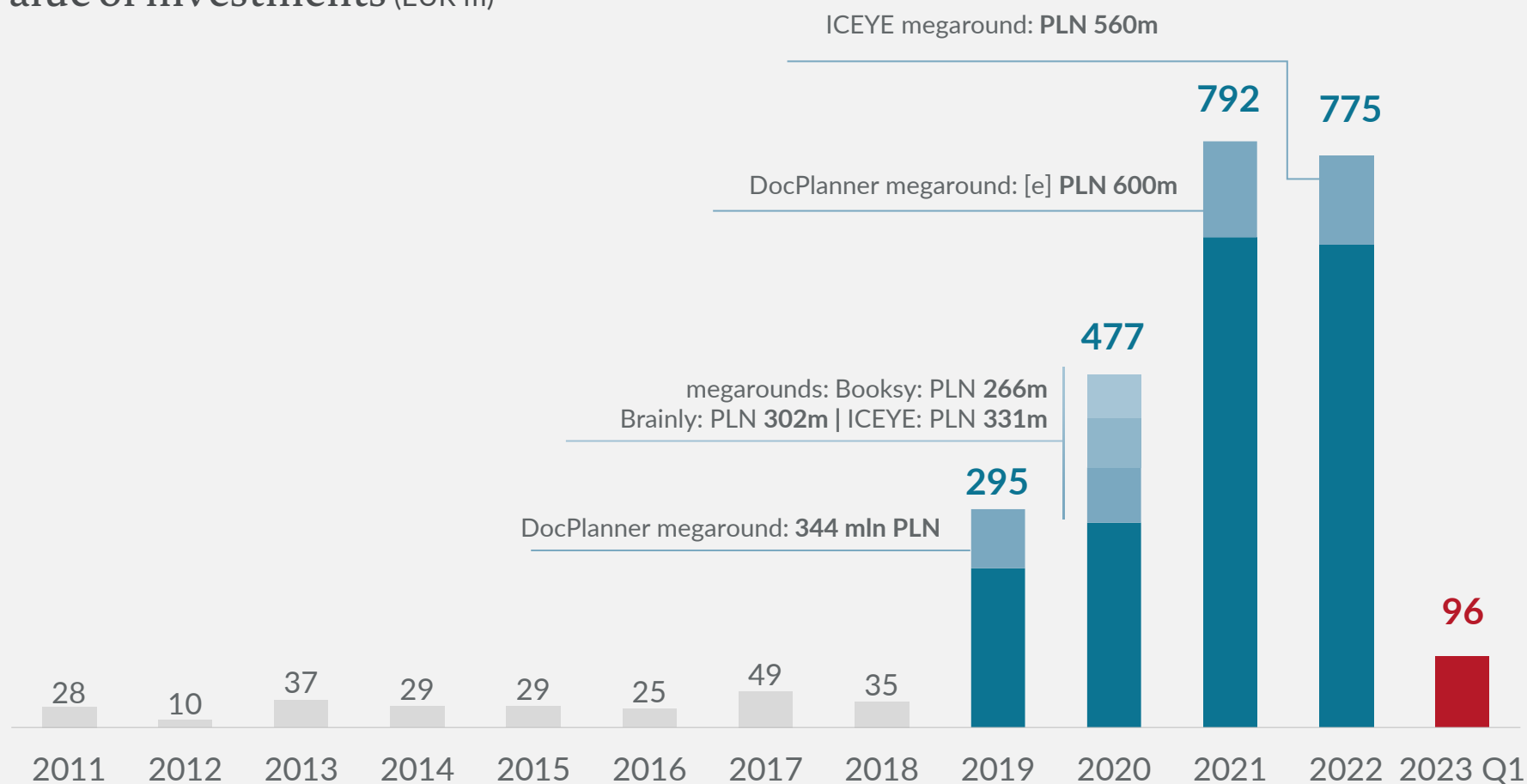
Paweł Chorąży 

Managing Director of the European
Funds Division, BGK

The current macroeconomic situation entails great uncertainty, nevertheless we recorded a record number of transactions compared to the previous year. In 1Q23, 8 investment decisions were made within projects at the regional level, which represents almost 30% of the number of total investment decisions taken last year. We are pleased with this result, but we believe that this trend can only continue until the end of 3Q23. After that, we can expect the number of investments to decline, which will be mainly due to the end of the period of building the Funds' investment portfolios. The current level of interest rates and inflation may hinder the operations of entrepreneurs and VC funds. However, we should keep in mind that later this year FENG capital projects will start, enabling the Polish VC market to catch its second breath and attain new highs.

