












 PFR Venturesinovo^{vc}

Polish VC Market Outlook 1Q2024



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Capital Markets Expert, BGK

About the Authors

PFR Ventures

PFR Ventures oversees funds of funds, which, in collaboration with private investors, business angels, and corporations, invest in Venture Capital and Private Equity funds. The primary goal of PFR Ventures is to use this capital to bolster Polish innovative companies at different stages of development. Presently, PFR Ventures manages a portfolio of over 70 funds that have collectively made over 800 investments.

inovo^{vc}

Inovo.vc is a venture capital fund dedicated to supporting the most ambitious entrepreneurs from Poland and the broader CEE region. We specialize in investing in early-stage startups, providing funding of up to EUR 4 million to help them establish global brands. Over the past decade, we have backed over 80 entrepreneurs from 35 startups, including Booksy, Infermedica, Spacelift, Tidio, and Zowie. Additionally, we have co-invested with leading global VC funds such as Insight Partners, a16z, Gradient Ventures, and Tiger Global, among others. With our three funds, Inovo.vc will oversee more than EUR 160 million in capital.

Local data sources:



1Q2024 highlights

> **30**

businesses received funding

> **43m**

EUR invested

> **35**

funds involved

> **+56% / -72%**

relative to the worst and best opening of the year from 2019 to 2023

(in terms of investment value, calculation based on polish zloty)

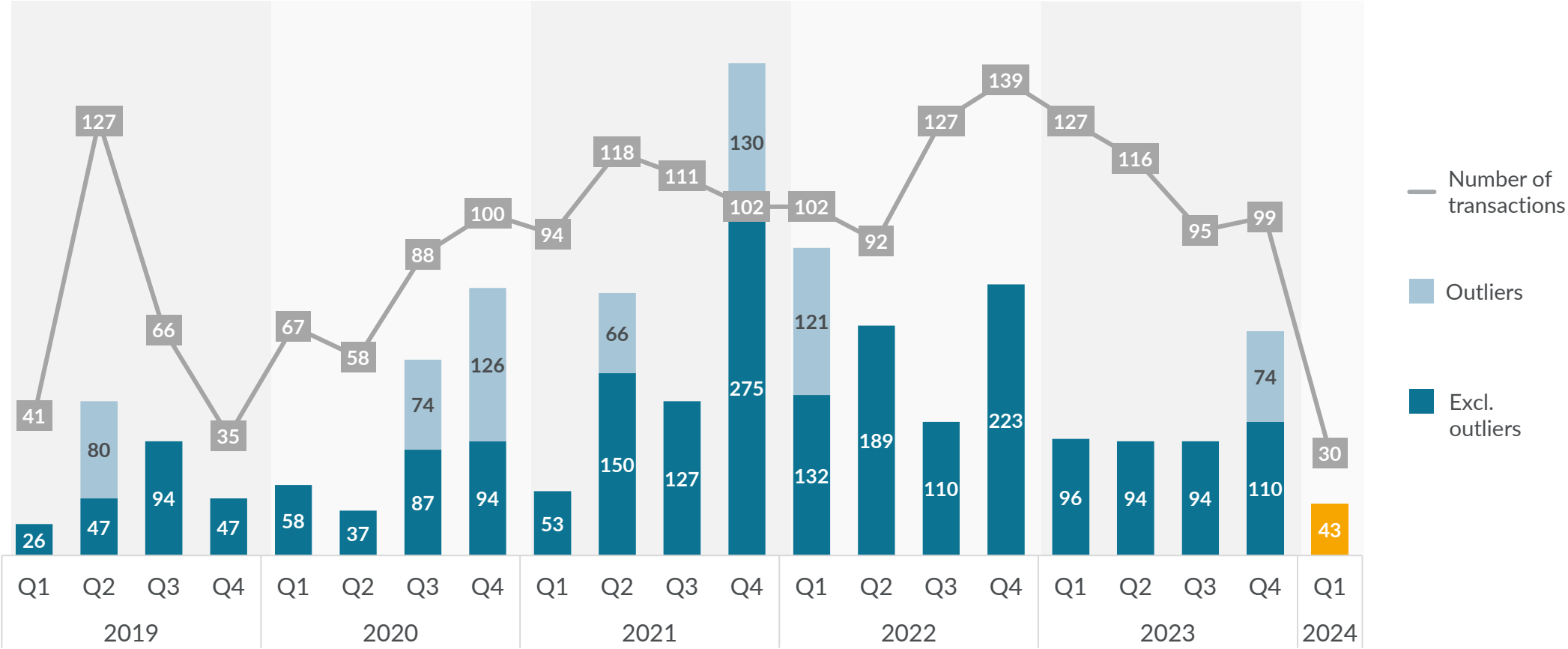
Section 1

Market Outlook



VC investments in Poland 2019 – 1Q2024

Quarterly, value and number of transactions (PLN m)



Authors' comments



Aleksander Mokrzycki
Vice-President of the Board,
PFR Ventures

The first quarter of 2024 in the Polish VC market concluded at a comparable level to the corresponding period in 2019-2021.

