

# Venture Capital and Private Equity update Hungary – 2021



Data was provided by  
Invest Europe / EDC.

The European Data  
Cooperative (EDC) was  
developed as a single data  
entry point by Invest  
Europe and its national  
association partners to  
collect data on fundraising,  
investments and  
divestments across Europe.

Contact:  
research@investeurope.eu

## Introduction

We are happy to announce the eighth edition of the annual Investment Monitoring Report that is an analysis of the Hungarian Venture Capital and Private Equity market's performance in 2021 prepared by the Hungarian Venture Capital Association in collaboration with EY.

The data was provided by the European Data Cooperative (EDC) platform of Invest Europe to present investments, divestments and fundraising activities in the venture capital and private equity space in 2021. Please note that investment amounts are reported based on equity values (leveraged amounts are not included) and we present two approaches separated by Invest Europe: **market statistics**, which reports investments received by Hungarian companies from foreign or local investors and **industry statistics**, which represents investments made by Hungarian investors either in Hungary or abroad.

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 – 2021

	Market statistics	Industry statistics
Number of investments	241	248
Total capital invested (million EUR)	225,3	159,8
Number of divestments	41	41
Total divestment value (million EUR)	40,3	31,9
Total fundraising value (million EUR)	465,9	

## Equity investments

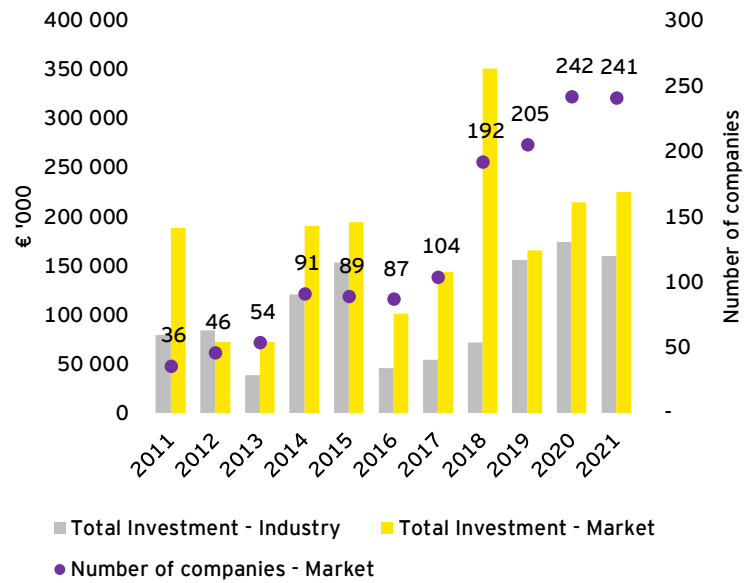
### Market statistics

During 2021, EUR 225.3 million was invested into Hungarian companies through 241 transactions. There was a 0.4% decrease in the total number of transactions, and 5% increase in the total invested amount compared to 2020. As a result, the average deal size increased by 5% from 2020 to 2021. The total amount in 2021 was the second highest value that were reported over the past ten years.

### Industry statistics

In 2021, 248 investments were executed by Hungarian investors either in the domestic market or abroad (1% lower than in 2020). Total value of investments decrease from EUR 174.30m to 159.8m between 2020 and 2021, resulting in a 7% decrease in the reported average deal sizes compared to 2020 showing a slight decreasing appetite for larger investments by Hungarian VC-s.

Chart 1. – Total investment and number of transactions between 2011-2021



## Equity investments – investment stage breakdown

### Industry statistics

Similarly to 2020, most of the investments were initiated in the seed stage (131 out of 248) which was followed by the start-up stage (69 out of 248). The shares of total investment amounts are more balanced: 29% growth capital stage, 26% start-up, 16% later stage venture, and 15% seed. In 2021, there were a total of fourteen reported investments categorized as rescue & turnaround or buyout.

Compared to 2020, the average deal sizes of rescue & turnaround and start-up stages investments decreased significantly: rescue & turnaround phase down by 86% to an average deal size of EUR 617k, start-up stage decreased by 51% to EUR 601k.

### Market statistics

In terms of investment amount, the later stage venture had the highest reported value (27% of the total investments), the shares of other investment volume were 24% buyout stage, 22% growth capital stage, 18% start-up stage and 9% seed stage.

During 2021, the average deal size was EUR 927k which is 6% higher than EUR 877 thousand in 2020.

