

Venture Capital and Private Equity update Hungary – Q2 2021

Participants in the survey:

3TS Capital Partners
Alliance Jura Hongrie
Arx Equity Partners
CEE Equity Partners
Day One Capital
Euroventures
Hiventures
Hodler
Lead Ventures
MFB Invest
PBG FMC
PortfoLion Capital Partners
Solus Capital
Susterra Capital Partners
Venturio
Xanga Ventures
X-Ventures

The above response rate represents 60% 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 Q2 2021. Investments in Q2 2021 were executed by 13 funds that are managed by 6 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 – Q2 2021

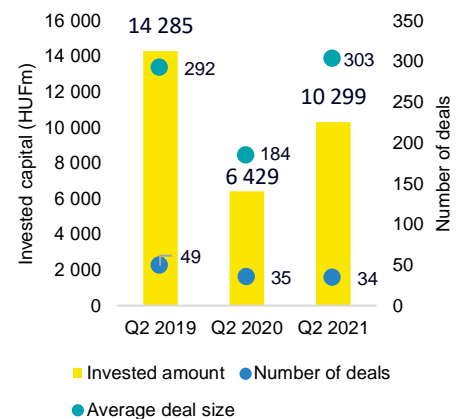
- ▶ Number of closed transactions: 34
- ▶ Number of divestments: 43
- ▶ Total capital invested: HUF 10,299 million
- ▶ Top three most active industries (by value):
 1. Consumer goods & retail
 2. Business & industrial services
 3. Consumer services

Equity investments

During Q2 2021, 34 transactions were closed in Hungary involving 34 target companies that received a total investment of HUF 10,299 million. Total invested value was higher than the reported value of transactions in Q2 2020 and lower than HUF 14,285 million capital invested in Q2 2019 (see Chart 1).

Total number of transactions shows a decrease in the second 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 Q2 2021, the largest reported transaction occurred in the PE Buyout phase amounting to HUF 4,000 million. The second largest transaction amounted to HUF 2,000 million reported in the VC later stage venture phase.

In terms of invested capital the five largest transactions accounted for 78% of the total investment value during Q2 2021.

22 out of the 34 transactions were first time investments, which represented 82% of the total amount invested.

Considering total invested capital, the largest amounts were allocated to companies classified in the PE Buyout and VC later-stage venture phase. These stages represented 87% of total capital invested in Q2 2021.

Within VC incubation, VC seed and VC start-up altogether 23 transactions were reported. These three investment stages accounted for 68% of the total number of transactions and 12% of total invested value.

Average deal sizes were HUF 22 million in VC incubation stage, 57 million in VC seed phase, 135 million in VC start-up phase and 748 million in VC later-stage venture.

Only one transaction was reported in PE turnaround category and two transactions were reported in PE growth category, together amounting to HUF 122 million.

Equity investments – sector breakdown

Companies from 10 sectors received funding in Q2 2021. The two largest sectors by total invested amount were consumer goods & retail and business & industrial services that accounted for 78% of total transaction value and 32% of number of deals (see Chart 3 and Table 1).

In Q2 2021, the largest transactions occurred in consumer goods & retail and business & industrial services sectors.

The highest average deal size was HUF 1,136 million in consumer goods & retail sector which is followed by business & industrial services sector with HUF 495 million.

