

 PFR Ventures

The Polish VC market in Q3 2020: transactions



European
Funds
Smart Growth

European Union
European Regional
Development Fund



Authors

PFR Ventures

PFR Ventures manages seven funds of funds and together with private investors, business angels, and corporations, invests in Venture Capital and Private Equity funds. The objective is to support innovative Polish enterprises at their early stage of development. At present, PFR Ventures has a portfolio of over 50 funds that have invested in more than 300 ventures.

www.pfrventures.pl
kontakt@pfrventures.pl



Team responsible for the report:



Klaudia Babraj, Andrzej Daniluk, Tomasz Lepka
Analysts at PFR Ventures



Łukasz Kajdas
Investment Associate at PFR Ventures



Adrian Smolik
Senior Specialist, R&D at NCBR



Łukasz Soliński
Capital Product Expert at BGK

Review

Key data from the third quarter of 2020

▶ **88**

concluded transactions

▶ **156**

EUR m of capital provided
(including outliers: ICEYE round of EU 73 m)

▶ **80**

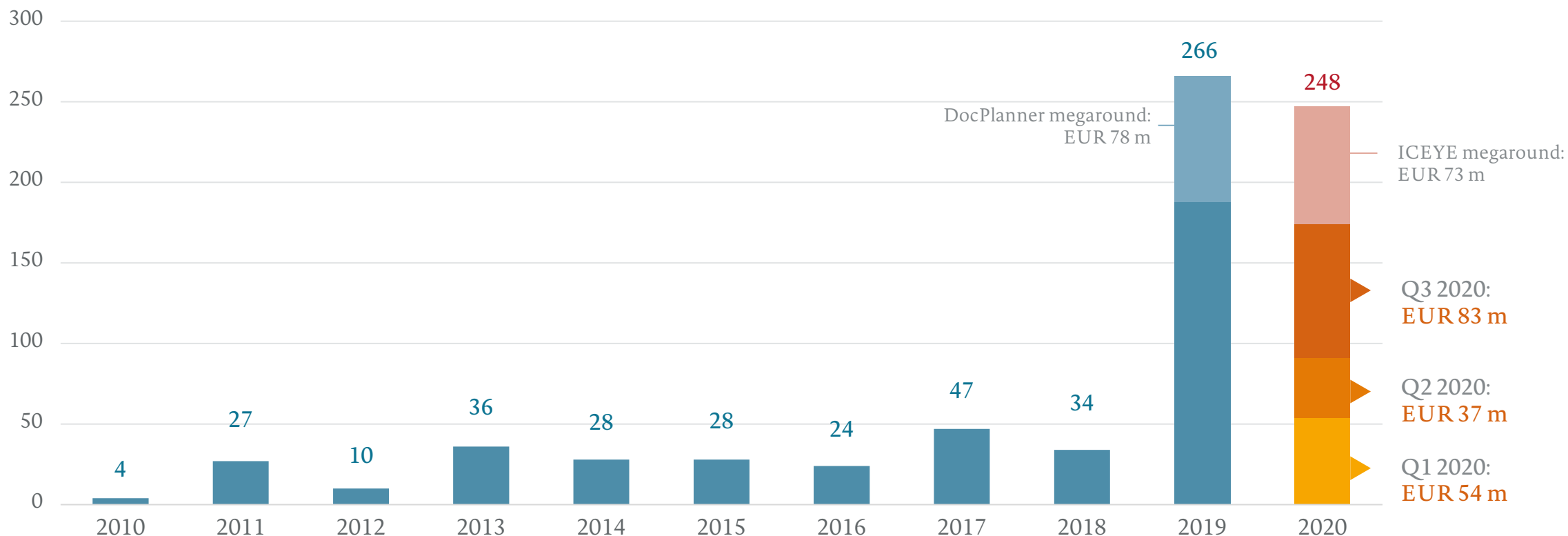
funds involved

▶ **#AlmostPareto**

11% of transactions
accounts for 85% of the capital invested

VC investments in Poland 2010 – Q3 2020

Value of VC investments in EUR m



(1) Source of the archival data for the years 2010-2018: Invest Europe;

(2) We included the ICEYE transaction due to (a) the share of Polish employees in the Company (~30%); (b) the Polish co-founder; (c) the presence of Polish capital;

(3) The mega-rounds of DocPlanner and ICEYE are presented separately on purpose, as they distort the statistical picture (see: [outlier](#)).