The decline in both the value and number of investments is primarily attributed to the conclusion of the investment horizon of venture capital funds financed under the Smart Growth Operational Programme. Despite this, the availability of VC funds surpasses pre-2019 levels. We anticipate a rebound in the second half of the year, coinciding with the release of new funds from the FENG programme. Consequently, the second quarter is expected to pose challenges for companies seeking funding.

Under FENG, we plan to invest in approximately 40 VC teams, receiving a total injection of over PLN 3.1 billion. This funding includes contributions from PFR Ventures and private investors.



Karol Lasota
Principal, Inovo.vc

This quarter underscored the significance of seed funds supported by public capital in the Polish market. Their absence was palpable, resulting in declines in both the value and number of investments. Additionally, there was a notable absence of substantial funding rounds. Our market thrives on companies that offer exponential growth and returns, as they are the ones poised to attract above-standard funding.

It's noteworthy that, compared to previous years, the market is in good standing. The number of new Polish entrepreneurs initiating technology projects is increasing, and we're witnessing a technology revolution driven by AI. Therefore, I'm confident that this year we'll achieve levels comparable to those of 2020 and 2023. I anticipate the total value of VC funding for 2024 to exceed PLN 2 billion.

Authors' comments



Bogusław Taźbirek
Operations Specialist,
Commercialisation Department,
NCBR

In 2023, the final disbursements from the Bridge Alpha programme under the Smart Growth OP perspective led to the highest median transaction value recorded in Q1 2024. However, the end of Smart Growth OP disbursements, coupled with the initial stages of the European Funds for the Modern Economy programme, had a negative impact on investment value.

Ongoing geopolitical tensions, particularly stemming from the conflict in Ukraine and the unresolved situation in the Middle East, have exacerbated risk aversion, resulting in capital bypassing the VC market to a greater extent.

The next 2-3 quarters pose challenges for the domestic VC market. However, the experiences gained by market participants in the preceding period are likely to positively influence its value and efficiency gains thereafter.



Paweł Chorąży
Managing Director of the
European Funds Division, BGK

In the first quarter of 2024, the Polish venture capital (VC) market experienced a notable decrease in concluded deals compared to previous quarters. This decline can be attributed to global economic and geopolitical tensions, which have influenced private investors' sentiments towards taking investment risks. Additionally, the conclusion of the period in late 2023 during which VC funds could invest co-financed by public funds under the Regional Operational Programmes 2014-2020 and the Smart Growth Operational Programme has had a significant impact, as these funds played a crucial role in the Polish VC market.

Despite these challenges, the VC market in Poland continues to show growth. We are optimistic that the Capital Instruments project under the FENG programme, implemented in collaboration with PFR Ventures, will serve as a catalyst for further development of the Polish VC market in the years ahead.



