
VENTURE CAPITAL DEALS REPORT CZECH REPUBLIC

2021 ANNUAL



Prepared by Mavericks www.mavericks.legal

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INTRODUCTION

The venture capital market in the Czech Republic has been growing year upon year and gaining wider attention from abroad.

We have analyzed dozens of deals in which the Mavericks law firm represented either the company or one or more of the investors in 2021 to bring you this VC deals report with a unique set of data on the current trends and state of the venture capital industry in the Czech Republic. The primary focus of this report is on investments into startups in their early stages – specifically in the pre-seed and seed investment rounds.

We believe that this report may be useful for local startup founders and investors who, due to lack of relevant data, struggle with finding

the right setting of the terms and conditions for their investments.

Let's hope that venture capital investments in startups will continue to grow significantly, thus supporting entrepreneurship, technological talent and innovation around us.

Any questions? Need more data? Contact us:
info@mavericks.legal



Tomáš Ditrych
managing partner
at Mavericks

CZECH VC MARKET OVERVIEW

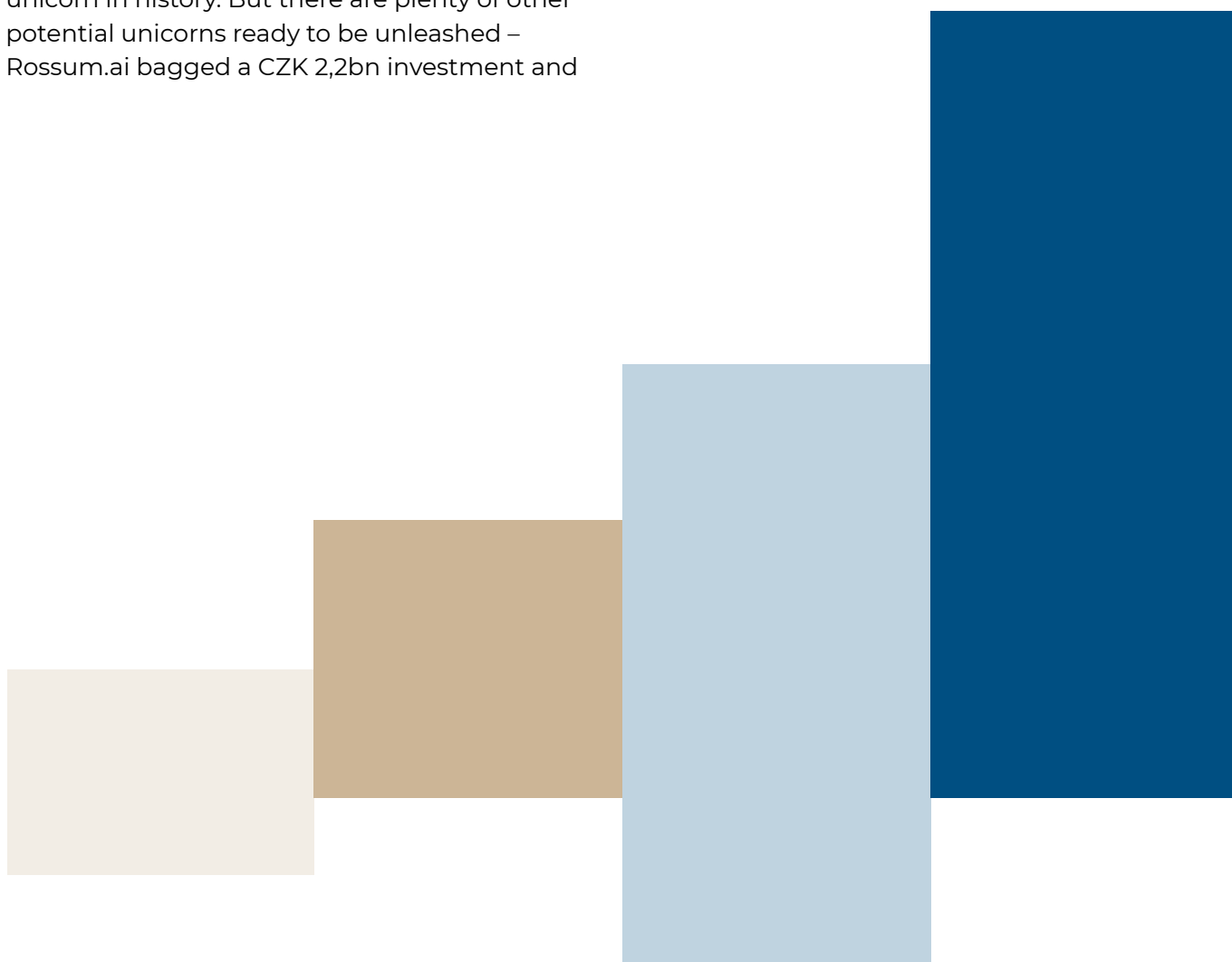
The venture capital market in the Czech Republic has been growing year upon year.

