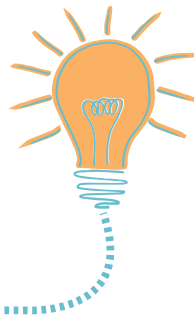


# Meet your local business models

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**Case study**

## Introduction

Václav Gregor is a general partner (co-owner) at Soulmates Ventures, a Czech accelerator for sustainable innovations and a venture capital investment fund. Venture capital, for those new to the term, refers to the financial investments provided to early-stage, high-potential companies (=startups) in exchange for equity, or a stake in the company. This type of funding is crucial for startups that aim to scale up quickly but lack access to traditional forms of capital like loans. However, at the heart of Soulmates Ventures' operation is the drive to offer more than just funding. Following the investment, Soulmates Ventures guides the newly funded startup into an acceleration phase, where it receives a comprehensive suite of support services designed to catalyse growth and innovation. This includes access to an extensive network of industry experts, strategic business development guidance, and hands-on assistance in areas such as marketing, product development, and operational scaling.



# HOW TO BUILD SUSTAINABLE START-UPS FOR THE BENEFIT OF OUR PLANET

Soulmates Ventures is committed to supporting innovations that bring economic growth and also benefit the planet. Their investment strategy is focused on startups in sectors that are likely to make a big difference in both environmental and social areas.

Consequently, they target eight pivotal sectors:

1. Mobility
2. Water
3. Air
4. Circular Economy
5. Education
6. Food/Agriculture
7. Energy
8. Healthcare

## LEARNING OBJECTIVES

In the fast-paced and ever-evolving world of startups, what are the best practices for learning and growing? Their areas of focus include:

- **Strategizing and Operationalizing Business Models:** How can we craft and implement a

business model that aligns with the immediate and future goals of all stakeholders involved? What strategies can we employ to ensure that our business model balances short-term successes with a long-term strategic vision?

- **Selective Acceleration and Investment:** What are the most effective criteria for selecting startups for acceleration and capital funding, considering the fierce competition and the limited capacity that we and our investors have? What is the selection process of Soulmates Ventures?
- **Enhancing Startup Viability:** How can we enhance the viability of our chosen startups to surpass the industry survival rate of 5%? What ambitious targets can we set to not only triple this survival rate but also to aim for the ideal scenario of 100% survival, especially when the stakes are high with substantial investments from our investors?

## HOW DOES THE ACCELERATOR WORK?

An accelerator, when combined with venture capital, plays a vital role in the early development stages of a startup. Initially, startups often secure their first round of funding from personal connections, such as the founders themselves, family, friends,

and enthusiastic early supporters, often humorously referred to as 'crazy people.' This stage is then followed by investment from angel investors, incubators, and accelerators, who contribute additional venture capital. Following these seed rounds, startups may receive further investment through Series A, B, C, etc. Ultimately, the most successful startups may launch an IPO, allowing them to enter the stock market and offer shares to the public.

The acceleration services provided to startups are tailored to their specific stage of development and business needs:

- 1. Go-to-market:** Aimed at startups in the early stages of development, preparing to introduce their products or services to the market.
- 2. Scaling:** Designed for startups with established revenues exceeding 500,000 Euros and at least 12 months of operations, focusing on expanding their market presence and operations.
- 3. Equity Success:** For well-established companies looking to bolster their equity base and prepare for more substantial growth phases.

Selected startups may receive funding ranging from 100,000 to 1,000,000 Euros. To facilitate this, Soulmates Ventures has established two investment funds, containing a total of 10 million Euros; one is tailored for Czech-based startups and the other for CEE region in the EU. The strategy envisions selling shares in these companies within a 3-5 year timeframe, with the expectation of realising their true value appreciation over a 5-10 year period.

## AMBITION AND PURPOSE

The company takes an active role in guiding its portfolio companies, especially those within the Central and Eastern European (CEE) region, to not only grow their businesses but to also make a meaningful entrance into international markets. Earning the best VC distinction for 2023 in the Central European Startup Awards is just a landmark in

their long-term quest. They aim to rise as a distinguished global frontrunner in the sphere of sustainable innovation investments. Rather than cast a wide net of investments, they opt for precision, actively seeking out ventures that not only promise significant returns but also align with their criteria for innovation, sustainability and potential for societal impact.

## SELECTION OF START-UPS AND THEIR NURTURING

Investment in startups is known for its high profitability potential, yet it comes with inherent risks. To mitigate these risks, Soulmates Ventures has a team of investment experts and external professionals that offer customised support to carefully selected startups in key business areas such as analytics, finance, and marketing. This comprehensive acceleration process spans 3 to 6 months. In the year 2023, Soulmates Ventures successfully allocated 4,5 million Euros across seven startups, achieving an actual MOIC 3,23x for the whole fund. Annually, they aim to select roughly ten startups for strategic investment and acceleration, showcasing their commitment to fostering innovation and driving substantial growth within the startup ecosystem.

## SCENARIO DILEMMA

When Soulmates Ventures selects a project for investment and acceleration, the decision hinges not just on ideas or figures, but significantly on the people behind the project. Although an idea's originality is valued, the priority lies in its effective execution. The concept must be innovative, rooted in technology, sustainable, and capable of growth. Although financial projections play a role, agreement on company valuation and equity share is critical. Above all, a successful partnership requires the founders and Soulmates Ventures to engage in a collaborative, long-term working relationship built on mutual understanding and trust.

### Discussion questions

1. Václav Gregor and the Soulmates Ventures team are on a mission to boost innovation and tackle key challenges in their industry.
2. What are the best practices for accurately assessing a project's readiness for acceleration and investment, considering factors such as industry relevance, level of innovation, the viability of the Minimum Viable Product (MVP), the robustness of the team, and customer acquisition?
3. What strategies can be implemented to enhance the success rates of startups in their portfolio?
4. How can the team efficiently extend their support to the maximum number of projects, given the constraints of team size and the time-intensive nature of scaling up operations, despite the potential for launching new investment funds?

Developed by: Zdeněk Hašek  
Reviewer: Elena Bundaleska

The project is co-financed by the Governments of the Czechia, Hungary, Poland and Slovakia through Visegrad Grants from International Visegrad Fund. The mission of the fund is to advance ideas for sustainable regional cooperation in Central Europe.

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