

# Venture Capital and Private Equity update Hungary – Q3 2021

## Participants in the survey:

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

The above response rate represents 67% 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 Q3 2021. Investments in Q3 2021 were executed by 15 funds that are managed by 8 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 – Q3 2021

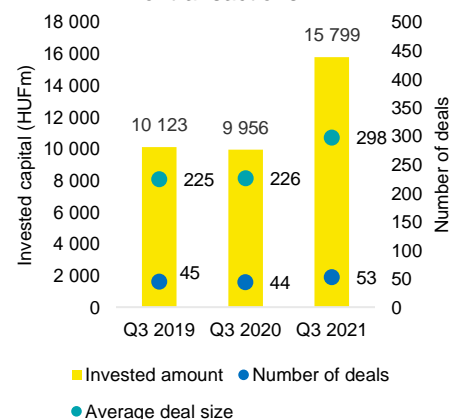
- ▶ Number of closed transactions: 53
- ▶ Number of divestments: 49
- ▶ Total capital invested: HUF 15,799 million
- ▶ Top three most active industries (by value):
  1. Real estate
  2. Business & industrial services
  3. Construction

## Equity investments

During Q3 2021, 53 transactions were closed in Hungary involving 53 target companies that received a total investment of HUF 15,799 million. Total invested value was higher with 58,7% than the reported value of transactions in Q3 2020 and with 56% than in Q3 2019 (see Chart 1).

Total number of transactions shows an increase in the third quarter of 2021 compared to the same period in both 2019 and 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 Q3 2021, the largest reported transaction occurred in the PE growth phase amounting to HUF 7,370 million. The second largest transaction amounted to HUF 1,356 million reported also in the PE growth phase.

In terms of invested capital the five largest transactions accounted for 70% of the total investment value during Q3 2021.

39 out of the 53 transactions were first time investments, which represented 83% of the total amount invested.

Considering total invested capital, the largest amounts were allocated to companies classified in the PE growth and VC incubation phase. These stages represented 71% of total capital invested in Q3 2021.

Within VC seed, VC start-up and VC later-stage venture altogether 21 transactions were reported. These three investment stages accounted for 40% of the total number of transactions and 27% of total invested value.

Average deal sizes were HUF 75 million in VC incubation stage, 114 million in VC seed phase, 166 million in VC start-up phase and 464 million in VC later-stage venture.

Only one transaction was reported in PE Buyout category and in PE turnaround category, together amounting to HUF 309 million.

## Equity investments – sector breakdown

Companies from 13 sectors received funding in Q3 2021. The two largest sectors by total invested amount were real estate and business & industrial services that accounted for 69% of total transaction value and 19% of number of deals (see Chart 3 and Table 1).

In Q3 2021, the largest transactions occurred in real estate and business & industrial services sectors.

The highest average deal size was HUF 2,867 million in real estate sector which is followed by construction sector with HUF 511 million.