2020 was very strong for the Czech VC market. We have witnessed the creation of new VC funds, some of them focusing on green tech and circular economy, an increased number of pre-seed and seed transactions, and some major exits of startups with Czech origins.

2021 was the strongest in terms of venture capital deals in the Czech Republic so far, despite the ever-present pandemic. We have witnessed several high-profile investments including a CZK 5bn investment into Rohlík.cz, which therefore became the first Czech startup unicorn in history. But there are plenty of other potential unicorns ready to be unleashed – Rossum.ai bagged a CZK 2,2bn investment and

Productboard was boosted by another CZK 1,5bn investment.

However, Czech tech scene doesn't stop with a few galloping unicorns. On the contrary, there is an ever-growing number of emerging projects with smaller pre-seed and seed investments we focus on in this report. We believe that the market still clearly has a lot of potential and opportunities for growth. **Is sky the limit?**

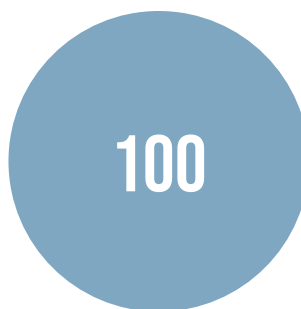


VC DEALS TERMS OVERVIEW

For the purposes of this report, we have analyzed dozens of pre-seed and seed deals in which Mavericks represented either the company or one or more of the investors. Due to the large number of transactions carried out by our law firm in relation to the total number of VC transactions realized in the Czech Republic in 2021, we believe that this report contains a representative sample and provides relevant data on the current trends and state of the venture capital industry in the Czech Republic.

NUMBER OF DEALS

We have analyzed over 100 pre-seed and seed deals in which Mavericks represented either the company or the investor in 2019, 2020 and 2021.



MEDIAN PRE-MONEY VALUATION

The median pre-money valuation for pre-seed and seed financings in the Czech Republic (Mavericks deals) increased from EUR 3.0 million in 2020 to EUR 4.8 million in 2021.

MEDIAN DEAL SIZE

The median amount raised for pre-seed and seed financings in the Czech Republic (Mavericks deals) increased from EUR 0.5 million in 2020 to EUR 0.54 million in 2021.



HOW LOCAL VCs AND FOUNDERS VIEW THE CZECH MARKET – TESTIMONIALS



Ondřej Fryc
Managing Partner
at Reflex Capital

“So far, a common knowledge has it that only one CEE startup has made it to the unicorns - UI Path, originally from Romania. That is, however, grossly understating what a wealth of unicorn startups this region, and Czech Republic specifically, boasts. ProductBoard, Rohlik, Prusa3D from the top of my mind are there already, and I see a bunch of outliers that will make it very, very soon. This perhaps is the most significant difference we see amongst the Czech founders against their peers from the western markets - they do not oversell, they undersell themselves. But boy, they perform.”

“It is a shame that only 5% of all the VC funding into European startups goes to CEE at the moment, despite the region having 27% EU population share. But I am proud of progress that we have seen here in the past 2 years: There have been large investment inflows to VC funds and startups and experienced global investors now also pay more attention to our region. This brings competition among investors, bigger financing rounds and less dilution for founders. I am glad that our ecosystem is maturing that fast and, in the upcoming years, we expect unprecedented successes of local startups in the global market — especially in the B2B software domain.”



Přemysl Rubeš
Managing Partner
at Presto Ventures

HOW LOCAL VCs AND FOUNDERS VIEW THE CZECH MARKET – TESTIMONIALS



Adam Kočík
Managing Partner
at J&T Ventures

“In 2021, CEE and SEE regions have witnessed an unprecedented interest from a global venture capital community and VC funds. Investment round sizes have increased and the Czech Republic ranks among top focus regions for VC investments, proving the maturity of the Czech ecosystem. 2022 should confirm this trend in terms of invested capital and number of international investment rounds. I do also expect some larger exits of Czech startups in the following years. Flawless execution and speed will be crucial for success of Czech startups in 2022 given that everything speeds up in the VC industry – sales, growth or frequency of investment rounds.”

“The Czech startups seem to be untouched by COVID. Last year, the local startup scene saw exceptional results: the online supermarket Rohlik.cz became the first Czech unicorn with a valuation exceeding one billion dollars (roughly 22 billion crowns); the startup Rossum received a huge investment of over two billion crowns; the startup Avocode was sold for hundreds of millions of crowns, and there are many more. While last year wasn't as rich in billion-dollar exits compared to the previous two years, Czech startups thrived last year, according to a quick survey from Czech Founders, a community of founders of Czech companies with global ambitions.”



