

 PFR Ventures

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Polish VC market outlook Q3 2022














Fundusze
Europejskie
Inteligentny Rozwój

Unia Europejska
Europejski Fundusz
Rozwoju Regionalnego



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-  **Filip Milewski**
Head of Unit, Financial Instruments Department, NCBR
-  **Artem Orlov**
Capital Markets Expert, BGK

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 550 investments.

inovo^{vc}

Inovo VC is a VC fund for exceptional founders from Poland and the CEE region. We support early-stage start-ups and help them build global brands, while simultaneously boosting the development of the local start-up ecosystem. Over the past 10 years, we have invested in more than 80 founders from 35 companies, 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. Our third fund is reaching €100M.

Additional data sources



3Q22 highlights

> **127**

companies received funding

> **110m**

EUR invested

> **83**

funds involved

> **EUR ~250m**

this is how far the market in 2022 is from surpassing the 2021 funding level

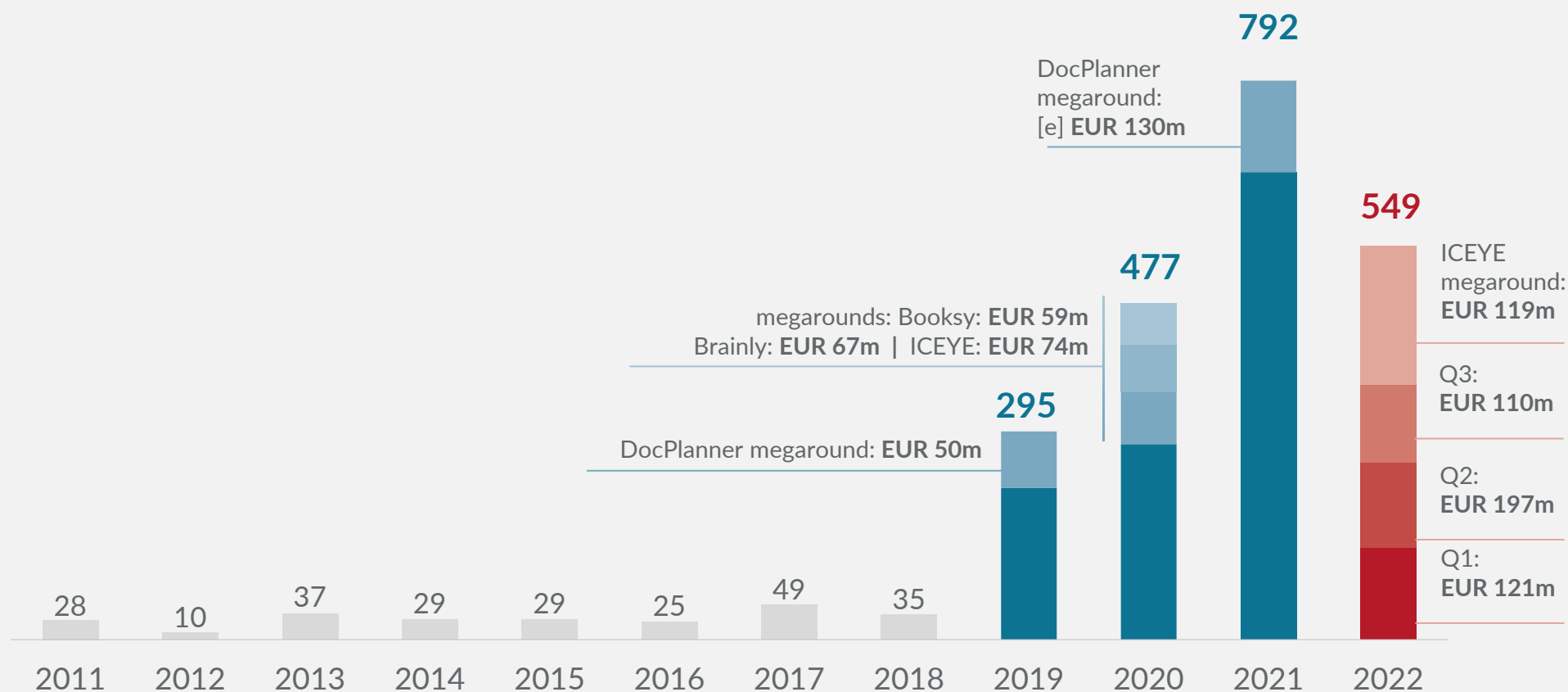
01

Market Outlook



VC investments in Poland 2011 – 3Q22

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.

Authors' comments



Aleksander Mokrzycki 

Vice-President of the Board,
PFR Ventures

We are about PLN 1 billion short of breaking the 2021 record. Historically, our market has seen such levels of quarterly financing five times already. This allows us to believe that despite the turbulent economic and geopolitical climate, the Polish ecosystem will maintain its upward trend. Most importantly, this will distinguish us from other regions that are experiencing large declines. We see this as a positive signal for foreign investors wishing to do business in CEE.

Looking at transactions excluding outliers, the third quarter differs slightly from the first quarter this year. Similarly, there is little difference when comparing the present result to that of 3Q21. The third quarter stands out mainly in terms of transaction numbers. Particularly active were the funds in the NCBR portfolio, which are reaching the limit of their investment horizon and performing their last transactions.



Karol Lasota 

Principal, Inovo Venture Partners

Despite the slower summer season and the situation at home and in the world, the performance of the Polish start-up and fund ecosystem appears resilient. Regardless of the slight (12%) y/y decline in investment value in the third quarter, we are on track to at least match the record year of 2021. There was a 14% increase in the number of transactions, which will surely result in more future rounds when market sentiment improves and international fund activity in our region returns to year-ago levels.

Importantly, we know that the leading Polish funds have spent the last few months on fundraising efforts, so we should soon return to a higher number and value of investments – I believe the best for the Polish market is yet to come.

Authors' comments



Błażej Koczetkowiak

Director, Capital Funds Department,
NCBR

The Polish VC market appears to be immune to global turmoil. High public sector involvement has undoubtedly further helped stabilise the market. At the same time, the return horizon of several years makes today possibly the best time to invest in start-ups.

More than half of the deals in Q3 were made with BRIDGE Alpha funds. Certainly, the upcoming end of the existing EU financial perspective is mobilising them to be more active. The improvements that have been made and additional funds targeting the most active funds make Alfa a determined, well-oiled machine, and the number of supported start-ups is rapidly approaching an impressive 1,000.