Experts' comments



Aleksander Mokrzycki
Vice-President of PFR Ventures



In the third quarter, our ecosystem pressed the accelerator. EUR 83 m invested in Polish companies were doubled by the round of the Finish and Polish ICEYE which secured over EUR 73 m in the round C. Disregarding the unusual round of ICEYE, the transaction value was twice the size of the same quarter last year (*excluding Booksy and Brainly rounds, which distort the picture*).

Since the beginning of 2020, almost quarter of a billion euros in total has flowed through our market. This confirms the increasing trend has been maintained. The forecasts indicate we can stay calm, expecting a new record at the end of the year.



Przemysław Kurczewski
Deputy Director at the NCBR

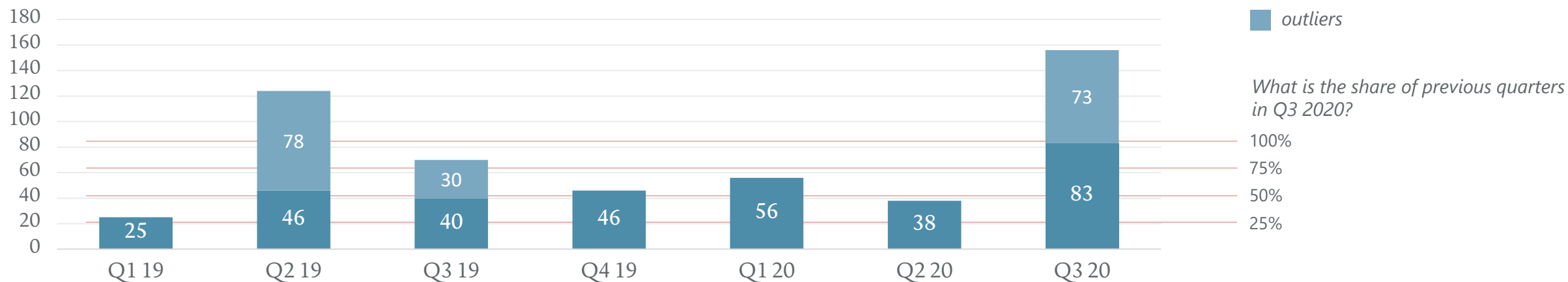


The VC market is growing. The enterprise data and transaction values show it has been subject to continuous professionalisation constantly. In Q3, notwithstanding the ICEYE megaround, we recorded a dozen of interesting transactions, including, without limitation, another fund investment from the PFR NCBR CVC portfolio: Icos III. Co-investments made by domestic and international funds more than doubled.

Invariably, regarding the number of transactions, the ones from the BRIDGE Alfa programme prevailed (46 out of 88). They correspond to a relatively small proportion of the market (12%) but this is still over twice of the value of transactions involving Polish private capital (5%). It is worth noting that the programme drives the supply of Polish tech companies financed by local and international VC funds. Examples present in all quarters of 2020.

VC investments in Poland Q1 2019 – Q3 2020

Value of VC investments by quarter in EUR m

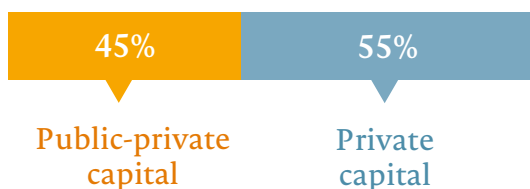


In Q3 2020, the value of VC investments in the Polish market grew dynamically in comparison with the previous quarters. Polish companies secured financing of EUR 83 m. In addition, the value of investments hiked due to the investment round of the Polish and Finish startup of IECEYE accounting for over EUR 73 m. Comparing Q3 2020 and Q3 2019 (without unusual transactions), our Polish market received twice as much capital. This is a very positive signal indicating the end of the doldrums of Q2 2020, when investors' activity was limited, due to – partially - the negative impact of the COVID-19 epidemic, and deals selected in a more cautious way.

Financial data: type of capital

Percentage of private and public-private funding in Q3 2020

Value of transactions



Number of transactions



Percentage of funding from international and Polish funds in Q3 2020

Value of transactions



Number of transactions



(1) The list does not include ICEYE transactions.

