

 PFR Ventures

**inovo**<sup>vc</sup>

# Polish VC Market Outlook 3Q23











Fundusze  
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Inteligentny Rozwój

Unia Europejska  
Europejski Fundusz  
Rozwoju Regionalnego



# Authors

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## About the Authors

### 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**<sup>vc</sup>

Inovo.vc is a venture capital fund that invests in the most ambitious entrepreneurs from Poland and the CEE region. We invest up to EUR 4 million in early-stage start-ups 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:



## 3Q23 highlights

> **95**

businesses received funding

> **94**

EUR m invested

> **74**

funds involved

> **-54%**

Q1-Q3 2023/2022 change in funding value

Europe: -49%

CEE: -76%

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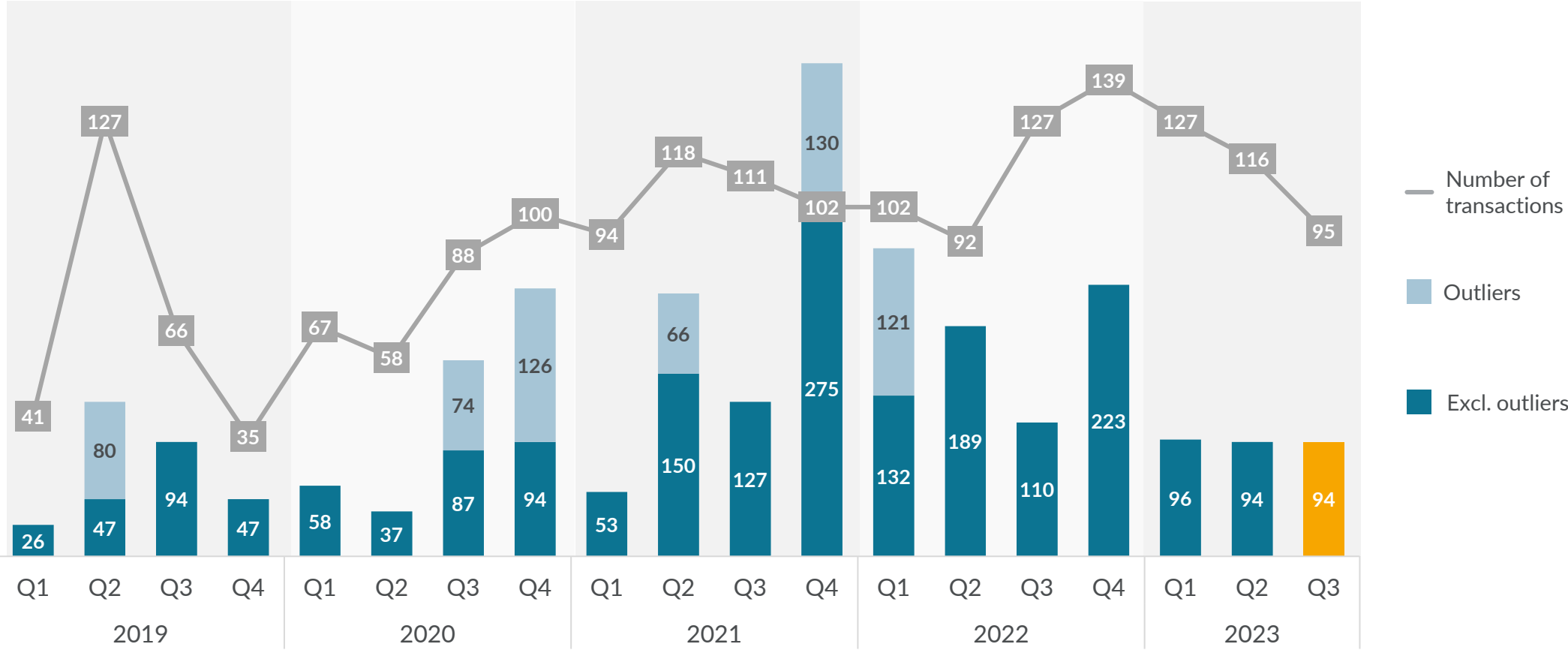
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# Market Outlook



# VC investments in Poland 2019 – 3Q23

Quarterly, value and number of transactions (EUR m)



# Authors' comments



**Maciej Ćwikiewicz** 

President of the Board, PFR Ventures

In the third quarter, we saw a significant decline in the number of seed rounds. This is due to the overlapping of two phenomena: the global decline in valuations and the number of deals, but also the approaching end of the Smart Growth Operational Programme, which will soon be replaced by the FENG programme (European Funds for a Modern Economy). At the same time, the number of Series A and B rounds has increased, which means that more developed companies finally received capital. Despite the overall declines, the Polish market is in a very different place than it was five years ago. Even now, net of outliers, we have surpassed the 2019 and 2020 hurdle.

I'm convinced that in Q4 we will continue to hear about rounds of start-ups that previously raised financing in 2021/22. The best founders of innovative companies will be able to convince investors and raise capital for development, although the terms of these transactions may be less satisfactory for them.



