

# PFR CVC programme assumptions under the new FENG perspective

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Fundusze Europejskie  
dla Nowoczesnej Gospodarki



Rzeczpospolita  
Polska

Dofinansowane przez  
Unię Europejską



PFR Ventures

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⑧ Q&A

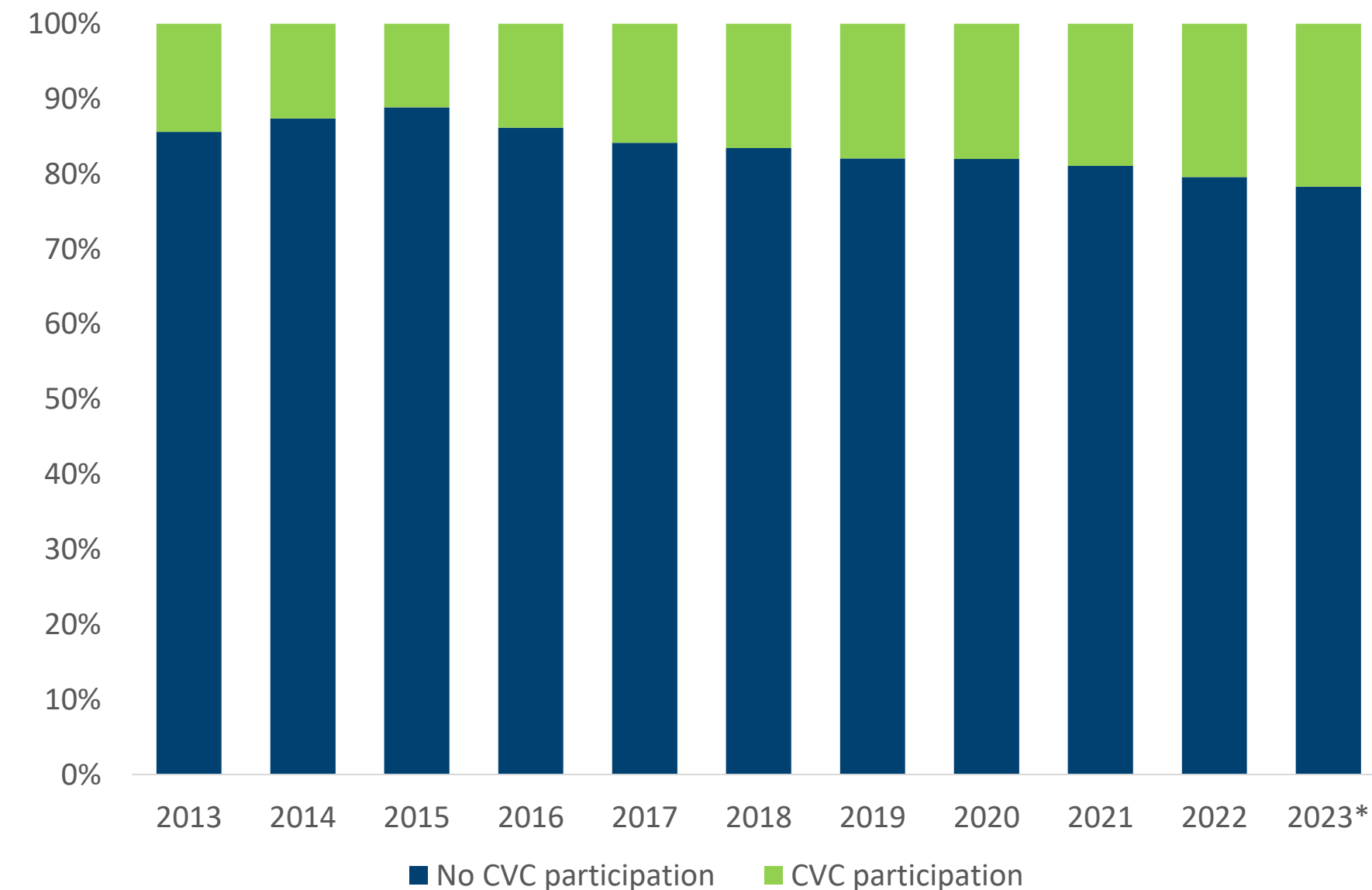
# Corporate Venture Capital Model

# Corporate Venture Capital model

*What is the Corporate Venture Capital model?*

The Corporate Venture Capital model involves corporations investing in innovative enterprises within their **own organizational structure**, a **separate structure** managed by dedicated corporate employees, or through an **external fund** managed by an independent investment team.

