
VENTURE CAPITAL DEALS REPORT CZECH REPUBLIC



2022 ANNUAL



MAVERICKS

CONTENTS & INTRODUCTION

CONTENTS

- Contents & Introduction 2**
- Czech VC Market Overview 3**
- How local VCs and Founders view Czech market – Testimonials 4**
- Seed and Pre-seed Deals Overview 9**
- Deal Terms – Equity Financing 10**
- Deal Terms – Table 13**
- Deal Terms – Convertible Debt 14**
- VC market obstacles in the Czech Republic 15**
- Mavericks Venture Capital Team 16**
- About Mavericks 17**

INTRODUCTION

The Czech venture capital market has matured and keeps growing year by year. Despite a very challenging period characterized by high inflation, conflict in Ukraine and soaring energy prices, it seems that 2022 was another record-breaking year for investments into technology companies in the Czech Republic both in the number of investments made and the total amount of money invested.

For the third year in a row, we've taken it upon ourselves to provide a qualified overview of this year's investments into Czech startups, with the main focus on pre-seed and seed investment rounds. Mavericks represented both startups and investors in more than 45 VC transactions over the last 12 months and collaborated with several local investment funds as well as individual angel investors.

Our market position gives us a unique insight into the local venture capital ecosystem, valuations, and frequently used deal terms. Since such relevant data is hard to come by, we hope that founders will find this report useful for their fundraising

efforts and local as well as foreign investors for their decision making and strategy planning. May the startups and investors thrive!

**Any questions?
Need more data?
Contact us:**
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CZECH VC MARKET OVERVIEW

Despite the macroeconomic challenges 2022 has brought, the local tech scene saw the most money invested into startups and the highest number of transactions closed in a single year in the history of the Czech Republic. We estimate that around 200 investments have been made in the Czech Republic in 2022, with the following breakdown by financing stages: (i) pre-seed and seed: 120-160 deals, (ii) series A: 14+ deals and (iii) series B or later stages: 11+ deals.

Right from the start of the year, the headlines were filled with Productboard, which became the second Czech unicorn after Rohlík due to a new \$125mil investment on a \$1.725bn valuation. Rohlík then bagged another €220mil investment to reclaim its spot as the most valuable Czech startup.

A number of other major players subsequently claimed the floor. Cera has received an investment of \$150mil from US based fund Kairos HQ at a valuation of almost \$1bn, Attacama managed to raise an incredible \$150mil Series A, the ever-growing Dodo has raised €60mil from well-known Czech investors Daniel Křetínský, Patrik Tkáč and Jakub Havrlant, investors sent \$17mil to rising star Better Stack, fintech 4trans raised \$17mil from a group of international investors proving that it is another promising Czech-based startup. But as the year neared its end, some of the effects of the

struggling economy started to show – some of the later-stage startups had to reduce their headcount and some of the larger investment rounds were postponed or reduced as Investors started to become more careful. However, this was not the norm, as evidenced by the huge \$185mil investment in Mews in December 2022, bringing the startup one step closer to becoming the next Czech unicorn.

According to our data, early-stage investments were hardly affected at all. For the last couple of months, our law firm was fully occupied with a large number of mainly seed and pre-seed investments. The focus on early-stage startups was also underlined by the creation of CZECH FOUNDERS VC, a new founders-oriented fund based in Prague with capitalization of €10mil, and DEPO VENTURES' new angel fund with target capitalization of €20mil. As the local scene produces more and more successful startups, the angel investor scene is now starting to pick up and we expect it to have a positive impact on the Czech startup ecosystem in the years to come.

Given the successful closures of the follow-on funds by Presto Ventures (Presto II), Credo Ventures (Credo IV), J&T Ventures (JTV II) and a number of new funds, it seems that there will be no shortage of funds on the Czech market in the years to come.