VC investments in Poland 2011 – 1Q23

Value of investments (EUR m)



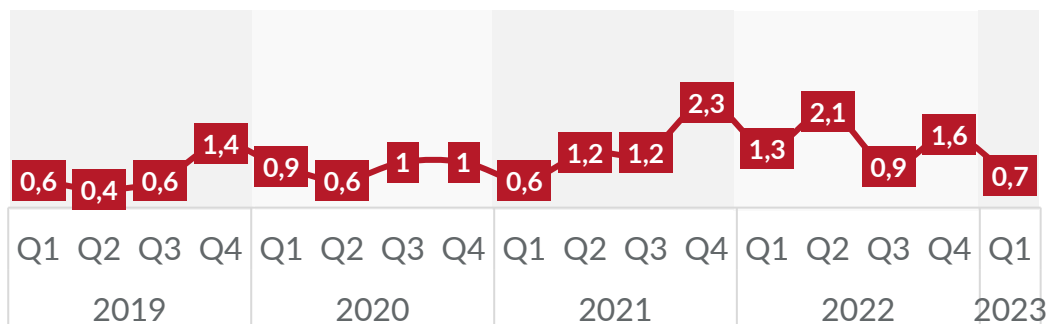
(1) Source of archive data 2011-2018: Invest Europe;

(2) Megarounds that distort the statistical picture are intentionally presented separately (see: outlier);

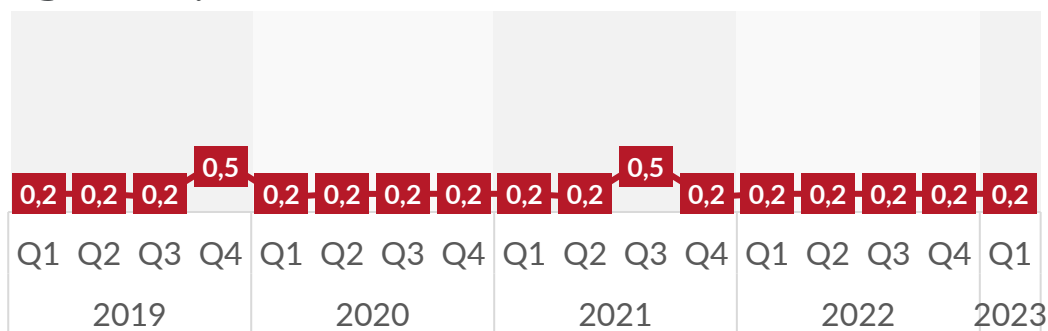
(3) A megaround is considered to be a transaction that exceeds 10% of the value of all investments in a given year.

VC investments in Poland 2019 – 1Q23

Quarterly, average transaction value (PLN m)



Quarterly, median transaction value (PLN m)



The calculations of the average transaction value do not take into account the outliers. In the case of the median, all rounds are included.

In the first quarter of 2023, the Polish VC ecosystem saw a significant drop in transaction value compared to previous quarters (-58% compared to 4Q22). This is largely due to a decline in the average value of a single transaction, that is, to PLN 3.5 million from PLN 7.6 million last quarter, almost by half. The picture improves somewhat when compared to more distant periods – relative to 1Q21, the average value of transactions increased by 35%, while the total value increased by more than 85%. The relatively high number of transactions – 127 (down 9% q/q), most of which involved funds backed by public capital (PFR Ventures, NCBR, BGK) results in the median value remaining around PLN 1 million and shows that public programmes continue to play a key role in the Polish investment ecosystem.