*The share of CVC funds in European financing rounds is growing steadily*



Source: Harvard Business Review, PitchBook

# PFR CVC programme pursues a number of business goals



Development of the Corporate Venture Capital market, including the establishment of new management teams.



Financial support for technological projects by financing innovative SMEs.



Implementation of the best VC standards in Poland.



Attracting corporate investors and encouraging them to make investments and co-investments with VC funds, and then maintaining them on the market.



Development of human capital with a high degree of specialization and experience in innovative solutions.



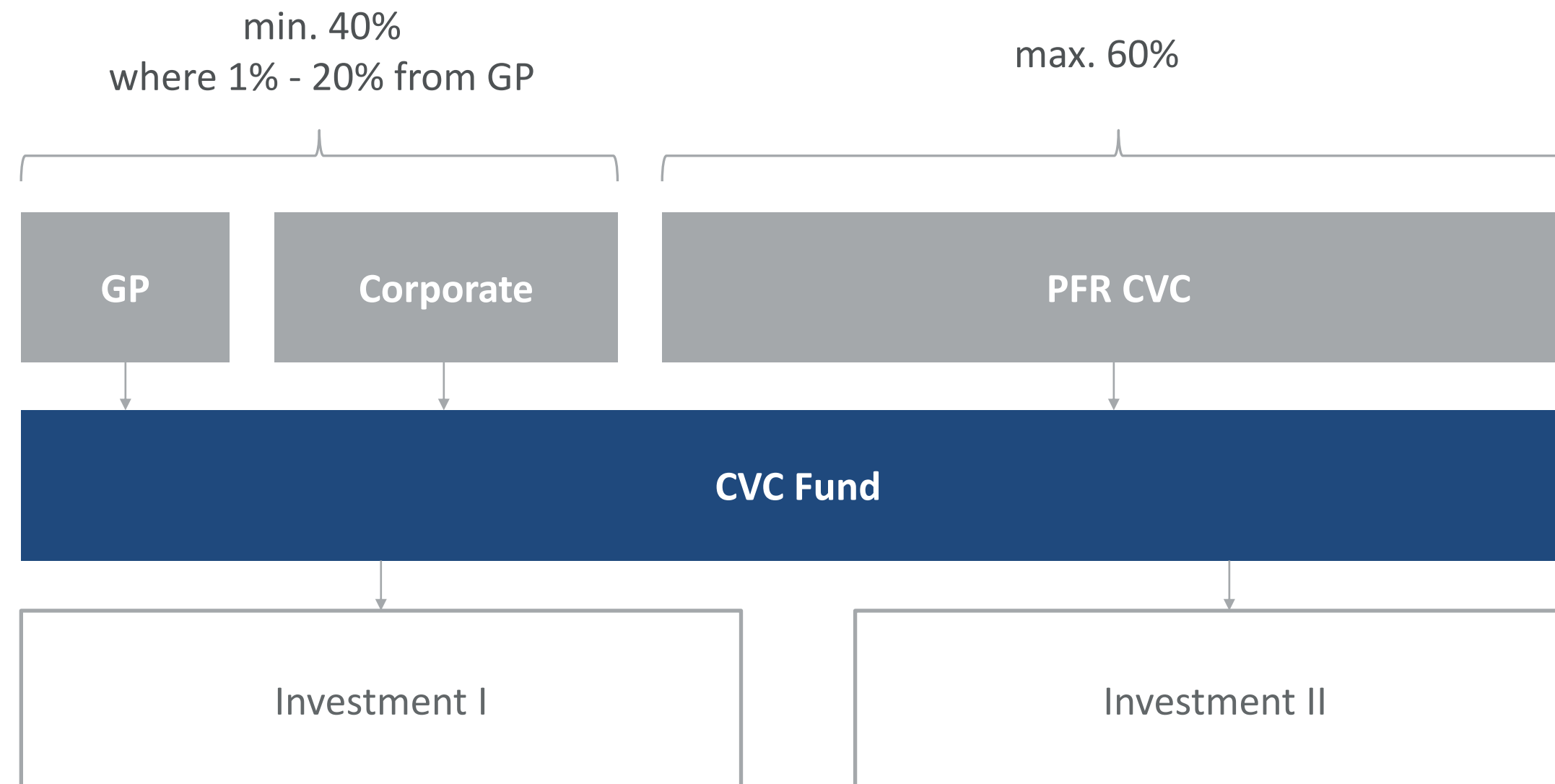
Increased internationalization of business activity, including the expansion of Polish companies into foreign markets.