HOW LOCAL VCS AND FOUNDERS VIEW THE CZECH MARKET – TESTIMONIALS



Roman Nováček

Partner
Presto Ventures

In terms of VC funding in the region, 2022 started quite strong but both VC activity and startup valuations declined throughout the year, essentially mirroring the performance of technology companies in the stock market. That said, these cooling market conditions present a solid opportunity for the Czech startups to take advantage of their lower cost structure – and thus better unit economics – to survive the downturn more easily and emerge in a good shape on the other side. Also, compared to various Western regions, the Czech startup scene has a higher early-stage to late-stage startups ratio, which is reflected in its better relative performance. It will continue to perform well in the following years.

The money is no longer free and will become increasingly expensive to obtain. The investors will no longer value growth at any cost, they will want to see a healthy unit economy, or at least a path to get there. More challenging macroeconomic conditions will also breed the next generation of founders who will be more resilient and determined to build global technology companies. We believe many entrepreneurs will take advantage of the opportunities that 2023 will offer, such as better access to talent. In the past three years, VC funds have raised record amounts of capital from investors, which they are expected to allocate in the coming years. Many have already allocated a large portion of the fund, but a large number of investors, including us, are still loaded up for the coming years. We look forward to supporting the next generation of entrepreneurs, as it is often during a crisis that the most successful projects are created.



Tomáš Obrtáč

General Partner
KAYA VC

HOW LOCAL VCS AND FOUNDERS VIEW THE CZECH MARKET – TESTIMONIALS

2022 was a very turbulent year. After the end of the pandemic came war, inflation and the energy crisis. After years of growth and optimism came a cooldown. We are sure that for many founders and heads of young companies, who have not yet experienced the crisis in real terms, it was the most difficult year yet from a business perspective. It is therefore not surprising that investors have become much more cautious. This does not mean that investments have stopped completely, but there has been much less of it, and when we look at the deals that have been made, it is obvious that investments that were already in motion before the crisis have often been caught up.



Michal Menšík
Founder and CEO
DoDo

Even so, the Czech startup scene has had a number of strong moments. Productboard's entry among the unicorns was a great success, more than five billion was raised by Tom Čupr's Rohlík for its expansion, and other billion investments were made by companies such as Ataccama, Mews or us at DODO. Judging by the interest of investors, the Czech market has a lot to offer. However, gaining the trust of investors is certainly harder than before and funders have to come to terms with the new demands placed on them. After years when the main metric of success was revenue growth, there has been a sobering change and an emphasis on capital efficiency, sustainability and the ability not only to ride the wave of growth, but also to overcome crises, manage responsibly and be able to assert themselves in a market environment full of pitfalls, fears and uncertainties.



Michal Cifra
Partner,
DEPO Ventures

Although the "bad mood" has been shaping the startup ecosystem in its later stages since the middle of last year, it has not fully penetrated the early startups. We expect a slowdown in the first half of this year. In terms of quantity and quality of projects, I rate last year positively. In total, we invested in 14 projects and made seven investment syndicates.

HOW LOCAL VCS AND FOUNDERS VIEW THE CZECH MARKET – TESTIMONIALS



Dušan Duffek
Managing Partner
Zero One
Hundred Fund

It has been an interesting year from several perspectives. On the one hand, we have seen one of the most dynamic years in VC in general, where within a few months many paper-successful startups lost in some cases more than 80% of their valuation, on the other hand, many founders quickly realized that in order to survive, they need to re-evaluate their costs, the way they planned to grow and make a financial plan to extend their runway to the greatest extent possible. In 2023, I expect to see an even bigger revaluation and the collapse of companies that do not create enough added value or cannot adapt their finances sufficiently to the new reality in which they find themselves.