Luiza Nowacka
Investment Manager,
Vinci

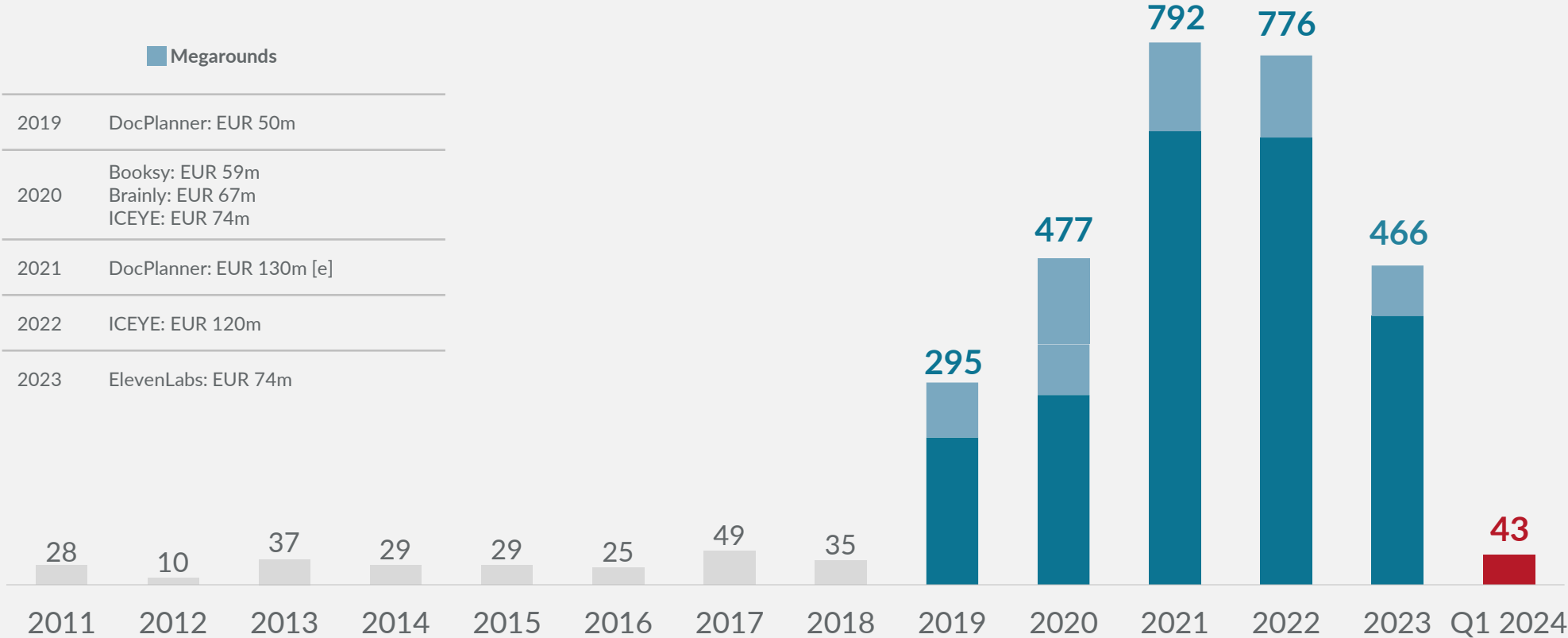
Early 2024 saw a downturn in investment activity compared to previous years, with the number of funded companies dropping to 30 in Q1 2024 from 128 in Q1 2023. Additionally, the value of investments decreased. The lack of public funding for VC funds (FENG) can be considered a contributing factor to this situation. On the other hand, new private funds are still in the process of building their pipeline and making their first investments.

In the global VC market, investments fell by 20% year-on-year, although sectors like AI and biotech continued to attract significant funds. The US market is stabilising with a slight increase in the number of deals, while in Europe, deal value rose.

Despite the poor Q1 performance, I'm optimistic about the coming months, expecting new private and public funds to inject momentum into the market. We're also anticipating new megarounds involving startups with Polish DNA.

VC investments in Poland 2011 – 1Q2024

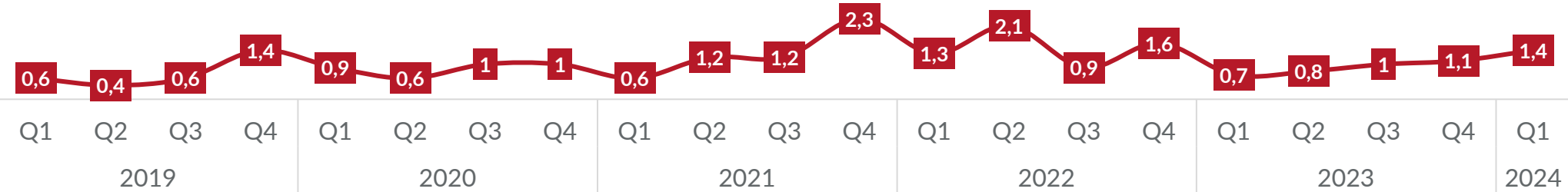
Value of investments (EUR m)



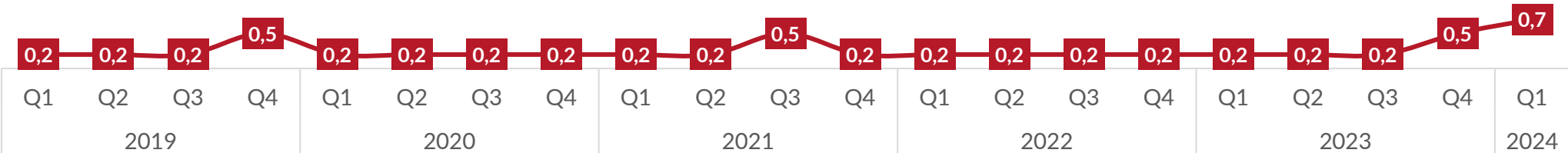
(1) Source of archive data 2011-2018: Invest Europe;
 (2) Megarounds that distort the statistical picture are intentionally presented separately (see: [outlier](#));
 (3) A megaround is a transaction that exceeds 10% of the value of all investments each year.