Paweł Chorąży [in](#)

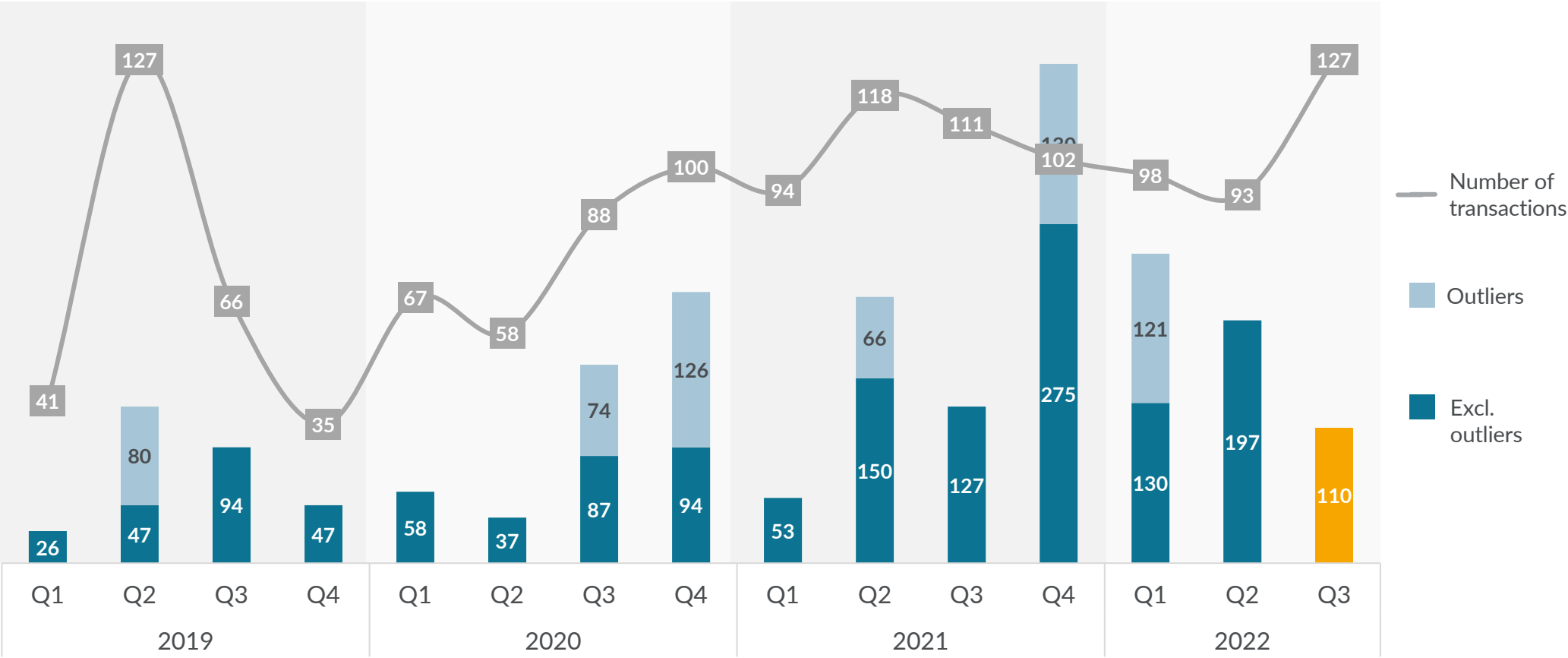
Managing Director of the European
Funds Division, BGK

Q3 saw a change in the trend that had been continuing since the beginning of 2022. On the one hand, the number of transactions increased by nearly 30% compared to the previous quarter. This is the highest result we have seen in the last two years, which may indicate an increase in VC market activity. On the other hand, however, the market recorded the lowest value of investments since the start of the year. This is mainly due to the war in Ukraine and the related continuing uncertainty in the market.

BGK's Regional Funds also made almost 30% more investments in Q3 compared to Q2, and we expect a continued trend of increased transactions in the coming periods.

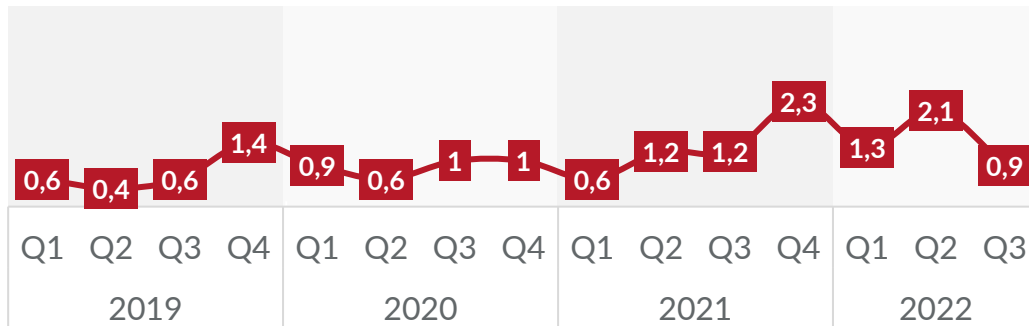
VC investments in Poland 2019 – 3Q22

Quarterly, value and number of transactions (EUR m)

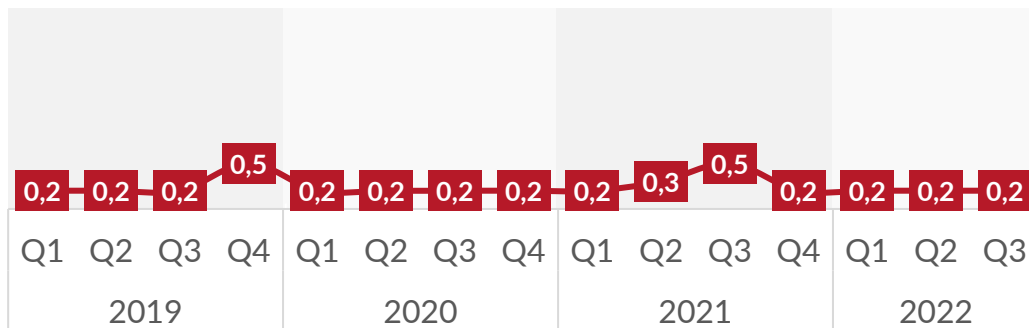


VC investments in Poland 2019 – 3Q22

Quarterly, average transaction value (PLN m)



Quarterly, median transaction value (PLN 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.

The average transaction value in 3Q22 dropped noticeably compared to the previous quarter and is back at EUR 0.9 million, a level last seen in 4Q20/1Q21. The median transaction value traditionally remains around EUR 0.2 million, which is determined by the BRIDGEAlfa programme. The funds operating under this programme were involved in 66 transactions, an increase of more than 50% quarter-on-quarter.

This decline in the average value is due to two reasons. On the one hand, we saw a record number of 127 transactions (on an equal footing with 2Q19), including a record number of transactions involving BRIDGEAlfa funds (their ticket is EUR 0.2 million). On the other hand, after excluding NCBR funds' dealings, the decrease in the average is still almost double (EUR 1.7 vs EUR 3.7 million in 2Q22), which can be associated with a significant reduction in the activity of international funds, since they were involved in fewer deals than in Q2, and the value of their financing, fell from 66% to less than 30%. This is the aftermath of the slowdown in global markets, including Europe, which suffered a 36% decline in the value of VC financing (*CB Insights data*).