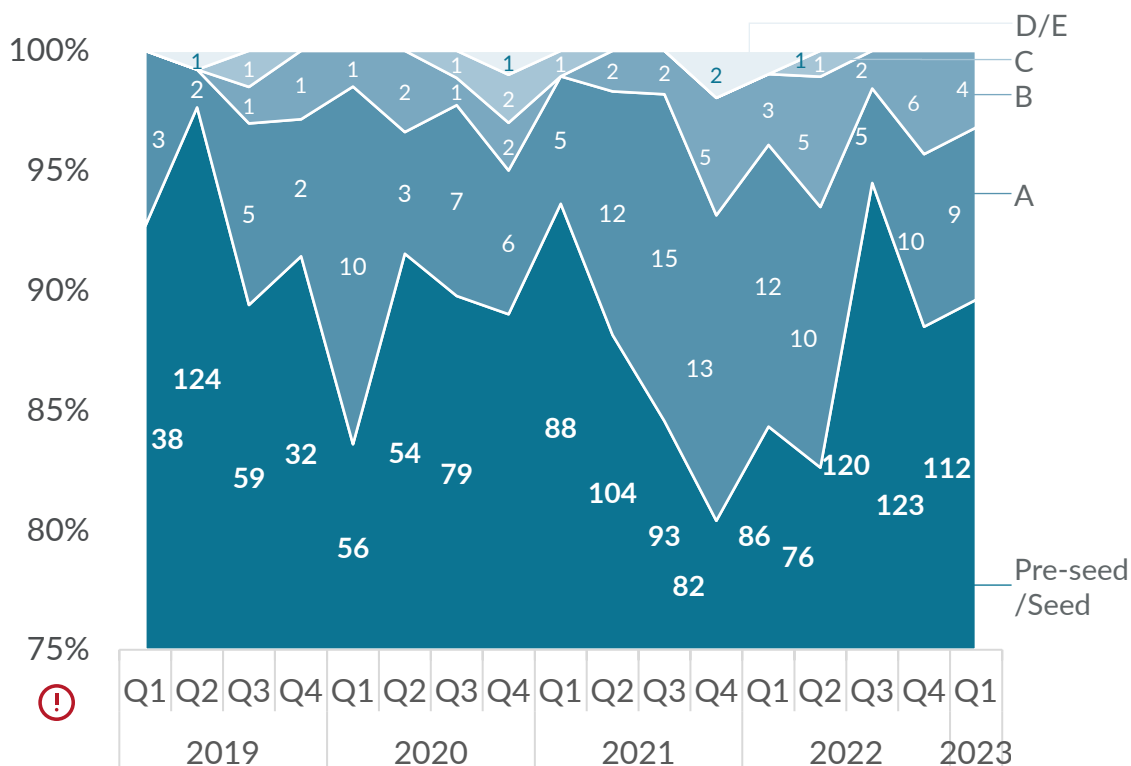
Radosław Kuchar

Investment Associate, PFR Ventures

VC investments in Poland 2019 – 1Q23

Series distribution

Quarterly, number of transactions with a focus on later rounds 



In the case a round is undefined by a start-up/fund at the time the transaction is announced, we use data from Dealroom, PitchBook or Crunchbase, taking into account (a) the company's funding history; (b) the investor's profile; (c) the value of the funding raised.

As in previous quarters, in 1Q23 the vast majority of rounds were investments in early-stage start-ups. Interestingly, in nominal terms, there have been more of them lately than in previous quarters, that is around ~115 vs ~90/quarter. One could say that we are back to seeding the market, but it is likely that the real reason for the increases is the end of the investment periods of funds affiliated with PFR and NCBR. So it is to be expected that this is just a transitional state.

However, the most important thing for our market is to maintain the level of a dozen or so Series A rounds and later ones. This is despite the decline in investment sentiment among later-stage VC funds around the world. This is clear evidence that the Polish startup ecosystem is maturing and that the features of the local market are getting closer to those of our foreign partners.

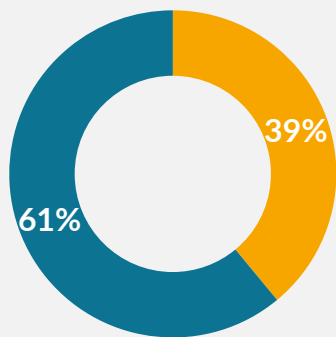


Maciej Małysz
Partner, Inovo VC

Sources of capital

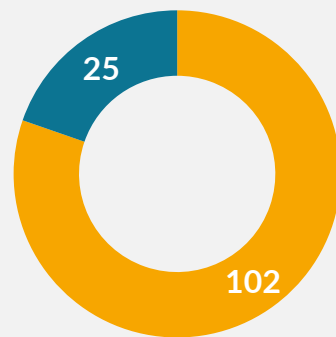
Share of private and public-private funding in 1Q23

Value of transactions



Public-private

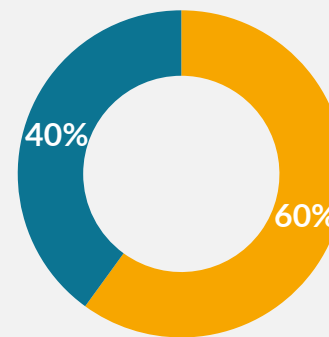
Number of transactions



Private

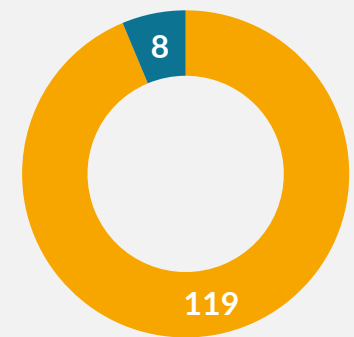
Share of funding from international and Polish funds in 1Q23

Value of transactions



Polish funds

Number of transactions



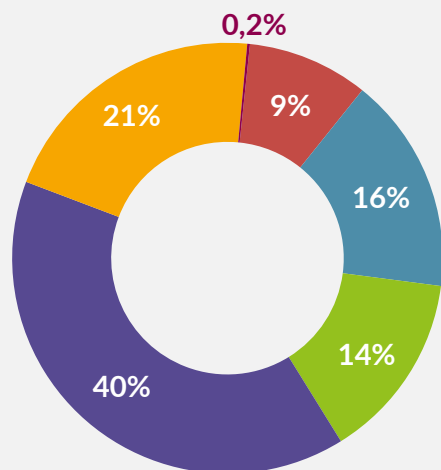
International funds

- (1) Individual transactions have been allocated depending on the predominant share of private or public-private equity funding;
(2) International fund transactions include all transactions with at least one international fund involved.

