

# Venture Capital and Private Equity update Hungary - Q1 2015

## Participants in the survey:

3TS Capital Partners  
Alliance Jura Hongrie  
Arx Equity Partners  
Buran Venture  
Docler Investments  
Euroventures  
iEurope Capital  
Finatech Capital  
Finext Startup  
Kaerous Capital  
Mid Europa Partners  
PortfoLion  
Primus  
Riverside Europe  
SZTA  
Venturio  
X-Ventures

The above response rate represents 68% of HVCA members.

Average quarterly FX rates:

EUR/HUF: 308.78

USD/HUF: 274.56

## 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 2015.

The data was collected through questionnaires completed by our members. Sometimes 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/hu/statisztika/>.

## Highlights - Q1 2015

- ▶ Number of closed transactions by VC: 26
- ▶ Number of closed transactions by PE: 1
- ▶ Number of divestments: 2
- ▶ Total capital invested: HUF 99.4 billion (HUF 4.4 billion by VC funds)
- ▶ Top three most active industries (by value):
  1. Business & industrial services
  2. Consumer goods & retail
  3. Computer & consumer electronics

## Equity investments

Between January and March of 2015 26 VC investments (in 25 companies) and 1 PE investment were closed in Hungary with a total value of HUF 99.4 billion. However, the PE investment was outstandingly large, by itself was almost twice as large as the aggregate investments in 2014. In order to make reasonable comparisons, the study will exclude this deal from the analysis, and describe it separately.

Taking into account the investments of the VC funds only, the total transaction value was HUF 4.4 billion, which is 56% increase compared to Q1 2014 and 90% decrease compared to Q4 2014. During Q1 2015 9% more capital has been distributed by VC funds than the HUF 4.1 billion average quarterly amount in 2014.

The average transaction value of the VC investments was HUF 171 million with investment sizes varying from couple of millions up to HUF 767 million. This is in line with the general trend of 2014, when the VC investment size was HUF 170 million, but it is more than 22% higher than the same figure of Q1 2014 (HUF 140 million).



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## Equity investments cont'd

The capital distributed by VC funds in later-stage and start-up phases was fairly equal, with 51% and 49% respectively.

83% of total transactions were first time investments, up from 62% in Q1 2014, but down from 99% in Q4 2014. The remaining part of the investments were follow-on capital injections, which were, on average, 55% of the initial contributions.

Ten funds have reported investments during this quarter, with only one investing over HUF 1 billion. The top three players were responsible for 64% of all investments, with at least HUF 400 million capital distributed by each.

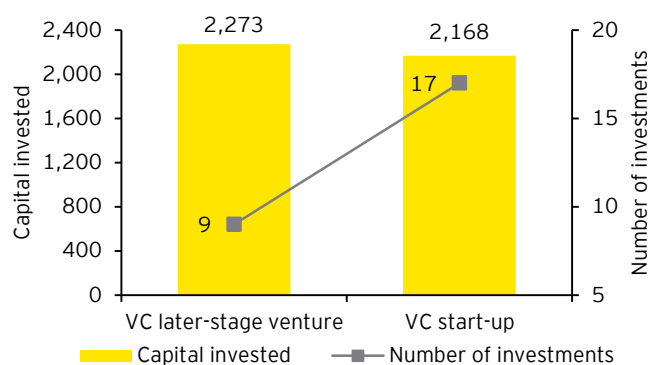


Chart 1. - Transactions by stage of investment (HUFm)

## Equity investments - sector breakdown by value

The top three sectors received over HUF 500 million each, with a total share of 74% from the total transaction values.

The largest sectors were (in order of size of investments) Business & industrial services, Consumer good & retail and Computer & consumer electronics.

The Business & industrial services sector has been dominating the market movements in the past as well, as in this quarter received 40% of all investments, 50% in Q4 2014, 44% over the whole year of 2014.

A generally significant sector, the Energy & environment (29% in 2014, 17% in Q1 2014), received only HUF 66 million in this quarter, and the sector third most commonly invested in (6% in 2014, 21% in Q1 2014), the Business & industrial products, received no investment.

