

# Venture Capital and Private Equity update Hungary – Q3 2023

## Participants in the survey:

3TS Capital Partners  
Arx Equity Partners  
Day One Capital  
Euroventures  
Hiventures  
Lead Ventures  
PBG-FMC  
PortfoLion Capital Partners  
Solus Capital  
Széchenyi Funds Ltd.  
X-Ventures  
Xanga Ventures  
OXO Ventures  
Sycamore Capital Partners

The above response rate represents 66.7% 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 2023. Investments in Q3 2023 were executed by 27 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 – Q3 2023

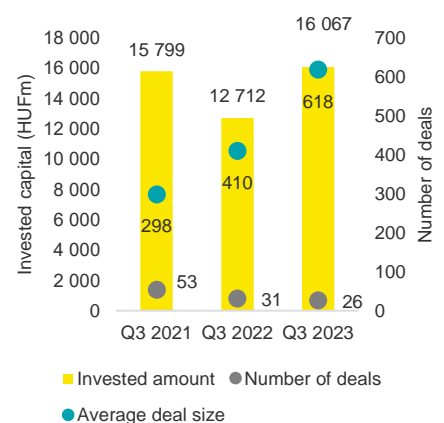
- ▶ Number of closed transactions: 26
- ▶ Number of divestments: 39
- ▶ Total capital invested: HUF 16 067 million
- ▶ Top three most active industries (by value):
  1. Agriculture
  2. Real estate
  3. Computer & consumer electronics

## Equity investments

During Q3 2023, 26 transactions were closed in Hungary involving 26 target companies that received a total investment of HUF 16 067 million. Total invested value was higher with 26.4% than the reported value of transactions in Q3 2022 and higher with 1.7% than in Q3 2021 (see Chart 1).

Total number of transactions shows a decrease in the third quarter of 2023 compared to the same period in 2022, and in 2021. The average deal size increased significantly from Q3 2022 to Q3 2023.

Chart 1. – Quarterly breakdown of the number of transactions



## Equity investments – investment stage breakdown

In Q3 2023, the largest reported transaction occurred in the PE growth phase amounting to HUF 4 200 million. The second largest transaction amounted to HUF 3 413 million reported in the PE growth phase as well.

In terms of invested capital, the five largest transactions accounted for 72.8% of the total investment value during Q3 2023.

14 out of the 26 transactions were first time investments, which represented 54.5% of the total amount invested.

Considering total invested capital, the largest amounts were allocated to companies classified in the PE growth and VC start-up phase. These stages represented 76.9% of total capital invested in Q3 2023.

Within VC incubation, VC seed, VC start-up and VC later-stage venture within VC investment altogether 18 transactions were reported. These four investment stages accounted for 69.2% of the total number of transactions and 39.3% of total invested value.

Average deal sizes were HUF 224 million in VC seed stage, 464 million in VC start-up phase, 626 million in VC later-stage venture phase and 1 367 million in PE growth.

7 transaction was reported in PE growth and 0 transaction in PE Buyout category and in PE rescue/turnaround.

## Equity investments – sector breakdown

Companies from 10 sectors received funding in Q3 2023. The three largest sectors by total invested amount were Agriculture, Real estate and Computer & consumer electronics that accounted for 60.9% of total transaction value and 30.8% of number of deals (see Chart 3 and Table 1).

In Q3 2023, the largest transactions occurred also in Agriculture and Real estate sector.

The highest average deal size was HUF 1 402 million from Agriculture sector which is followed by Communications sector with HUF 1 229 million.

