

# FINAL CE-CONNECTOR ACIF STRATEGY

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**O.T1.1**

Final version (D.T1.1.4)

**Version**

**31.03.2020**

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## HISTORY OF THE VERSIONS

V0.1 - 22<sup>nd</sup> August 2019 - first draft of structure; AF data and definition taking in account; no further data from the knowledge sources used; no desk research; no proof reading

V0.2 - 29<sup>th</sup> August 2019 - structure finalized; territory structure added

V0.3 - 18<sup>th</sup> September 2019 - section 1.1 draft finalized

V0.4 - 30<sup>th</sup> September 2019 - data from partners for sections 1.2 and chapters 2+3 added

V0.5 - 8<sup>th</sup> November 2019 - section 1.3 added, chapters 2+3 advanced

V1.0 - 15<sup>th</sup> November 2019 - draft ready for Advisory Group meetings, including value propositions, business model canvass and mission

V2.0 - 5<sup>th</sup> February 2020 - inclusion of most relevant comments from Advisory Group meeting

V3.0 - 6<sup>th</sup> February 2020 - inclusion of basic legal framework draft

V3.1 - 11<sup>th</sup> February 2020 - inclusion of suggestions for improvements/adjustments

V3.2 - 24<sup>th</sup> February 2020 - adjustments made based on discussions and workshop during partner meeting in Hungary

Final - 31<sup>st</sup> March 2020 - finalized



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## *EXECUTIVE SUMMARY*

Our general objective is to build a sustainable transregional angel co-investing ecosystem in Central Europe through the establishment of public-private angel co-investment scheme - CE-Connector ACIF - where Providers of public leverage invest together with the groups of Business Angels to Startups.

The analysis in Chapter 2 shows that some territories such as the Czech Republic, Hungary and Croatia already have quite many competing funds on the market, which we need to compete with from the perspective of both Business Angels and Startups. The analysis also shows that investment gap between 3F and VC financing might have been moved slightly down on the maximum amount as more funds are now offering investments in lower investment sizes than 1 000 000 EUR.

Strategical positioning in Chapter 3 suggests positioning CE-Connector ACIF with the following parameters. In terms of focus on industry segments, each territory has adjusted their RIS3 segments to target, while overall at CE-Connector ACIF level, RIS3 segments will include ICT and telecommunication, health, agriculture / agri-food, sustainable mobility, environmental technology, energy, mechanical engineering, security, and smart cities, buildings, homes and communities. Given the shift of funding gap between 3F and VC, investments of minimum size total 75 000 EUR, minimum size individual Business Angel investment 5 000 EUR, and maximum size of total investment 750 000 EUR will be predominantly strategically sought. Given the analysis and internal strengths of the partners, CE-Connector ACIF aims to strategically position its instrument with the following value proposition for business angels: size of investment needed from as low as 5000 EUR, access to international dealflow and Business Angels from CE, and industry specific knowledge and expert networks. As for Startups, the following value proposition will be delivered: business development through market validation, go-to-market strategy and market expansion, transnational level of activities, expertise on public funding, softlanding network of experts, quicker and cheaper access to other CE markets and consultation time available for other markets. The most relevant Business Angels' sourcing and acquisition core activities are suggested as follows: setting up cooperation with business angel associations and complementary territorial/national innovation hubs, direct scouting search and contact including events, awareness and knowledge/network building events, intensive work with Business Angels in our networks but not recruited yet as business angels into active investment stage, fun part events joined with big international events for networking, via ambassadors, and getting into the list of trusted investors, business angel networks, startups (media). The most relevant Business Angels' retention core activities are suggested as follows: events / virtual events half-yearly with best practices to learn from and new applicants, CEE startup and investors' ecosystem report production (state of the business angels ecosystem). The most relevant Startup dealflow acquisition core activities are suggested as follows: own + external scouting of all partners, additional Accelerators and competitions in territories, countries and other CE countries, through programme mentors, current business angels, connecting to clusters + other associations, finding "ambassadors", increasing visibility by social media campaigns, and Google perks for Adwords for startups. To be able to deliver our CE-Connector ACIF business



model, we will need to work with key partners including public leverage partners, territorial business angel associations, accelerators, VCs, industry relevant clusters and European Investment Fund. Among our core activities will be promotion of angel co-investment and territorial investment opportunities, trust building for transregional angel co-investment, sourcing business angels, support of business angels (including smart money values, e.g. inviting foreign business angels to territorial meetings and events with local business angels), sourcing startup dealflow, provision of business development services for startups (as smart money), and communication with VCs. Our key resources are planned to include network and database of angel investors and startups in territorial ecosystem, territorial allocated managers with knowledge in co-investment, startup ecosystem and business development services, and single cross-border startup database („startup includer“) connected to one of the existing databases such as Vestbee or F6s. We plan to have core costs associated with half-yearly events organization, territorial managers and other employees, promotion costs inside territories and on CE level, Ecosystem Report creation, and database maintenance while we will cover these through revenues from business development services, ROI from co-investment, additional Public sources, and Annual membership fee

Our performance plan for CE-Connector ACIF, described in Chapter 4, defines investment, Business Angels' network and society and economic indicators we will aim to meet. CE-Connector ACIF aims to deliver a total of 168 investments valued at 17 790 000 EUR at CE level, while 20% of these will be cross-border. CE-Connector ACIF aims to reach a total number of 128 active Business Angels in our territorial ecosystems in year 2025. For reaching that, we will build capacities of approximately 25-35 Business Angels per year, with the highest number expected and aimed for during 2021 (51 Business Angels with newly built capacities). CE-Connector ACIF also aims to reach 9-40% of startups in our portfolio surviving 3 years from their full time origin in year 2025 (subject to different KPIs for each partner) and to reach total 447 new jobs created by the invested startups by 2025.

Legal structure and framework described in Chapter 5 suggests CE-Connector ACIF to operate territorially based on setting-up of quasi-legal persons. This structure benefits include formalised relationship between the private investing partners (Business Angels and Knowledge partner), simple contractual relationship between all parties (especially when all contract templates are in place), simple management of the private part of the investors, simplified procedure for Provider of public leverage, simplified decision-making for start-ups (founders), and minimisation of costs in case of the project failure. Under this suggestion, the following relations will be established: Investment Memorandum, Public Investment Agreement, Company (Association) without Legal Personality, Investment Agreement, and Share Purchase Agreements. In this scenario, there are generally 3 parties of CE-Connector ACIF: Provider or public leverage, Association of private Business Angels and the Knowledge Partner, and Start-up (Asset), however no special SPV is established. As CE-Connector project itself does not define anyhow the deal structure between Knowledge partner and Provider of Public leverage, the deal structure among affected parties can vary from territory to territory.



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# *1. OBJECTIVE OF CE-CONNECTOR ANGEL CO-INVESTMENT FUND (ACIF)*

Startups are key drivers of innovation and therefore future prosperity of Central Europe. Despite the availability of new financing schemes, there is still a financial investment gap for startups, which is between 3Fs (Friends, Family Founders) and VC (Venture Capital).

Our general objective is therefore to build a sustainable transregional co-investing ecosystem in Central Europe, through the establishment of public-private co-investment scheme, where Providers of public leverage invest together with the groups of Business Angels to Startups. Such schemes are called Angel Co-Investment Funds (ACIFs).

To make the CE-Connector ACIF successful, the initial partners from the Czech Republic, Poland, Slovenia, Hungary, Croatia and Baden-Wuerttemberg (Germany) want to increase the number of territorial business angels and raise their investing competence, to facilitate CE-Connector ACIF pilot investments, and to ensure sustainability and upscale to full-scale Angel Co-investment Fund.

The Strategy of CE-Connector ACIF is the first core analytical, positioning, ambition and legal structure related document of the CE-Connector ACIF partnership.



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## *2. ANALYSIS OF CO-INVESTMENT FOR CENTRAL EUROPE*

### **2.1 Introduction to Business Angels**

#### **2.1.1 Definition of Business Angel**

A Business Angel (BA) or Angel Investor is an independent wealthy individual who aims to help other entrepreneurs succeed with their business idea by investing this/her own money, guiding experience and networks. BAs usually provide entrepreneurs a financial bridge between financing from own funds (friends, fools and family - 3F) and receiving investment from venture capitalists (VCs). This investment gap between the starting 3F funding and the next VC investment stage is usually between 75 000 - 1 000 000 EUR. The average investment per BA is approximately 25 000 EUR. Most BAs usually don't invest more than 10% of their available financial resources into each individual investment since startup investment at this early development stage is a very risky investment. One of the main conditions for BAs to invest into a startup is having a trust in it. 93% of investment proposals BAs receive are rejected by them. They usually invest one time into a startup to help them launch or they keep investing into them more times to help the startup reach a phase where they can obtain next stage VC investment.

#### **2.1.2 Profile of Business Angel**

Business Angels are usually entrepreneurs who successfully exited from their own business and acquired financial resources for further investments and activities. However, BAs could also be high-level managers in corporations (usually 50+ years old), famous actors or sportsmen who have free financial resources to invest. Based on the definition of BA, this usually means to have ideally 250 000+ EUR available for total investments in their portfolio. BAs do not necessarily have the investment experience yet and require to be supported with various legal and financing support.

