

# INNOVA-INVEST

A pre-incubation story of merging capital  
and innovation

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# It started in Lubelskie

## EU's „Gate to the East”



Source:  
[https://www.interregeurope.eu/fileadmin/user\\_upload/tx\\_teprojects/library/file\\_1619181149.pdf](https://www.interregeurope.eu/fileadmin/user_upload/tx_teprojects/library/file_1619181149.pdf)

**Territory** | 25,122 sq. m.  
**3rd largest** Polish region by size  
**Population:** 2.1m (2021)

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**GDP** | 20,033m EUR (2019, +8.4% YoY)  
**GDP per capita** | 9.5k EUR 7.8K EUR/year (2019)  
**Foreign tourists** | 2M/year (2018)  
**No. of companies** | 205.7k (2022)

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**25%** innovative companies > than national average (+3,1%)  
**29%** active innovating companies in industrial sector (2019), top Polish region by indicator...  
...but just **6M+ EUR/year** of innovation expenditures in the services sector = the lowest in Poland (2019)

# Lubelskie vs startups

**Top 3**  
ecosystem in Poland  
by startup density  
(2019)

**#technologies**

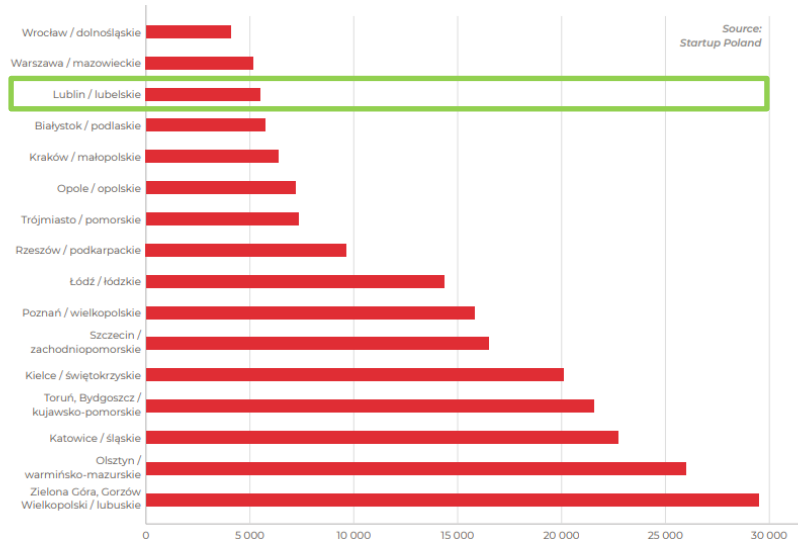
- AI
- productivity / CRM / ERP
- IoT
- edtech
- robotics

## Startup density in Polish regions



**20%**  
average growth  
by number of startups  
among Polish leading  
regions  
(2019)

How many inhabitants are there in each region per one startup company?  
regional population / estimated number of startups in the region, 2019



# The question: why?

## Academic center & strategy

**9** universities

**117** patent applications by  
Lublin Polytechnic (2016)

**unique** AI studies at University  
of Maria Curie Skłodowska

**2x** more international students  
in <10Y (2011 vs 2020)

**66k** students, 12% are  
foreigners from 100 countries

**70%** of R&D investments  
performed by universities

## Ecosystem development

**4** regional innovation centers: Lublin, Puławy,  
Świdnik, Zamość

**1** dedicated EU funds program for the region:  
Eastern Poland targeting entrepreneurship &  
innovations, plus regional & national programs  
are put in place

**4** early-stage startup programs involving  
dozens of partners from academia, business  
and regional support environment

our proof: **200+** incubated/accelerated  
startups by Lublin Science and Technology  
Park so far



# Innova-Invest: capitalise



## Inputs – project rationale

**Untapped potential** of academic environment vs high talent supply

**Technology transfer:** low level of knowledge ,how-to'

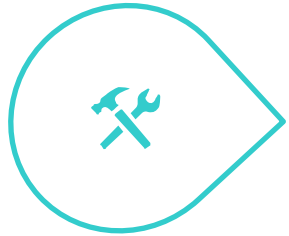
**Capital gap:** Innovations are of high risk = financing needed through VC, angel investments

**Funding assymetry:** investors vs early stage growth companies disengaged

**Ideas are young:** ,parenting' expected = mentoring, coaching, ideation support

**Regional innovation level was low (2010):** one of the lowest in Poland

# Innova-Invest: solution



pre-incubation program with investments

## WHERE?

Medicine  
Biotechnology  
Energy /  
alternatives  
Chemicals  
and other industries

## HOW?

24 months, **two** components

- 1 – pre-incubation support
- 2 – capital (co)investments

## GOAL

Support aspiring entrepreneurs and spin-offs in their innovative business creation through business consulting, advisory & capital (co)-investments

## FOR WHOM?

**Academic and scientific environment**

- primarily scientists from the universities based in the region
- other entrepreneurs with innovation potential

## WHEN?

**12.2013 – 11.2015**  
Duration: 2 years



# Innova-Invest: action

## 1 | PRE-INCUBATION

Scouting and selection of innovative ideas coming from science, academia and SME environments based in Lublin Region

**4 batches | 10 companies per batch pre-incubate | 5-7 companies with capital (co)investments per batch**

### 1-2 selection and idea evaluation

run by experts panel (10% success rate assumption)

- application form
- evaluation meetings

### 3 pre-incubation

including business and legal consulting and special advisory services on how to start and run a business

- support to analyze, test and implement new technology, product or service
- business plan development
- company registration support

