

10 keys to venture capital transactions in Portugal

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Introduction

Venture capital transactions are distinct from private equity and traditional M&A deals, primarily because investors typically acquire only minority stakes in the target companies. This unique characteristic means special rights must be implemented to protect investors' interests, often adding layers of complexity to the legal frameworks employed. Unlike majority acquisitions, venture capital investments require meticulous structuring to ensure that investors can safeguard their stakes while fostering the growth and innovation of startups.

To navigate these complexities, adopting standard market principles that facilitate smoother venture capital transactions across jurisdictions is essential. These principles not only help streamline the process, making it more efficient and predictable for all parties involved, but also serve as building blocks for greater convergence among European markets. By adhering to established norms and best practices, investors and startups can better align their expectations, mitigate potential conflicts, and contribute to a more integrated and competitive European startup ecosystem.

This publication summarizes the 10 key aspects of venture capital transactions in Portugal, providing a comprehensive guide for anyone involved in the startup ecosystem. By clarifying these concepts, we hope to make the specificities of venture capital more accessible, enabling entrepreneurs, investors and legal advisors to navigate the landscape with greater confidence and understanding, ultimately supporting the development of a more unified and dynamic European venture capital market.

General market overview

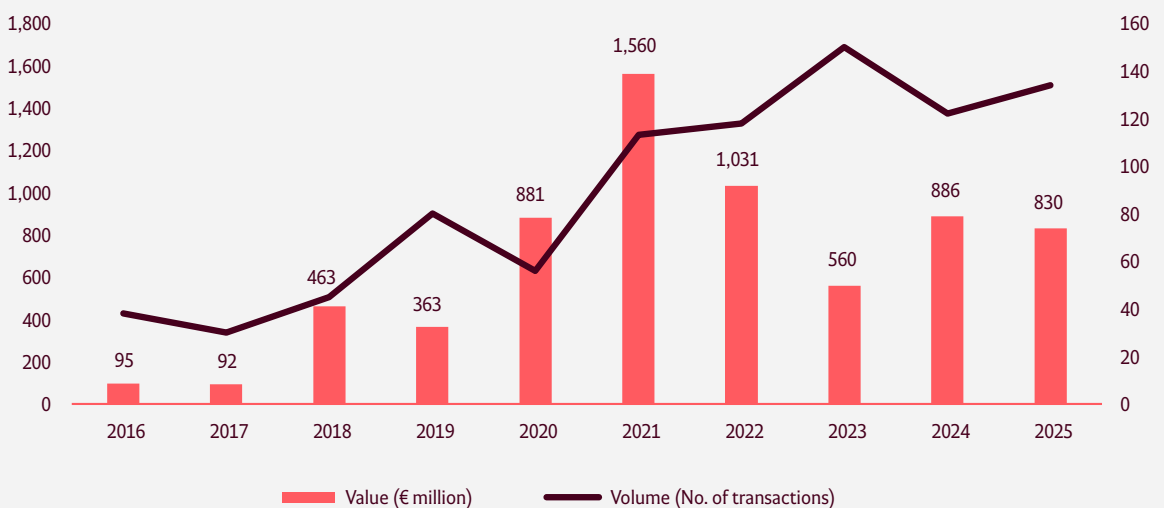
Market evolution

In 2025, the Portuguese venture capital (“VC”) market demonstrated continued resilience, recording 134 transactions with an aggregate value of approximately €830 million. While this represents a modest 6% decline in total transaction value compared to the previous year, the deal volume increased by 10%, signaling a shift toward a broader base of smaller-scale financings. Notably, 90% of transactions disclosed their value, maintaining the high transparency standards observed in recent years.

This latest data reinforces the remarkable transformation of the Portuguese VC ecosystem over the past decade. Since 2016, the annual transaction volume has more than tripled, and investment values have grown substantially, reflecting the market’s increasing maturity and sophistication. Although aggregate deal values have not returned to the extraordinary peak of 2021—when total investment reached €1.56 billion—the market appears to be consolidating at a more sustainable level, with 2024 and 2025 both delivering investment values in the €800–900 million range.

