PFR Ventures



Information meeting ahead of Call No. 2 for VC Funds for the PFR Biznest and PFR Open Innovations programmes

Warsaw, 02.04.2024

European Funds for Smart Economy | Republic of Poland | Co-funded by the European Union

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Agenda

PFR Biznest PFR Ventures PFR OI PFR Ventures

- The assumptions of the two programmes under the FENG perspective
- Tips for tenderers ahead of next Calls for VC Funds
- Schedule for Call No. 2 for VC Funds
- Q&A





Key assumptions of the two programmes under the FENG perspective

Key assumptions of PFR Biznest and PFR OI under the FENG perspective

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Legal form

Limited partnership, limited joint-stock partnership

Investment Period/ Horizon Lengths

4 years (+1)/ max. 10 years

Geographic restrictions

Changed in FENG

Max. 15% in foreign (EU, EFTA, EEA, UK) companies with a "Polish nexus"

Time commitment

At least 2 KP members for 40h/week/100% of professional time

Follow-on investments

Up to 60% of the Investment Budget

Investment Committee

KP members
+ PFRV (observer) with a veto right
+ potentially a representative of private investors

Private / Public capital

Changed in FENG

40/60%

Management Fee

Changed in FENG

Higher management fee rate for small (< PLN 45m) Funds.

vs POIR: no differentiation

Detailed assumptions of the PFR Biznest programme under the FENG perspective

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Who is the Program aimed at?

VC funds investing with Business Angels in early stage startups

Stage of investment

100% of first investments in Group A and B companies

Carried Interest

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

Hurdle rate 0%

Limit of % of shares for the first investment

Below 50% (incl. Angels, initial investment) Best effort to secure 10% or significant influence

Changed in FENG

PFR Biznest contribution

PLN 29.4m – 44.1m

vs POIR: PLN 14.1 – 28.8m

Changed in FENG

GP's contribution

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

vs POIR: min. 4%

Changed in FENG

Investment ticket

PLN 3m(5m with Business Angels)
+ 2 „super follow-ons"

vs POIR: PLN 2m (4 with BAs)
no „super follow-on"

Changed in FENG

Profit asymmetry

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

vs POIR: 1.3x

Detailed assumptions of the PFR Open Innovations programme under the FENG perspective

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Who is the Program aimed at?

VC funds investing in startups implementing R&D&I component

Stage of investment

Early stage/growth/expansion

Carried Interest

25%
(up to 30% in Model 1)
Hurdle rate 0%

Min. share in the company

Below 50% (incl. Coinvestors, initial investment) Best effort to secure 10% or significant influence

PFR OI contribution

Changed in FENG

PLN 45 – 80m

vs POIR: PLN 36 – 78m

GP's contribution

Model 1 – min. 1% of Declared Capitalization
Model 2 – min. 3% of Declared Capitalization
Link to Model descriptions

Investment ticket

From PLN 5m (including coinvestors' contribution)

Profit asymmetry

Changed in FENG

Model 1 – 1.5x
Model 2 – 1.35x

vs POIR: 1,70x (Model 1); 1,20x (Model 2)



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Tips for tenderers ahead of the following Calls for VC Funds

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Most common errors in Call No. 1

Formal errors



- Failure to **sign in the form specified** in the Rules for the Submission and Selection of Tenders(we will propose a simplification);
- Failure to provide **full documentation to be assessed** by the closing date of the call window (BAs in **Biznest**);
- Submission of an attachment in a **different file format** from that indicated in the Rules (we will propose a simplification);
- Submission of an appendix using the **wrong template** (usually appendices from the POIR perspective or in draft form).

Substantive errors



- The planned investment in the Portfolio Companies is **not in line with the programme assumptions;**
- The submitted contribution to the Declared Capitalisation from Private Investors is **not substantiated** through Letters of Intent or its total value is significantly disproportionate to the Investment Budget of the planned fund;
- **Lack of experience** of cooperation with universities/research centres/companies in **R&D&I projects (IO).**

Disadvantageous aspects

Team experience and composition



- **Uneven private contribution of Key Personnel** - significant contribution of one person with marginal contribution of others;
- Own investments shown **not related to startup investments** - in listed/pre-IPO companies or investment projects with a profile unsuitable for VC investments (e.g. infrastructure investments, photovoltaic farms);
- **Members of the Team are involved (capital and time) in activities that conflict** with managing the fund (especially involvement in other organisations actively investing, operating activities of significant scale).