**Karol Lasota** 

Principal, Inovo.vc

Q3 is traditionally characterised by lower investment activity, which is reflected in this year's results, following the trends of previous years. It is very encouraging to see that despite the tougher fundraising environment, we had some interesting funding rounds at the Series A level this quarter (e.g. AI Clearing, Inuru, KYP.ai).

Although this is not yet reflected in the data, the number of interesting seed deals has grown significantly. Capital is flowing to Polish entrepreneurs with experience in managing global tech companies. These rounds were led by recognizable angel investors or top VC funds. Over the past few weeks, we've seen at least a few such transactions, with many investors competing for them. This is the best predictor of the future of the Polish market in the quarters to come.



**Małgorzata Ziemińska**

Director of Operations,  
Commercialization Department,  
NCBR

Q3 transactions are at levels similar to those reported in previous quarters this year, and have increased the disparity compared to the previous year. The ending investment period of the BRIDGE Alpha programme (support from European Funds under the SGOP) in the absence of large rounds has significantly contributed to a decrease in the average value of transactions. Currently, as in previous quarterly statements, we can observe an upward trend of companies financed by the NCBR, which will certainly continue in the future.

Due to a slowdown in the financial markets and the closing of funding from the previous EU framework, tech companies currently have limited access to capital. After the first calls from the new perspective (FENG) are decided, capital will not start flowing into domestic companies until mid-2024 at the earliest.



**Paweł Chorąży** 

Managing Director of the European  
Funds Division, BGK

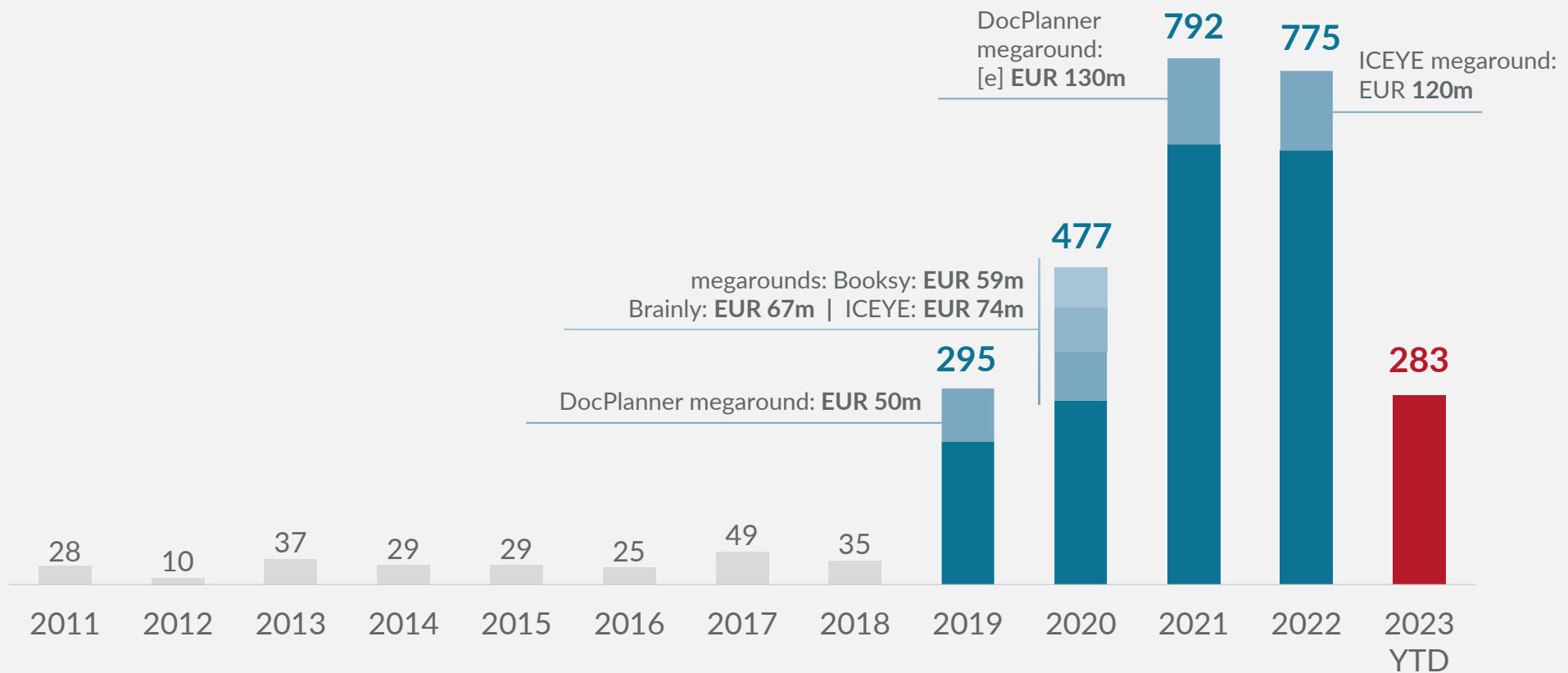
We are already approaching the end of the disbursement process under the Regional Operational Program (ROP). This is the final moment to close all investment portfolios. In Q3, we gradually closed two portfolios in Lubelskie Voivodeship totaling PLN 48 million and one portfolio in Podlaskie Voivodeship valued at approximately PLN 15 million. The above funds invested mainly in Health and Internet Services.

