

 PFR Ventures

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VENTURE PARTNERS

Polish VC Market Outlook Q1 2021



European
Funds
Smart Growth

European Union
European Regional
Development Fund



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Report development

PFR Ventures

PFR Ventures is a company managing funds of funds that invests – together with private investors, business angels, and corporations – in Venture Capital and Private Equity funds. The objective of PFR Ventures is to use this capital to support innovative Polish enterprises at various stages of development. At present, PFR Ventures has a portfolio of over 50 funds that have made more than 350 investments.

INOVO | VENTURE PARTNERS

Inovo VC partners with ambitious founders to build future unicorns Together. Our experience in international scaling, network leading VCs, And our help is attracting top talent make Inovo the fund of choice for Founders like Stefan Batory (Booksy), Maja Schaefer (Zowie), and Marcin Wyszyński (Spacelift).

Extra data sources:



Overview

PFR Ventures

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Q1 2021 Highlights

▶ **93**

companies funded

▶ **53**

EUR m of invested capital

▶ **65**

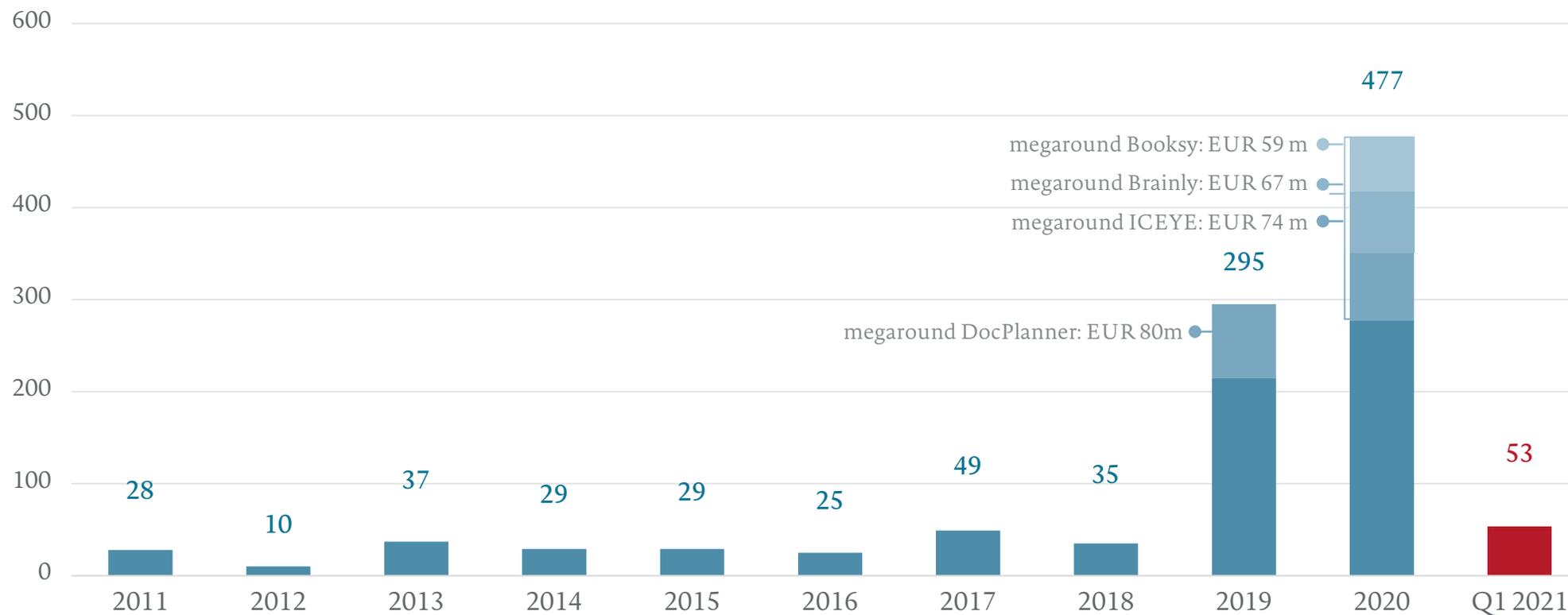
funds involved

▶ **-2.5% / +40.3%**

value of transactions / number of transactions (Q1 21 vs. Q1 20)

VC investments in Poland 2011 – Q1 2021

Value of investments (EUR m)