Chart 2. – Q2 2021 Invested capital by investment stage

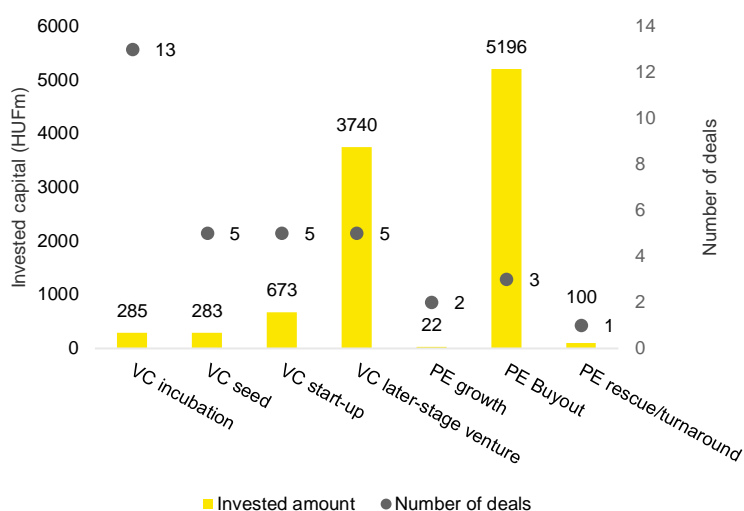


Chart 3. – Q2 2021 Invested capital by sector

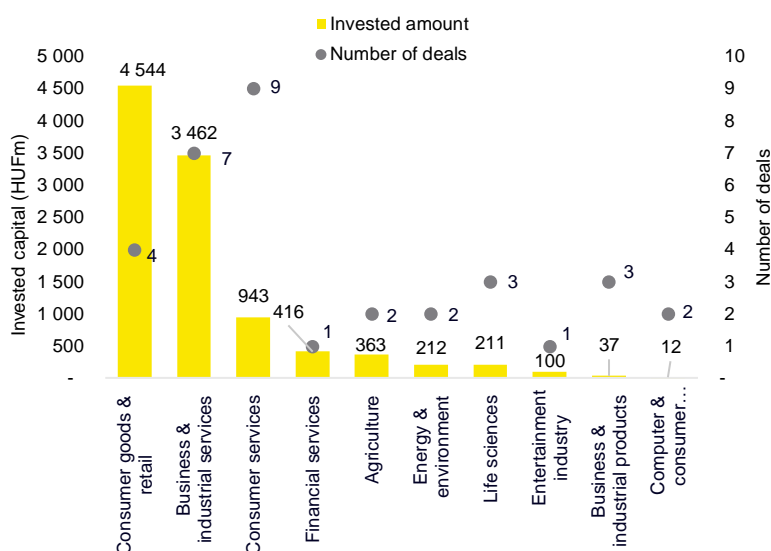


Table 1. – Quarterly breakdown of investments by sector

Sector	Q2 2019		Q2 2020		Q2 2021	
	Number of deals	Amount (HUFm)	Number of deals	Amount (HUFm)	Number of deals	Amount (HUFm)
Agriculture	-	-	1	180	2	363
Business & industrial products	1	9	5	512	3	37
Business & industrial services	14	1 412	6	3 350	7	3 462
Chemicals & materials	1	8 379	-	-	-	-
Communications	2	420	4	336	-	-
Computer & consumer electronics	3	220	1	764	2	12
Construction	-	-	-	-	-	-
Consumer goods & retail	1	9	4	153	4	4 544
Consumer services	11	789	7	430	9	943
Energy & environment	4	1 805	2	212	2	212
Entertainment industry	-	-	-	-	1	100
Financial services	3	88	2	280	1	416
Life sciences	8	1 144	5	424	3	211
Real estate	1	9	-	-	-	-
Transportation	-	-	-	-	-	-
Total	49	14 285	35	6 429	34	10 299

Divestments

7 funds reported a total number of 43 divestments in Q2 2021 in various sectors but the largest number of divestments – 11 out of 43 - occurred in the consumer services sector (see Chart 4 below).

Based on the form of exits, divestments comprised of 22 sales to management, 10 divestment by write-off, 3 divestment by trade sale, 3 sale to other private equity firm and 5 divestment by other means. The investment lifetime of exited investments varied between 2 to 14 years (see chart 5). The average investment lifetime of the 43 exits in Q2 2021 was around 6.8 years.

