

 PFR Ventures

inovo^{vc}

Polish VC Market Outlook 2Q23



Fundusze
Europejskie
Inteligentny Rozwój

Unia Europejska
Europejski Fundusz
Rozwoju Regionalnego



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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 that invests in the most ambitious entrepreneurs from Poland and the CEE region. We invest in early-stage start-ups up to EUR 4 million 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:



2Q23 highlights

> **116**

businesses received funding

> **94m**

EUR invested

> **69**

funds involved

> **-4%***

2Q23 / 1Q23 change in funding value

USA: -20%

Global: -5%

Europe: +28%

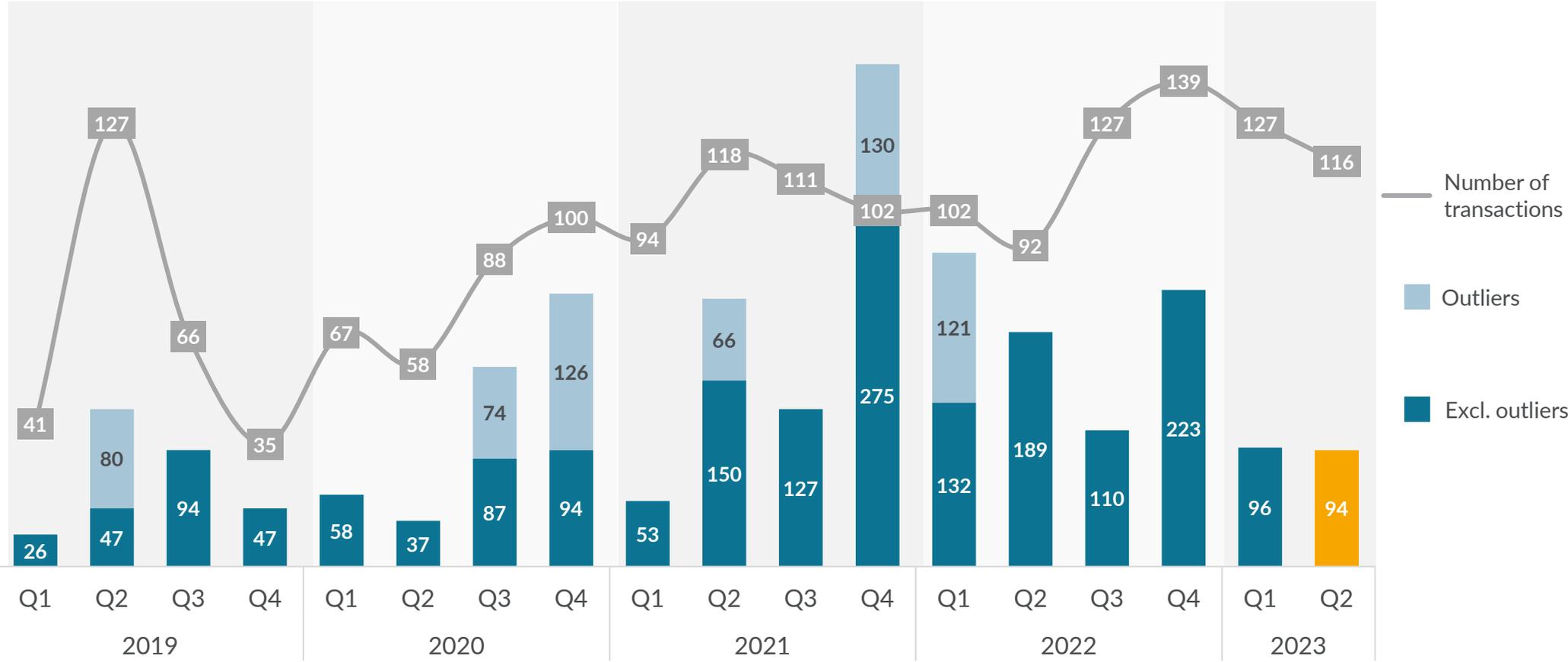
01

Market Outlook



VC investments in Poland 2019 – 2Q23

Quarterly value and number of transactions (EUR m)



Authors' comments



Maciej Ćwikiewicz 

President of the Board, PFR Ventures

After 6 months of 2023, we have reached the level at which the market was at the end of December 2019, excluding outliers. This is not a pace to the record transaction values achieved in 2021 and 2022, but there is also no threat of reverting to the "low-transaction" past of pre-2020. I believe that long-term we remain on an upward trend, with the main driver of the ecosystem being the rising number of people working in start-ups.

Global declines are primarily driven by the US market. Against this backdrop, Europe is looking good: although the number of transactions on our continent is falling, their value is rising. Locally, the first half of the year has shown a temporary stabilization: both capital and the number of transactions remain at a similar level. Further announcements by Polish management teams about new funds are positive signs. EU funds from the FENG programme will soon provide an additional boost.