2016-2025 Portuguese VC transactions

(Source: TTR)



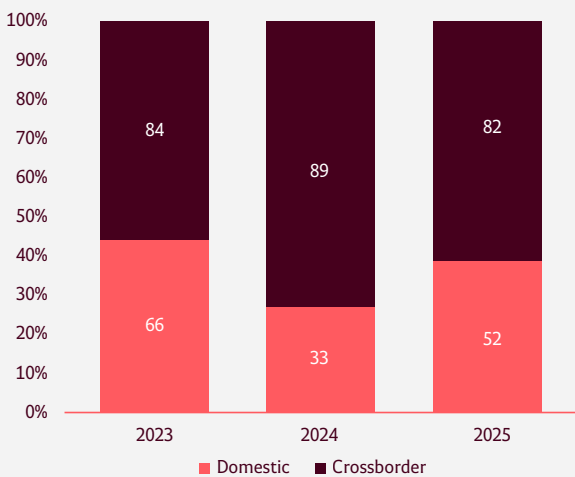
Source of investment

A notable development in 2025 has been the strengthening of domestic investment activity. Domestic transactions accounted for 39% of total deal volume, up from 27% in 2024, representing a significant year-on-year increase of 58% in the number of domestic deals. Even more striking is the evolution in terms of value: domestic investments reached €250 million, representing 30% of total deal value, up from 23% in 2024.

Crossborder transactions continue to constitute the majority of the market, representing 61% of deal volume and 70% of total value. However, the gradual rise of domestic investment signals a maturing local investor base, with Portuguese VC funds and corporate investors playing an increasingly prominent role in funding homegrown startups. This trend toward greater domestic participation, while maintaining strong international capital flows, suggests the emergence of a more balanced and self-sustaining VC ecosystem in Portugal.

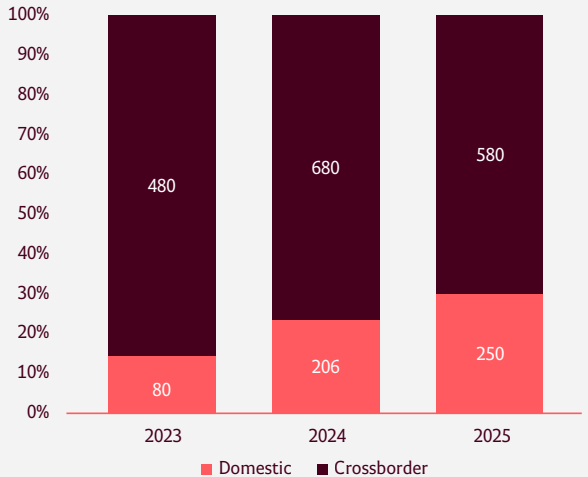
Source of VC transactions in Portugal (by volume)
2023 v. 2024 v. 2025

(Source: TTR)



Source of VC transactions in Portugal (by value)
2023 v. 2024 v. 2025

(Source: TTR)

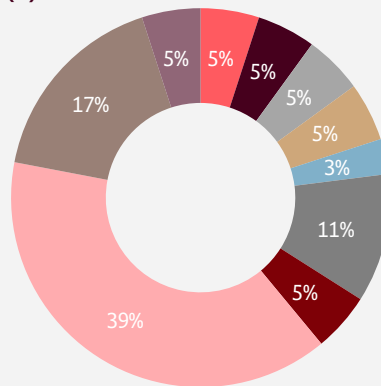


Most active sectors

The number of VC transactions in Portugal declined across most sectors in 2025. Digital industries (internet, software and technology), which continue to dominate the market, maintained critical mass despite the broader contraction in activity. Healthcare emerged as a notable exception, achieving significant momentum with an 83% increase in deal volume. Conversely, sectors such as consumer and retail, industry, and financial services experienced sharp declines, reflecting shifting investor priorities in capital deployment.