In 2021, Hungarian companies in the start-up phase received on average 5% more capital per transaction (from both Hungarian and non-Hungarian investors) compared to deals when Hungarian investors invested into companies at the same stage (either in Hungary, or abroad).

Chart 2. – 2021 Invested capital by investment stage – industry statistics

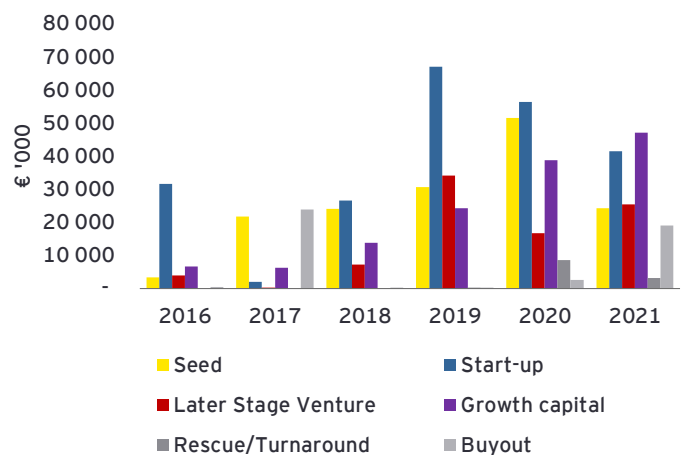


Chart 3. – 2021 Invested capital by investment stage – market statistics

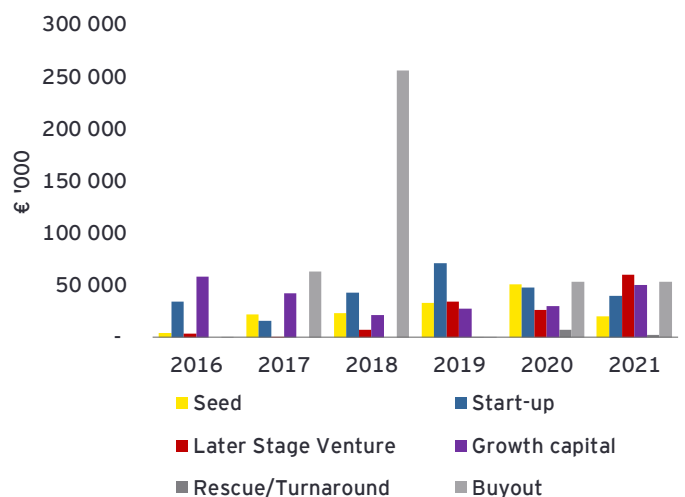
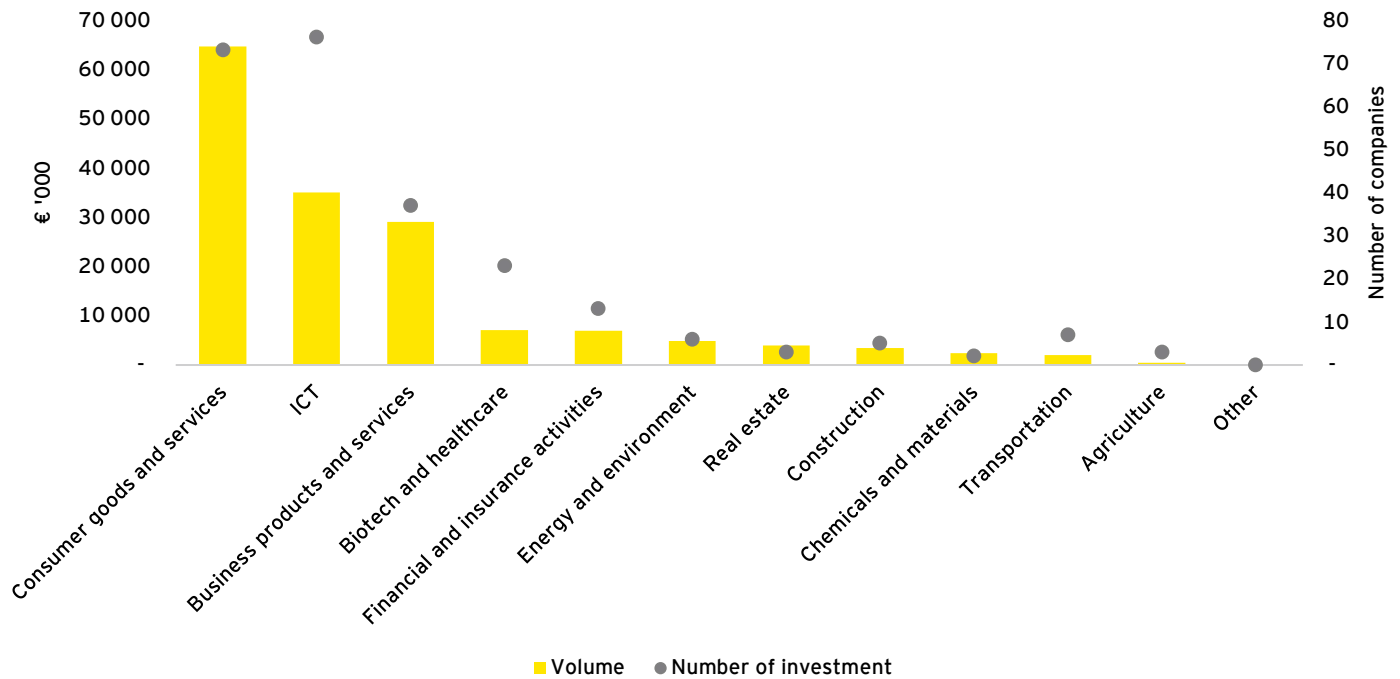


