

Venture Capital and Private Equity update Hungary – Q2 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
Xanga Ventures
OXO Ventures
ChiFU

The above response rate represents 78.9% 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 2023. Investments in Q2 2023 were executed by 25 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 2023

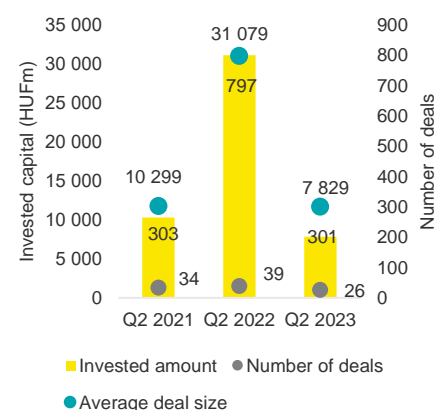
- ▶ Number of closed transactions: 26
- ▶ Number of divestments: 34
- ▶ Total capital invested: HUF 7 829 million
- ▶ Top three most active industries (by value):
 1. Business & industrial services
 2. Agriculture
 3. Consumer goods & retail

Equity investments

During Q2 2023, 26 transactions were closed in Hungary involving 26 target companies that received a total investment of HUF 7 829 million. Total invested value was lower with 74.8% than the reported value of transactions in Q2 2022 and lower with 24.0% than in Q2 2021 (see Chart 1).

Total number of transactions shows a decrease in the second quarter of 2023 compared to the same period in 2022, and in 2021. The average deal size, also, decreased significantly from Q2 2022 to Q2 2023.

Chart 1. – Quarterly breakdown of the number of transactions



Equity investments – investment stage breakdown

In Q2 2023, the largest reported transaction occurred in the VC seed phase amounting to HUF 2 204 million. The second largest transaction amounted to HUF 780 million reported in the VC seed phase as well.

In terms of invested capital, the five largest transactions accounted for 60.6% of the total investment value during Q2 2023.

11 out of the 26 transactions were first time investments, which represented 56.3% of the total amount invested.

Considering total invested capital, the largest amounts were allocated to companies classified in the VC seed and VC start-up phase. These stages represented 74.5% of total capital invested in Q2 2023.

Within VC incubation, VC seed, VC start-up and VC later-stage venture altogether 21 transactions were reported. These four investment stages accounted for 80.8% of the total number of transactions and 79.7% of total invested value.

Average deal sizes were HUF 334 million in VC seed stage, 270 million in VC start-up phase and 203 million in VC later-stage venture phase.

4 transaction was reported in PE growth and 1 transaction in PE Buyout category together amounting to HUF 1 592 million.

Equity investments – sector breakdown

Companies from 9 sectors received funding in Q2 2023. The three largest sectors by total invested amount were Business & industrial services, Agriculture and Consumer goods & retail that accounted for 79.3% of total transaction value and 53.8% of number of deals (see Chart 3 and Table 1).

In Q2 2023, the largest transactions occurred also in Business & industrial services and Agriculture.

The highest average deal size was HUF 694 million from Business & industrial services sector which is followed by Financial services sector with HUF 399 million.