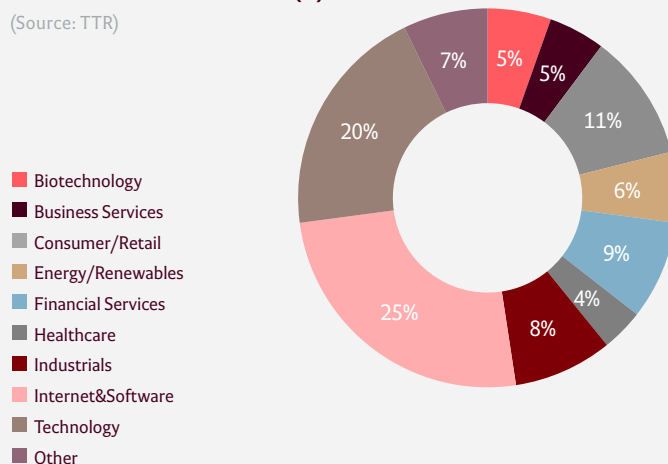
Most active sectors in 2025 (%)

(Source: TTR)



Most active sectors in 2024 (%)

(Source: TTR)



10 keys to negotiate VC transactions

10 keys to negotiate VC transactions

1

Transaction structure and steps

Equity rounds

Most transactions adopt the form of equity rounds (also known as priced rounds), through which investors subscribe and pay for preferred shares of the target company in cash in the context of a share capital increase, while founders remain the holders of ordinary shares.

Convertible instruments

As an alternative to equity rounds, transactions can be structured as convertibles, particularly simple agreements for future equity (“SAFEs”), as traditional convertible notes have fallen into disuse. SAFEs were originally designed to facilitate investment during the very early stages and were initially used exclusively in pre-seed investments. However, they are now increasingly employed as a standard instrument in bridge rounds, particularly between seed and Series A equity rounds. This approach helps address differing perspectives on a company’s pre-money valuation between founders and investors. SAFEs are typically converted into company shares during the subsequent equity round (qualified equity financing). However, they may also convert in the event of an exit (liquidity event) or the company’s liquidation.

Structure and timeline

VC transactions are typically faster and more dynamic than standard M&A deals. The first step involves negotiating a term sheet. Following this, investors usually begin due diligence, while long-form agreements such as investment and shareholders’ agreements, are negotiated concurrently. The closing of the investment round generally coincides with the signing of these agreements.



Term sheets

It is customary to sign a term sheet outlining the main terms and conditions of the transaction. Historically, term sheets covered only the main financial aspects of transactions; however, it is now common for them to address most of the matters typically included in long-form agreements, sometimes with significant detail. Except for provisions concerning exclusivity during transaction negotiations, confidentiality, and costs, term sheets are usually non-binding on the parties.

Due diligence

In VC, due diligence processes are often simpler and more limited in scope compared to other transactions. Companies typically have only a few years of operational history and limited resources. Also, investors primarily focus on confirming the absence of major red flags related to the company's (i) corporate and labor matters; (ii) intellectual property ("IP"); (iii) technology, media and telecommunications (TMT); and (iv) previous financing terms.

Long-form agreements

The standard VC agreement package typically includes (i) an investment or subscription agreement, and (ii) a shareholders' agreement. However, when convertible instruments are involved, a SAFE is usually executed during the pre-seed stage. However, when SAFEs are executed at a later stage of a startup's lifecycle, it is also common to adopt shareholders' agreements that are substantially comparable to those used in equity rounds.



2

Governance and majorities

Board of directors

Founders typically maintain control over the board of directors by appointing the majority of its members. However, investors are generally entitled to appoint one company director, who usually assumes a non-executive role and holds veto rights over certain decisions (board-reserved matters).

A recent trend shows that many VC investors now require companies to maintain directors and officers (D&O) liability insurance. As an alternative to, or in addition to, appointing directors, some investors are granted the right to appoint board observers. These observers can attend and sometimes participate in board meetings with a level of access to information comparable to that of directors but without voting rights.

Shareholders' assembly

At the shareholders' assembly level, holders of special classes of shares are typically granted veto rights over certain matters (shareholders' assembly-reserved matters).

To address this, it is customary to require that shareholders' resolutions on certain matters receive the favorable vote of either (i) the holders of the special class of shares created in the most recent round; or, in later stages, (ii) a combined majority comprising multiple classes of preferred shares created during the company's earlier rounds. Combined majorities are an effective way of distributing veto power among investors who joined the company during different funding rounds, thereby preventing the concentration of such powers in only one or two directors.