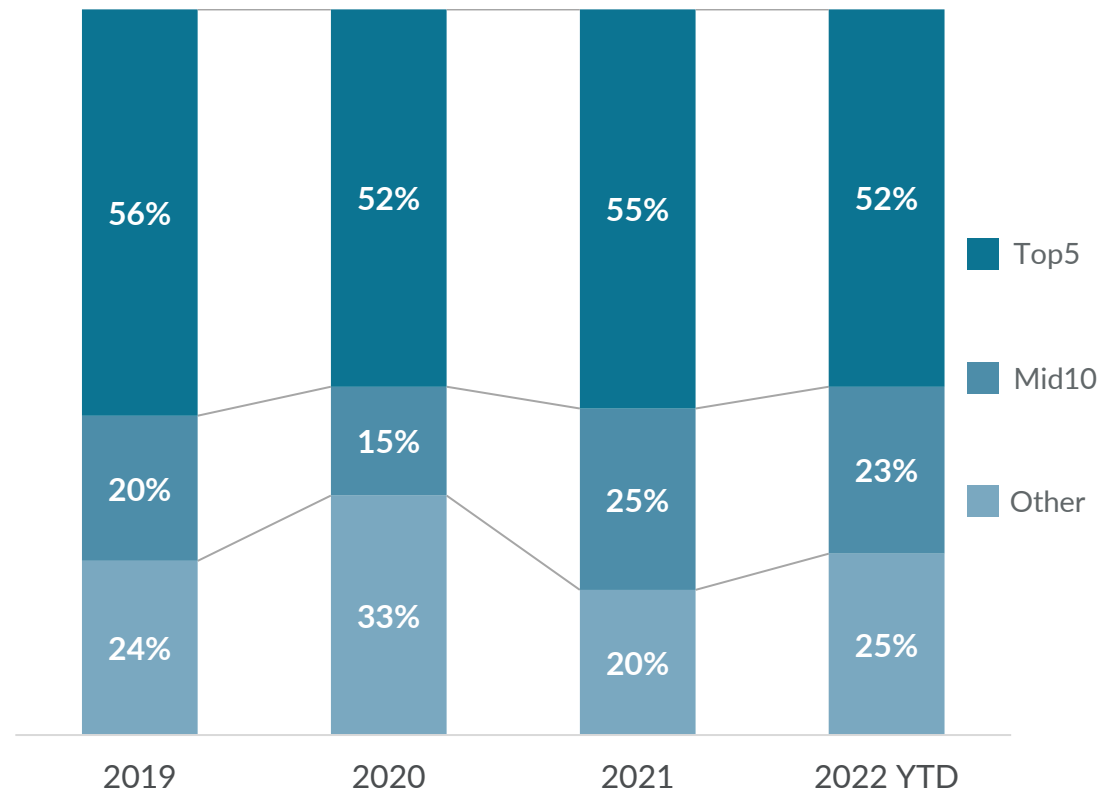


Radosław Kuchar

Investment Associate, PFR Ventures


VC investments in Poland 2019 – 3Q22

Share of major rounds 2019 – 2022 YTD




Mid10 is the 10 largest transactions below Top5, excl. outliers; [e] = estimation

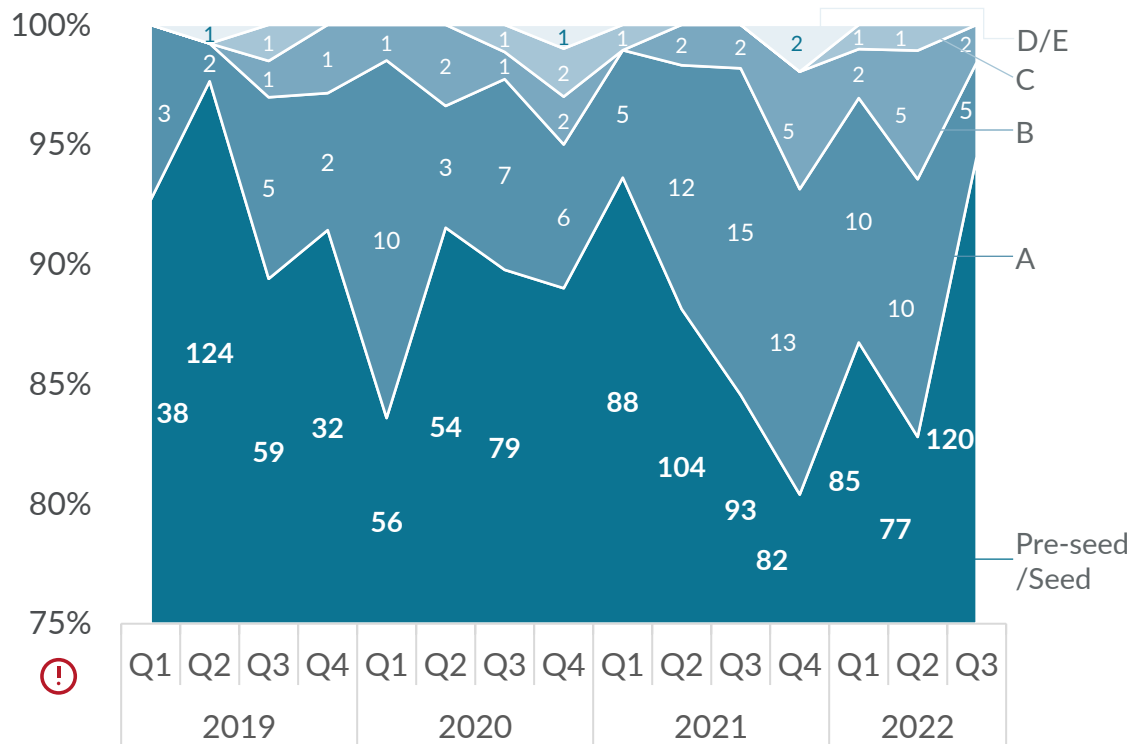
Top5 rounds in 2022

ICEYE	EUR 119m Series D	1Q22
 SILENT EIGHT	EUR 36m Series B	1Q22
 TIDIO	EUR 23m Series B	2Q22
SYNERISE	EUR 22m Series B	2Q22
 nomagic	EUR 21m Series A	2Q22

VC investments in Poland 2019 – 3Q22

Series distribution

Quarterly, number of transactions with a focus on later rounds 



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

The most recent quarter in Poland reflects well the change in sentiment in the global VC ecosystem and was marked by the dominance of pre-seed and seed rounds: they accounted for 95% of all rounds raised (for comparison: in the previous quarter, pre-seed and seed rounds represented 83% of all rounds).

Only 7 rounds followed the Seed stage, which strongly contrasts with 16 such rounds in the previous quarter.

The decline in the number of later rounds may be due to the lower activity of international funds in the CEE region and a desire to focus on their home markets and companies in their own portfolios. On the other hand, current market sentiment may have prompted many entrepreneurs who had the opportunity to do so to postpone their decision to raise another round of financing for several months.

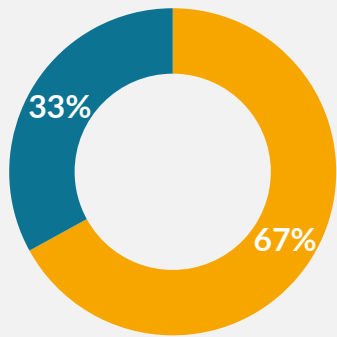


Maciej Małysz
Partner, Inovo Venture Partners

Sources of capital

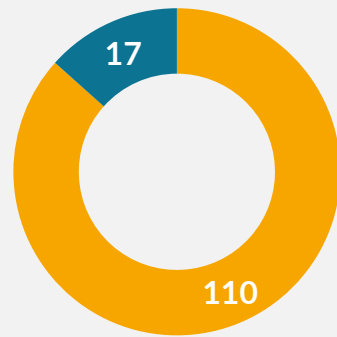
Share of private and public-private funding in 3Q22