Karol Lasota 

Principal, Inovo.vc

There is Eleven Labs and then nothing for a long time. We're seeing the lower investment activity (or higher expectations) of later-stage funds in Poland and CEE, which used to account for a large portion of the market in the region. On the other hand, we are aware that the best funds from all over the world can compete for the most interesting deals with fast traction, a great team and a good product, a perfect example being Eleven Labs in Poland, or FlowX in Romania, which received many term-sheets from top global funds. Will we return to observing more such rounds in Poland each quarter? I sincerely believe so, as we are now seeing more and more new, interesting start-ups, founded over the past year by ex-employees of fast-growing global tech companies, or second-time founders. I believe this trend will convert to many Series A rounds in the next 2 years.

Authors' comments



Małgorzata Ziemińska

Director of Operations, Commercialization Department

The time has come for the Bridge Alpha programme to take stock of the now-closing investment period of VC funds. Nevertheless, we are seeing more activity in the start-up market, with public funds being one of its key sources of early-stage funding.

With each new quarter, the funds' portfolio companies are becoming more mature, thus attracting the interest of a wider group of investors. An example is the inclusion of WIDMO in the current quarterly listing, which was established at the end of 2018, developed using funds from the Bridge Alpha programme (support provided by the European Funds under the Smart Development Operational Programme), and now received funding from the prestigious EIC Accelerator programme.



Paweł Chorąży [in](#)

Managing Director of the European Funds Division, BGK

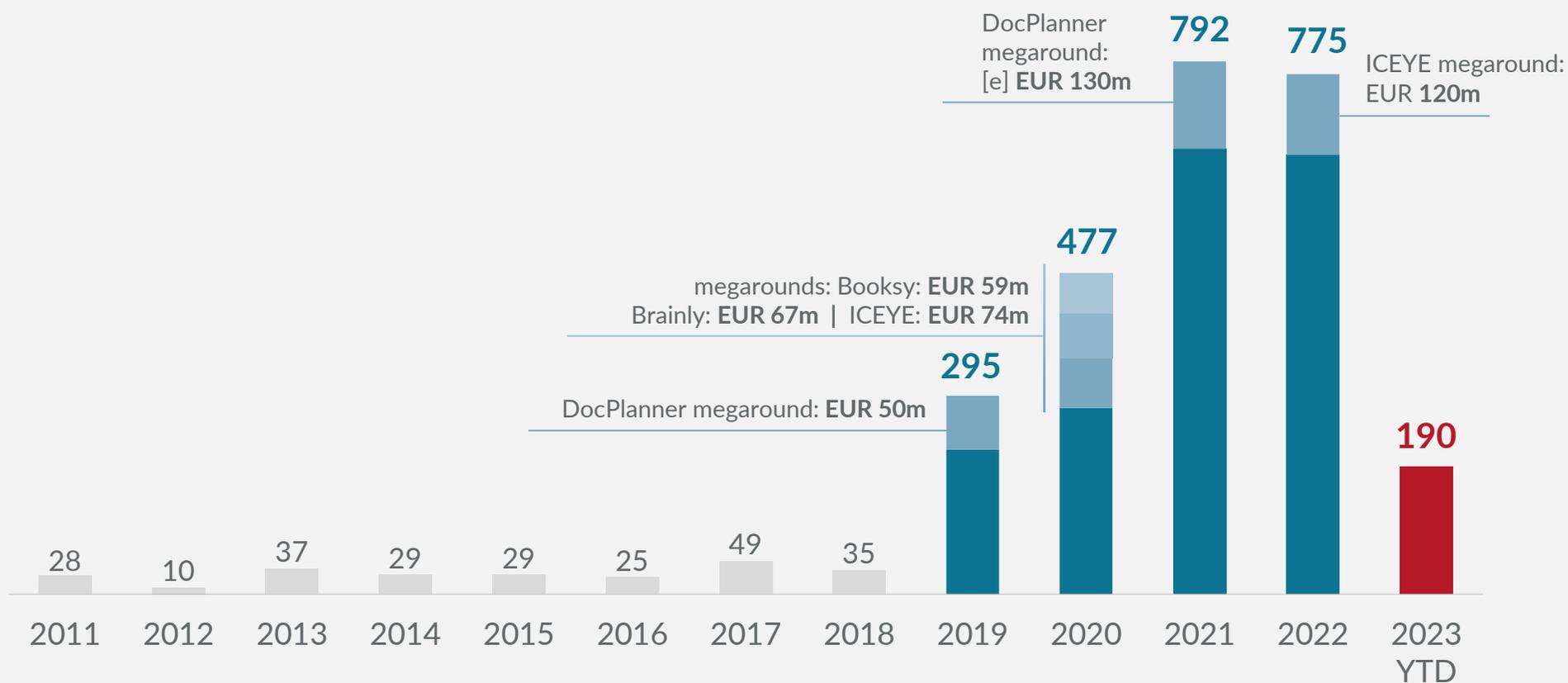
We are already in the final straight of disbursing ROP funds for the regional projects are concerned. The Brave Seed Fund, an associated fund, closed in the past quarter two investment portfolios in the Kujawsko-Pomorskie and Warmińsko-Mazurskie Voivodeships, valued at about PLN 40 million.

