

# Venture Capital and Private Equity update Hungary – Q1 2023

## Participants in the survey:

3TS Capital Partners  
Arx Equity Partners  
CEE Equity Partners  
Day One Capital  
Euroventures  
Hiventures  
Lead Ventures  
MFB Invest  
PBG-FMC  
PortfoLion Capital Partners  
Solus Capital  
Venturio/Perion  
X-Ventures  
OXO Ventures

The above response rate represents 58.4% 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 2023. Investments in Q1 2023 were executed by 22 funds that are managed by 9 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 2023

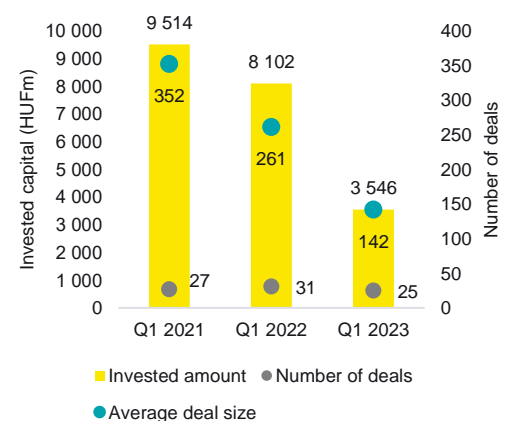
- ▶ Number of closed transactions: 25
- ▶ Number of divestments: 29
- ▶ Total capital invested: HUF 3 546 million
- ▶ Top three most active industries (by value):
  1. Consumer goods & retail
  2. Business & industrial services
  3. Consumer services

## Equity investments

During Q1 2023, 25 transactions were closed in Hungary involving 25 target companies that received a total investment of HUF 3 546 million. Total invested value was lower with 56.2% than the reported value of transactions in Q1 2022 and lower with 62.7% than in Q1 2021 (see Chart 1).

Total number of transactions shows a decrease in the first quarter of 2023 compared to the same period in 2022, and in 2021. The average deal size, also, decreased significantly over the reported quarters.

Chart 1. – Quarterly breakdown of the number of transactions



## Equity investments – investment stage breakdown

In Q1 2023, the largest reported transaction occurred in the VC later-stage venture phase amounting to HUF 1 000 million. The second largest transaction amounted to HUF 780 million reported in the VC seed stage phase.

In terms of invested capital, the five largest transactions accounted for 78.2% of the total investment value during Q1 2023.

12 out of the 25 transactions were first time investments, which represented 53.8% of the total amount invested.

Considering total invested capital, the largest amounts were allocated to companies classified in the VC seed and VC later stage phase. These stages represented 54.3% of total capital invested in Q1 2023.

Within VC incubation, VC seed, VC start-up and VC later-stage venture altogether 20 transactions were reported. These four investment stages accounted for 80% of the total number of transactions and 84% of total invested value.

Average deal sizes were HUF 10 million in VC incubation stage, 156 million in VC seed phase, 29 million in VC start-up phase and 505 million in VC later-stage venture.

3 transaction was reported in PE growth and 2 transaction in PE Buyout category together amounting to HUF 580 million.

## Equity investments – sector breakdown

Companies from 10 sectors received funding in Q1 2023. The three largest sectors by total invested amount were Consumer goods & retail, Business & industrial services and Consumer services that accounted for 75% of total transaction value and 52% of number of deals (see Chart 3 and Table 1).

In Q1 2023, the largest transactions occurred also in Consumer goods & retail and Business & industrial services.

The highest average deal size was HUF 1,000 million from Consumer goods & retail sector which is followed by Business & industrial services sector with HUF 215 million.