Chart 2. – Q2 2023 Invested capital by investment stage

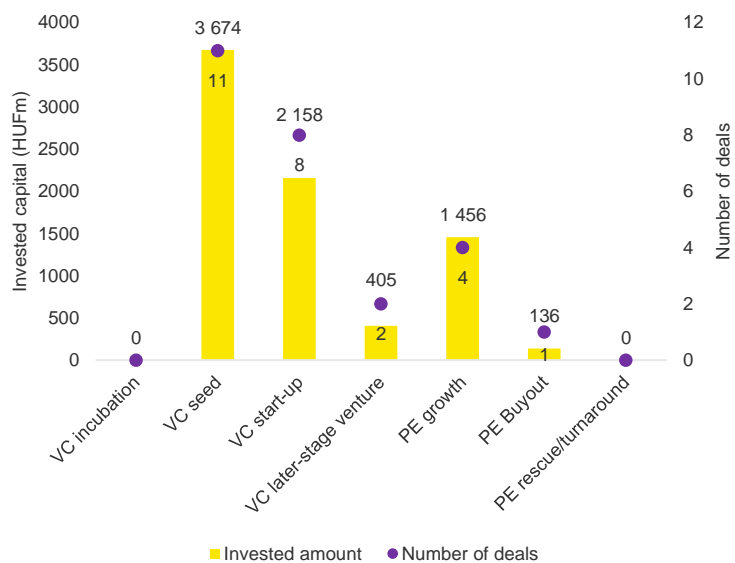


Chart 3. – Q2 2023 Invested capital by sector

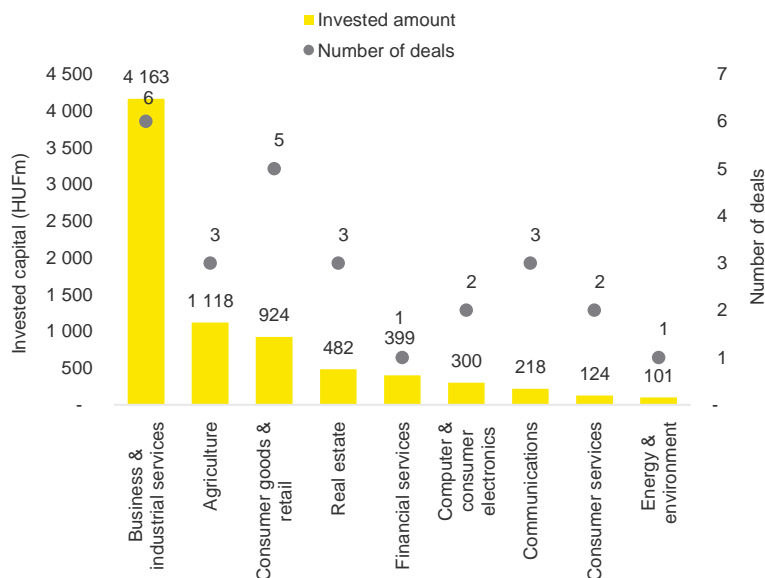


Table 1. – Quarterly breakdown of investments by sector

Sector	Q2 2020		Q2 2021		Q2 2022		Q2 2023	
	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)
Agriculture	1	180	2	363	-	-	3	1 118
Business & industrial products	5	512	3	37	2	5 215	-	-
Business & industrial services	6	3 350	7	3 462	9	6 947	6	4 163
Chemicals & materials	-	-	-	-	-	-	-	-
Communications	4	336	-	-	1	1 689	3	218
Computer & consumer electronics	1	764	2	12	2	29	2	300
Construction	-	-	-	-	1	6 247	-	-
Consumer goods & retail	4	153	4	4 544	8	1 496	5	924
Consumer services	7	430	9	943	9	898	2	124
Energy & environment	-	-	2	212	-	-	1	101
Entertainment industry	-	-	1	100	-	-	-	-
Financial services	2	280	1	416	1	57	1	399
Life sciences	5	424	3	211	2	63	-	-
Real estate	-	-	-	-	4	8 439	3	482
Transportation	-	-	-	-	-	-	-	-
Total	35	6 429	34	10 299	39	31 079	26	7 829