#### **2.1.3 Business Angel associations and networks**

Since the financial investment needed by the startup might be too big for a single BA investment, BAs tend to join together for individual co-investments into startups and become members of business angel associations as such. Business angel association is a networking and support group of BAs that enable BAs to find co-investing partner into a startup. Business angel associations might share among their members also different startup investment opportunities so it helps BAs to extend their potential deal flow. One of the example



associations is the European Business Angels' network (EBAN). EBAN is a non-profit organisation supporting early stage business angel investor community that is gathering organisations and individuals from Europe. Globally, territorially and nationally, there exists a high amount of BA association. BAs usually invest in their home countries and co-invest with other BAs from their home country, but global and territorial BA associations cooperate on international level to help provide foreign networks, startups deal flow and co-financing.

## 2.2 Business Angel Ecosystem in Central Europe

### 2.2.1 Strengths of Business Angels' linkages inside CE-Connector ACIF territories

Example from the UK shows that cooperation among BAs is crucial precondition for success of the facilitation and operation of Angel Co-Investment Funds (ACIFs) in the territorial ecosystems. Therefore, the total amount of BA associations and strength of developed access to them from the side of territorial CE-Connector ACIF partners were screened and compared as follows (countries sorted out by population).

Territory (population in millions - M)	Number of BA associations	Amount of those where territorial CE-Connector partners have developed access (number + percentage)	Names of BA associations with developed access	Number of BA associations per 1 million of inhabitants
Poland (37M)	7	5 - 71%	Lewiatan BA, Investin, Amber BA,, Satus, Cobin BA	0,19
Germany - Baden-Wuerttemberg (11M)	3	0 - 0%	-	0,27
Czech Republic (10M)	8	1 - 12,5%	DEPO Angels Network	0,8
Hungary (9M)	2	2 - 100%	Hungarian Business Angel Network, Oxo Holdings	0,22
Croatia (4M)	1	1 - 100%	Croatian Business Angels	0,25
Slovenia (2M)	1	1 - 100%	Poslovni Angeli Slovenije (Business Angels of Slovenia)	0,5
TOTAL / AVERAGE	22	10 - 45%	(as above)	0,64 in EU, 0,29 in CE

Source: EBAN, partners' research

Europe is cited to have around 475<sup>1</sup> BA associations overall which, in combination with approx. 743 million inhabitants, shows an average of 0,64 BA association per 1 million inhabitants. 22 of the 475 BA associations are active in the territories of Central Europe (CE) screened for CE-Connector ACIF. From all screened territories, Poland and the Czech Republic have, by far, the most total number of these counting together for 66% of the screened BA associations. On the other hand, smaller BA territories like Slovenia, Croatia or Hungary offer already well

<sup>1</sup> EBAN



developed access to these BA associations from the territorial partners. Comparison to the EU average per million inhabitants shows highest and above EU average scores in the Czech Republic, whereas lowest scores in Hungary (0,22), Baden-Wuerttemberg (0,27) and Poland (0,19). The average in CE - Germany, Czech Republic, Poland, Slovakia, Austria, Hungary, Italy, Slovenia and Croatia - per 1 million inhabitants is 0,29 (65 BA associations, 221 million inhabitants). However, smaller number of BA associations per inhabitant does not necessarily mean a weaker network as some of these networks could be really wide too.

### 2.2.2 Strength of CE-Connector ACIF members' connections to specific Business Angels

The following table shows pipeline of specific BA connections and potential of recruitment of BAs in different stages per CE-Connector ACIF partners.

Territory	100% BAs (i.e. those who already invest into startups in partner's ecosystem)	75% BAs (i.e. those that partners are meeting regularly and there is a will to invest, only specific opportunity was missing yet)	50% BAs (i.e. those whom partners are meeting, but there is currently no will to invest in partner ecosystem)	25% BAs (i.e. those whom partners know who are investing to startups, but partners never met them, or they met only once)	10% BA prospects (i.e. those persons whom partners know and might turn to BA if supported)
CWB Connect (Poland)	2	0	0	0	0
Automotive Engineering Network (Germany - Baden-Wuerttemberg)	0	0	0	0	0
DEX Innovation Centre (Czech Republic)	0	2	5	12	8
P-Invent (Hungary)	0	3	7	1	3
Optimizacija (Croatia)	5	2	1	1	1
Bogatin (Slovenia)	11	3	1	1	2

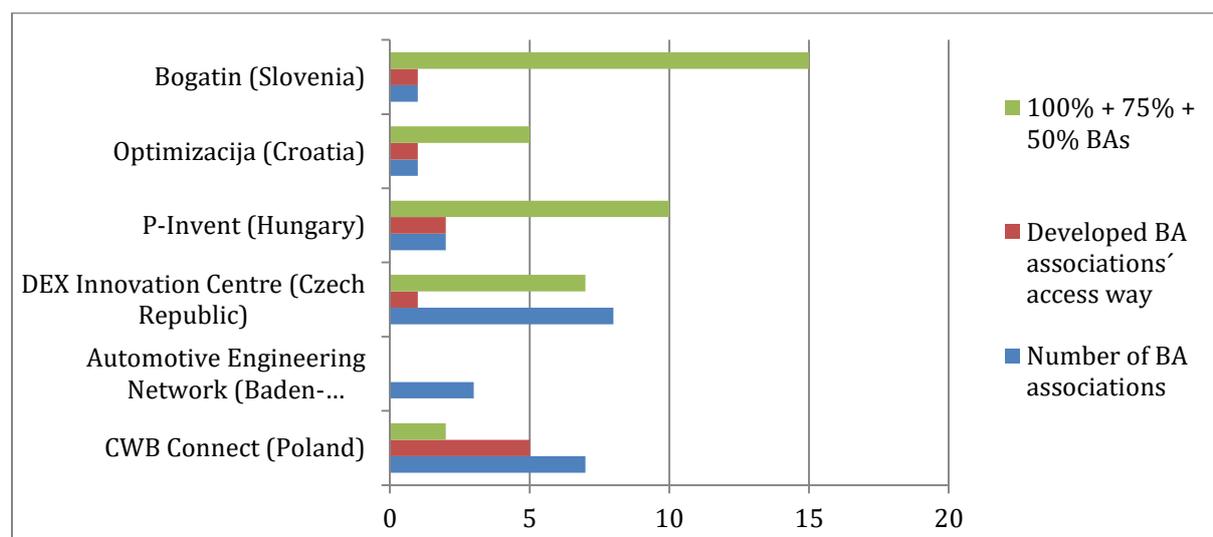
Source: partners' research

The strongest territories in terms of specific connections to individual BAs, despite their relative small overall size, are Slovenia with 14 contacts in the first two categories (100% and 75%) followed by Croatia (7 in the first two categories). Hungary and the Czech Republic, as middle sized territories in terms of population, do not have 100% category BAs in their networks, but provide some level of specific BA connections in the category 75% and 50% (i.e. BAs whom they are meeting regularly and who either are ready to invest into their ecosystem but the specific opportunity was missing or who still did not decide to invest into their ecosystems. Automotive Engineering Network, on the other hand, does not have currently any BA specific connections in their network, which is mainly influenced by the fact of their current non-connection to the ecosystem.



### 2.2.3 Business Angels - strength matrix of participating territories and CE-Connector ACIF partners

Based on the previously shown comparisons and discussions, the following conclusive matrix could be drawn:



Poland offers quite high number of BA associations available in the territory. However, given the large population, it is still under EU and CE average. CWB Connect has, however, good connections to the available BA associations which could be used to improve the weaker pipeline of specific BA individuals.

Czech Republic has also quite high overall amount of BA associations in the territory and in this case with above EU and CE average per population. The individual BA connection pipeline of DEX Innovation Centre is at medium level and outweighs to some extent the weakness of no developed access to BA associations available.

Croatia, being a rather small country in terms of population has the highest per population ratio and shows strength in terms of BA associations available. Optimizacija connections to BA associations and also to individual BAs could be however improved, having a very similar position such as Czech Republic.

Hungary and Slovenia show similar patterns in having very few BA associations available, however both P-Invent and Bogatin being very well connected to BA associations available and also to specific BAs in their pipeline.

Baden-Wuerttemberg in Germany and Automotive Engineering Network have very different positions. There are not many BA associations available and also the strength of the partner in terms of connections to these associations or specific individual BAs is very low.



## 2.3 Funding landscape in Central Europe

### 2.3.1 Funding possibilities for startups in defined RIS3 thematic fields and funding gaps

CE-Connector ACIF Fund drafted to provide funding between 75 000 - 1 000 000 EUR to close the gap between 3F and VC funding. Each CE-Connector partner also drafted at start 2 thematic fields for investments that are based on territorial RIS3 strategies. The following table shows funding opportunities for startups counting in these 2 parametres.

