

# REPORT

## Survey of Startup Investors in the Czech Republic

2023



## Survey Organizer



DEPO Ventures is the Founders' First Investor, backed by a business angels community. With a focus on early-stage startups from the CEE region, its portfolio includes over 40 investments. Notable projects include the global blockchain platform Tatum, an innovative solution for home heart monitoring, Kardi AI, the mobile AI guide SmartGuide, and the groundbreaking logistics platform Ringil.

The investment group also runs an international syndicate, DEPO Angels, which connects investors with quality startups and simplifies the investment process.

DEPO Venture's vision is to teach high-net-worth individuals that investing in technology should be a natural part of any qualified investor's portfolio.

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# Summary

DEPO Ventures Investment Group has long focused on supporting and developing the startup ecosystem. Over the last four years, it has conducted a survey among angel investors. This year, it expanded the survey to include all investors actively investing in startups through various methods. The survey also includes those investors who have not yet invested in venture capital, in an effort to gain a comprehensive view of the investment environment in the Czech Republic.

The Czech startup scene has a great chance to strengthen this year, investments in technology companies are likely to increase significantly after a leaner last year. The general partners of VC funds are particularly optimistic, with a third of them planning to invest significantly more. However, they are concerned about whether they will be able to raise enough capital from private investors.

Almost half of investors who do not invest in startups would include venture capital in their portfolio. However, a lack of information is holding them back. They fear they don't have enough knowledge to take the plunge. They also perceive that investing in startups carries a higher level of risk and capital.

Data collection took place in January and February 2024 and involved 320 respondents. This report offers a unique overview of investment trends, preferences, or challenges among Czech investors in the dynamically evolving startup environment. The survey aims to provide valuable information for investors, entrepreneurs, and government institutions focused on fostering innovation and growth in the Czech economic space.

# Comments

“It has been 5 years since our first survey. Back then, we told ourselves that if we wanted to help investors, we needed to know something about them. That’s why we regularly find out the reasons even for those who don’t invest in startups. I am very pleased to find that the vast majority of investors would consider it if they knew how. That is a potential we must leverage.

The year 2023 was generally challenging for startups. Well, for their founders. For investors, on the contrary. There is a general consensus that the best portfolios are founded in tough times. Our angel investors are aware of this, and the majority of them invested in 2023 as well. I am glad that they did not succumb to collective fear and, like their colleagues from other countries, took the opportunity to look for the best startups. They seem just as ready to invest this year. Maybe the market situation, where we see signs of revitalization in larger investment rounds and exits, will help them too.

I am a great advocate of investing in technology and startups, and I really dislike seeing disappointed investors - those who invested and did not succeed. Investments in startups can be very profitable, but also very risky. The size of the portfolio is a key tool both for minimizing risk and for increasing the probability of finding the right win. Investing in only two or three startups is a gamble. According to our data, less than a third of investors have more than 10 startups in their portfolio. Many of them manage risk diversification by also investing in funds. Paradoxically, those who invest in funds often have more startups in their portfolio. Perhaps it is due to experience and the amount of time devoted to venture capital. Both are needed for investing. I hope it’s just a matter of time before investors’ portfolios grow in the coming years.”



**Petr Šíma**

General Partner at DEPO Ventures  
Member of the Board at EBAN  
Member of the Board at CBAA



# Comments

“As many predicted, the Czech startup market experienced a downturn in 2023, characterized by a decline in valuations and lower investment activity, especially during the first and second quarters. Although investment appetite returned to 2022 levels in the second half of the year, there was no shift in valuations and investment levels in the pre-seed and seed funding rounds. However, we enter 2024 with optimism. In our transaction practice, it is already becoming apparent that last year’s scenario will not be repeated. The past year has confirmed that the Czech startup environment has built a solid foundation in recent years, thanks to which it can survive even crisis periods. In terms of trends, it is worth mentioning that in addition to the ubiquitous AI, we are seeing an increasing focus on impact projects and issues related to ESG and sustainability in general, which only confirms the inclination towards trends in Western markets.”



**JUDr. Tomáš Ditrych, LL.M., Ph.D.**

Managing Partner at Mavericks



“CzechInvest has been supporting the startup ecosystem since 2011. We continue in our mission to increase the competitiveness of the Czech Republic. Investments in innovative startups and their success in international markets are not only a business opportunity but also represent a deposit for future prosperity, ensuring sustainable growth of the local standard of living. We are glad to be a part of it and hope to attract more and more people and resources to this activity in the coming years.”



**Ivo Denemark**

Director of Startups and Venture Investments



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# About Czech Startup Investors

01

## Investor Motivation

Investors are driven by different motives. Those who invest in startups cite financial motivation as the main reason. However, fostering innovation is a close second, followed by meeting interesting people as the third most common reason for investing in startups.

- 1 Financial motivation
- 2 Encourage innovation
- 3 Meet interesting people
- 4 Learn something new
- 5 Give something back to society
- 6 For fun

## Investment in Numbers

5.8

The average number of years devoted to startup investing

5.4 %

Percentage of investors who made their first investment in 2023

### Average number of investments:

#### Private investor

8.2

Direct investment

6.7

Investments in syndicates

2.5

Investments in VC funds

#### VC Fund

24.6

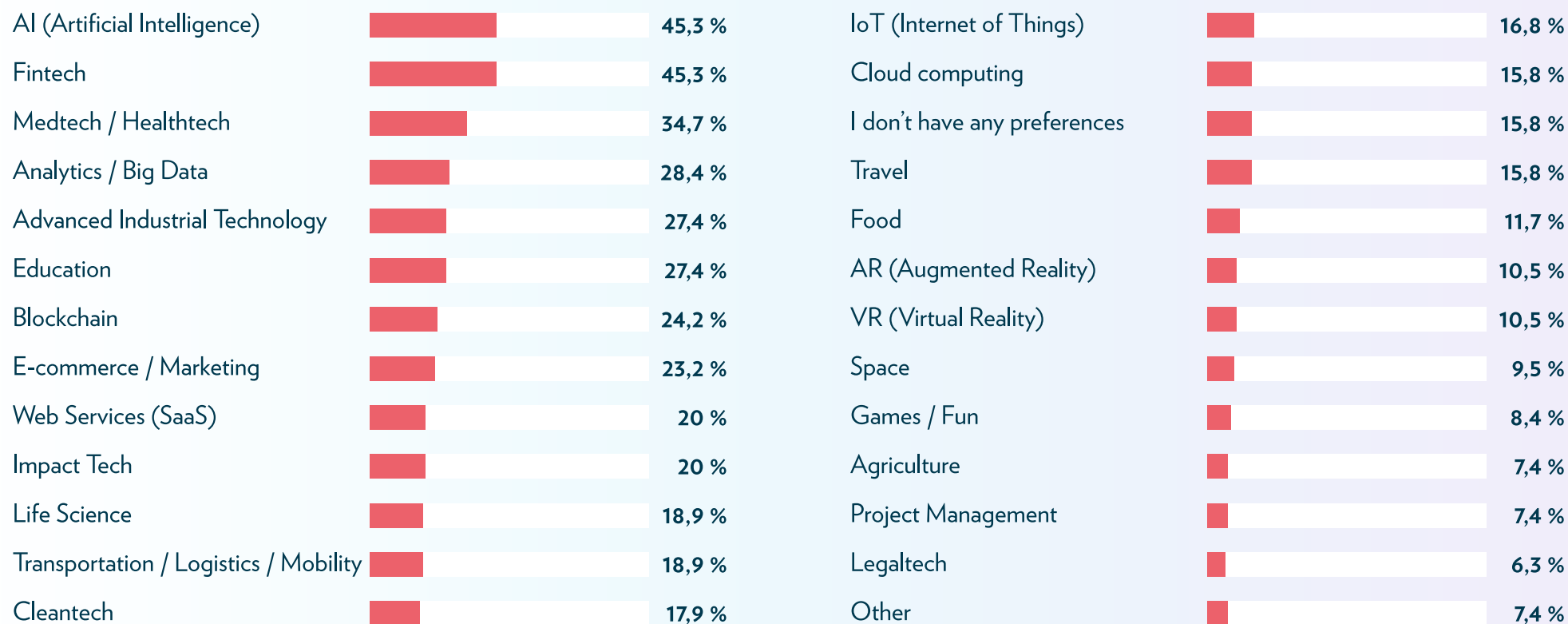
Investments in startups

# About Czech Startup Investors

01

## Preferred Technologies. Betting on the Future

In 2023, investors surveyed were most likely to focus on technologies in artificial intelligence, financial technology, and medical technology including healthcare. This trio also appeared in our 2022 angel investor survey, when interest in medtech/healthcare skyrocketed, knocking blockchain technology out of third place.



