

Foundations of the Starter program under the new FENG perspective

Warsaw, 4.04.2024 r.



Agenda

- > FENG perspective Program assumptions
- > POIR vs FENG - revisions from the previous perspective
- > Criteria for selection for VC Fund Managers
- > Tips for Tenderers before the next Call
- > Call schedule
- > Q&A

FENG perspective Program assumptions

The main objectives of the PFR Starter program under the FENG perspective regarding VC funds.



Who we look for?

VC funds investing in early stage startups



Preferred legal form

Limited partnership,
limited joint-stock
partnership



PFR Starter contribution

PLN 20 – 65m



Time commitment

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



Investment Committee

KP members have voting
rights + PFRV (observer) +
possibly a non-voting
representative of private
investors



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. 1% Declared
Capitalization, expected
2-4%



Profit asymmetry

2.5x the private investors'
share of the profits
compared to their
participation in the VC
fund

The main objectives of the PFR Starter program under the FENG regarding investments in companies



Investment ticket
PLN 3/5m + 2
„super follow-ons”



**Limit of % of shares for
the first investment**
Under 50%



Investment stage
70% of first investments in
pre-revenue companies



Company headquarters
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
Investment Period**
No restrictions



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



**Limit on acquisition of
shares from existing
shareholders**
10% of investment value

POIR vs FENG - revisions from the previous perspective

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

Characteristics	POIR	FENG
Size of program	PLN 511m	PLN 807m
Estimated number of VC funds	13	20
Investment ticket	Up to PLN 4m	Up to PLN 5m + option of two "super follow-on" for the best companies
Min./max. commitment PFR Ventures	PLN 20 / 50m	PLN 20 / 65m
Milestones/investment pace	25-40-60% execution of Investment Budget after 2,3,4 years	5-25-40-60% execution of Investment Budget after 1,2,3,4 years
Time commitment of members of Key Personnel	Minimum of 2 people for 80% professional time and 32h/week*	Minimum of 2 people for 100% professional time and 40h/week*
Management fee % rate	No differentiation by size of VC Fund	Higher management fee rates for all funds and additional preference for micro-funds (up to PLN 45m)
Geographical restrictions for the headquarters of startups	None while retaining the "Polish nexus"	Max 15% in foreign companies with a "Polish nexus"

* Allowable deviations to a level of no less than 80%/32h/week 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 scope, synergistic and does not generate a conflict of interest.

Criteria for selection of Venture Capital Fund Managers

Criteria for selection of VC funds by PFR Starter



Tips for Tenderers before the next Call

The most common formal errors in Call 1

Formal errors



- Failure to sign as **specified in the Rules for the Submission** (simplification of rules from Call 2 onwards).
- Failure to submit **all the documents to be evaluated** by the closing date of the Call window.
- Application in a **different file format** to that indicated in the Rules for the Submission (simplification from Call 2)
- Submitting an attachment using the **wrong form** (usually attachments from the POIR or in draft form) or tampering **with the content of the form**

Aspects adversely affecting quality of the Offer

Team experience and composition



- Inadequate **investment experience**, particularly in the VC market
- Inadequate investment and professional **experience** about the **investment profile of the VC Fund**
- Shown **own investments not related to investments in startups** – in listed/pre-IPO companies or investment projects with a profile unsuitable for VC investments (e.g. infrastructure investments, photovoltaic farms)
- **Unbalanced private contribution and participation in carried interest of Key Personnel** – significant contribution/share of one person with marginal contribution/share of others
- Members of the **Team are involved (financially or timewise) in activities that conflict** with the management of the fund (especially involvement in investment vehicles, and operational activities of significant scale)
- Too **low capital contributions** of Key Personnel members
- Too **small size and too low quality the Team** for the capitalisation of the VC Fund
- Too **short duration of cooperation** of the members of the Key Personnel
- **Low performance** of investment activities to date
- Role distribution and time commitment in the Team are not likely to support the VC Fund's investment strategy
- **Low complementarity** of Key Personnel members
- Unreliable/Exaggerated investment and professional experience in the offer