Vít Horký
Founder at Brand
Embassy and Czech
Founders

HOW LOCAL VCS AND FOUNDERS VIEW THE CZECH MARKET – TESTIMONIALS



Tomáš Obřtáč
Partner at KAYA VC

“2021 showed the world that great companies can be built from anywhere - that includes Czechia and the wider CEE region. It also showed that it does help to be able to tap into a strong community of founders and people that experienced the initial & scaling pains of a startup. I believe Prague and Brno - the main hubs of the tech ecosystem in the Czech Republic have now matured and grown such communities. We at KAYA have seen the Czech startup ecosystem grow for over a decade and are convinced that despite the numerous success stories that already came out of our market, there are many more in the making. I very much look forward to what 2022 will bring.”

“Although we are unfortunately experiencing difficulties due to the covid-19 pandemic, increasing inflation, and unclear image of how the markets will look like in 2022, we have a stronger belief that investments in Tech are the right ones as their adoption is speeding up. The local ecosystem is nicely maturing. Deal sizes and volumes are generally rising, however, we still do not see many players being active in the pre-seed stage. Further, also due to the lack of late-stage domestic capital, Czech/Slovak founders are reliant on international investors when they are scaling up. From our perspective, the biggest challenge for startups based in CZ has been growing internationally.”



Marek Moravec
Managing Director
at Nation 1 VC

HOW LOCAL VCs AND FOUNDERS VIEW THE CZECH MARKET – TESTIMONIALS



Michal Šmida
Founder at Twisto

“2021 was a big year for Czech startups and founders. We have our first unicorn and several others on their way. Investment rounds of €50-100M, typical in the West, were raised by local players. International investors are starting to take serious notice of Czechia and the CEE region. The local VC scene has seen an uplift in AUM (Assets Under Management), with several €100M funds successfully raised and ready to deploy. All of this means that the Czech VC ecosystem can now start supporting Series A+ rounds, not only pre-seed/seed venture rounds. Additionally, the growing founder-led angel network is also bringing us closer to the more mature VC markets of the West.”

DEAL TERMS – EQUITY FINANCING

The VC deal terms summarized below were selected on the basis of the most frequently used terms in the Czech Republic. The deal terms fall into three primary categories: **people (the team), economic, and control**, and are handled more or less in the same way as in other European countries and the USA, with some exceptions described below.

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 10 %. Both traditional and virtual option plans can be seen, with a large preponderance of virtual programs due to disadvantageous taxation of the traditional (real) option schemes.

NON-COMPETE

Non-compete clauses restricting the founders from pursuing competing businesses are frequently seen in VC deals. Some of the local investors seek to define the scope of the non-compete clauses rather broadly.

ECONOMIC

LIQUIDATION PREFERENCE

A provision containing rules for priority distribution of the 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 provision. Full-ratchet and narrow-based anti-dilution provisions are seen occasionally.

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. Some Czech investors ask for the right to subscribe more than just a pro rata part of future investment rounds so as to strengthen their position in the company.

TRANCHES

Although we have recently seen a move away from the application of the 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 the 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 only can be seen.

DEAL TERMS – TABLE

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

Liquidation Preference	in % of the Deals (2021)
None	24 %
1.0 ×	60 %
> 1.0 ×	16 %
Participating vs Non-participating	
Non-participating	96 %
Participating	4 %
Anti-dilution	
None	28 %
Broad based WA	64 %
Narrow based WA	8 %
Full Ratchet	0 %
Reserved Matters	
None	8 %
GM, not Business decisions	16 %
GM and Business decisions	76 %
Fouders Vesting or Lock-up	
None	24 %
3 years or less	64 %
> 3 years	12 %
Tranches	
no tranches	68 %
2	28 %
3	4 %
ESOP	
10 % or less	92 %
> 10 %	8 %
Future Rounds	
Pro rata	84 %
> Pro rata	16 %

MAVERICKS VENTURE CAPITAL TEAM



TOMÁŠ DITRYCH

Tomáš, the founder of Mavericks, is one of the leading experts 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 100+ 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”) and mentors emerging companies in various incubators and accelerators.

 [LinkedIn Tomáš](#)

JAROSLAV MENČÍK

Jaroslav has a strong background in the Czech and the US legal systems and a lifelong affection for innovation and technology. During his career, he has gained extensive experience in the areas of IT and IP law, business transactions, and corporate law. He has a soft spot for the video game and esports industry. Jaroslav studied law at Masaryk University in Brno and in the USA (NYU, Hauser Global Scholar), and economics at the CZU in Prague.



JAN URBAN

Jan started his career as a lawyer in a leading international law firm and later worked as a management consultant in a leading international consulting company. Jan studied finance and law in Prague and at Harvard Law School. He is an attorney in the Czech Republic and the USA (State of New York). Jan has extensive experience in venture capital and private equity transactions. He has also successfully founded and sold several companies himself.

ABOUT MAVERICKS

LAWYERS FOR THE DIGITAL WORLD AND INDUSTRY 4.0

Mavericks is a boutique law firm based in Prague. We are experts in Technology and IT law, Venture Capital and Private Equity transactions and IP law. 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 100+ 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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