

Venture Capital and Private Equity update Hungary – Q3 2022

Participants in the survey:

3TS Capital Partners
Alliance Jura Hongrie
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

The above response rate represents 62.5% 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 2022. Investments in Q3 2022 were executed by 24 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 – Q3 2022

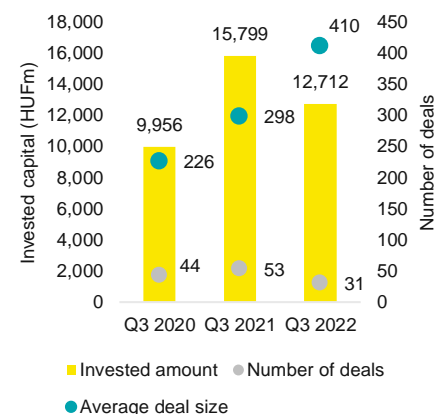
- ▶ Number of closed transactions: 31
- ▶ Number of divestments: 26
- ▶ Total capital invested: HUF 12,712 million
- ▶ Top three most active industries (by value):
 1. Business & industrial services
 2. Real estate
 3. Consumer services

Equity investments

During Q3 2022, 31 transactions were closed in Hungary involving 31 target companies that received a total investment of HUF 12,712 million. Total invested value was lower with 19.5% than the reported value of transactions in Q3 2021 and higher with 27.7% than in Q3 2020 (see Chart 1).

Total number of transactions shows a decrease in the third quarter of 2022 compared to the same period in 2021, and in 2020. The average deal size, however, grew significantly over the reported quarters.

Chart 1. – Quarterly breakdown of the number of transactions



Equity investments – investment stage breakdown

In Q3 2022, the largest reported transaction occurred in the PE growth stage phase amounting to HUF 3,468 million. The second largest transaction amounted to HUF 2,180 million reported also in the PE growth stage phase.

In terms of invested capital, the five largest transactions accounted for 68.4% of the total investment value during Q3 2022.

18 out of the 31 transactions were first time investments, which represented 41.3% of the total amount invested.

Considering total invested capital, the largest amounts were allocated to companies classified in the PE growth and VC seed phase. These stages represented 66.8% of total capital invested in Q3 2022.

Within VC incubation, VC seed, VC start-up and VC later-stage venture altogether 24 transactions were reported. These four investment stages accounted for 77.4% of the total number of transactions and 39.7% of total invested value.

Average deal sizes were HUF 50 million in VC incubation stage, 268 million in VC seed phase, 185 million in VC start-up phase and 426 million in VC later-stage venture.

1 transaction was reported in PE Buyout category together amounting to HUF 1,050 million.

Equity investments – sector breakdown

Companies from 10 sectors received funding in Q3 2022. The two largest sectors by total invested amount were business & industrial services and real estate that accounted for 50.4% of total transaction value and 19.4% of number of deals (see Chart 3 and Table 1).

In Q3 2022, the largest transactions occurred also in business & industrial services and real estate.

The highest average deal size was HUF 1,050 million business & industrial services sector which is followed by real estate sector with HUF 1,104 million.