As a result of closing additional portfolios, we recorded a 23% decrease in the total number of equity entries in all regional AIFs.

We are also in the process of preparing to implement, together with PFR Ventures, a new EU programme for entrepreneurs – FENG (European Funds for a Modern Economy). We believe that the funds under this programme will be at least as effectively invested starting as early as 2024.

# VC investments in Poland 2011 – 3Q23

## Value of investments (EUR m)



(1) Source of archive data 2011-2018: Invest Europe;

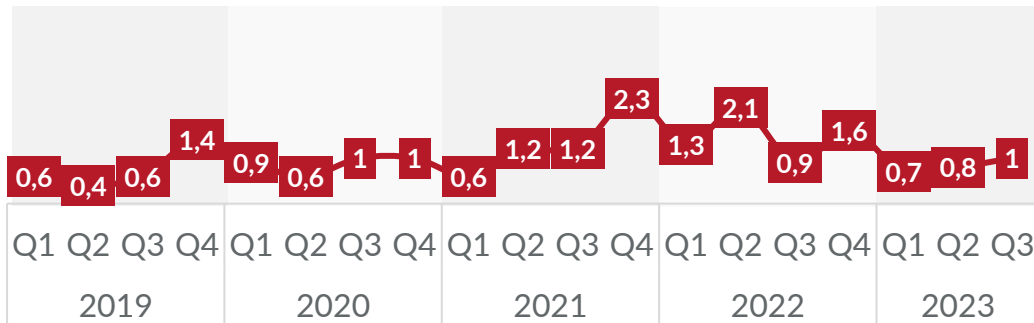
(2) Megarounds that distort the statistical picture are intentionally presented separately (see: [outlier](#));

(3) A megaround is considered to be a transaction that exceeds 10% of the value of all investments in a given year.

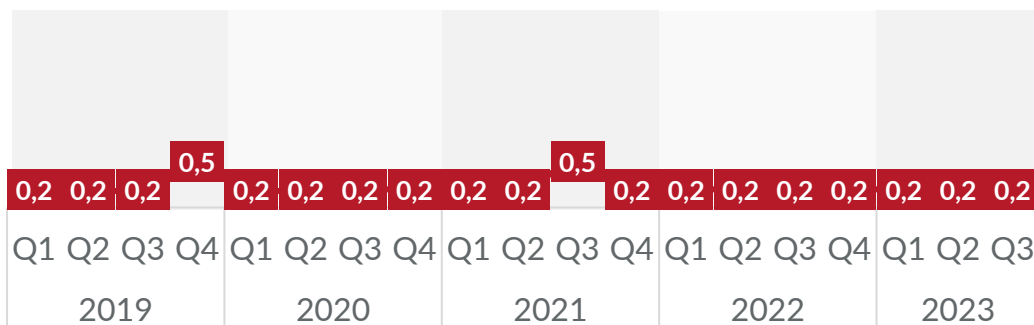


# VC investments in Poland 2019 – 3Q23

## Quarterly, average transaction value (EUR m)



## Quarterly, median transaction value (EUR m)



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

In the third quarter of 2023, we saw an increase in the average transaction value. Unfortunately, this is not due to Polish start-ups raising larger rounds, but only a result of a decrease in the number of relatively small deals compared to previous periods. As a result, the largest investments significantly affected the average value. However, the number of small deals was not quite so small, with the median still at around PLN 1m.

It seems that in the next quarter, the average transaction value may be under pressure, as the investment periods of the funds operating under the Smart Growth Operational Programme, funded by PFR Ventures and NCBR, are ending with the year-end. This will be the last chance for them to invest the capital raised from investors.