VC investments in Poland 2019 – 1Q2024

Quarterly, average transaction value (EUR m)



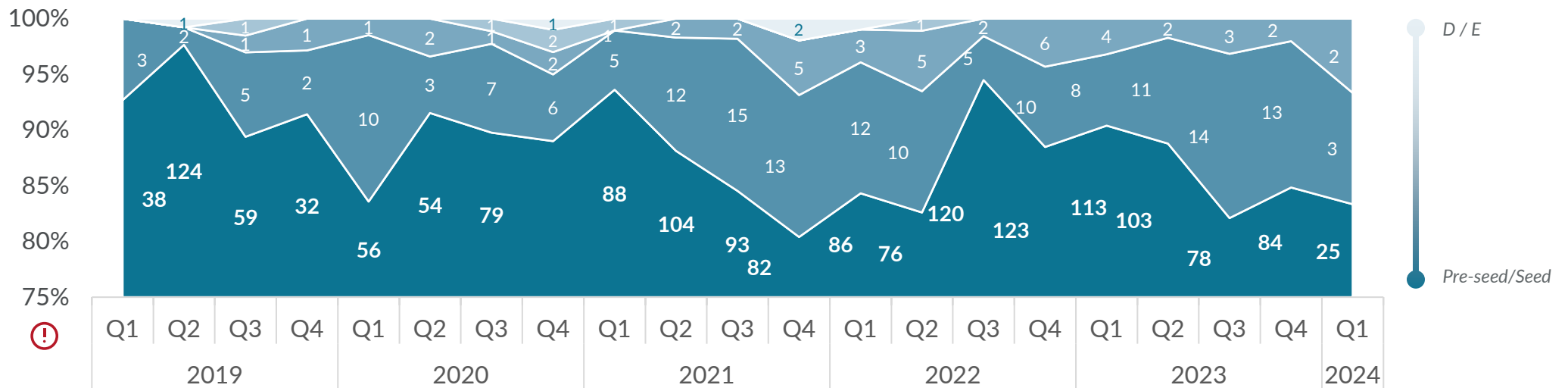
Quarterly, median transaction value (EUR m)



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

VC investments in Poland 2019 – 1Q2024

Series distribution (quarterly, number of transactions with a focus on later rounds)



Maciej Małysz
Partner, Inovo.vc

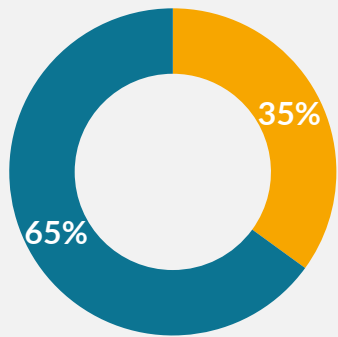
The funding source for publicly backed funds investing in pre-seed/seed rounds has dried up, leading to a significant decline in investments at these stages. This decline can be compared to the situation in 2018/2019 when such funds were just starting to emerge. However, the notable difference now is the increase in later-stage investments, though declines have also been observed in this area, causing concern. Conversations with Western later-stage funds reveal heightened expectations from investors. They now seek companies with rapid growth rates (~3x+ y/y), bold expansion strategies, and the potential to achieve valuations surpassing US\$1bn, all while maintaining healthy economics. However, creating and sustaining such a business long-term is immensely challenging, prompting many to bootstrap and develop without VCs, a path chosen by numerous successful Polish startups.

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, considering (a) the company's funding history; (b) the investor's profile; (c) the value of the funding raised.

Sources of capital

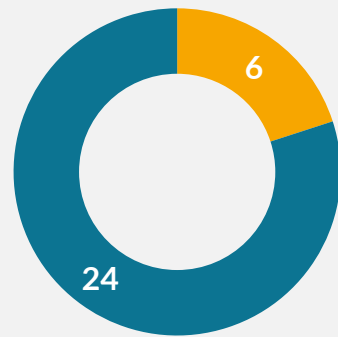
Share of private and public-private funding in 1Q24

Value of transactions



Public-private

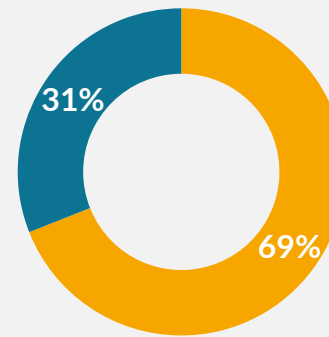
Number of transactions



Private

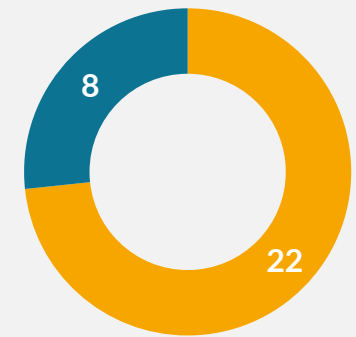
Share of funding from international and Polish funds in 1Q24

Value of transactions



Polish funds

Number of transactions



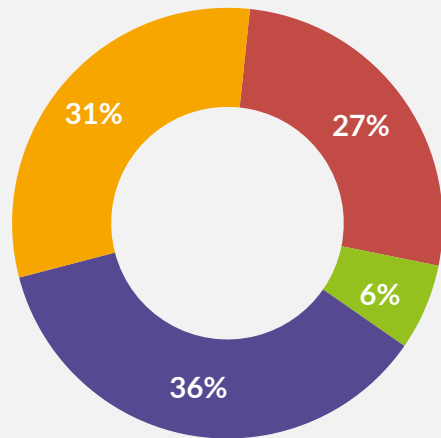
International funds

(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.