Value of transactions



Public-private

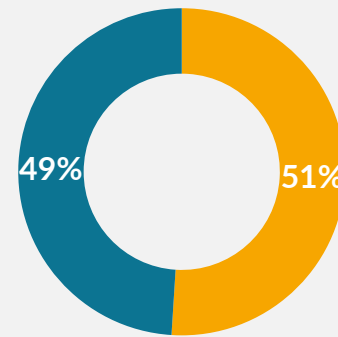
Number of transactions



Private

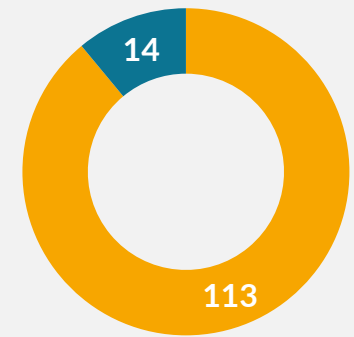
Share of funding from international and Polish funds in 3Q22

Value of transactions



Polish funds

Number of transactions



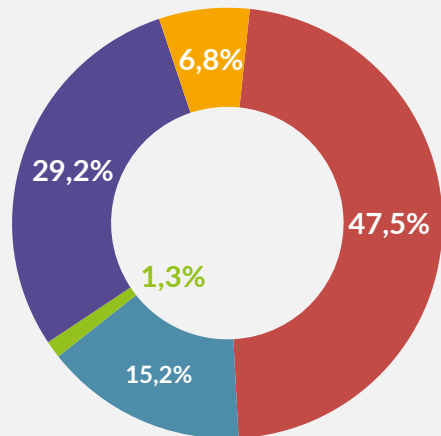
International funds

(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.

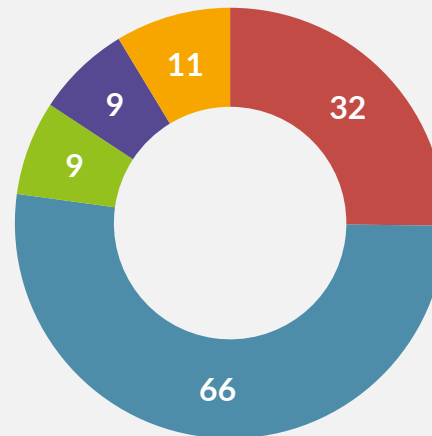
Sources of capital

Public programmes and private capital in 3Q22

Value of transactions



Number of transactions



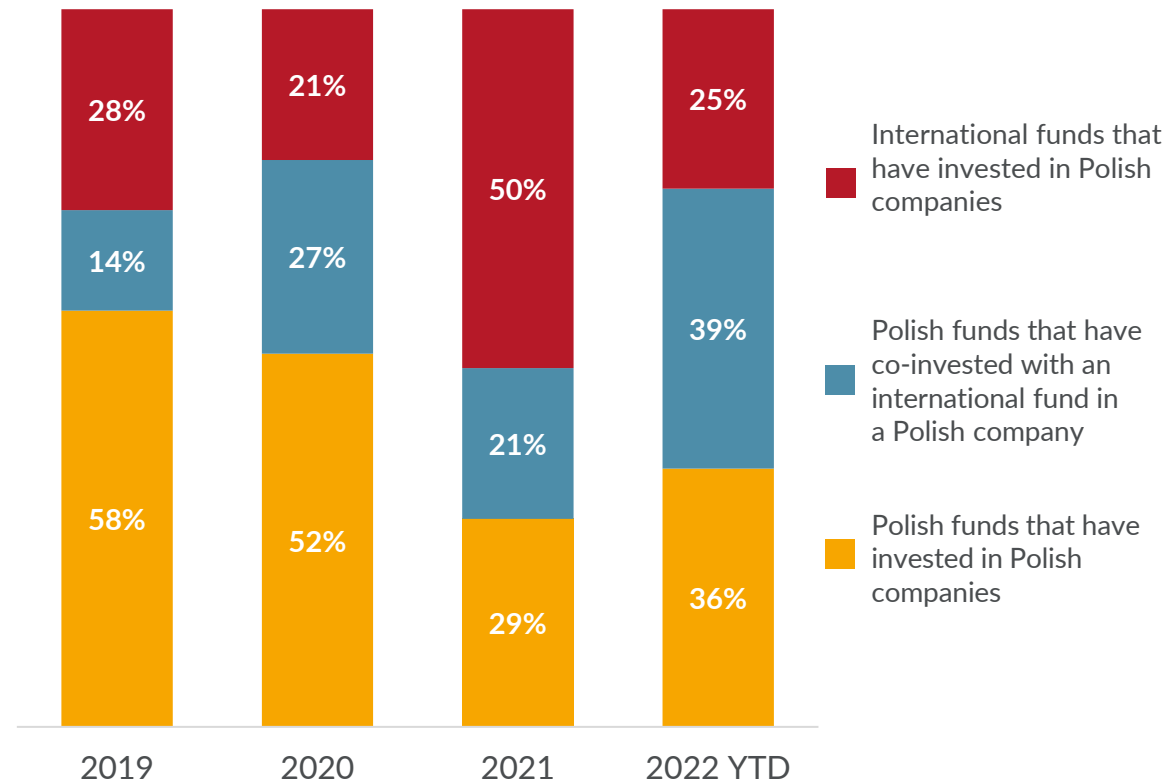
(1) Individual transactions have been allocated depending on the predominant share of private or public-private equity funding;

(2) International fund transactions include all transactions with at least one international fund involved;

(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.

Investments and co-investments 2019 – 3Q22

Share in the total transaction value



The above breakdown does not include outliers.

In 3Q22, the Polish VC market saw a significant increase in investment from international funds. This is a trend that has intensified in recent years and is expected to continue. It is due in part to the growing popularity of the Polish start-up environment, as well as the increasing number of VC funds looking to invest in high-growth companies.

One interesting trend is the increase in co-investments between international and Polish funds. This is probably because an increasing number of Polish start-up companies are attracting interest from abroad, and investors see the potential for high returns.

Overall, the Polish VC market is doing very well compared to other markets and is expected to continue its rapid growth. This is positive news for both start-ups and investors and is a trend worth watching.










Piotr Marszałek

Analyst, PFR Ventures

Major transactions 3Q22

Rounds by investment thresholds

	Investors	Company	Funding	Round
EUR >10m	Lemniscap, Blockchain Capital, Coinbase Ventures, Arweave, SevenX Ventures, Maven 11 Capital, Lattice Ventures, Distributed Global	SunRoof 	EUR 15m	A
	EIC	Nevomo	EUR 15m	A
EUR 2-10m	Lemniscap, Blockchain Capital, Coinbase Ventures, Arweave, SevenX Ventures, Maven 11 Capital, Lattice Ventures, Distributed Global	Redstone	EUR 6.7m	Seed
	<i>undisclosed</i>	<i>undisclosed</i>	EUR 5-7m	A
	Inovo Venture Partners, Market One Capital, bValue, angel investors	More Growth 	EUR 4.9m	Seed
	500 Startups, Credo Ventures, Movens Capital, Tilia Impact Ventures	The Village Network 	EUR 3.4m	Seed
	Colters Capital Fund	PayEye 	EUR 3m	Seed
	FundingBox, Gateway Ventures, Movens Capital, Satus Starter, 4growth VC, NCBR Investment Fund, ZAKA Startups, LT Capital	Talkie.ai  	EUR 2.7	Seed
	EIC	Fibri Tech 	EUR 2.6	Seed
	C3 Management, A100x, angel investors	Gatenox	EUR 2.4	Seed

