

CEE Country Overview - Startup Innovation Potential



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Technology Ecosystem Growth Needs

Any Ecosystem Needs:

- Available investment + previous exit history
- Labor market dynamics:
 - tech experience,
 - languages,
 - previous startup experience
 - existing startup experience

Silicon Valley tops:

- SV captures 45% of the top 20's VC investments and exit value
 - almost 5x its closest competitors (New York and London)
- SV has the highest growth in VC investments and exit value
 - It captures 43% and 30% of the top 20's absolute total growth

No CEE in Top 20 - 5 European cities only

London (6), Berlin (9), Paris (11), Moscow (13), Amsterdam (19) - 3x EU

High Need for International Talent

- **SV is the global innovation leader,**
 - U.S. losing ground on R&D and talent
- **Venture Capital fundraising strong in 2015**
 - some IPO valuations fell below recent highs
- **Talent and Education** is the most critical asset for the long term health
 - 51% of SV 8th graders do not pass the state math exam - large disparities in proficiency by race and ethnicity
- **Immigrants** remain a critical part of the innovation economy
 - SE Asia, Europe (EU + non EU)
- **Sustainability: Traffic congestion and housing costs up**

Which Country Has the Best Developers?

Ranked by Average Score Across All HackerRank Challenges

Rank	Country	Score Index	Rank	Country	Score Index
1	China	100.0	26	Netherlands	78.9
2	Russia	99.9	27	Chile	78.4
3	Poland	98.0	28	United States	78.0
4	Switzerland	97.9	29	United Kingdom	77.7
5	Hungary	93.9	30	Turkey	77.5
6	Japan	92.1	31	India	76.0
7	Taiwan	91.2	32	Ireland	75.9
8	France	91.2	33	Mexico	75.7
9	Czech Republic	90.7	34	Denmark	75.6
10	Italy	90.2	35	Israel	74.8
11	Ukraine	88.7	36	Norway	74.6
12	Bulgaria	87.2	37	Portugal	74.2
13	Singapore	87.1	38	Brazil	73.4
14	Germany	84.3	39	Argentina	72.1
15	Finland	84.3	40	Indonesia	71.8
16	Belgium	84.1	41	New Zealand	71.6
17	Hong Kong	83.6	42	Egypt	69.3
18	Spain	83.4	43	South Africa	68.3
19	Australia	83.2	44	Bangladesh	67.8
20	Romania	81.9	45	Colombia	66.0
21	Canada	81.7	46	Philippines	63.8
22	South Korea	81.7	47	Malaysia	61.8
23	Vietnam	81.1	48	Nigeria	61.3
24	Greece	80.8	49	Sri Lanka	60.4
25	Sweden	79.9	50	Pakistan	57.4

Source: Silicon Valley Competitiveness and Innovation Project – 2016 Update

CEE / V4 Overview

Total market size:	64.6 m	
Poland:	38.6 m	60%
Czech Rep.:	10.6 m	16%
Hungary:	9.9 m	15%
Slovakia:	5.5 m	9%
Lithuania:	3.5 m	
Latvia:	2.2 m	
Slovenia:	2.0 m	
Estonia:	1.3 m	

- **Similar**
 - **Business environment SWOT**
 - **Financing opportunities**
 - **Labor market trends**
 - **Talent Base**
 - **Heritage: history and business structures**

- **Different**
 - **Market size**
 - **Languages**
 - **Geography / Regional centers**
 - **Business development opportunities**
 - **Access to investment**