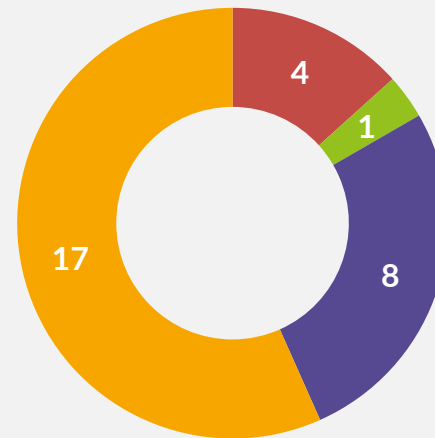
Sources of capital

Public programmes and private capital in 1Q24

Value of transactions



Number of transactions



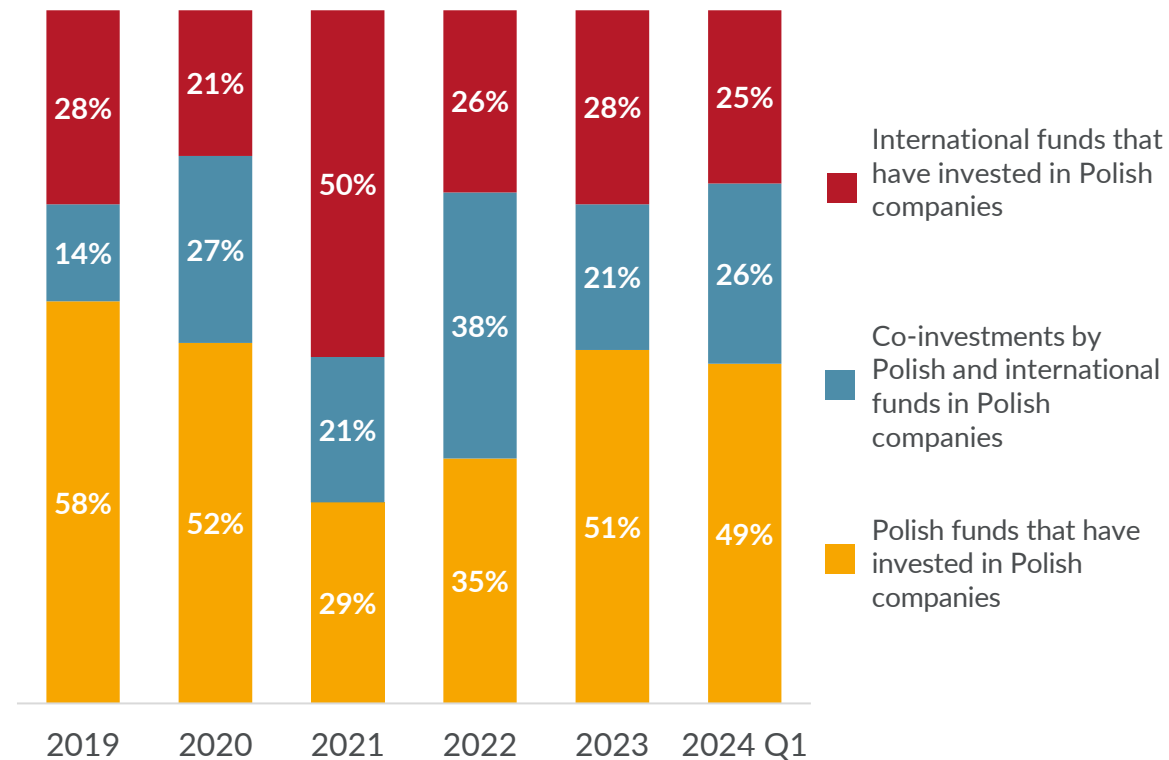
(1) Individual transactions have been allocated on account of the predominant share of private or public-private capital involved;

(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 – 1Q2024

Share in the total transaction value



The limited access to funding from funds backed by public investors was reflected in both the number and value of transactions, particularly evident in early funding rounds where these funds had a dominant presence. Consequently, there was a decrease in the share of transactions involving solely Polish teams and an increase in the share of foreign capital, with co-investments rising from 21% to 26%. On the flip side, the substantial (> EUR 60 million) private funds raised recently (OTB, Inovo, bValue) have already started to have an impact on our ecosystem, partially patching the equity gap and reducing dependence on foreign investors.