02

Case Studies

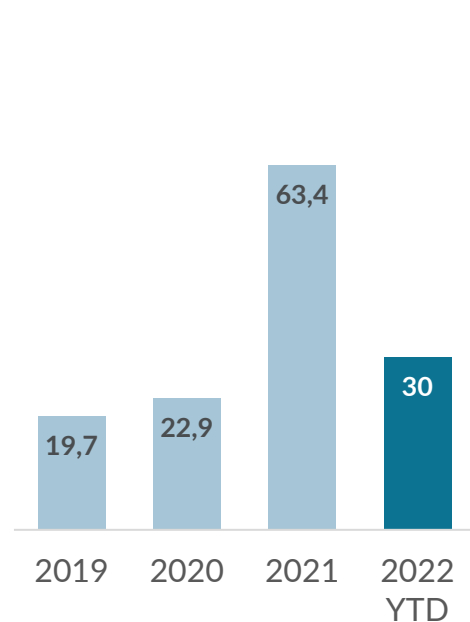
The background of the slide is a solid red color. Overlaid on this background is a faint, semi-transparent candlestick chart. The chart consists of several vertical bars, each with a horizontal line through its center, representing price movements. A dashed white line is drawn across the chart, following 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 in 3Q22

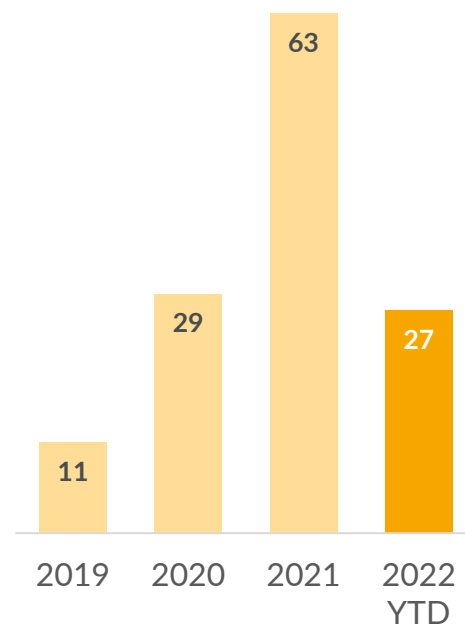
Investments of Polish funds in foreign companies

Value of transactions

EUR m



Number of transactions



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

The trends in the global and European VC market in 2022 are significantly affecting the number and scale of investments that Polish funds have made abroad.

Later-stage rounds (*as well as investments in companies at a more advanced development stage*) are affected by, among other things, lower-than-expected valorization and a more stringent risk assessment. As a result, the number of rounds and the amounts invested are declining relative to 2021.

In addition, several major Polish funds also investing outside Poland (mainly in CEE but also across Europe), launched, or are launching, their next investment vehicles in 2H22. Hence, their full activity can probably be expected not until the following months.

Another interesting development is the increased interest in pre-seed and seed-stage companies. Due to the size of the rounds at these stages, the amount of funds invested tends to be smaller.

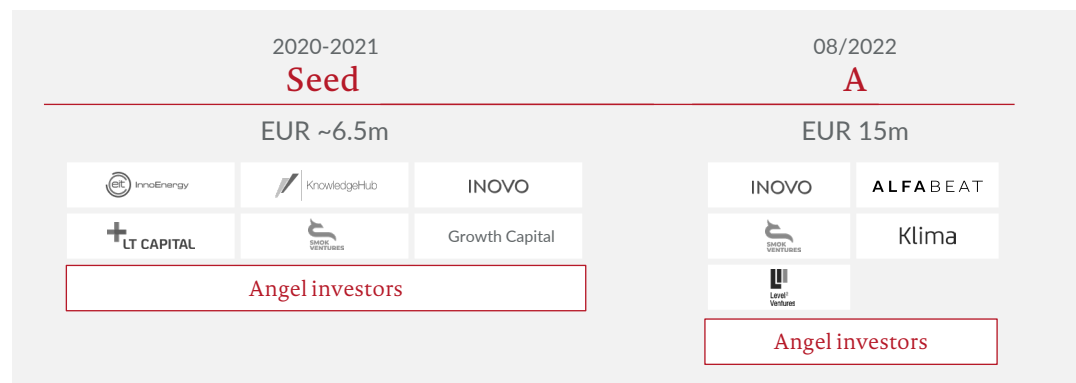


Marek Kapturkiewicz

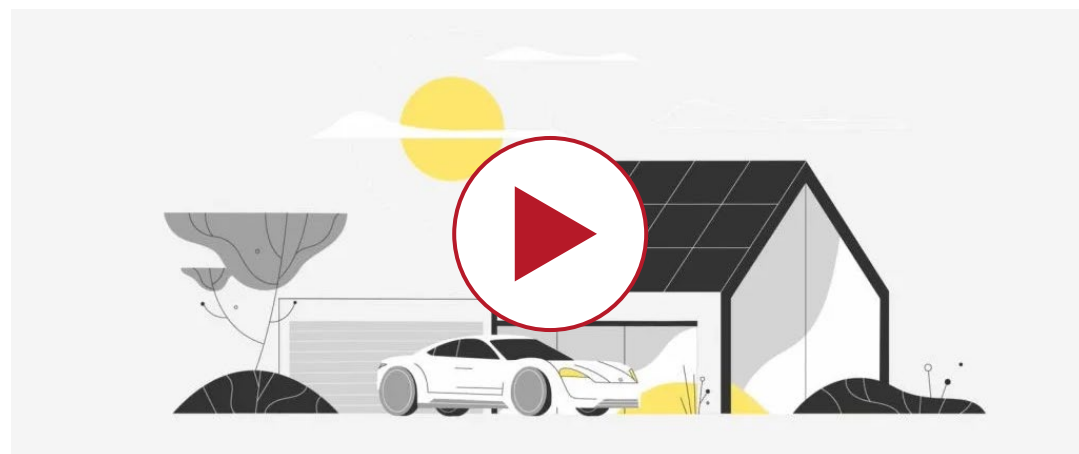
Co-founder & Partner, Innovation Nest

Most notable transactions: SunRoof

Funding and operations



SunRoof's product and mission (animation)



SunRoof's mission is not only to enable homeowners to produce electricity for self-consumption, but also to contribute to the development of green energy infrastructure. This year's round, valued at a total of EUR 15 million, led by the Klima Energy Transition Fund, will allow us to offer solar roofs to a wider range of customers in Europe. Additional capital was also provided by Inovo VC, SMOK Ventures, Alfabeat and Level2 Ventures funds, as well as angel investors, including Jon Olsson, a successful Swedish alpine skiing and free-skiing athlete and entrepreneur.

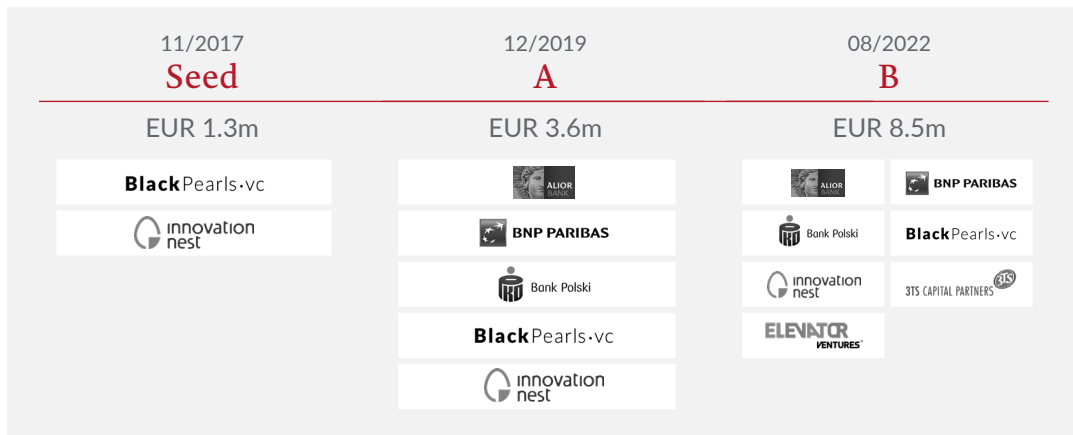
Over the past 2 years, we have significantly expanded our operations in Sweden, Germany and Poland, and are the fastest-growing supplier of building-integrated photovoltaics (BIPV) in these markets. Going forward, we plan to expand rapidly in new markets.