3

Reverse vesting of founders

Reverse vesting	To incentivize founders' commitment to the company and its objectives, it is common to subject all or most of the shares held by the founders to reverse vesting. Consequently, if founders leave their management roles, they may be required to sell all or part of their shares back to the company or even to the remaining shareholders.
Vesting schedule	Founders' reverse vesting schedules typically span four years. A common model includes a one-year cliff, followed by linear monthly vesting over the remaining three years.
Shares subject to vesting	Founders typically negotiate to exclude some of their shares from reverse vesting, particularly in later stages of the startup lifecycle after several investment rounds and previous reverse vesting arrangements.
Good and bad leavers	<p>If a founder resigns from their management position without just cause or is dismissed by the shareholders with just cause, they are typically considered a bad leaver. In these cases, the founder is usually required to sell their unvested shares (and often their vested shares) at nominal value.</p> <p>Conversely, if a founder resigns due to serious medical reasons or is dismissed by the shareholders without cause, they are generally considered a good leaver. A good leaver is typically required to sell their unvested shares at either market value with a discount or at nominal value. They may retain the vested shares or sell them at an agreed price, usually corresponding to the share subscription price of the most recent financing round.</p>
Exclusivity	Reverse vesting is typically accompanied by exclusivity undertakings from the founders. Under these commitments, founders agree to devote their full-time attention to the company throughout the vesting period and, in certain cases, beyond it.
Lock-up clause	To ensure the enforceability of reverse vesting provisions, the vesting period must be covered by a lock-up clause. Under this clause, the founders agree not to sell their shares in the company during the vesting period.

4

Stock option pools and plans

Stock option pool creation

During investment rounds, new investors typically require existing shareholders (including founders and investors from previous rounds) to establish or expand a stock option pool, either virtual or actual, at their own expense. This pool is designated for future allocation to the company's employees or advisors. The primary purpose of these allocations is to incentivize key employees by enabling them to share in future earnings from a sale or initial public offering ("IPO"). This arrangement also serves to retain top talent, as the right to benefit from stock option earnings is generally linked to the beneficiary's continued employment with the company.

Stock option plan

To allocate options within the stock option pool, the company typically has (or the shareholders commit to approving) a stock option plan. This plan outlines the rules governing the allocation, including (i) vesting schedules, (ii) attribution rules and methods, (iii) exercise rules and procedures, (iv) good and bad leaver provisions, and (v) expiration conditions.

It is now common market practice for options to be represented by virtual or phantom shares. These shares grant beneficiaries certain economic rights, particularly the right to receive proceeds from the sale of the shares within the stock option pool. However, they exclude other rights, such as the right to receive dividends and political rights, including the right to vote in general assemblies.

Stock options granted to founders (recapitalization)

When founders holding management positions are already significantly diluted for the company's current phase, new investors may occasionally require a stock option pool to be specifically created for allocation to the founders to ensure their continued commitment to the company. This recapitalization results in further dilution of existing investors. Due to legal limitations on the percentage of treasury shares, these pools are typically created using only virtual shares.



5

Founders' liability towards investors

Representations and warranties

Similar to regular M&A transactions, where sellers are required to provide representations and warranties to purchasers, investors also expect founders to represent and warrant both fundamental matters (e.g., title and capacity) and business matters (e.g., corporate, taxes, IP, data protection, labor, and compliance).

Joint liability

Founders' liability is usually joint and several with that of the company, which is also held liable if a representation is considered incorrect, inaccurate, untruthful, or incomplete.

Limitation of liability

Except in cases of willful misconduct or fraud, the company's liability for misrepresentation is typically capped at the aggregate investment amount of the round. Founders' liability is generally capped at a lower amount, which sometimes corresponds to a multiple of their annual salary.

Payment in shares

In case of a breach of representations and warranties, it has become common for founders to be able to compensate investors by delivering company shares instead of paying cash. This mechanism enables founders to pay compensation they might otherwise be unable to afford.

Other penalties

Founders may also be liable to investors in the event of a breach of material provisions, such as non-compete, exclusivity and confidentiality clauses. Their liability typically covers the amount corresponding to the damages incurred, or, if specific penalties were agreed upon by the parties, the respective penalty amount.