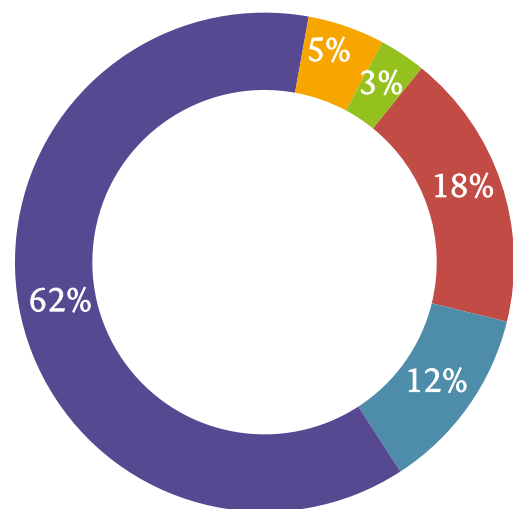
(2) Transactions were classified based on the dominant share of private or public-private capital.

(3) Transactions of international funds include all transactions in which at least one international fund was involved.

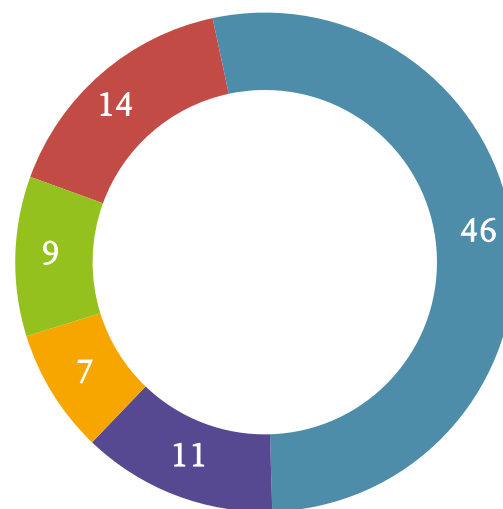
Sources of capital in Q3 2020

Public programmes and private capital

Value of transactions



Number of transactions



(1) The list does not include ICEYE transactions.

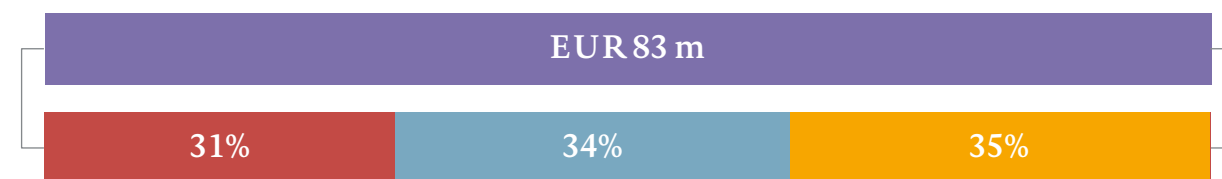
(2) Transactions were classified based on the dominant share of private or public-private capital.




(3) Transactions of international funds include all transactions in which at least one international fund was involved.

(4) A part of transactions classified as "PFR Ventures" comes from the PFR NCBR CVC programme which was created together with the National Center for Research and Development.

Activity of Polish funds in Q3 2020

On the domestic market (based on the value of transactions)



-  International funds that invested in Polish companies
-  Polish funds that co-invested with an international fund in a Polish company
-  Polish funds that invested in Polish companies

In the subsequent quarters of 2020 we have noticed a significant growth of share of the capital coming from the co-investments made by Polish and international funds. From just several percent in Q1, the share grew to 15% in Q2, and then to 34% in Q3. This positive sign indicates closer than before cooperation with foreign partners. On the other hand, large international rounds have surpassed local funding: only 36% of funding in Q3 2020 came from Polish funds, while in Q2 2020, the percentage was almost 73%.