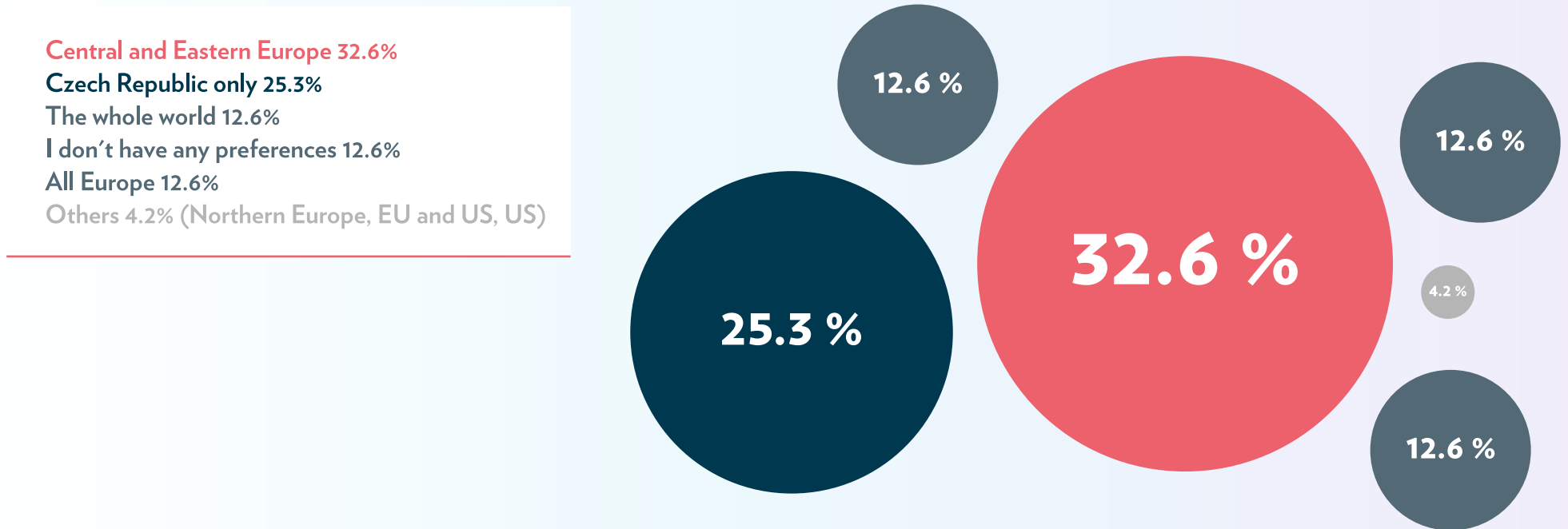


# About Czech Startup Investors

01

## Geographical Strategy. Where the Investments Are Heading?

Within the geographical distribution of investment preferences, it was found that a quarter (25.3%) of the surveyed startup investors focus exclusively on startups from the Czech Republic. These figures indicate a downward trend, as 31% of investors showed this preference in the previous year, i.e. 2022. The decline in interest in exclusively Czech startups may indicate the growing importance of a primarily regional perspective when investing in startups. As can be seen in Figure 1.4, the greatest interest from Czech investors is in Central and Eastern Europe.

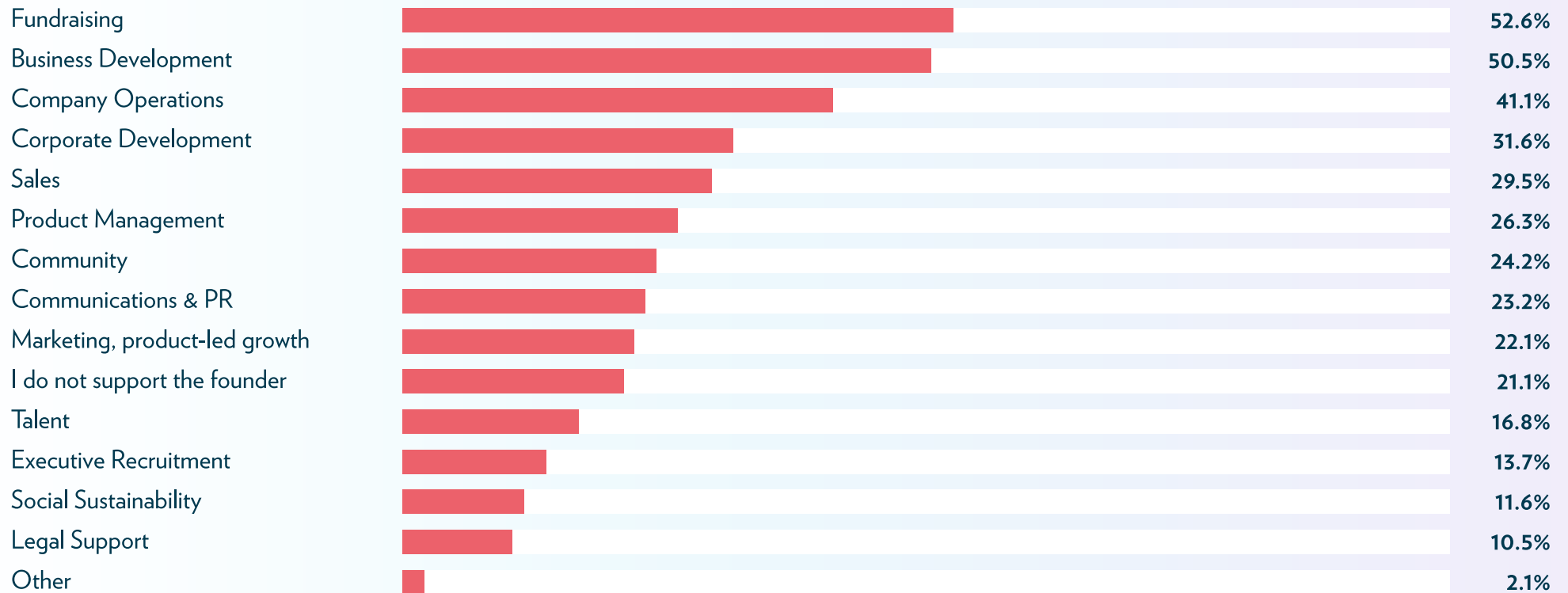


# About Czech Startup Investors

01

## Investor Engagement. More Than Just Capital

The majority of investors (78.9%) are actively supporting their startup portfolio, primarily in the areas of raising additional funding (52.6%) and business development (50.5%). They are also involved in company operations (41.1%), corporate development (31.6%) and sales (29.5%). These activities are also considered the most critical in the successful development of startups, underscoring the importance of investor engagement for the long-term growth of startup companies. However, 21% are solely financial investors and do not support startup founders in any of the activities listed below.



# About Czech Startup Investors

01

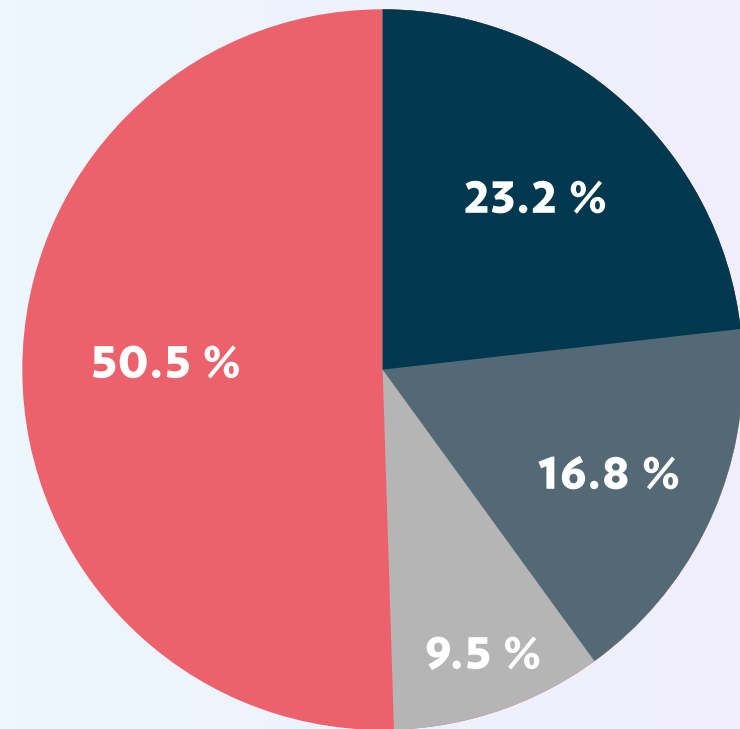
## Methods of Investing and Their Combination

The data presented in the chapter on investment methods show that half (50.5%) of the surveyed investors prefer a combination of different investment methods. This indicates a strategic and diversified approach to investing. Direct investment in technology companies is the most common choice with 23.2%. Investing in a fund, preferred by 16.8% of investors, offers the possibility of diversification and the use of the expertise of fund managers. Syndicates, with 9.5%, are the least preferred option but allow for smaller amounts to be invested.

Directly only 23.2%  
Fund only 16.8%  
Syndicate only 9.5%  
Combination of methods 50.5 %

A more detailed analysis of the data revealed that a significant majority (93.3%) of General Partners (GPs) also invest their private capital, both directly (73.3%) and in VC funds (46.6%).

45.3% of private investors combine methods to invest in startups, indicating that they diversify not only across startups but also in terms of investment approach. Furthermore, 17.9% of these investors engage in all available methods, meaning they invest directly, through syndicates, and in funds.



# About Czech Startup Investors

01

## Investment Appraisal

The survey reveals that 35.8% of investors consider the performance of startup investments to be superior or significantly superior to other asset classes. However, it's important to highlight that nearly half (46.3%) of the respondents are not yet in a position to make such comparisons. For almost 14% of investors, the returns on their startup investments are lower.