6

Exit provisions and liquidation preference

Exit clauses

To ensure the liquidity of their investment, investors usually request the inclusion of exit clauses in agreements. These clauses provide that, if a liquidity event (e.g., sale of the company or IPO) does not occur by a specified date, the company must hire an investment bank or M&A advisor to facilitate the sale of the company through a competitive bid process.

Drag-along rights

Drag-along rights are essential legal mechanisms that enable certain shareholders to require other shareholders to sell their shares alongside their own, thereby guaranteeing the sale of 100% of the company. Typically, these rights necessitate a majority to be exercised. Additional conditions, such as valuation thresholds or designated timeframes (e.g., after the fifth anniversary of the investment), may also apply.

Walk-away right

Sometimes, investors are granted a put option allowing them to sell their shares to the founders for an aggregate price of €1. This right is generally exercised only when investors no longer anticipate any return on their investment, typically when the company's liquidation or insolvency becomes imminent.

Liquidation preference

As regards liquidation preference, the shares subscribed by new investors rank more senior than those subscribed by early investors and, ultimately, the founders' shares. Current market practice typically includes a 1x non-participating liquidation preference. Consequently, the investor is entitled to receive the greater of either 1x the investment amount or the proceeds proportional to their shareholding percentage.

Therefore, "double dipping" clauses, which involve participating liquidation preferences and multiples exceeding 1x, have become rare.



7

SIFIDE provisions

SIFIDE tax incentive

The incentive regime for business research and development (*Sistema de Incentivos Fiscais em Investigação e Desenvolvimento Empresarial*, or “SIFIDE”) is a legal initiative aimed at encouraging Portuguese companies to invest in research and development (“R&D”). This system provides tax incentives to companies carrying out R&D activities or investing as limited partners in VC funds that, in turn, invest in such companies. Its objectives include fostering innovation, enhancing competitiveness and stimulating economic growth.

SIFIDE provisions

When SIFIDE-backed VC funds are among the investors in a given round, specific provisions must be agreed upon. Specifically, these include (i) the use of proceeds directed towards R&D expenses, (ii) specific information rights, (iii) the liability regime related to SIFIDE, and (iv) the allocation of R&D expenses when multiple SIFIDE-backed VC funds are involved.

When a company has not yet been recognized and certified by *Agência Nacional de Inovação* (ANI) as suitable (*idónea*) for R&D, this certification may be established as a condition precedent to the investment.



8

Rollover mechanisms

Rollover mechanisms

Transnational VC financing rounds have become increasingly common. In these rounds, investors are often VC funds backed by SIFIDE or the Recovery and Resilience Plan. These funds are legally required to allocate most of their capital to Portugal-based startups but aim to invest in foreign companies. These foreign companies typically maintain HoldCo structures in the United Kingdom or the United States, with investments channeled through a Portugal-based subsidiary dedicated to R&D.

In these cases, the investment is made through a Portuguese subsidiary, typically through a SAFE or another type of convertible instrument. This instrument is subsequently swapped for equity in the HoldCo. The exchange occurs either upon evidence that the company effectively used the investment funds for R&D expenses (required for SIFIDE VC funds) or during a liquidity event at the HoldCo level, whichever happens first.

The legal structures commonly used for exchanging an investment's consideration are the convertible and exchange agreement or the SAFE and warrant agreement, depending on the jurisdictions involved.

The complexities arising from diverse jurisdictions have prompted investors to adopt additional protective mechanisms. These include the immediate acquisition of a limited number of HoldCo preferred shares, which confer enforceable preferred rights tailored to their desired level of protection. Alternatively, investors may execute warrant holders' agreements that offer equivalent protection while the exchange remains pending.



9

BPF co-investment programs (deal-by-deal)

Public co-investment in VC transactions

In recent years, public co-investment has become an increasingly prominent feature of the Portuguese VC ecosystem. This development is particularly in *Banco Português de Fomento* (“BPF”) and its deal-by-deal co-investment program, implemented under the *Fundo de Capitalização e Resiliência* (“FdCR”).

Unlike traditional public venture initiatives that invest through VC funds, this program enables BPF to coinvest with private investors in specific transaction through FdCR. Each transaction is assessed and structured on a case-by-case basis. The program’s primary goals are to strengthen the capitalization of Portuguese companies with strong growth potential and to attract private investment in strategic sectors.

