

Venture Capital and Private Equity update Hungary – Q2 2022

Participants in the survey:

3TS Capital Partners
Alliance Jura Hongrie
Arx Equity Partners
CEE Equity Partners
Day One Capital
Euroventures Kockázati
Tőkealap-kezelő
Hiventures
Lead Ventures
MFB Invest
PBG FMC
PortfoLion Capital Partners
Solus Capital
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 2022. Investments in Q2 2022 were executed by 23 funds that are managed by 10 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 2022

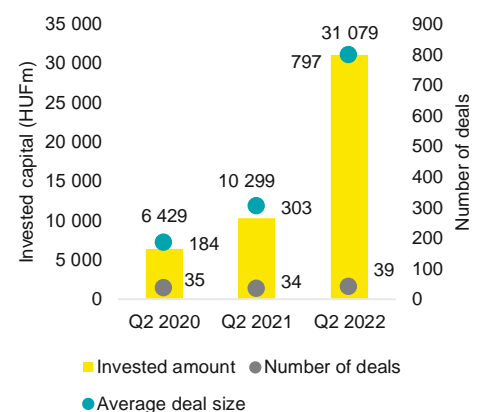
- ▶ Number of closed transactions: 39
- ▶ Number of divestments: 19
- ▶ Total capital invested: HUF 31,079 million
- ▶ Top three most active industries (by value):
 1. Real estate
 2. Business & industrial services
 3. Construction

Equity investments

During Q2 2022, 39 transactions were closed in Hungary involving 38 target companies that received a total investment of HUF 31,079 million. Total invested value was higher with 201.8% than the reported value of transactions in Q2 2021 and higher with 383% than in Q2 2020 (see Chart 1).

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

Chart 1. – Quarterly breakdown of the number of transactions



Equity investments – investment stage breakdown

In Q2 2022, the largest reported transaction occurred in the VC later-stage venture phase amounting to HUF 6,247 million. The second largest transaction amounted to HUF 5,387 million reported in the VC Seed phase.

In terms of invested capital, the five largest transactions accounted for 77.4% of the total investment value during Q2 2022.

18 out of the 39 transactions were first time investments, which represented 61.6% 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 53% of total capital invested in Q2 2022.

Within VC seed, VC start-up and VC later-stage venture altogether 18 transactions were reported. These three investment stages accounted for 46% of the total number of transactions and 46% of total invested value.

Average deal sizes were HUF 31 million in VC incubation stage, 543 million in VC seed phase, 297 million in VC start-up phase and 3,231 million in VC later-stage venture.

11 transaction was reported in VC incubation category together amounting to HUF 339 million.

Equity investments – sector breakdown

Companies from 10 sectors received funding in Q2 2022. The two largest sectors by total invested amount were real estate and business & industrial services that accounted for 50% of total transaction value and 33% of number of deals (see Chart 3 and Table 1).

In Q2 2022, the largest transactions occurred in construction sectors and in business & industrial services.

The highest average deal size was HUF 6,247 million construction sector which is followed by business & industrial products sector with HUF 2,607 million.