In total, across all regional AIFs, we recorded a 25% increase in volume and 79% increase in the value of investments compared to the previous quarter, executing investments totalling PLN 26 million, mainly in Subscription/SaaS and Manufacturing/Hardware. It is worth mentioning that the last quarter was the best one so far for regional AIFs.

In addition, we should take note of the planned launch of capital projects this year using FENG funds, which will certainly have a positive impact on the further development of the Polish VC market.

VC investments in Poland 2011 – 2Q23

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 – 2Q23

Quarterly, average transaction value (EUR m)



Quarterly, median transaction value (EUR 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.

The second quarter of 2023 did not bring significant changes in the value of average transactions in the Polish VC market relative to the previous quarter. This raises the question of whether the average transaction values we observed in 2021-2022 were just a one-time anomaly caused by inflated valuations of companies in the global VC market, or rather a trend that got "short of breath" in 2023. We hope that the quarters ahead will allow us to answer this question.

The median value has remained at the same level of EUR ~0.2 million since the beginning of 2020 (except for 4Q19 and 3Q21). We do not expect this to change in the quarters to come.



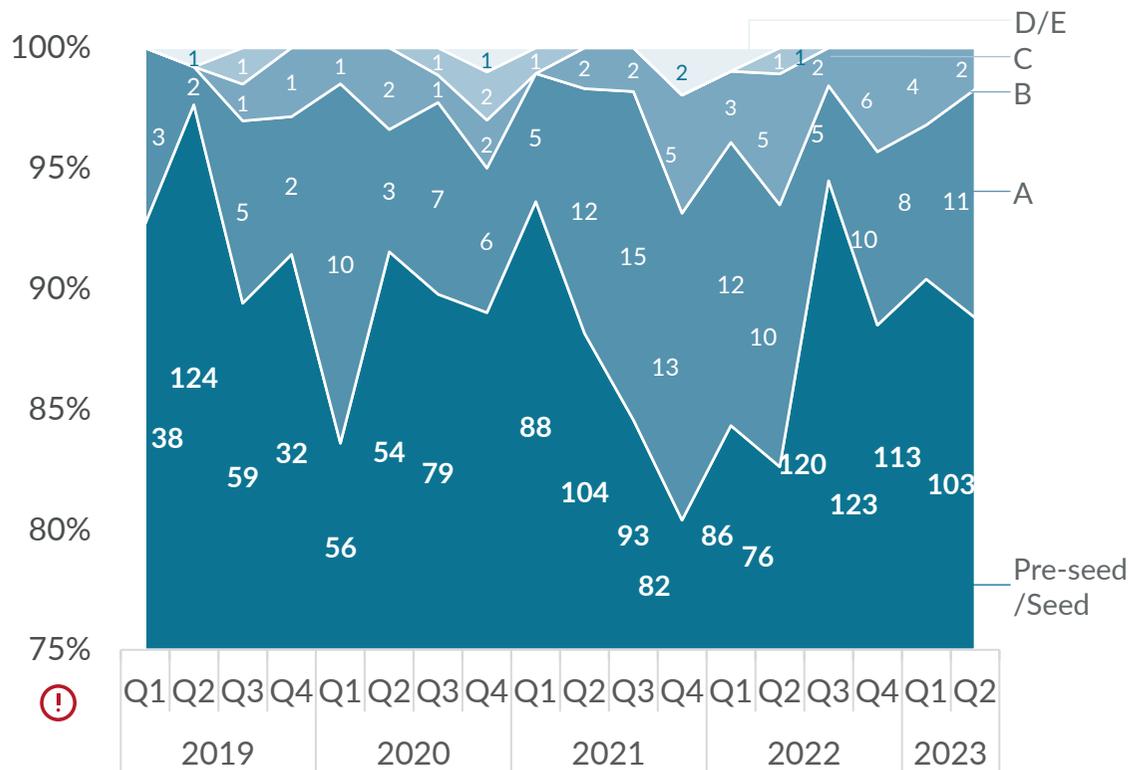
Radosław Kuchar

Investment Associate, PFR Ventures

VC investments in Poland 2019 – 2Q23

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.

Unfortunately, the 2023 summer started earlier. In the second quarter, we can see a clear slowdown in the market in terms of transaction value. However, in terms of the number of transactions, we still maintain a fairly high rate at 100+ per quarter, but the vast majority of these are pre-seed and seed rounds (89% of all rounds). This is largely due to the ending investment periods of funds relying on funding from PFR and NCBR, which historically contributed to increased investment rates.