Chart 4. – 2021 Invested capital by sector – industry statistics



#### Market statistics

In case of Hungarian companies receiving investments, the two largest sectors by total invested amount were Consumer goods and services and ICT (Information and communications technology) that together accounted for 64% of total investment value and 58% of total number of investments. In 2021, the largest transactions (considering average deal size) occurred in the Energy and environment and Chemicals and materials, with average deal size of EUR 1.8 million and EUR 1.5 million respectively.

#### Industry statistics

The most active sector was Consumer goods and services with an average deal size of EUR 885k, while the second largest was ICT with an average deal size of EUR 461k.

The most significant difference between industry and market statistics were reported in ICT sector, showing a larger interest for companies operating in this sector by foreign investors. In this sector, the average deal size was EUR 927k according to market statistics versus EUR 461k in the industry statistics.

Table 1. –Last two year's breakdown of investments by sector

€ '000	2020				2021			
	Industry statistics		Market statistics		Industry statistics		Market statistics	
	Amount	Number of companies	Amount	Number of companies	Amount	Number of companies	Amount	Number of companies
Agriculture	1 757	3	1 757	3	418	3	418	3
Business products and services	23 831	37	23 831	37	28 971	37	40 482	37
Chemicals and materials	1 240	1	-	-	2 443	2	1 486	1
ICT	57 059	87	52 483	80	35 055	76	64 912	70
Construction	7 411	9	7 411	9	3 457	5	3 457	5
Consumer goods and services	29 146	52	24 091	48	64 636	73	79 953	70
Energy and environment	9 631	8	10 270	9	4 905	6	14 731	8
Financial and insurance activities	20 417	15	65 173	16	6 949	13	4 949	12
Real estate	3 841	6	3 841	6	3 921	3	3 921	3
Biotech and healthcare	12 224	25	18 180	26	7 043	23	8 969	25
Transportation	7 723	8	7 723	8	2 029	7	2 029	7
Other	-	-	-	-	-	-	-	-
<b>Total investment</b>	<b>174 280</b>	<b>251</b>	<b>214 760</b>	<b>242</b>	<b>159 827</b>	<b>248</b>	<b>225 306</b>	<b>241</b>

## Divestments

Considering market statistics, 41 divestments were reported in 2021. The breakdown of divestments based on the form of exit was as follows: 19 Management/Owner buy-back, 10 Write off, 6 Sale to trade buyers, 2 Sale to another private equity firm, 2 Repayment of preference shares/ loans or mezzanine, 1 Sale to financial institutions, 1 Divestment by public offering and 1 Divestment by other means.

For divestment sector breakdown, Invest Europe collected only market statistics where 41 divestments were reported. Divestments mainly occurred in three sectors but the largest number of divestments was closed in ICT but considering reported divestment size, the most active sector was Transportation which accounted for 78% of the total value with the average deal size of EUR 4.5 million.