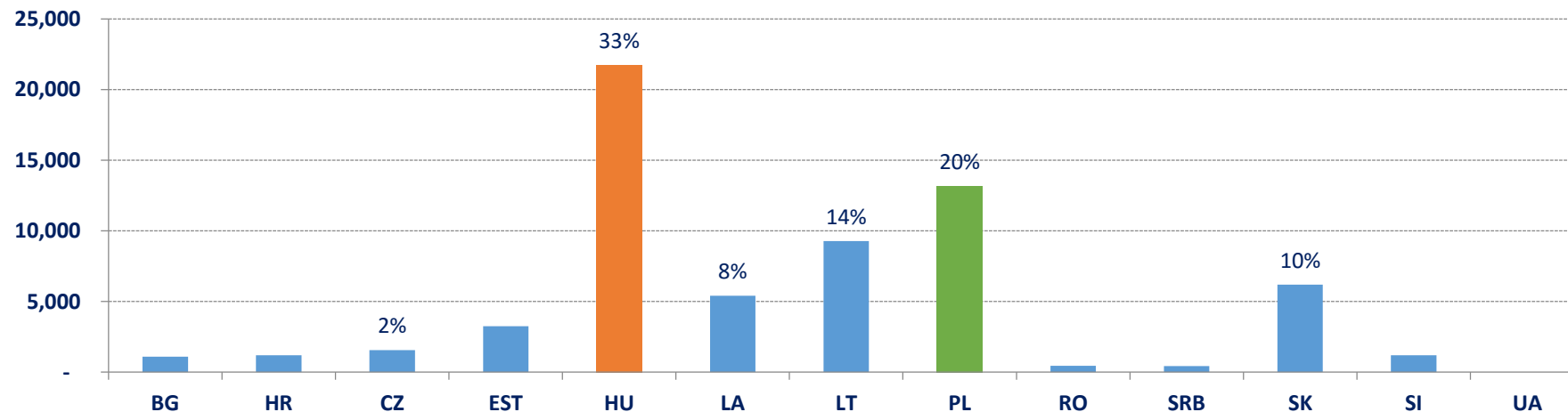


Venture Capital / Seed in 2015

- VC investment in CEE in 2015 hit its highest 2009
- 200+ companies received VC investment
 - Incl. 130 startups
- VC by value: 85%: Poland, Serbia, Hungary and Romania (2015)
- VC by transaction number: 91%: Poland, Hungary, Baltics and Slovakia
- Total investment amount
 - CEE: 25% up to €1.6 bn (Exits: 1.2 bn)
 - Europe total: 14% up to €47 bn (Exits: €40 bn)
- PE and VC investment management experience is
 - said to be eligible for CEE, but
 - is *not equally distributed* within CEE

Source: CEE Private Equity Statistics 2015 by investeurope.eu

of which: Startup and Seed Investments in CEE - € k (2015)



Startups in Poland 2015 1/2



- **2,400+ startups - at university centers:**
 - Warsaw, Cracow, Poznan, Wroclaw, Gdansk, Lodz, Katowice
 - SaaS, apps, e-commerce, Internet services
 - B2B : B2C = 2:1
 - 1 in 3 grew 50%+, 1 in 5 grew 100% in revenue in 2015
 - B2B – clients of big data and mobile operators

- 3/4 is self-financing
- 1/2 is going for investor support
- 1/3 is going for a strategic business partner
- 1/4 is considering EU-subsidies
- 1/5 examined VC / seed funding (domestic)
- 1/5 received Seed or Angel money (mainly domestic)

<http://foundedinpoland.com>

Is Poland so different from Hungary?

Source: Polish Startups Report 2015 by Startup Poland

Startups in Poland 2015 2/2

Innovative / Academic Startups

- **Primary needs of Polish startups**

- 2/3 needs more money,
- 1/2 needs bigger network
- 1/4 needs more specialists
- 1/4 cooperates with a research institute

- 15% of startups were established by persons professionally involved in research (min. PhD)
- "Academic" startups are global scale innovators (70%+)
 - typically in hardware, biotechnology, analytical tools, power industry and education
- More successful with VCs and international funds

Is Poland so different from Hungary in 2016?

What Shall YOU Do in Poland?

- **Investor Outreach**
 - Most regional VCs cover Hungary and CEE from their Warsaw office
- **International Scale-Up and Business Development**
 - Polish market is the most similar one to Hungary in so many ways – with 4-5x more customers
 - Cost-effective market entry with economies of scale
 - The closest „large market” to a Hungarian startup to experiment on
 - Higher level of entrepreneurship and faster responsiveness to international technology trends
- **Patenting and Research**
 - Common patent searching and preliminary examining PCT procedures for the Visegrád countries
 - V4 Patent Office in Budapest - since Q2 2016

**Your next VC investor and
your first international e-commerce market
may already be in Poland**



Thank You for your attention

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