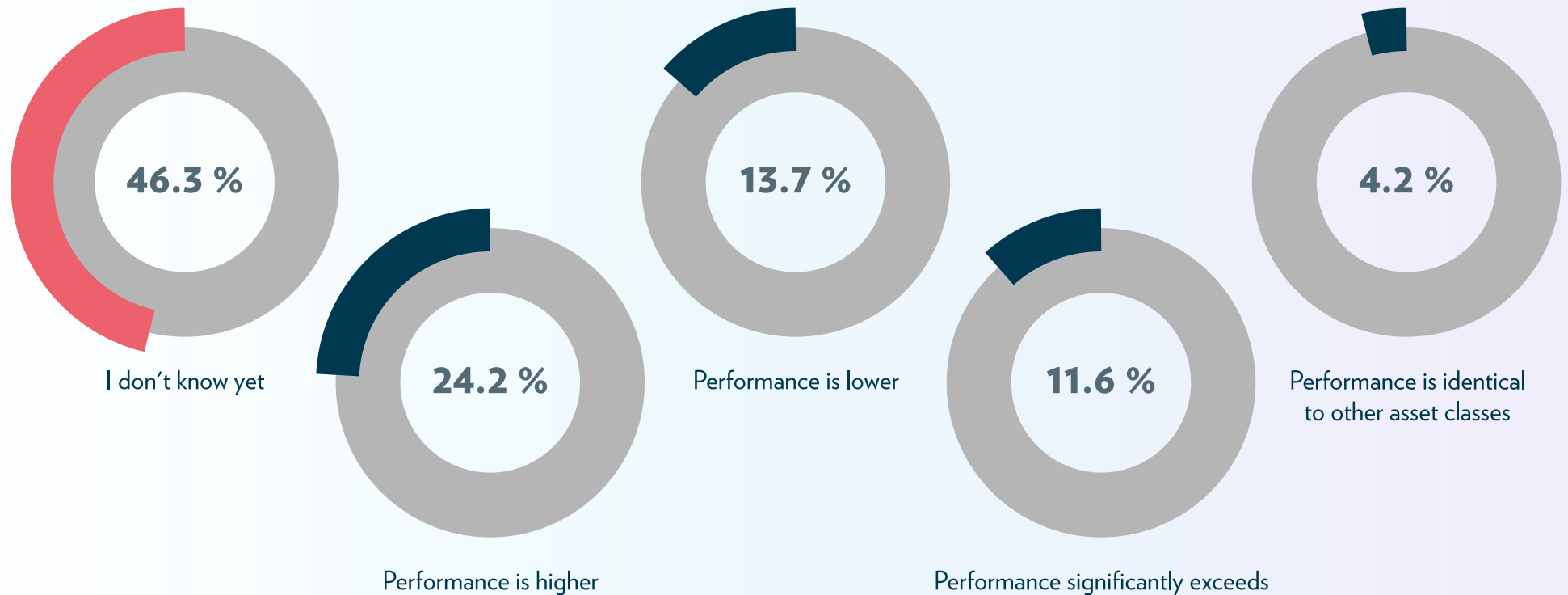


Fig. 1.5. Performance evaluation of startup investments compared to other asset classes

# About Czech Startup Investors

01

## Investment Appraisal | EXIT

The table below shows the distribution of exits by investment method. The highest share of exits, namely 53.6%, is attributable to investors who chose the direct form of investment.

A deeper analysis of the data also showed that 43.3% of private investors have already made at least one exit. This number can be considered quite high. In contrast, none of the VC funds that participated in the survey had seen a complete exit of the entire fund. Given that the life cycle of a fund is typically between 7 and 10 years, it is possible that these funds are still relatively new to the market.

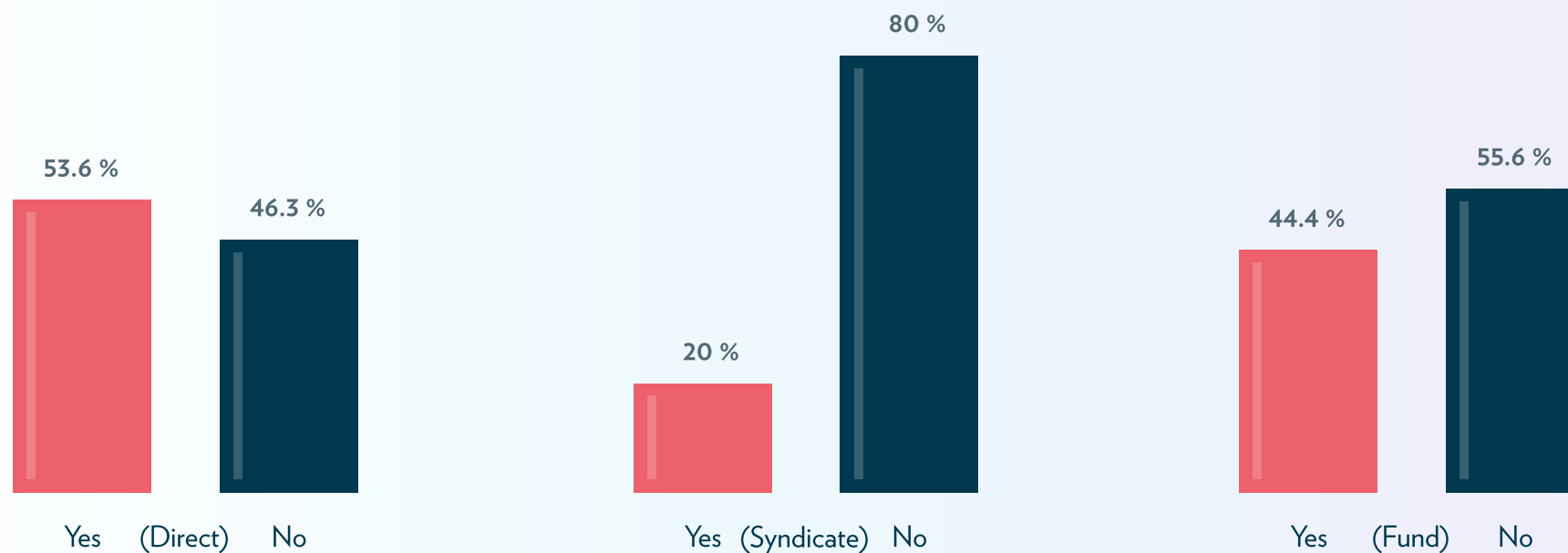


Fig. 1.6. Exit relative to investment method

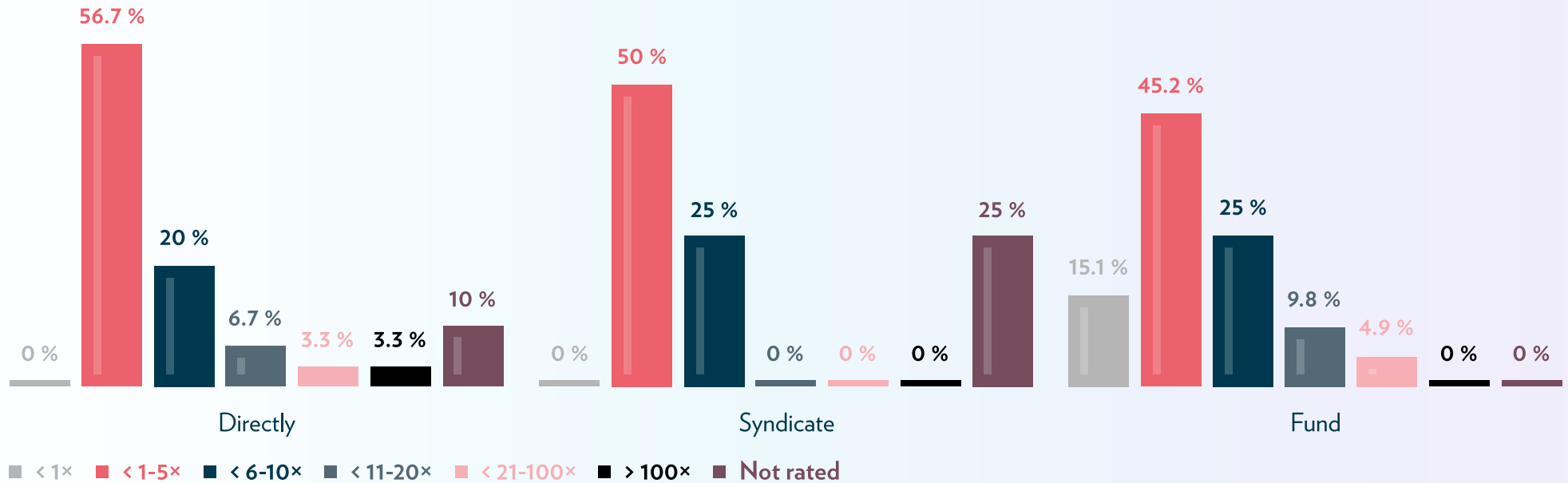
# About Czech Startup Investors

01

## Investment Appraisal | MOIC

The analysis of the Multiple of Invested Capital (MOIC) among investors who have already exited reveals differences between the various investment methods. The most common rate of return is in the range of 1-5 times the capital invested across the board. High rates of return (11-20x or higher) are rare and mostly occur with angel investors who invest directly.

Specifically, investors achieved the highest average appreciation of 11.3 multiple through direct investment, 7.13 multiple through VC fund investments and 3.5 multiple through syndicates.

