

# Venture Capital and Private Equity update Hungary – Q1 2021

## Participants in the survey:

3TS Capital Partners  
Alliance Jura Hongrie  
Arx Equity Partners  
Bonitas  
CEE Equity Partners  
Day One Capital  
Euroventures  
Finext Startup  
Hiventures  
Lead Ventures  
MFB Invest  
PBG FMC  
Perion Kockázati Tőkealap-kezelő  
PortfoLion  
Solus Capital  
Susterra Capital Partners  
Széchenyi Alapok  
Venturio  
X-Ventures

The above response rate represents 89% of HVCA members.

## Introduction

The following is an analysis of data provided by the members of the Hungarian Private Equity and Venture Capital Association and collected from public sources in order to present venture capital and private equity activity in Q1 2021. Investments in Q1 2021 were executed by 13 funds that are managed by 7 fund managers.

The data was collected through questionnaires completed by our members. Occasionally these questionnaires are not completed in full which may distort the outcome of the analysis. In addition to questionnaires, we collected published transactions from various online news portals.

The report is prepared by HVCA and EY, should you be interested in further industry related information or previous issues of the report please visit <http://www.hvca.hu/en/statistics/>.

## Highlights – Q1 2021

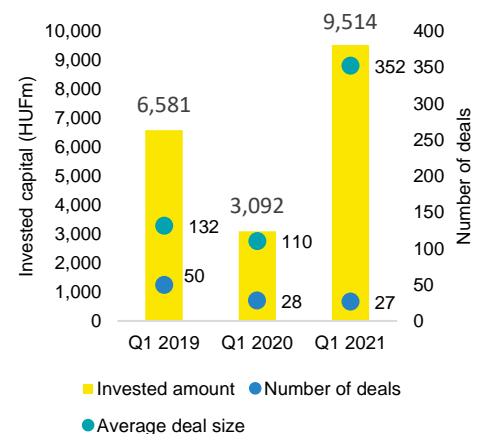
- Number of closed transactions: 27
- Number of divestments: 35
- Total capital invested: HUF 9,514 million
- Top three most active industries (by value):
  1. Business & industrial services
  2. Consumer goods & retail
  3. Consumer services

## Equity investments

During Q1 2021, 27 transactions were closed in Hungary involving 27 target companies that received a total investment of HUF 9,514 million. Total invested value was approximately three times of the reported value of transactions in Q1 2020 and higher than HUF 6,581 million capital invested in Q1 2019 (see Chart 1).

Total number of transactions shows a decrease in the first quarter of 2021 compared to the same period in both 2019 and 2020. The average deal size varied significantly over the reported quarters while the 2021 figure was notably higher compared to both 2019 and 2020.

Chart 1. – Quarterly breakdown of the number of transactions



## Equity investments – investment stage breakdown

In Q1 2021, the largest reported transaction occurred in the VC later-stage venture phase amounting to HUF 2,000 million. There was one additional transaction over HUF 1bln reported in PE Buyout phase.

In terms of invested capital, the five largest transactions accounted for 59% of the total investment value during Q1 2021.

15 out of the 27 transactions were first time investments, which represented 65% of the total amount invested.

Considering total invested capital, the largest amounts were allocated to companies classified in the VC start-up and VC later-stage venture phase. These stages represented 74% of total capital invested in Q1 2021.

Within VC seed and VC incubation altogether 6 transactions were reported. These two investment stages accounted for 22% of the total number of transactions and 4% of total invested value.

Average deal sizes were HUF 21 million in VC incubation stage, 96 million in VC seed phase, 256 million in VC start-up phase and 598 million in VC later-stage venture.

Only one transaction was reported in each PE buyout ,PE growth and PE turnaround categories, together amounting to HUF 2,156 million. The transaction of PE buyout category was the second and the transaction of PE growth category was the fifth largest transaction.

## Equity investments – sector breakdown

Companies from 7 sectors received funding in Q1 2021. The two largest sectors by total invested amount were business & industrial services and consumer goods & retail that accounted for 67% of total transaction value and 52% of number of deals (see Chart 3 and Table 1).