Lech Kaniuk
Co-founder & CEO, SunRoof

Most notable transactions: Autenti

Funding and operations



Selected customers

	Application
BNP Paribas	Signing credit agreements
Vienna Life	Signing life insurance contracts
Rossmann	Signing orders with customers and internal document circulation
Credit Agricole	Support for remote account opening process
Bank Millenium	Signing HR documents



Autenti has raised additional capital of EUR 8.5 million in a Series B investment round. The existing shareholders were joined by 3TS Capital Partners and Elevator Ventures. The new investors are well-known in the European market. Each of them has experience in investing in, supporting and developing technology companies operating in SaaS (Software as a Service) models having international aspirations. With the support of all the investors and with additional capital, the company aims to position itself as the first-choice e-signature platform in Europe.

Autenti also plans to increase its customer base 7-fold over the next three years. By the end of 2023, Autenti's team will support all European languages on the platform. The company will also expand its partnership network with providers of qualified services and remote identification (KYC) solutions.



Grzegorz Wójcik
CEO & Co-founder, Autenti

Transactions from a legal perspective

Popularity of selected provisions in investment agreement of Polish companies in 3Q22

Use of Convertible Notes



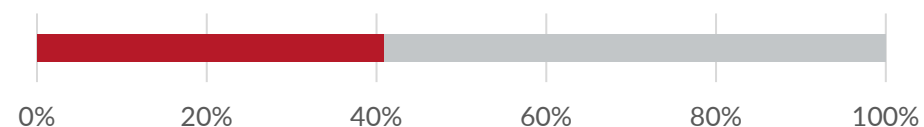
Liquidation Preference clause



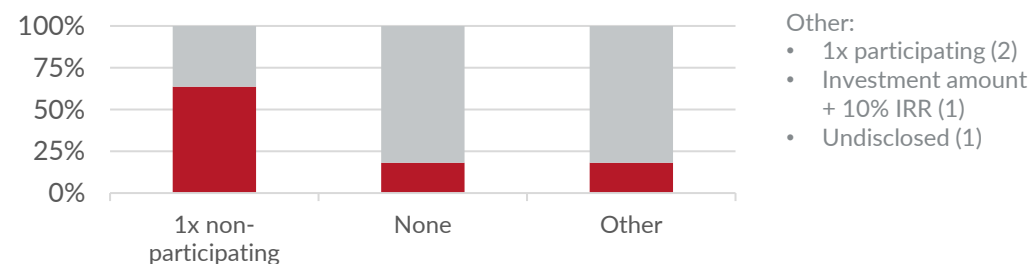
ESOP clause



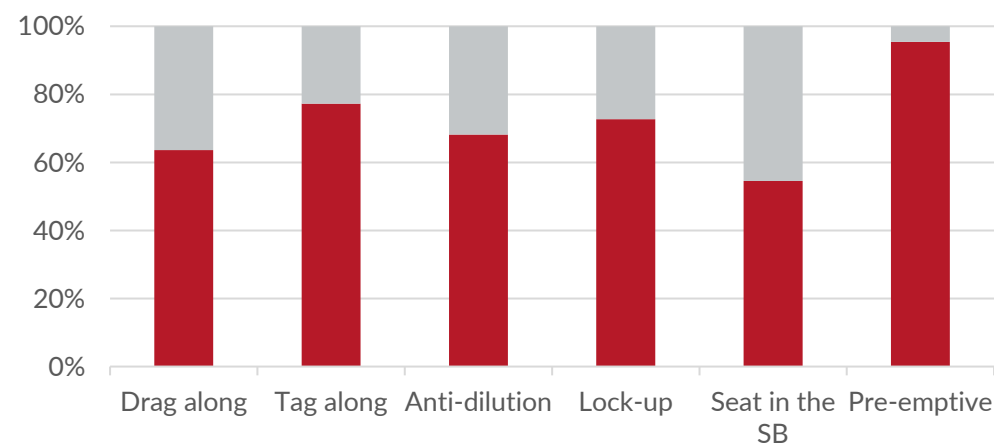
Reverse Vesting clause



Form of the Liquidation Preference clause



Popularity of selected rights



N = 22 transactions; total deal value = EUR 37m; number of investors = 48; Seed/Pre-seed transactions = 19

Sources of data on contract terms:



Inovo VC CEE Meter 2022

Roadmap for founders looking for VC funding

	PRE-SEED		SEED		SERIES A		SERIES B	
	BASE	TOP	BASE	TOP	BASE	TOP	BASE	TOP
Round Size [€m]	0.5	2	2	4	4	10	15	40
Valuation [€m] <small>[post-money, FD]</small>	2	8	8	20	20	50	75	200
Market size [€b] <small>[revenue potential]</small>	1+	10+	1+	10+	1+	10+	1+	10+
Earnings <small>[high margin revenue]</small>		some validation	€5k MRR+	€40k MRR+	€1m ARR+	€2m ARR+	€3m ARR+	€10m ARR+
Team <small>[founders + hires]</small>		founding team able to build MVP exceptional CEO or CTO pipeline of good hires	full founding team [CEO/CTO/CPO]	exceptional CEO or CTO exceptional hire [VP/head]	everything from Seed, and:	3 exceptional hires [VP/head]	everything from Series A, and:	international team of A-players
Exponential growth <small>[are you on a path to unicorn?]</small>		thinking big from day 1 thinking global from day 1	on a path to €1m ARR... <small>in general ;)</small> international ambitions	in <12 months initial traction in 2 countries or the US	YoY revenue growth... 2x or more in 2 countries [or the US], and:	5x or more 50%+ revenues from the bigger market	YoY revenue growth... 2x or more present in 2 countries [or the US], and significant chunk of revenues from the bigger market	4x or more
Retention <small>[incl. product]</small>		MVP	MVP	decent product	decent product good retention	great product and roadmap great retention	decent product and roadmap good retention	great product and roadmap great retention
Founders' ownership <small>[pre-round]</small>	80% or more		70% or more		60% or more		40% or more	
Unit Economics <small>[and Capital Efficiency]</small>			early proof that they make sense		proven and must make sense		proven and must make sense	



PLN 4bn by the year-end?

 PFR Ventures

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 MAMSTARTUP

During Infoshare, MamStartup editors asked the representatives of the Polish VC ecosystem about its further development in the context of the current economic climate.

COMMENTS BY:

Anna Wolsztajn
Piotr Grabowski
Grzegorz Borowski
Mateusz Bodio

Małgorzata Walczak
Bartosz Majewski
Paweł Maj
Sasha Garcia Gavrylyuk

WATCH THE VIDEO HERE:

mamstartup.pl/raportvc22q3



Exits: Snowflake's acquisition of Applica

Transaction

Fund	Company	Aquiring entity
 cogitocapital	APPLICA	 snowflake

Value of the investment

The value of Cogito Capital Partners' investment was not disclosed.