Chart 2. – Q2 2022 Invested capital by investment stage

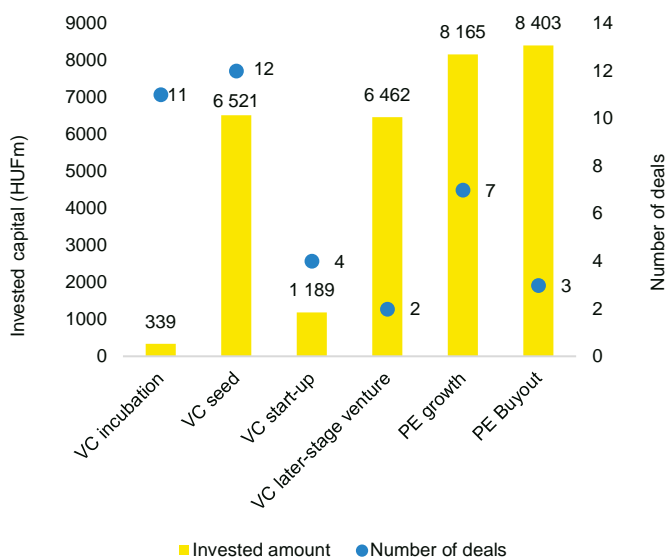


Chart 3. – Q2 2022 Invested capital by sector

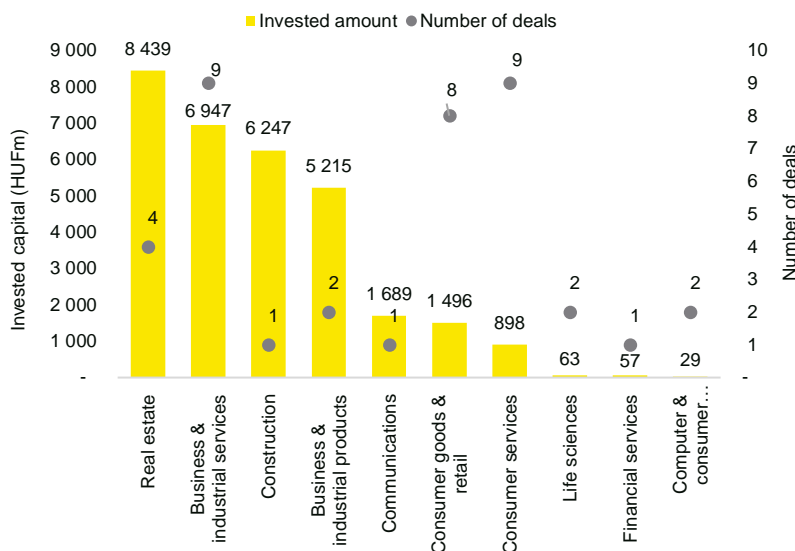


Table 1. – Quarterly breakdown of investments by sector

Sector	Q2 2020		Q2 2021		Q2 2022	
	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)
Agriculture	1	180	2	363	-	-
Business & industrial products	5	512	3	37	2	5 215
Business & industrial services	6	3 350	7	3 462	9	6 947
Chemicals & materials	-	-	-	-	-	-
Communications	4	336	-	-	1	1 689
Computer & consumer electronics	1	764	2	12	2	29
Construction	-	-	-	-	1	6 247
Consumer goods & retail	4	153	4	4 544	8	1 496
Consumer services	7	430	9	943	9	898
Energy & environment	-	-	2	212	-	-
Entertainment industry	-	-	1	100	-	-
Financial services	2	280	1	416	1	57
Life sciences	5	424	3	211	2	63
Real estate	-	-	-	-	4	8 439
Transportation	-	-	-	-	-	-
Total	35	6 429	34	10 299	39	31 079

Divestments

5 funds reported a total number of 19 divestments (16 full and 3 partial) in Q2 2022 in various sectors, the largest number of divestments – 4 out of 19 - occurred in life sciences sector (see Chart 4 below).

Based on the form of exits, divestments comprised of 9 sale to management, 2 divestment by trade sale and further 8 was unclassified. The investment lifetime of exited investments varied between 1 to 11 years (see chart 5). The average investment lifetime of the 19 exits in Q2 2022 was around 6.7 years.

Chart 4. – Q2 2022 Divestments based on sector and form of exit

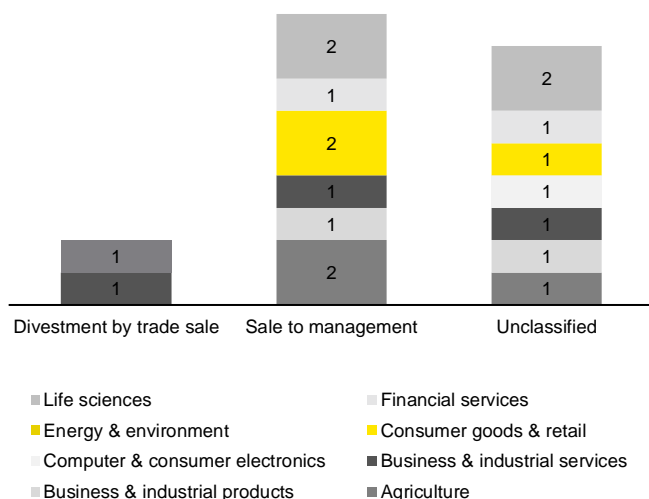
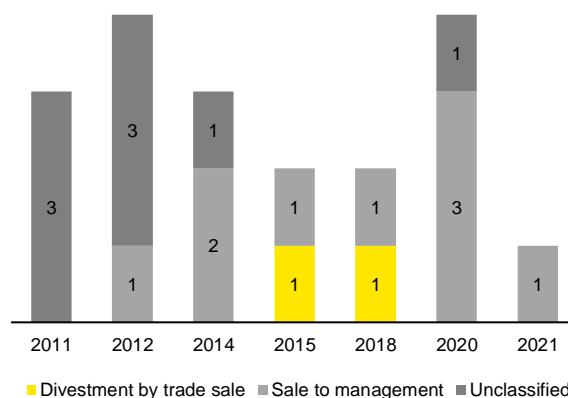


Chart 5. – Q2 2022 Divestments based on year of first investment and form of exit



Fund raising

There was HUF 10,704 million fundraising reported in Q2 2022.

Summary

During Q2 2022, 38 companies received HUF 31,079 million from VCs and PE funds. There was an increase (201.8%) in invested amount and the number of the deals in Q2 2022 was 14.7% higher compared to Q2 2021. The largest amount was allocated in VC later-stage-venture phase to one company (HUF 6,247 million), but in volume terms most of the transactions were closed in VC seed phase (31%).

Companies operating in real estate and in business & industrial services sectors received 50% of the total capital invested in the 2nd quarter of 2022. Considering the number of deals, the three most active sectors (business & industrial services, consumer services, consumer goods & retail) accounted for 30% of the total market activity and 67% of the number of transactions. Furthermore, the largest transaction by value can be found in construction.

There were 19 divestments by 5 funds in various sectors. A high number of divestments – 9 out of 19 – were classified as sales to management in Q2 2022.

There was HUF 10,704 million fundraising reported in Q2 2022.