 **Andrzej Daniluk**
Analyst, PFR Ventures

Largest transactions

Selected companies that obtained > EUR 3,5 m

 Supported by the PFR Group

 Supported by the NCBR

Investors	Company		Transaction amount	Round
Mouro Capital, Iron Ventures, Global Founders, Seedcamp, White Star Capital, <i>aniółowie biznesu</i>	Uncapped		EUR 22 m	A
OTB Ventures, TDJ Pitango Ventures, Tiga Investments	Cosmose AI	 	EUR 12.6 m	A
Karma Ventures, Heal Capital, Inovo Capital Partners, EBRD, DreamIt Ventures	Infermedica		EUR 8.8 m	A
Cogito Capital Partners	HomeDoctor	 	EUR 3.6 m	A

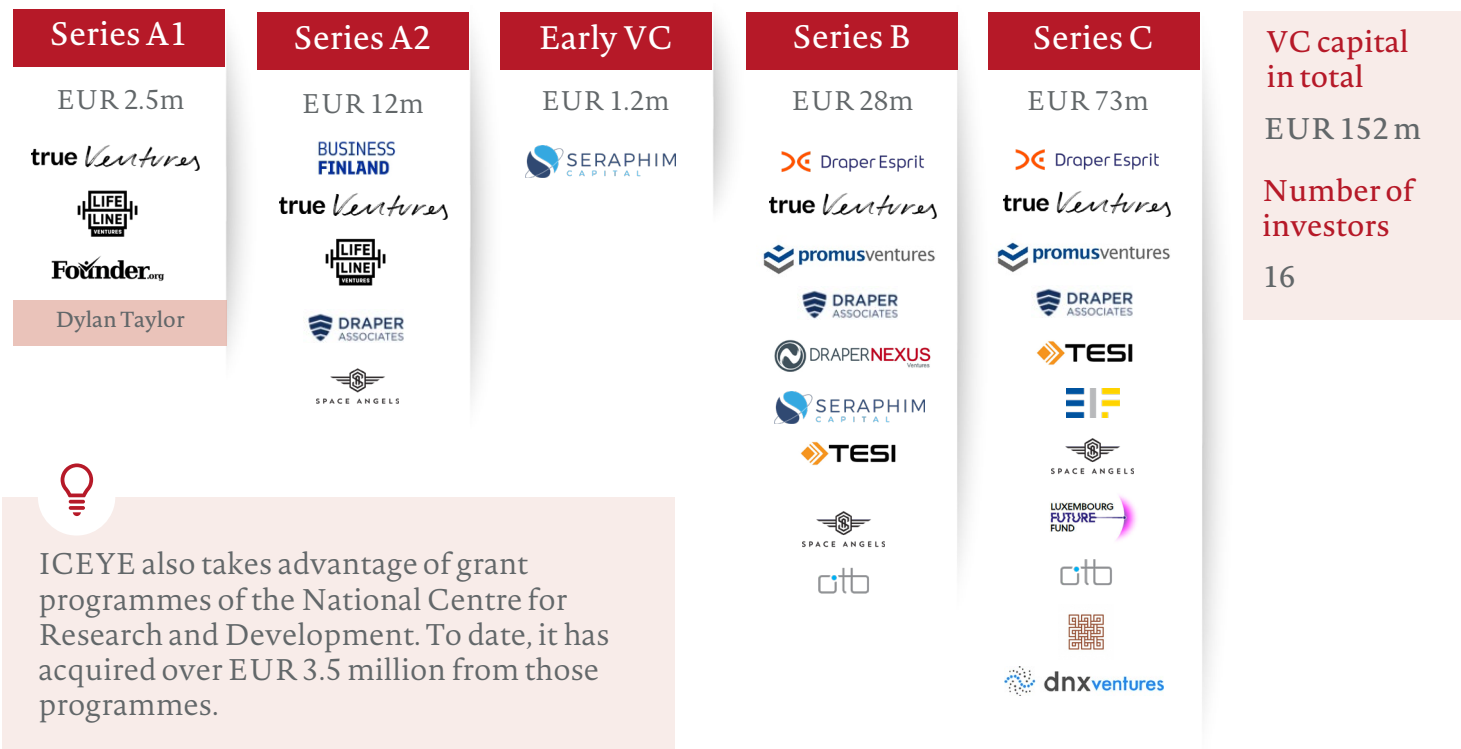
Selected companies that obtained > EUR 2 m

Investors	Company		Transaction amount	Round
<i>niejawne</i>	<i>niejawne</i>		EUR 2.6-3.5 m	seed
Alfabeat, DialCom24, Mariusz Kozłowski, Dawid Sukacz, Adam Kwaśniewski	Hotailors		EUR 2.8 m	seed
Fidiasz EVC, SpeedUp Energy Innovation, Movens VC, RST Ventures for Earth	VersaBox	 	EUR 2.4 m	early stage VC
Montis Capital, Weston Investment Management	Plum Research		EUR 2.2 m	A

Finish and Polish satellites

Case study: ICEYE

Company funding rounds



ICEYE also takes advantage of grant programmes of the National Centre for Research and Development. To date, it has acquired over EUR 3.5 million from those programmes.