Aspects adversely affecting the Offer

Involvement of Private Investors



- Key personnel are linked to the private investor's without meeting the criterion of independence (joint financial projects, operational, management and supervisory functions) and autonomous functioning
 - Private investors with a reputational risk
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Investment policy/pipeline



- Generic Investment Policy (Annex 3 to the Rules for the Submission) not indicative of the VC Fund's competitive advantages
 - Incompatibility of investment tickets with industries
 - Pipeline of projects not adequate to the investment policy or program objectives (investment stage, transaction value, geography)
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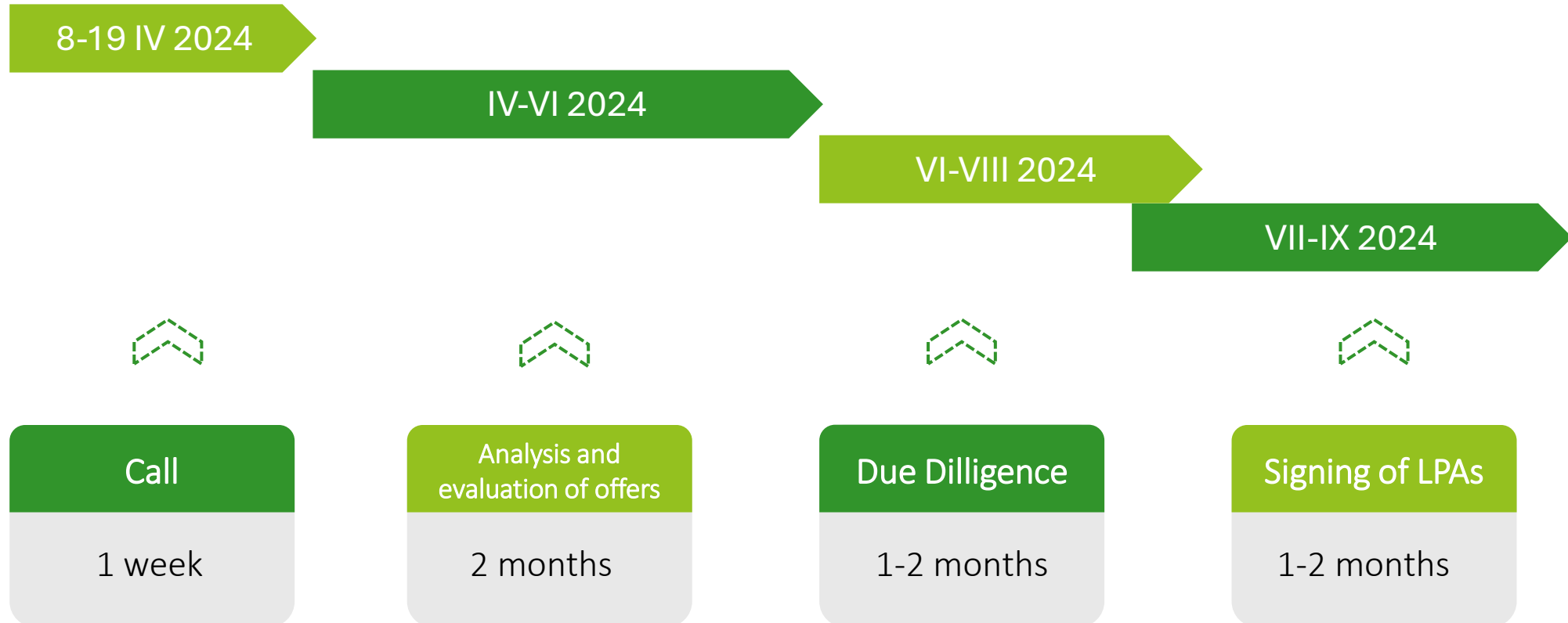
Other



- Contribution to the Declared Capitalisation from Private Investors is not covered through Investor Declarations
- Voting and/or veto rights on the IC assigned to persons/entities not entitled according to the Programme rules
- Incoherence of the declared time commitment of Key Personnel with the planned scope of side activities
- Non-transparent structure of the Management Entity

Call Schedule

Call schedule for the PFR Starter program





Q&A

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