

Foundations of the Biznest program under the new FENG perspective

Warsaw, 01.02.2024 r.

Agenda

- Summary of past tenders under the POIR program
- FENG perspective Program assumptions
- POIR vs FENG - revisions from the previous perspective
- Criteria for selection of VC Fund Managers
- Call schedule
- Q&A

Summary of past tenders under the POIR perspective

The Biznest Program pursues a number of business goals



Development of the venture capital market, including building new managing teams specialized in seed and pre-seed investments.



Support for the development of as many pre-revenue and early-stage startups as possible.



Implementation of the best VC standards in Poland.



Attracting private investors (Business Angels) and encouraging them to make long-term investments in the VC market.



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



The internationalization of business operations, including the entry of Polish companies into foreign markets.



POIR perspective funds have strengthened the Polish VC market at the seed and pre-seed stage

73

Funded startups

416

Business Angels involved in investments

180

PLN million invested in startups together with Business Angels

5

Investments in VC Funds

PLN 30m

average capitalization of active funds

PLN 85m

PFR Biznest's contribution

PLN 91 m

Business Angels' contribution

VC Funds we have invested in:

 **NEXT ROAD**
VENTURES

KOGITO
ventures

 **POMERANGELS**

 **cofounder zone**

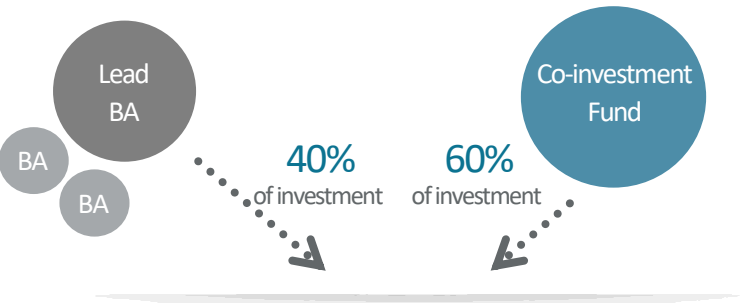
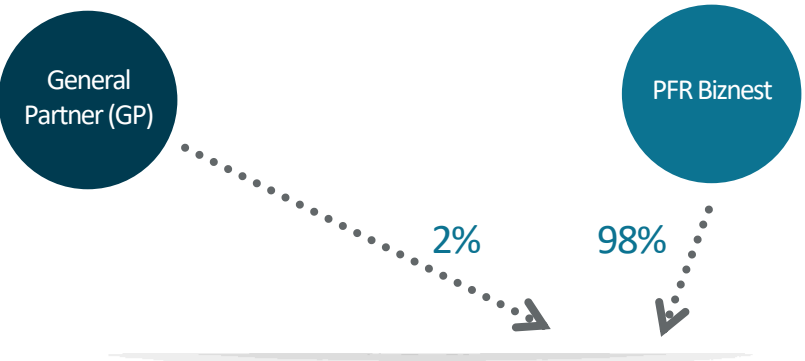
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FENG perspective Program assumptions

PFR Biznest funds' operating models

Co-investment model

GP commitment (min. 2% capitalization) PFR Biznest commitment (max. 98% of capitalization)



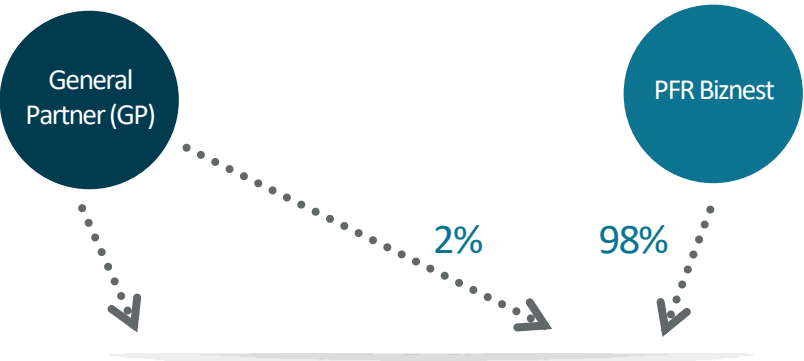
Investors in the Co-investment Fund (LPs)

Co-investment Fund
+ Business Angels

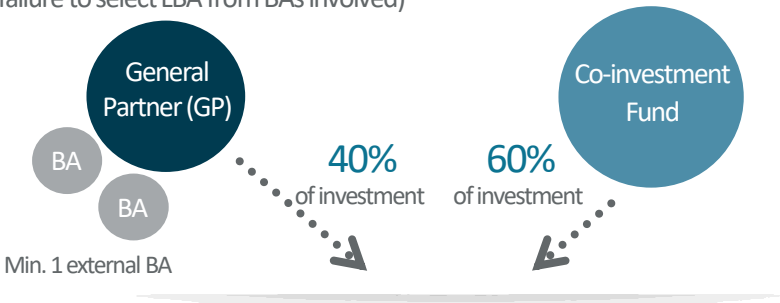
Portfolio companies

Mixed model

GP commitment (min. 2% capitalization) PFR Biznest commitment (max. 98% of capitalization)



GP contributes 25 - 75% of the BA portion (as LBA in the case of failure to select LBA from BAs involved)



Main objectives of the PFR Biznest program under FENG regarding VC funds



Who is the Program aimed at?

