

Venture Capital and Private Equity update Hungary – Q2 2020

Participants in the survey:

3TS Capital Partners
Alliance Jura Hongrie
Arx Equity Partners
Bonitas
CEE Equity Partners
Day One Capital
DBH Investment
Euroventures
Finex Startup
Hiventures
Lead Ventures
MFB Invest
Mid Europa Partners Kft.
PBG-FMC
Portfolion
Solus Capital
Susterra Capital Partners
Széchenyi Tőkealap Kezelő
Venturio
X-Ventures

The above response rate represents 96% 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 Q2 2020. Investments in Q2 2020 were executed by 14 funds that are managed by 7 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 – Q2 2020

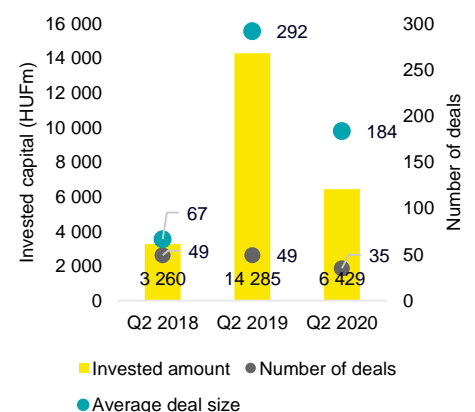
- ▶ Number of closed transactions: 35
- ▶ Number of divestments: 17
- ▶ Total capital invested: HUF 6,429 million
- ▶ Top three most active industries (by value):
 1. Business & industrial services
 2. Computer & consumer electronics
 3. Business & industrial products

Equity investments

During Q2 2020, 35 transactions were closed in Hungary involving 35 target companies that received a total investment of HUF 6,429 million. Total invested value was less than half of the HUF 14,285 million capital invested in Q2 2019, and double than the reported value of transactions in Q2 2018 (see Chart 1).

The total number of transactions fall back compared to both Q2 2019 and Q2 2018 by 28.6% while average deal size decreased from HUF 292 million to HUF 184 million compared to Q2 2019, which quarter was driven mainly by one large transaction in the chemicals and materials sector.

Chart 1. – Quarterly breakdown of the number of transactions



Equity investments – investment stage breakdown

In Q2 2020, the largest reported transaction occurred in the VC later-stage venture phase amounting to HUF 2,100 million.

19 out of the 35 transactions were first time investments, which represent 84% of the total amount invested.

In terms of invested capital the three largest transactions accounted for 61% of the total investment value during Q2 2020.

Considering total invested capital, the largest amount was allocated to companies classified in the VC later-stage venture, which stage represented 49% of total capital invested in Q2 2020. There was one reported PE transaction in the computer and consumer electronics sector.

Within VC incubation and VC seed altogether 24 transactions were reported. These two investment stages accounted for 69% of the total number of transactions and 34% of total invested value.

Average deal sizes were HUF 25 million in VC incubation stage, 79 million in VC seed phase, 137 million in VC start-up phase, 1,575 million in VC later-stage venture and 764 million in PE growth phase.

Equity investments – sector breakdown

Companies from 9 sectors received funding in Q2 2020. The two largest sectors by total invested amount were business & industrial services and computer & consumer electronics that accounted for 64% of total transaction value (see Chart 3 and Table 1).

In Q2 2020, the largest transactions also occurred in business & industrial services and computer & consumer electronics sectors.

Considering the number of transactions, the most active sector was consumer services with 7 investments made in Q2 2020.