What is not yet evident in the data is the growing number of new start-ups founded by former employees of fast-growing tech companies or second-time founders, which should translate into many interesting pre-seed/seed rounds over the next few months and, in the longer term, large Series A/B rounds. When we add to this the fact that it won't be long before top start-ups like Eleven Labs or Oblivious are picking up more rounds, I'm reassured about the future of the Polish market.

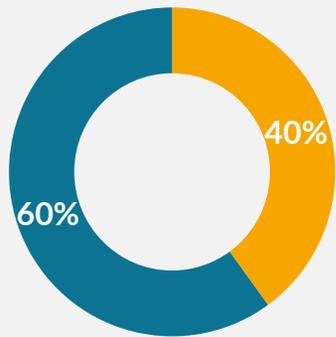


Maciej Małysz
Partner, Inovo.vc

Sources of capital

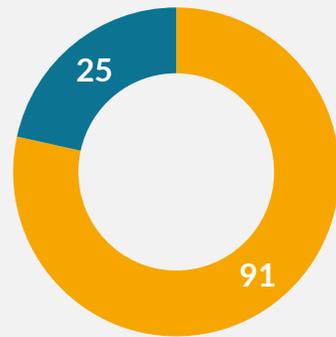
Share of private and public-private funding in 2Q23

Value of transactions



Public-private

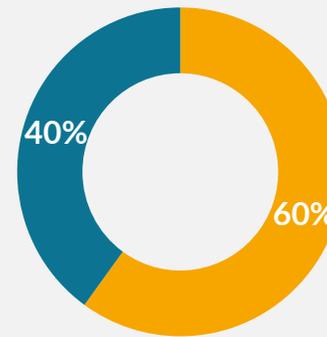
Number of transactions



Private

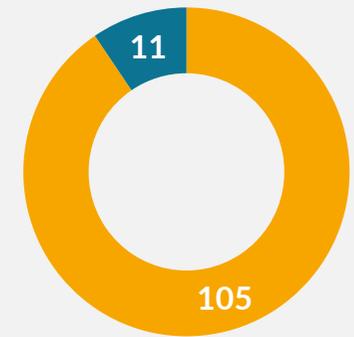
Share of funding from international and Polish funds in 2Q23

Value of transactions



Polish funds

Number of transactions



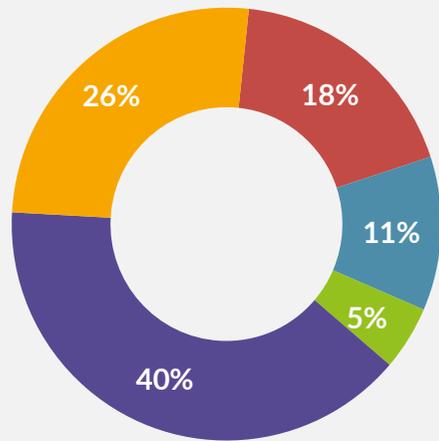
International funds

- (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.