For Woltair, 2022 was an absolutely groundbreaking year in terms of business and fundraising. For the third year in a row, we managed to maintain a year-on-year growth in contract value of four times and approached the magical EUR 40 million mark. Revenues managed to increase at the same rate, and if it had not been for very significant disruptions in technology deliveries, growth would have been even higher. The market situation was very favourable for our flagship products, heat pumps and photovoltaics. Interest in efficient sources of heating and green energy production in homes was continuously boosted by rising energy prices, uncertain gas supplies and very interesting government subsidies.

In addition, in the summer we were able to close another investment round "Series A International" and raise capital for overseas expansion and the continued development of our handyman app Superfix. We are very pleased to have attracted the attention of experienced overseas cleantech funds ArcTern and Westly, who will actively help us to further increase our visibility on the global startup map and sustain our growth.



Daniel Helcl
CEO
Woltair

HOW LOCAL VCS AND FOUNDERS VIEW THE CZECH MARKET – TESTIMONIALS



Václav Pavlečka
CEO
Czech Founders VC

The '22 was one bumpy road and I assume we won't be impoverished by a less adventurous year in '23. The obvious thing is that founders won't find that much understanding for any orange flags they or their company raise when speaking to VC teams trying to get funded. Bad cap table? Co-founders issues? KPIs not met? You might run into some serious troubles with raising the new round, since some investors are less willing to listen to reasoning. The days of "founders market" are over. Longer runways, deflated valuations, down rounds, all this is quite expectable and is the part of the healing process.

The paradox of the economic downturn lies in the opportunity for all the early stage investors - now it's the right time to put your money to work and support young scalable tech companies with global ambitions. When investing in pre-seed startups during bear market periods, you can anticipate your return in the brighter bullish days, efficiently pushing your return of investment higher, since from pre-seed to B or C round, some 5-8 years will pass, allowing for the ecosystem to heal. Not mentioning the fact that the data & AI empowered revolution in almost every industry is upon us, new ways of treatments are propelled by progressive tech companies and in general many pains and problems will be relieved by technology. That's why I remain pretty optimistic about the future in the long run and that's why I take 2023 as a challenge that filters the good from the bad (or ugly?).

HOW LOCAL VCS AND FOUNDERS VIEW THE CZECH MARKET – TESTIMONIALS

2022 was characterized by a dramatic rise of interest rates across a wide range of markets, including Europe and the US. Restrictive monetary policy has had a major impact on both the stock markets, as well as private equity, venture capital included.

VC's attractiveness as an asset class has relatively diminished, which was reflected in the rationalization of inflated expectations of investors. Well performing start-ups with a strong traction and high potential have continued to attract funding, however. We know this first-hand, as 4Trans was able to raise one of the biggest rounds in the Czech Republic (18 million EUR), despite gloomy market conditions.

2023 will be characterized by a sustained (or even higher) level of interest rates and an economic recession. This will continue to weigh heavily on stock markets, and the overall pessimism will continue to transpire into private equity and venture capital. The impact will be keenly felt by start-ups raising capital, both in terms of valuations they seek and the overall round sizes.

Nevertheless, we do not expect the markets to halt. We anticipate seeing more rounds to be funded by star-ups' existing investors in order to prolong runway of winners in their portfolios. We also foresee stronger activity in mergers & acquisitions. Start-ups who will be unable to remain 'default alive' and who will be incapable to raise further capital will seek acquirers. Companies with large war chests and profitable businesses (like 4Trans) might go on a buying spree.



Jaroslav Ton
CEO
4Trans Factoring

SEED AND PRE-SEED DEALS OVERVIEW

We have analyzed over 45 pre-seed and seed deals in which Mavericks represented either the company or one or more investors in 2022 and compared the data to previous years. According to publicly available sources and our internal data, there were approximately 120–160 pre-seed and seed transactions in total in the Czech Republic in 2022, and our law firm thus participated in almost 40% of the entire market.

Due to the large number of transactions carried out by our law firm in relation to the overall number of VC transactions realized in the Czech Republic, we believe that this report contains a representative sample and provides relevant data on current trends and the state of the venture capital industry in the Czech Republic.