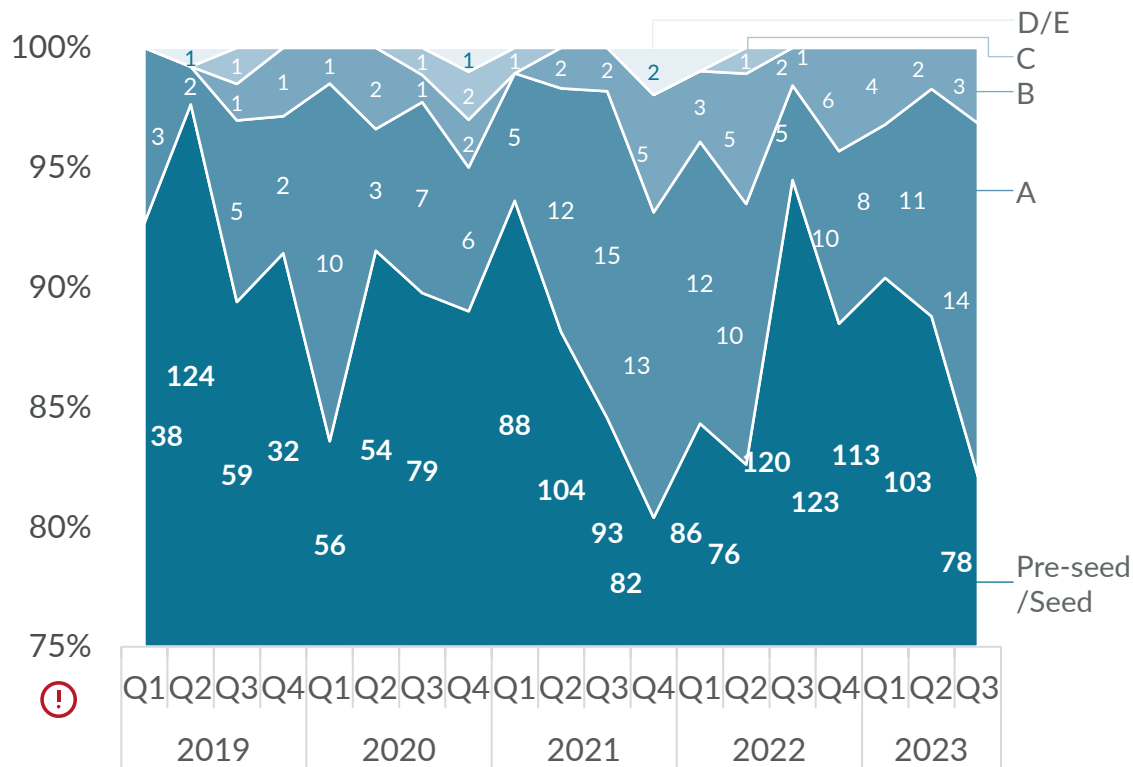
**Radosław Kuchar**

Investment Associate, PFR Ventures

# VC investments in Poland 2019 – 3Q23

## Series distribution

Quarterly, number of transactions with a focus on later rounds 



Where 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.

The third quarter of 2023 did not bring a significant change in the market. A further slowdown in the number of transactions is evident, mainly pre-seed and seed rounds, with a decrease of almost 25%. It is likely that we are now starting to experience the closing of investment periods of publicly-funded funds. What is positive for the future in this segment is the increasing number of interesting new start-ups raising pre-seed capital from leading global angel investors and funds - this is not yet visible in the numbers, as these are unannounced transactions, but it does provide a positive outlook for the future.

It looks like we may be slowly recovering from the later-stage fundraising sinkhole, as evidenced by the closing of the largest number of Series A rounds in well over a year. Figures from the U.S. market released by Carta show similar conclusions, providing a good indication of global investor sentiment.

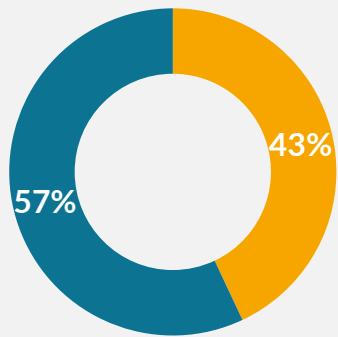


**Maciej Małysz**  
Partner, Inovo.vc

# Sources of capital

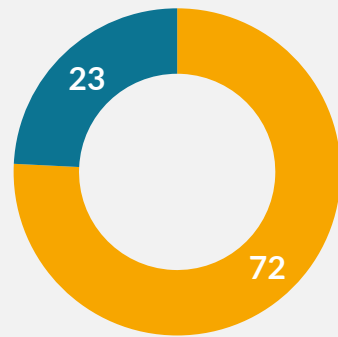
## Share of private and public-private funding in 3Q23

### Value of transactions



Public-private

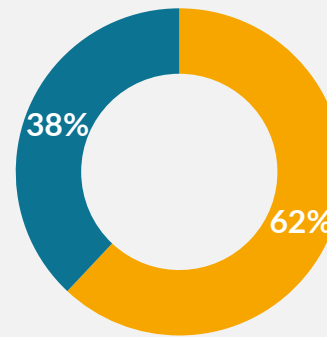
### Number of transactions



Private

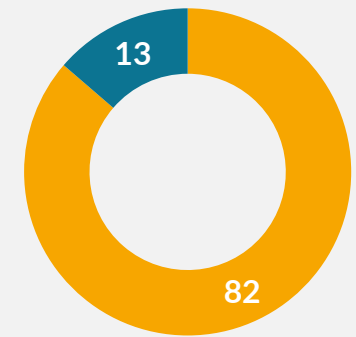
## Share of funding from international and Polish funds in 3Q23

### Value of transactions



Polish funds

### Number of transactions



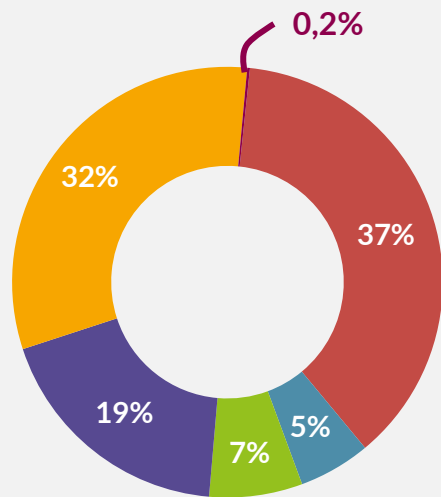
International funds

(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.