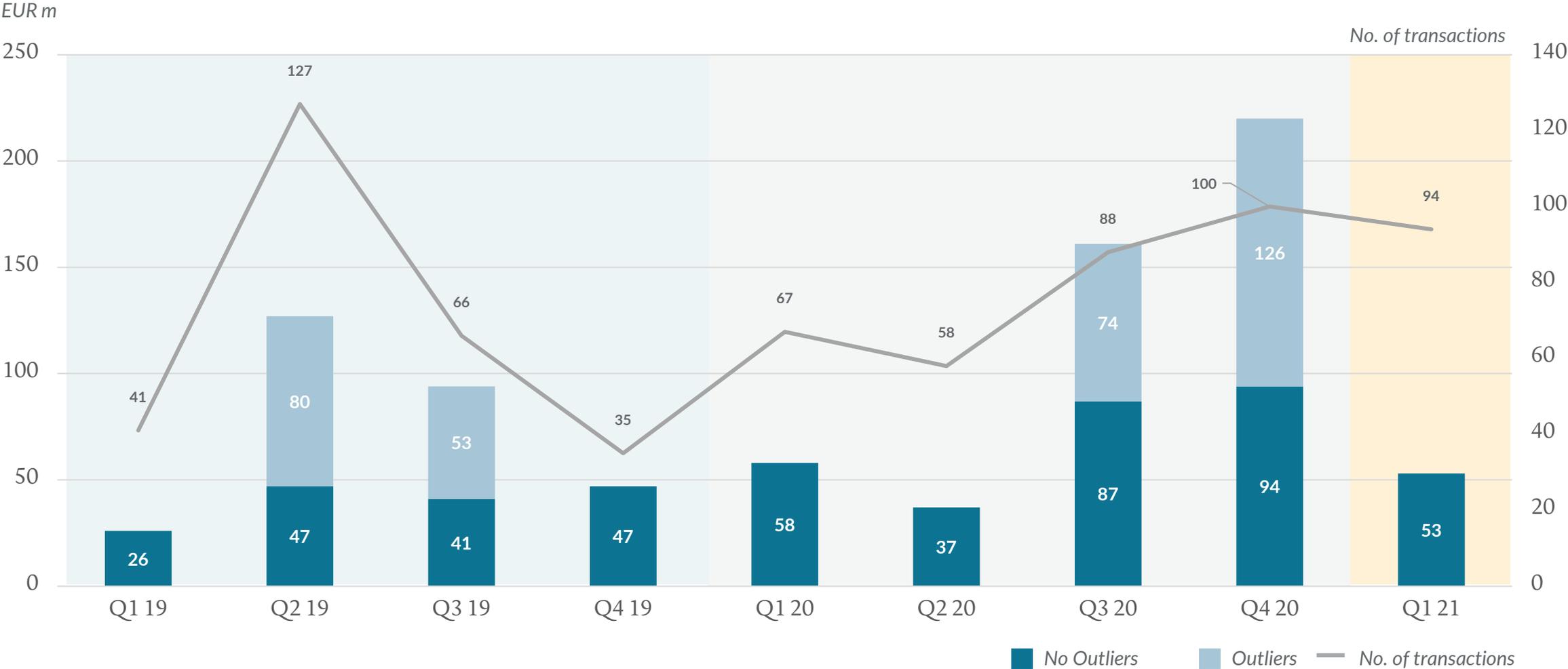


(1) Source for the 2011-2018 data: Invest Europe

(2) We intentionally present rounds of Booksy, Brainly, DocPlanner, and ICEYE separately as they distort the statistical overview (see: outlier)

VC investments in Poland 2019 – Q1 2021

Quarterly, value and number of deals



Authors' comments



Aleksander Mokrzycki
Vice President, PFR Ventures



We recorded nearly 100 transactions in the first quarter of 2021. Looking at the historical data, this is a good opening of the new year. The value of invested capital, compared to the same period in 2020, remained at the same level.

Many investments and a lack of large rounds translated into a decrease in the average value of transactions. In the next quarters, the market should return to the levels of EUR 0.9m. In the longer term, I see a chance for the average ticket to rise.

It is worth noting the Airly transaction - the team brings interests of business angels from the top league. There is also a good signal for investors - Innovation Nest earned 5.3x on Picodi.



Tomasz Swieboda
Partner, Inovo Venture Partners



The value of investments on the Polish VC market in Q1 2021 was similar to that recorded a year ago, while there were 40% more transactions. A lot of young startups received capital in the Pre-Seed or Seed rounds. Some of them soon will obtain further, greater financing, which will translate into the strengthening of our ecosystem and increase its value.

We as Inovo also invested in Spacelift in the Pre-Seed stage. The company closed the second round in about six months. Last quarter it raised an additional \$ 6M from UK BlossomCapital. This is not an outlier in our portfolio. We decide to make early-stage investments more and more often, which is why we are pleased with the growing number of young technology companies. Soon we will be able to boast about further investments from Poland and the region.

Authors' comments



Przemysław Kurczewski
Deputy Director of R&D
Investments, NCBR



The Polish VC market remains in good shape for the spring. In the first quarter, the number of transactions was over 40% higher than a year ago. Not for the first time, the leader in terms of the number of investments is NCBR. We provided seed funding to 33 companies from such industries as Health, Food, Sports, or Enterprise Software. Our partner, PFR Ventures, can boast of a similar scale of involvement.

In total, over EUR 53 m was invested across the whole market. A good beginning of the year allows us to look into the future with optimism. The chances for another record-breaking year, despite the ongoing pandemic, are also brought by the flourishing companies such as Airly, whose activities we describe in the report. We are counting on further successes of domestic innovators in the country and the international arena.



Paweł Chorąży
Managing Director of European
Funds Division, BGK

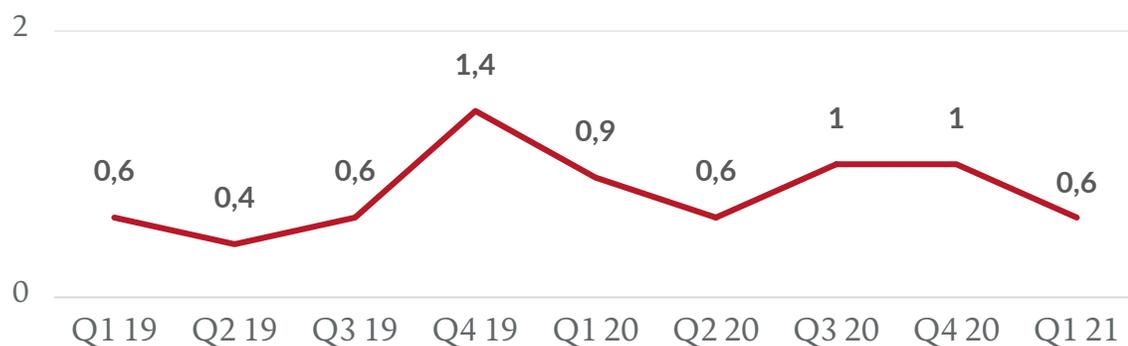


The first quarter of 2021 began another period in the pandemic era, which clearly showed that the market managed to get used to the "new reality", although it took a slightly different direction - increasing the diversification of investment portfolios. Despite a slight decrease in the value of investments compared to the same quarter of the previous year, the number of transactions on the VC market in Poland increased by over 40%.