In Q1 2021, the largest transactions occurred in business & industrial services and consumer goods & retail sectors.

The highest average deal size was HUF 516 million in business & industrial services sector which is followed by computer & consumer electronics with HUF 471 million.

Table 1. – Quarterly breakdown of investments by sector

Sector	Q1 2019		Q1 2020		Q1 2021	
	Number of deals	Amount (HUFm)	Number of deals	Amount (HUFm)	Number of deals	Amount (HUFm)
Agriculture	-	-	1	10	2	653
Business & industrial products	3	23	2	349	-	-
Business & industrial services	15	2 588	10	1 457	9	4 647
Chemicals & materials	-	-	-	-	-	-
Communications	4	284	2	769	2	682
Computer & consumer electronics	5	503	-	-	1	471
Construction	1	30	-	-	-	-
Consumer goods & retail	3	214	2	18	5	1 720
Consumer services	9	558	4	135	6	1 039
Energy & environment	1	370	-	-	-	-
Financial services	2	1 080	1	9	2	302
Life sciences	6	902	4	328	-	-
Real estate	-	-	1	9	-	-
Transportation	1	30	1	9	-	-
<b>Total</b>	<b>50</b>	<b>6 581</b>	<b>28</b>	<b>3 092</b>	<b>27</b>	<b>9 514</b>

Chart 2. – Q1 2021 Invested capital by investment stage

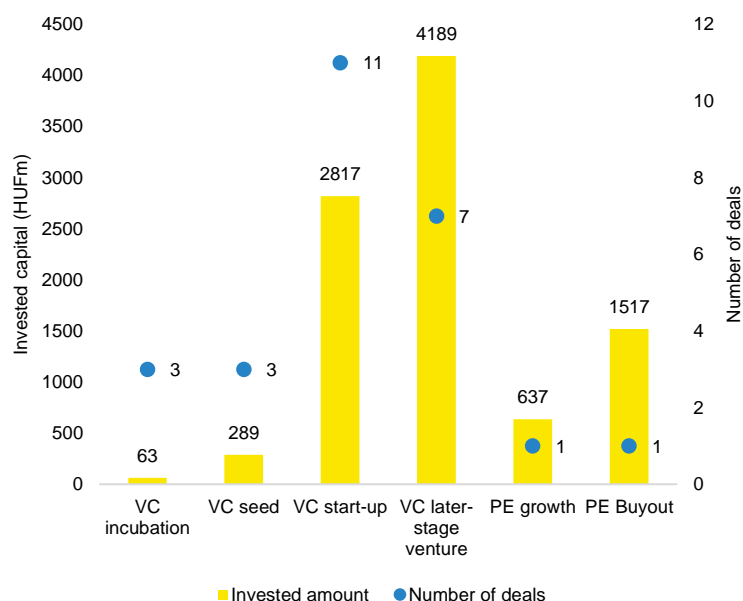
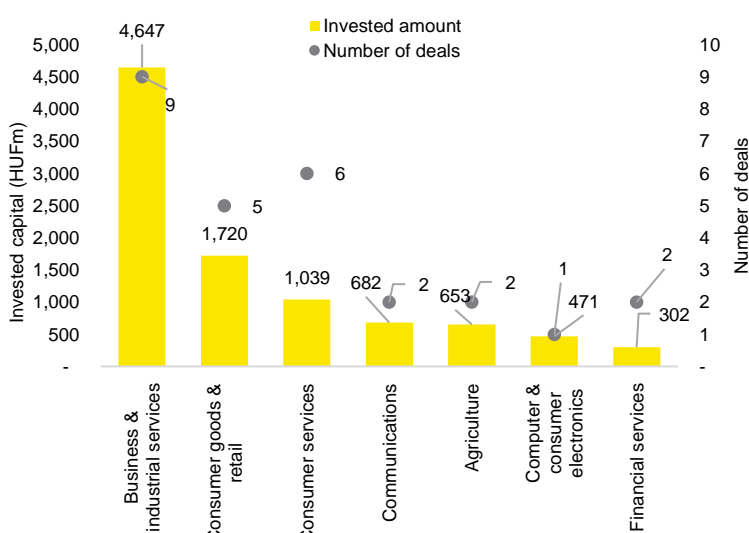


Chart 3. – Q1 2021 Invested capital by sector



## Divestments

5 funds reported a total number of 35 divestments in Q1 2021 in various sectors but the largest number of divestments – 9 out of 35 - occurred in the consumer services sector (see Chart 4 below).