Table 1. – Quarterly breakdown of investments by sector

| Sector                          | Q1 2020                |               | Q1 2021                |               | Q1 2022                |               | Q1 2023                |               |
|---------------------------------|------------------------|---------------|------------------------|---------------|------------------------|---------------|------------------------|---------------|
|                                 | Number of transactions | Amount (HUFm) | Number of transactions | Amount (HUFm) | Number of transactions | Amount (HUFm) | Number of transactions | Amount (HUFm) |
| Agriculture                     | 1                      | 10            | 2                      | 653           | -                      | -             | 3                      | 369           |
| Business & industrial products  | 2                      | 349           | -                      | -             | 4                      | 1 751         | 1                      | 140           |
| Business & industrial services  | 10                     | 1 457         | 9                      | 4 647         | 8                      | 4 098         | 4                      | 859           |
| Chemicals & materials           | -                      | -             | -                      | -             | -                      | -             | -                      | -             |
| Communications                  | 2                      | 769           | 2                      | 682           | 1                      | 591           | 3                      | 40            |
| Computer & consumer electronics | -                      | -             | 1                      | 471           | 2                      | 18            | 2                      | 109           |
| Construction                    | -                      | -             | -                      | -             | -                      | -             | 1                      | 115           |
| Consumer goods & retail         | 2                      | 18            | 5                      | 1 720         | 2                      | 193           | 1                      | 1 000         |
| Consumer services               | 4                      | 135           | 6                      | 1 039         | 6                      | 940           | 8                      | 814           |
| Energy & environment            | -                      | -             | -                      | -             | 3                      | 275           | -                      | -             |
| Entertainment industry          | -                      | -             | -                      | -             | -                      | -             | -                      | -             |
| Financial services              | 1                      | 9             | 2                      | 302           | 2                      | 152           | 1                      | 80            |
| Life sciences                   | 4                      | 328           | -                      | -             | 1                      | 45            | 1                      | 20            |
| Real estate                     | 1                      | 9             | -                      | -             | 2                      | 39            | -                      | -             |
| Transportation                  | 1                      | 9             | -                      | -             | -                      | -             | -                      | -             |
| <b>Total</b>                    | <b>28</b>              | <b>3 092</b>  | <b>27</b>              | <b>9 514</b>  | <b>31</b>              | <b>8 102</b>  | <b>25</b>              | <b>3 546</b>  |

Chart 2. – Q1 2023 Invested capital by investment stage

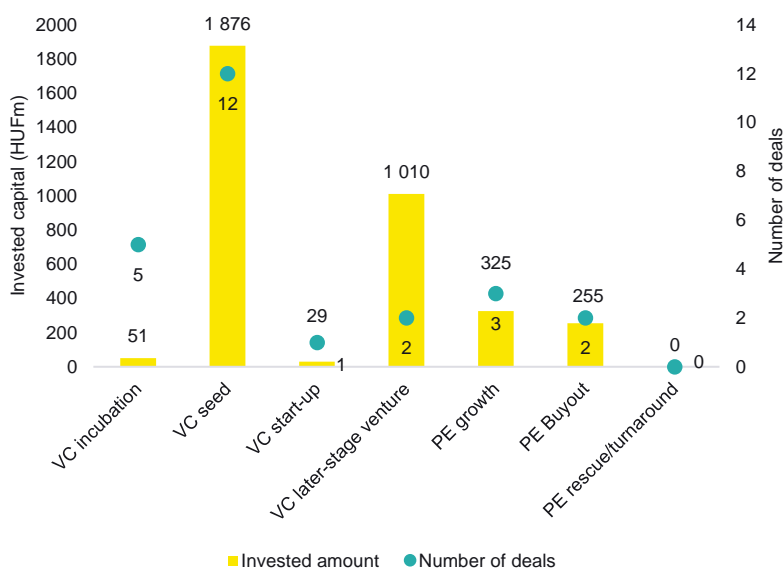
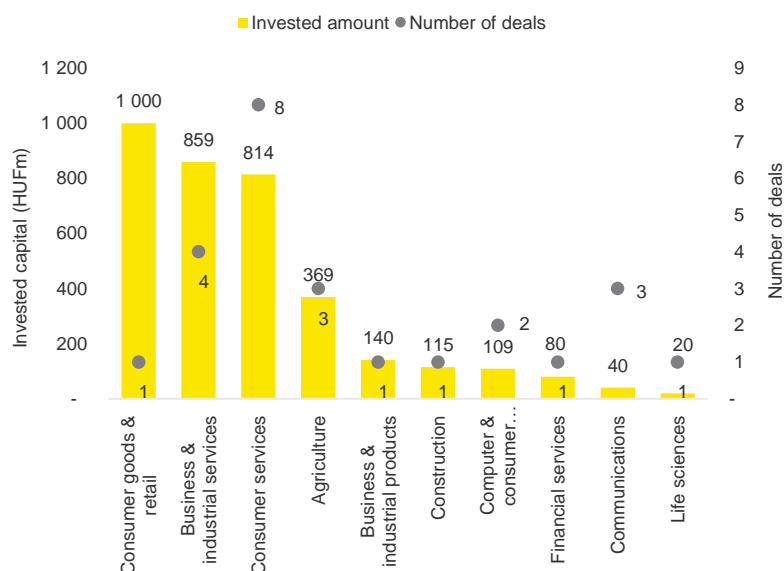


Chart 3. – Q1 2023 Invested capital by sector



## Divestments

10 funds reported a total number of 29 divestments (26 full and 3 partial) in Q1 2023 in various sectors, the largest number of divestments – 6 out of 29 - occurred in Business & industrial services (see Chart 4 below).