In turn, BGK's regional funds (managed by Netrix Ventures, Brave Seed Fund, BP VC GP1, and Bitspiration Booster) showed both quantitative and value stabilization compared to Q1 2020, again reaching the investment ceiling of over EUR 2.2 m. As a response to the current market needs, increased interest in the health sector was also observed.

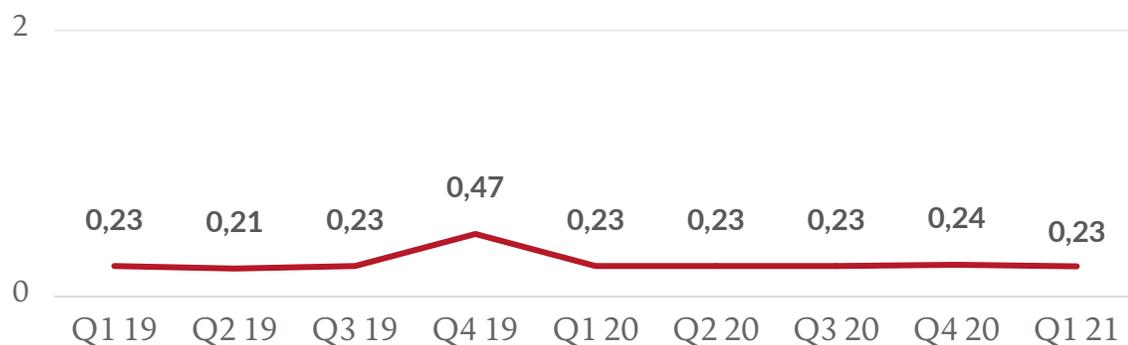
VC investments in Poland 2019 – Q1 2021

Quarterly, average transaction value (EUR m)



In the first quarter of 2021, we recorded an over 40% increase in the number of transactions with a similar amount of capital invested compared to Q1 2020. This translated into a decrease in the average transaction value by over EUR 0.2 m - from 0.8 m to 0.6m. This proves the unflagging optimism of the early-stage investors, especially those with public-private capital. It is worth noting the record quarterly number of investments by PFR Ventures funds - 32 transactions. In Q1 2020, it was 18 investments.

Quarterly, median transaction value (EUR m)



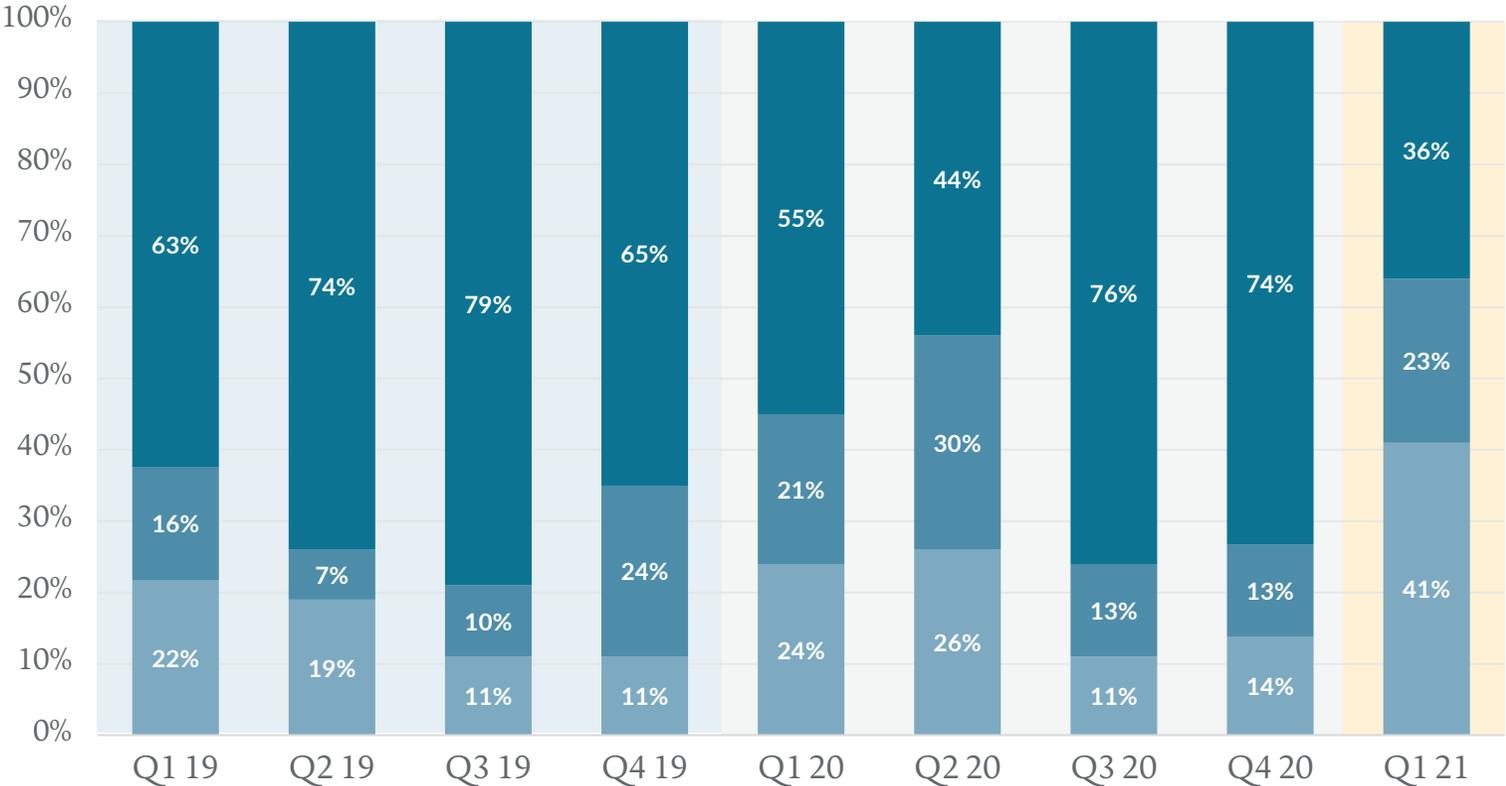
The lower number of transactions with private capital, resulting from the record-breaking previous quarter and the closing of many large transactions at the end of 2020, translated into a slight decrease in the median and maintained its value around EUR 0.2 m.