Chart 2. – Q3 2023 Invested capital by investment stage

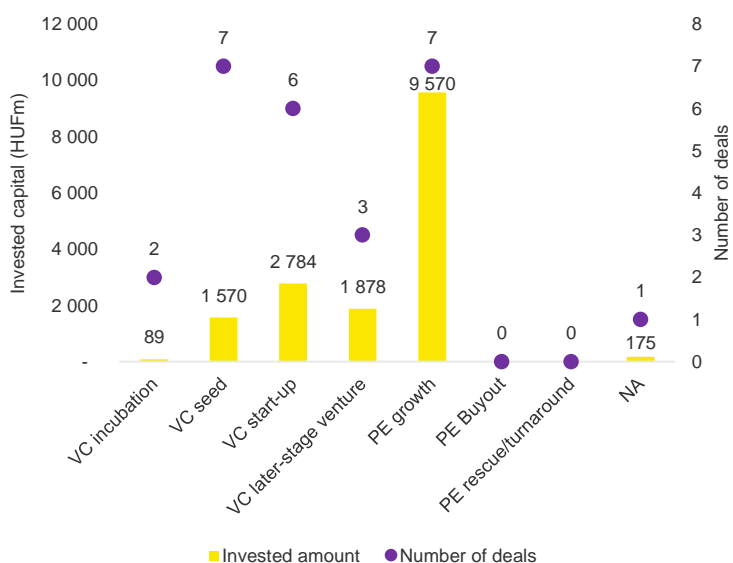


Chart 3. – Q3 2023 Invested capital by sector

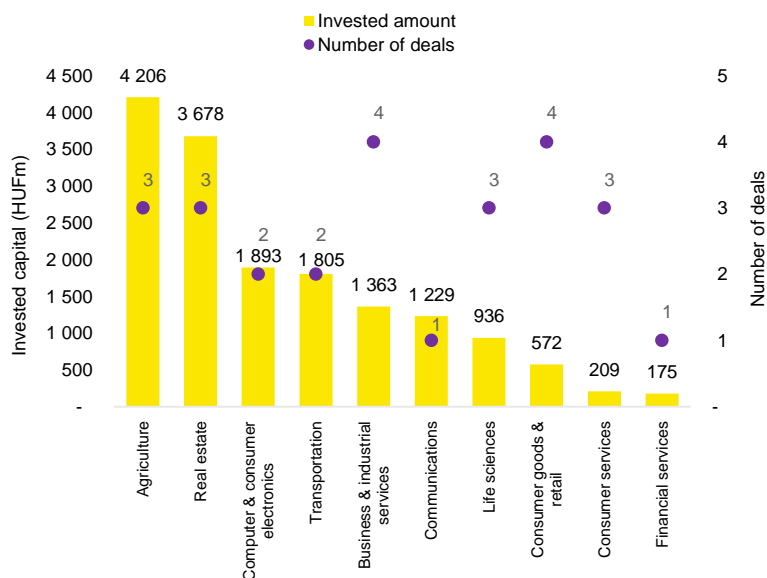


Table 1. – Quarterly breakdown of investments by sector

Sector	Q3 2020		Q3 2021		Q3 2022		Q3 2023	
	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)
Agriculture	3	264	1	30	2	230	3	4 206
Business & industrial products	10	2 816	4	87	1	101	-	-
Business & industrial services	9	3 519	7	2 296	4	4 200	4	1 363
Chemicals & materials	-	-	1	340	-	-	-	-
Communications	1	124	2	550	2	1 521	1	1 229
Computer & consumer electronics	-	-	9	81	5	316	2	1 893
Construction	-	-	3	1 534	-	-	-	-
Consumer goods & retail	4	184	5	358	5	333	4	572
Consumer services	5	263	11	1 425	3	2 043	3	209
Energy & environment	2	29	1	146	-	-	-	-
Entertainment industry	-	-	-	-	-	-	-	-
Financial services	3	184	2	235	3	680	1	175
Life sciences	2	259	4	118	4	1 082	3	936
Real estate	1	9	3	8 600	2	2 207	3	3 678
Transportation	4	2 305	-	-	-	-	2	1 805
<b>Total</b>	<b>44</b>	<b>9 956</b>	<b>53</b>	<b>15 799</b>	<b>31</b>	<b>12 712</b>	<b>26</b>	<b>16 067</b>

## Divestments

12 funds reported a total number of 39 divestments (34 full and 5 partial) in Q3 2023 in various sectors, the largest number of divestments – 11 out of 39 - occurred in Business & industrial services (see Chart 4 below).

Based on the form of exits, divestments comprised of 14 sale to management, 13 divestment by other means, 7 divestment by trade sale, 4 by sale to another private equity firm and 1 repayment of principal loans. The investment lifetime of exited investments varied between 1 to 13 years (see chart 5). The average investment lifetime of the 39 exits in Q3 2023 was around 7 years.