Territory	Thematic fields drafted for investment	Names of funds that are fitting the thematic fields (as left) and investment amount (75 000 - 1 000 000 EUR)
Poland	Sustainable energy Innovative technologies and industrial processes	Lewiatan Business Angels, InvestIN, Amber, SATUS, Cobin Angels, Bridge Alpha VCs
Germany - Baden-Wuerttemberg	Sustainable mobility concepts ICT, green IT and products	LEA Venturepartner, High-Tech Start-up Fund, INVEST, Co-Investments of VC Fonds Baden-Wuerttemberg and MBG Baden-Wuerttemberg
Czech Republic	IT services and software Mechanical engineering	Credo Ventures, Ysoft Ventures, DEPO Ventures, OPIFER Ventures, Delta Ventures, Air Ventures, Lighthouse Ventures, J&T Ventures, Evolution Equity Partners, Fazole Ventures, Reflex Capital, Keiretsu Forum, Busyman.cz, Angel Investment Network, Central Europe Business Angels Network
Hungary	ICT and information services Clean and renewable energies	Széchenyi Tókealap, Aquincum, HiVentures, PortfoLion Fund Manager, Day One Capital, Docler Investments
Croatia	Health and quality of life Food and bioeconomy	Croatian Business Angels, Fil Rouge Capital, Funderbeam SEE
Slovenia	Smart cities and communities Smart buildings and homes	Business Angels of Slovenia, Kolektor Ventures, Silicon Gardens Fund, AlpVent

Source: partners' research

### 2.3.2 Analysis of competing funds towards Business Angels

#### 2.3.2.1 Poland

Analysis in Poland doesn't show too many competing funds in the same RIS3 segments and funding gap. Only two of these funds enable co-investment with other business angels and only one cross-border investments. Also only 2 of these funds offer lower amount investments possibilities. The most competing fund towards Business Angels seems to be KPT Scaleup that offers all these 3 subparametres, and also Lewiatan Business Angels fund, which compared to KPT Scaleup doesn't provide cross-border investments.

COMPETITIVE MATRIX FOR BUSINESS ANGELS				
Value for target group / Competing fund	Lewiatan Business Angels	EVIG Alfa	KPT Scaleup	bValue PFR Venture
Long market presence and successful startups (brand)	1	2	3	4



awareness - trust)				
Co-investment with others (risk sharing)	YES	NO	YES	NO
Cross-border investments (access to international startups)	NO	NO	YES	NO
Lower amount investment of 25k EUR (capital needed)	YES	NO	YES	NO
Equity % profit (profit rate)	N/A	Up to 30%	NO	Up to 20%
Level of active participation in the invested startup (smart money pro-activity)	None	YES	YES	YES
Flexibility in investment type (equity / convertible debt)	NO	NO	NO	NO
Stage of startups to be financed (coachability, shareability)	Pre-seed / seed	Seed / series A	Seed	Seed / series A

Source: partners' research

### 2.3.2.2 Germany - Baden-Wuerttemberg

Analysis in Baden-Wuerttemberg territorially from the eyes of startups shows again not many possible public-private funds to get investment from which are similar to the CE-Connector scheme. The active ones are also focused on higher level of investments mostly and their cross-border activity is questionable.

FOR BUSINESS ANGELS (5=max, 0=min)				
Value for target group / Competing fund	LEA GmbH	Partners	High-Tech Start-up Fund	INVEST
International?	N/A		N/A	N/A
Funding range	Up to 50 000		Up to 1 000 000	Up to 250 000

Source: partners' research

### 2.3.2.3 Czech Republic

Analysis of competing funds in the Czech Republic in the given RIS3 and investment size from the eyes of Business Angels shows quite many competing funds but also multiple possible advantages of CE-Connector ACIF fund compared to its competitors including e.g. origin of service and local office, cross-border investments opportunity or possibility for non-financial value to startups.

FOR BUSINESS ANGELS (5=max, 0=min)							
Value for target group / Competing fund	DEPO Ventures	Keiretsu Forum	Busyman.cz	Angel Investment Network	Central Europe Business Angels Network (CEEBAN)	CEE Unlimited	
Origin of service + CZE office	CZE / yes	Global / yes	CZE / yes	Global / no	CEE / no	CE countries / yes	
Long market presence and	2	3	3	3	1	0	



successful startups (brand awareness - trust)							
Co-investment possible (risk-sharing)	Yes	if needed	Yes	Yes	Yes	?	
Network of Bas	100+	3000+	1000+	217 000+	?	?	
Quantity of startups to choose from yearly (offer for investment)	?	?	40	190 000+	?	40	
Stage of startups (amount and aim of investment)	pre-seed seed	?	seed +	All	pre-seed seed	Seed series A	
Cross-border investments (access to international startups)	No	Global	No	Global	CEE countries	CEE countries	
Lower amount investment of 25k EUR (capital needed)	Yes	Yes	Yes	Yes	No	?	
Possibility to provide non-financial value to startups (smart money)	Yes	?	Yes	?	Yes	?	
Advice for investments	Financial, legal and tax advice for investments	Due diligence	Controlling, investment strategy	?	?	?	
Financing projects in	Deep tech, marketplaces, fintech, IoT	Technology, manufacturing, renewable energy	all topics	All topics	Fintech, ICT, biotech, e-commerce, multisector	All topics	

Source: partners' research

#### 2.3.2.4 Hungary

Analysis of competing funds in Hungary towards Business Angels shows unfortunately also quite many competing funds in the given RIS3 segment and investment size. However, only half of these funds however target also lower investment sizes from 100 000 EUR.

FOR BUSINESS ANGELS (5=max, 0=min)							
Value for target group / Competing fund	Széchenyi Tőkealap	Aquincum	HiVentures	PortfoLion Fund Manager	Day One Capital	Docler Investments	



Investment range	300 000 - 1 000 000	100 000 - 300 000	All	100 000 - 1 000 000	300 000 - 1 000 000	100 000 - 1 000 000
Risk sharing	Yes	No	No	Yes	Yes	Yes
Investing in multiple startups beyond the territory	Yes	No	Yes	Yes	Yes	Yes
Public partner on board	Yes	No	Yes	No	No	No
SMART money opportunity	No	Yes	No	Yes	Yes	Yes
Equity based financing	Yes	Yes	Yes	Yes	Yes	Yes
Value proposition	Easy to calculate buyout option	Incubation	Mentoring Easy to get Follow up investment	Food and agriculture professional network	SMART money	Incubation

Source: partners' research

### 2.3.2.5 Croatia

Analysis of competing funds in Croatia in given RIS3 and investment size from the eyes of Business Angels shows also quite many competing funds already. However multiple possible advantages of CE-Connector ACIF fund compared to its competitors include e.g. focus on RIS3 investment fields, smart money participation and also industry investment specialization.

FOR BUSINESS ANGELS (5=max, 0=min)								
Value for target group / Competing fund	Empowering Early Stage Investors (ESIL)	World Business Angels Investment Forum (WBAF)	Med Angels	Keymon Ventures	Funderbeam SEE	Croatian Business Angels (CRANE)*	Fil Rouge Capital*	
Risk sharing (co-investment)	Yes	No	yes	yes	Yes	no	Yes	
Cross Border	Yes	Yes	yes	no	Yes	yes	Yes	
Access to a pool of start-ups in CE	Yes	Yes	no	no	Yes	no	No	
RIS3 investments	No	No	no	no	No	no	No	
Active participation in the invested startup (SMART money proactivity)	No	No	Yes	No	No	Yes	Yes	

Source: partners' research



### 2.3.2.6 Slovenia

Analysis of competing funds in Slovenia in given RIS3 and investment size from the eyes of Business Angels shows only 4 competing funds. Given the CE-Connector ambition and goals, multiple possible advantages of CE-Connector ACIF fund compared to its competitors appear including e.g. lower level of investment, smart money participation and also industry investment specialization.

FOR BUSINESS ANGELS (5=max, 0=min)				
Value for target group / Competing fund	AlpVent	Kolektor Corporate VC	Silicon Gardens	Business Angels of Slovenia
Long market presence and successful startups (brand awareness - trust)	1	2	3	4
Industry-specific or general?	Industry-specific	Industry-specific	general	General
Successful exits or financing rounds of EUR 100 M	YES	NO	YES	NO
Co-investment with others (risk sharing)	YES	NO	YES	YES
Lower amount investment of 25k EUR (capital needed)	NO	NO	YES	YES
Level of active participation in the invested startup (smart money pro-activity)	SMALL	YES	SMALL	YES
Flexibility in investment type (equity / convertible debt)	YES	NO	YES	YES
Stage of startups to be financed (coachability, shareability)	Seed, series A	Seed, series A	Pre-seed, seed	Pre-seed, seed

Source: partners' research



### 2.3.3 Analysis of competing funds towards Startups

#### 2.3.3.1 Poland

Analysis in Poland of competing funds in the given RIS3 and investment size from the eyes of startups shows again 4 competing funds. Again, the potential advantage of CE-Connector ACIF could be lower amount investment focus, other smart money potential than just contacts and knowledge of other markets.

COMPETITIVE MATRIX FOR STARTUPS						
Value for target group / Competing fund	Lewiatan Angels	Business	EVIG Alfa	KPT Scaleup	bVALUE Venture	PFR
Long market presence and successful startups (brand awareness - trust)	1		2	3	4	
Additional benefits to investment (e.g. contacts, know-how - smart money)	YES (contacts)		YES (contacts)	YES (contacts)	YES (contacts)	
Lower amount investment of 25k EUR (capital needed)	YES		NO	NO	NO	
Equity % for investment (price)	N/A		Up to 30%	NO	Up to 20%	
Negotiation process length (speed)	Standard		Up to 6 months	N/A	N/A	
Knowledge of other markets by investing entity (expansion knowhow)	NO		NO	NO	YES (CEE)	

Source: partners' research

#### 2.3.3.2 Germany - Baden-Wuerttemberg

Analysis in Baden-Wuerttemberg territorially from the eyes of startups shows again not many possible funds to get investment from. The active ones are also focused on higher level of investments mostly and their cross-border activity is questionable.