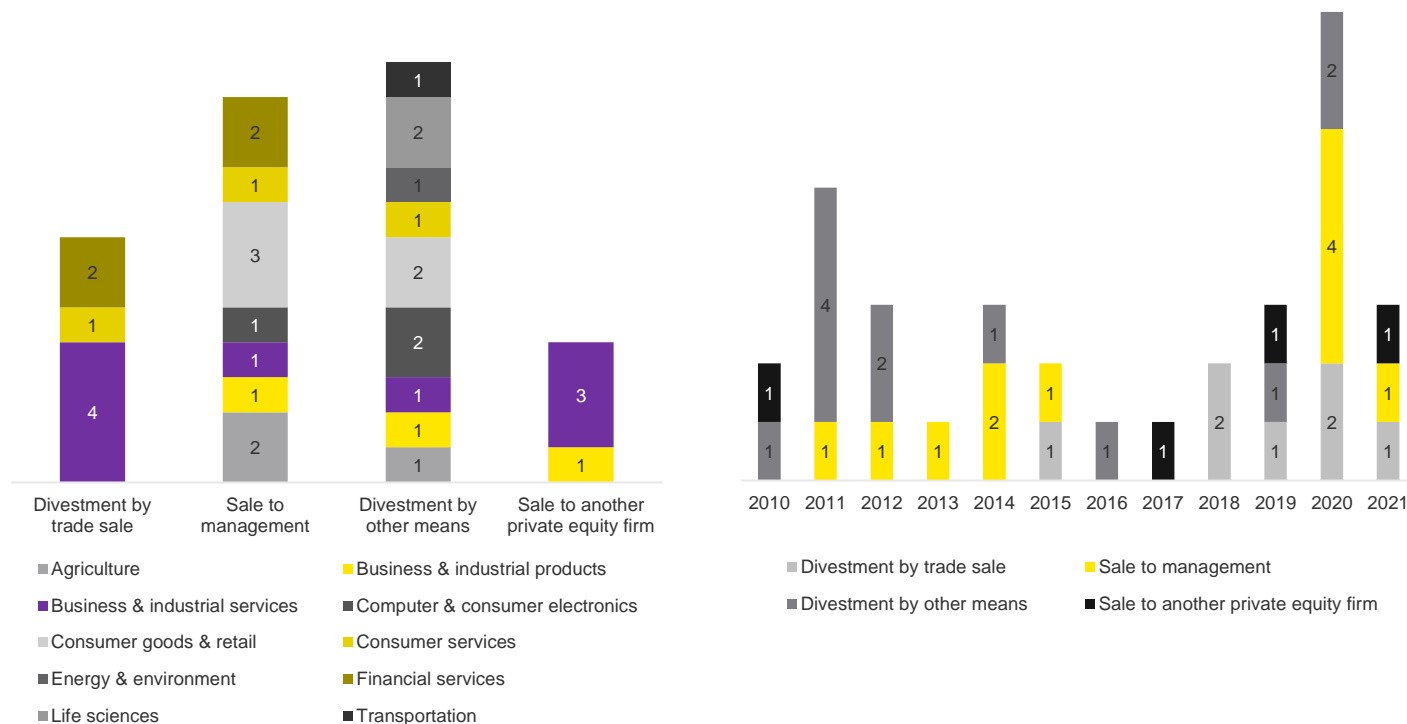
Divestments

11 funds reported a total number of 34 divestments (31 full and 3 partial) in Q2 2023 in various sectors, the largest number of divestments – 9 out of 34 - occurred in Business & industrial services (see Chart 4 below).

Based on the form of exits, divestments comprised of 12 divestments by other means, 11 sale to management, 7 divestment by trade sale and 4 by sale to another private equity firm. The investment lifetime of exited investments varied between 2 to 13 years (see chart 5). The average investment lifetime of the 34 exits in Q2 2023 was around 7 years.

Chart 4. – Q2 2023 Number of divestments based on sector and form of exit

Chart 5. – Q2 2023 Number of divestments based on year of first investment and form of exit



Fund raising

There was HUF 2 893 million fundraising reported in Q2 2023, from which 6 funds were created. The average fund size was HUF 482 million in Q2 2023.

Summary

During Q2 2023, 26 companies received HUF 7 829 million from VCs and PE funds. There was a decrease (-74.8%) in invested amount and the number of the deals in Q2 2023 was 33.3% lower compared to Q2 2022. The largest amount was allocated in VC seed phase (HUF 3 674 million), and in volume terms most of the transactions were closed in VC seed phase and VC start-up phase (73.1% of the total).

Companies operating in Business & industrial services, Agriculture and Consumer goods & retail sectors received 79.3% of the total capital invested in the second quarter of 2023. Considering the number of deals, the two most active sectors (Business & industrial services and Consumer goods & retails) accounted for 65.0% of the total market activity and 42.3% of the number of transactions. Furthermore, the largest transaction by value can be found in Business & industrial services (HUF 2 204 million).

There were 34 divestments by 11 funds in various sectors. A high number of divestments – 12 out of 34 – were classified as divestment by other means in Q2 2023.

There was HUF 2 893 million fundraising reported in Q2 2023.