# Models for securing private capital

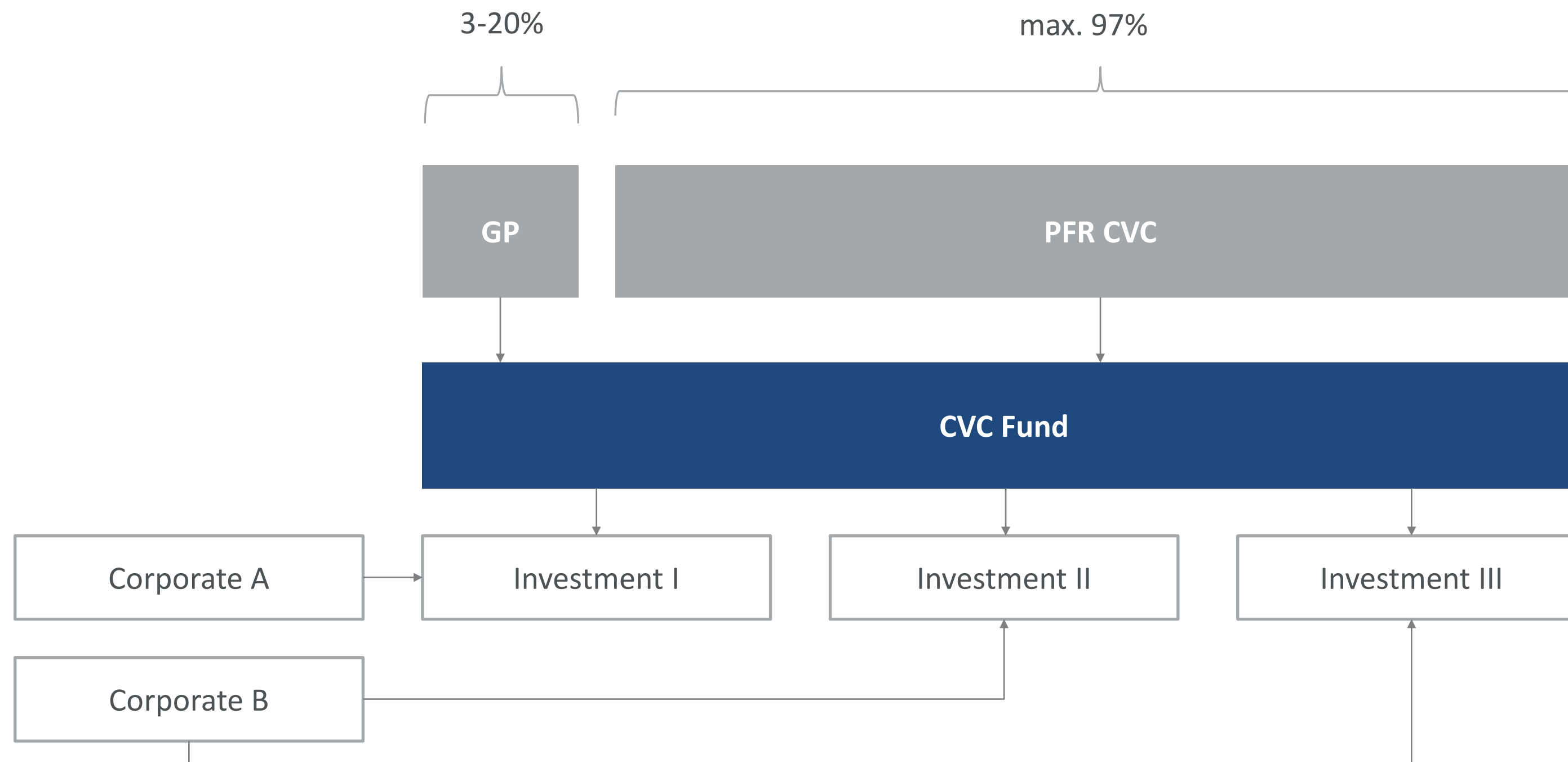
# Model 1 – commitment model

Corporate invests in a CVC fund



Capital is committed by PFR CVC and the Corporate Investor at the CVC Fund level. Subsequently, the General Partner (Managing Entity) decides on investments in portfolio companies.