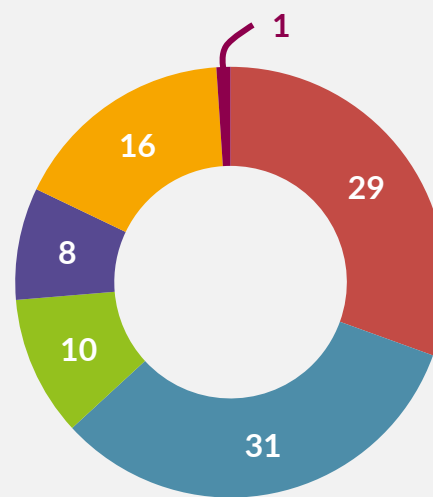
# Sources of capital

## Public programmes and private capital in 3Q23

### Value of transactions



### Number of transactions



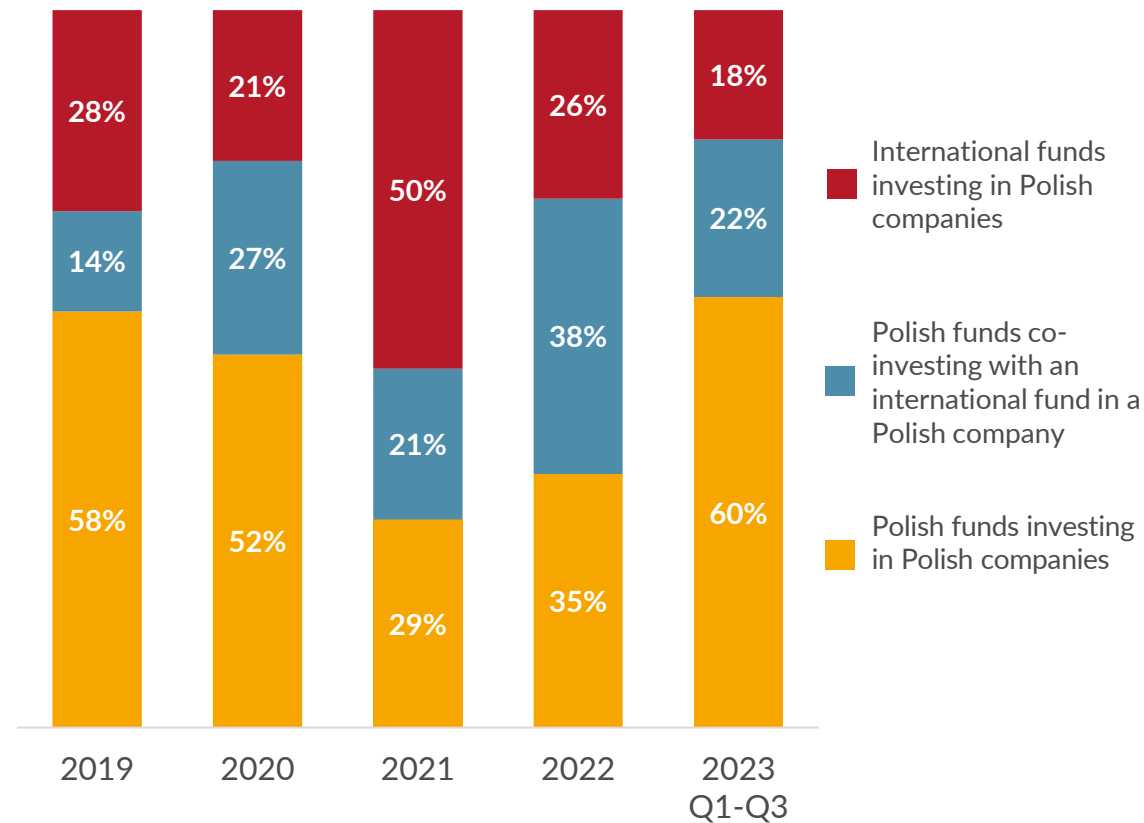
(1) Individual transactions have been allocated on account of the predominant share of private or public-private capital involved;

(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 – 3Q23

## Share in the total transaction value



The above summary does not include outliers.

Three quarters into this year, it can be seen that the financing structure of Polish start-ups has remained virtually unchanged since we began releasing this report (with the exception of the Venture Capital boom in 2021-2022). Funding for Polish start-ups remains in the hands of domestic investors, who alone provided 60% of the capital, with the aggregate totalling 82% when adding up their co-investments with international investors.

Historically, towards the end of the year, international funds have increased their activity in the Polish market, yet it seems that the dominance of Polish funds will be maintained throughout the year. One can only wait for the emergence of more champions in the market, which could attract the attention of foreign investors as well as more of their capital.