FOR STARTUPS (5=max, 0=min)				
Value for target group / Competing fund	LEA GmbH	Partners	High-Tech Start-up Fund	INVEST
International?	N/A		N/A	N/A
Funding range	Up to 50 000 000		Up to 1 000 000	Up to 250 000 000

Source: partners' research

#### 2.3.3.3 Czech Republic

Analysis of competing funds in the Czech Republic from the eyes of startups shows again quite many competing funds already on the market. However, multiple possible advantages of CE-



Connector ACIF fund compared to its competitors appear including e.g. level of investment, smart money benefits, cross border focus on CE countries and origin of service.

Please see 2 tables below at following pages.

### Part I.

FOR STARTUPS (5=max, 0=min)									
Value for target group/Competing fund	Credo Vent.	Ysoft Vent.	DEPO Vent.	OPIFER Vent.	Delta Vent.	AirVentures	Lighthouse Vent.	J & T Vent.	Evolution Equity Partners
Long market presence and successful startups (Brand awareness - trust)	5	3	2	2	1	2	1	2	?
Additional benefits to investment (e.g. contacts, know-how - smart money, expansion to other countries - with info what exactly)	Contacts, smart money, expansion	Strategic management, financial management, sales and support, marketing, R&D, manufacturing, global operations, legal	Financial services, tax, legal	Acceleration programme, UK HQ, investments into CZ startups from abroad	Contacts	Marketing knowhow and contacts, expansion	Network, customers and office	Business strategy, company processes, expansion management, advisory and contacts	?
Investment amounts available in EUR (capital available for each investment)	5 000 - 6 000 000 EUR	200 000 - 1 300 000 EUR	30 000-200 000 EUR	10 000 - 1 000 000 EUR	?	200 000 - 2 000 000 EUR	100 000 - 2 300 000 EUR	500 000 EUR+	?
Financing projects in ...	CZE, POL, HUN, SVK, SLO, ROU, CRO	CZE, SVK	CZE	CZE, GBR	?	CZE, SVK, FRA, open to CEE and EE	CZE	Worldwide	?
Investment acquisition length	?	?	?	?	?	Slow	?	?	?
Startup support before investment (know-how, feedback etc.)	?	Knowhow and contacts	?	Acceleration programme	?	No	Accelerator	No	?
Origin of service + CZE office	CZE	CZE	CZE	CZE	CZE	CZE	CZE	CZE	?

### Part II.

FOR STARTUPS (5=max, 0=min)



Value for target group/Competing fund	Fazole Vent.	Reflex Capital	Inven Capital	Rockaway Capital	Nation 1	Keiretsu Forum	Busyman .cz	Angel Investment Network	CEEBAN	CEE Unlimited
Long market presence and successful startups (Brand awareness - trust)	2	3	4	4	1	2	2	?	2	1
Additional benefits to investment (e.g. contacts, know-how - smart money, expansion to other countries - with info what exactly)	Business model, strategy and contacts	Contacts	?	?	Network and ?	Worldwide network	Clubs, events, programme	Easy money	Business support after investment and help with next funding rounds	?
Investment amounts available in EUR (capital available for each investment)	40 000 - 400 000 EUR	x-400 000 EUR	2 000 000 - 30 000 000 EUR	2 000 000 - 20 000 000 EUR	20 000 - 1 500 000 EUR	Late seed, series A	?	?	50 000 - 1 000 000 EUR	?
Financing projects in ...	?	EU, US	?	CE, US, GBR	CZE	Worldwide	CZE	worldwide	CEE	CEE
Investment acquisition length	Fast	Fast	?	?	Fast	?	?	?	?	?
Startup support before investment (know-how, feedback etc.)	?	?	?	?	Accelerator	Presentation tips	Clubs, events, programmes	no	?	?
Origin of service + CZE office	CZE	CZE	CZE	CZE	CZE	US	CZE	GBR	PLN	HUN + CZE office

Source: partners' research

#### 2.3.3.4 Hungary

Analysis of competing funds in Hungary in given RIS3 and investment size from the eyes of startups shows also quite many competing funds. Multiple possible advantages of CE-Connector ACIF fund compared to its competitors however include e.g. investment range, access to investors beyond the territory and SMART money value offered.

FOR STARTUPS (5=max, 0=min)									
Value for target group / Competing fund	Széchenyi Tókealap	Aquincum	HiVentures	PortfoLion Fund Manager	Day One Capital	Docler Investments			
Investment range	300 000 - 1 000 000	100 000 - 300 000	All	100 000 - 1 000 000	300 000 - 1 000 000	100 000 - 1 000 000			
Risk sharing	Yes	No	No	Yes	Yes	Yes			



Access to investors beyond the territory	?	?	?	?	?	?
SMART money opportunity	No	Yes	No	Yes	Yes	Yes
Equity based financing	Yes	Yes	Yes	Yes	Yes	Yes
Value proposition	Easy to calculate buyout option	to Incubation	Mentoring Easy to get Follow up investment	Food and agriculture professional network	SMART money	Incubation

Source: partners' research

### 2.3.3.5 Croatia

Analysis of competing funds in Croatia in given RIS3 and investment size from the eyes of startups shows again quite many competing funds already on the market. When comparing possible advantages of CE-Connector ACIF fund compared to its competitors, these could include e.g. connection to markets and commercial opportunities across CE region, stage of startups to invest to or RIS3 segment investment specialization, the network of the public, private and scientific-research sectors in order to identify and prepare collaborative projects that will contribute to the competitiveness of all stakeholders and the sector itself.

FOR STARTUPS (5=max, 0=min)								
Value for target group / Competing fund	Empowering Early Stage Investors (ESIL)	World Business Angels Investment Forum (WBAF)	Med Angels	Keymon Ventures	Funderbeam SEE	Croatian Business Angels (CRANE)*	Fil Rouge Capital*	
Connection to markets and commercial opportunities across CE	Yes	Yes	no	No	No	No	Yes	
Pre-seed	Yes	Yes	yes	Yes	No	Yes	Yes	
Seed	No	Yes	yes	No	Yes	No	Yes	
VC	No	Yes	no	No	Yes	No	No	

Source: partners' research

### 2.3.3.6 Slovenia

Analysis of competing funds in Slovenia from the eyes of startups shows again not so many competing funds due to the small size of the market. Most of them are however active on transnational level already and offer also smaller amounts of investments.

FOR STARTUPS (5=max, 0=min)					
Value for target group/ Competing fund	AlpVent	Kolektor Corporate VC	Silicon Gardens	Slovenian Business Angels	



Long market presence and successful startups (brand awareness - trust)	1	2	3	4	
Connection to the local start-up ecosystem (lowest=1, highest=5)	3	3	3	5	
Connection to the regional start-up ecosystem	2	4	3	4	
Additional benefits to investment (e.g. mentors, contacts, know-how - smart money)	MANAGEMENT ADVICE, SALES SUPPORT IN DACH REGION AND SE EUROPE	INDUSTRY SPECIFIC SUPPORT, FIRST CUSTOMER FOR STARTUPS IN INDUSTRY 4.0, INCLUDING IOT, AI, AR & VR, VIRTUAL SIMULATIONS, ROBOTICS AND DIGITAL PLATFORMS	MENTORS, INTERNATIONAL EXPANSION SUPPORT	FUNDRAISING, MARKET EXPANSION	
Equity % for investment (price)	50 000 - 500 000	N/A	20 000 - 40 EUR for 5-15%	Up to 50 000 EUR, usually up to 10%	
Negotiation process length (speed)	STANDARD	LONG	FATS	STANDARD	
Knowledge of other markets by investing entity (expansion knowhow)	YES (Franchising)	YES (Multinational presence)	YES (Mostly USA)	YES	

NOTE: The Slovenian Enterprise Fund (SEF) has launched a new public-private co-investment scheme under which it invests with private investors (business angels, private / venture capital funds, companies owned by business angels or corporations) and provides equity financing for innovative seed stage companies.

Amount and form of financing:

- from EUR 100,000 to EUR 600,000 of the SEF direct equity contribution when the company is co-invested by business angels, private equity firms or seed / venture / private equity funds
- from EUR 200,000 to EUR 600,000 of SEF's direct capital injection when the SEF co-invests with corporations

A company can acquire joint investment (public and private) from EUR 200,000 to EUR 1,200,000, and in the case of an innovative company up to EUR 2,400,000 public / private funds.

Source: partners' research



## 2.4 CE-Connector ACIF potential unique selling points (USPs) towards Business Angels and Startups

The analyses highlighted in previous sections enabled to see a broader picture on co-investment in the territory of Central Europe and its potential for CE-Connector ACIF unique selling points (USPs).