Based on the form of exits, divestments comprised of 20 sales to management, 9 divestment by write-off, 4 divestment by trade sale and 2 sale to other private equity firm. The investment lifetime of exited investments varied between 2 to 14 years (see chart 5). The average investment lifetime of the 35 exits in Q1 2021 was around 6.7 years.

Chart 4. – Q1 2021 Divestments based on sector and form of exit

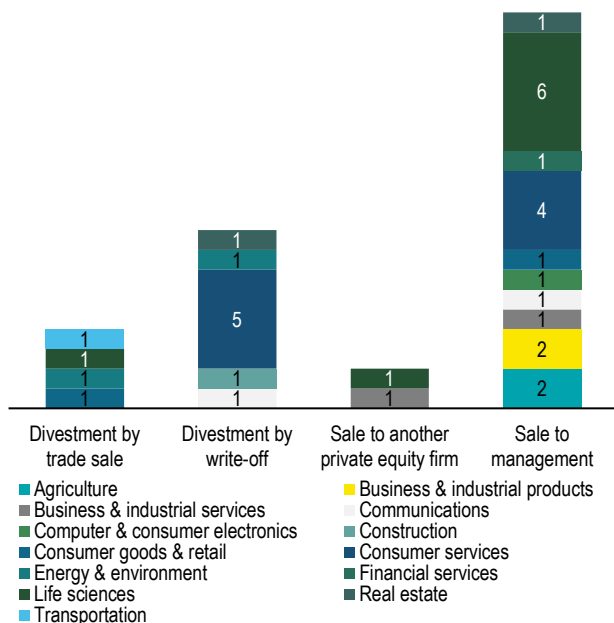
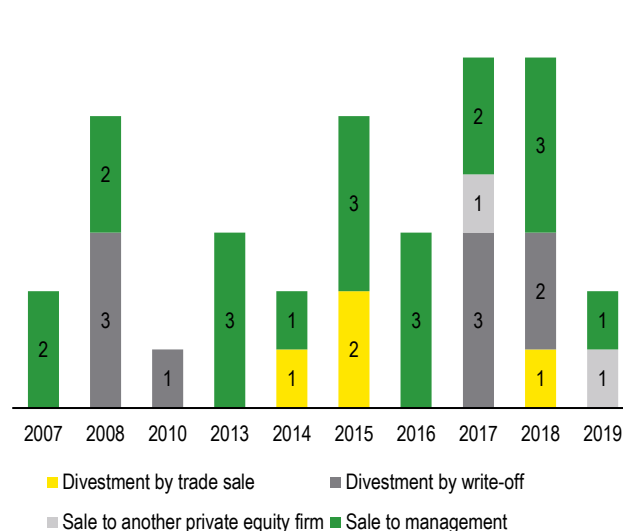


Chart 5. – Q1 2021 Divestments based on year of first investment and form of exit



## Fund raising

There was no fundraising reported in Q1 2021.

## Summary

During Q1 2021, 27 companies received HUF 9,514 million from VCs and PE funds. There was a slight decrease (4%) in invested amount while the volume of the transaction in Q1 2021 was 39% lower compared to Q3 2020. The largest amount was allocated in VC later-stage venture phase to one company (HUF 2,000 million), but in volume terms most of the transactions were closed in VC start-up phase (41%).

Companies operating in business & industrial services and in consumer goods & retail sectors received 67% of the total capital invested in the 1st quarter of 2021. Considering the number of deals, the three most active sectors (business & industrial services, consumer goods & retail, consumer services ) accounted for 78% of the total market activity and 74% of the number of transactions. Furthermore, the largest transaction by value can be found in the business & industrial services sector.

There were 35 divestments by 5 funds in various sectors. A high number of divestments – 20 out of 35 – were classified as sales to management in Q1 2021.

There was no fundraising reported in Q1 2021.