

 PFR Ventures

inovo^{vc}

Polish VC Market Outlook 2Q24













Fundusze Europejskie
dla Nowoczesnej Gospodarki

Dofinansowane przez
Unię Europejską



Authors

Analytics Team

-  **Radosław Kuchar**
Investment Manager, PFR Ventures
-  **Piotr Marszałek**
Investment Associate, PFR Ventures
-  **Martyna Zwierzchowska**
Analyst, PFR Ventures
-  **Dmytro Golournyi**
Investment Associate, PFR Ventures
-  **Łukasz Kajdas**
Investment Manager, PFR Ventures
-  **Karol Lasota**
Principal, Inovo.vc
-  **Łukasz Nikitiuk**
Operations Specialist, Commercialization Department, NCBR
-  **Katarzyna Syta**
Operations Specialist, Commercialization Department, NCBR
-  **Bogusław Taźbirek**
Operations Specialist, Commercialization Department, NCBR
-  **Artem Orlov**
Capital Markets Expert, BGK

About the Authors

PFR Ventures

PFR Ventures manages funds of funds, which, in collaboration with private investors, business angels, and corporations, invest in Venture Capital and Private Equity funds. The primary goal of PFR Ventures is to use this capital to bolster Polish innovative companies at different stages of development. Presently, PFR Ventures manages a portfolio of over 80 funds that have collectively made over 900 investments.

inovo^{vc}

Inovo.vc is a venture capital fund dedicated to supporting the most ambitious entrepreneurs from Poland and the CEE region. We invest in early-stage startups, providing funding of up to EUR 4 million to help them establish global brands. Over the past decade, we have backed over 80 entrepreneurs from 35 startups, including Booksy, Infermedica, Spacelift, Tidio, and Zowie. Additionally, we have co-invested with leading global VC funds such as Insight Partners, a16z, Gradient Ventures, and Tiger Global, among others. With our three funds, Inovo.vc will oversee more than EUR 160 million in capital.

Local data sources:



2Q24 highlights

> **38**

companies received funding

> **208**

EUR m invested

> **47**

funds involved

> **12 Series A+ = 80%
of investment value**

(number and value of transactions excl. outliers)