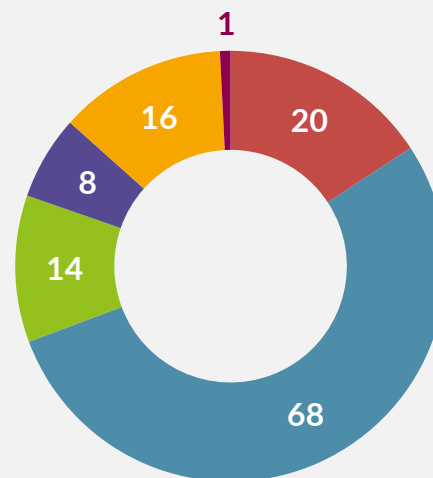
Sources of capital

Public programmes and private capital in 1Q23

Value of transactions



Number of transactions



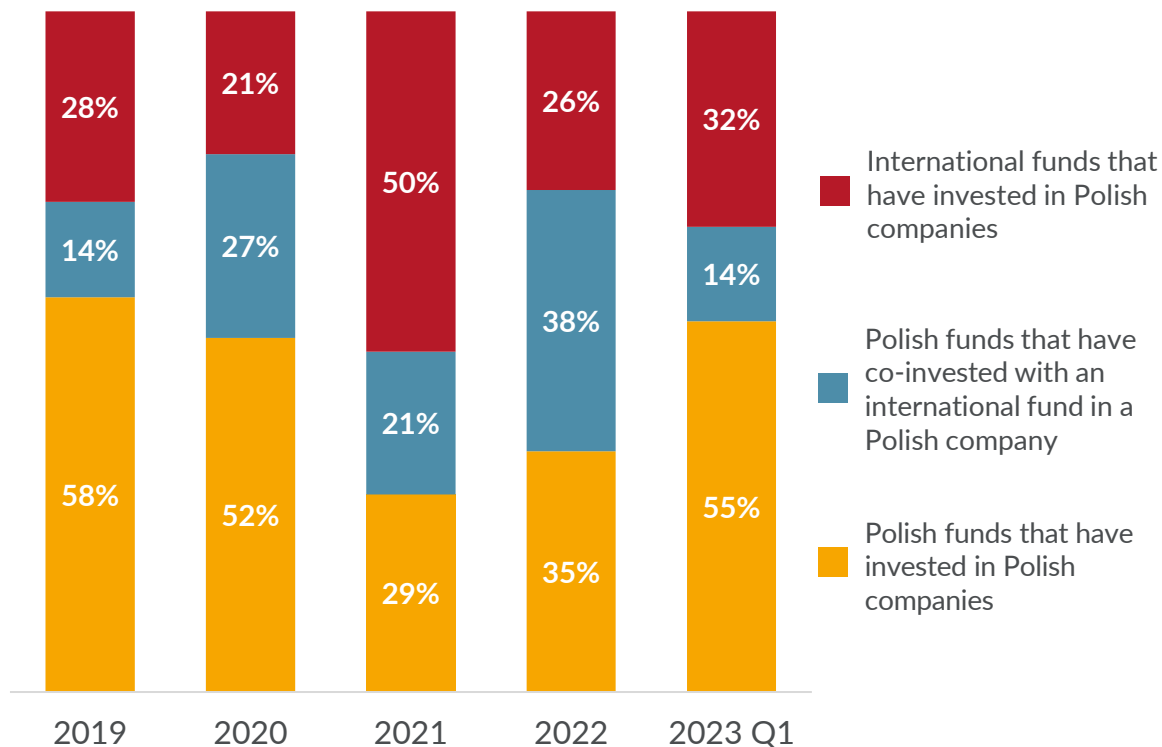
(1) Individual transactions have been allocated on account of the predominant share of private or public-private capital involved;

(2) International fund transactions include all transactions with at least one international fund involved;

(3) Some of the transactions classified as "PFR Ventures" come from the PFR NCBR CVC programme co-developed with the National Centre for Research and Development; (4) Some of the transactions classified as "PFR Ventures" were also co-financed by BGK funds or State Treasury Companies (e.g. Orlen).

Investments and co-investments 2019 – 1Q23

Share in the total transaction value



The above summary does not include outliers.

In the last quarter, the Polish VC market has seen a decline in the value of transactions, which is largely due to a drop in the capability of Polish start-ups to raise funding from foreign investors. The data shows that capital from international funds that have invested in Polish companies accounts for only 32% of the value of all transactions. What's more, their value share (PLN 140 million) decreased compared to 4Q22 (PLN 322 million), and only marginally increased compared to 1Q22 (PLN 117 million). On the other hand, it is clear that Polish investors are still active in the market, having invested a total of PLN 245 million in 1Q23, a level similar to that of previous quarters, except for the record-high 3Q22 and 3Q21.

