

---

# VENTURE CAPITAL DEALS REPORT CZECH REPUBLIC

---

2020 ANNUAL



Prepared by Mavericks [www.mavericks.legal](http://www.mavericks.legal)

---

# CONTENT & INTRODUCTION

## CONTENT

■ <b>Content &amp; Introduction</b>	<b>2</b>
■ <b>Czech VC Market Overview</b>	<b>3</b>
■ <b>Corporate Governance in the Czech Republic</b>	<b>4</b>
■ <b>Testimonial</b>	<b>5</b>
■ <b>VC Deals Terms Overview</b>	<b>6</b>
■ <b>Deal Terms – Equity Financing</b>	<b>7</b>
■ <b>Deal Terms – Table</b>	<b>10</b>
■ <b>Deal Terms – Convertible Debt</b>	<b>11</b>
■ <b>Mavericks Venture Capital Team</b>	<b>12</b>
■ <b>About Mavericks</b>	<b>13</b>

## INTRODUCTION

The venture capital market in the Czech Republic has been growing year upon year. Surprisingly, there are no official statistics on VC deals in the Czech Republic thus far. We have analyzed dozens of deals in which the Mavericks law firm represented either the company or one or more of the investors to bring you this first-ever VC deals report with a unique set of data on the current trends and state of the venture capital industry in the Czech Republic.

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](mailto: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.

**2019** was marked by the establishment of two new VC funds in the Czech Republic supported by EU funding, successfully raised follow-on funds by existing players, and, ultimately, a significant increase in the number of investments as well as in the size of the investment rounds.

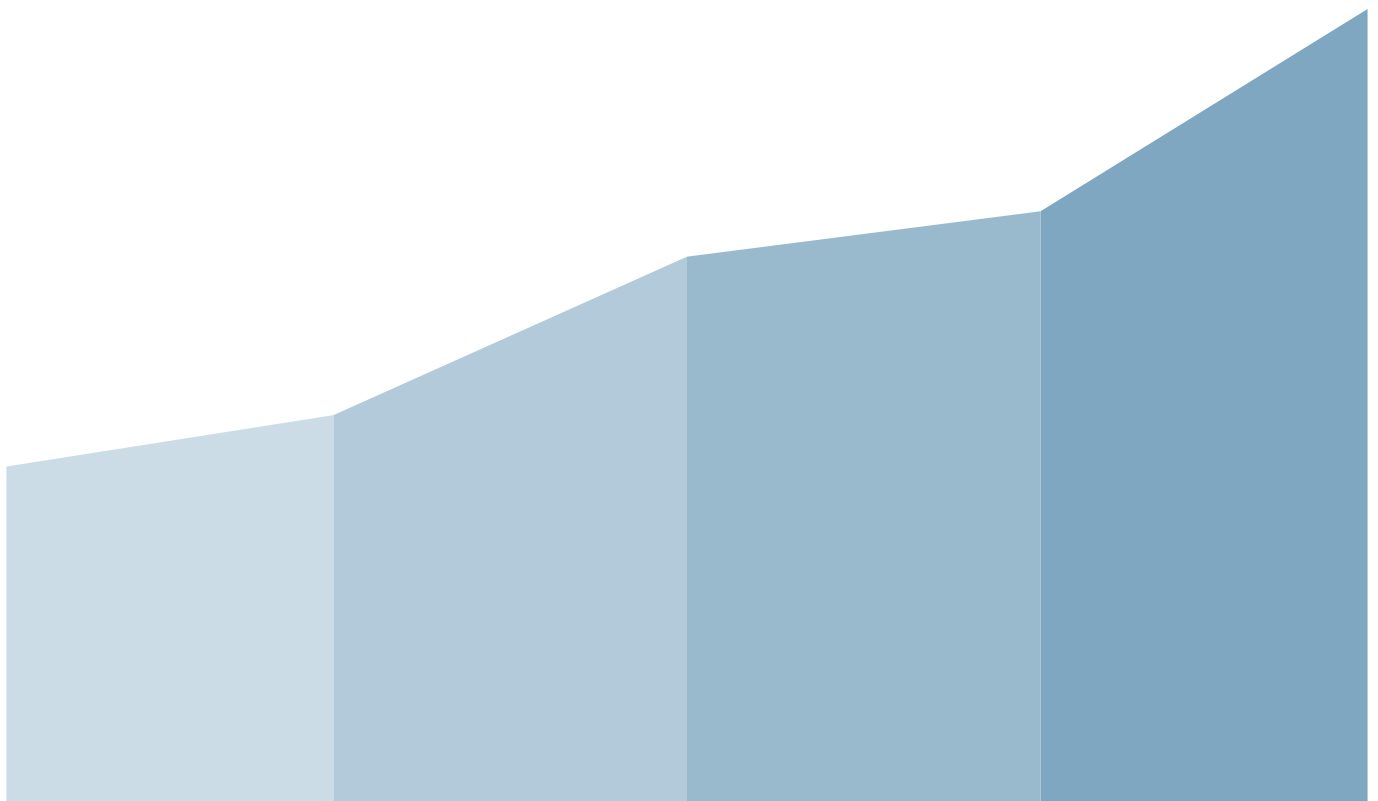
**2020** was even stronger, regardless of the COVID-19 crisis. We have witnessed the creation of new VC funds, some of them focusing on green tech and circular economy, an **increased number of pre-seed and seed transactions, and some major exits of startups with Czech origins.**

The entire VC market in the Czech Republic is becoming more professional as well. In the past three years, we have seen a major

shift in the quality of the investors' approach towards prospective investments, internal screening procedures, and hiring professionals to conduct due diligence and create investment documentation.