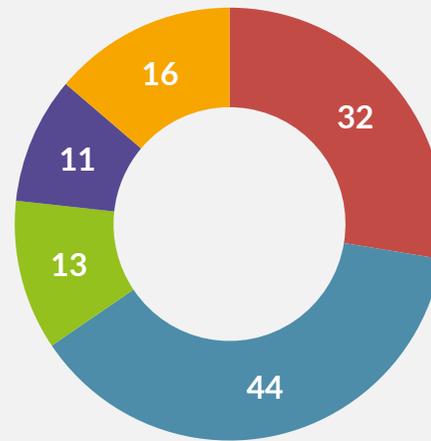
Sources of capital

Public programmes and private capital in 2Q23

Value of transactions



Number of transactions



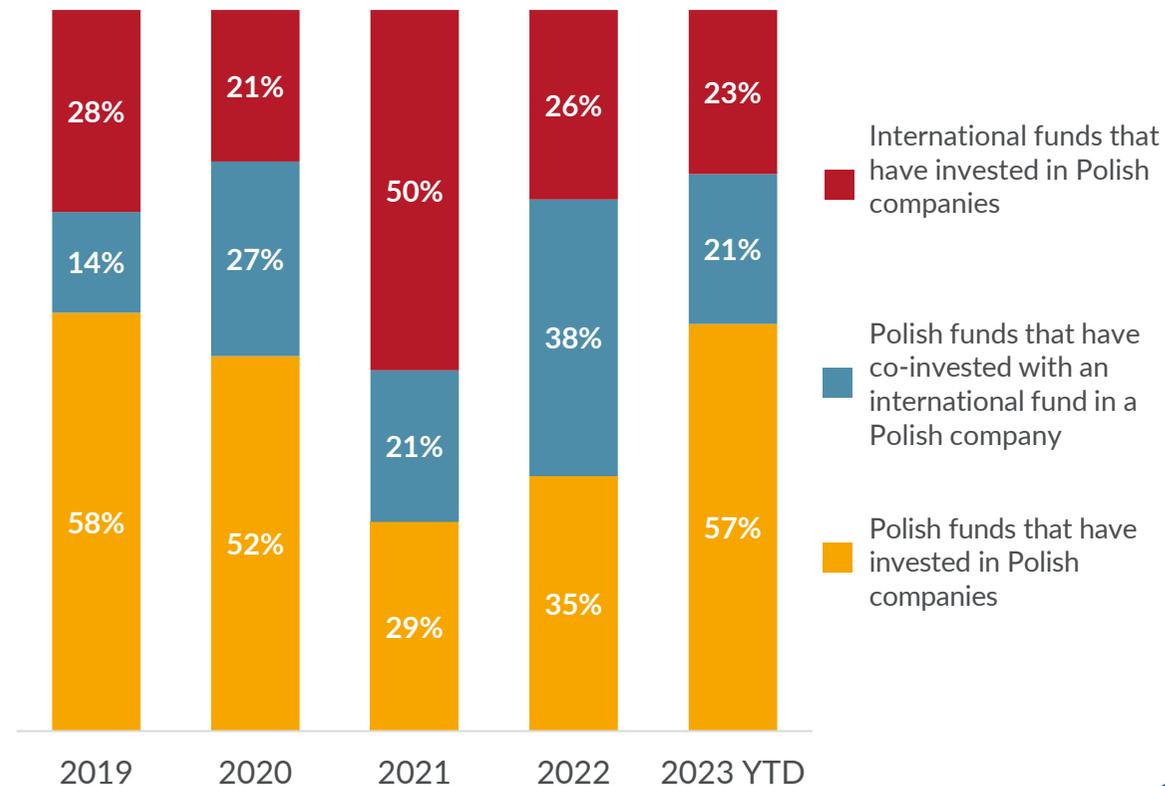
(1) Individual transactions have been allocated on account of the predominant share of private or public-private capital involved;

(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 VC).

Investments and co-investments 2019 – 2Q23

Share in the total transaction value



The above summary does not include outliers.

The share of funding provided to Polish start-ups by Polish funds is back to the level seen before the hectic period in the venture capital market, which we could see in 2021 and 2022. The nature of funds raised by Polish start-ups has also changed significantly. In 2Q23, private investors provided 26% of capital, compared to 34% provided by funds relying on public funds (data from the "Sources of capital" section). Throughout 2022, the share of Polish private capital was only 10%.

The level of funding provided to Polish start-ups by international funds at 23% is worrying, resulting from the Polish companies failing to raise large rounds at later stages of development.



Piotr Marszałek
Analyst, PFR Ventures

Major transactions 2Q23

Rounds by investment thresholds

	Investors	Company	Funding	Round*
EUR 3.5 – 20m	Andreessen Horowitz, Concept Ventures, Credo Ventures, angel investors	Eleven Labs	EUR 17.5m	A
	DC24	Saule	EUR 8.8m	B
	Cavalry Ventures, Act.VC, Atlantic Bridge, Firestreak Ventures, Expeditions Fund, Hustle Fund	Oblivious	EUR 5.3m	A
	Crescent City Capital, angel investors	TerGo	<i>Not disclosed</i>	A
	EIC Accelerator	WIDMO 	EUR 3.5m	Seed
10 – 15 mln PLN	<i>Not disclosed</i>	<i>Not disclosed</i> 	EUR 2-3.5m	Seed
	nChain	Metaverse Planetary	EUR 2.8m	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

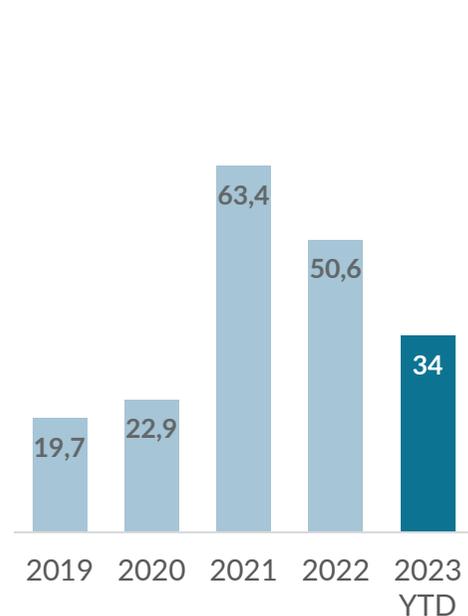
The background of the slide is a solid red color. Overlaid on this background is a faint, semi-transparent candlestick chart. The chart consists of several vertical bars, each with a horizontal line through its center, representing price movements. A dashed white line is drawn across the chart, following the general upward trend of the data points. The overall aesthetic is clean and professional, typical of a business or financial presentation.