MEDIAN PRE-MONEY VALUATION

EUR 5.7 MILLION

The median pre-money valuation for pre-seed and seed financings in the Czech Republic (Mavericks deals) increased from EUR 4.8 million in 2021 to **EUR 5.7 million** in 2022. Contrary to our assumptions, the data show that the valuations in pre-seed and seed financing rounds in 2022 have not decreased, but rather increased quite significantly. However, in the first half of the year, the median pre-money valuation was even higher at EUR 6.2 million, followed by a decline to EUR 5.5 million in the second half of the year. If this trend continues, there might be a fall in valuations for pre-seed and seed financings in 2023 compared to 2022. Let's see what the future holds.

MEDIAN DEAL SIZE

EUR 0.75 MILLION

The median amount raised for pre-seed and seed financings in the Czech Republic (Mavericks deals) increased from EUR 0.54 million in 2021 to **EUR 0.75 million** in 2022.

DEAL TERMS – EQUITY FINANCING

The most frequently used terms in VC deals in 2022. The deal terms fall into three primary categories: **people (team)**, **economic**, and **control**. The provisions used in Czech VC deals correspond to the standards of Western Europe and the US and testify to the fact that the local market has come a long way in the last few years.

PEOPLE (TEAM)

FOUNDERS VESTING

A 3- to 4-year reversed vesting schedule for the founders is a market standard for early-stage financing rounds. The vesting schedule is sometimes combined with a lock-up period during which the founders are not entitled to dispose of their shares without the prior consent of the investor.

ESOP

Equity Share Option Plans or schemes aimed to incentivize key employees and other personnel of the company by issuing them shares are typically required by the investors. The average size of the pool for the technology companies is around 9%. Both traditional and virtual option plans can be seen, with a large preponderance of virtual programs due to the disadvantageous taxation of the traditional (real) option schemes.

NON-COMPETE

Non-compete clauses restricting the founders from pursuing competing businesses are frequently seen in Czech VC deals.

ECONOMIC

LIQUIDATION PREFERENCE

A provision containing rules for the priority distribution of proceeds to the investor in pre-determined liquidation events (exits). We have seen a decline in the multiples of the liquidation preferences required by Czech investors in the past few years. The standard is now 1.0 × non-participating liquidation preference, sometimes increased by the cost of money according to the number of years from the investment to the exit.

ANTI-DILUTION

A provision protecting the investor against dilution of the value of its investment in the event of future down-round investment rounds. Frequently used in the Czech Republic, typically as a broad-based weighted-average anti-dilution formula.

PRO-RATA RIGHT

A provision allowing the investor to participate in future investment rounds, typically up to the size of the investor's shareholding interest in the company.

TRANCHES

Although we have recently seen a move away from the application of tranching investments, those are still seen in some of the pre-seed and seed investment rounds in the Czech Republic. The investment is typically divided into 2 to 3 separate payments (tranches) with the investor's right not to provide the tranche in case the milestones are not met by the company.

CONTROL

RESERVED MATTERS

Local investors typically ask for a veto right in respect of certain predetermined decisions of the company's General Meeting and/or the Executive Director (business decisions). The length of the Reserved Matters list depends on the experience of individual investors and their desire to control also (micro-) managerial decisions of the founders.

REPORTING

Monthly reporting in combination with more in-depth quarterly reports on key performance indicators are commonly requested by investors in the Czech Republic.

TAG-ALONG

The tag-along right allowing holders of preferred shares to sell their shares to the same buyer. Frequently used in most of pre-seed and seed deals in the Czech Republic.

DRAG-ALONG

The drag-along right enabling certain shareholders to require the sale of the whole company is frequently used, even in early-stage investment rounds. Approval by the majority of common shares and the majority of preferred shares (investors) is seen on the market. Sometimes, rather strict drag-along rights in the hands of the investors can only be seen.