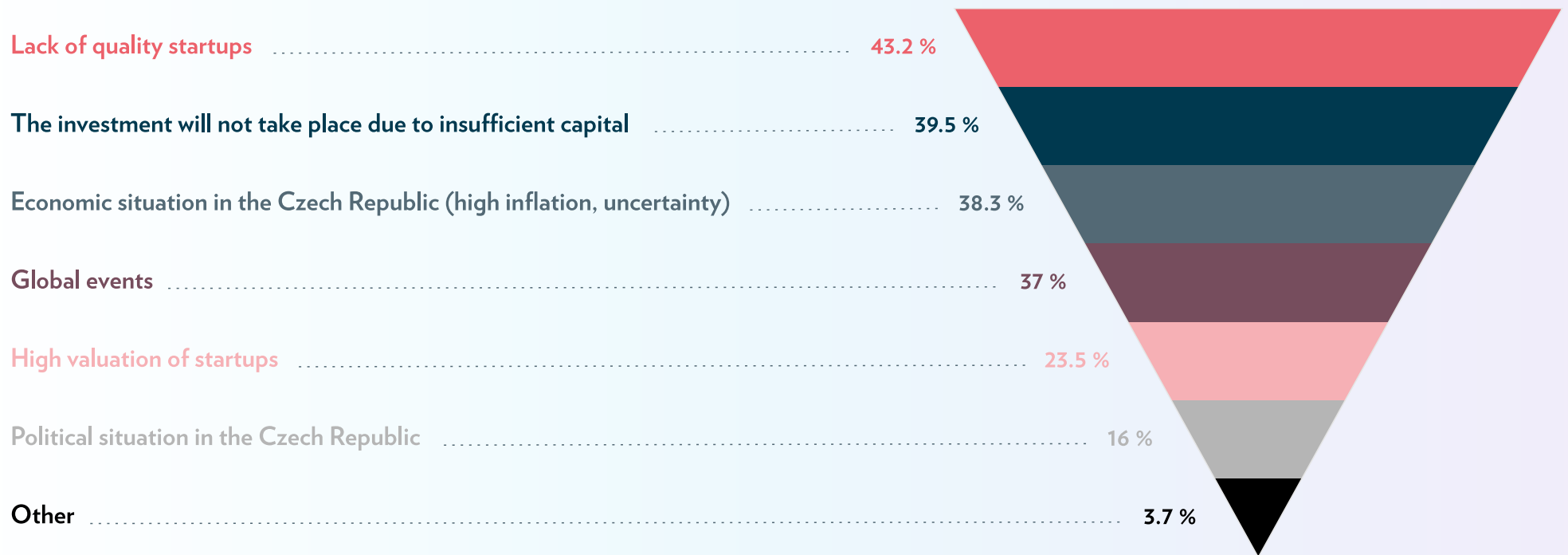


# About Czech Startup Investors

01

## The Biggest Challenges for 2024

Respondents from startup investors were asked to identify the challenges they believe they will face in the coming year 2024. The biggest challenge, as stated by 43.2% of investors, will be the lack of quality startups. A further 39.5% of investors expressed concern that their investments would not be realized due to a lack of capital. Immediately behind these concerns are worries about the economic situation in the Czech Republic or global events that have the potential to affect the overall behavior of both startup founders and investors.

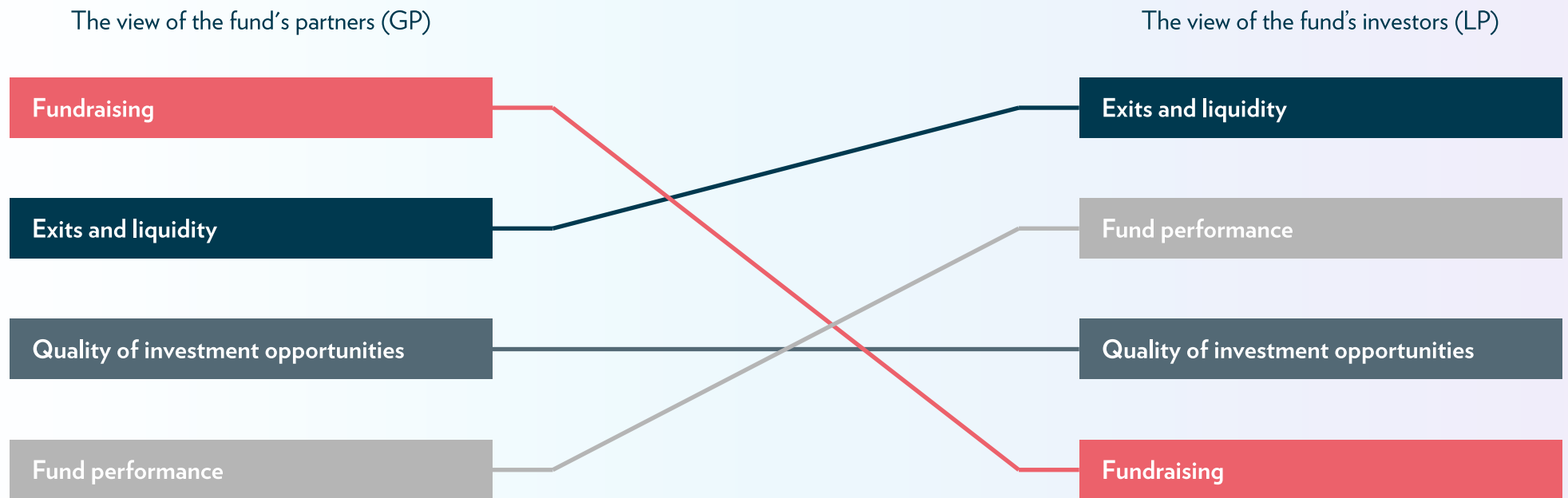


# About Czech Startup Investors

01

## The Biggest Challenges for 2024 | GP vs. LP

The responses of general partners and fund investors to a question about the biggest potential challenges for their VC fund in 2024 show an interesting convergence of priorities, albeit with different orders of importance. For GPs, the biggest challenge is raising capital from investors. On the LP side, exits and liquidity are a priority, reflecting their focus on realizing gains on investments. Fund performance is close behind, suggesting that LPs are looking for funds with good “track records” and the ability to generate returns.



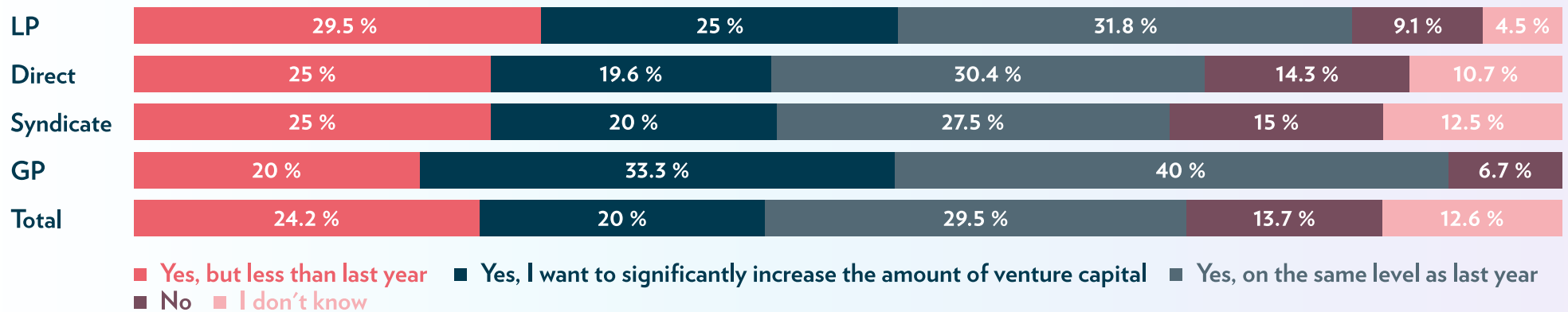


# About Czech Startup Investors

01

## Investment Sentiment in 2024

The majority of investors surveyed (73.7%) plan to continue investing in technology companies in 2024. General partners of VC funds are particularly interested in investing, with as many as 33.3% of them planning to significantly increase the amount of capital invested. Fund investors (LPs) intend to continue investing 86.4% of the time, but a third of them (29.5%) intend to reduce their investments. The data analysis also shows that the proportion of respondents who are uncertain or do not plan to invest in the coming year is high among angel investors (25.0%) and syndicate investors (27.5%).



*“Limited partners now naturally expect exits and liquidation of their previous investments. After receiving the first returns, they will likely reinvest these funds in subsequent vintages of VC funds. Their current efforts to reduce investments this year may indicate a normal investment cycle. In addition, the market in the Czech Republic is still small and slow to develop, the number of LPs is limited and venture capital as an asset class is not yet a common part of investment portfolios. The market may also be saturated at the moment due to the recent emergence of new investment clusters and capital raising over the same time period.”*



**Michal Cifra**

General Partner DEPO Ventures

# Angel Investors

02

## 2022 vs. 2023

Average number of investments in the portfolio



Average number of years devoted to venture capital



Number of investors who made their first investment



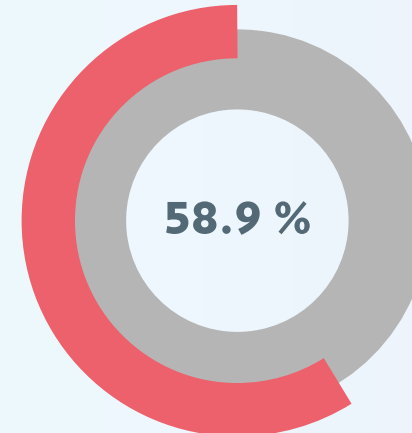
Investments per year



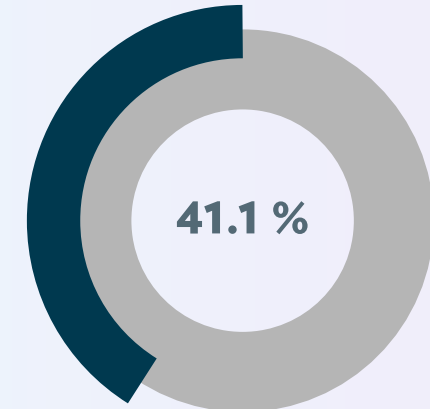
**76.8%**

of angel investors  
invested in 2023

Portfolio diversification is critical to minimizing risk in venture capital. Yet as many as 55% of angel investors have no more than five investments in technology companies. In addition, 44% of investors with fewer than ten direct investments do not allocate their funds to either funds or syndicates. Only 20% of angel investors have a properly diversified portfolio containing more than ten investments.