# Model 2 – *deal-by-deal* model



PFR CVC and the General Partner commit capital at the CVC Fund level.

Subsequently, the GP selects corporate Co-Investors for individual deals.

In this model, the profits are shared between the CVC Fund and the Co-Investors deal by deal.



# Summary of past tenders under POIR

# Funds from the POIR perspective supported 4 CVC funds

50

Financed start-ups

6

Corporate Investors

141

million PLN transferred to start-ups from the PFR NCBR CVC programme

146

million PLN from Corporate Investors

PLN ~415 MM

Declared capitalization of 4 CVC funds

PLN ~203 MM

PFR NCBR CVC commitment

Our CVC fund portfolio:

**EEC**  
MAGENTA

**SpeedUp**  
ENERGY INNOVATION  
POWERED BY: **PGE** ventures

**ICOS**  
CAPITAL

**ff<sup>v</sup><sub>c</sub>**  
TECH AND GAMING  
DESIGNED BY KRAKOWSKA

# PFR CVC programme assumptions

# Summary of the most important changes: POIR vs. FENG

	POIR		FENG
PFR CVC commitment (PLN MM)	326	→	373
PFR CVC contribution (%)	50%	→	60%
Profit asymmetry	No	→	1,0x-1,5x
Co-Investment Model	No	→	Yes

# Selected assumptions of the PFR CVC programme under the FENG perspective regarding VC funds



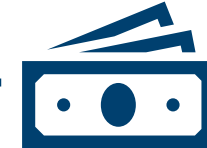
## Who is the programme intended for?

Corporations willing to create an externally managed CVC fund/ready to participate in co-investments



## Preferred legal form

Limited partnership, limited joint-stock partnership



## PFR CVC contribution

Model 1: up to 60%, max. PLN 110 MM at the fund level  
Model 2: up to 60% at the deal level



## Time commitment

Min. 2 KP members for 40h/week/100% of professional time



## Investment Committee

KP members with voting rights  
+ PFRV (observer) with veto right + optionally a non-voting representative of private investors



## Carried Interest

Model 1: up to 30%,  
Model 2: 20-30%,  
depending on the level of co-investments with corporate investors



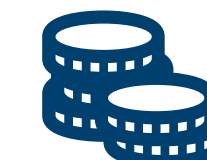
## Hurdle Rate

Model 1: proposed by the Team,  
Model 2: not applicable



## Investment Period/ Investment Horizon Length

5 years (+1)/ max. 12 years



## GP's contribution

Model 1: 1-20%  
Model 2: 3-20% (CVC fund without a corporate investor at the fund level)



## Profit asymmetry

Model 1: 1,0-1,5x  
Model 2: 1,0-1,35x

# Selected assumptions of the PFR CVC programme under the FENG perspective regarding portfolio companies



## Investment ticket

up to 15% of Investment Budget



## Portfolio company

SMEs, at the time of VC fund's investment - are not listed on the stock exchange (e.g. WSE, NewConnect)



## Investment stage

early stage/growth/expansion



## Company headquarters

the company should be located in the EU, EFTA, EEA or UK



## Follow-on investments

up to 60% of Investment Budget



## Sector

Sector agnostic  
(sector restrictions in accordance with the exclusions indicated in point 10 of the Term Sheet)



## Geographical limitations

max. 15% in foreign companies with existing strong ties with Poland



## Limit on acquisition of shares from existing shareholders

up to 50% investment value, buyout combined with the purchase of new company instruments