DEAL TERMS - TABLE

Detailed data on the deal terms are set forth in the table below:

Liquidation Preference	in % of the Deals (2022)
None	19%
1.0 ×	67%
1.5 ×	12%
> 1.5 ×	2%
Participating vs Non-participating	
Non-participating	91%
Participating	9%
Anti-dilution	
None	34%
Broad based WA	62%
Narrow based WA	0%
Broad based WA Ratchet	2%
Full Ratchet	2%
Reserved Matters	
None	7%
GM, not Business decisions	26%
GM and Business decisions	67%
Fouders Vesting or Lock-up	
None	39%
3 years or less	39%
> 3 years	22%
Tranches	
no tranches	61%
2	32%
3	5%
4	2%
ESOP	
10 % or less	73%
> 10 %	27%
Future Rounds	
Pro rata	100%
> Pro rata	0%

DEAL TERMS - CONVERTIBLE DEBT

According to our data, approximately one in three seed and pre-seed transactions in the Czech Republic is in the form of a convertible loan. Convertible loans contain a valuation cap combined with a discount in most of the cases. Interest rates are around 8-10 % p.a. despite the currently very high inflation in the Czech Republic. Some local investors seem to struggle with determining the proper conversion mechanism (pre-money, post-money, dollars-invested), especially upon qualified financing rounds.



VC MARKET OBSTACLES IN THE CZECH REPUBLIC

ESOP

The tax burden on employee shares issued under Employee Stock Option Plans (ESOP) remains one of the biggest obstacles in the Czech startup environment as the acquisition of such shares is subject to employment income tax as well as social security and health insurance contributions. Another tax event occurs upon the sale of such shares by the respective employee to a third party (capital gains tax).

Although the need for legislative change is currently being thoroughly discussed in the professional community and at the government level, the adoption of necessary legislative changes is still pending and uncertain.

MAVERICKS VENTURE CAPITAL TEAM

With ten lawyers focusing exclusively on venture capital transactions, Mavericks has one of the largest and most experienced teams of legal experts in the field of M&A technology transactions in the Czech Republic. The team is led by Tomáš Ditrych and Jaroslav Menčík.

TOMÁŠ DITRYCH



 [LinkedIn Tomáš](#)

Tomáš, the founder of Mavericks, is a leading expert in venture capital transactions in the Czech Republic. With legal degrees from the Czech Republic and the USA (UC Hastings, Thomas Franck Scholar), he has successfully negotiated 150+ venture capital and private equity transactions in the past few years. Tomáš was elected Innovative Lawyer of 2019 for his achievements in the field of law and innovation. He lectures at the School of Law of the Charles University in Prague (class “Startups and Venture Capital investments”), mentors emerging companies in various incubators and accelerators and regularly comments on legal developments in the startup ecosystem to the media.

JAROSLAV MENČÍK

Jaroslav is an enthusiastic advisor to many inspiring entrepreneurs, startups, technology companies, investors and other members of the startup ecosystem. He has a strong background in the Czech and the US legal systems (NYU, Hauser Global Scholar) and a lifelong affection for innovation and technology. Besides VC and M&A transactions, Jaroslav has also gained extensive experience in the areas of intellectual property law, IT law, and gaming. Jaroslav frequently lectures at universities and conferences and acts as a startup mentor.



ABOUT MAVERICKS

LAWYERS FOR THE DIGITAL WORLD AND INDUSTRY 4.0

Mavericks is a technology-driven and technology-oriented law firm based in Prague. We are experts in Technology and IT law, Venture Capital and Private Equity transactions, Intellectual Property law, E-sports and Gaming. We are proud counsels to many amazing tech companies, VC funds, angel investors, incubators, and accelerators. With the help of state-of-the-art technologies, we provide premium legal services with an emphasis on high added value to our clients.

With more than 200 venture capital transactions closed in the past few years, Mavericks is one of the leading Czech law firms in the field of emerging companies and venture capital transactions.

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