Yes



No

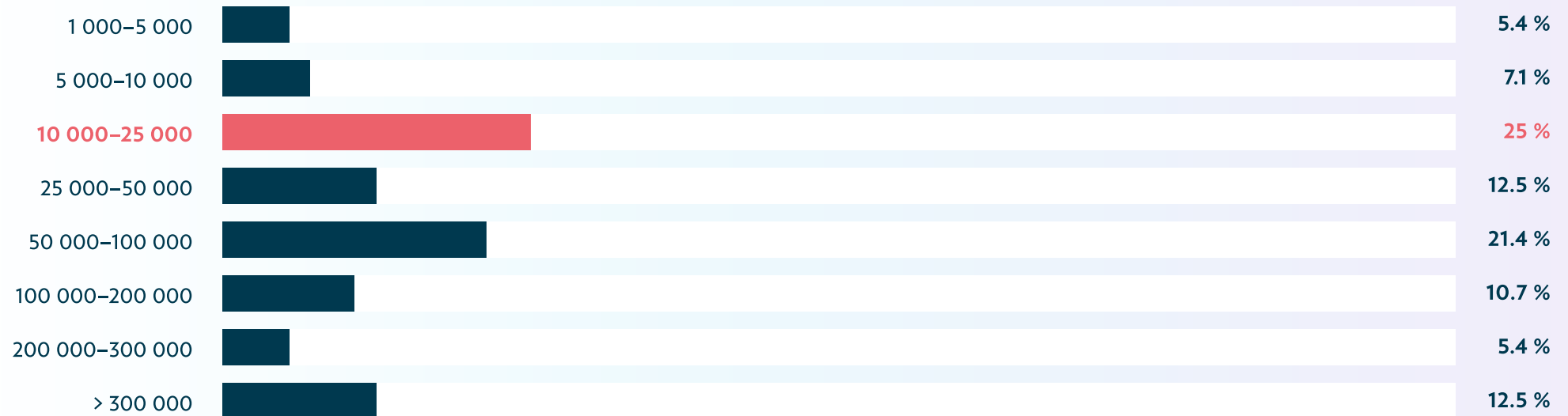
# Angel Investors

02

## Average Investment

1. Most often, respondents invest between EUR 10,000 and EUR 25,000 directly, i.e., in exchange for a stake in the company. However, half of them invest more than EUR 50,000 per investment on average. This is a relatively high figure. A third of them (28.6%) invest more than EUR 100 000, which brings them closer to the so-called super angels. While 64% of the respondents investing directly are full-time investors.

2. Also, in Europe, the average amount is very variable, ranging from EUR 50,000 to EUR 1 million. This variability is linked to the available capital of the private investor, his risk tolerance, the composition of investors overall investment portfolio, the duration of the investment and other factors.

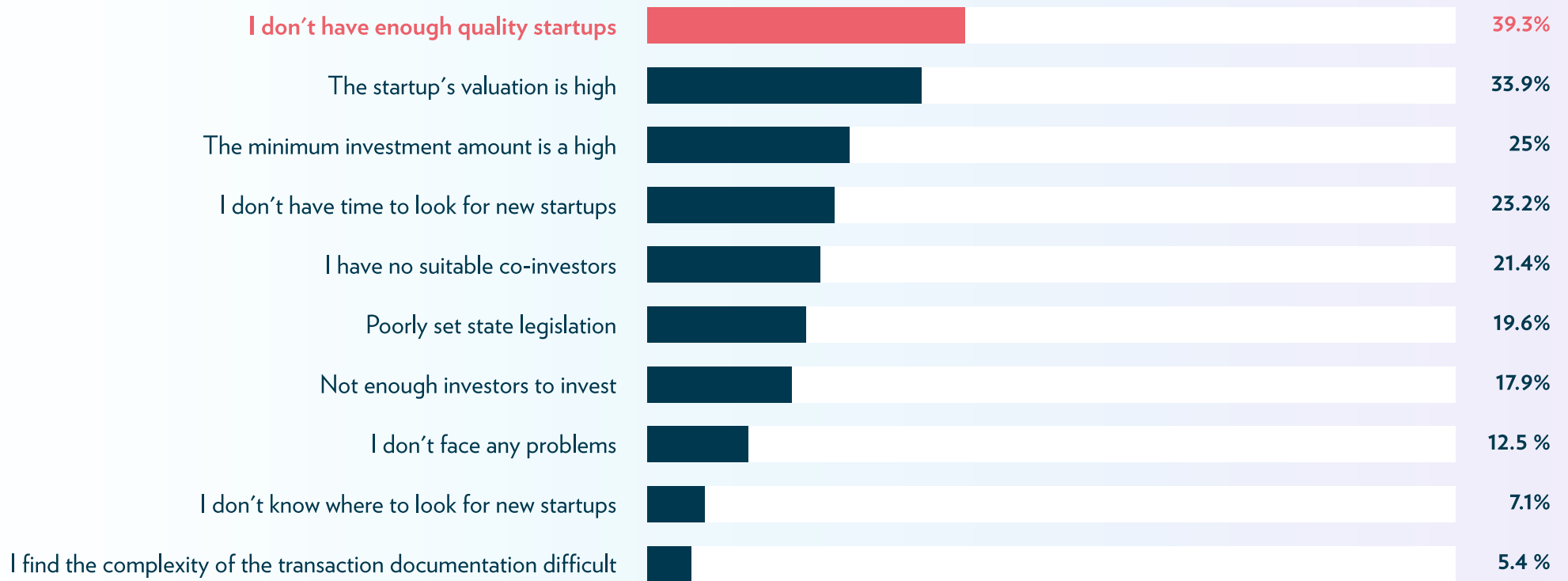


# Angel Investors

02

## Most Common Problems

Angel investors had no problem finding startups last year, but they did have a problem identifying quality ones. According to 39.3%, there was a shortage of them, which was the biggest problem they faced. A third of respondents who invest directly in startups expressed concerns about high valuations and large investment amounts. On the other hand, it is worth noting that 12.5% of angel investors faced no problems last year.



# Limited Partners in VC Funds

03



Limited partner respondents were asked to rank the criteria for venture capital fund selection in order of importance. The results indicate that the most important factor for them is the experience of the general partners, who are the key individuals responsible for investment selection and portfolio management. Another important criterion is the investment strategy, specifically the startups in which the fund invests and the projects it already holds in its current portfolio. At the other end of the spectrum, personal connections between LPs and fund members are considered the least important factor, exerting the least influence on investors' decision-making when selecting a fund. From these findings, we can conclude that limited partners attach more importance to professional aspects and fund performance than to personal relationships or sympathies.

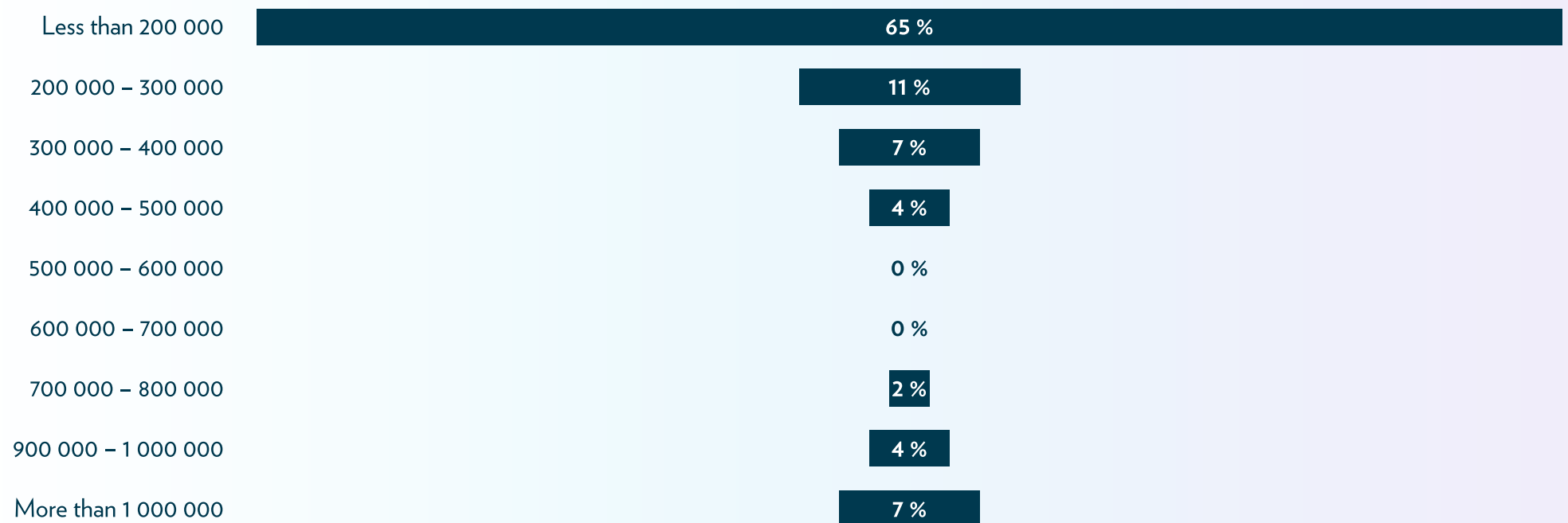


# Limited Partners in VC Funds

03

## Average Investment

More than half of the limited partners (65%) invest up to EUR 200,000 in a VC fund. Although the average investment range suggests higher amounts, specifically between EUR 250,000 and EUR 350,000, it can be generally stated that the typical Czech LP invests between EUR 100,000 and EUR 200,000 in a venture capital fund. This amount might be considered below average in the European context. However, a positive aspect is that they invest repeatedly, averaging 2.5 funds.