Involvement of Private Investors/Business Angels



- **Key personnel are associated with the private investor** without meeting the criterion of independence (capital commitments, operational, management and supervisory functions) and autonomous functioning;
- The demonstrated **commitment of Private Investors is not commensurate** with the Fund's Investment Budget;
- Investors have never invested or do not have experience matching the fund's investment strategy (**no ability to bring 'smart money'**).

Investment policy/pipeline



- **Generic Investment Policy** (Appendix 3), not in line with the experience of the team/other resources;
- **Pipeline of investment projects inadequate** for investment policy or programme assumptions (investment stage, transaction value, geography).

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Call No. 2 Schedule



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Call No. 2 in the PFR Biznest and PFR Open Innovations programmes

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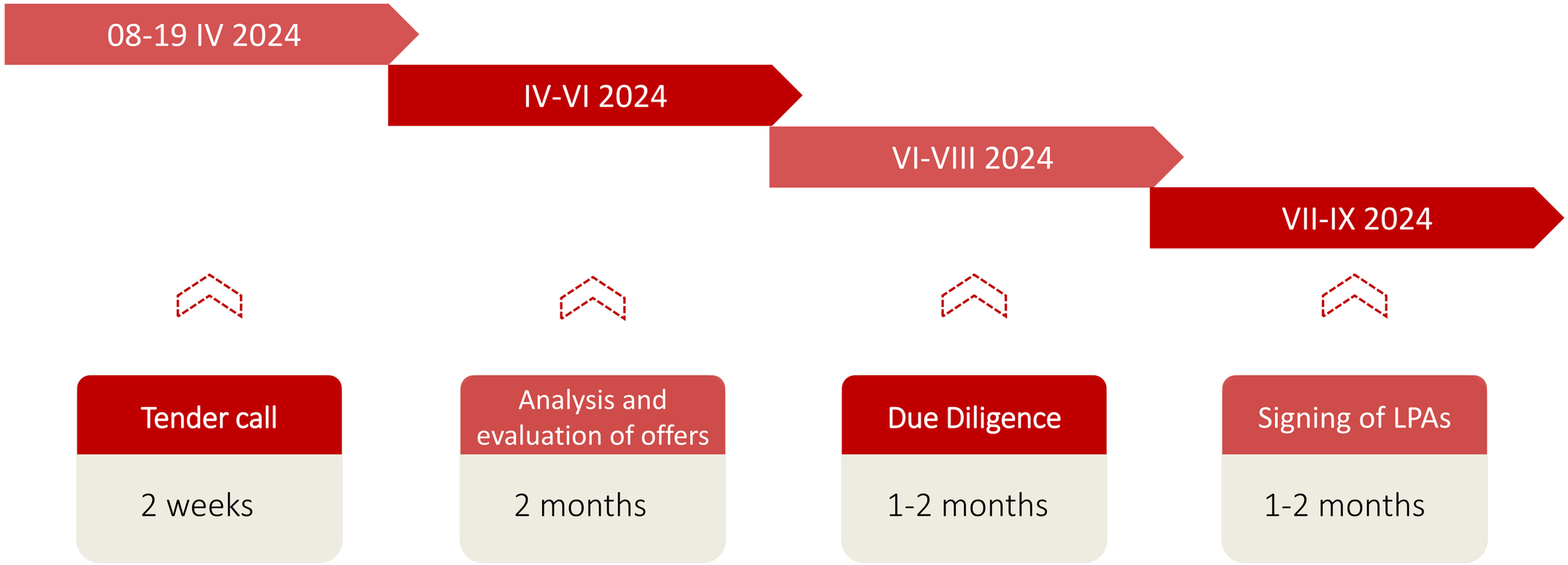

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Q&A



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