Activity of Polish funds 2019 – 2Q23

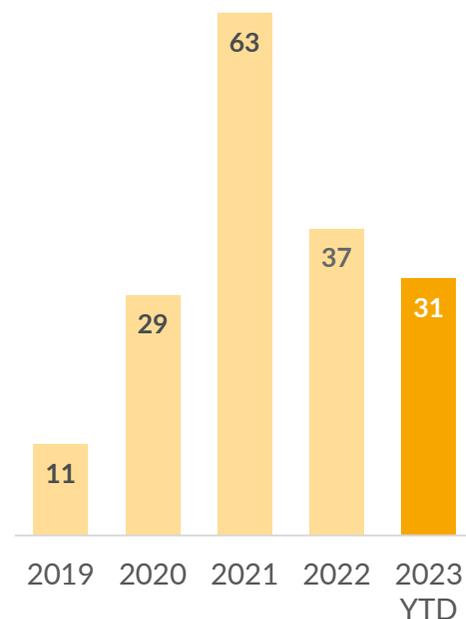
Investments of Polish funds in foreign companies

Value of transactions

EUR m



Number of transactions



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

In H1 2023, Polish VC funds were very actively investing in foreign start-ups. During this period, they injected PLN 160 million into foreign companies through 31 transactions. If the trend is maintained, there is a good chance for the result to be better than last year, and maybe even to be a record one.

One of the reasons for these good results is the recent closings of several new Polish funds whose investment strategy provides for activity outside of Poland as well.

Not without significance is also the progressive professionalization of the market and a change in the attitude of managers, who are increasingly looking not only at the country, but also at the wider CEE region. Certainly, the connections established through further investments with foreign partners are also paying off.

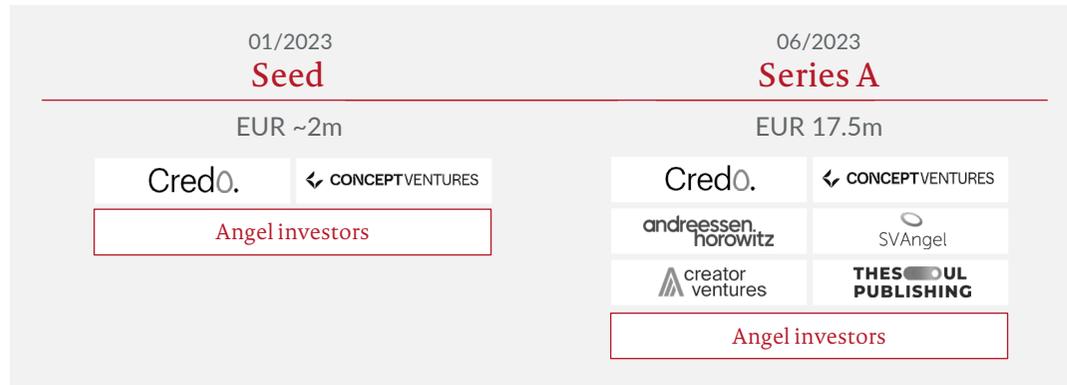


Radosław Kuchar

Investment Associate, PFR Ventures

Most notable transactions: Eleven Labs

Funding and operations



Application

Wes Anderson x the Lord of the Rings? With AI, it's possible:



bit.ly/46QX1AE

Supported languages

English	Hello
Spanish	Hola
French	Bonjour
Hindi	Namaste
Italian	Ciao
German	Hallo
Polish	Cześć
Portuguese	Olá

PFR Ventures

inovo™

Angel investors play a proactive role in funding AI start-ups in their early stages. They provide not only capital to build the product, but also to train models, purchase data, first PoC, or computing power for AI models. This paves the way for start-ups to acquire data, expand computing resources, and recruit employees.

The best angel investors in the AI field are equipped with knowledge and practices that are easily verifiable and valuable to AI solution developers. Many business angels in the AI business are so-called "operating angels," who combine practical and operational experience so that they have a current understanding of the AI industry and knowledge of how to build such models.

They also provide input into validation processes, experimentation and domain networking. The best start-ups build a "bench" of angels during fundraising who can help grow the business by providing expertise in selected areas. By developing these critical competencies at an early stage, founders enable their start-ups to move from early concepts to practical, tested and market-ready AI-first solutions.