# General Partners of VC Funds

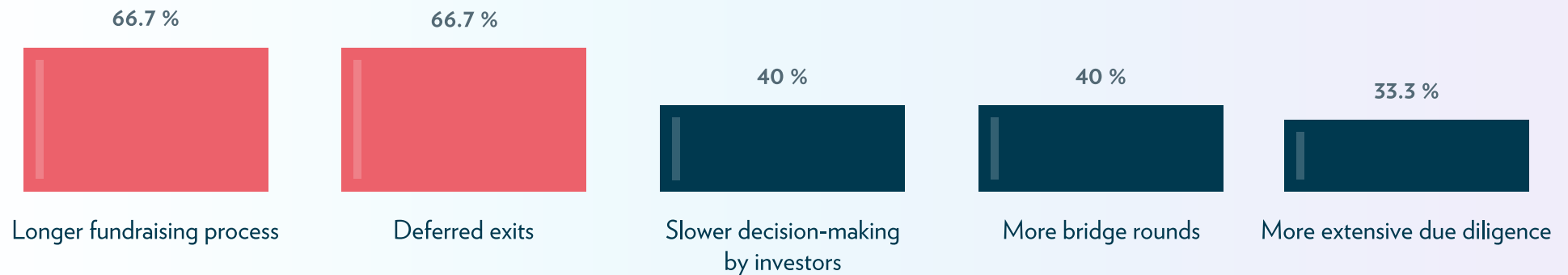
04

## The Changes in the Dynamics of Investments in 2023

The data in Figure below describe the changes in the dynamics of investment in 2023. A significant proportion of GP respondents (66.7%) report that the fundraising process has become longer. This may indicate increased caution by co-investors or greater competition for capital. The same proportion of respondents noted a delay in exits, which may be due to market uncertainty or a desire to achieve higher investment appreciation in the future.

In 2023, general partners of VC funds have seen a significant change in the dynamics of investment raising. According to 66.7% of respondents, there has been a lengthening of the fundraising process, which may reflect a more cautious approach by limited partners or increased competition in the market. The same proportion of respondents observed delayed exits, which may indicate a response to market uncertainty and a desire to better value investments in the future.

Data from this survey shows that 2023 has brought increased caution and a more detailed decision-making process in the venture capital sector. A significant portion of the market appears to be responding to the geopolitical and macroeconomic situation by focusing on more careful investment selection and more thorough management.



# General Partners of VC Funds

04

Average number of startups  
invested in the fund

24.6

Average number of startups  
invested in 2023

5.4

VC funds plan to open  
a new fund in 2024

46.7 %

## Average Investment

An analysis of the investment amounts by Czech VC funds reveals an interesting dispersion in the size of investments. While almost half of the funds (46.7%) prefer to invest amounts less than EUR 200,000 in startups, one-third of the funds focus on significantly higher investments, exceeding EUR 1 million. Among these, just under a third (26.7%) of the funds invest up to EUR 100,000, indicating a focus on early-stage startup funding.



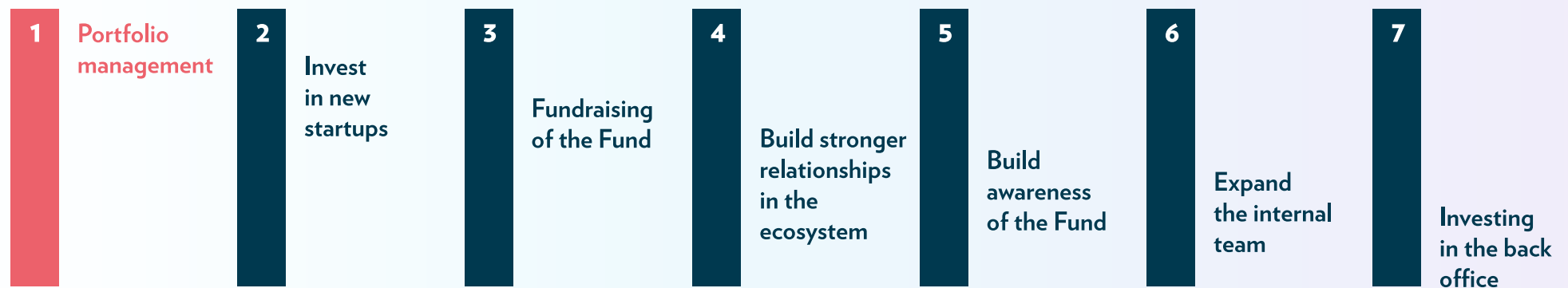


# General Partners of VC Funds

04

## VC Funds Focus for 2024

As part of the questionnaire, GPs were asked to identify the key areas they will focus on in 2024 and rank them in order of importance. Two areas emerged as the most important: portfolio management, with an average importance score of 2.40, and investing in new startups, with a score of 2.46. Fundraising also received high priority, with a score of 3.19. Other important aspects, such as building relationships in the ecosystem and raising awareness of the fund, were also highlighted, with average scores of 3.33 and 4.0, respectively. Overall, it appears that general partners in 2024 will prioritize optimizing their existing portfolio and focusing on strategies that ensure steady growth for their fund.