**Piotr Marszałek**

Analyst, PFR Ventures

# Major transactions 3Q23

## Rounds by investment thresholds

	Investors	Company	Funding	Round*
PLN 10 – 100m	OTB Ventures, 42CAP, Tola Capital	KYP.ai	PLN 78.7m	A
	Prudence VC, FJ Labs, Inovo VC, Tera Ventures, Innovation Nest	AI Clearing	 PLN 57.9m	A
	APER Ventures, Adamed Technology, ARIA, angel investors, industry investor	Inuru	 PLN 48m	A
	<i>undisclosed</i>	<i>nundisclosed</i>	 PLN 20-55m	B
	Scalo Technologies, Xsolla Capital, Estot	Hexacore	PLN 14.5m	Seed
	Vinci (BGK)	Oasis Diagnostics	PLN 14m	Seed
	angel investors	Fresh Inset	 12	B
PLN 5 – 10m	Szejc Capital, Kvarco ASI	QNA Technology	 PLN 8.8m	B
	Cultivation Capital, Verissimo Ventures, The Flying Object, Everywhere Ventures, Hustle Fund, Startup1st Ventures	Satim	 PLN 8.3m	A
	angel investors	REDD Real Estate Digital Data	PLN 6.4m	Seed
	Movens Capital, angel investors	DevSkiller	 PLN 5m	A

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

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# Case Studies

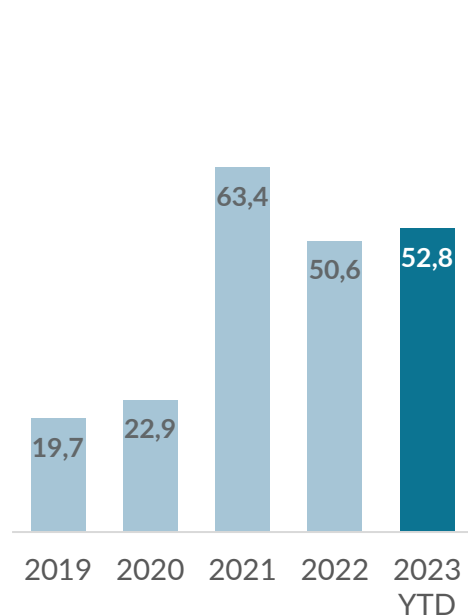
The background of the slide is a solid red color. Overlaid on this background is a faint, semi-transparent candlestick chart. The chart consists of several vertical bars, each with a horizontal line through its center, representing price movements. A dashed white line is drawn across the chart, following 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 – 3Q23

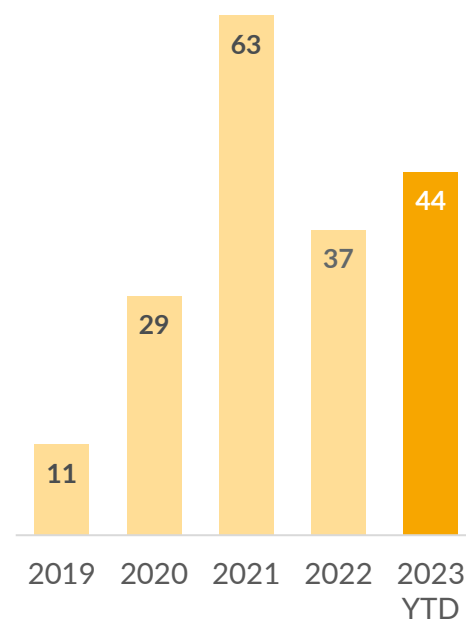
## Investments of Polish funds in foreign companies

### Value of transactions

PLN m



### Number of transactions



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

Despite difficulties in the domestic market, foreign investments by Polish funds continue the upward trend that has been observed since 2019.

The third quarter of 2023 resulted in 14 transactions totalling PLN 86 million. This year's result after three quarters has already surpassed that of 2022. It demonstrates the increased activity of Polish funds abroad. There is a real chance to set a record in the fourth quarter.

One of the key factors behind this growth may be the professionalization of Polish funds: after initial successes in the local market, the best teams managed to raise more money and become regional players.

It is worth noting that despite the international nature of these investments, they also benefit the Polish economy. These deals often entail the opening of corporate branches in Poland, which not only contributes to boosting employment in the country, but also provides an opportunity to bring best practices and modern technologies to the local market.