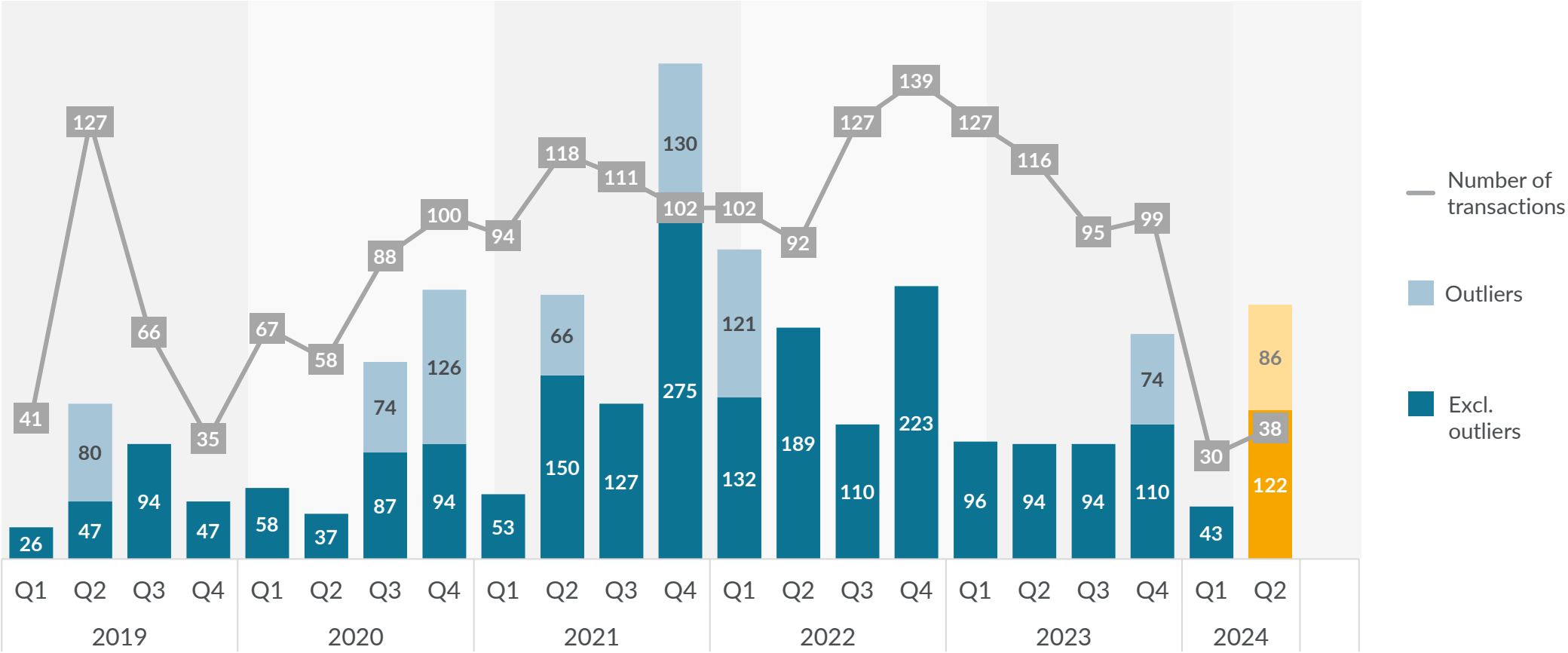
Section 1

Market Outlook



VC investments in Poland 2019 – 2Q24

Quarterly, value and number of transactions (EUR m)



Authors' comments



Aleksander Mokrzycki
Vice-President of the Board,
PFR Ventures

The increase in the number of Series A+ transactions has significantly boosted the Polish VC market's performance in the second quarter of 2024. However, it's worth noting that the overall number of deals remains relatively low, indicating that the market is underfunded and only a narrow group of players have raised rounds.

We are working to launch FENG programmes that will significantly impact the condition of the local market. So far, we have received 75 offers from management teams and have referred half of them for in-depth analysis. We will soon publish the results of the first calls and provide information on signed contracts.

I am optimistic about the increased investment activity of Polish business angels and the fact that our innovators continue to successfully attract international capital.



Karol Lasota
Principal, Inovo.vc

We are on track to reach financing values of EUR 0.5-0.7 billion throughout 2024. This quarter, aside from the outlier in the form of the ICEYE round, brought many interesting deals. Zeta Labs, which received investment from Nat Friedman (former CEO of GitHub) among others, and Proofs, co-founded by Bartek Pucek—a leading Polish business angel supported by many prominent investors—deserve special mention.

Such deals are the best indicators for the upcoming quarters. In the current world driven by the AI revolution, we are able to do more, better, and faster. These principles also apply to startups. If you manage to build something that starts to achieve product-market fit and traction, then investors are eager to quickly invest tens or even hundreds of millions. This is because these companies could potentially dominate the market and generate hundreds of millions or even billions of dollars in revenue.

Komentarze autorów



**Prof. Jerzy Małachowski, PhD,
Eng.**
Director of the National Centre
for Research and Development

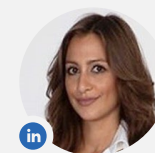
Bridge Alpha's completion of its investment phase significantly contributed to the observed decline in the number of VC transactions in 2024. It also played a role in achieving the highest quarterly transaction values since measurements began. With BA financing concluded, funds are now focusing on the exit phase. Companies undergoing this process include Bioceltix, Noctiluca, SDS Optic, and Plot Twist, among others, which are listed on the WSE. We anticipate that more companies will gradually enhance the capitalization of the Polish stock exchange.

Preparations are currently underway to launch the Bridge Up program, the successor to Bridge Alpha. This new program will once again offer support to founders without a financial background. Restoring continuity in the financing of Polish companies at the Seed stage is expected to improve market valuations and increase the likelihood of innovative projects by Polish researchers.



Paweł Chorąży
Managing Director of the
European Funds Division, BGK

In the second quarter of 2024, there was an increase in the volume of transactions in the Polish venture capital (VC) market compared to both the first quarter of this year and the same period last year. This growth in transactions, both in terms of value and numbers, was driven by private equity players. The low involvement of public-private capital investors is mainly due to the conclusion of the disbursement of funds from the Smart Growth OP and Regional OPs, which had previously accounted for most transactions in the Polish VC market in recent years. We anticipate that the situation will improve in the second half of 2024, with the launch of new funds from the European Funds for Modern Economy program, under which the evaluation of bids submitted by management teams is currently underway.

