

Venture Capital and Private Equity update Hungary – Q1 2022

Participants in the survey:

3TS Capital Partners
Alliance Jura Hongrie
Arx Equity Partners
Bonitas
CEE Equity Partners
Day One Capital
Euroventures Kockázati
Tőkealap-kezelő Zrt.
Hiventures
Lead Ventures
MFB Invest
PBG FMC
PortfoLion Capital Partners
Solus Capital
Susterra Capital Partners
Venturio
Xanga Ventures
X-Ventures
OXO Ventures

The above response rate represents 72% 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 2022. Investments in Q1 2022 were executed by 29 funds that are managed by 15 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 2022

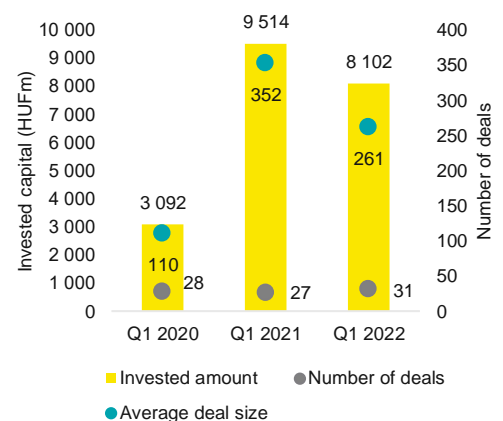
- ▶ Number of closed transactions: 31
- ▶ Number of divestments: 26
- ▶ Total capital invested: HUF 8,102 million
- ▶ Top three most active industries (by value):
 1. Business & industrial services
 2. Business & industrial products
 3. Consumer services

Equity investments

During Q1 2022, 31 transactions were closed in Hungary involving 31 target companies that received a total investment of HUF 8,102 million. Total invested value was lower with 14,8% than the reported value of transactions in Q1 2021 and higher with 162% than in Q1 2020 (see Chart 1).

Total number of transactions shows an increase in the first quarter of 2022 compared to the same period in 2021, and in 2020. The average deal size varied significantly over the reported quarters.

Chart 1. – Quarterly breakdown of the number of transactions



Equity investments – investment stage breakdown

In Q1 2022, the largest reported transaction occurred in the PE buyout phase amounting to HUF 2,000 million. The second largest transaction amounted to HUF 1,487 million reported also in the PE growth phase.

In terms of invested capital, the five largest transactions accounted for 68% of the total investment value during Q1 2022.

18 out of the 31 transactions were first time investments, which represented 72% of the total amount invested.

Considering total invested capital, the largest amounts were allocated to companies classified in the PE buyout and PE growth phase. These stages represented 63% of total capital invested in Q1 2022.

Within VC seed, VC start-up and VC later-stage venture altogether 17 transactions were reported. These three investment stages accounted for 55% of the total number of transactions and 37% of total invested value.

Average deal sizes were HUF 9 million in VC incubation stage, 105 million in VC seed phase, 160 million in VC start-up phase and 516 million in VC later-stage venture.

Six transaction was reported in VC incubation category together amounting to HUF 54 million.

Equity investments – sector breakdown

Companies from 10 sectors received funding in Q1 2022. The two largest sectors by total invested amount were business & industrial services and business & industrial products that accounted for 72% of total transaction value and 39% of number of deals (see Chart 3 and Table 1).

In Q1 2022, the largest transactions occurred in business & industrial services sectors and in business & industrial products.

The highest average deal size was HUF 591 million in communications sector which is followed by business & industrial services sector with HUF 512 million.

