

Venture Capital and Private Equity update Hungary – Q3 2020

Participants in the survey:

3TS Capital Partners
Alliance Jura Hongrie
Arx Equity Partners
Bonitas
CEE Equity Partners
Day One Capital
DBH Investment
Euroventures
FINEXT Startup
Hiventures
Lead Ventures
MFB Invest
PBG-FMC
PortfoLion
Solus Capital
Susterra Capital Partners
Széchenyi Tőkealap-kezelő
Venturio
X-Ventures

The above response rate represents 95% 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 2020. Investments in Q3 2020 were executed by 14 funds that are managed by 8 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 2020

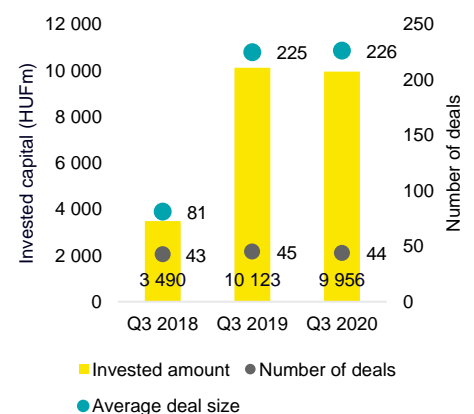
- ▶ Number of closed transactions: 44
- ▶ Number of divestments: 17
- ▶ Total capital invested: HUF 9,956 million
- ▶ Top three most active industries (by value):
 1. Business & industrial services
 2. Business & industrial products
 3. Transportation

Equity investments

During Q3 2020, 44 transactions were closed in Hungary involving 44 target companies that received a total investment of HUF 9,956 million. Total invested value was only slightly lower than HUF 10,123 million invested in Q3 2019, and approximately three times of the reported value of transactions in Q3 2018 (see Chart 1).

Total number of transactions were similar over the third quarters of 2018, 2019 and 2020. Average deal size was also similar compared to Q3 2019, while the 2018 figures were significantly lower compared to both 2019 and 2020.

Chart 1. – Quarterly breakdown of the number of transactions



Equity investments – investment stage breakdown

In Q3 2020, the largest reported transaction occurred in the VC start-up phase amounting to HUF 2,072 million. There were two larger transactions reported in PE growth phase and one in VC seed phase, each amounting to HUF 1,000 million.

In terms of invested capital the five largest transactions accounted for 59% of the total investment value during Q3 2020.

38 out of the 44 transactions were first time investments, which represented 60% of the total amount invested.

Considering total invested capital, the largest amounts were allocated to companies classified in the VC seed and VC start-up phase. These stages represented 73% of total capital invested in Q3 2020.

Within VC seed and VC incubation altogether 30 transactions were reported. These two investment stages accounted for 68% of the total number of transactions and 42% of total invested value.

Average deal sizes were HUF 12 million in VC incubation stage, 236 million in VC seed phase, 411 million in VC start-up phase, 460 million in VC later-stage venture and 668 million in PE growth phase.

There were two transactions reported in PE buyout and PE turnaround categories, together amounting to HUF 29 million.

Equity investments – sector breakdown

Companies from 11 sectors received funding in Q3 2020. The two largest sectors by total invested amount were business & industrial services and business & industrial products that accounted for 64% of total transaction value and 43% of number of deals (see Chart 3 and Table 1).

In Q3 2020, the largest transactions occurred in business & industrial services and transportation sectors.

The highest average deal size was HUF 576 million in transportation sector which is followed by business & industrial services with HUF 391 million.

