

# Venture Capital and Private Equity update Hungary – Q3 2018

## Participants in the survey:

3TS Capital Partners  
Alliance Jura Hongrie  
Arx Equity Partners  
Bonitas  
Buran Venture  
CEE Equity Partners  
Central Fund  
DBH Investment  
Euroventures  
Finatech Capital  
Finext Startup Zrt.  
Hiventures  
Kaerous  
Mid Europa Partners Kft.  
PBG-FMC  
Portfolion  
Solus Capital  
Széchenyi Tőkealap Kezelő  
Venturio  
X-Ventures

The above response rate represents 80% 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 Q3 2018. Investments in Q3 2018 were executed by 10 funds that are managed by 6 fund managers.

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/en/statistics/>.

## Highlights – Q3 2018

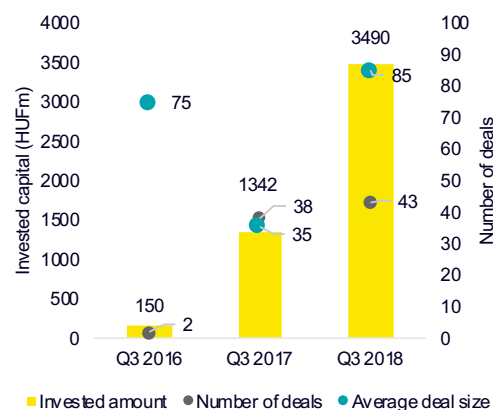
- ▶ Number of closed transactions: 43 (out of which, 38 were closed by VCs)
- ▶ Number of divestments: 15
- ▶ Total capital invested: HUF 3,490 million
- ▶ Top three most active industries (by value):
  1. Business & industrial services
  2. Consumer services
  3. Computer & customer electronics

## Equity investments

During Q3 2018, 43 transactions were closed in Hungary involving 42 target companies that received a total investment of HUF 3,490 million. Total invested value was close to three times of the HUF 1,342 million capital invested in Q3 2017, and significantly higher than the reported value of transactions in Q3 2016 (see Chart 1). In case of two transactions deal values have not been disclosed and consequently these appear only in the volume statistics.

The total number of transactions were slightly lower in Q3 2018 compared to the previous quarter of the year (43 in Q3 and 49 in Q2) representing a 12% decrease. On the other hand, the total invested amount increased by 7% during the same period.

Chart 1. – Quarterly breakdown of the number of transactions



## Equity investments – investment stage breakdown

In Q3 2018, the largest reported transaction was the series B fund raising of Tresorit with an investment amount of EUR 11.5 million led by 3TS Capital Partners and Portfolio with the participation of some of the existing investors as well.

The average deal size was HUF 85 million which is 27% higher than HUF 67 million in the previous quarter.

30 out of the 43 transactions were first time investments, which represents 50% of the total amount invested (compared to 81% of the previous quarter).

VC start-up phase was the most common investment stage in terms of invested capital (HUF 1,264 million), accounting for 36% of the total investment value during Q3 2018 and with an average deal size of HUF 158 million. At the same time VC start-up investments amounted to 19% of total number of deals.

Similarly to the previous quarter, the number of transactions was highest in the VC incubation stage (20 out of 43). Naturally, average deal size is the lowest in the early phase among the investment stages but an increase from HUF 7 million to HUF 9 average deal size was reported compared to the previous quarter.

## Equity investments – sector breakdown

Companies from seven sectors received funding in Q3 2018. The two largest sectors by total invested amount were business & industrial services and customer services that accounted for 74% of total transaction value (see Chart 3 and Table 1).

In Q3 2018, the largest transactions occurred in the business & industrial services sector (including the Tresorit fund raising) and in the computer & consumer electronics sectors.

In addition to the business & industrial services and computer & consumer electronics sectors, several HUF 100 million plus transactions were reported mostly in the consumer services sector.