It is worth noting that the percentage share of individual investors in funding remains similar to that in 2019 and 2020, suggesting that there have been no major changes in the structure of investors in the Polish VC market. The problem is primarily the smaller amounts that foreign investors are injecting into Polish start-ups.






Piotr Marszałek

Analyst, PFR Ventures

Major transactions 1Q23

Rounds by investment thresholds

	Investors	Company	Funding	Round*
PLN 20 – 100m	Felix Capital, Creandum, Earlybird VC	Vue Storefront 	PLN 94.2m	A
	Vinci, Warsaw Equity Group	Contect	PLN 47.1m	B
	Fidiasz EVC	HiProMine 	PLN 34.5m	Post-IPO
	Virgin Orbit	SatRevolution 	PLN 21.9m	B
	Warsaw Equity Group, angel investors	Occubee	PLN 20m	B
PLN 10 – 20m	Portfolion, Nunatak Capital	Giganci Programowania	PLN 16.5m	A
	Ten Square Games	Gamesture Studio	PLN 11.9m	A
	JR Holding	Noxo Energy	PLN 10m	A
	Pointer.Capital, angel investors	Samana Group	PLN 10m	Seed

*Individual classification based on the value of capital raised where information is not available or the order of rounds is disturbed.

02

Case Studies

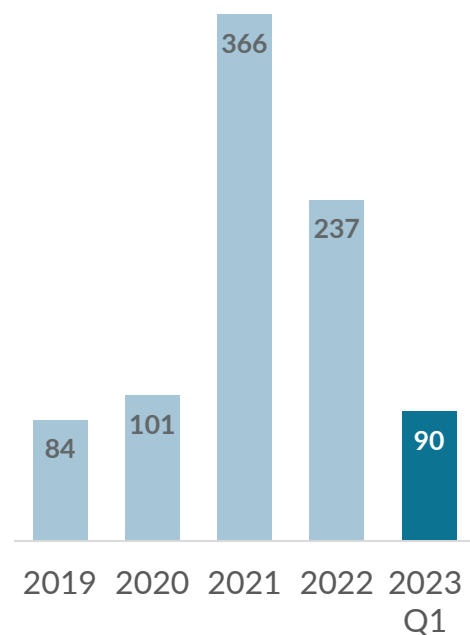


Activity of Polish funds 2019 – 1Q23

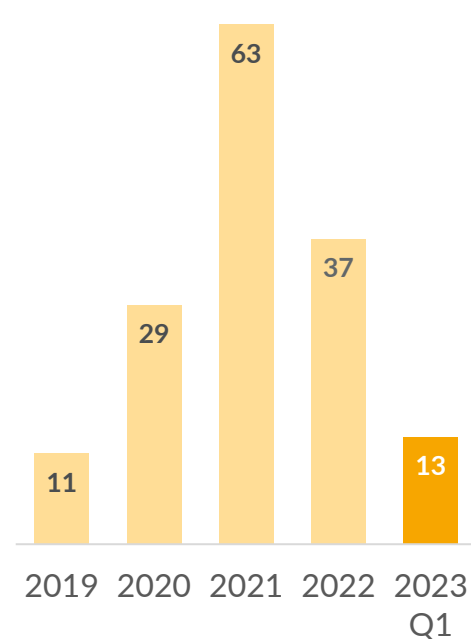
Investments of Polish funds in foreign companies

Value of transactions

PLN m



Number of transactions



The above data is not included in the Polish VC market statistics.

Polish VC funds are increasingly investing in start-ups located outside Poland. In 1Q23, some PLN 90 million flowed to foreign companies, which is not only the second highest amount ever, but also an almost 4-fold increase compared to 1Q22. This is due to the progressing professionalisation of the market and the recent closure of several new Polish funds with record capitalization and regional and pan-European ambitions.

Polish managers, through co-investments with funds from Western Europe or the US, have also built up a network of contacts and can expect to be more often invited to participate in attractive rounds abroad. Despite the decline in foreign fund activity in the Polish VC market and the value of their investments in 1Q23, the relations of Polish VC funds with foreign ones should translate into an increase in foreign investment in Poland in the long term.