Source: dealroom.com

ICEYE is a world leader in satellite radar imaging (SAR), which has just announced closing of the third funding series of USD 87 m. The final value of the funding has been greater than initially planned. One of the leading investors is OTB Ventures, which together with its related parties, invested solely in the last round, USD 30 m. Previously, OTB invested in ICEYE in May 2018. So far, the company has successfully positioned 5 satellite missions in orbit.

The first satellite was launched in January 2018 and was the first small satellite equipped with SAR (Synthetic-Aperture Radar) in the world. This year, the company plans to position 4 new satellites in orbit and in 2021 at least 8 additional satellites. This will allow the company to fully develop the existing capacities of its new constellation by offering unique solutions on a world-wide basis. ICEYE designs, produces and operates its satellites on its own.

To date, ICEYE has raised EUR 152 m in total.

 **Adam Niewiński**
Managing Partner, OTB Ventures

In August 2020, EBRD announced its fifth investment in a Polish start-up. Together with Karma Ventures, Heal Capital, Inovo Capital Partners, and DreamIt Ventures, the bank invested approx. EUR 9 million in Infermedica, a Wrocław company developing medicine with use of artificial intelligence.

The latest investment in Infermedica has increased EBRD's share in the Polish VC market. In its portfolio, the fund has such companies as: Docplanner, Explain Everything, Zoovu, and Depositphotos. The latest trends and the dynamic development of the Polish start-up ecosystem validates the organization's involvement in our market.

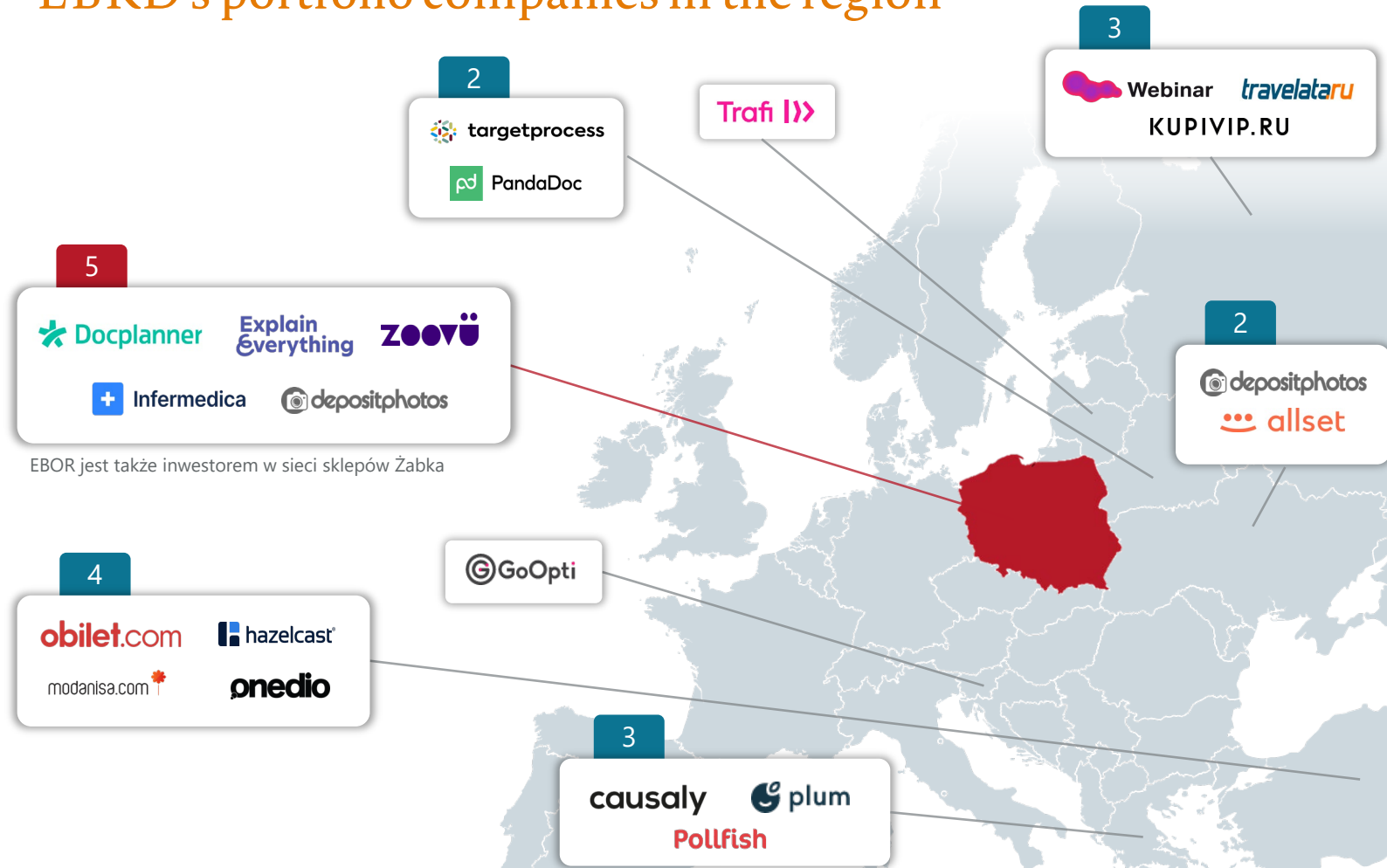
The strategy of the VC fund managed by EBRD assumes an investment pipeline in 38 markets (including Europe, Caucasus, Central Asia, and Mediterranean countries). Currently, portfolio companies are located in 9 states.

