

Venture Capital and Private Equity update Hungary - Q1 2017

Participants in the survey:

3TS Capital Partners
ABC
Alliance Jura Hongrie
Arx Equity Partners
Buran Venture
CEE Equity Partners
Central Fund
Docler Investments
Euroventures
Finatech Capital
Finext Startup
Hiventures
iEurope Capital
Kaerous Capital
Mid Europa Partners
PBG-FMC
Primus
SZTA
Venturio
X-Ventures

The above response rate represents 77% 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 Q1 2017.

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 2017

- ▶ Number of closed transactions by VCs: 9
- ▶ Number of divestments: 1
- ▶ Total capital invested: HUF 710 million
- ▶ Top three most active industries (by value):
 1. Computer & consumer electronics
 2. Chemicals & materials
 3. Financial services

Equity investments

During the first quarter of 2017, 9 transactions were closed in Hungary involving 7 target companies that received a total investment of HUF 710 million. This is significantly lower compared to Q1 2016, in which 28 companies received HUF 3.9 billion equity investment.

The average transaction value was HUF 78.9 million with investment sizes varying from HUF 20.2 million seed investments to HUF 154 million start-up investments. The average investment sizes in Q1 2016 were higher, at around HUF 137 million.

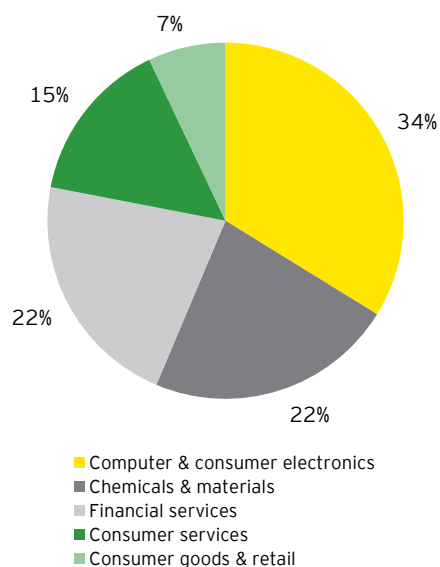
Equity investments cont'd

63% of total transaction value was invested as first time investment, which is similar to 61% a year ago. The remaining part of the investments were follow-on capital injections.

Investments in Q1 2017 were executed by one fund.

The most common investment stage, with 86% of all capital injected, was the VC start-up phase, in line with most quarters of 2016.

Chart 1. - Q1 2017 Invested capital by sector



Equity investments - sector breakdown by value

Companies from five sectors received funding in Q1 2017, of which the top three accounted for 78% of total transaction value. The largest sectors were (in order of size of investments) Computer & consumer electronics, Chemicals & materials and Financial services. The below table provides more details and comparisons to the respective quarters of 2016.

Sector	Q1 2016		Q2 2016		Q3 2016		Q4 2016		Q1 2017	
	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)
Business & industrial products	3	333	4	512	1	60	-	-	-	-
Business & industrial services	7	946	11	3,457	-	-	-	-	-	-
Chemicals & materials	-	-	-	-	-	-	1	20	3	160
Communications	-	-	1	62	-	-	-	-	-	-
Computer & consumer electronics	6	544	8	1,313	1	90	2	115	2	240
Construction	1	43	-	-	-	-	-	-	-	-
Consumer goods & retail	1	87	8	328	-	-	2	25	1	50
Consumer services	5	953	10	537	-	-	2	41	2	106
Energy & environment	2	240	6	871	-	-	-	-	-	-
Financial services	-	-	1	60	-	-	-	-	1	154
Life sciences	3	703	7	419	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	4	310	-	-	-	-	-	-
Total	28	3,850	60	7,869	2	150	7	201	9	710

Table 1. - Quarterly breakdown of investments by sector

Divestments

There has been one divestment reported in Q1 2017 disclosed by Kaerous Kockázati Tőkealap - Kezelő Zrt.

The fund invested in this particular company in 2014 that is active in the Business & industrial services sector.

Fund raising

There has been no fundraising reported in this quarter.

Summary

During Q1 2017 7 companies received HUF 710 million from VC funds, most of which were in the VC start-up phase.

The top 3 transactions accounted for 78% of total market activity and 1 fund made all investments.

Chart 2. - Number of transactions - quarterly breakdown (including follow-on investments)