### 4 business feasibility assessment

- assessment of coachability potential, economic and financial analysis, startup valuation for capital investment purposes

# Innova-Invest: investments

## 2 | CAPITAL (CO)INVESTMENTS

Applicable **if the company performed well** during the pre-incubation program, as based on prior analysis – economic & financial feasibility were to be ‚good‘ (promising innovative solution, higher probabilities of profit success)

- based on experts **panel recommendation (5 experts)**

### CAPITAL FINANCING MECHANISM

#### ✓ Investment ticket

ca. 90K EUR in cash on average per company



#### Co-owner investments

>50% in cash OR non-tangibles



#### Co-investments

min. 10% of amount covered by the co-owner (incubated company)



#### Economic & financial feasibility

Positive NPV in a 5-year perspective discounted at 5% x risk multiple (1 = no risk, 2 = min. 50% of success potential)



# Innova-Invest: portfolio

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## PORTFOLIO SUPERVISION, CORPORATE GOVERNANCE & REINVESTMENT

**Management Board** | built by the incubated team > company strategy and operations

**Supervisory Board** | in charge of overseeing the activities the MB undertakes: co-owner representation

- 1 meeting/quarter

**General Owners Meeting** | strategic & key business decisions

**Reinvestment** | after 3, up to 8 years – exit and further reinvestment by Lublin Science and Technology Park

# Innova-Invest: resources

## Finance

funding / financial resources

**2,5M EUR**

accompanied by **2,9M EUR**

attracted from external  
individual and institutional  
co-investors

## Costs

**90%** equity funding

**6%** administration & external costs

**1%** marketing

**3%** staff costs

## Human and other Resources

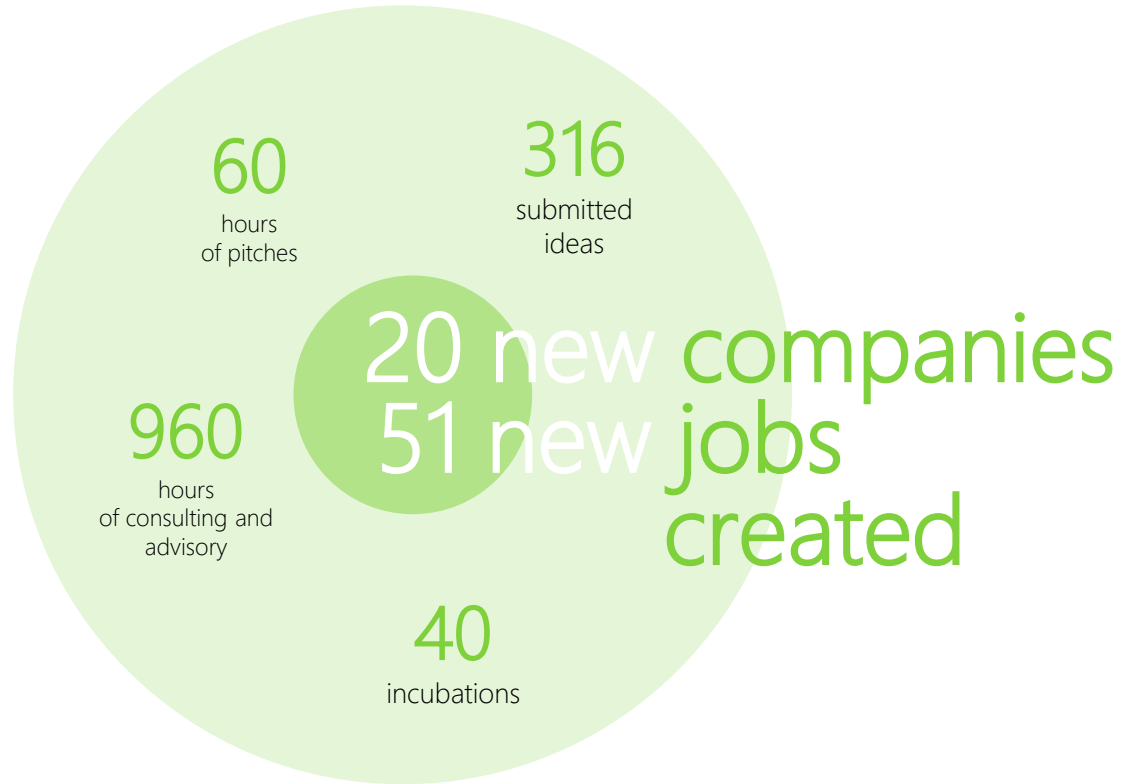
4 team members:

- Project Management
- Marketing
- Finance Management
- Tech resources: premises, office equipment



# Innova-Invest: results

Biotech  
Chemicals  
Automotive  
Mechatronics  
Industrial design  
IT/ICT  
Edtech



# Innova-Invest: ecosystem impact

National media attention  
Policy makers' approval  
Ecosystem growth  
Warsaw Stock Exchange connection



10.04.2019 Innovation and biotechnology: Grupa Azoty supports another Polish start-up

Grupa Azoty is engaged in supporting the promotion of a DNA lab-on-a-chip project developed by NEXBIO Sp. z o.o., a start-up based in Lublin.

# Innova-Invest: does it work?

## ONE

increasing **average age of startup founders** means policy makers and business support institutions should create customized incentives for more experienced potential innovators, especially coming from academia and science

## TWO

pre-incubation **improves business idea appraisal** and makes startups better prepared for further development stages

## THREE

**post-program support** and measurement recommended

## FOUR

**startup = risk:** few are expected to succeed



# Lessons



European Union  
European Regional  
Development Fund

# Thank you!

Questions welcomed, **even after the meeting ends**

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