Return on Investment (Cash-on-Cash)

The CoC ratio for Cogito Capital Partners was **x10.1**.

Applica's activities:

Applica has developed an AI-based text analytics platform using DL/NLP (deep learning / natural language processing) methods to automate business processes in large US and European enterprises that require understanding and extracting information from unstructured documents and making decisions based on that information.

 PFR Ventures

 inovo[™]

Applica is one of the world's most advanced tech companies in the area of using artificial intelligence (AI) for business applications in large enterprises. For this reason, we are excited to see it join Snowflake, one of the most innovative global companies offering a cloud-based data platform. The high value of the solution developed by Applica is further evidenced by the fact that it will be integrated into the Snowflake Data Cloud, allowing Snowflake's 650+ customers, including CapitalOne, PepsiCo and Hewlett-Packard, to extract information from unstructured documents.

Snowflake's acquisition of Applica is the first, and at the same time a truly remarkable exit of our fund from a portfolio company, already after less than 3 years since its inception. At the same time, it is one of the most successful tech company exits on the Polish market in recent years, confirming the world-class expertise of the company's founders and its entire team.



Sylwester Janik

General Partner, Cogito Capital Partners

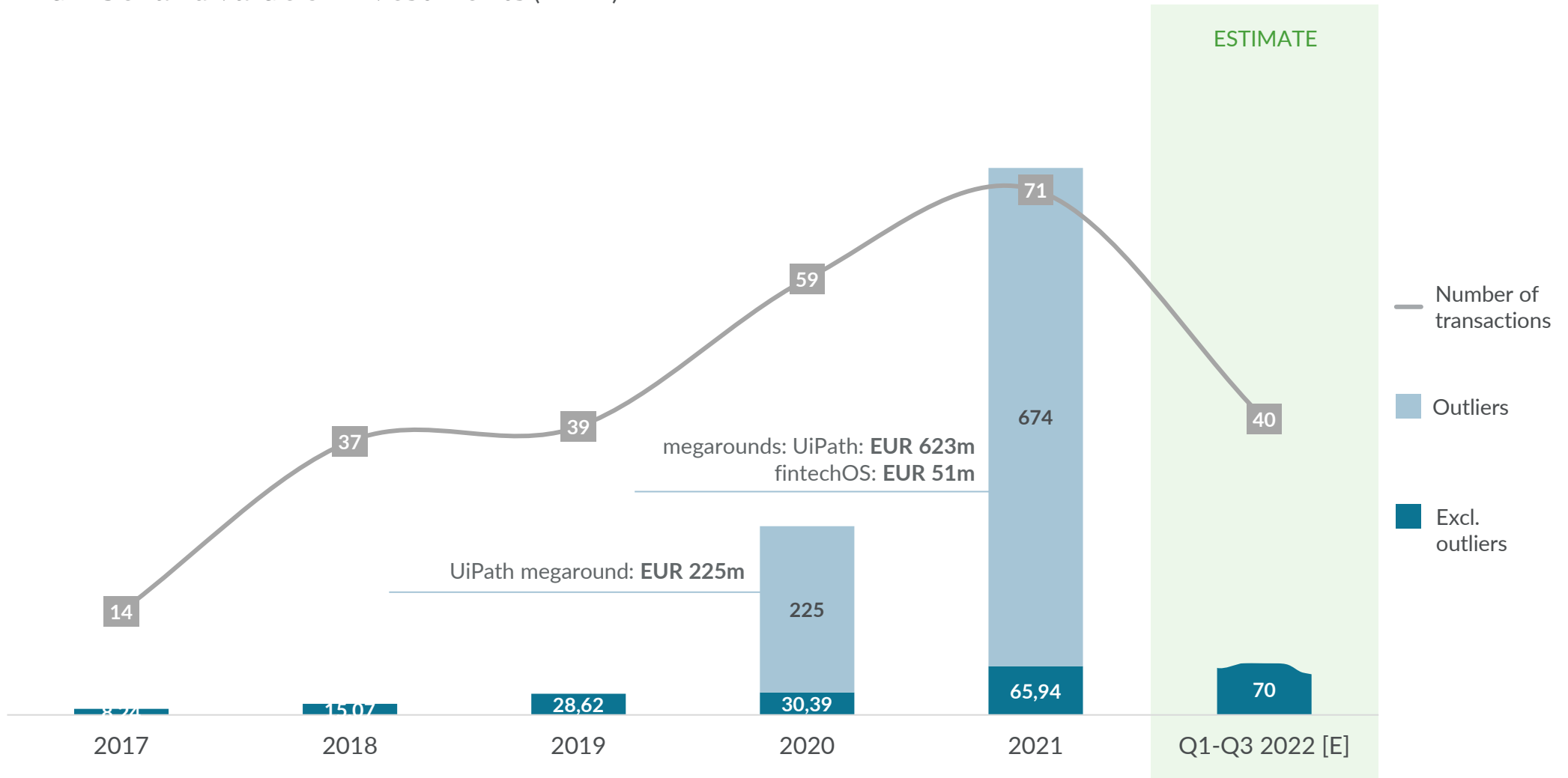
03

CEE: Romania



VC investments in Romania 2019 – 3Q22

Number and value of investments (EUR m)



This section of the report covers the VC ecosystem in Romania. Source: HowToWeb report (2017-2021); PFR Ventures and Inovo estimates based on dealroom data (2021: UiPath round; 2022); data on NYSE-listed UiPath rounds are included, as it is an important company for Romania's ecosystem.

Romania's innovation ecosystem: start-ups

PFR Ventures

inovo^{vc}



Alexandru Agatinei
CEO,
How To Web

How did the VC industry perform in a bumpy 2022 for the global tech scene and for the world in general? For the local VC industry this comes after a year that marked breaking the EUR 100m barrier in the „post-UiPath” era.

The estimated deals volume for Q1-Q3 2022 (north of EUR 70m) shows a slight decrease compared to Q1-Q3 2021. This could be explained by a more cautionary approach of investors with both potential and existing investment, mainly pre-seed and seed. However, in the near future and given the new funds raised by local and international VCs to invest in Romania-born startups, we might see new records. The signs overall indicate a rather encouraging turn that the local venture market could be taking as we get closer to the year-end, with quite some deals still in the making.

As How To Web, We're keeping an eye on the VC industry in Romania and Eastern Europe. With the upcoming Romania Venture Report for 2022 we'll better understand the VC industry in Romania.

We look up with interest at year-end reports like yours for relevant benchmarks and to give context to the local market's dynamics and trends.

Top5 rounds 2017 – 2022



EUR 225m
Series E

2020



EUR 51m
Series B

2021



EUR 14m
Series A

2022



EUR 10m
Seed

2022



EUR 7.2m
Seed

2021



This section of the report covers the VC ecosystem in Romania.
Source: HowToWeb (2019-2021 and dealroom (2022)).