Due to increased competitiveness between investors and more professionals operating on the Czech VC market, the deal terms are becoming more founder-friendly and are becoming comparable to standards of the Western and Northern Europe and the USA.

Surprisingly, there are no official statistics on VC deals in the Czech Republic thus far. Based on publicly available data and data from deals in which Mavericks participated as legal counsel, we assume that at least 100 pre-seed and seed deals were closed in the Czech Republic in 2020, with an approximate overall value of at least EUR 120 M.





---

# CORPORATE GOVERNANCE IN THE CZECH REPUBLIC

Most VC-backed companies in the Czech Republic are structured as limited-liability companies (s.r.o.) due to their low establishment costs and simple organizational structure.

A Czech limited-liability company typically has only two corporate bodies - the General (Shareholders') Meeting and one or more Executive Directors. General Meetings can be held remotely (via electronic means) in most cases, thus the physical presence of the foreign investors as shareholders of the invested companies is not necessary.

Additional statutory bodies such as a Supervisory Board can be established within the organizational structure. This typically happens in a later-stage investment with investors demanding one or more Supervisory Board members nominated by them.

---

# TESTIMONIAL

**The Czech Republic is attractive due to its low cost of living, high level of safety and high quality of life.**

**TOMÁŠ DITRYCH** / managing partner at Mavericks

**“The startup ecosystem in the Czech Republic is growing fast. With established VC funds, countless incubators, accelerators, and co-working spaces, top tech universities and low cost of living, Prague (the Czech Republic’s capital) has high potential for becoming one of the leading European VC hubs.”**

---

# 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 2020, 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 75 pre-seed and seed deals in which Mavericks represented either the company or the investor in 2019 and 2020.



75



€ 3.0 MIL.

## MEDIAN PRE-MONEY VALUATION

The median pre-money valuation for pre-seed and seed financings in the Czech Republic (Mavericks deals) increased from EUR 2.3 million in 2019 to EUR 3.0 million in 2020.

## MEDIAN DEAL SIZE

The median amount raised for pre-seed and seed financings in the Czech Republic (Mavericks deals) increased from EUR 0.4 million in 2019 to EUR 0.5 million in 2020.



€ 0.5 MIL.

---

# 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, as well as combinations or alternatives thereof (such as a “slicing pie” scheme).

### NON-COMPETE

Non-compete clauses restricting the founders from pursuing competing businesses are frequently seen in VC deals. Some of the 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 between 1 – 1.5 × non-participating liquidation preference.

---

## 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 weighted-average anti-dilution provision. It is not uncommon to see also full-ratchet anti-dilution provisions, especially in some of the early-stage investment rounds.

---

## 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.

---

## TRANCHES

Milestone (KPI) investments are regularly seen in 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. We have also seen deals in which the last tranche is structured as a put option which may be exercised at the investor's sole discretion.



---

# 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 a market standard. 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 (2020)
None	38%
1x	38%
1.5x	17%
> 1.5x	7%
<b>Participating vs Non-participating</b>	
Non-participating	94%
Participating	6%
<b>Anti-dilution</b>	
None	48%
Broad based WA	41%
Narrow based WA	7%
Full Ratchet	3%
<b>Reserved Matters</b>	
None	6%
GM, not Business decisions	17%
GM and Business decisions	78%
<b>Fouders Vesting or Lock-up</b>	
None	38%
3 years or less	52%
> 3 years	10%
<b>Tranches</b>	
1	52%
2	38%
3	10%
<b>ESOP</b>	
10% or less	88%
> 10%	12%
<b>Future Rounds</b>	
Pro rata	90%
> Pro rata	10%

---

# DEAL TERMS – CONVERTIBLE DEBT

The Data on Convertible Debt in the Czech Republic in 2020 are contained in a separate report prepared by Mavericks.

Contact us at [www.mavericks.legal](http://www.mavericks.legal) for more information.





---

# 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](#)

**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.



**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.



---

# 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.

## CONTACT

### MAVERICKS

Jungmannova 36/31  
110 00 Prague 1  
Czech Republic

**Tomas Ditrych** (managing partner)

T: (+420) 775 950 599  
E: [info@mavericks.legal](mailto:info@mavericks.legal)  
W: [www.mavericks.legal](http://www.mavericks.legal)





# DISCLAIMER

For more information about this VC deals report, or if you wish to be included on the email subscription list (there is no subscription fee), please contact [info@mavericks.legal](mailto:info@mavericks.legal).

This report is provided as a service to our friends and clients and is for informational purposes only. This report does not constitute legal advice and is not intended to create an attorney-client relationship. Attorney advertisement.

© 2021 **Mavericks** All rights reserved. No part of this report may be reproduced in any form or by any means without the express written permission of Mavericks.

[www.mavericks.legal](http://www.mavericks.legal)