Chart 2. – Q1 2022 Invested capital by investment stage

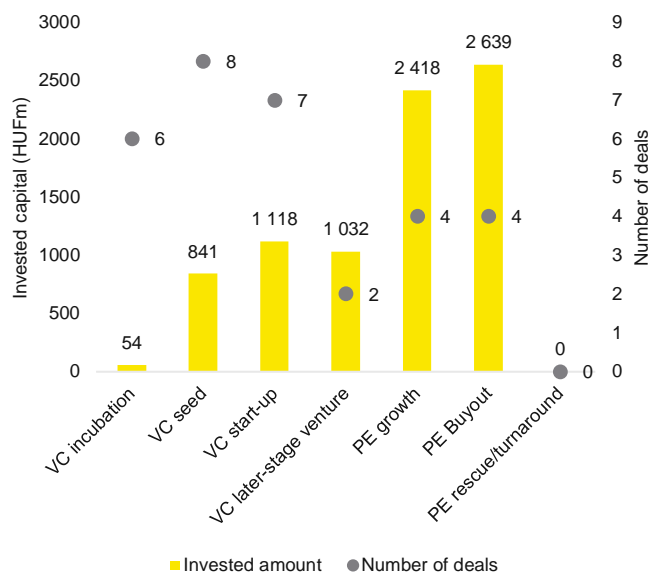


Chart 3. – Q1 2022 Invested capital by sector

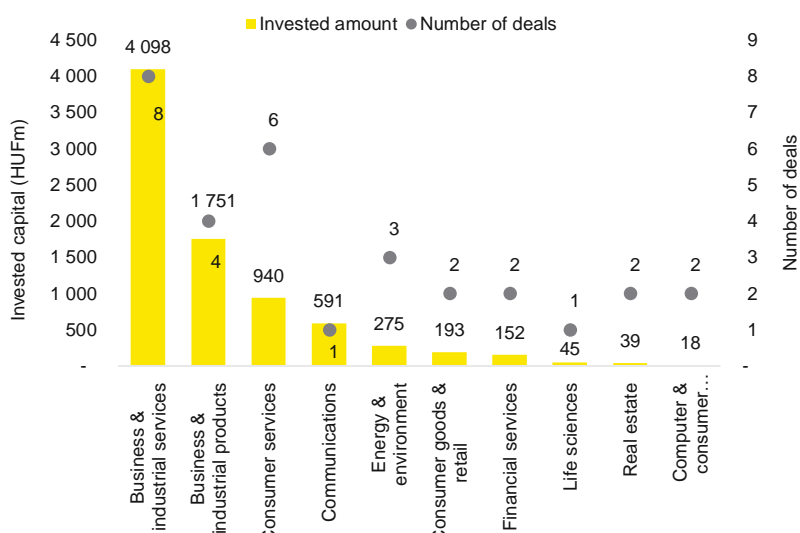


Table 1. – Quarterly breakdown of investments by sector

Sector	Q1 2020		Q1 2021		Q1 2022	
	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)
Agriculture	1	10	2	653	-	-
Business & industrial products	2	349	-	-	4	1 751
Business & industrial services	10	1 457	9	4 647	8	4 098
Chemicals & materials	-	-	-	-	-	-
Communications	2	769	2	682	1	591
Computer & consumer electronics	-	-	1	471	2	18
Construction	-	-	-	-	-	-
Consumer goods & retail	2	18	5	1 720	2	193
Consumer services	4	135	6	1 039	6	940
Energy & environment	-	-	-	-	3	275
Entertainment industry	-	-	-	-	-	-
Financial services	1	9	2	302	2	152
Life sciences	4	328	-	-	1	45
Real estate	1	9	-	-	2	39
Transportation	1	9	-	-	-	-
Total	28	3 092	27	9 514	31	8 102

Divestments

9 funds reported a total number of 26 divestments (24 full and 2 partial) in Q1 2022 in various sectors, the largest number of divestments – 5 out of 26 - occurred in the computer & consumer electronics sector (see Chart 4 below).

Based on the form of exits, divestments comprised of 8 sale to management, 5 divestment by trade sale, 3 divestment by write-off, 1 sale to another private equity firm, 1 divestment by other means and 8 unclassified. The investment lifetime of exited investments varied between 0 to 11 years (see chart 5). The average investment lifetime of the 26 exits in Q1 2022 was around 6.3 years.

Chart 4. – Q1 2022 Divestments based on sector and form of exit

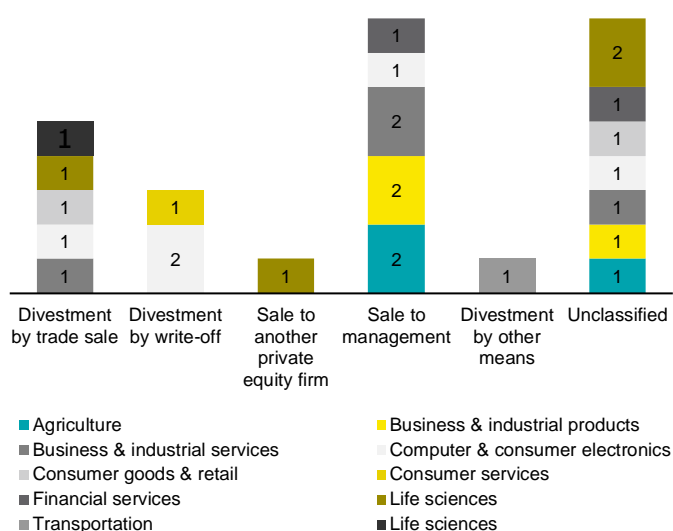
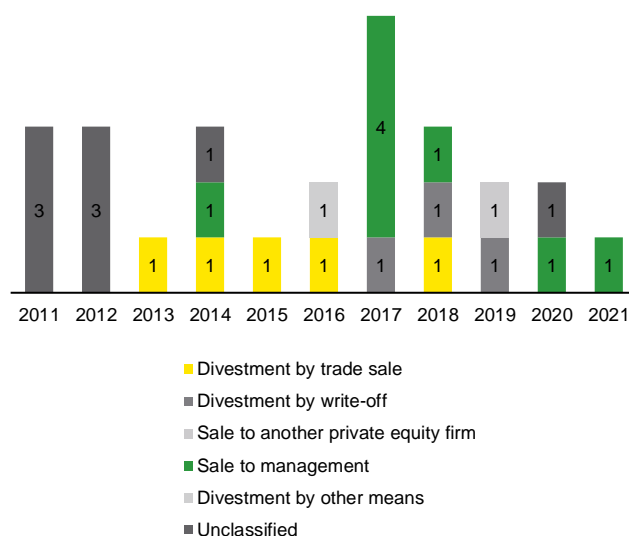


Chart 5. – Q1 2022 Divestments based on year of first investment and form of exit



Fund raising

There was HUF 2 624 million fundraising reported in Q1 2022.

Summary

During Q1 2022, 31 companies received HUF 8,102 million from VCs and PE funds. There was a small decrease (14.8%) in invested amount and the volume of the transaction in Q1 2022 was 15% higher compared to Q1 2021. The largest amount was allocated in PE Buyout phase to one company (HUF 2,000 million), but in volume terms most of the transactions were closed in VC seed phase (26%).

Companies operating in business & industrial products and in business & industrial services sectors received 72% of the total capital invested in the 1st quarter of 2022. Considering the number of deals, the three most active sectors (business & industrial services, business & industrial products, consumer services) accounted for 84% of the total market activity and 58% of the number of transactions. Furthermore, the largest transaction by value can be found in the business & industrial services.

There were 26 divestments by 9 funds in various sectors. A high number of divestments – 8 out of 26 – were classified as sales to management in Q1 2022.

There was HUF 2 624 million fundraising reported in Q1 2022.