I anticipate this trend to persist, with Polish teams able to offer larger investment tickets and the launch of new funds under the FENG programme. Over the long term, this is expected to systematically increase the proportion of transactions in which Polish funds play at least a partial role.

The above summary does not include outliers.



Radosław Kuchar

Investment Manager, PFR Ventures

Major transactions 1Q2024

Rounds by investment thresholds

	Investors	Company		Funding	Round*
PLN >20m	Target Global, Cherry Ventures, TQ Ventures, Zalando	Saleor Commerce		EUR 8,7m	Seed
	SeedFolio, Orphinic Scientific, NuFund Venture Group	Vasa Therapeutics		EUR 6,5m	Seed
PLN 10-20m	Vinci (BGK)	SP Tech Solutions		EUR 3m	B
	Credo Ventures, PortfoLion, Market One Capital, Smartlink Partners	Mindgram		EUR 2,5m	Seed
	Inventures	Livespace		EUR 2,3m	Seed
	<i>undisclosed</i>	<i>undisclosed</i>		EUR 2-3m	A
	<i>undisclosed</i>	<i>undisclosed</i>		EUR 2-3m	Seed

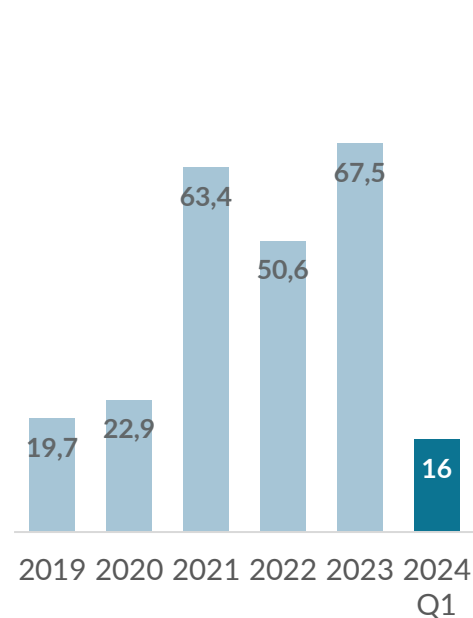
*Individual classification based on the amount of capital raised in the absence of information or distorted order of rounds.

Activity of Polish funds 2019 – 1Q2024

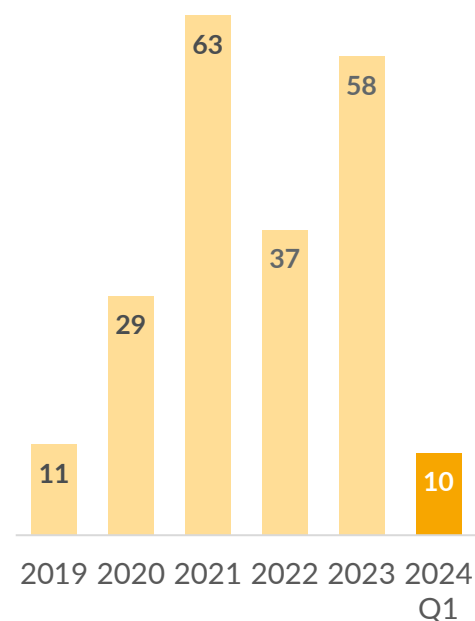
Investments of Polish funds in foreign companies

Value of transactions

EUR m



Number of transactions



In the first quarter of 2024, Polish VC funds made 10 investments in foreign start-ups, totalling EUR 16million. While this amount is lower compared to previous periods, the number of transactions in Q1 2024 is only about 10% lower than the average per quarter in the analysed period.

In recent years, we've witnessed the professionalization of Polish investors, enabling access to a global network of contacts and participation in attractive financing rounds for foreign companies. The Q1 result aligns with the trend of previous years, albeit with slight deviations in transaction numbers and values.

Looking ahead, we see opportunities for further development of this part of the Polish VC ecosystem.

These figures are not included in the statistics on the Polish VC market on pp. 1-16.