EBRD's investment ticket ranges from EUR 1 million to 10 million and funding may be provided to companies being at their early development stage. So far, EBRD has co-invested in Poland, for example with Inovo Capital Partners and RTA Ventures.

 **Klaudia Babraj**
Analyst, PFR Ventures

EBRD's VC investments

EBRD's portfolio companies in the region



Source: <https://www.ebrdvcip.com/>

The main elements of the fund's investment thesis in 2014 was the trust in the experienced manager who was entering the market with a proprietary idea to build a pharmaceutical company and build awareness around the imperfection of the supplementation products for infants available at the time. An example: a lack of precise dosing, increased the risk of deficiency or excess of iron in a child's organism. The company's products contributed to the improvement of neonatological care in this area. Those products were immediately appreciated by scientists and practitioners, and are recommended by recognized institutes, such as Instytut Matki i Dziecka.

Thanks to the work carried out by the company's founder and the team, as well as the expansion of the company's product portfolio, the company has established a position in the market of supplements for infants. It was quickly recognized by much larger players in the market. As a result of the interest, a Polish branch of the Italian concern of Chiesi Farmaceutici has acquired the company in 2020. This led the group to enter the OTC market, which, in my opinion, is another confirmation of Smart Pharma's success.

The most interesting exits in Q3 2020

Case study: Smart Pharma



classified
value of the transaction

7.1x CoC (Cash-on-cash)
return for the SpeedUp Innovation fund

11.4% of the iron supplementation market in Poland
during 5 years of Smart Pharma's operation



Another investor of SmartPharma was also YouNick Mint, which also took part in the exit.

Summary

Glossary

International/foreign team

An “international fund” is one that has international partners in its team or is based on foreign capital.

Activity on the Polish VC market

“Activity on the Polish VC market” is understood as: local investments (Polish fund–Polish company) and foreign investments (foreign fund–Polish company).

What is a Polish company?

3 out of 4 criteria must be met:

- Percentage of employees hired in PL
- Presence of PL founder/co-founder
- Presence of PL capital
- Self-identification of the company

Sources

The data used in this report come from internal reports of PFR Ventures, Bank Gospodarstwa Krajowego, the National Centre for Research and Development, and Inovo Venture Partners. Some of the information was obtained from the studies of Invest Europe, from media reports, and from publicly available data.

EUR/USD to EUR exchange rates

We have assumed a mid-point 3M exchange rate for quarterly statistics and a mid-point monthly exchange rate for the case study.

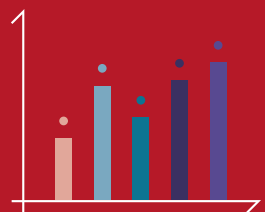
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