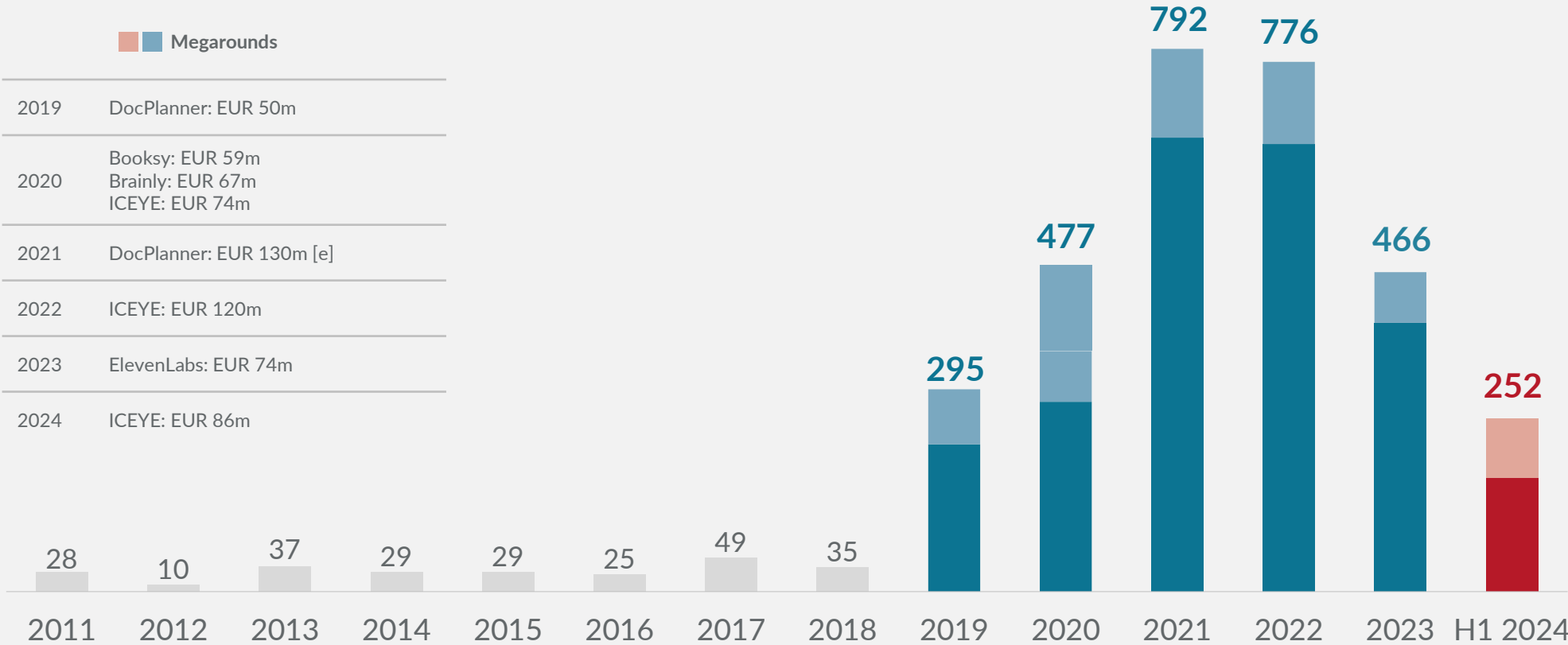


Luiza Nowacka
Investment Manager,
Vinci

In Q2 2024, the value of transactions in the Polish VC market reached EUR 208 million, marking the highest figure since late 2022. Despite this substantial amount, the number of deals was relatively low—just 38, showing only a modest increase from Q1 2024. Series A+ investment rounds were the most prevalent, accounting for 80% of the deals, with the notable ICEYE investment of EUR 86 million leading the way. Vinci's investment in Quantum Innovations, totaling EUR 9.5 million, was also significant. The largest investments were concentrated in space technology, MedTech, and HealthTech. However, the market continues to face challenges, particularly with a lack of investment in Seed and pre-Seed rounds, and we are still awaiting the release of funds from the FENG program. AI remains a dominant trend, and there is a growing interest in companies that integrate software and hardware. The increasing involvement of international investors in Polish companies is positively impacting the sector.

VC investments in Poland 2011 – 1H24

Value of investments (EUR m)



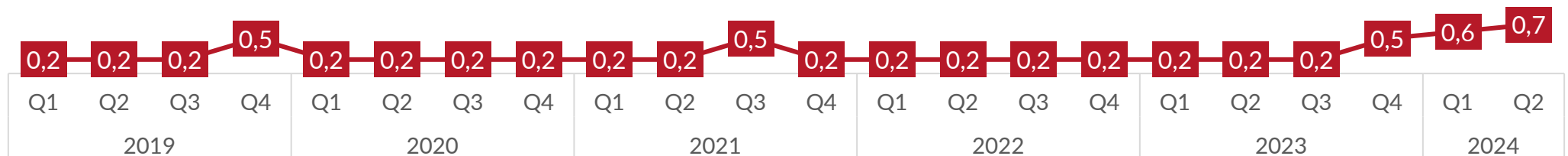
(1) Source of archive data 2011-2018: Invest Europe;
 (2) Megarounds that distort the statistical picture are intentionally presented separately (see: outlier);
 (3) A megaround is considered to be a transaction that exceeds 10% of the value of all investments in a given year.