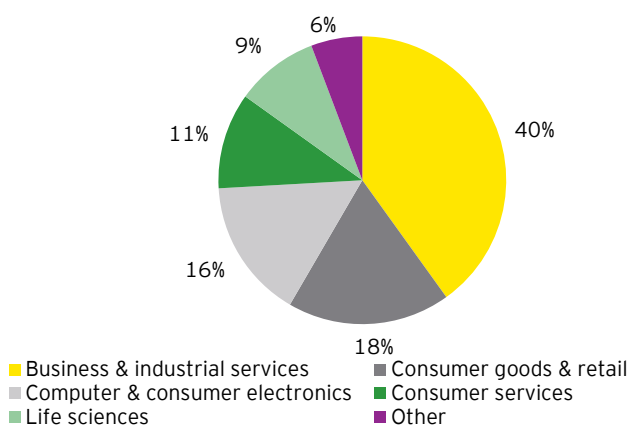


Chart 2. - Q1'15 Invested capital by sector

Sector	Q2 2014		Q3 2014		Q4 2014		Q1 2015	
	Transactions	HUFm	Transactions	HUFm	Transactions	HUFm	Transactions	HUFm
Business & industrial products	2	686	6	993	3	2 707	-	-
Business & industrial services	6	2 173	6	1123	10	20 953	7*	96 780*
Communications	1	46	1	55	3	649	1	20
Computer & consumer electronics	1	2 00	-	-	3	394	3	698
Consumer goods & retail	-	-	3	244	2	350	4	813
Consumer services	4	1731	-	-	1	80	4	479
Energy & environment	-	-	-	-	3	15 523	2	66
Life sciences	5	428	4	653	6	805	4	415
Transportation	1	74	2	212	1	1 061	2	170
Other	3	510	3	313	1	301	-	-

Table 1. - Quarterly breakdown of investments by sector

\*including the below detailed PE investment (1 transaction - HUF 95 billion)

## Outstanding PE investment

The only PE investment during this quarter was HUF 95 billion, 73% higher than the aggregate activity of 2014. It was invested in the Business & industrial services sector, further strengthening the sector's position. The stage of investment was PE buy-out.

## Divestments

There has been two divestments reported in Q1 2015, with only a minor stake from the funds' side. The aggregate amount invested prior to the exits was HUF 70 million.

## Fund raising

There has been no fundraising report in this quarter.

## Summary

During Q1 2015 26 new and existing companies received close to HUF 4.4 billion from VC funds and HUF 95 billion from PE funds in Hungary.

14 projects received minimum HUF 100 million and the average deal size was HUF 171 million.

Top 5 transactions accounted for 50% of total market activity, and the five most active funds made 83% of all investments.

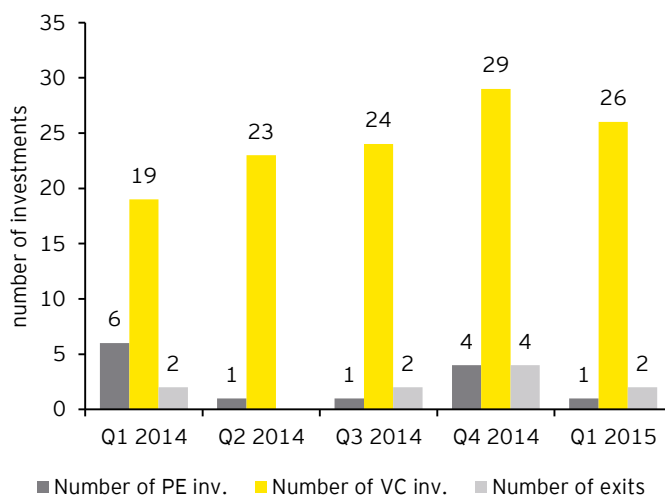


Chart 3. - Number of transactions - quarterly breakdown (including follow-on investments)