 **Andrzej Daniluk**
Analyst, PFR Ventures

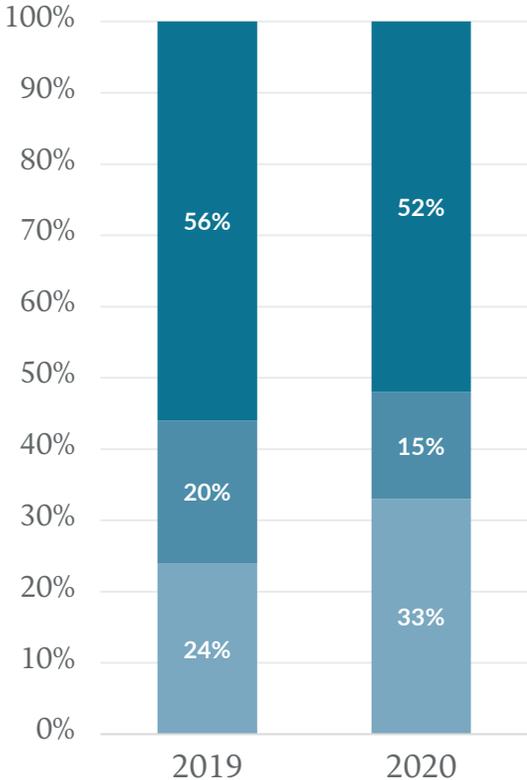
VC investments in Poland 2019 – Q1 2021

Largest rounds distribution in 2019 – Q1 2021

Quarterly, % of value



Annually, % of value

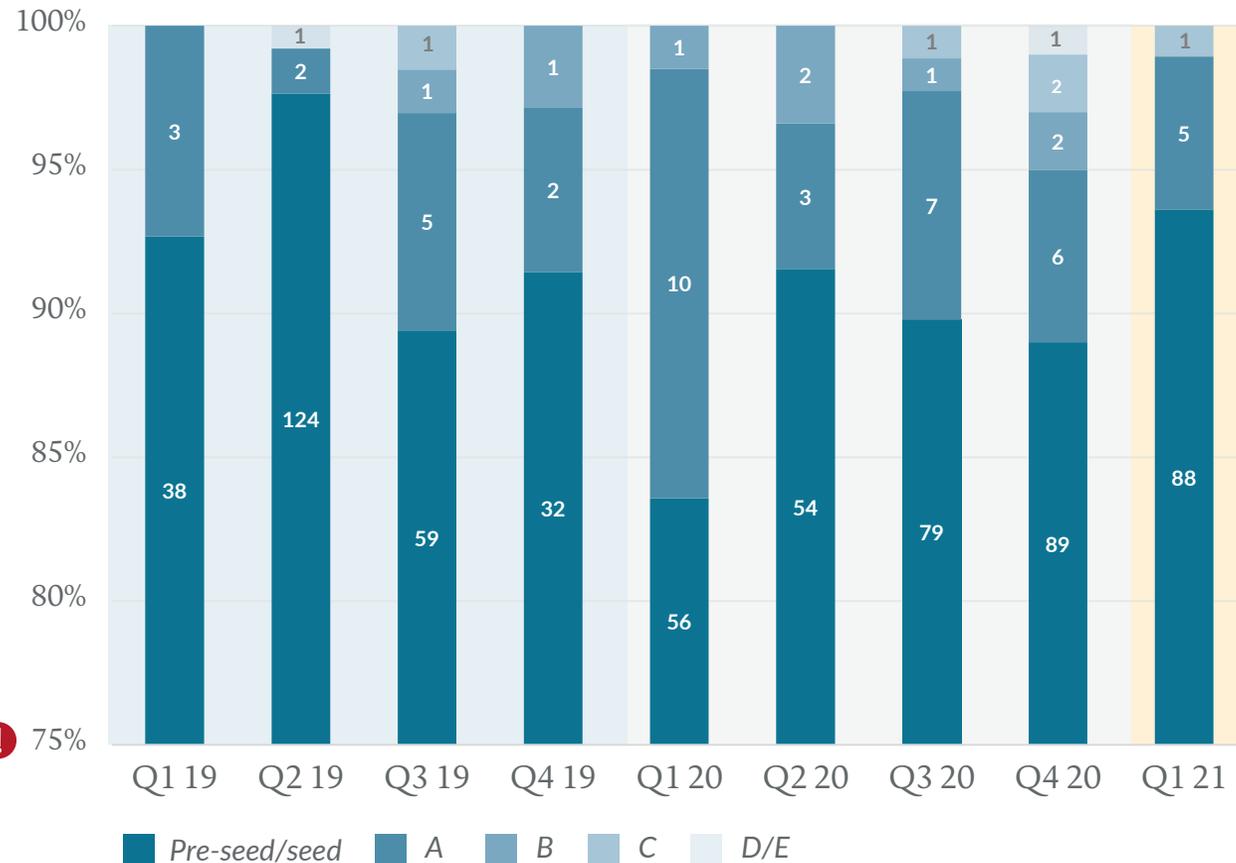


Mid10 is the 10 largest deals after Top5

VC investments in Poland 2019 – Q1 2021

Series distribution

Quarterly, number of transactions with a zoom on later rounds



The last quarter brought the largest share of Pre-Seed and Seed rounds in almost two years - about 93% of all transactions. There were about 60% more early rounds than in Q1'20. On the Polish market, we have more and more young, promising technological companies, which can attract investors, and they are also interested in Y Combinator, which was proven by the recent admission of two Polish teams to this accelerator.