VC investments in Poland 2019 – 2Q24

Quarterly, average transaction value (EUR m)



Quarterly, median transaction value (EUR m)



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

VC investments in Poland 2019 – 2Q24

Series distribution (quarterly, number of transactions, **least** most rounds of a given type)

	2019				2020				2021				2022				2023				2024	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Seed	38	124	59	32	56	54	79	89	88	104	93	82	86	76	120	123	113	103	78	84	26	25
A	3	2	5	2	10	3	7	6	5	12	15	13	12	10	5	10	8	11	14	13	3	10
B			1	1	1	2	1	2		2	2	5	3	5	2	6	4	2	3	2	2	
C			1				1	2	1					1								1
D/E		1						1				2	1									2



Maciej Małysz

Partner,
Inovo.vc

In Poland, pre-Seed and Seed funding is currently awaiting a new allocation of funds supported by PFR. At present, several Polish and international funds are active, but they primarily target companies with the potential to achieve valuations of \$1 billion or more. Given the difficulty and rarity of such high-potential projects, these investments are inherently riskier. However, when investors identify such companies, it often leads to larger funding rounds. Recent quarters have seen several examples of this in the Polish market, reflected in the increase in average and median transaction sizes.

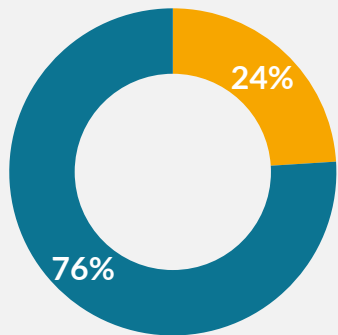
The current situation, characterized by a scarcity of Seed rounds, is expected to persist through the end of the year. It is anticipated that a new wave of publicly-backed funds will emerge starting in 2025, which should bring the market back to the levels seen between 2020 and 2023.

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 Seed category also includes pre-Seed transactions.

Sources of capital

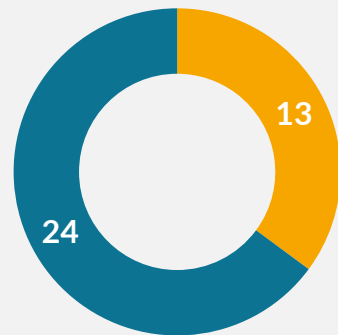
Share of private and public-private funding in 2Q24

Value of transactions



Public-private

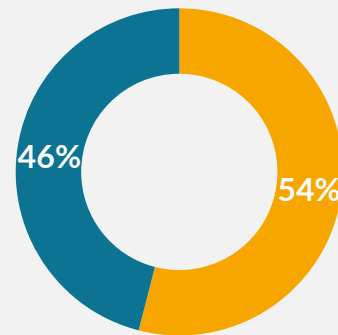
Number of transactions



Private

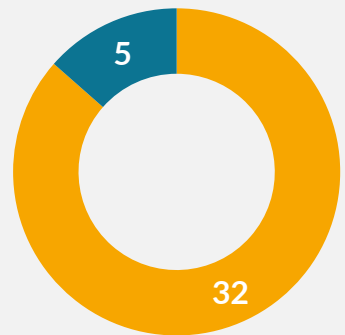
Share of funding from international and Polish funds in 2Q24

Value of transactions



Polish funds

Number of transactions



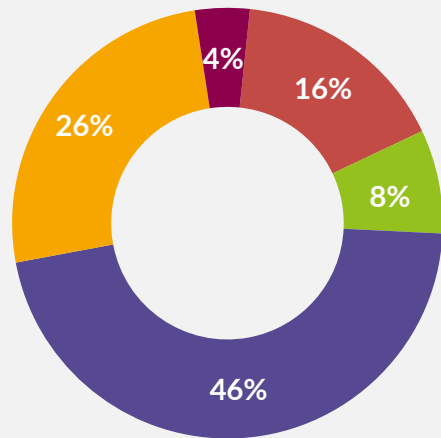
International funds

(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.