Chart 2. – Q3 2020 Invested capital by investment stage

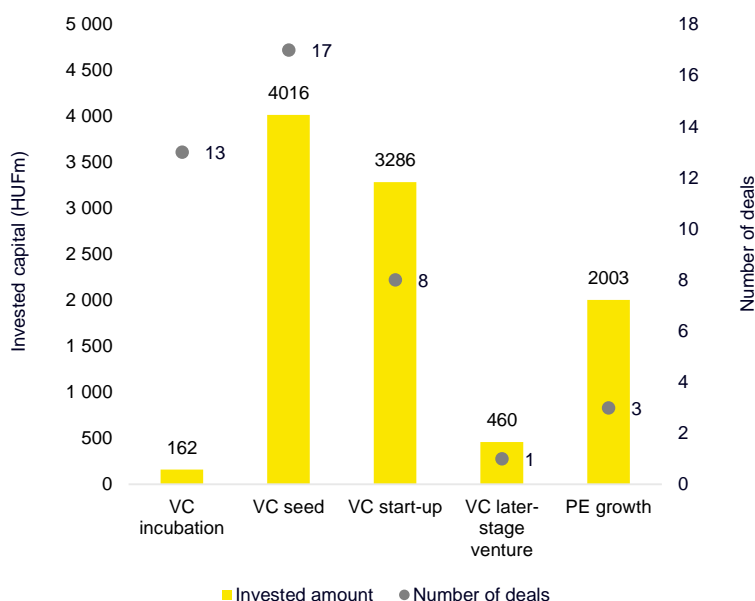


Chart 3. – Q3 2020 Invested capital by sector

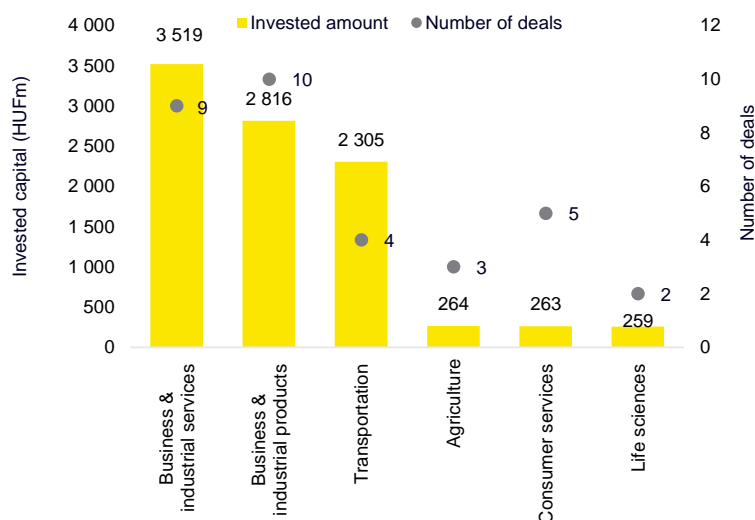


Table 1. – Quarterly breakdown of investments by sector

Sector	Q3 2018		Q3 2019		Q3 2020	
	Number of deals	Amount (HUFm)	Number of deals	Amount (HUFm)	Number of deals	Amount (HUFm)
Agriculture	3	78	1	9	3	264
Business & industrial products	-	-	4	6,144	10	2,816
Business & industrial services	15	2,002	11	1,820	9	3,519
Chemicals & materials	-	-	-	-	-	-
Communications	3	144	1	327	1	124
Computer & consumer electronics	2	559	4	47	-	-
Construction	-	-	-	-	-	-
Consumer goods & retail	7	59	2	18	4	184
Consumer services	14	573	8	429	5	263
Energy & environment	-	-	4	482	2	29
Financial services	-	-	3	230	3	184
Life sciences	5	76	5	349	2	259
Real Estate	-	-	1	220	1	9
Transportation	-	-	1	50	4	2,305
Total	43	3,490	45	10,123	44	9,956

Divestments

4 funds reported a total number of 17 divestments in Q3 2020 in various sectors but the largest number of divestments – 3 out of 17 in each - occurred in the consumer services, business & industrial services and life science sectors (see Chart 4 below).

Based on the form of exits, divestments comprised of 9 sales to management, 3 divestment by write-off, 3 divestment by trade sale and 2 sale to other private equity firm. The investment lifetime of exited investments varied between 2 to 13 years (see chart 5). The average investment lifetime of the 17 exits in Q3 2020 was around 6.6 years.

Chart 4. – Q3 2020 Divestments based on sector and form of exit

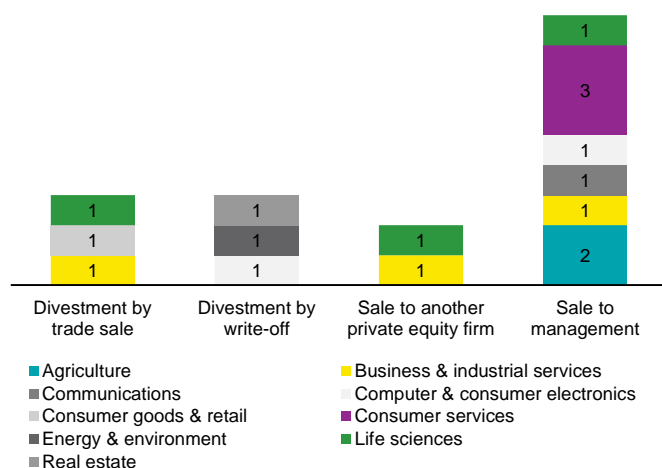
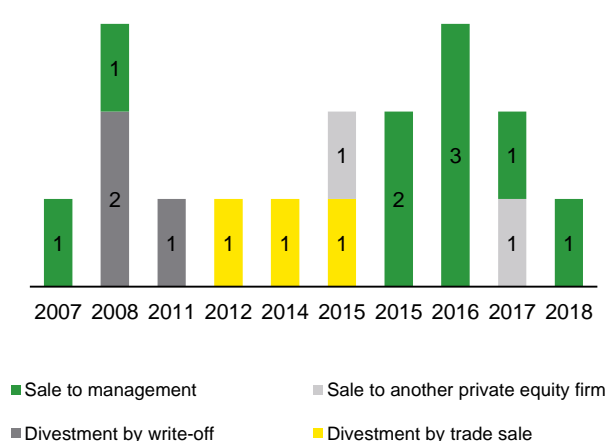


Chart 5. – Q3 2020 Divestments based on year of first investment and form of exit



Fund raising

There was no fundraising reported in Q3 2020.

Summary

During Q3 2020, 44 companies received HUF 9,956 million from VCs and PE funds. Investment activities reported were similar to Q3 2019 with a slight decrease of approximately 2% in both value and volume. The largest amount was allocated in the VC start-up phase to one company (HUF 2,072 million), but in volume terms most of the transactions were closed in the VC seed phase (39%) and in the VC incubation phase (30%).

Companies operating in business & industrial products and in business & industrial services sectors received 64% of the total capital invested in the 3rd quarter of 2020. Considering the number of deals, the three most active sectors (business & industrial services, business & industrial products and consumer services) accounted for 66% of the total market activity and 55% of the number of transactions. Furthermore there were four transactions in the transportation sector with the average deal size of HUF 576 million, accounted for 23% of total capital invested.

There were 17 divestments by 4 funds in various sectors. A high number of divestments – 9 out of 17 – were classified as sales to management in Q3 2020.

There was no fundraising reported in Q3 2020.