Chart 2. – Q3 2022 Invested capital by investment stage

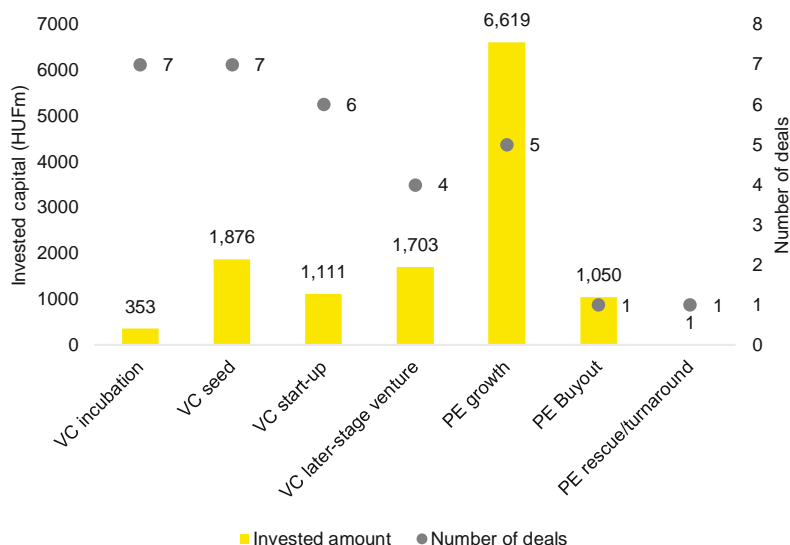


Chart 3. – Q3 2022 Invested capital by sector

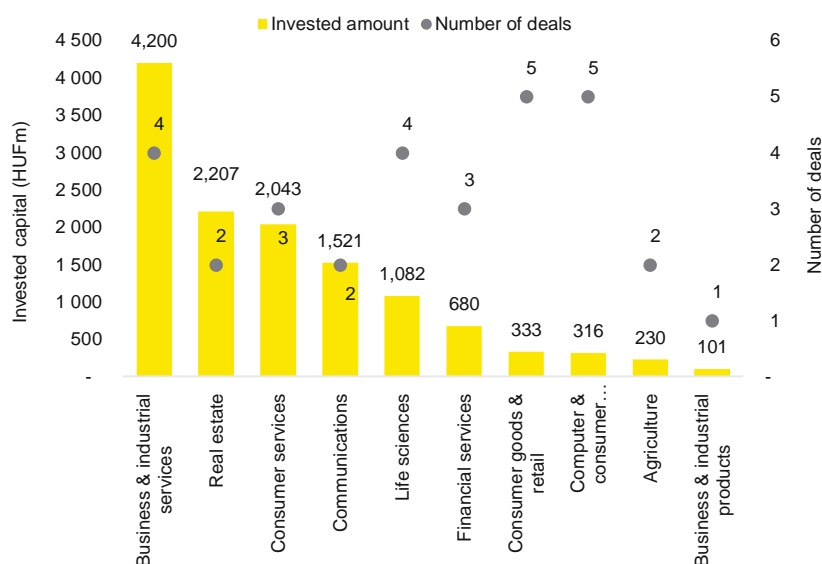


Table 1. – Quarterly breakdown of investments by sector

Sector	Q3 2020		Q3 2021		Q3 2022	
	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)
Agriculture	3	264	1	30	2	230
Business & industrial products	10	2,816	4	87	1	101
Business & industrial services	9	3,519	7	2,296	4	4,200
Chemicals & materials	-	-	1	340	-	-
Communications	1	124	2	550	2	1,521
Computer & consumer electronics	-	-	9	81	5	316
Construction	-	-	3	1,534	-	-
Consumer goods & retail	4	184	5	358	5	333
Consumer services	5	263	11	1,425	3	2,043
Energy & environment	2	29	1	146	-	-
Entertainment industry	-	-	-	-	-	-
Financial services	3	184	2	235	3	680
Life sciences	2	259	4	118	4	1,082
Real estate	1	9	3	8,600	2	2,207
Transportation	4	2,305	-	-	-	-
Total	44	9,956	53	15,799	31	12,712

Divestments

9 funds reported a total number of 26 divestments (22 full and 4 partial) in Q3 2022 in various sectors, the largest number of divestments – 5 out of 26 - occurred in Life sciences sector (see Chart 4 below).

Based on the form of exits, divestments comprised of 11 sale to management, 2 divestment by trade sale, 2 by write-off, 2 divestment by other means and further 9 was unclassified. The investment lifetime of exited investments varied between 1 to 15 years (see chart 5). The average investment lifetime of the 26 exits in Q3 2022 was around 6.1 years.