Chart 4. – Q3 2023 Number of divestments based on sector and form of exit

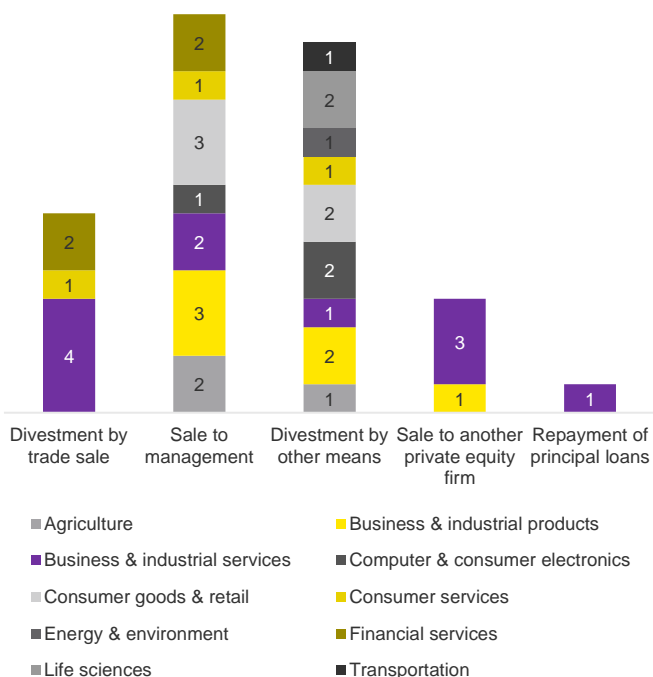
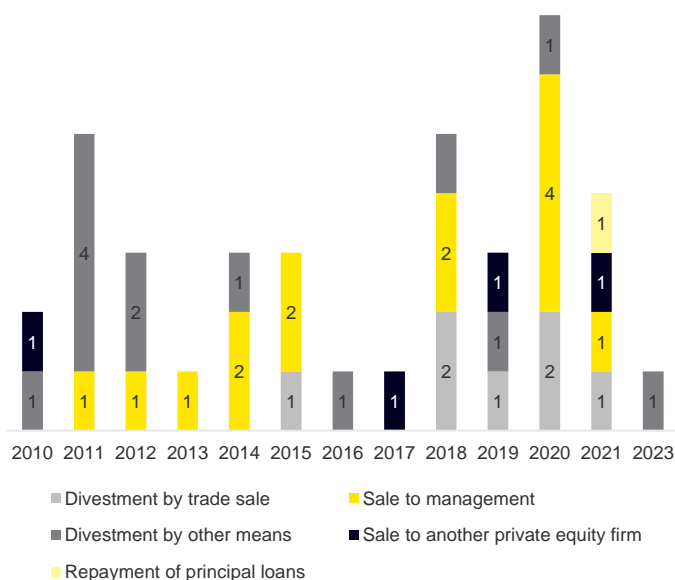


Chart 5. – Q3 2023 Number of divestments based on year of first investment and form of exit



## Fund raising

There was HUF 4 160 million fundraising reported in Q3 2023, from which 5 funds were created. The average fund size was HUF 832 million in Q3 2023.

## Summary

During Q3 2023, 26 companies received HUF 16 067 million from VCs and PE funds. There was an increase (26.4%) in invested amount and the number of the deals in Q3 2023 was 16.1% lower compared to Q3 2022. The largest amount was allocated in PE growth phase (HUF 9 570 million), and in volume terms most of the transactions were closed in VC seed phase and PE growth phase (53.9% of the total).

Companies operating in Agriculture, Real estate Computer & consumer electronics sectors received 60.9% of the total capital invested in the third quarter of 2023. Considering the number of deals, the two most active sectors (Business & industrial services and Consumer goods & retails) accounted for 12.0% of the total market activity and 30.8% of the number of transactions. Furthermore, the largest transaction by value can be found in Agriculture (HUF 4 200 million).

There were 39 divestments by 12 funds in various sectors. A high number of divestments – 14 out of 39 – were classified as sale to management in Q3 2023.

There was HUF 4 160 million fundraising reported in Q3 2023.