It is worth noting that the maturity of the market also affects the growth of investment tickets. What a few years ago was seen as an investment in Series A, today will often be classified as Seed. The market is changing and will probably continue to move in this direction. Increasingly earlier rounds will be funded by major funds - including Inovo - in partnership with foreign co-investors.

Maciej Małysz
Partner, Inovo Venture Partners

Sources of capital

Percentage of private and public-private funding, Q1 2021

Value of transactions



Number of transactions



Percentage of funding from international and Polish funds, Q1 2021

Value of transactions



Number of transactions



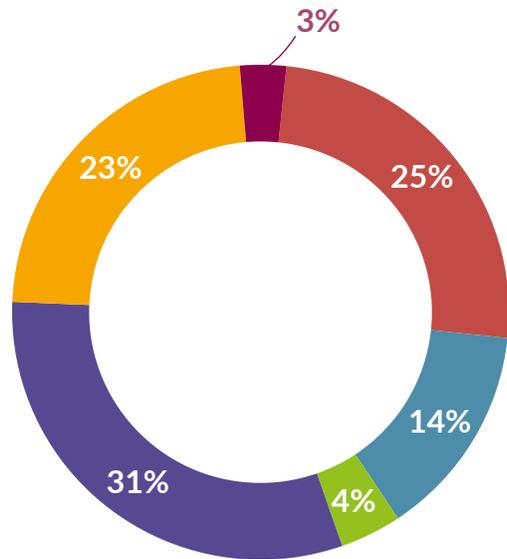
(1) A particular transaction has been allocated based on predominant private or public-private financing.

(2) International funds transactions include all transactions in which at least one international fund participated

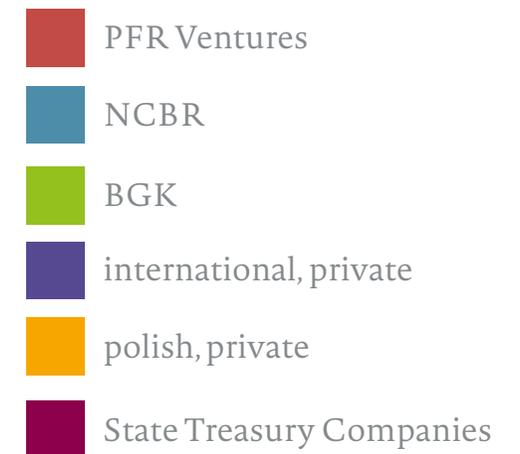
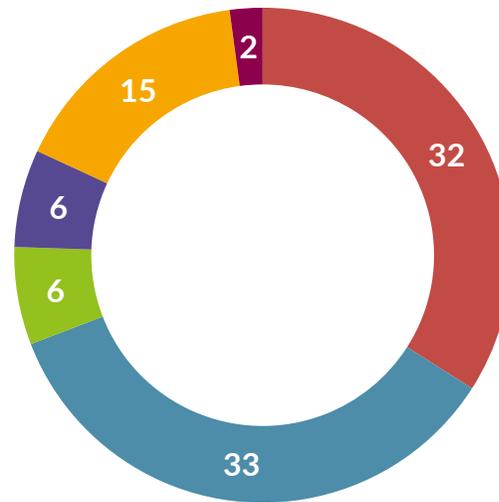
Sources of capital