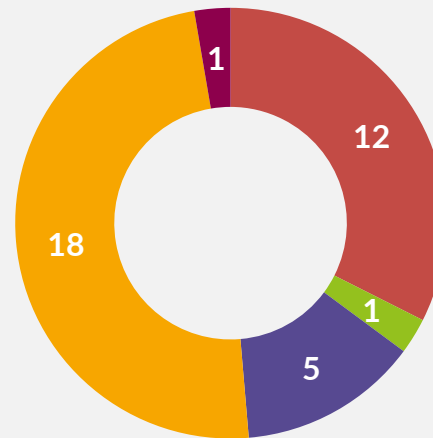
Sources of capital

Public programs and private capital in 2Q24

Value of transactions



Number of transactions



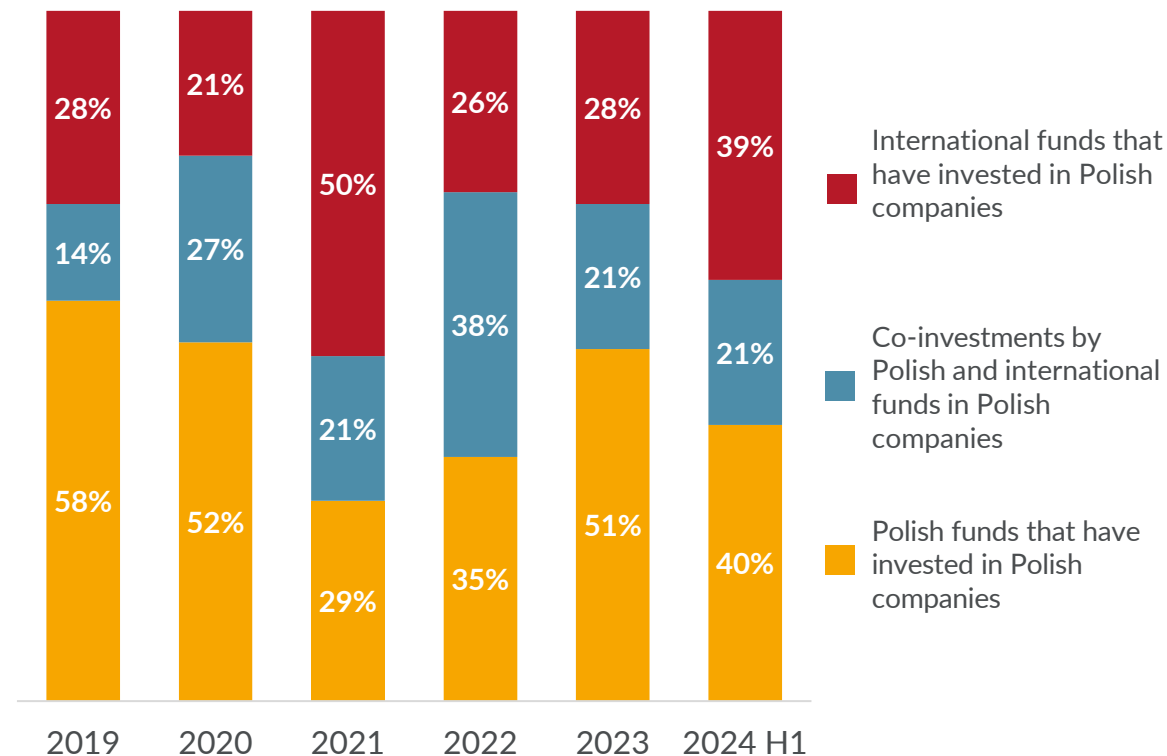
(1) Individual transactions have been allocated on account of the predominant share of private or public-private capital involved;

(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).

Investments and co-investments 2019 – 1H24

Share in the total transaction value



In the first half of 2024, co-investment activity by both Polish and international funds has been notably low. This trend is largely attributed to the end of the investment horizon for many Polish funds.

Over the past six months, nearly 20 Series A+ rounds have been recorded compared to just 50 Seed deals. This disparity is reflected in the statistics, which show a high proportion of capital from international funds, as they typically invest at the later stages of Polish start-ups' development.

Additionally, Polish angel investors have been active across various types of transactions, including local co-investments, international deals, and rounds where they are the sole investors.

The above summary does not include outliers. We also included angel investor co-investments alongside fund investments in the above statistics.



Martyna Zwierzchowska
Analyst, PFR Ventures

Major transactions in 2Q24

Rounds by investment thresholds

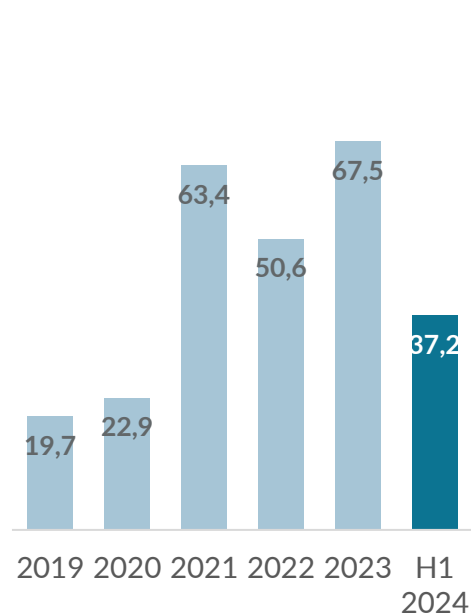
	Investors	Company		Funding	Round*
outlier	Solidium Oy, Move Capital, Blackwells Capital, angel investors	ICEYE		EUR 86m	D
EUR 10-50m	Goldman Sachs	Kontakt.io		EUR 44m	C
	Benefit Systems	SmartLunch		EUR 14m	A
	<i>undisclosed</i>	<i>undisclosed</i>		EUR 10-15m	D
EUR 2,5-10m	Vinci (BGK)	Quantum Innovations		EUR 9,5m	A
	Angel investor	CampusAI		EUR 9,3m	A
	<i>undisclosed</i>	<i>undisclosed</i>		EUR 5-10m	Seed
	Orlen VC, Torus VC	Euroloop		EUR 5m	A
	<i>undisclosed</i>	<i>undisclosed</i>		EUR 2-5m	Seed
	Kaya VC, Earlybird VC, angel investors	Zeta Labs		EUR 2,5m	Seed
	Earlybird VC, RTP Global, Expeditions Fund, Step Function Ventures	Proofs.io		EUR 2,4m	Seed