# POIR vs. FENG – selected changes

# POIR vs. FENG – changes in selected assumptions as a response to market needs

Parameters	POIR	FENG
Commitment size (PLN MM)	326	373
Estimated number of VC funds	6	3-5
Max. PFR Ventures commitment	not specified	up to PLN 110 MM
Max. PFR Ventures commitment (%)	50% of Declared Capitalization	Model 1: up to 60%, Model 2: up to 97% at the fund level (and up to 60% at the deal level)
Profit asymmetry (Model 1 / Model 2)	none	1,5x / 1,35x
Management fee (%)	up to 20%; 1,5% in the Disinvestment Period of the net invested capital	up to 22%, Investment Period: 2.5% of the Declared Capitalization, Disinvestment Period: 2.5% of the net invested capital
Zaangażowanie czasowe członków Kluczowego Personelu	min. 2 people for 80% professional time and 32h/week*	min. 2 people for 100% professional time and 40h/week*
Milestones	none	10%-25%-40%-55%-70% execution of Investment Budget after 1, 2, 3, 4, 5 years
Carried Interest	to be proposed by the Team	to be proposed by the Team, up to 30% in Model 1; 20-30% in Model 2; Carried Interest in Model 2 depends on the level of investment with corporate Investors



\* Allowable deviations to a level of no less than 80%/32h/week in cases where: (i) the Key Personnel Member is involved in a previous VC fund during the divestment period, or (ii) the side activity is of limited scope, synergistic and does not generate a conflict of interest.



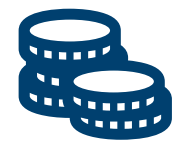
# Selection criteria of VC Fund Managers

# Selection criteria of VC funds by PFR CVC



# Team as a key aspect to be evaluated in the tender

## Critical areas in the Team's evaluation



Investment experience



Complementary experience



Experience in line with the investment policy



Team's previous cooperation

### Who/what we are looking for

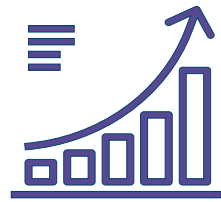
- Individuals with solid investment experience within the Team
- Complementarity of the Team in terms of investment, entrepreneurial and industry experience
- Individuals with experience in companies consistent with the fund's investment policy
- A team with an existing track record of joint collaboration in investments, work or other projects
- Credible full involvement of Key Personnel members in the fund's activities
- Individuals with experience in acquiring co-investors for transactions and making co-investments
- Individuals experienced in cooperation with Corporate Investors

### Most common undesirable situations

- Lack of any member of the Team with investment experience, or the experience is outdated or inadequate (e.g., buyout investments)
- Actual experience and professional achievements significantly different from those declared in the Tender
- VC fund specialization not backed by experience of Team members
- Short track record of cooperation of the majority of the Team (e.g. 1 year), no joint investments or projects
- Key Personnel (declaring 40 hrs/week) planning to continue other professional activities
- Lack of individuals experienced in cooperation with Corporate Investors

# Other undesirable situations based on experience from POIR perspective 1/3

## Fund size and economics



- High target capitalization of the fund in relation to Team's investment experience
- Inefficient fund economics (e.g., low salaries of Team members due to excessive Team structure or participation of external parties in the fund management fee)
- Too small Team in relation to the target capitalization of the fund

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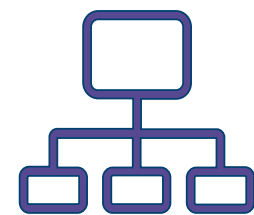
## Investment Policy



- Industry profile of the fund not supported by the experience of Team members in the relevant area
- Lack of compliance with the program's Term Sheet
- Limit credibility or vague investment policies, e.g. in terms of deal flow generation

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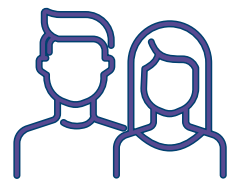
## Pipeline



- Low quality or low credibility of the indicated investment projects
- Lack of clear investment theses for the indicated projects
- Investment projects inconsistent with the fund's investment policy (lack of innovation, companies with commercial revenues, foreign companies with limited ties to Poland)

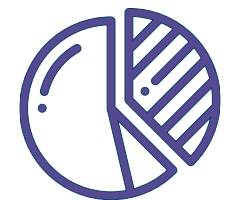
# Other undesirable situations based on experience from POIR perspective 2/3