The data showed that some territories such as the Czech Republic, Hungary and Croatia already have quite many competing funds on the market, which we need to compete with from the perspective of both Business Angels and Startups. The most cited competitive advantages for CE-Connector ACIF were e.g. investment size, smart money contributions and cross-border investments and other services.

Slovenian market limited size shows that Slovenian startups are increasingly moving to Croatia due to more favorable VC offer environment there.

The analysis also showed that investment gap between 3F and VC financing might have been moved slightly down on the maximum amount as more funds are now offering investments in lower investment sizes than 1 000 000 EUR.

And lastly, analyses in specific countries showed also, that given the high competition on the market in investments into some segments, some of the RIS3 segments might need to be readjusted (e.g. Croatia, Hungary) to enable better competitive advantage for CE-Connector ACIF.

The following sections provide more details on the potential USPs in each given territory.

### 2.4.1 Poland

UNIQUE SELLING POINTS	
For Business Angels:	For Startups:
Access to multiple startups from CEE region	Investment taken from proven source that increased probability of success
Possible experience exchange in international environment	Connection to CEE market and business contacts
Investment diversification across CEE region	Increased chances for seed and/or series A from international VC
Access to new business contacts in CEE region	Easier access to foreign markets

### 2.4.2 Germany - Baden-Wuerttemberg

UNIQUE SELLING POINTS	
For Business Angels:	For Startups:
Transnational approach, access to several business	Transnational tandem approach with access to public



ecosystems / startups via project partners (jumping platform which connects and helps in CE)	leverage providers and business angels
Visibility in participating countries	Access to a broad experts' network (also on transnational level)
Market access to Danube Region	Access to trustful partners (= CE-CONNECTOR consortium) which can evaluate market potential / competition in their countries
Access to trustful partners (= CE-CONNECTOR consortium)	Multiplicator effects
	Visibility in participating countries
	Market access to Danube Region

### 2.4.3 Czech Republic

UNIQUE SELLING POINTS	
For Business Angels:	For Startups:
Origin of service + CZE office	Access to CE contacts and sales/marketing for further expansion
Cross-border investments (access to international startups)	Access to programmes/events of ACIF partners
Possibility to provide non-financial value to startups (smart money)	Market validation in CE
	Own + EIT startup programmes expansion to other countries
	Connecting investors with market and business segment knowhow as smart money
	Trust of public partners as payers

### 2.4.4 Hungary

UNIQUE SELLING POINTS	
For Business Angels:	For Startups:
Better risk sharing (co-investment facilitation in the region) and risk reduction (effective regional market access)	We bring money, market validation and traction at CE regional level with access to several pool of angels and investors (like Trivago at Hotel Booking)
the smart component on CE level and extending the competencies of the lead investor with access to several pool of angels and investors (like Trivago at Hotel Booking)	GoToMarket strategy execution in CE regions, money browser and acting as connector matchmaking investors interregionally

### 2.4.5 Croatia

UNIQUE SELLING POINTS	
For Business Angels:	For Startups:
Access to a pool of startups in CE	Connection to markets and commercial opportunities across CE
RIS3 investments	Smart money
Transnational co-investment with local lead investors	
Taking care for the legal and technical issues of the investment	
Due diligence as a great benefit and motivation for business angels	

### 2.4.6 Slovenia

With such limited competition on Slovenian market, it is very difficult to position the proposed instrument. It seems that there is significant lack of all VC investments with a single 'traditional' VC currently operating in Slovenia. Startups can obtain financing from large- and medium-sized companies but they are not professional or experienced investors into startups or innovative products & services. They can also obtain grants but they come with significant



interference with normal startup operations due to administrative burden and risks associated with public partners. Alternative investments also used in Slovenia were Kickstarter campaigns, H2020 SME instrument Phase 1 and ICO's.

<b>UNIQUE SELLING POINTS</b>	
<b>For Business Angels:</b>	<b>For Startups:</b>
Invest into successful startup ecosystem facing lack of professional investors.	Series A investment from experienced and professional regional investors that can offer the internationalization potential in CEE region.
Simple way to invest into a complicated region.	Connection to many regional markets through a joint co-investment by the investors from the region.
Disperse your investments to an emerging startup region with the help of local co-investors.	Soft landing in all regional countries at the local investors.
Tap the start-ups from a region of 100 million people.	Help reach your startup's internationalization potential in Central and Eastern Europe.
Travel to the Central Europe's most impactful start-up events.	Scale-up your business internationally with the support of international business angels.
Size of investment needed below 100k EUR	Size of investment available below 100k EUR
Industry specialization that is not covered by investors yet	Industry specialization that is not covered by investors yet
Smaller regions specialization with municipality public institutions	Smaller regions specialization with municipality public institutions



## 3. STRATEGICAL POSITIONING OF CE-CONNECTOR ACIF

### 3.1 RIS3 segments focus

Given the analysis of Business Angels' ecosystem and competing funding landscape in all 6 territories towards Business Angels and Startups, the following RIS3 segment focus has been shifted.

Territory	Previously defined RIS3 segment	Currently shifted RIS3 focus with explanation
Poland	Sustainable energy Innovative technologies and industrial processes	IT and telecommunications (ICT) Medical Industry, pharmaceuticals and cosmetics (including health resort medicine) Innovative agriculture and agri-food industry  Change: shifted to focus on RIS3 segments of the provider of public leverage and its territory
Germany - Baden-Wuerttemberg	Sustainable mobility concepts ICT, green IT and products	Sustainable mobility concepts ICT, green IT and products Environmental technologies, renewable energies and & resource efficiency  Change: added focus also on 3 <sup>rd</sup> RIS3 segment as currently heavy engagement both from startups and public providers of leverage
Czech Republic	IT services and software Mechanical engineering	IT services and software Mechanical engineering  Change: N/A
Hungary	ICT and information services Clean and renewable energies	ICT and information services Clean and renewable energies Healthy society and wellbeing  Change: partner now working strongly also with health startups, strong competition on the market
Croatia	Health and quality of life Food and bioeconomy	Energy and Sustainable Environment Security  Change: adjusted focus of 2 segments due to strong competition and higher expected impact
Slovenia	Smart cities and communities Smart buildings and homes	Smart cities and communities Smart buildings and homes  Change: N/A



### 3.2 Investment size focus

Given the shift of funding gap between 3F and VC investments with VCs and other competing funds investing now also lower than 1 000 000 EUR, and given the potential USP for Business Angels with lower investment size, the following investments will be predominantly strategically sought.

Minimum size of TOTAL investment	Minimum size of INDIVIDUAL BA investment	Maximum size of TOTAL investment predominantly sought
75 000 EUR	5 000 EUR	750 000 EUR

### 3.3 Value proposition for CE-Connector ACIF towards business angels and startups

Given the analysis in previous chapter and internal strengths of the partners, CE-Connector ACIF aims to strategically position its instrument with the following value proposition for business angels and startups.

#### 3.3.1 Value proposition for business angels

- SIZE OF INVESTMENT NEEDED for separate business angel starting from as low as 5 000 EUR
- ACCESS TO INTERNATIONAL DEALFLOW AND BUSINESS ANGELS from CE
- INDUSTRY SPECIFIC KNOWLEDGE AND EXPERT NETWORKS (specified for all countries available experts)

#### 3.3.2 Value proposition for startups

- BUSINESS DEVELOPMENT value in market validation, go-to-market strategy, market expansion (at later stage)
- TRANSNATIONAL LEVEL
- EXPERTISE ON PUBLIC FUNDING instruments
- SOFTLANDING NETWORK OF EXPERTS
- QUICKER AND CHEAPER ACCESS TO OTHER CE MARKETS
- CONSULTATION TIME AVAILABLE for other markets

### 3.4 Business angels acquisition and retention

The analytical chapter and discussion among CE-Connector ACIF partners reveals the following strategic activities to acquire and retain business angels.



### 3.4.1 Acquisition of business angels - core activities

Given the weaknesses in connections to specific individual BAs and BA associations by most of the CE-Connector ACIF partners (described in Chapter 2), sourcing scenarios for BAs need to be considered. There exist many potential BA profile people, as explained previously. Many of them, however, did not yet have the specific opportunity or do not know about this possibility. Given the BA pipeline structure shown previously, the following sourcing opportunities arise:

100% BAs: introduction of extended deal flows from other CE-Connector ACIF members

75% BAs: introduction of extended deal flows from other CE-Connector ACIF members

50% BAs: partnering with them specifically or with BA associations they are members of, selected deal flows exclusive offers and/or exchange, personal recommendations from current BAs

25% BAs: events organization and participation, brand awareness B2B meetings, personal recommendations from current BAs

10% BAs: education, connection to other BAs

By focusing also on the hard to source 10% BAs and educating and connecting them together it is possible to increase the amount of these BAs in the pipeline who can be then transferred to further stages of the BA pipeline (25%-50%-75%-100%) and achieve active international BA co-investment. The best way to reach BAs is by having a close connection to them. Their decisions are usually made upon a personal recommendation. Every BA knows other potential BAs that would cooperate with him.