Chart 4. – Q2 2021 Divestments based on sector and form of exit

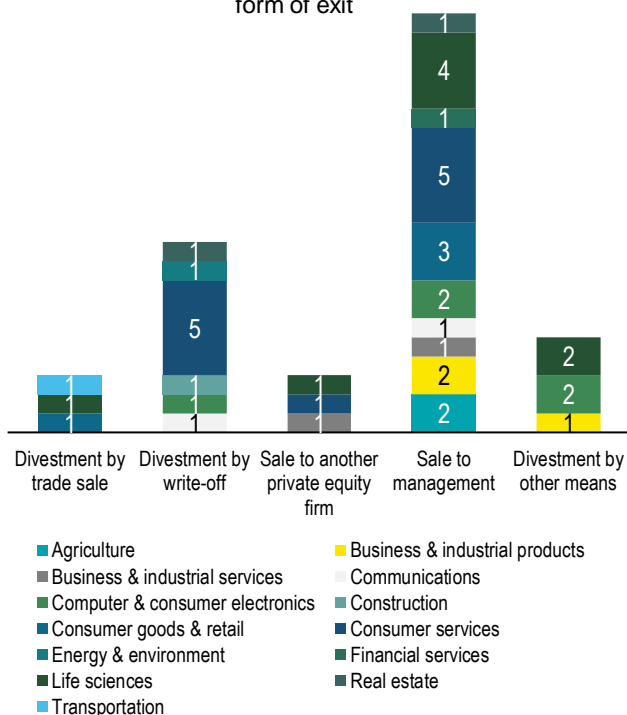
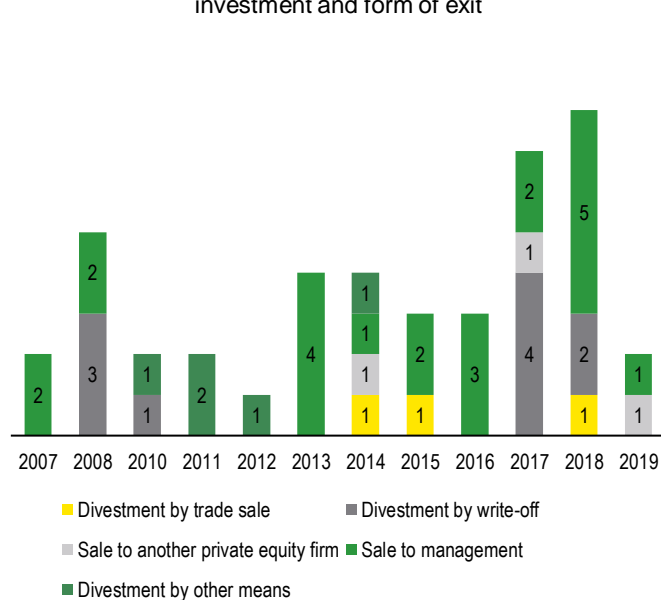


Chart 5. – Q2 2021 Divestments based on year of first investment and form of exit



Fund raising

There was no fundraising reported in Q2 2021.

Summary

During Q2 2021, 34 companies received HUF 10,299 million from VCs and PE funds. There was a slight increase (8%) in invested amount while the volume of the transaction in Q2 2021 was 26% higher compared to Q1 2021. The largest amount was allocated in PE Buyout phase to one company (HUF 4,000 million), but in volume terms most of the transactions were closed in VC incubation phase (38%).

Companies operating in consumer goods & retail and in business & industrial services sectors received 78% of the total capital invested in the 2nd quarter of 2021. Considering the number of deals, the three most active sectors (business & industrial services, consumer goods & retail, consumer services) accounted for 87% of the total market activity and 59% of the number of transactions. Furthermore the largest transaction by value can be found in the consumer goods & retail sector.

There were 43 divestments by 7 funds in various sectors. A high number of divestments – 22 out of 43 – were classified as sales to management in Q2 2021.

There was no fundraising reported in Q2 2021.