Radosław Kuchar

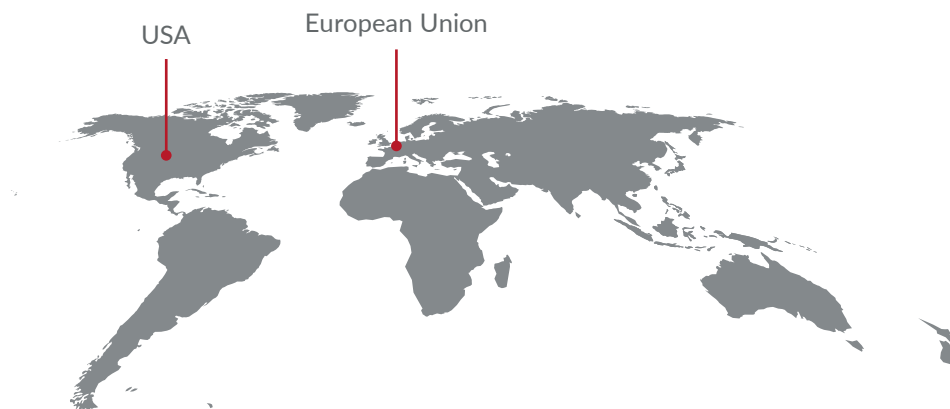
Investment Associate, PFR Ventures

Most notable transactions: Vue Storefront

Funding and operations

01/2021 Seed	2021 Acceleration	09/2021 A1	03/2023 A2
PLN 6m	PLN - m	PLN 69m	PLN 94.2m
 		    Angel investors	    Angel investors

Main markets where the company attracts customers



Source: dealroom, PFR Ventures analysis

 PFR Ventures



Vue Storefront raised USD 20 million in capital, the largest funding round in Q1 2023, led by UK-based Felix Capital, with contributions from Creandum, Earlybird and SquareOne. The platform quickly became the leading composable commerce solution, and with the additional funding it significantly increased its chances of becoming a global leader in the category Frontend as a Service.

The company has increased ARR by more than 300% over the past year (with customers mainly from the US and EU). It already employs more than 100 people in 10 countries. Currently, Vue Storefront is used for more than 2,200 stores worldwide.

The company raised its first round of funding in 1Q21 from Movens Capital and SMOK Ventures, followed by Y Combinator accelerator. Early in 2022, it led a record-breaking Series A round, raising USD 17.4 million. The current round confirms the potential of the CEE region to build fast-growing global tech companies.



Artur Banach

Partner, Movens Capital

Most notable transactions: Coding Giants

VC-fueled Bootstrap



Funding and operations

2015 - 2023
Bootstrap

PLN - m

2023
A

PLN 16m

 PortfoLion

Nunatak
Capital

How much did you have to invest yourself in growing the company?

Radoslaw Kulesza, co-founder of Coding Giants: our initial investment closed at PLN 12,000, so we contributed PLN 3,000 each, which was spent mainly on equipment. Later we reinvested the funds, and the additional contribution was, of course, our time. By the time of this year's round, we were completely a bootstrap, so we had to be profitable from the first months.

How soon did you start getting offers from VC funds? What was tempting about them, and what was discouraging?

We got our first offer pretty quickly, after six months or so of operation, but it ended in talks and in retrospect I can see that it was good for us. Another offer didn't come until a couple of years later following a media release, but we seriously started talking to funds once we had determined internally ourselves that we wanted to take the VC route.

What I see as discouraging about some funds is the level of competence and understanding of the business among their partners. Of course, this does not apply to all, because the gap between the worst and the best funds is huge.

What advice would you give to someone who was developing a start-up in 2015, and is it still relevant to someone who is doing it in 2023?

From our perspective, it has always been about setting the bar high for yourself and persevering toward your goals. I think this is timeless advice, valid not only in 2015 and 2023, but for years to come.

Analysis of 131 investor presentations of Polish start-ups

PFR Ventures

inovo^{vc}

Selected data from the publication

Information about the business model



80 / 131

companies included a clear description of their business model (e.g., in the form of a graph) in their presentations

Market size data

84 / 131

companies presented information about the size of the market

2_x 40_x 3_x 39_x

SAM

TAM

TAM

TAM

SAM

SAM

SOM



Analysis of investor presentations of Polish start-ups

Available here:



pfrventures.pl/pitch-deck

Exits: acquisition of Renters.pl by Enterprise Investors

Background

Fund	Company	Buyer
		

Value of the investment

The value of the bValue Fund investment was not disclosed.

Return on Investment (Cash-on-Cash)

The CoC ratio for bValue Fund was x8

Description of Renters.pl's business

Renters is a marketplace for short-term apartment rentals in tourist destinations and cities across Poland. The company manages 2,000 rental apartments, offering their owners services that include, among other, booking, cleaning and maintenance, and managing contacts with guests. The company additionally assists in the selection of possible short-term rental locations for investment as well as in the process of renovation and design.

Source: bValue Fund data

 PFR Ventures 

Over the past two years, Renters. pl has become the perfect platform for consolidating the fragmented short-term rental management market. The company's impressive growth and high profitability has put it on the radar of the region's largest private equity fund.

This transaction is particularly significant in the context of the developments in the capital market and demonstrates alternative growth paths for VC-backed start-ups.