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

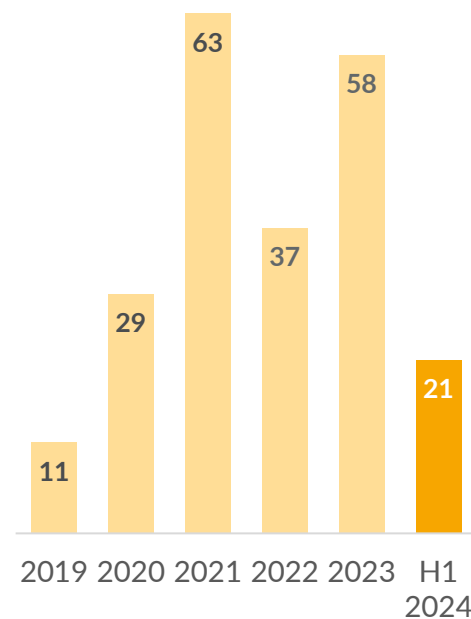
Activity of Polish funds 2019 – 1H24

Investments of Polish funds in foreign companies

Value of transactions EUR m



Number of transactions



In the first half of 2024, Polish VC funds exhibited moderate investment activity in foreign markets, with a total of 21 investments valued at EUR 37,2. The number of transactions in Q2 (11) was similar to Q1 (10), but the investment value in Q2 increased by over 40%, reaching EUR 21,3 million.

The total investment value for the first half of the year matches that of H1 2023. However, the gradual increase in the average investment size each quarter suggests that the full year's results are likely to surpass those of 2023. The observed upward trend during this period indicates a continuation of this positive trajectory.

These figures are not included in the statistics on the Polish VC market on pp. 1-16.



Dmytro Golournyi

Investment Associate, PFR Ventures

Section 2

Case studies

The background of the slide features a faint, light-colored candlestick chart. The chart shows several candlesticks of varying heights and widths, with some having horizontal lines through them. A dashed line is drawn across the chart, following the general upward trend of the price movement from left to right. The overall aesthetic is clean and professional, with a focus on financial data visualization.

AI components in 1H24

AI in the numer of transactions

■ Significantly leveraging AI ■ No significant AI components



Value of investments in AI (EUR m)