Public programmes and private capital, Q1 2021

Value of transactions



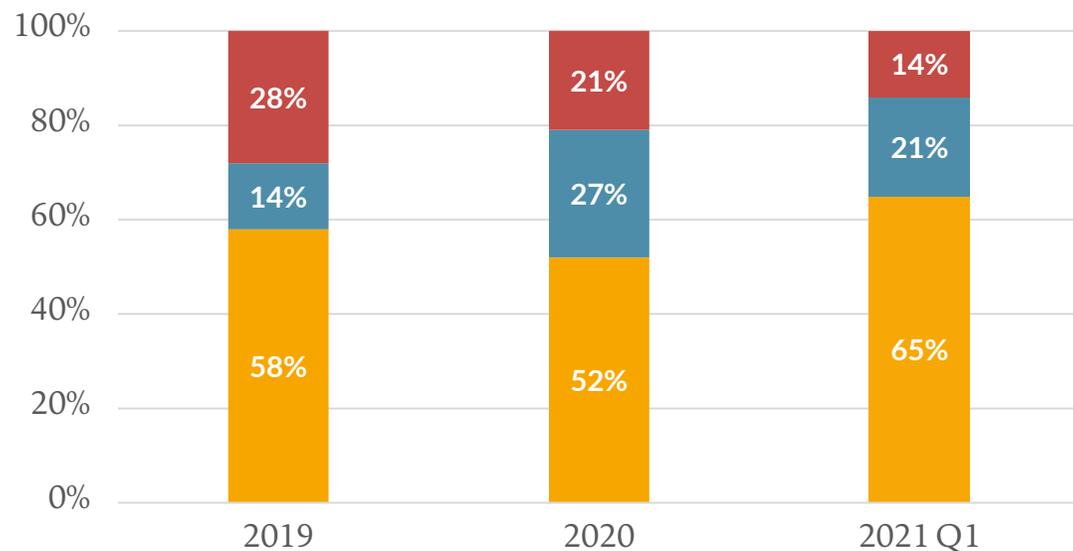
Number of transactions



- (1) The charts do not include outliers
- (2) A particular transaction has been allocated based on predominant private or public-private financing
- (3) Transactions of international funds include all transactions in which at least one international fund participated
- (4) Part of the transactions classified as "PFR Ventures" came from the PFR NCBR CVC program co-developed with the National Centre for Research and Development
- (5) Some of the transactions in the "PFR Ventures" category were also co-financed by BGK funds

Polish funds activity in 2019 – Q1 2021

Investments and co-investments



- International funds that have invested in Polish companies
- Polish funds that have co-invested with an international fund in a Polish company
- Polish funds that have invested in Polish companies

Polish funds dominated Q1 2021 and provided companies with as much as 65% of capital. This is a trend that has continued since Q4 2020, where we observed an identical percentage of this type of investor in transactions. Compared to Q1 2020, this is an increase of 21 percentage points. The growing value of Polish funds' investments overshadowed primarily the investments of international players - this share fell from 28% to 14%.

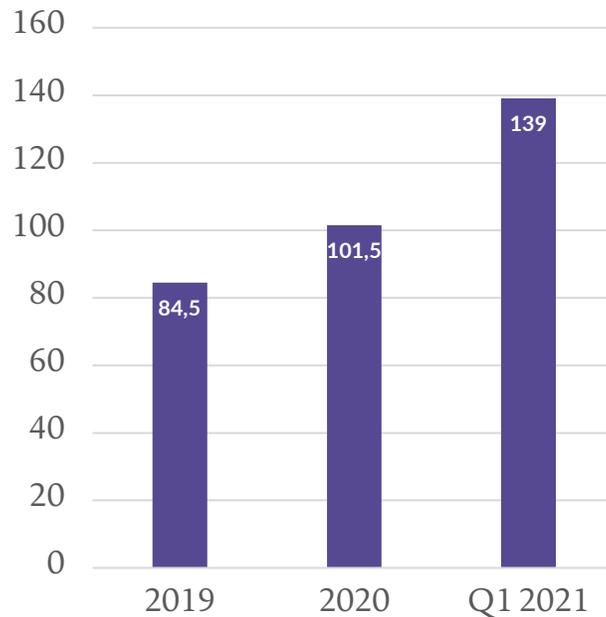
The trend of increasing cooperation between local funds and foreign partners is still progressing. In Q1 2021, 21% of the capital was provided by co-investments of Polish and international funds, which was a slight decrease compared to the previous year. The share of co-investments was 28%. This allows us to be optimistic about building long-term, international relationships enriching the quality of smart money delivered to Polish startups.

[in](#) **Andrzej Daniluk**
Analyst, PFR Ventures

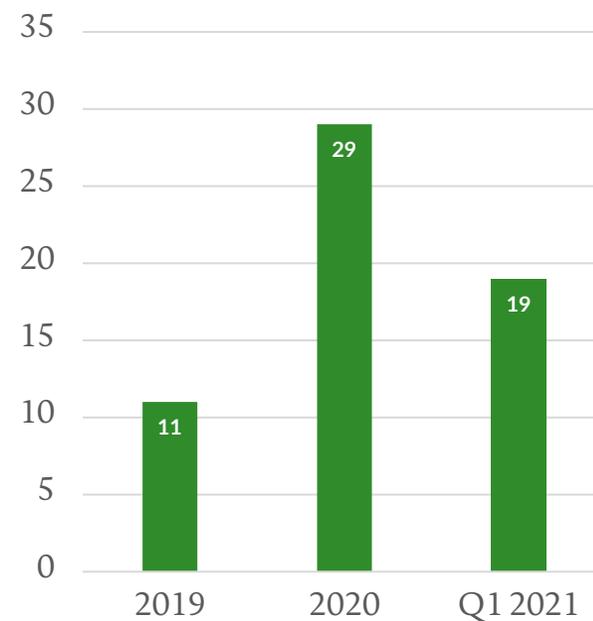
Polish funds activity in Q1 2021

Polish funds' investments in foreign companies

Transaction value, EUR m



Number of deals



Over the last few years, polish VC teams have started not only to join foreign investments as co-investors but also more often take the lead in syndicate with established funds. Examples of such deals include investments in Supplant from Israel (Manta Ray with co-investment from EQT, Felicis, Khosla Ventures, Coatue, and Y Combinator), Segron from the Netherlands (OTB Ventures with Credo Ventures), or Magalooop (Market One Capital with Redalpine, Piton Capital and Atlantic Food Labs).