Given the points above, the most relevant BA sourcing and acquisition core activities are suggested as follows:

- Setting up cooperation with business angel associations and complementary territorial/national innovation hubs
- Direct scouting search and contact including events (e.g. Wolves summit, Startup Summit, PODIM, e.g. unofficial part aside close to end of event)
- Awareness and knowledge/network building events
- Intensive work with 10% business angels (those in our networks but not recruited yet as business angels) into active investment stage (simple process to acquire them for 1,5 event, mentoring for new investors)
- Fun part events joined with big international events for networking
- Via ambassadors
- Getting into the list of trusted investors, business angel networks, startups (media)

### 3.4.2 Retention of business angels - core activities

- Events / virtual events half-yearly with best practices to learn from and new applicants (fun physical, education virtual), use joined events
- CEE startup and investors' ecosystem report production (state of the business angels ecosystem)



### 3.5 Startup dealflow acquisition

The analytical chapter and discussion among CE-Connector ACIF partners reveals the following strategical activities to acquire startup deal potentials.

#### 3.5.1 Acquisition of startup dealflow - core activities

- Own + external scouting of all partners
- Additional Accelerators and competitions in territories, countries and other CE countries
- Through programme mentors, current business angels
- Connecting to clusters + other associations
- Finding “ambassadors”
- Increasing visibility by social media campaigns
- Google perks for Adwords for startups

### 3.6 CE-Connector ACIF Business Model Canvas

PARTNERS	KEY ACTIVITIES	VALUE PROPOSITION	CUSTOMER RELATIONSHIP	CUSTOMER SEGMENTS
Public leverage partners	Promotion of angel co-investment and territorial investment opportunities	<b>BUSINESS ANGELS:</b>	<b>BUSINESS ANGELS:</b>	<b>BUSINESS ANGELS</b> (who can also become angels because of our activity)
Territorial Business angel associations	Trust building for transregional angel co-investment	SIZE OF INVESTMENT NEEDED for separate business angel starting from as low as 5 000 EUR	Events / virtual events half-yearly with best practices to learn from and new applicants (fun physical, education virtual), use joined events	STARTUPS in participating territories (shaped by public leverage provider) in selected RIS3 industries
Territorial accelerators (dealflow)	Sourcing business angels	ACCESS TO INTERNATIONAL DEALFLOW AND BUSINESS ANGELS from CE	CEE startup and investors' ecosystem report production (state of the business angels ecosystem)	- ICT and telecommunication - health - agriculture / agri-food - sustainable mobility - environmental technology
Vcs of multiple levels (exit)	Support of business angels (including smart money values, e.g. Inviting foreign business angels to territorial meetings and events with local business angels	INDUSTRY SPECIFIC KNOWLEDGE AND EXPERT NETWORKS (specified for all countries available experts)		- energy - mechanical engineering - security - smart cities, buildings, homes and communities
Industry relevant Clusters	)			
European Investment Fund	Sourcing startup dealflow	<b>STARTUPS</b>		
	Provision of business development services for startups (as smart money)	<b>BUSINESS DEVELOPMENT</b> value in market validation, go-to-market		
	Communication with VCs			



	<p><b>KEY Resources</b></p> <p>Network and database of angel investors and startups in territorial ecosystem</p> <p>Territorial allocated managers with knowledge in co-investment, startup ecosystem and business development services</p> <p>Single cross-border startup database („startup includer“) connected to one of the existing databases such as Vestbee or F6s</p>	<p>strategy, market expansion (at later stage)</p> <p>TRANSNATIONAL LEVEL</p> <p>EXPERTISE ON PUBLIC FUNDING instruments</p> <p>SOFTLANDING NETWORK OF EXPERTS</p> <p>QUICKER AND CHEAPER ACCESS TO OTHER CE MARKETS</p> <p>CONSULTATION TIME AVAILABLE for other markets</p>	<p><b>CHANNELS</b></p> <p><b>BUSINESS ANGELS:</b></p> <p>Setting up cooperation with business angel associations and complementary territorial/national innovation hubs</p> <p>Direct scouting search and contact including events (e.g. Wolves summit, Startup Summit, PODIM, e.g. unofficial part aside close to end of event)</p> <p>Awareness and knowledge/network building events</p> <p>Intensive work with 10% business angels (those in our networks but not recruited yet as business angels) into active investment stage (simple process to acquire them for 1,5 event, mentoring for new investors)</p> <p>Fun part events joined with big international events for networking</p> <p>Via ambassadors</p> <p>Getting into the list of trusted investors, business angel networks, startups (media)</p> <p><b>STARTUPS:</b></p> <p>Own + external scouting of all partners</p> <p>Additional Accelerators and competitions in territories, countries and other CE countries</p> <p>Through programme mentors, current business angels</p> <p>Connecting to clusters + other associations</p> <p>Finding “ambassadors”</p> <p>Increasing visibility by social media campaigns</p> <p>Google perks for Adwords for startups</p>	
<p><b>COST STRUCTURE</b></p> <p>Half-yearly events organization</p> <p>Territorial managers and other employees</p> <p>Promotion costs inside territories and on CE level</p> <p>Ecosystem Report creation</p> <p>Database maintenance</p>		<p><b>REVENUE STREAMS</b></p> <p>Business development services</p> <p>ROI from co-investment</p> <p>Additional Public sources</p> <p>Annual membership fee</p>		



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## ***4. CE-CONNECTOR ACIF PERFORMANCE PLAN***

### **4.1 KPI objectives**

CE-Connector partnership has decided to measure its ACIF fund performance by the following KPI parameters:

#### 4.1.1 Investment related KPIs

Number of 1<sup>st</sup> round investments - this means how many times has CE-Connector ACIF enabled investment into startups who didn't get any external investment yet aside from 3F funding

Number of 2<sup>nd</sup> round investments - this means how many times has CE-Connector ACIF enabled 2<sup>nd</sup> investment into the same startup already invested in the 1<sup>st</sup> round

Number of cross-border investments - this means how many CE-Connector ACIF investments included at least 1 business angel from a different country

Invested amount per year - this means how big sum of investments total in given year has been enabled to all startups both from private + public actors through the CE-Connector ACIF

Value of public fund leverage - this means a percentage portion sourced from public institutions of the total investments made in the given year by through CE-Connector ACIF

#### 4.1.2 Business angels' network related KPIs

Number of active business angels in CE-Connector territorial ecosystem - this means how many Business Angels during the given year are available and interested in investments through CE-Connector ACIF

Number of Business Angels with built capacities - this means a yearly addition of new Business Angels that have been educated in the territory through CE-Connector ACIF and reached a level of at least sophisticated investor



#### 4.1.3 Society and Economy related KPIs

Societal impact - startups surviving 3 years - this means a percentage of startups in portfolio of CE-Connector partners (participants of programmes, being invested to, etc.) surviving 3 years from their full time origin - informal, not legal start)

Economic impact - new created jobs - this means how many new jobs have been created by the startups invested to through CE-Connector ACIF

### 4.2 KPI targets at each CE-Connector ACIF country

The following sections and tables provided a view on KPIs targeted at each of the CE-Connector ACIF partners' country. KPIs are influenced by the following timelines:

Autumn 2020 - start of the CE-Connector ACIF opened call for startups

End of 2021 - end of the CE-Connector ACIF investment Pilot

Spring 2022 - end of the CE-Connector ACIF ERDF financing

End of 2025 - end of the CE-Connector sustainability plan

#### 4.2.1 KPI targets in Poland

	2020	2021	2022	2023	2024	2025
Number of 1st round investments	0	3	7	7	7	7
Number of 2nd round investments + (any follow-up investment)	0	0	1	2	2	2
Number of cross-border investments	0	0	1	2	2	2
Invested amount per year = Fund size per year (pre-defined KPI for some years)	0	200.000	300.000	445.000	445.000	445.000
Value of public fund leverage	0	25 %	25 %	25 %	25 %	25 %
Number of active Business Angels in CE-Connector territorial ecosystem	5	10	13	16	18	20
Number of Business Angels with built capacities (reaching newly at least level of	0	10	7	6	3	3



Sophisticated Investor)						
Measurable Societal Impact - percentage of startups in portfolio (participants of programmes, being invested to, etc.) surviving 3 years from their full time origin - informal, not legal start)	0	0	5	7	9	10
Measurable Economical Impact - new jobs created by invested startups	0	3	10	20	30	40

#### 4.2.2 KPI targets in Germany - Baden-Wuerttemberg

	2020	2021	2022	2023	2024	2025
Number of 1st round investments	0	2	2	1	1	1
Number of 2nd round investments + (any follow-up investment)	0	0	0	0	1	1
Number of cross-border investments	0	1	0	0	0	0
Invested amount per year = Fund size per year (pre-defined KPI for some years)	0	250.000	250.000	500.000	1.000.000	1.000.000
Value of public fund leverage	25%	25%	25%	25%	25%	25%
Number of active Business Angels in CE-Connector territorial ecosystem	0	6	5	10	15	20
Number of Business Angels with built capacities (reaching newly at least level of Sophisticated Investor)	4	6	1	2	2	3
Measurable Societal Impact - percentage of startups in portfolio (participants of programmes, being invested to, etc.) surviving 3 years after investment	N/A	N/A	N/A	30%	30%	30%
Measurable Economical Impact - new jobs created by invested startups	0	3	3	5	5	10