# Demographics | Startup Investors

05

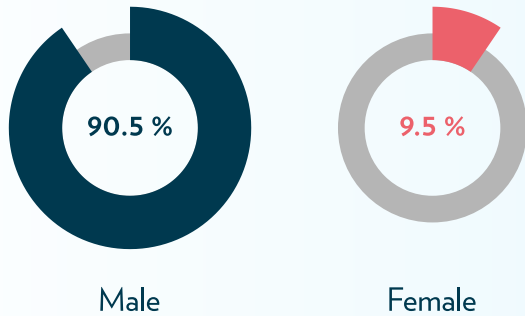


Fig. 5.1. Respondents by gender

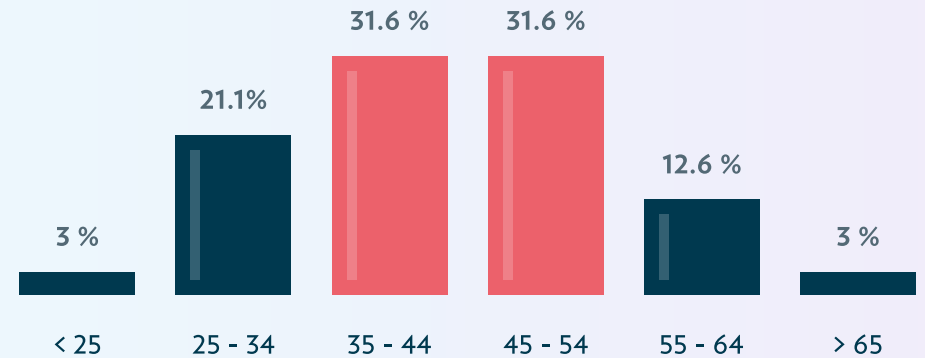


Fig. 5.2. Respondents by age

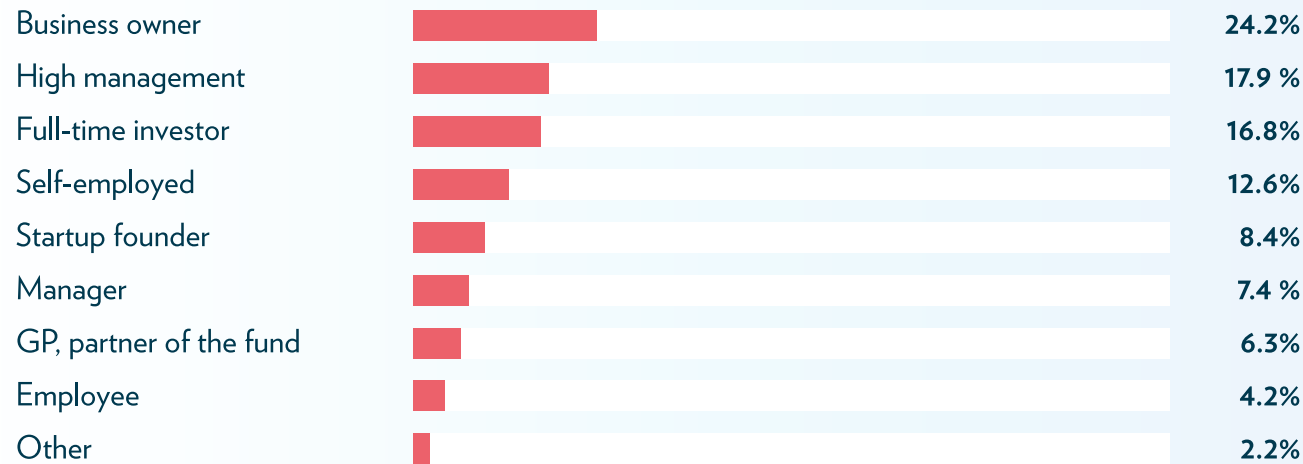


Fig. 5.3. Respondents according to the status that best defines them

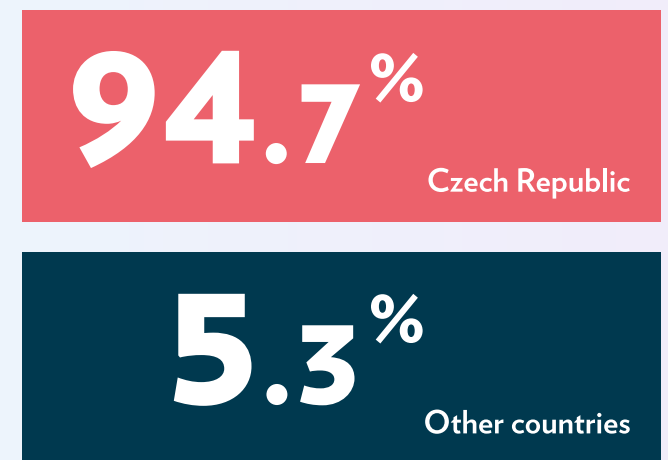
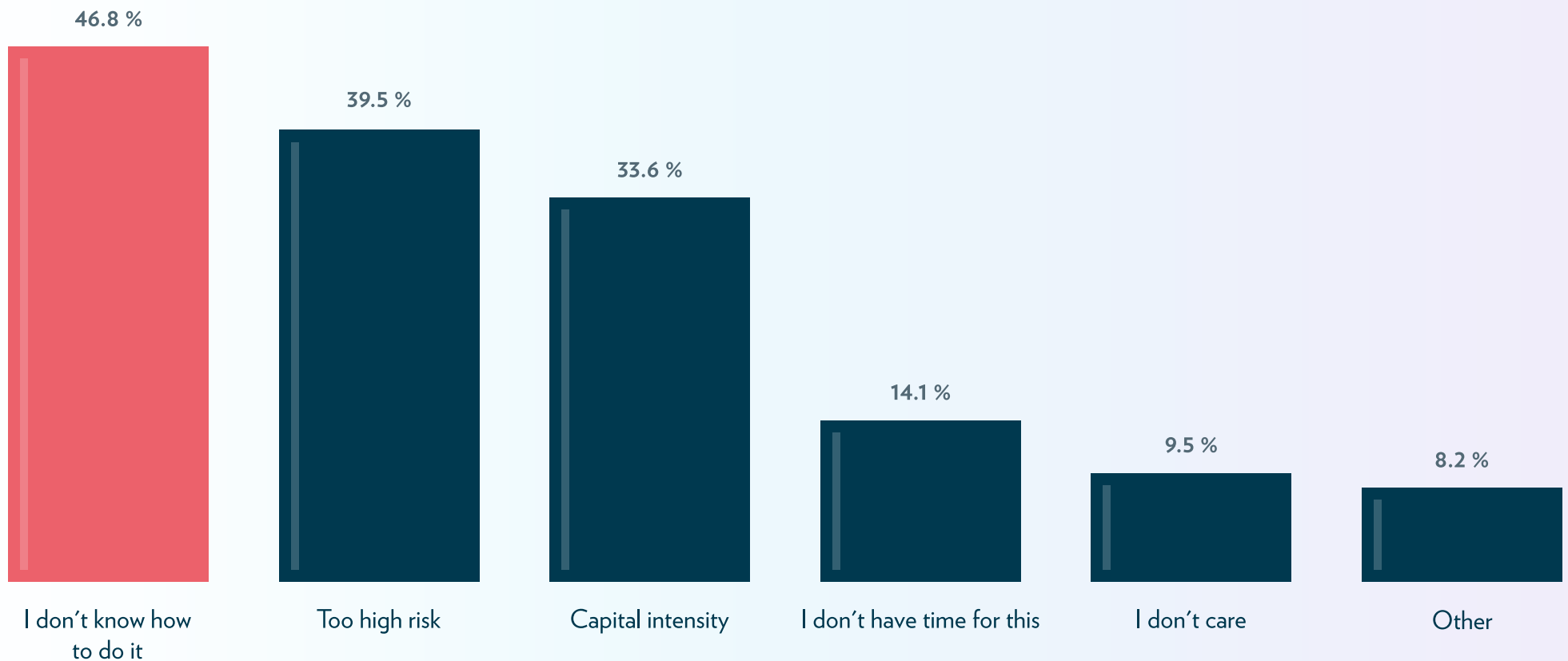


Fig. 5.4. Country where the respondent works

# Investors Who Have Never Invested in Startups

06

We sought the opinions of investors who own other assets, such as real estate, bonds, and stocks, etc., to find out why they don't invest in startups. Analysis of responses from 220 respondents showed that the biggest barriers were lack of knowledge about venture capital investing (46.8%), perceived high risk (39.5%), and high capital intensity (33.6%).



# Investors Who Have Never Invested in Startups

06

On a positive note, almost half of the respondents (46.4%) said they would invest in startups if they knew more about it. This finding supports the argument that increasing awareness and knowledge of venture capital among the general public may be key to its further development in the Czech Republic.

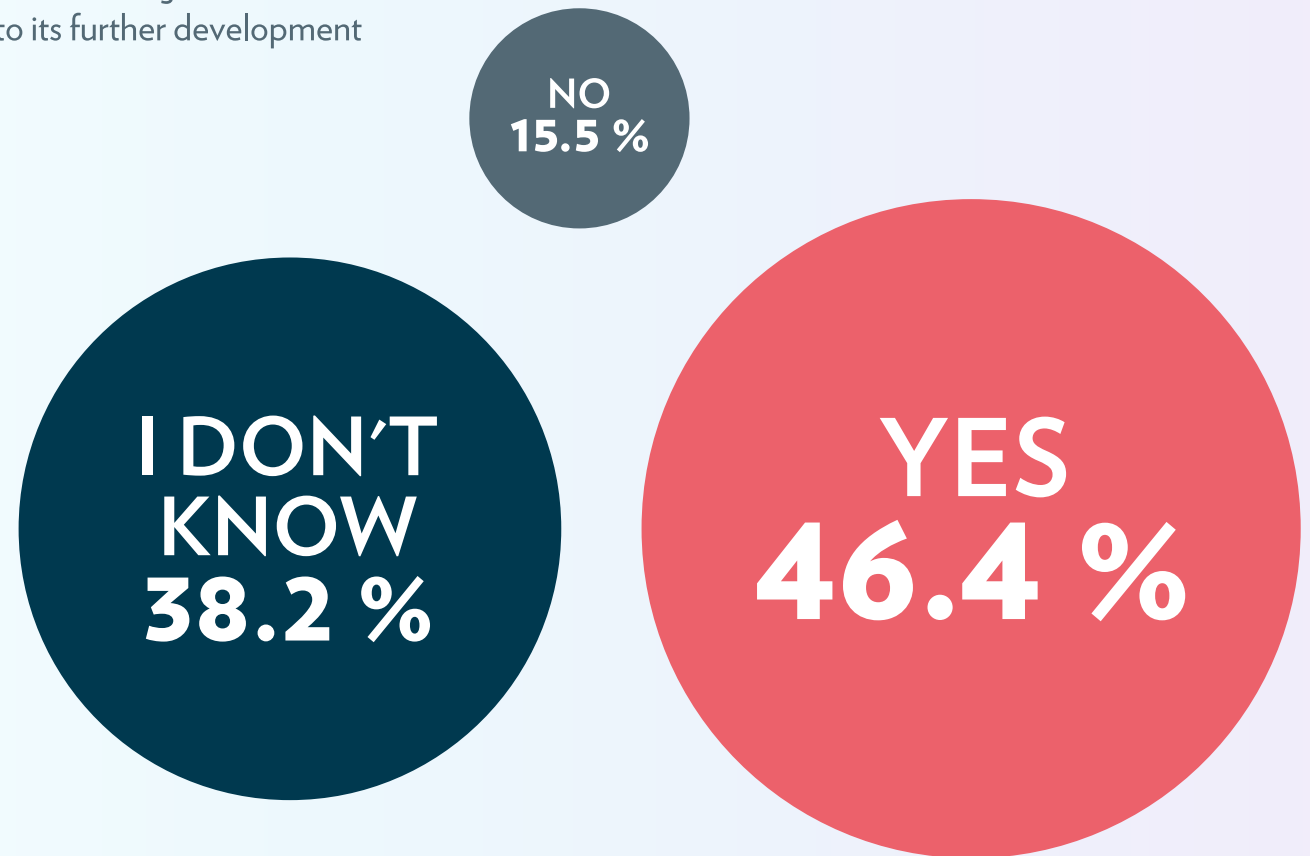


Fig. 6.2. Response to the question of whether respondents would invest if they had more awareness of the startup environment

# Investors Who Have Never Invested in Startups

06

Another major factor that hinders new investors from entering the startup ecosystem is capital intensity. Most of those who would be interested (80%) are not capital-ready. Although they can use crowdfunding or syndicates, for example, where low investment amounts are sufficient, these forms of investment are not widely accessible or preferred.

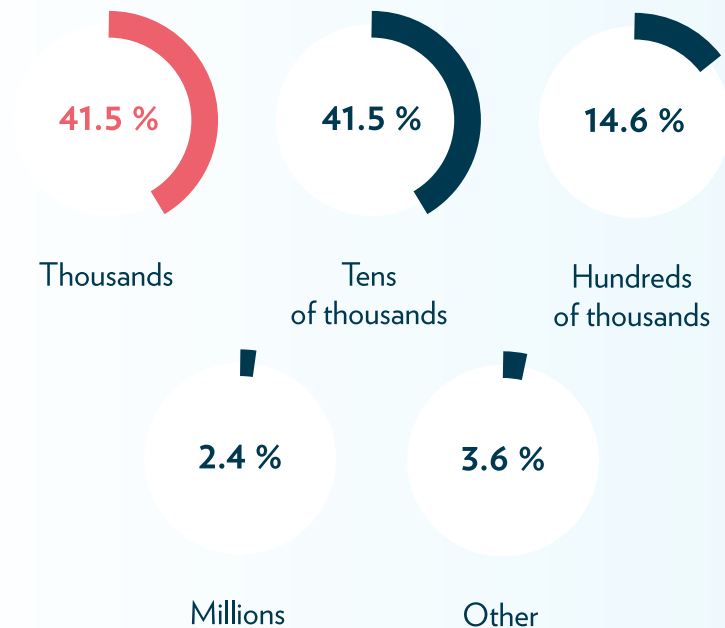


Fig. 6.3. Potential available capital in euro for investing in startups

Non-startup investors would most appreciate help with identifying startups (61.8%), the opportunity to co-invest with others (43.2%), and investor education (35.5%). These results again demonstrate that providing adequate support and education for new investors is key to developing the startup ecosystem from a capital perspective.