Based on the form of exits, divestments comprised of 9 sale to management, 4 divestment by trade sale, 3 by write-off, 3 by sale to another private equity firm, 2 divestment by other means, and further 8 was unclassified. The investment lifetime of exited investments varied between 2 to 12 years (see chart 5). The average investment lifetime of the 29 exits in Q1 2023 was around 6 years.

Chart 4. – Q1 2023 Number of divestments based on sector and form of exit

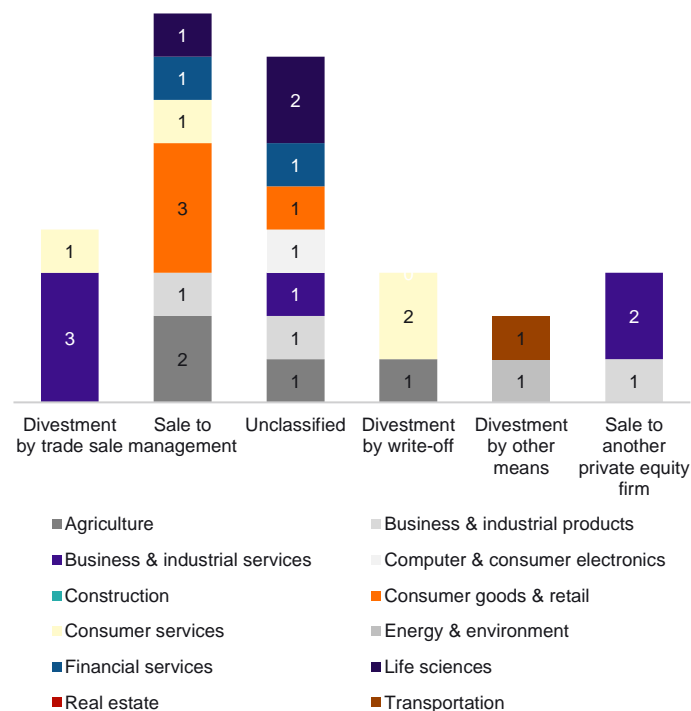
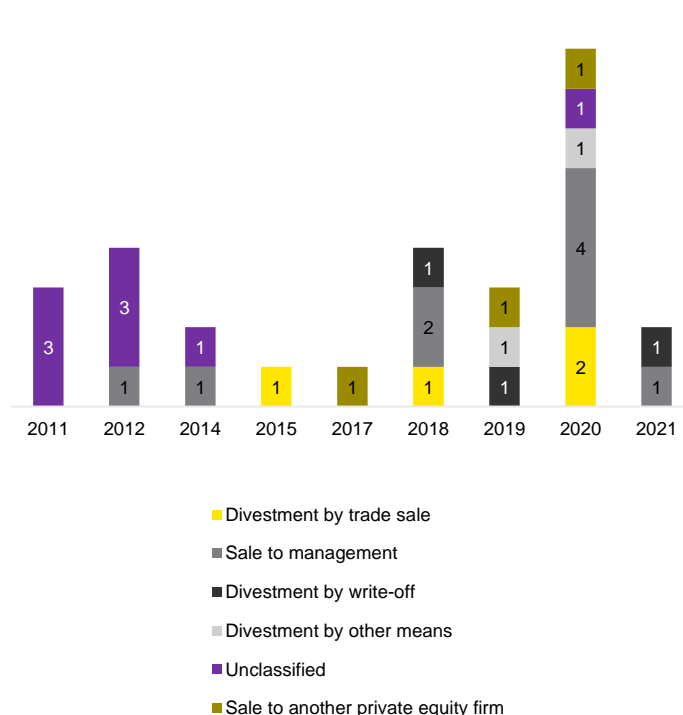


Chart 5. – Q1 2023 Number of divestments based on year of first investment and form of exit



## Fund raising

There was HUF 3 244 million fundraising reported in Q1 2023, from which 6 funds were created. The average fund size was HUF 541 million in Q1 2023.

## Summary

During Q1 2023, 25 companies received HUF 3 546 million from VCs and PE funds. There was a decrease (-56.2%) in invested amount and the number of the deals in Q1 2023 was 19.4% lower compared to Q1 2022. The largest amount was allocated in VC seed phase (HUF 1 876 million), but in volume terms most of the transactions were closed in VC seed phase and VC incubation (68% of the total).

Companies operating in Consumer goods & retail and Business & industrial services sectors received 52% of the total capital invested in the first quarter of 2023. Considering the number of deals, the three most active sectors (Consumer services, Business & industrial services and Agriculture) accounted for 58% of the total market activity and 60% of the number of transactions. Furthermore, the largest transaction by value can be found in Consumer goods & retail.

There were 29 divestments by 10 funds in various sectors. A high number of divestments – 9 out of 29 – were classified as sales to management in Q1 2023.

There was HUF 3 244 million fundraising reported in Q1 2023.