**Dmytro Golournyi**

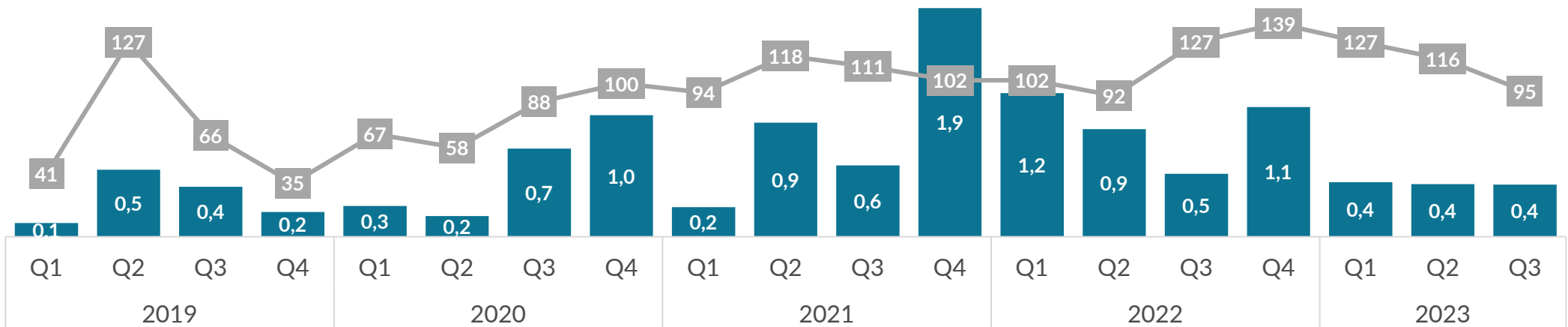
Investment Analyst, PFR Ventures



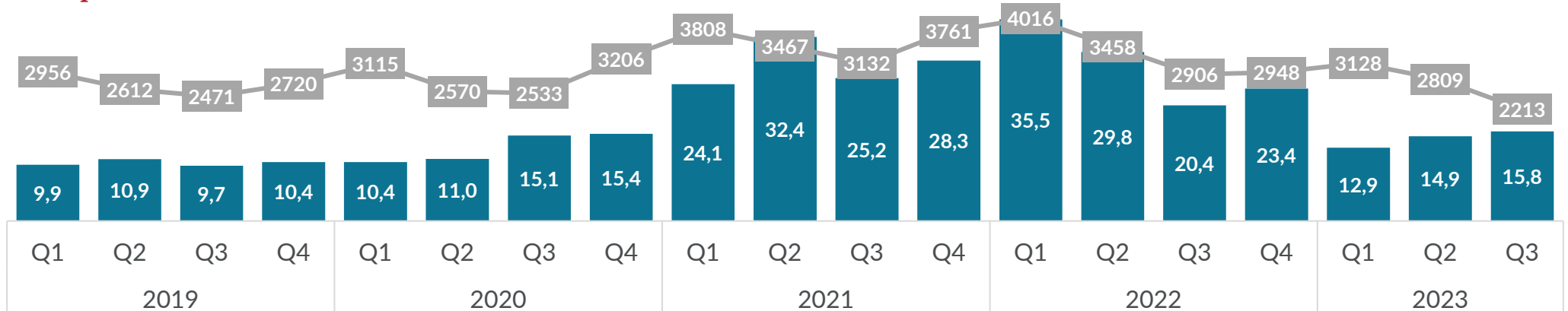
# VC investments in Poland and Europe 2019 – 3Q23

Quarterly, value and number of transactions (PL = PLN b; Europe = EUR b)

## Poland



## Europe



# Most notable transactions

## AI Clearing: funding

2019-2020 <b>Seed</b>	03/2023 <b>Debt</b>	10/2023 <b>A</b>
PLN ~13.5m	PLN ~4m	PLN 58m
<b>inovo</b> <sup>®</sup>	<b>JRHOLDING</b> A.B.I. S.A.	<b>inovo</b> <sup>®</sup>
innovation nest		innovation nest
TERA VENTURES		TERA VENTURES
		<b>FJ LABS</b>
		<b>PRUDENCE.</b>

## Inuru: funding

2018 <b>Seed</b>	06/2020 <b>A</b>	10/2023 <b>B</b>
PLN ~1m	PLN 10m	PLN 58m
	<b>ARIA</b>	<b>ARIA</b>
		APER
		ADAMED
		Angel investors
		Industry investor

## Selected projects



### Tracking construction progress:

<b>Kanada</b>	Ring road and solar park
<b>USA</b>	Car manufacturing plant
<b>Europa</b>	Gas pipeline, solar park, technology center and water channel

## Application of OLED screens



Information about the expiration date of a medicine



Brand enhancement; product/packaging marketing



Illuminated poster promoting Cyberpunk 2077



### Inuru x Noctulica

Read the article by Puls Biznesu about the partnership of Polish start-ups in the area of OLED technology