Chart 2. – Q3 2021 Invested capital by investment stage

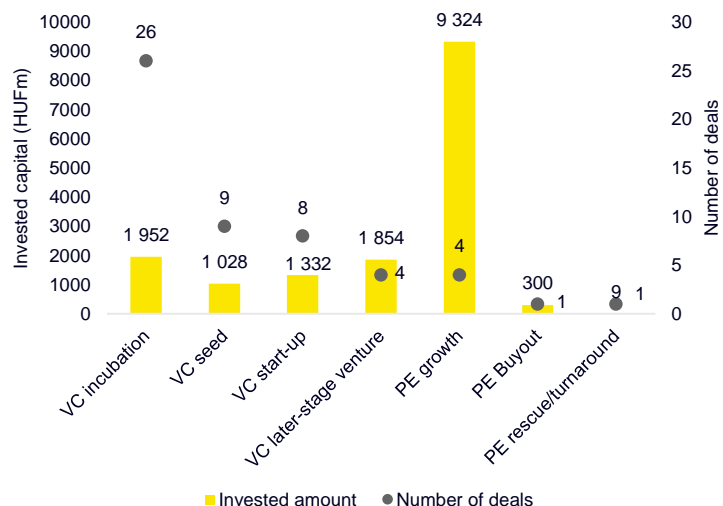


Chart 3. – Q3 2021 Invested capital by sector

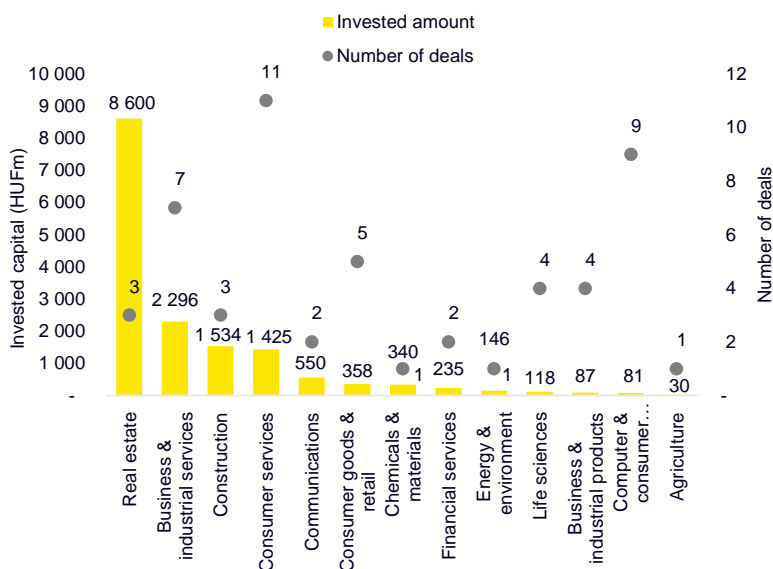


Table 1. – Quarterly breakdown of investments by sector

Sector	Q3 2019		Q3 2020		Q3 2021	
	Number of deals	Amount (HUFm)	Number of deals	Amount (HUFm)	Number of deals	Amount (HUFm)
Agriculture	1	9	3	264	1	30
Business & industrial products	4	6 144	10	2 816	4	87
Business & industrial services	11	1 820	9	3 519	7	2 296
Chemicals & materials	-	-	-	-	1	340
Communications	1	327	1	124	2	550
Computer & consumer electronics	4	47	-	-	9	81
Construction	-	-	-	-	3	1 534
Consumer goods & retail	2	18	4	184	5	358
Consumer services	8	429	5	263	11	1 425
Energy & environment	4	482	2	29	1	146
Entertainment industry	-	-	-	-	-	-
Financial services	3	230	3	184	2	235
Life sciences	5	349	2	259	4	118
Real estate	1	220	1	9	3	8 600
Transportation	1	50	4	2 305	-	-
<b>Total</b>	<b>45</b>	<b>10 123</b>	<b>44</b>	<b>9 956</b>	<b>53</b>	<b>15 799</b>

## Divestments

12 funds reported a total number of 49 divestments in Q3 2021 in various sectors but the largest number of divestments – 10 out of 49 - occurred in the consumer services sector (see Chart 4 below).

Based on the form of exits, divestments comprised of 22 sales to management, 12 divestment by trade sale, 11 divestment by write-off, 2 sale to other private equity firm, 1 repayment of principal loans and 1 divestment by other means. The investment lifetime of exited investments varied between 0 to 14 years (see chart 5). The average investment lifetime of the 49 exits in Q3 2021 was around 5.6 years.

Chart 4. – Q3 2021 Divestments based on sector and form of exit

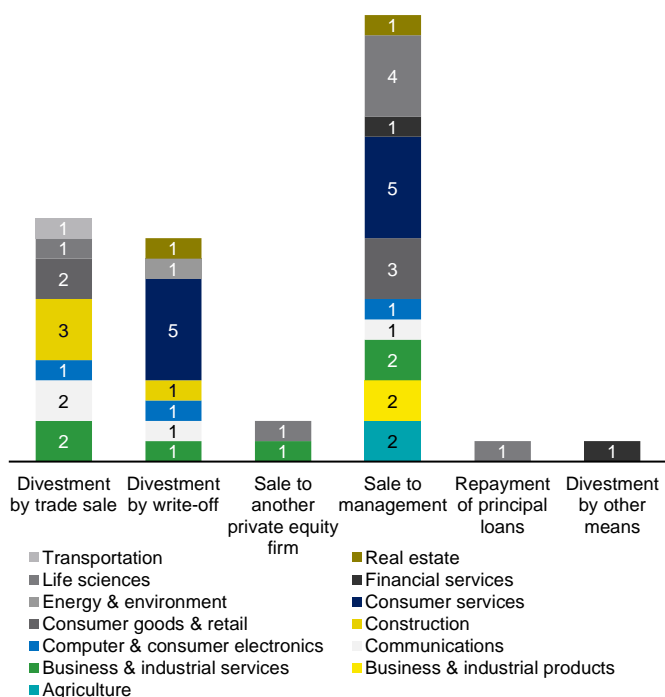
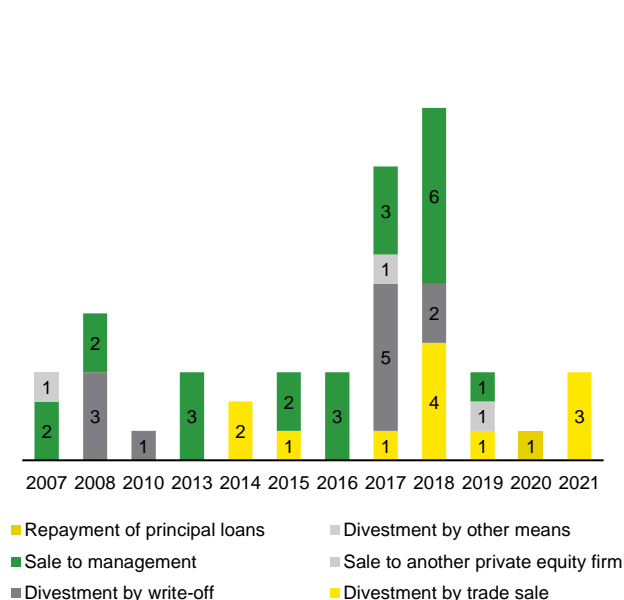


Chart 5. – Q3 2021 Divestments based on year of first investment and form of exit



## Fund raising

There was no fundraising reported in Q3 2021.

## Summary

During Q3 2021, 53 companies received HUF 15,799 million from VCs and PE funds. There was a high increase (53%) in invested amount and the volume of the transaction in Q3 2021 was 56% higher compared to Q2 2021. The largest amount was allocated in PE growth phase to one company (HUF 7,370 million), but in volume terms most of the transactions were closed in VC incubation phase (49%).

Companies operating in real estate and in business & industrial services sectors received 69% of the total capital invested in the 3rd quarter of 2021. Considering the number of deals, the three most active sectors (consumer services; computer & consumer electronics, business & industrial services) accounted for 24% of the total market activity and 51% of the number of transactions. Furthermore the largest transaction by value can be found in the real estate sector.

There were 49 divestments by 12 funds in various sectors. A high number of divestments – 22 out of 49 – were classified as sales to management in Q3 2021.

There was no fundraising reported in Q3 2021.