Chart 2. – Q3 2018 Invested capital by investment stage

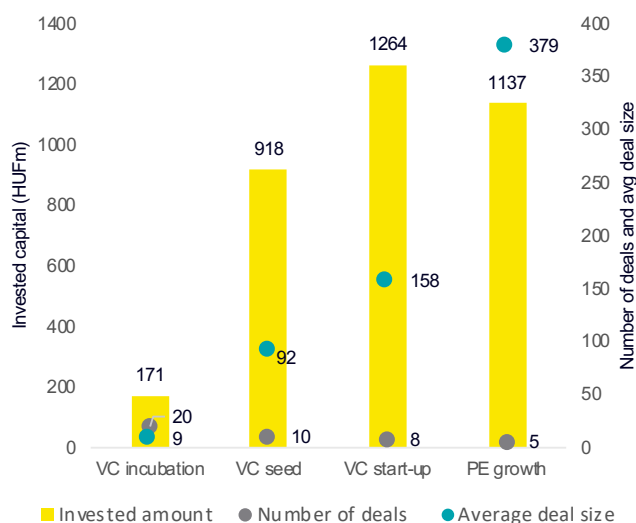


Chart 3. – Q3 2018 Invested capital by sector

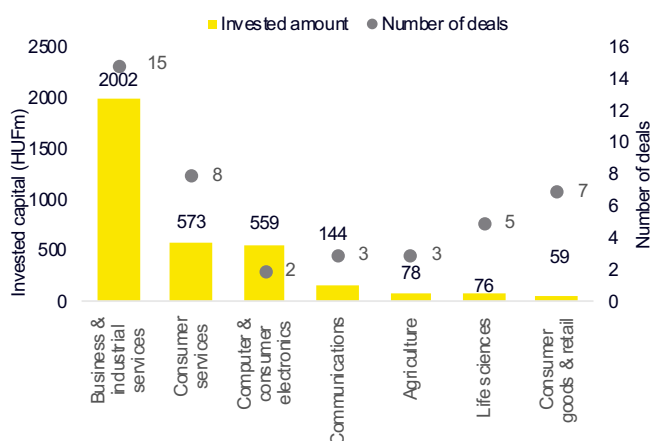


Table 1. – Quarterly breakdown of investments by sector

Sector	Q3 2016		Q3 2017		Q3 2018	
	Number of deals	Amount (HUFm)	Number of deals	Amount (HUFm)	Number of deals	Amount (HUFm)
Agriculture	-	-	-	-	3	78
Business & industrial products	1	60	-	-	-	-
Business & industrial services	-	-	7	264	15	2,002
Chemicals & materials	-	-	-	-	-	-
Communications	-	-	3	140	3	144
Computer & consumer electronics	1	90	2	9	2	559
Construction	-	-	-	-	-	-
Consumer goods & retail	-	-	4	27	7	59
Consumer services	-	-	13	306	8	573
Energy & environment	-	-	1	5	-	-
Financial services	-	-	2	120	-	-
Life sciences	-	-	4	172	5	76
Transportation	-	-	2	300	-	-
<b>Total</b>	<b>2</b>	<b>150</b>	<b>38</b>	<b>1,342</b>	<b>43</b>	<b>3,490</b>

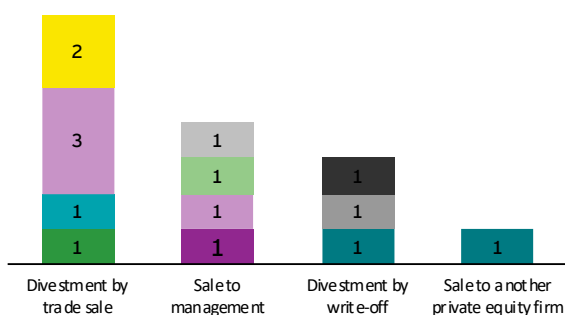
## Divestments

5 funds reported a total number of 15 divestments in Q3 2018. Divestments occurred in various sectors but the largest number of divestments – 4 out of 15 - occurred in the communication sector (see Chart 4 below).

Based on the form of exits, divestments comprised of 7 divestment by trade sale, 4 sales to management – which in general, is not considered as a successful exit -, 3 divestments by write-off, and 1 sale to other private equity firm.

The life of exited investments varied between 0 to 11 years (see chart 5). The average life of the 15 exits in Q3 2018 was around 6 years compared to last quarter's 5 year.

Chart 4. – Q3 2018 Divestments based on sector and form of exit



## Fund raising

Lead Ventures raised EUR 100 million for 2 new funds, one focusing on the Hungarian market and the second on regional. The main investors were MOL Nyrt. (EUR 50 million), MFB Invest (EUR 25 million) and Eximbank (EUR 25 million).

## Summary

During Q3 2018 42 companies received HUF 3,490 million from VCs and PE funds. The largest amount was allocated in the VC start-up phase (HUF 1,264 million), but in number terms most of the transactions were VC incubations (20 out of 43).

Companies operating in business & industrial services sector received 57% of the total capital invested in the quarter. Considering invested capital, the two most active sectors accounted for 74% of the total market activity and 53% of the number of transactions.

Significant transactions of the quarter included the series B fund raising of Tresorit.

There were 15 divestments by 5 funds in various sectors.

Lead Ventures raised EUR 100 million for two funds in Q3 2018.