#### 4.2.3 KPI targets in the Czech Republic

	2020	2021	2022	2023	2024	2025
Number of 1st round investments	0	3	7	10	12	12
Number of 2nd round investments + (any follow-up investment)	0	0	0	1	2	2
Number of cross-border investments	0	1	1	2	2	2
Invested amount per year = Fund size per year (pre-defined KPI for some years)	0	250.000	500.000	750.000	1.000.000	1.000.000
-Value of public fund leverage	0	25% from Invested amount				
Number of active Business Angels in CE-Connector territorial ecosystem	4	8	20	22	26	30
Number of Business Angels with built capacities (reaching newly at least level of Sophisticated Investor)	15	20	10	7	7	7
Measurable Societal Impact - percentage of startups in portfolio (participants of programmes, being invested to, etc.) surviving 3 years from their full time origin - informal, not legal start)	10	15	15	20	25	30
Measurable Economical Impact - new jobs created by invested startups	0	5	12	20	20	23

#### 4.2.4 KPI targets in Hungary

	2020	2021	2022	2023	2024	2025
Number of 1st round investments	1	2	4	4	4	4
Number of 2nd round investments + (any follow-up investment)	0	0	1	1	2	2
Number of cross-border investments	0	1	1	2	2	2
Invested amount per year = Fund size per year (pre-defined KPI for some years)	100 000	300 000	1 300 000	1 500 000	2 000 000	2 000 000
Value of public fund leverage	0	25%	38%	33%	25%	25%
Number of active Business Angels in CE-Connector territorial	3	9	15	20	25	25



ecosystem						
Number of Business Angels with built capacities (reaching newly at least level of Sophisticated Investor)	5	10	10	10	10	10
Measurable Societal Impact - percentage of startups in portfolio (participants of programmes, being invested to, etc.) surviving 3 years from their full time origin - informal, not legal start)	N/A	N/A	14%	18%	26%	31%
Measurable Economic Impact - new jobs created by invested startups	0	3	7	11	15	19

#### 4.2.5 KPI targets in Croatia

	2020	2021	2022	2023	2024	2025
Number of 1st round investments	0	3	1	1	1	2
Number of 2nd round investments + (any follow-up investment)	0	0	0	1	1	1
Number of cross-border investments	0	1	0	0	1	1
Invested amount per year = Fund size per year (pre-defined KPI for some years)	0	225.000 €	75.000 €	75.000 €	75.000 €	150.000 €
Value of public fund leverage	0	25%	50%	50%	25%	25%
Number of active Business Angels in CE-Connector territorial ecosystem	5	8	9	10	11	13
Number of Business Angels with built capacities (reaching newly at least level of Sophisticated Investor)	0	2	1	1	1	2
Measurable Societal Impact - percentage of startups in portfolio (participants of programmes, being invested to, etc.) surviving 3 years from their full time origin - informal, not legal start)	N/A	N/A	N/A	N/A	30%	40%
Measurable Economical Impact - new jobs created by invested startups	0	5	10	15	20	30



#### 4.2.6 KPI targets in Slovenia

	2020	2021	2022	2023	2024	2025
Number of 1st round investments	0	3	5	7	7	7
Number of 2nd round investments	0	0	0	1	1	1
Number of cross-border investments	0	0	1	2	2	2
Invested amount per year = Fund size per year (pre-defined KPI for some years)	0	120.000	200.000	445.000	445.000	445.000
Value of public fund leverage	0	25 %	25 %	25 %	25 %	25 %
Number of active Business Angels in CE-Connector territorial ecosystem	10	12	15	17	19	20
Number of Business Angels with built capacities (reaching newly at least level of Sophisticated Investor)	2	3	4	5	6	7
Measurable Societal Impact - percentage of startups in portfolio (participants of programmes, being invested to, etc.) surviving 3 years from their full time origin - informal, not legal start)	0	0	3	5	7	9
Measurable Economical Impact - new jobs created by invested startups	0	3	10	20	30	40

### 4.3 KPI targets at CE level

The following table provides a view on the aggregated KPIs across all 6 territories of CE-Connector ACIF partners´.

	2020	2021	2022	2023	2024	2025
Number of 1st round investments	1	16	26	30	32	33
Number of 2nd round investments	0	0	2	6	9	9
Number of cross-border investments	0	4	4	8	9	9
Invested amount per year = Fund size per year (pre-defined KPI for some years)	100 000 EUR	1 345 000 EUR	2 625 000 EUR	3 715 000 EUR	4 965 000 EUR	5 040 000 EUR
Value of public fund leverage	25%	25%	>25%	>25%	25%	25%
Number of active Business Angels in CE-Connector territorial ecosystem	27	53	77	95	114	128
Number of business angels with built capacities	26	51	33	31	29	32
Measurable Societal Impact - percentage of startups in portfolio (participants of programmes, being invested to, etc.) surviving 3 years from their full time origin - informal, not legal start)	N/A	N/A	0-14%	5-30%	7-30%	9-40%
Measurable Economic Impact - new jobs created by invested startups	0	22	52	91	120	162



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In terms of investment related KPIs, CE-Connector ACIF aims to deliver a total of 138 1<sup>st</sup> round investments with 18,5% of the investments (26) going into 2<sup>nd</sup> round investments. 34 of all investments enabled (20%) will be carried out across borders. The total sum of investments expected (168) is at 17 790 000 EUR at CE level, reaching 5 040 000 EUR investment per year in 2025. The estimated value of public fund leverage is for the first 2 years of 2020 and 2021 at 25%, with increase during the next 2 years into more than 25%.

In terms of Business Angels´ network related KPIs, CE-Connector ACIF aims to reach a total number of 128 active Business Angels in our territorial ecosystems in year 2025, starting at 27 in 2020 and increasing on a yearly basis. For reaching that, we will build capacities of approximately 25-35 Business Angels per year, with the highest number expected and aimed for during 2021 (51 Business Angels with newly built capacities).

In terms of Society and Economy related KPIs, CE-Connector ACIF aims to reach 5-30% of startups in our portfolio surviving 3 years from their full time origin in year 2023 increasing then even to 9-40% in year 2025 (subject to different KPIs for each partner). As the new jobs created through the carried out investments, CE-Connector ACIF aims to reach total 447 new jobs created by the invested startups by 2025.



# *5 CE-CONNECTOR LEGAL STRUCTURE AND FRAMEWORK*

This chapter is closely connected to multiple sources of analyses and discussions. Firstly, to the CE-Connector ACIF definition in its Application Form, under which it has been by financed through Interreg Central Europe. Secondly, to the Regulatory Screening Report, that has looked at various legal regulations in all affected territories as well as on EU level. Thirdly, to Advisory Group meetings' findings from each territory. And lastly, to the legal expert review of the legal framework options.

## **5.1 Usual structure and operation of ACIFs**

Angel Co-investment funds (ACIFs) are specific financial schemes of governmentally led public co-investment funds, with notable success primarily in the UK (i.e. London Co-investment fund). Such funds have dedicated legal structure. They are mostly established as investment Special Purpose Vehicle (SPV), while the shareholders are:

- Most often one single public body, which fully control the funds operation (names the Advisory board, Board of Director, Investment board) and also provides 100% of public finances to the fund
- Less often the group of two or more public bodies
- Even less often one or more public bodies together with some private capital providers (bank, VC etc.). This is rather unusual scheme, because: i) Private leverage of public funds in ACIFs is provided by Business Angels on case-by-case basis. So double leverage (by private funds such VC or bank) would minimize the public money contribution, influence and actually will make the efficiency of the whole structure questionable, ii) High number of co-investing parties (aside of BA syndicate or group) will increase the complexity of the asset's management

Angel Co-investment Funds are usually not raising money on the market. They operate with public funds and therefore follow the principles (till various extent) of public finances.

Business Angels are not joining the ACIFs, they invest on ad-hoc principles as co-investors. Usually the group of angel (or angel syndicate) is led by Lead Business Angel. Legally, more common structure seems to be: i) There is co-investment agreement for investment to specific asset among Business Angels, while one of them - Lead Angel represents the group or syndicate. This contract usually covers only ONE investment, ii) The co-investment contract between Lead Angel and ACIF is signed. It's usually ad-hoc contract, which covers one joint investment to ONE asset (start-up / scale-up).



## 5.2 Predefined principles of CE-Connector financial vehicle

There are two phases of the development of the CE-Connector ACIF financial vehicle:

- Pilot phase (co-funded by EC)
- Developed phase (not co-funded by EC)

Both phases have till some extent different frameworks, which affects recommended operation.