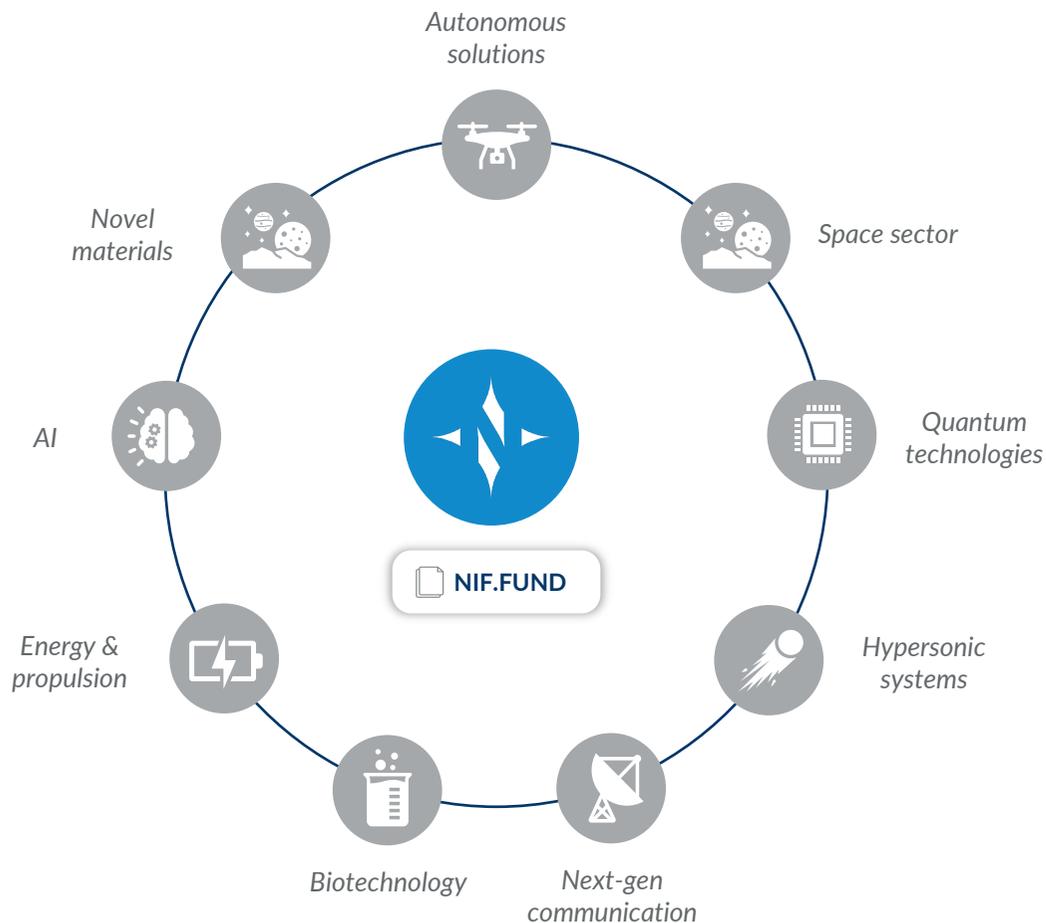
Bartek Pucek

Angel Investor, CEO Forward Operators AI Lab

NATO Innovation Fund

€1 billion for dual-use technologies

Investment areas



Deep tech in Poland is at an inflection point, offering an exciting frontier for early-stage investments. With a focus on dual-use EDTs, the NATO Innovation Fund (NIF) investments in Poland can foster technological advancements that cater to both the civilian and defence sectors, driving innovation while ensuring national security.

Leveraging Poland's strong STEM talent pool and thriving start-up ecosystem, investments in the region are poised to generate substantial returns while contributing significantly to global deep tech evolution. The NIF sees the region as a crucial and under-served market, and is therefore planning to open one of its first two regional offices in Warsaw.