Chart 5. – Divestment by sectors in 2021 – market statistics

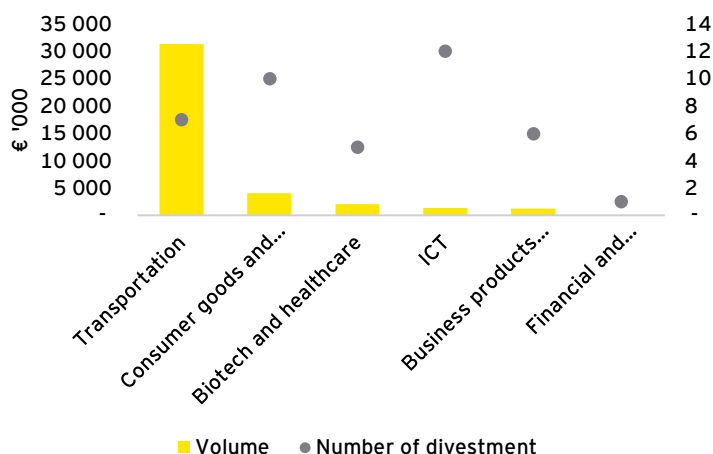
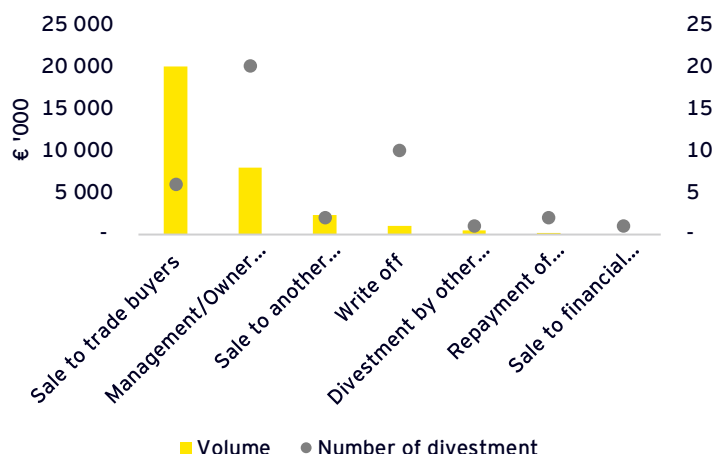


Chart 6. – Total divestment and number of companies by type of exit in 2021 – industry statistics



## Fund raising

Funds of EUR 465.9 million were raised in 2021, which is significantly higher than the reported fundraising in 2020. Considering geographic breakdown, 99% of the funds were raised from the CEE region, while the remainder was either raised from various other European countries or was unclassified.

Compared to 2020, endowments and foundations, corporate investors and banks became more dominant in relative terms in relation to fundraising activities while participation of government agencies fell back.

Chart 7. – Total funds raised breakdown by investor type in 2021 (in thousand EUR)

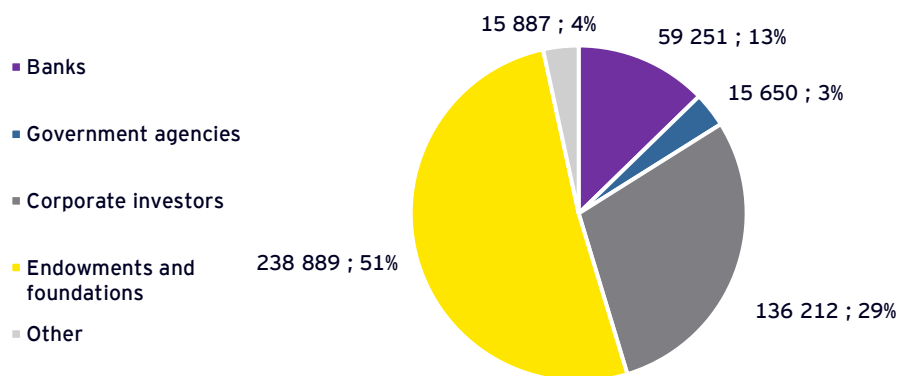
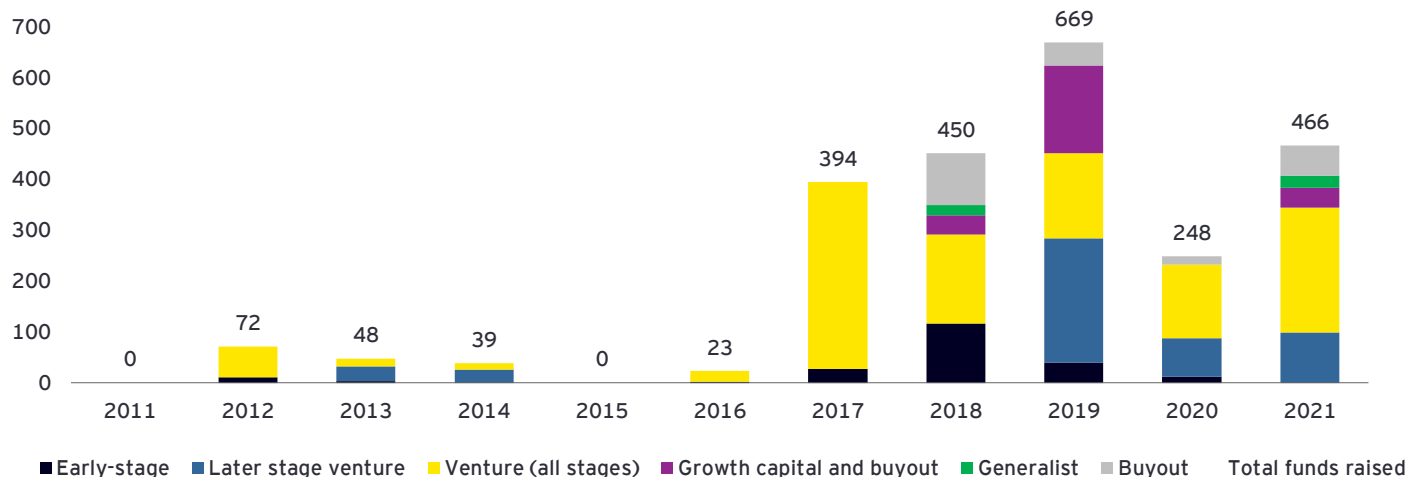