### 5.2.1 Pilot phase

Pilot phase has the following parameters:

- Startup investment deal size: 75 000 EUR - 1 000 000 EUR
- Public partner co-investment: 25% in the form of IN-KIND contribution. Public partner is already defined and is the member of project consortium.
- Public funds leveraged by Business Angel group of minimally 3 Angels (while in some cases at least one shall come from different country).
- Investment strategy is framed only by the definition of segments to which the investment is possible to be done (aligned with territorial RIS strategy)

### 5.2.2 Developed phase

Developed phase has the following parameters:

- Startup investment deal size: 75 000 EUR - 1 000 000 EUR, but the scope can be redefined during the Pilot phase.
- Public partner co-investment: close to 50%. Public partner shall be identified during WPT3.
- Public funds leveraged by Business Angel group of minimally 3 Angels (while in some cases at least one shall come from different country).
- Investment strategy will be defined in WPT3

### 5.2.3 Difference between phases

The key differences between both phases are the following:

- Public partner contribution in form of in-kind will change to real financial investment
- Public partner contribution will increase from 25% to 50%
- Public partner for co-investment is defined for the Pilot phase, but can be changed for the Developed phase
- Investment strategy shall be further developed and adjusted for Developed phase



## 5.3 Levels of operation for CE-Connector ACIF

### 5.3.1 Pilot phase

During the pilot phase, there are 6 Providers of public fund leverage incorporated to Financial Scheme structure. ACIF investment decisions are driven by public provider of funds, due to the fact, that such provider needs to follow public funds principles. Additionally, it's possible to assume, that involved public providers will use financial policy tools (or other types of tools for in-kind contribution) which are already designed and decision-making process is approved by the respective policy representatives. The approved principles must be applied in the decision-making process; however it would be advisable to modify them to serve properly in the framework of CE-Connector investment scheme.

It's obvious from above, that the investment decision will be PUBLICLY driven, as is usual in the ACIFs funds. Also, the decision will be driven by the principles of public providers.

Therefore, the investment decision will be done at 6 TERRITORIAL levels (national or regional), while these decisions will be done in each territory in the framework given by used specific leverage tools of public providers.

### 5.3.2 Developed phase

The level of territoriality during the developed phase is not possible to postulate in the current stage. In general, the future structure mostly depends on the final structure of provider(s) of public leverage, which will be defined in WPT3. We can foresee some possible scenarios:

- i) The provider of public financial leverage is going to be an international institution or an institution which covers all participating territory. In such case the joint management structure (one Investment Board, one legal structure) seems to be the most probable choice.
- ii) The providers of public financial leverage will cover just some territories but will find the common ground to act jointly in the framework of the CE-Connector financial scheme. However, it's highly unlikely scenario. But in this case, the joint management structure (one Investment Board, one legal structure) seems to be most probable choice.
- iii) The ecosystems at territorial level will be partly fragmented, which means, that the providers of public financial leverage will act jointly in some territories (e.g. Slovenia + Croatia or Poland + Czech rep.). In such case there will be created joint management structures for those cooperating territories.
- iv) The ecosystem of providers of public financial leverage will be fully fragmented. In such case there will be management structures in every CE-Connector territory (6 countries or regions). The cooperation will be done through the CE-Connector network and cross-border co-investments.

We assume that scenario 1 and scenario 4 are most probable scenarios for the Development phase.



## 5.4 Available legal structure of operations and suggestion for CE-Connector ACIF

### 5.4.1 Pilot phase

The key preconditions for the operations of CE-Connector ACIFs in the pilot phase are the following:

- Operation is co-financed by EC, specifically by Interreg Central Europe
- Provider of public leverage is selected. In 5 cases from 6 (except CZE), they are a full project partner
- Provider of public leverage shall provide 25% and can provide it in the form of the in-kind contribution
- Provider of public leverage can change from Pilot to the Development phase (or stay the same).
- The process of Pilot is described in the detail in the CE-Connector Application Form and shall be followed

The above mentioned frameworks create the following available scenarios of legal structure of operations.

#### 5.4.1.1 Territorial operations without setting-up of legal frameworks

This is the least formal scenario. Practically it means, that co-investment to the assets (start-ups) will be done either by:

- Public provider of Financial leverage, which will represent also territorial Knowledge Partner. The investment will be done based on Mandate contract or more probably Co-investment contract signed between both partners. The contract can be done ad-hoc for every investment or there can be prepared Framework contract covering the whole pilot. As stated above, the business angel co-investment shall be represented in the deal structure with Asset by Lead Angel (the deal will have 3 parties: 1 Start-up (asset); 1 Lead Angel (representing all Angels); Public provider (representing also Knowledge PP)
- By Knowledge partner, which will represent also Public provider of financial leverage, while the structure will be the same as in the previous case

Knowledge Partner and Public Provider will act as independent parties in the Co-investment agreement with the Asset.

This is not a recommended scenario.

In this case, the Asset (Start-up) has to sign the co-investment contract with 3 different parties at investment side (Knowledge partner, Provider of public leverage and Lead Angel). It can be seen as competitive disadvantage on the market.

In all cases, it is important to underline, that Knowledge partner and Public provider of Financial leverage invest their own assets (intellectual, financial, infrastructural etc.), but not the assets of 3rd parties.



### 5.2.1.2 Setting of territorial special purpose vehicle (SPV) as Joint Venture of Knowledge Partner and Provider of public

This scenario is recommended only in case, that both involved parties have strong will to cooperate after the Pilot phase, even without knowing the result of the cooperation in the Pilot phase.

In such case, they shall define at territorial level all important aspects related to set-up and operation of the SPV (including the shares, investment strategy, staffing and financing). SPV is not partner of the CE-Connector project, therefore cost of SPV are **not eligible** (staff costs, travel expenses).

SPV could act only as external provider, but the selection of external provider has to follow territorial procurement rules.

The SPV shall manage assets (financial, infrastructural, intellectual) of founders (Knowledge partner and Provider of public leverage). It shall not fundraise funds from the 3rd parties. It is also important to note that the fulfilment of indicators of project through SPV shall be checked with JS (it's not the standard case, so we will check it only in case, some territory will opt for this scenario).

The investment through SPV shall mitigate the risk of revenues - see Implementation Manual of Interreg Central.

### 5.2.1.3 Territorial operations with setting-up of quasi-legal persons

This is a scenario we currently recommend the most, mainly because of the uncertain structural changes from the Pilot to the Development phases. Its further benefits are:

- Formalised relationship between the private investing partners (Business Angels and Knowledge partner)
- Simple contractual relationship between all parties (especially when all contract templates are in place)
- Simple management of the private part of the investors
- Simplified procedure for Provider of public leverage
- Simplified decision-making for start-ups (founders)
- Minimisation of costs in case of the project failure

Practically it means that the following relations are to be established:

Investment Memorandum - an agreement between the Provider of public leverage, Business Angels and Knowledge Partner (in case the Provider of public leverage does not represent the Knowledge Partner), mainly representing a framework letter of intent and the basic principles of the co-operation, incl. the set of agreements, to be concluded in order to realise the investment by CE-Connector ACIF



Public Investment Agreement - an agreement concluded between the Provider of public leverage and the start-up (usually arising from specific conditions governing each Provider of public leverage and condition of providing its resources to private projects), designing the conditions of the investment by the Provider of public leverage (incl. the right of the Provider of public leverage on remuneration usually in the form of a virtual option in case of exit)

Company (Association) without Legal Personality - an agreement establishing a semi-formal partnership between the Business Angels and Knowledge Partner; determining the representative of the Association, distribution of proceeds, etc. If the Knowledge Partner is entitled to any remuneration for its services, such shall be based on this agreement (most probably not in the Pilot Phase)

Investment Agreement - agreement concluded between the Association and the start-up, governing conditions of Business Angels' investments, role of the Knowledge Partner, incl. option on shares in the start-up (most probably in the form of a convertible loan, or other)

Share Purchase Agreements - formal agreements, upon which the convertible loan (option) agreed in Investment Agreement is realised. Such agreement shall be concluded between each of Business Angel and the start-up founders and (if agreed so) also between the Knowledge Partner and the start-up founders

In this scenario, there are generally 3 parties of CE-Connector ACIF:

- (i) Provider or public leverage,
- (ii) Association of private Business Angels and the Knowledge Partner, and
- (iii) Start-up (Asset).

However, no special SPV is established. Provider of public leverage will act as independent party with the Asset.

As CE-Connector project itself does not define anyhow the deal structure between Knowledge partner and Provider of Public leverage, it is fair to say that the deal structure among affected parties can vary from territory to territory (e.g. cooperation model can be significantly different in the Czech Republic, Germany or Slovenia). The model can even vary in the same territory for different deals (e.g. the model for 1st Pilot investment and 2nd investment in Hungary can be different). The set-up of the deal between both partners in the same territory (region or country) is fully up to both parties and shall not be framed anyhow at project level.

We recommend processing a supplementary document called "Legal Framework Guide: Best Practices". Such document shall "live" during the project and be continuously updated upon new experience from different countries. The Guide shall consist of the following parts:

- General description of the contractual relations, establishing the ACIF, based on business practices and joint EU-regulation
- More detailed description of a sample from the Czech Republic solution, based also on the legal regulation in the given country (CZE)
- Guidelines, how to apply the Guide in any EU-country - this part shall represent a differential analysis between the "Czech solution" and each participating country solution - so that the General description can be updated by using joint solutions, and to highlight local (national) differences in each country, applying the model



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Upon end of the Pilot phase, the Guide shall represent a “Cook-book”, allowing each party, interested in using this model, to do so. At the same time, the Guide should be able to (to certain level of detail) highlight the critical points, where local laws usually vary.

#### 5.4.2 Developed phase

The legal structure of developed phase is determined by the sustainability being defined in TWP3. There are various scenarios, so it does not seem meaningful at this stage to list all of them in current stage of project. On the other hand, the Legal Guide shall be the tool to ensure there is a practical Scenario Planning Documentation on place, applicable in the Developed phase as well as in the future.