Patrick Schneider-Sikorsky
Founding Partner, NATO Innovation Fund

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

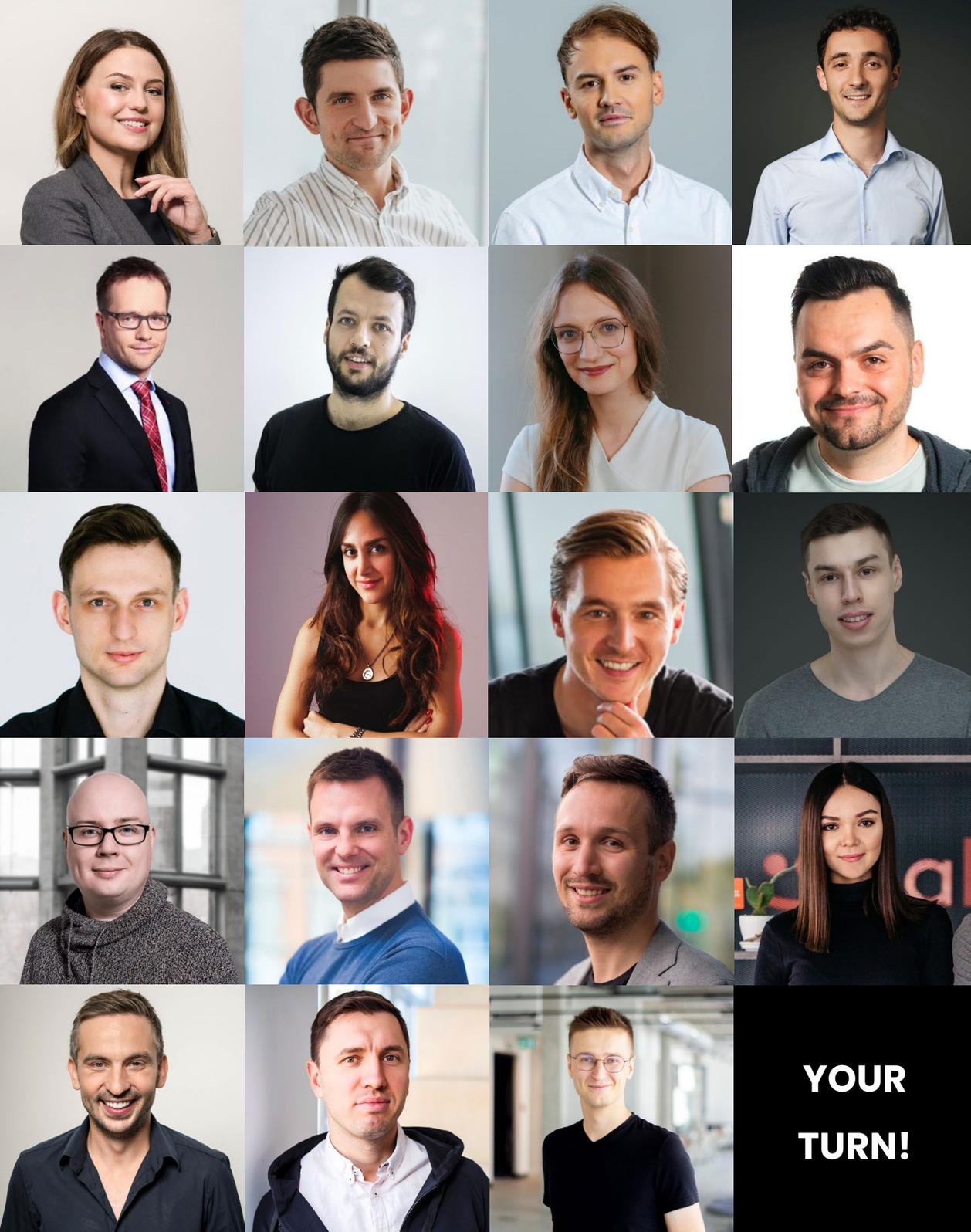
The data used for this study comes from internal reports of PFR Ventures, Bank Gospodarstwa Krajowego (BGK), National Centre for Research and Development (NCBR) and Inovo VC. Some of the information was obtained from Invest Europe research as well as media reports and publicly available data.

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:

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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!

Find us

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**YOUR
TURN!**



Polish Innovation Ecosystem

PFR Ventures

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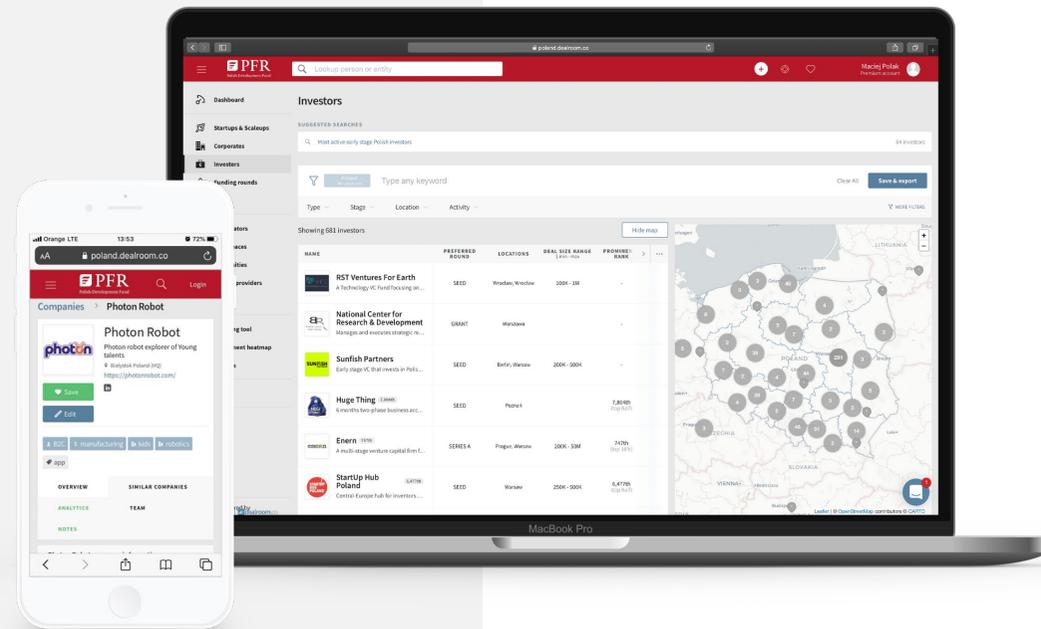
Together with Dealroom.co we have prepared a map of the Polish innovation ecosystem. We encourage all funds and start-ups to become part of it.

Here you can add information on your organisation:

 startup.pfr.pl/ekosystem-innowacji

+3,000
start-ups

+100
VC funds



dealroom.co



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