Dmytro Golournyi

Investment Associate, PFR Ventures

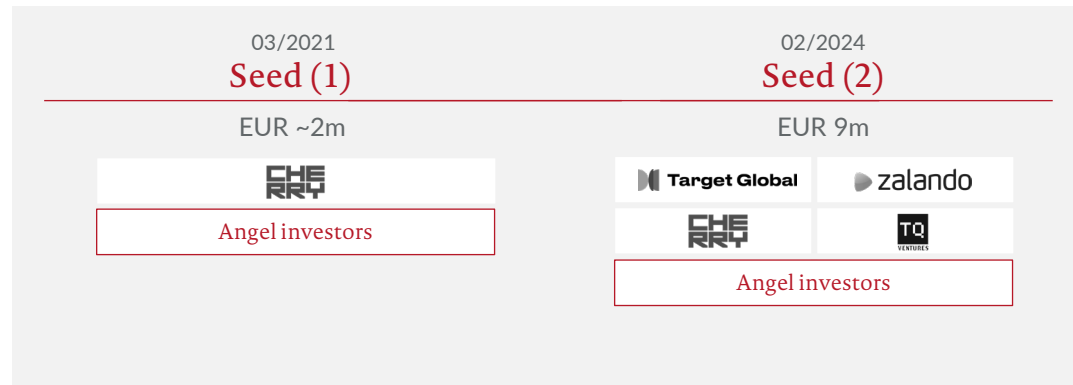
Section 2

Case studies



Notable transactions: Saleor Commerce

Funding



Selected companies employing the Saleor's solutions

- **Lush** (cosmetics)
- **Breitling** (watches)
- **Butterfly Networks** (ultrasound probes)
- **Ale Bikewear** (cycling clothing)
- **Jutro Medical** (medical store)

Saleor Commerce secured approximately EUR 8 million from foreign investors in Q1 2024, marking the largest funding round in Poland during this period. Leading the investment was the pan-European fund Target Global, with participation from Cherry Ventures, TQ Ventures, and Zalando, a prominent apparel e-commerce company.

Founded in 2020 by Mirek Mencil and Patryk Zawadzki, Saleor has been in development since 2013. It offers an open-source e-commerce platform that empowers customers to create their own online shops. In 2021, Saleor raised its initial seed round of around EUR 2 million from Cherry Ventures and angel investors. This investment enabled the company to develop a product that has garnered interest from notable brands such as Lush and Breitling.






The involvement of a strategic investor in this round is expected to support Saleor's product development efforts. A representative from Zalando emphasized in a press release the strong alignment between Zalando's vision, offerings, and experience with that of Saleor.



Piotr Marszałek

Investment Associate, PFR Ventures

New funds for the Polish Venture Capital market

	Invested under Smart Growth OP (PLN m)	Planned investments involving FENG (PLN m)	Number of funds under Smart Growth OP	Planned number of funds under FENG
 PFR Starter	533	+51% → 807	13	→ 20
 PFR Biznest	115	+102% → 232	5	→ 6
 PFR OI	309	+43% → 442	5	→ 6
 PFR KOFFI	249	-13% → 217 <i>change of framework</i>	6	→ 3-4 <i>change of framework</i>
 PFR CVC	326	+14% → 373 <i>change of framework</i>	5	→ 3-5 <i>change of framework</i>
Total	1532	+35% → 2071	34	→ 41



Two calls were conducted under the FENG programs, resulting in approximately 60 offers. Negotiations with management teams are currently ongoing. PFR Ventures anticipates signing the first contracts in Q2 2024, with capital expected to be allocated to the companies in late Q3 or early Q4 2024. Additional calls will commence later this year, ensuring continued availability of funds for the teams.

