

Venture Capital and Private Equity update Hungary - Q2 2014

Participants in the survey:

3TS Capital Partners
Arx Equity Partners
Corvinus
Darby Overseas
Investments/Franklin
Templeton Magyarország
DBH Investment
Docler Investments
Enterprise Investors
Euroventures
iEurope
Informatikai Kockázati
Tőkealapkezelő
Kisvállalkozás Fejlesztő
Kaerous Capital
MFB Invest
Mid Europa Partners
Morandó
Portfolion
Primus
Riverside Europe
SZTA
Venturio
X-Ventures

The above response rate represents 62% of HVCA members.

Introduction

The following is an analysis of data provided by the members of the Hungarian Venture Capital Association and collected from public sources in order to present venture capital and private equity activity of the second quarter in 2014.

The data was collected through questionnaires completed by our members. Sometimes these questionnaires were 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 and should you be interested in further industry related information or previous issues of the report please visit <http://www.hvca.hu/publications/>.

Highlights - Q2 2014

- ▶ Number of closed transactions by VC: 22
- ▶ Number of closed transactions by PE: 1
- ▶ Top three most active industries (by value):
 1. Computer & consumer electronics
 2. Life sciences
 3. Business & industrial services

Equity investments

Between April and June of 2014 over 23 equity investments were closed in Hungary (same as 23 in Q1 2014) with a total value of HUF 5.85 billion representing a 80% increase compared to Q1 2014.

The average deal size was HUF 254 million with investment sizes varying from couple of millions up to HUF 1.8 billion.

Top 5 equity investments accounted for more than 68% of total investments in Q2 2014.

Most of the equity investments were invested in the start up phase followed by VC later stage ventures and VC seed.

One investment was closed in the private equity growth stage.



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Equity investments cont'd

89% of total transactions were first time investments (up from more than two third in Q1 2014) with a total value of HUF 4.7 billion in Q2 2014.

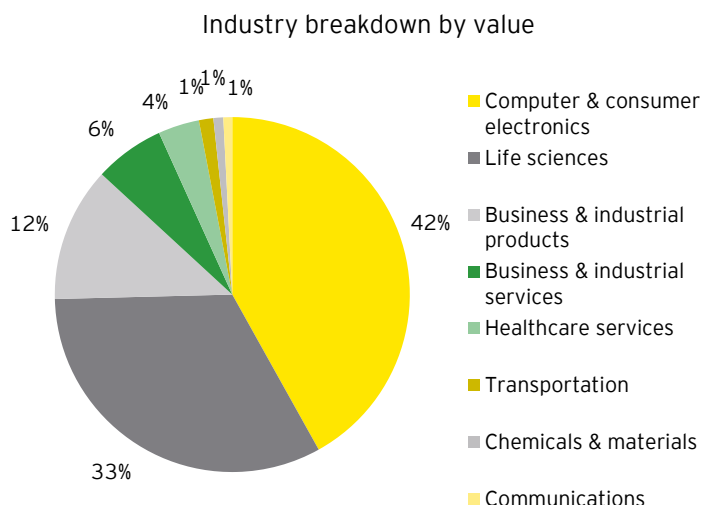
Consequently, the remaining part of the investments were follow-on capital injections, which were, on average, 8.7% of the initial contributions. This would indicate that investors believe in these investments and are willing to increase their exposure with a view of growth and better exits.

Equity investments - industry breakdown by value

Four sectors dominated the VC / PE investment market, which accounted for 93% of total value of equity investments.

The largest sectors included (in order of size of investments) Computer & consumer electronics, Life sciences, Business & industrial products, Business & industrial services and Healthcare services.

Also notable, but having seen minor investments are the Transportation, Chemicals & materials and Communications sectors.



Industry breakdown by value and number of transactions

Sector	Q3 2013		Q4 2013		Q1 2014		Q2 2014	
	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)
Computer & consumer electronics	-	-	-	-	1	-	5	2,345
Life sciences	2	446	4	877	4	512	6	1,830
Business & industrial products	-	-	-	-	2	1,000	2	686
Business & industrial services	5	150	4	275	-	-	5	357
Healthcare services	-	-	-	-	-	-	1	210
Transportation	-	-	1	221	-	-	1	74
Chemicals & materials	1	310	-	-	-	-	1	50
Communications	-	-	-	-	1	-	1	46
Financial services	-	-	2	460	3	500	-	-
Energy & environment	2	640	2	120	3	405	-	-
Consumer services	2	36	6	736	3	157	-	-
Consumer goods & retail	1	76	1	24	2	63	-	-
Not specified	1	36	1	427	4	604	1	250

Divestments

There has been no divestments reported in Q2 2014.

Summary

During Q2 2014 23 new and existing start-ups received over HUF 5.8 billion from VC / PE funds in Hungary.

At least 11 projects received minimum HUF 100 million or more in form of equity investment or shareholder loan.

Top 5 transactions accounted for 68.5% of total market activity.