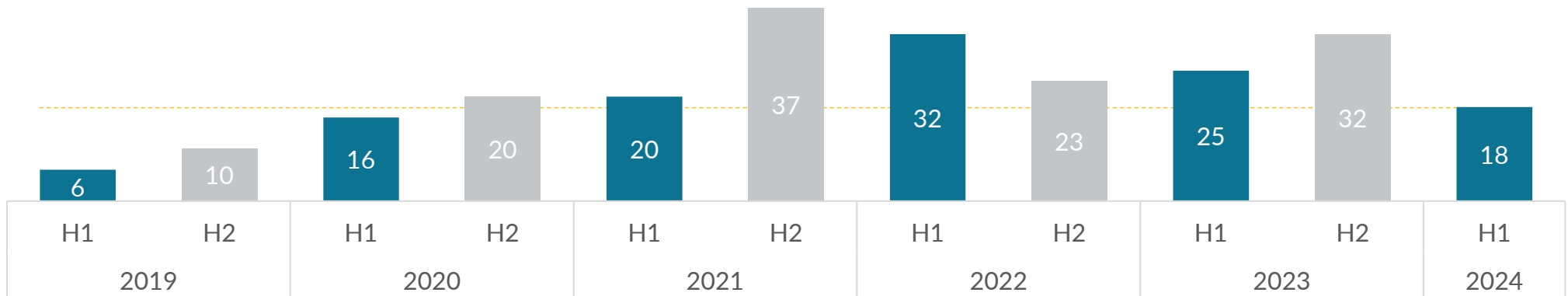


Piotr Mieczkowski
Managing Director
of Digital Poland
Foundation

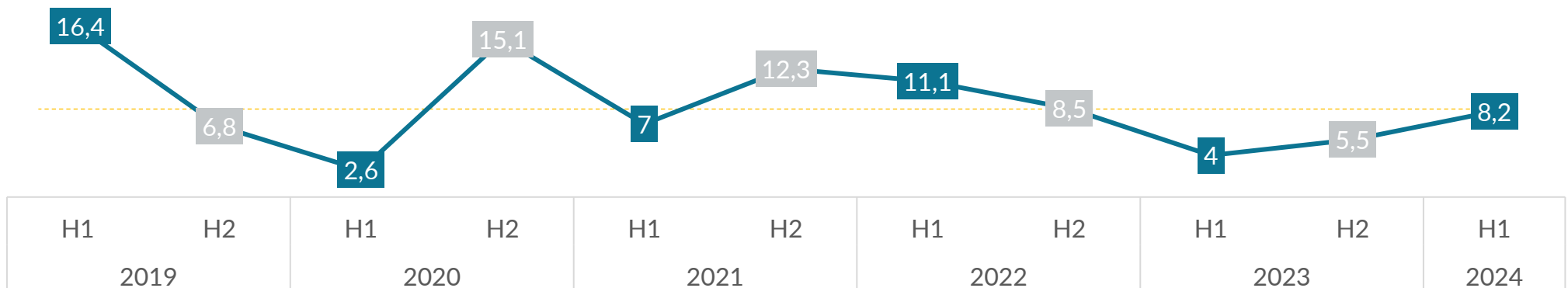
It is evident from the concluded deals that investors in Poland are still hesitant to invest in deeptech and advanced technologies like AI. This reluctance is a broader issue stemming from various local factors, such as a lack of knowledge among entrepreneurs and investors about technologies like AI, a limited local customer base (thus a lower demand side), and insufficient data for, e.g., training AI models. Additionally, the low level of networking makes it challenging for domestic companies to find customers outside of Poland, complicating the commercialization of scientific discoveries. However, the data shows some encouraging signs, with investments in companies that significantly leverage AI. This trend could help these companies increase efficiency or better personalize their products, making them more appealing to customers in Poland and the broader region.

Series A+ rounds in the Polish VC market

Number of Series A+ rounds



Average value of Series A+ rounds (EUR m)



Series A+ rounds are Series A rounds and higher

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

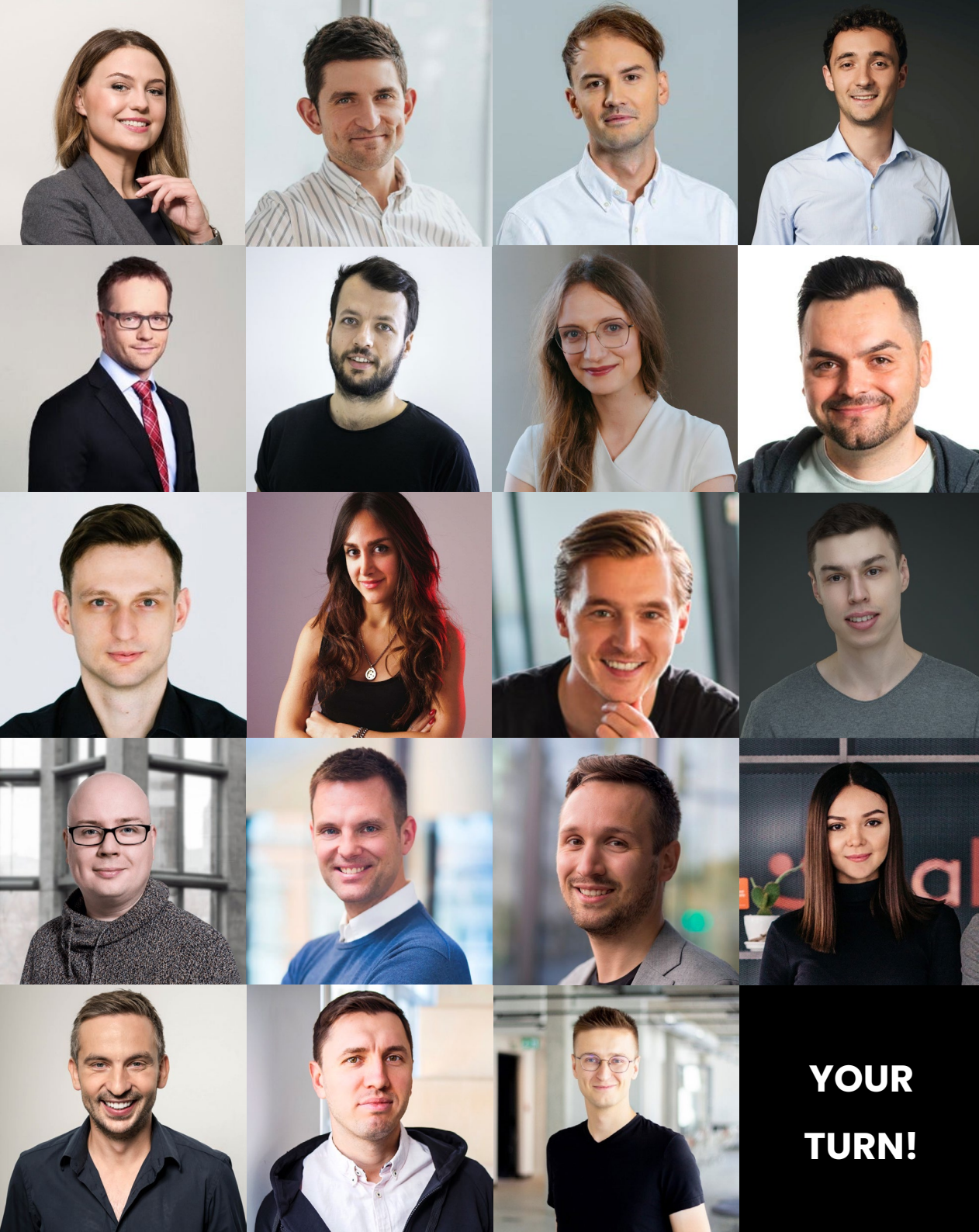
The data used for this study were taken from internal reports of PFR Ventures, Bank Gospodarstwa Krajowego (BGK), National Centre for Research and Development (NCBR) and Inovo.vc. Some of the information was obtained from Invest Europe research as well as media reports and publicly available data.

