

# Venture Capital and Private Equity update Hungary – Q3 2019

## Participants in the survey:

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

The above response rate represents 90% 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 2019. Investments in Q3 2019 were executed by 13 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 – Q3 2019

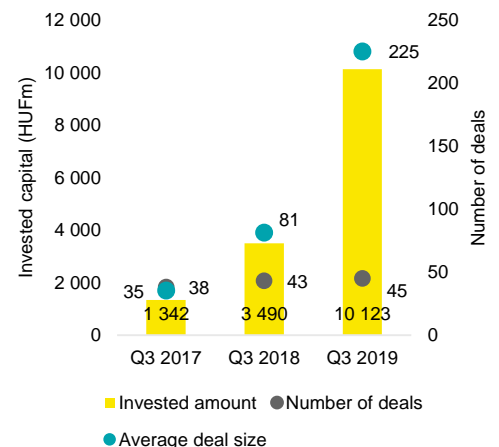
- ▶ Number of closed transactions: 45
- ▶ Number of divestments: 17
- ▶ Total capital invested: HUF 10,123 million
- ▶ Top three most active industries (by value):
  1. Business & industrial products
  2. Business & industrial services
  3. Energy and environment

## Equity investments

During Q3 2019, 45 transactions were closed in Hungary involving 45 target companies that received a total investment of HUF 10,123 million. Total invested value was close to three times of the HUF 3,490 million capital invested in Q3 2018, and significantly higher than the reported value of transactions in Q3 2017 (see Chart 1).

The total number of transactions increased only slightly versus Q3 2018 and exceeded the Q3 2017 results by 18.4%, while average deal size increased from HUF 81 million to HUF 225 million compared to Q3 2018 mainly as a result of one large investment during Q3 2019. Without the single PE deal, average deal size was HUF 103 million.

Chart 1. – Quarterly breakdown of the number of transactions



## Equity investments – investment stage breakdown

In Q3 2019, the largest reported transaction occurred in the PE growth phase amounting to HUF 5,600 million.

35 out of the 45 transactions were first time investments, which represent 91% of the total amount invested.

In terms of invested capital the three largest transactions accounted for 63% of the total investment value during Q3 2019.

Considering total invested capital, the second largest amount was allocated to companies in VC later-stage venture phase (HUF 1,915 million) while the number of transactions were the highest in VC incubations in Q3 2019.

Within VC incubation and VC start-up altogether 30 transactions were reported. These two investment stages accounted for 67% of the total number of transactions and 10% of total invested value.

An increase in average deal size from HUF 9 million to HUF 15 million was reported in VC incubation stage in Q3 2019 compared to Q3 2018.

Average deal sizes were HUF 15 million in VC incubation stage, 54 million for VC-start up phase, 134 million for VC seed stage and 958 million for VC later stage venture transactions.

## Equity investments – sector breakdown

Companies from twelve sectors received funding in Q3 2019. The two largest sectors by total invested amount were business & industrial products and business and industrial services that accounted for 79% of total transaction value (see Chart 3 and Table 1).

In Q3 2019, the largest transactions also occurred in business & industrial products and business and industrial services sectors.

In addition to the above mentioned two sectors, the largest transactions occurred in the communications and real estate sectors (in the range of HUF 200 to 350 million).