Romania's innovation ecosystem: VC

Selected local, Polish and international funds operating in Romania

Local funds	Capitalisation	International funds	HQ	Polish funds	investments
Catalyst	EUR 50m	Credo	Czech Republic	Inovo	2
Gapminder VC	EUR 45m	EarlyBird VC	Germany/Turkey	bValue	1
EarlyGame VC	EUR 28m	Launchub	Bulgaria	OTB Ventures	1
Underline Ventures	EUR 20m	Seedcamp	UK	Smok Ventures	0*



 **Bogdan Iordache**

Managing Partner,
Underline Ventures

Despite a relatively quiet 2022, the Romanian tech scene has been growing significantly in the last two years.

The success of the Bucharest-born UiPath has drawn the attention of many international investors. At the same time, the COVID pandemic has given rise to multiple remote-first startups, where Romanian founders are joined by US / UK co-founders and start global-first endeavors. Last but not least, a significant equity program by EIF will refresh the early-stage capital available via the venture funds active on the local market.

And after an exuberant 2022, with many seed deals, we expect that the near future will bring some outstanding winners - and probably a bit of drama.



This section of the report covers the VC ecosystem in Romania.

Source: dealroom

*the fund plans investments in this market.

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

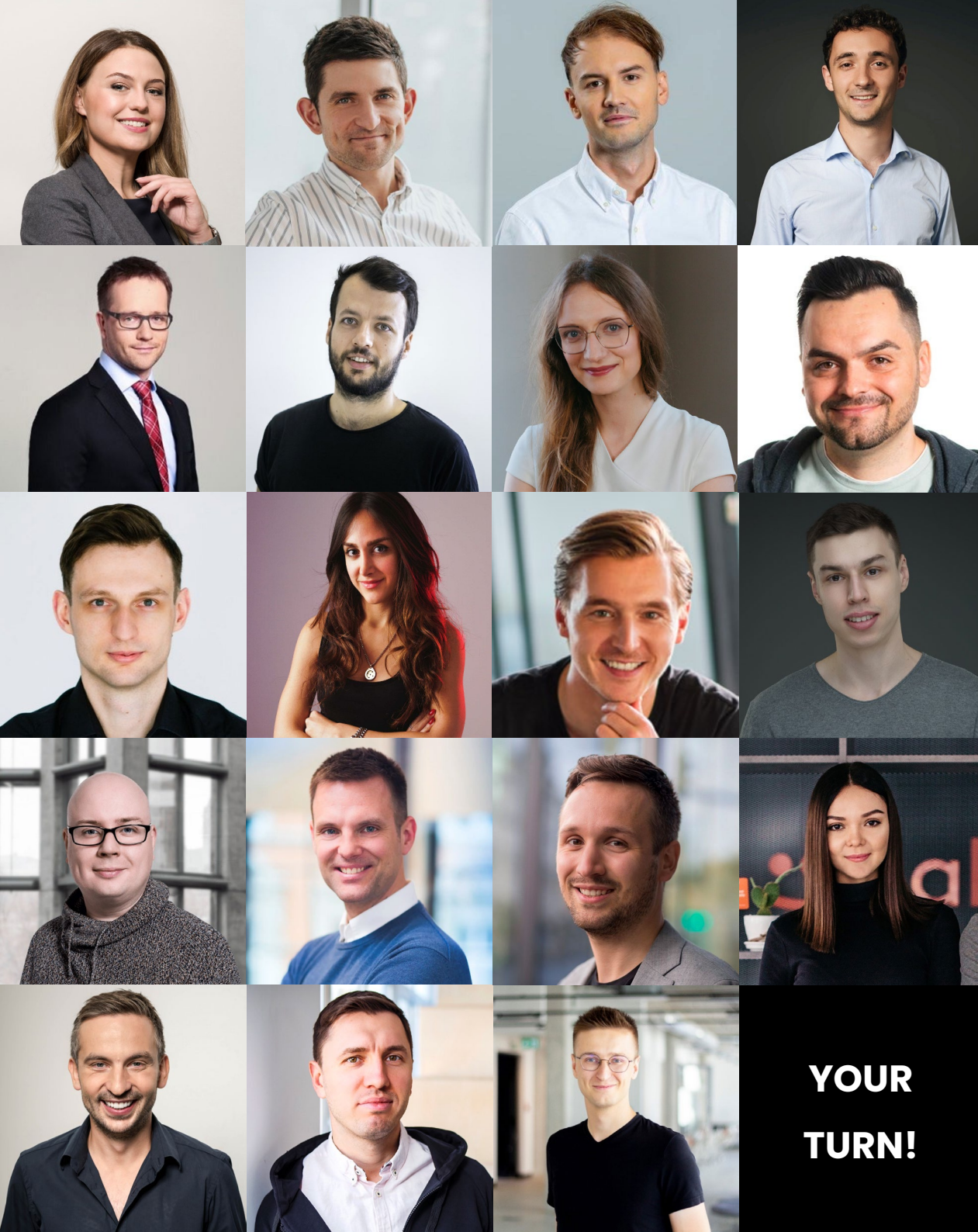
The data used for this study comes from internal reports of PFR Ventures, Bank Gospodarstwa Krajowego (BGK), National Centre for Research and Development (NCBR) and Inovo Venture Partners. Some of the information was obtained from Invest Europe research as well as media reports and publicly available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

kontakt@pfrventures.pl | 800 800 120



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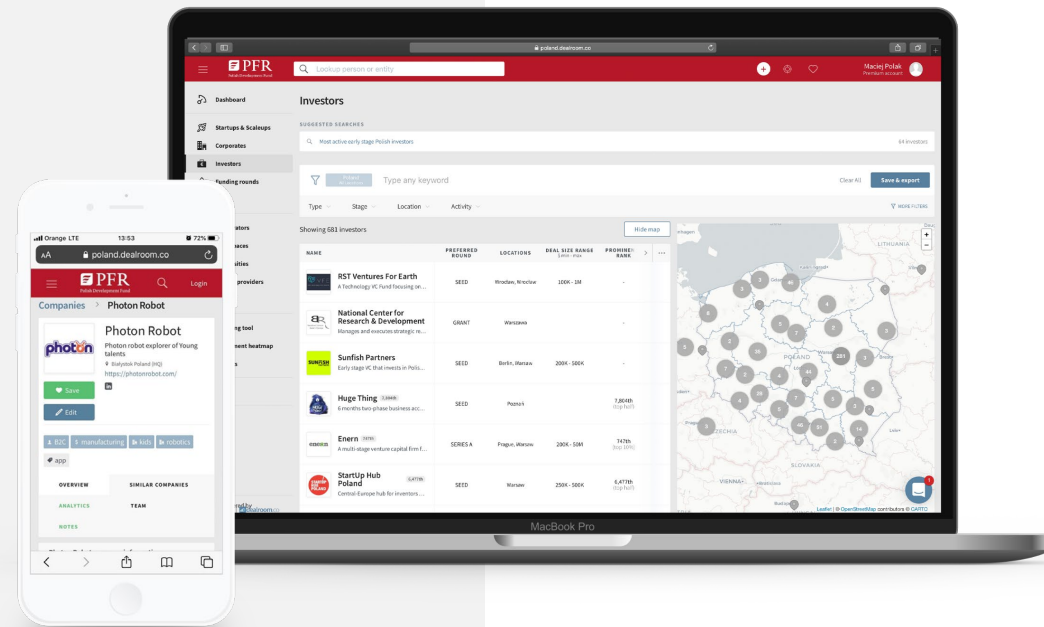
Together with dealroom.co we have prepared a map of the Polish innovation ecosystem. We encourage all funds and start-ups to become part of it.

Here you can add information on your organisation:

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