EUR/USD to PLN exchange rates

We have used a 3-month average rate for most statistics. The exceptions are the pages dedicated to the most notable transactions, where we have presented the amounts as reported in the media.

More info:

kontakt@pfrventures.pl | 800 800 120




inovo^{vc}

Stay ambitious,
we have your back

If you are looking to build something great and want to join the community of the best founders in Poland – let us know!

Find us here:

 inovo.vc/team

**YOUR
TURN!**



Polish Innovation Ecosystem

PFR Ventures

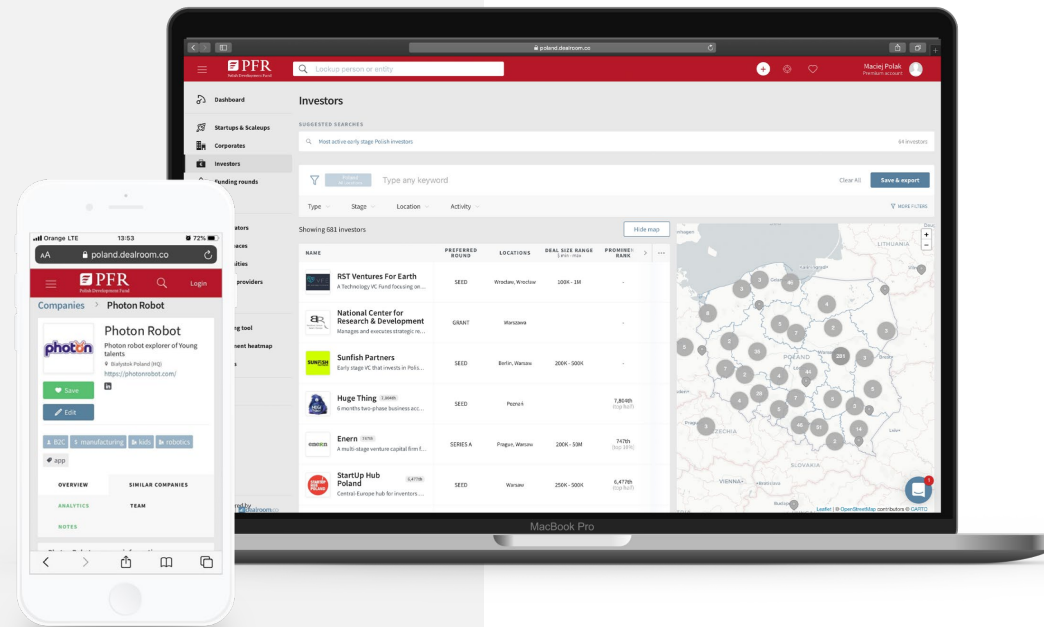
inovo^{vc}



Together with Dealroom.co we have prepared a map of the Polish innovation ecosystem. We encourage all funds and startups to become part of it.

Here you can add information on your organisation:

 startup.pfr.pl/ekosystem-innowacji



+3,000

startups

+100

VC funds



dealroom.co



startup.pfr.pl