Chart 4. – Q3 2022 Divestments based on sector and form of exit

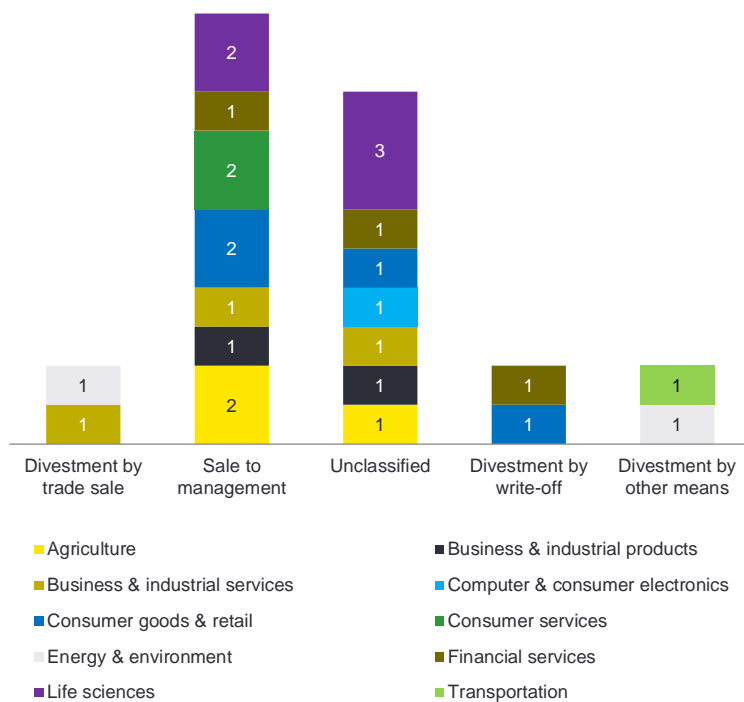
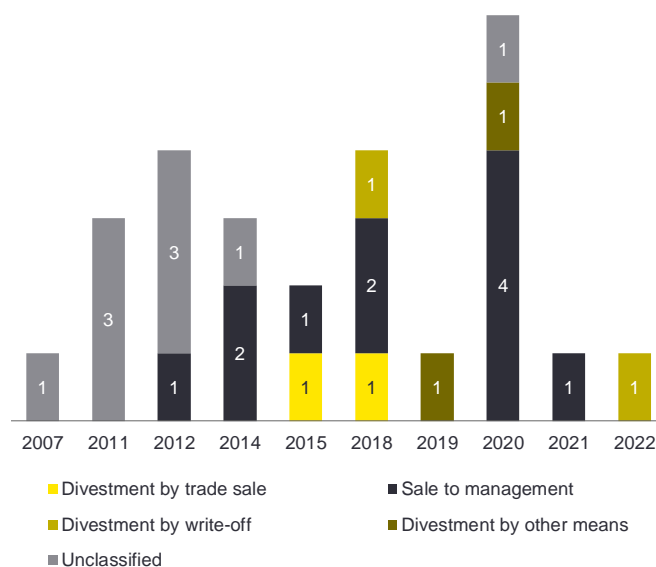


Chart 5. – Q3 2022 Divestments based on year of first investment and form of exit



Fund raising

There was HUF 3,420 million fundraising reported in Q3 2022, from which 6 funds were created.

Summary

During Q3 2022, 31 companies received HUF 12,712 million from VCs and PE funds. There was a decrease (-19.5%) in invested amount and the number of the deals in Q3 2022 was 41.5% lower compared to Q3 2021. The largest amount was allocated in PE growth phase (HUF 6,619 million), but in volume terms most of the transactions were closed in VC incubation and VC seed phase (45.2%).

Companies operating in business & industrial services sectors and in real estate received 50.4% of the total capital invested in the 3rd quarter of 2022. Considering the number of deals, the three most active sectors (consumer goods & retail, computer & consumer electronics and business & industrial services) accounted for 38.1% of the total market activity and 45.2% of the number of transactions. Furthermore, the largest transaction by value can be found in business & industrial services.

There were 26 divestments by 9 funds in various sectors. A high number of divestments – 11 out of 26 – were classified as sales to management in Q3 2022.

There was HUF 3,420 million fundraising reported in Q3 2022.