## 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

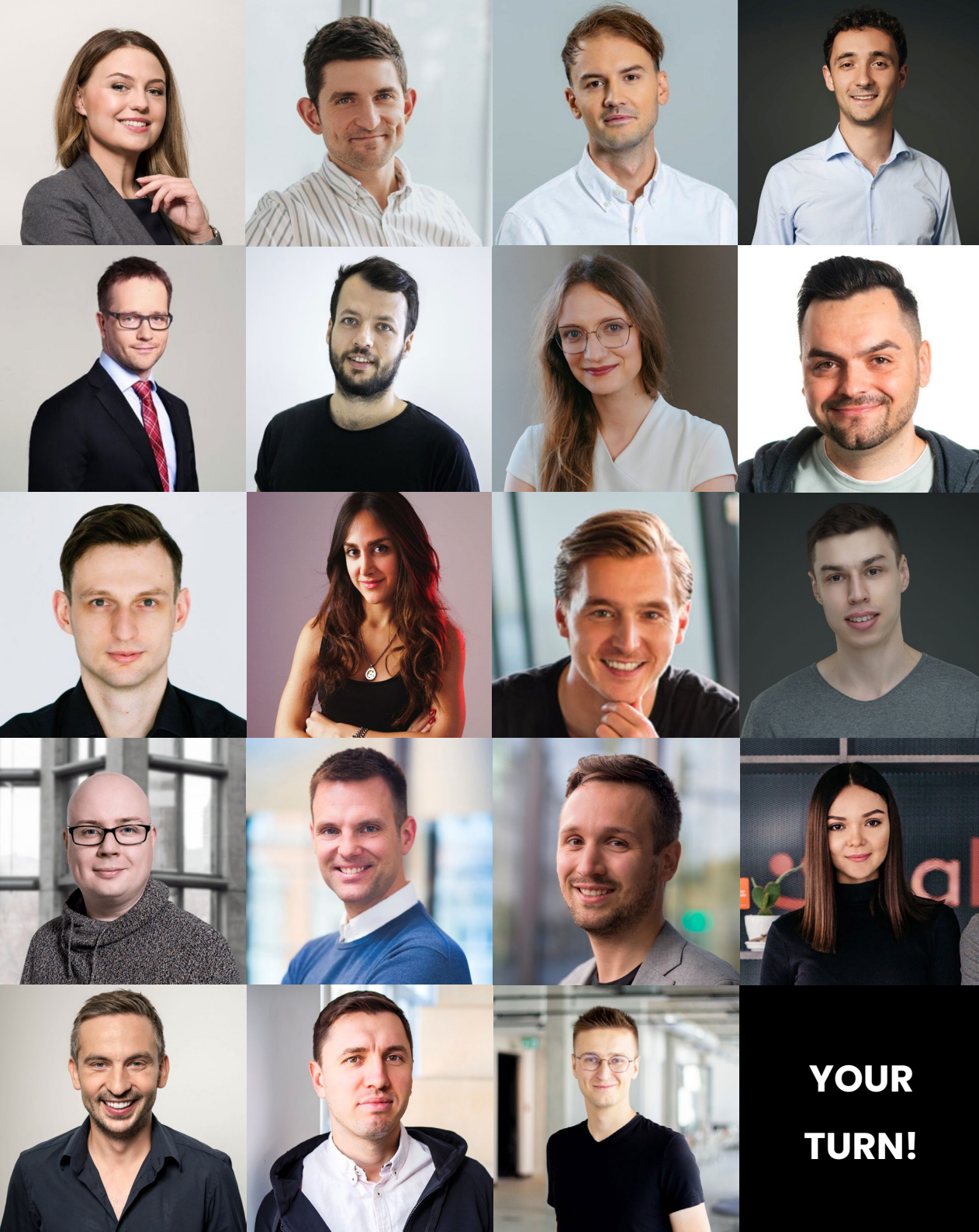
The data used for this study comes from internal reports of PFR Ventures, Bank Gospodarstwa Krajowego (BGK), National Centre for Research and Development (NCBR) and Inovo VC. Some of the information was obtained from Invest Europe research as well as media reports and publicly available data.

## 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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# inovo<sup>vc</sup>

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**YOUR  
TURN!**



# Polish Innovation Ecosystem

PFR Ventures

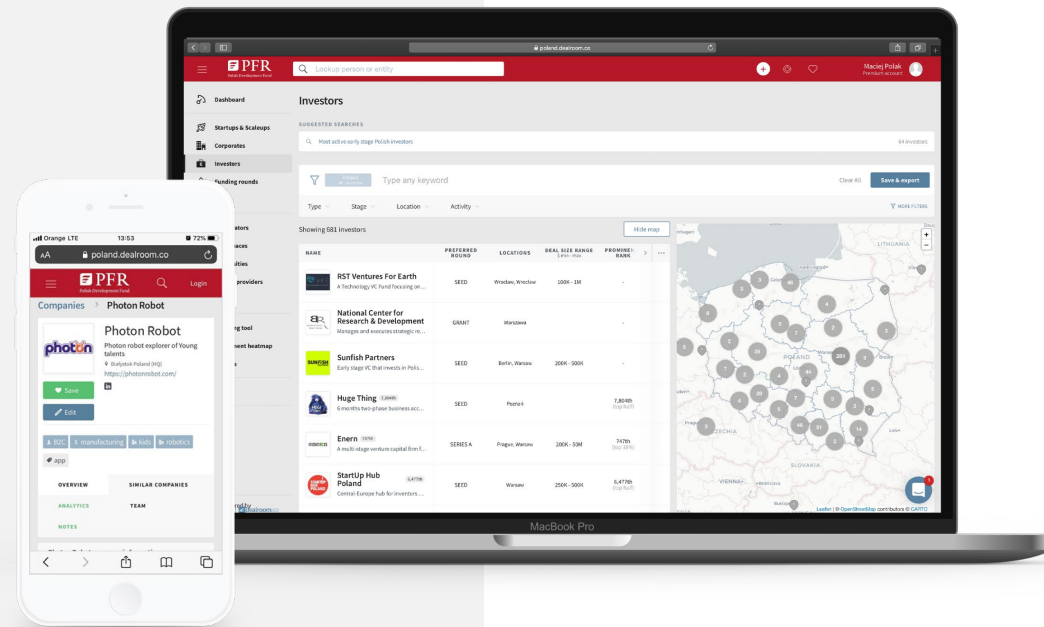
inovo<sup>vc</sup>



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](http://startup.pfr.pl/ekosystem-innowacji)



+3,000

start-ups

+100

VC funds



dealroom.co



startup.pfr.pl