VC funds investing with Business Angels in early stage startups



Preferred legal form

Limited partnership,
limited joint-stock
partnership



PFR Biznest contribution

PLN 29.4m – 44.1m



Time commitment

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



Investment Committee

KP members
+ PFRV observer
with limited veto power



Carried Interest

Max. 20-25-30%
(quoted by VC)



Hurdle Rate

0%



Investment Period/ Investment Horizon Length

4 years (+1)/ max. 10 years



GP's contribution

Min. 2% of Declared
Capitalization, expected
level adequate to the
team's capabilities



Profit asymmetry

1.5x larger share of
Business Angels' profit
than that resulting from
their investment

Main objectives of the PFR Biznest program under FENG regarding investment in companies



Investment ticket

PLN 3/5m +
2 „super follow-ons”



Limit of % of shares for the first investment

Below 50%



Stage of investment

100% of first investments in
Group A and B companies



Company location

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



Follow-on investments

Up to 60% of the Investment
Budget



Follow-on after the Eligibility Period

No limits



Geographical restrictions

Max 15% in foreign companies
with a "Polish nexus"



Acquisition of shares from current shareholders

Up to 10% of the coinvestment

POIR vs FENG - revisions from the previous perspective



European Funds
for Smart Economy

Co-funded by the
European Union



 **PFR Ventures**

POIR vs FENG - revisions to some of the assumptions as a response to market needs

Characteristics	POIR
Program size, planned number of VC funds	PLN 120m, 5
Investment ticket	Up to PLN 4m
Min./max. commitment of PFR Ventures	PLN 14.4m / 28.8m
Milestones/ investment pace	25-40-60% implementation of the Investment Budget after 2,3,4 years
Time commitment of Key Personnel members	Min. 2 people for 80% of professional time and 32h/week*
Management fee % rate	No differentiation by size of VC Fund
Geographical restrictions for the location of startups	None if company retains the "Polish nexus" and is based in the EU, EFTA, EEA
GP's contribution to Declared Capitalization	min. 4%
PFR Biznest's and Business Angels' contribution in coinvestments	50/50
Profit asymmetry for Business Angels	1.3x (max. 65% of Surplus at min. 50% contribution to the co-investment)



FENG
PLN 232m, 6
Up to PLN 5m + option of two "super follow-ons" for the best companies
PLN 29.4 m/ 44.1m
5-25-40-60% execution of the Investment Budget after 1,2,3,4 years
Min. 2 people for 100% professional time and 40h/week*
Higher rates of variable remuneration for all funds and additional preference for micro funds (up to PLN 45m)
Max 15% in foreign companies with a "Polish nexus" based in the EU, EFTA, EEA or UK
min. 2% (evaluated adequately to GP's capabilities)
60/40
1.5x (max. 60% of Surplus at min. 40% contribution to the co-investment)

* Allowable exceptions 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 size, synergistic and does not generate a conflict of interest.

Selection criteria of VC Fund Managers

PFR Biznest's selection criteria of VC funds



Team as a key aspect of evaluation in the Tender

Critical areas in the Team's evaluation



Investment
experience



Complementarity of
experience



Experience in line with
the investment policy



Previous cooperation
of the Team

Who/ what we are looking for

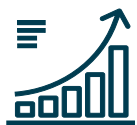
- ☒ Individuals with solid investment experience within the Team, particularly at the seed stage
- ☒ Complementarity of the Team in terms of investment, entrepreneurial and industry experience
- ☒ Individuals with experience in companies in line with the fund's investment policy
- ☒ A team with an existing track record of joint collaboration in investments, work or other projects
- ☒ Credible full involvement of Key Personnel members in the fund's activities
- ☒ Capital commitment of Key Personnel members at the highest possible level (adequate to their asset value)

Most common undesirable situations

- ☐ Lack of any member of the Team with investment experience or 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 supported by experience of Team members
- ☐ Short track record of cooperation of the majority of the Team (e.g., a few months), no joint investments or projects
- ☐ Managers (declaring 40 hrs/week) planning to continue other professional activities
- ☐ Team/Key Personnel with significant experience but declaring incomplete time commitment, plan to engage in fund activities inadequately