Chart 2. – Q2 2020 Invested capital by investment stage

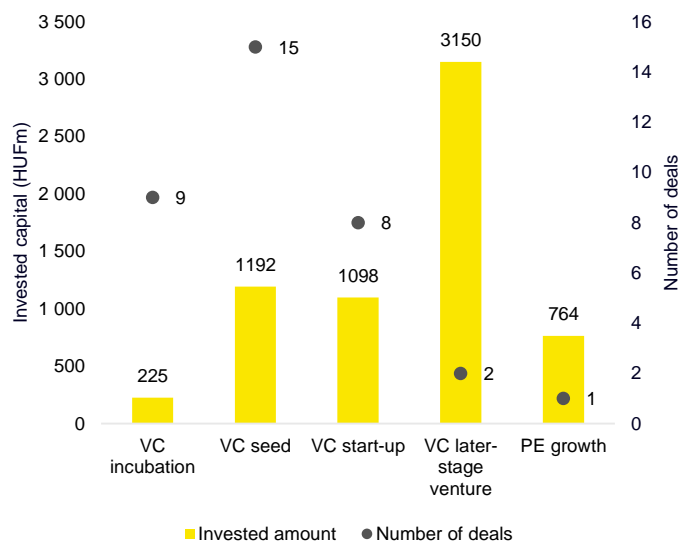


Chart 3. – Q2 2020 Invested capital by sector

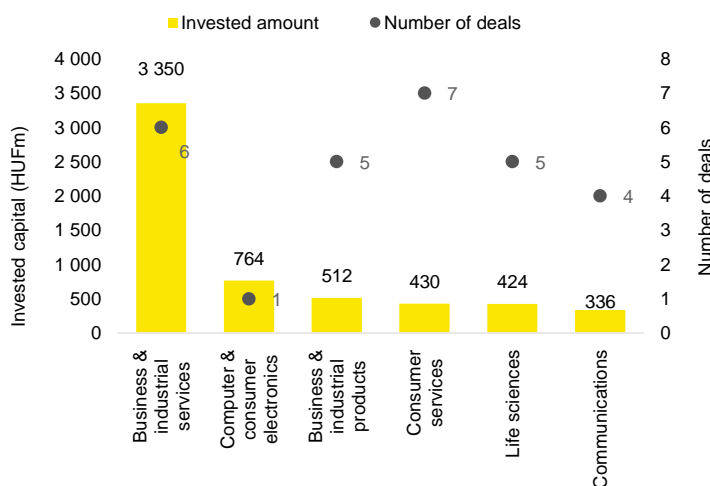


Table 1. – Quarterly breakdown of investments by sector

Sector	Q2 2018		Q2 2019		Q2 2020	
	Number of deals	Amount (HUFm)	Number of deals	Amount (HUFm)	Number of deals	Amount (HUFm)
Agriculture	3	23	-	-	1	180
Business & industrial products	3	1,479	1	9	5	512
Business & industrial services	8	350	14	1,412	6	3,350
Chemicals & materials	-	-	1	8,379	-	-
Communications	1	5	2	420	4	336
Computer & consumer electronics	4	164	3	220	1	764
Construction	-	-	-	-	-	-
Consumer goods & retail	7	390	1	9	4	153
Consumer services	14	400	11	789	7	430
Energy & environment	-	-	4	1,805	-	-
Financial services	2	14	3	88	2	280
Life sciences	5	368	8	1,144	5	424
Real Estate	-	-	1	9	-	-
Transportation	2	69	-	-	-	-
Total	49	3,260	49	14,285	35	6,429

Divestments

5 funds reported a total number of 17 divestments in Q2 2020 in various sectors but the largest number of divestments – 4 out of 17 - occurred in the consumer services sector (see Chart 4 below).

Based on the form of exits, divestments comprised of 9 sales to management, 4 divestment by write-off, 1 sale to other private equity firm, 2 divestment by trade sale and 1 divestment by other means. The investment lifetime of exited investments varied between 2 to 13 years (see chart 5). The average investment lifetime of the 17 exits in Q2 2020 was around 6.4 years.

Chart 4. – Q2 2020 Divestments based on sector and form of exit

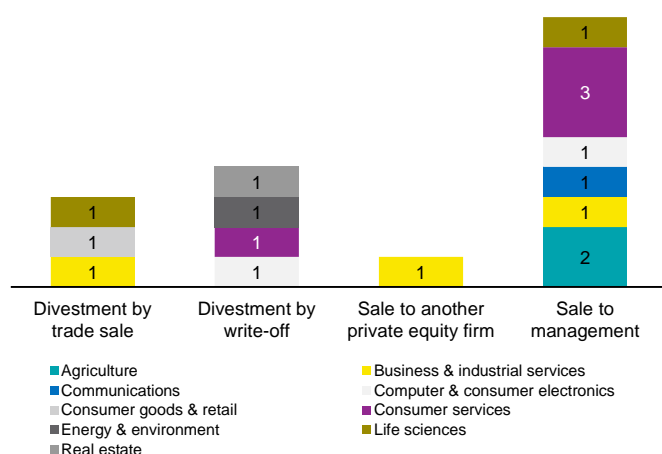
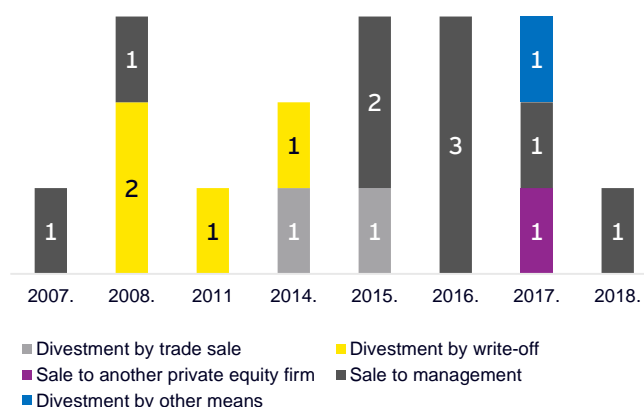


Chart 5. – Q2 2020 Divestments based on year of first investment and form of exit



Fund raising

There were HUF 20 billion fundraising reported in Q2 2020.

Summary

During Q2 2020, 35 companies received HUF 6,429 million from VCs and PE funds. The largest amount was allocated in the VC late-stage venture phase to one company (HUF 2,100 million), but in volume terms most of the transactions were closed in the VC seed phase (15 out of 35).

Companies operating in business & industrial services and computer & consumer electronics sectors received 64% of the total capital invested in the 2nd quarter of 2020. Considering the number of deals, the three most active sectors (business & industrial services, computer & consumer electronics, business & industrial products) accounted for 72% of the total market activity and 34% of the number of transactions.

There were 17 divestments by 5 funds in various sectors.

There were HUF 20 billion fundraising reported in Q2 2020.