Thanks to, among other things, building specialization within funds, such as OTB in deeptech, Innovation Nest in SaaS, or Market One Capital in platforms with network effects, we are sure that this trend will only strengthen in the coming years, which we can see in the presented data.

 **Michał Mroczkowski**
Investment Manager, MOC



The largest deals of Q1 2021

Rounds by investment thresholds

 Supported by PFR Group

 Narodowe Centrum Badań i Rozwoju Supported by NCBR

	Investors	Company		Funding	Round
>EUR 2 m	Blossom Capital, Hoxton Ventures, Inovo Venture Partners	Spacelift		EUR 5 m	A
	DX Ventures, Atmos Ventures, Investible Club, Polipo Ventures, Aria Fund, KnowledgeHub, Venture INC	Sundose		EUR 5 m	A
	Undisclosed	Zareklamy		EUR 4.2 m	A
	Expa, firstminute capital, business angels	Airly		EUR 2.7 m	Seed
	Cherry Ventures, business angels	Saleor		EUR 2.1 m	Seed
EUR 1 - 2.1 m	VIGO Ventures, Warsaw Equity Group	KSM Vision		EUR 2 m	Seed
	Photon Energy Group, ValueTech, PGE Ventures	Lerta		EUR 1.6 m	Seed
	Undisclosed	Undisclosed		EUR 1.3 - 1.6 m	Seed
	RST Ventures For Earth, business angels	Plenti		EUR 1.3 m	Seed
	Undisclosed	Undisclosed		EUR 1.1 - 1.3 m	Seed
	KnowledgeHub, SimpectVC	FutureCollars		EUR 1.1 m	Seed
	Kogito Ventures, Butternut Box, business angels	PsiBufet		EUR 1.1 m	Seed

Most Interesting Deals: Airly

Financing of the company

10/2016	06/2017	07/2017	01/2018	10/2020	03/2021
Angel	Acceleration	Grant	Acceleration	Pre-Seed	Seed
0,2 mln USD	-	0,9 mln USD	-	2 mln USD	3,3 mln USD
Private Investor	KPT ScaleUP	BR Narodowe Centrum Badań i Rozwoju	PARIS&CO	BOOSTER GIANT BR Narodowe Centrum Badań i Rozwoju	EXPO firstminute capital Private Investors
				Private Investors	

Selected Angels Supporting Airly



Bolt

Markus Villig
Founder
and CEO Bolt



WIRED

David Rowan
First editor-in-Chief
WIRED UK



Virgin

Holly Branson
Chief Purpose and Vision
Officer, Virgin



pipe drive

Ragnar Sass
Founder
Pipe drive



**LEADERS
FOR
CLIMATE
ACTION.**

Ferry Heilemann
FOunder Leaders
for Climate Action



Henkel

Konstantin von Unger
Board Member
Henkel



Google

Wojciech Burkot
Former director
Google Polska

We are solving a very important global problem that affects millions of people. This brings interest from top angel investors who want to get involved in fixing the planet and the environment. The examples of partnerships of Sir Richard Branson, Sir Ronald Cohen, and the founders of Uber or Bolt with Airly show that air quality is crucial in the fight for a better environment. The process itself is no different from talking to other investors except that we sometimes have just one meeting to present the company and the vision for its growth. Certainly, working with the world's leading entrepreneurs is a great learning opportunity for Airly, but also it provides a unique network helping us to grow and build partnerships every day.



Wiktor Warchałowski
CEO, Airly



Airly is a great tool for local governments. Find out about innovative technologies the cities can use to improve life of its residents.

Acceleration at Y Combinator

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Polish track

 **Cred**
Creditive
S12

 **Estimote**
S13

 **Pilot**
W17

 **Quickchat**
S18

 **Point API**
W18

 **Stoic**
S19

 **Authologic**
W21

 **Vue Storefront**
W21

2021

At YC, we are excited that the number of Polish companies we are funding has grown rapidly in recent years. The Polish startup ecosystem is very strong, with amazing technical talent, and we look forward to continuing to grow our presence there.

We strongly encourage any Polish companies that are interested in raising money from Silicon Valley investors to apply to YC.

 **Jared Friedman**
Group Partner, Y Combinator

The highest valued companies that have undergone acceleration at Y Combinator

\$108bn



\$95bn

stripe

~\$70bn

coinbase

\$42bn



\$39bn



Valuations of listed companies as of 09/04/21

Most Interesting Deals: Innovation Nest

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Innovation Nest sells Picodi

Seller



Company



Buyer



0.24 m EUR

invested by Innovation Nest in a seed round in Picodi in 2015

5.3x CoC (Cash-on-cash)

return for Innovation Nest fund

Discount codes save abandoned shopping carts

Picodi ensures more frequent purchase path success. Joining Meliuz is an opportunity for the platform to grow

Picodi (formerly known as International Coupons) was one of the latest investments under the Innovation Nest F1 fund. Picodi was founded in 2010 and quickly gained a leadership position in Poland, after which it began to expand internationally. Innovation Nest joined the company in 2015 when Picodi was already present in several foreign markets. We were very impressed with the operational efficiency of the team. The rapid growth and high market potential convinced us to invest. After raising a round, the company started further expansion into other markets. Picodi quickly became one of the market leaders in discount codes. The network of several dozen sites managed by Picodi is one of the largest in the world. Due to the end of the fund's investment period, when we got an offer to sell Picodi to Meliuz (Brazil), we decided to go for it.