Chart 2. – Q3 2019 Invested capital by investment stage

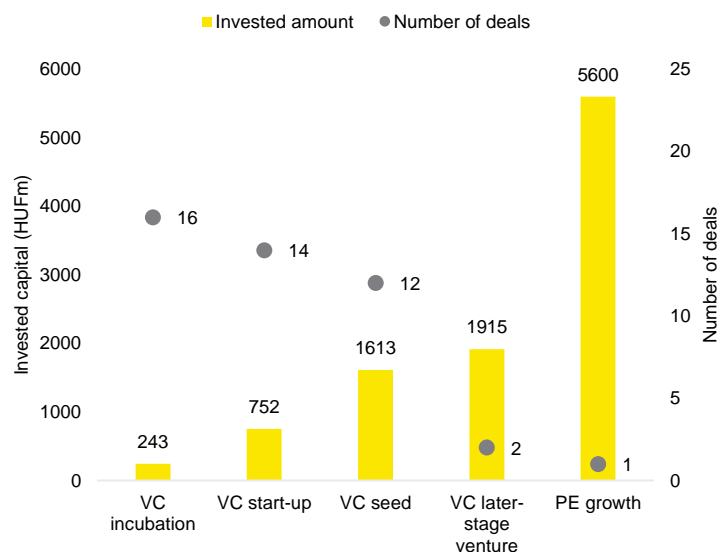


Chart 3. – Q3 2019 Invested capital by sector

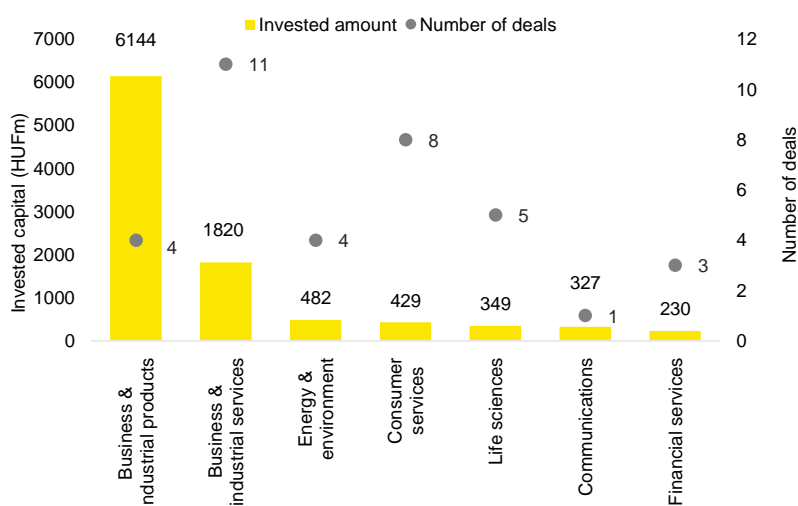


Table 1. – Quarterly breakdown of investments by sector

Sector	Q3 2017		Q3 2018		Q3 2019	
	Number of deals	Amount (HUFm)	Number of deals	Amount (HUFm)	Number of deals	Amount (HUFm)
Agriculture	-	-	3	78	1	9
Business & industrial products	-	-	-	-	4	6,144
Business & industrial services	7	264	15	2,002	11	1,820
Chemicals & materials	-	-	-	-	-	-
Communications	3	140	3	144	1	327
Computer & consumer electronics	2	9	2	559	4	47
Construction	-	-	-	-	-	-
Consumer goods & retail	4	27	7	59	2	18
Consumer services	13	306	8	573	8	429
Energy & environment	1	5	-	-	4	482
Financial services	2	120	-	-	3	230
Life sciences	4	172	5	76	5	349
Real Estate	-	-	-	-	1	220
Transportation	2	300	-	-	1	50
<b>Total</b>	<b>38</b>	<b>1,342</b>	<b>43</b>	<b>3,490</b>	<b>45</b>	<b>10,123</b>

## Divestments

4 funds reported a total number of 17 divestments in Q3 2019 in various sectors but the largest number of divestments – 3 out of 17 each - occurred in the life science and computer & consumer electronics sectors (see Chart 4 below).

Based on the form of exits, divestments comprised of 8 sales to management, 4 divestment by other means, 2 sale to other private equity firm, 2 divestments by write-off and 1 divestment by trade sale. The investment lifetime of exited investments varied between 1 to 12 years (see chart 5). The average investment lifetime of the 17 exits in Q3 2019 was around 6 years.

Chart 4. – Q3 2019 Divestments based on sector and form of exit

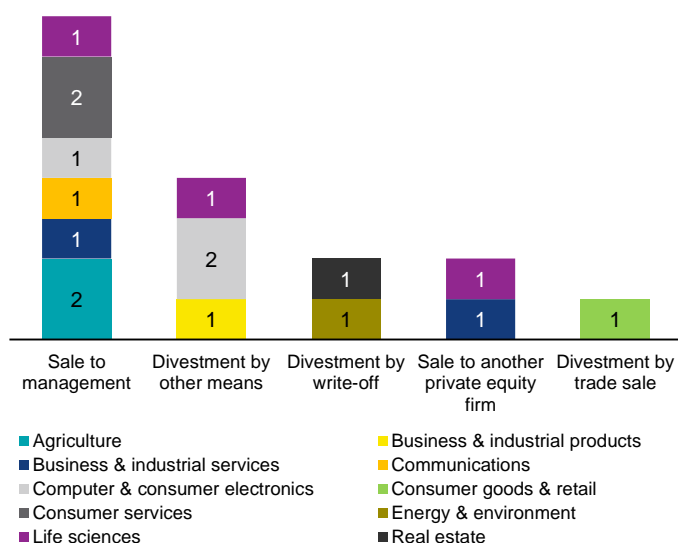


Chart 5. – Q3 2019 Divestments based on year of first investment and form of exit



## Fund raising

There was no reported fundraising in Q3 2019.

## Summary

During Q3 2019, 45 companies received HUF 10,123 million from VCs and PE funds. The largest amount was allocated in the PE growth phase to one company (HUF 5,600 million), but in volume terms most of the transactions were closed in the VC incubation phase (16 out of 45).

Companies operating in business & industrial products and business and industrial services sectors received 79% of the total capital invested in the 3rd quarter of 2019. Considering the number of deals, the two most active sectors (business & industrial services and consumer services) accounted for 22% of the total market activity and 52% of the number of transactions.

There were 17 divestments by 4 funds in various sectors.

There was no reported fundraising in Q3 2019.