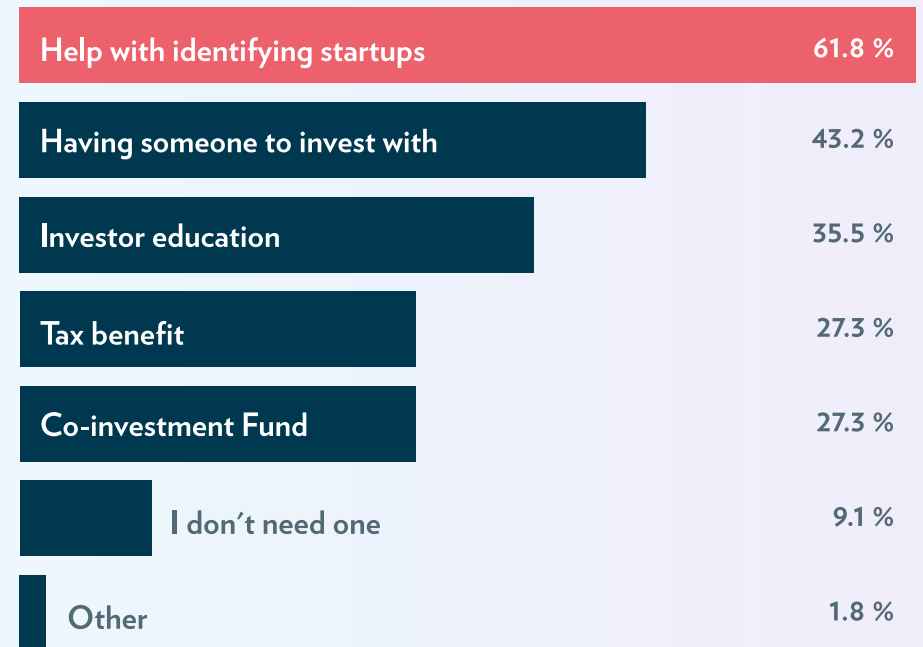


Fig. 6.4. What kind of help would potential investors appreciate

# Demographics | Non-startup Investors

220 respondents

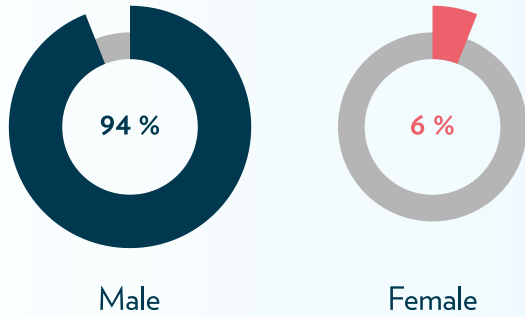


Fig. 7.1. Respondents by gender

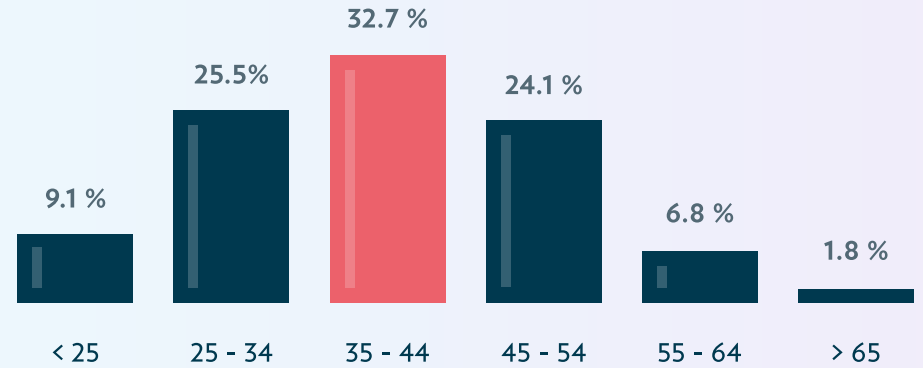


Fig. 7.2. Respondents by age

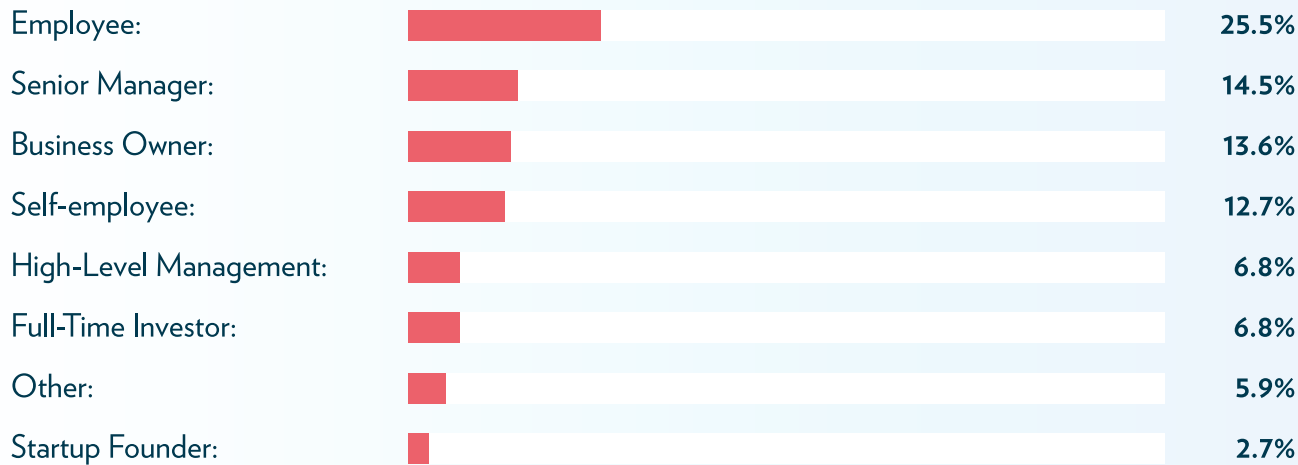


Fig. 7.3. Respondents by Most Appropriate Status

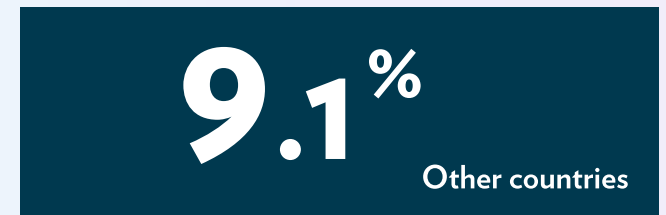


Fig. 7.4. Respondents by country of work

# Explanatory Notes

## Angel Fund

An angel fund is a type of investment fund comprising money from individual qualified investors who are allowed to participate actively. These funds invest in very early-stage technology companies, providing capital in exchange for a stake in a company. Investments made by angel funds are typically smaller than those provided by venture capital firms.

## Angel Investor

An angel investor is a wealthy individual who provides capital to technology founders at the beginning of their startup in exchange for an ownership stake in the company. Angel investors often bring not only money but also valuable experience, contacts, and mentorship.

## Angel Network

An angel network is a network or group of investors that provides access to startups, other investors, expert advice, or other benefits.

## Deal Flow

Deal flow is a term that refers to the flow or quantity of investment opportunities that are considered by investors. A robust deal flow is crucial to the success of investors because it allows them to select the best startups.

## EXIT

An exit is the process by which an investor sells their interest in a business to realize a profit (or, in some cases, to limit a loss). This can be done through the sale of shares in another company, a sale to the public through an initial public offering (IPO), or another form of acquisition.

## General Partner (GP)

A general partner is the term used in venture capital to refer to the general partner or managing partner of a fund. The GP is responsible for the day-to-day management of the fund, including selecting investments, monitoring the portfolio, and deciding on exit strategies.

# Explanatory Notes

## Limited Partner (LP)

A limited partner is an investor who puts capital into a venture capital or angel fund but does not have an active role in its day-to-day management. The LP expects a return on their investment plus a profit from the fund, but the size of their investment limits their liability and risk.

## MOIC

Multiple of Invested Capital is a metric used to measure the total return on an investment. It expresses the number of times an investor has recouped their original investment. For example, if the MOIC is 3x, it means that the investor has recovered three times their initial investment.

## ROI

Return on Investment is a general metric used to evaluate the effectiveness of an investment. It expresses the percentage return on investment.

## Syndicate

In a venture capital context, a syndicate refers to a group of individual investors who come together to invest in a startup through one entity. This collaboration allows investors to share the risk and costs associated with the investment while providing greater financial support.

## VC Fund

A venture capital fund is a pooled investment fund typically managed by a professional investment firm or management team. The fund raises capital from various investors, such as high-net-worth individuals, institutional investors, or corporations, with the aim of investing in promising early-stage or growth-stage companies with high growth potential.



# REPORT

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2023

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