Other undesirable situations in offers based on experience with POIR 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 too large a Team or participation of external parties in fund management fees)
- Too small Team relative to the planned capitalization of the fund

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
- Poorly credible or vague investment policy, e.g. in terms of deal flow generation

Pipeline



- Low quality or low credibility of the indicated investment projects
- Lack of clear investment theses for 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 in offers based on experience with POIR 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 commitment of time, money and contributed know-how
- Carried Interest over-allocated to those declaring low time or financial commitment
- Part of Carried Interest allocated to Business Angels or persons/entities affiliated with Business Angels

Business Angels



- Affiliations of Business Angels with the Managing Entity's Team
- Declarations from Business Angels with reputational problems
- Lack of diversification of Business Angels' composition

Other undesirable situations in offers based on experience with POIR 3/3

Investment decision process and criteria



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

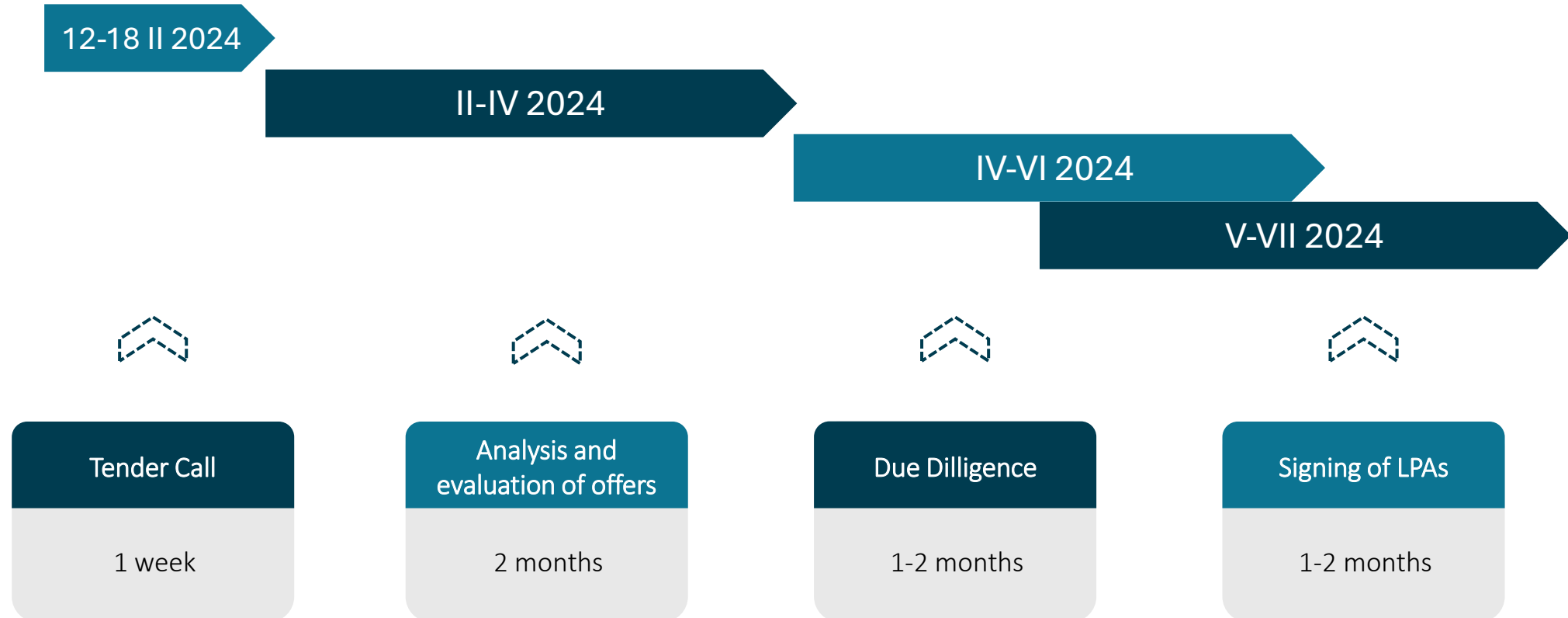
Conflict of interest management



- No market-based valuation validation rules for investments in companies affiliated with Key Personnel or Private Investors
- Affiliations of Team members with other funds/incubators/venture builders generating conflict of interest risks
- Direct investment 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

Call schedule

Call schedule for the PFR Biznest program



Q&A

PFR Ventures Sp. z o.o.
ul. Krucza 50, floor 5
00-025 Warszawa

t: +48 22 274 23 73
Helpline: 800 800 120
e: piotr.kedra@pfrventures.pl
e: krzysztof.lesniak@pfrventures.pl

Contact