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

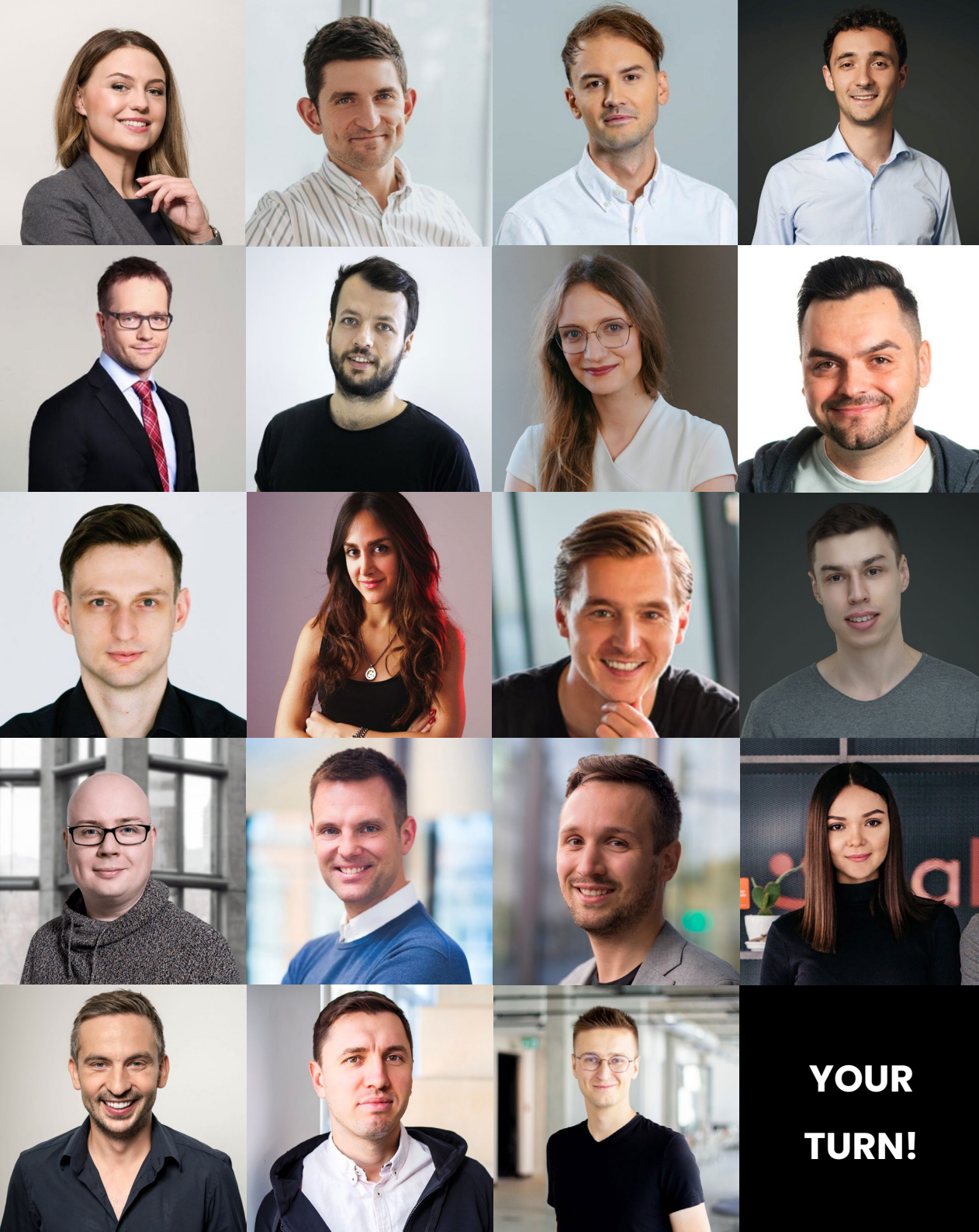
The data used for this study were taken from internal reports of PFR Ventures, Bank Gospodarstwa Krajowego (BGK), National Centre for Research and Development (NCBR) and Inovo.vc. Some of the information was obtained from Invest Europe research as well as media reports and publicly available data.

EUR/USD to PLN exchange rates

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

More info:

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we have your back

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Find us here:

 inovo.vc/team

**YOUR
TURN!**



Polish Innovation Ecosystem

PFR Ventures

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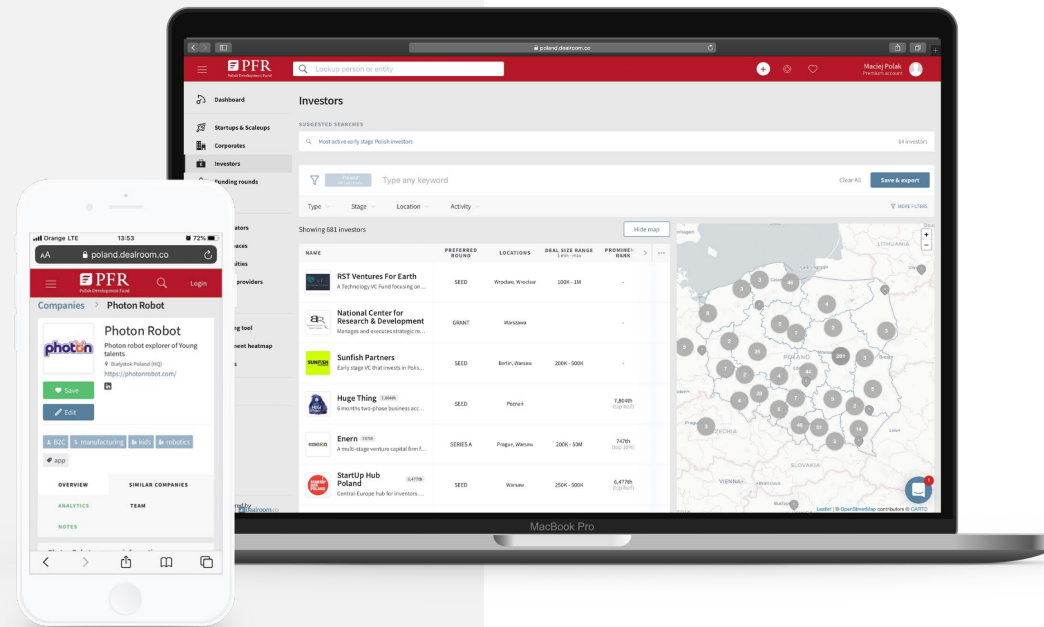
Together with Dealroom.co we have prepared a map of the Polish innovation ecosystem. We encourage all funds and startups to become part of it.

Here you can add information on your organisation:

 startup.pfr.pl/ekosystem-innowacji

+3,000
startups

+100
VC funds



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