Co-investment structure

Investments under the program are always carried out with private investors, who typically lead the transaction and negotiate the main commercial terms of the funding round.

Investment instruments

The program enables investments using various financial instruments, tailored to the transaction structure and the company’s stage of development. These instruments typically include:

- equity instruments, such as shares or quotas;
- quasi-equity instruments, including convertible notes or participating loans (e.g., SAFEs); and
- hybrid structures that combine equity with subordinated financing.

As is common in VC transactions, investment documentation typically incorporates exit mechanisms that enable the public investor to achieve liquidity through future funding rounds, trade sales or buy-back mechanisms.

Role in the Portuguese VC ecosystem

The deal-by-deal program has become an important instrument for attracting private capital and supporting larger financing rounds involving Portuguese companies, particularly those in growth or scale-up stages.

By investing on a transaction-by-transaction basis alongside private investors, the program addresses financing gaps, thereby strengthening Portugal’s startup and scale-up ecosystem.

10

Digital regulatory landscape

Overall digital compliance posture

Technology-driven startups operate within an increasingly complex digital regulatory landscape. In VC transactions, investors must go beyond traditional IP protection and assess the company's overall digital compliance posture, focusing on AI, data protection and cybersecurity.

Due diligence

In VC transactions, conducting thorough due diligence is crucial. Investors must confirm that the company owns or holds rights to use all IP necessary for its operations, including patents, trademarks, copyrights, and trade secrets.

For AI-driven startups, due diligence should also encompass the licensing and origin of training datasets, the use of open-source AI models or frameworks, and the adequate protection of proprietary algorithms and machine-learning models.

The due diligence should also verify that the startup's processing of personal data complies with the GDPR. This includes examining lawful bases for processing, mechanisms for data subject rights, and safeguards for crossborder data transfers.

Representations and warranties

As part of the investment agreements, founders are often required to provide representations and warranties regarding the ownership and enforceability of IP assets, as well as the absence of infringement claims.

Where AI is significant to the business, investors increasingly require representations confirming (i) compliance with the EU AI Act, (ii) that training datasets do not infringe third-party rights or violate data protection regulations, and (iii) adherence to cybersecurity standards.

Covenants and post-closing obligations

To safeguard their investment, investors may impose covenants and post-closing obligations to protect their IP rights and ensure proper execution of IP assignment agreements. Investors may also require AI governance policies, data protection programs, cybersecurity incident response plans, and reporting mechanisms for any significant changes to AI models or regulatory inquiries. These measures aim to mitigate risks across the full spectrum of digital compliance and strengthen the startup's long-term competitiveness.



Our VC practice

Team offering funds and investors a comprehensive and specialized service for VC transactions

We regularly advise national and international startups and VC funds and investors—including corporate ventures—on all aspects of their corporate and commercial activities, from regulatory compliance to participation in financing rounds and sales processes. We also advise on recapitalizations and divestments, focusing on designing and implementing innovative strategies and structures that are both tax efficient and commercially sound.

With a multidisciplinary team of lawyers spanning corporate and commercial law, intellectual and industrial property, data protection, labor, and tax, we provide comprehensive services to the entrepreneurial ecosystem, understanding clients' needs and challenges while aligning with their business vision.

Market recognition



2nd firm by deal volume in private equity and venture capital transactions in Spain and Portugal (Mergermarket, 2025)



1st firm by deal volume in venture capital transactions in Spain (TTR, 2025)



Leading firm – Tier 1 in Venture capital and Private Equity in Portugal



Leading firm – Tier 1 in venture capital in Spain



Leading firm and top ranked lawyer (Band 1) in Venture Capital in Spain

"Very close and understands clients' needs."

Chambers, 2025

"They have lawyers with the technical skills and exposure to the most important deals to get a very granular view on the VC market standard in any given moment."

Chambers, 2024

Cuatrecasas: What we offer



FT INNOVATIVE
FINANCIAL LAWYERS
TIMES

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in Continental Europe
(2005-2025)*

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LATINLAWYER 250 Legal500

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EU Firm of the Year, 2025
National firm of the Year: Portugal, 2025

LACCA

Sixth most popular international law firm in Latin America, 2024



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