Chart 8. – Historical fundraising figures by target investment stage (in million EUR)



## Summary – market statistics

During 2021, 241 companies received EUR 225.3 million investment from VCs and PE funds. The largest amount was allocated in the later stage venture phase (EUR 59.9 million), but majority of the transactions were closed in seed stage (128 out of 241). Compared to 2020, total investment value increased by 5% in 2021.

Companies operating in consumer goods and services and information and communications technology (ICT) sectors received 64% of the total capital invested in 2021. Considering the number of transactions, consumer goods and services and ICT accounted for 58% of all transactions.

There were 41 divestments in various sectors. The most common divestment type was management/owner buy-back, EUR 465.9 million was raised in 2021 mainly provided by endowments and foundations and corporate investors.

\* Due to the variable transaction closing period, the 2020 numbers have changed compared to the previous report

## Summary – industry statistics

In 2021, 248 transactions were executed by Hungarian VC and PE companies in Hungary or abroad. Total investment value was EUR 159.8 million, out of which the largest amount (EUR 47 million) was allocated to growth capital stage companies. The largest number of companies among the different investment stages was seed investments. Average deal size decreased by 7% compared to 2020.

Related to sector breakdown, industry statistics show similar trends as market statistics, with the exception of ICT sector, in which local investors seem to be less engaged compared to foreign players.

41 divestments were reported, whereby 20 divestments were buy-back by Management or Owner.

## Comments of HVCA member

The general strong performance of 2020 was maintained but we have not experienced further unprecedented growth in investments on the Hungarian market. This feels unpleasant since for European VCs, 2021 was still a record year in the value of investments achieving more than 50% growth as compared to 2020. The Nasdaq index, representing growth companies mainly in the ICT sector hit its maximum mid November 2021; but we cannot forget that since November the index is falling.

The Hungarian VC/PE market shows signs of a developing and more and more mature market. We have seen slight development in the total invested amount compared to 2020 in Hungary but most of the metrics already shows stagnation. EUR 225.3 million was invested into Hungarian companies, 5% increase in the total invested amount compared to 2020, and 0.4% decrease in the total number of transactions. Seed and early-stage investments are still dominating the market in number but in investment value growth capital and later stage investments gained more role as compared to 2020. The previous seed and early-stage investments were able to get up the ladder and raise series B-C-D rounds. In 2021, again consumer goods and services and ICT are the favorite sectors of the investors representing majority of investments in value and number of transactions. 41 divestments show more than 3.5x growth compared to 2020 while Hungary experienced second largest amount of funds raised, 465.9m EUR, since 2011.

Fundraising and divestments statistics underpin again that the market players (founders, managers, investors) sometimes in close cooperation, sometimes in fierce competition shape and develop the Hungarian VC/PE market into a matured and internationally recognized one.

## Jenő Nieder

PortfoLion Capital Partners, deputy CEO, HVCA Board Member