 **Marcin Szelağ**

Partner, Innovation Nest



Read more about the exit of Picodi to
brasilian Méliuz

Summary

Glossary

International/foreign fund

We consider an "international fund" to be one that has international partners on its team or relies on foreign capital.

Activity on Polish VC market

As "activity on the Polish VC market" we interpret 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:

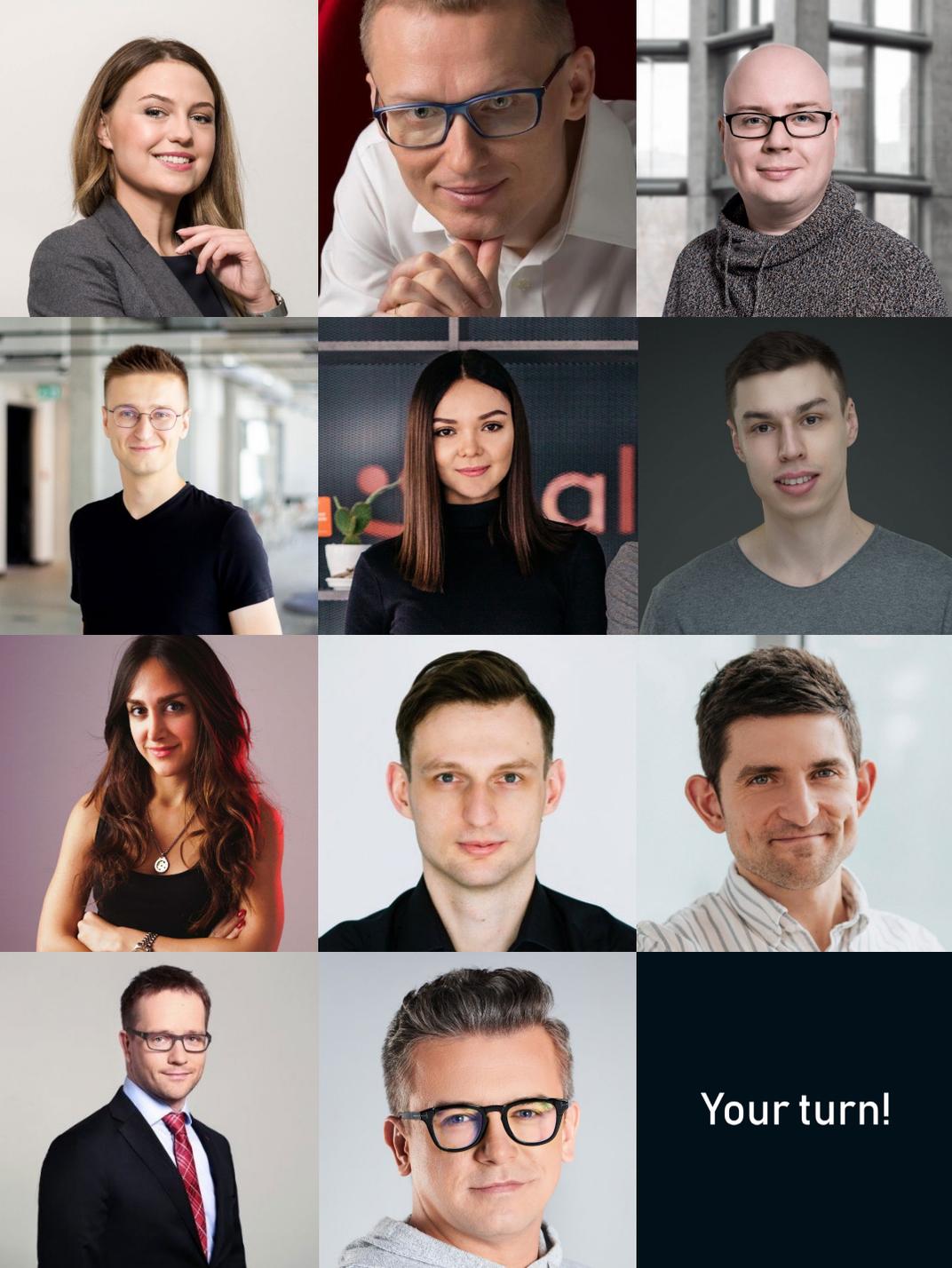
- % of employees working in Poland
- Presence of Polish founder/co-founder
- Presence of Polish capital
- Self-identification of the company

Sources

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 Venture Partners. Some of the information was obtained from Invest Europe research as well as media reports and public data.

USD to EUR exchange rate

We took an average 3-month exchange rate for most statistics. The exceptions are the pages concerning Airly, where we have presented the amounts that appeared in media reports.



INOVO

Stay ambitious, we have your back.

If you're early stage, building something great, and we want to join the community of top founders from Poland – let us know.

pitch@inovo.vc

Your turn!





Map of the Polish Innovation Ecosystem

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

If you have not yet added information about yourself, please add your organization at this address:

 startup.pfr.pl/ekosystem-innowacji

+2700

Start-ups

+100

VC funds