As an investment fund, our goal is not only to provide adequate funding, but also substantive support and networking. It has been a real pleasure to work with the founders of Renters. pl, and we are proud to have been able to support them in their growth and contribute to such spectacular results.



Maciej Balsewicz
Managing Partner, bValue Fund

Exits: acquisition of PsiBufet by Butternut Box

Background

Fund	Company	Buyer
		

Value of the investment

Kogito Ventures: PLN ~2m

Co-investing angel investors: PLN ~2m

Return on Investment (Cash-on-Cash)

The CoC ratio for Kogito Ventures was ~3x

(calculated only for the fund, excluding angel investors, takes into account the asymmetric return)

Description of PsiBufet's business

PsiBufet.pl sells dog food in a subscription model, with home delivery. The food is prepared from fresh ingredients using formulas developed by animal nutritionists. The food offer includes several options, tailored to the size and health needs of the dog, and meets the expectations of even the pickiest pups.

 PFR Ventures

 inovo^{vc}

We met Piotr in 2019 through the founder of our portfolio company. He already had a detailed vision of what size company he wanted to build, how to do it and what he needed. What convinced us to invest was his impressive level of preparation and professionalism. At the time, Piotr had been to several meetings with the founders of some of the largest similar companies in the world and had built up a great deal of knowledge. The result of these meetings was also to invite to invest in PsiBufet.pl the UK-based Butternut Box, which after three years decided to buy out the remaining investors.

Using the resources and operational excellence of such a large partner, PsiBufet.pl under Piotr's leadership will continue to build the largest supplier of fresh dog food in Poland in a subscription model.



Wojciech Niesyto
Partner, Kogito Ventures

Infoshare 2023 Investor Meetup

 PFR Ventures

 infoshare

 SpeedUp
VENTURE CAPITAL GROUP

 inovo^{VC}



Let's meet in Gdańsk!

24/05, 17:00

Olivia Business Centre

Investor Meetup Main Theme:
ClimateTech + networking



infoshare.pl

Discount code for Investor Pass:
Infoshare_PFR_15off

Glossary

International/foreign fund

An international fund is considered to be one that has international partners on its team or relies on foreign capital.

Activity on the Polish VC market

Activity on the Polish VC market is interpreted as local investments (Polish fund-Polish company) and foreign investments (foreign fund-Polish company).

What is a Polish company?

Selection is determined by meeting 3 out of 4 criteria:

- % of employees working in Poland
- Polish founder/co-founder
- Polish capital
- Self-identification

Data sources

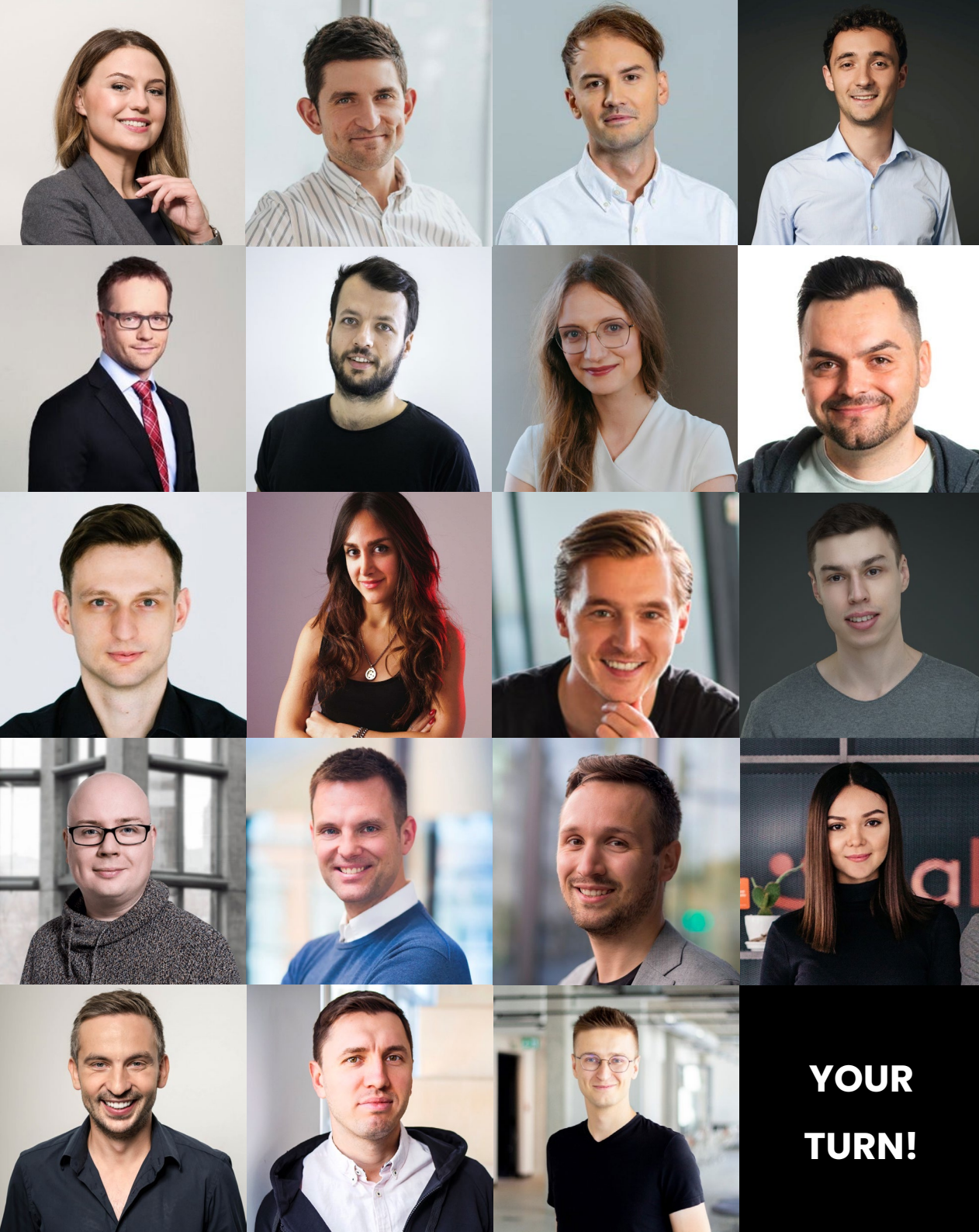
The data used for this study comes from internal reports of PFR Ventures, Bank Gospodarstwa Krajowego (BGK), National Centre for Research and Development (NCBR) and Inovo VC. Some of the information was obtained from Invest Europe research as well as media reports and publicly available data.