## Structure of the Managing Entity



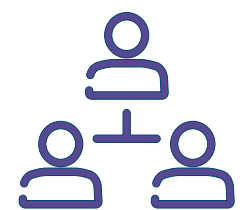
- Complicated and unclear ownership structure of the Managing Entity
- Inconsistency between the ownership structure and the structure of contributions made
- Inadequate contributions of Key Personnel members in relation to their assets
- Lack of Key Personnel members on the Managing Entity's board of directors

## Carried Interest



- Allocation of Carried Interest inadequate for time commitment, financial commitment and contributed know-how
- Carried Interest over-allocated to persons declaring low time or financial commitment
- Part of Carried Interest allocated to investors or persons/entities affiliated with investors

## Investors



- Affiliations of investors with the Managing Entity Team
- Declarations from investors with reputational problems
- Lack of an effective strategy for attracting Co-investors

# Other undesirable situations based on experience from POIR perspective 3/3

## Investment decision process and criteria



- Limited participation in decision-making of Key Personnel members declaring full time commitment
- No / low declared contributions to the fund by those making investment decisions

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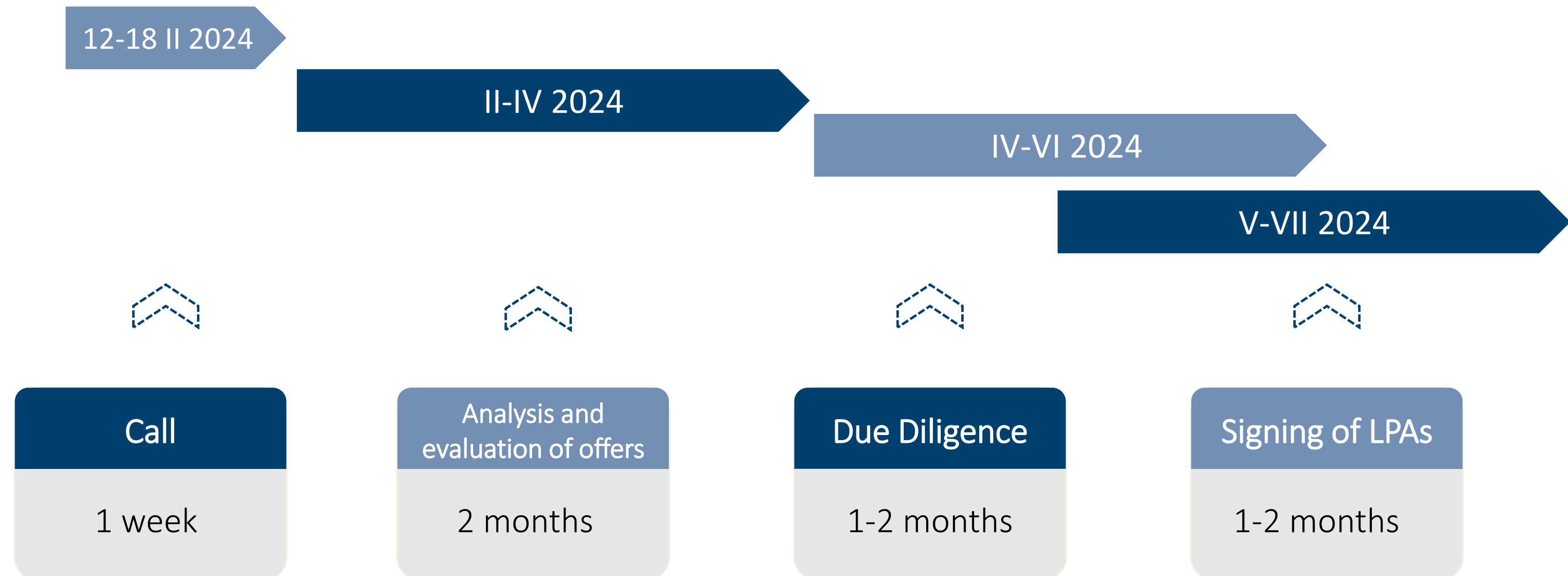
## Management of conflicts of interest



- Affiliations of Team members with other funds/incubators/venture builders generating conflict of interest risks
- Direct investments by KP members or funds affiliated with KP members in competition with the fund
- Management of another VC fund that is in the investment period and engaged in competitive activities

# Call Schedule

# Call schedule for the PFR CVC programme





# Q&A

# Contact

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