EUR/USD to PLN exchange rates

We have applied a 3-month average rate to most statistics. The exceptions are the pages devoted to the most notable transactions, where we presented the amounts as reported in the media.

More info:

kontakt@pfrventures.pl | 800 800 120



inovo^{vc}

Stay ambitious,
we have your back

If you are looking to build something great and want to join the community of the best founders in Poland – let us know!

 pitch@inovo.vc

**YOUR
TURN!**



Polish Innovation Ecosystem

PFR Ventures

inovo^{VC}



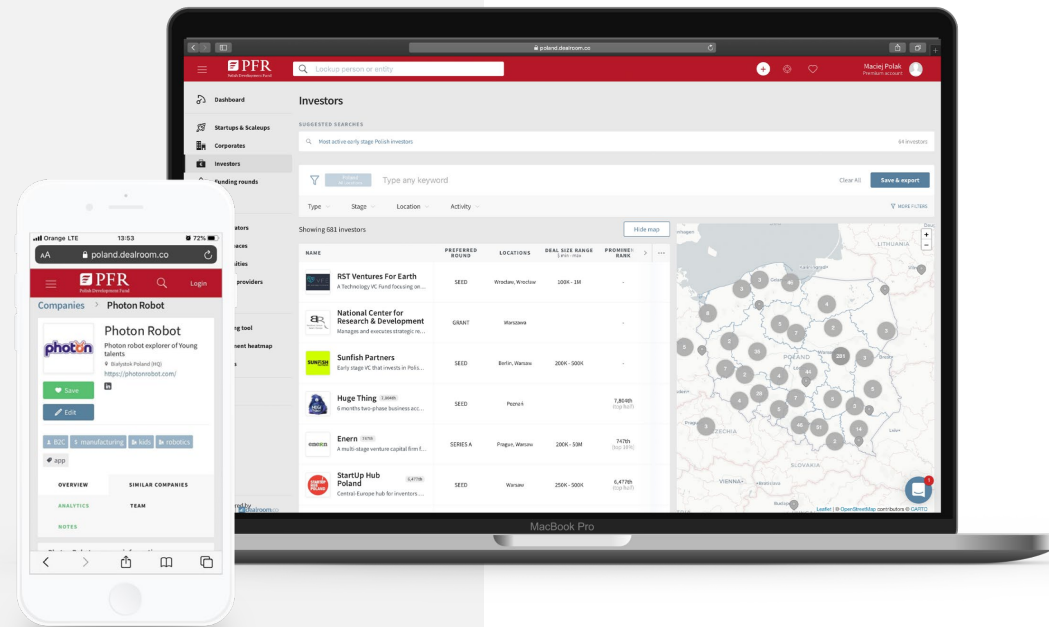
Together with Dealroom.co we have prepared a map of the Polish innovation ecosystem. We encourage all funds and start-ups to become part of it.

Here you can add information on your organisation:

 startup.pfr.pl/ekosystem-innowacji

+3,000
start-ups

+100
VC funds



dealroom.co



startup.pfr.pl

