

# Venture Capital and Private Equity update Hungary - Q2 2016

## Participants in the survey:

3TS Capital Partners  
ABC  
Arx Equity Partners  
Bonitás  
Buran Venture  
CEE Equity Partners  
Central Fund  
Corvinus  
DBH  
Docler Investments  
Euroventures  
Finatech Capital  
Finext Startup  
iEurope Capital  
Kaerous Capital  
MFB Invest  
PBG-FMC  
PortfoLion  
Primus  
Riverside Europe  
SZTA  
Venturio  
X-Ventures

The above response rate represents 85% 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 2016.

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/statistics/>.

## Highlights - Q2 2016

- ▶ Number of closed transactions by VC: 56
- ▶ Number of closed transactions by PE: 3
- ▶ Number of divestments: 3
- ▶ Funds investing in Q2 2016: 18
- ▶ Total capital invested: HUF 7.9 billion
- ▶ Top three most active industries (by value):
  1. Business & industrial services
  2. Computer & consumer electronics
  3. Energy & environment

## Equity investments

The investment activity in the second quarter of 2016 was mostly driven by the JEREMIE funds. 14 out of the 18 funds reporting investments were JEREMIE funds.

56 VC and 3 PE investments were closed in Hungary in Q2, which is significantly higher than quarterly averages in 2015 (VC: 30, PE: 2). The total capital provided was HUF 7.9 billion, which is similar to 2015 quarterly average (HUF 8.0 billion) and higher than Q2 2015 and Q1 2016 (HUF 6.4 billion and HUF 3.8 billion, respectively). The above HUF 7.9 billion includes 2 PE follow-on investments (HUF 360 million - 26% of previous investments), and one PE investment with undisclosed transaction value, which was most likely the largest investment on the market, but its size has been published.

The average transaction value was HUF 151 million (excluding follow-on investments below HUF 10 million, with a total value of HUF 18 million) with investments from HUF 12 million to HUF 613 million. The average investment sizes in 2015 were consistently around HUF 170 million (excluding PE investments); however, both Q1 (HUF 154 million) and Q2 2016 averages show a slight decrease.

## Equity investments cont'd

54% of the total transaction value was invested as first time investment. The remaining 46% was follow-on capital, but mostly related to recently started investments. 12% of investments started in Q1 2016, 18% in 2015, and only 16% was related to investments started before 2015.

18 funds have reported investments during this quarter, two of them with over HUF 1 billion total investment in Q2. The top three players were responsible for 46% of all investments. Similarly to Q1 2016, this indicates a more fragmented investment activity than in FY15, where the top three funds were responsible for at least 50% of the investments in all quarters.

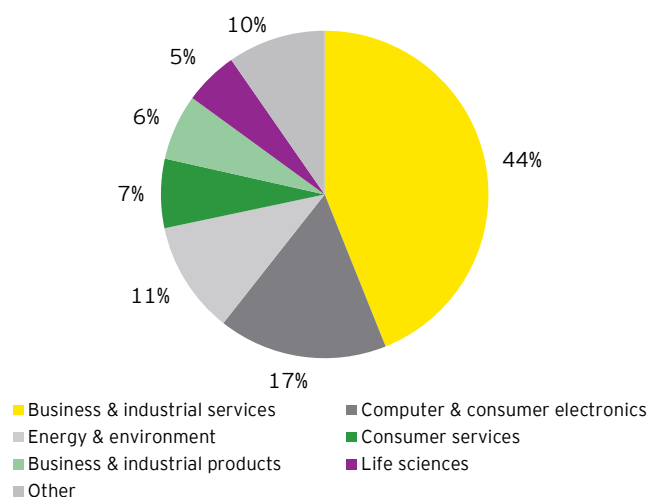
The most common investment stage, with 78% (37 companies) of all capital provided, was the VC start-up phase, in line with most of the previous quarters.

## Equity investments - sector breakdown by value

The top two sectors have driven the market activity, both received over HUF 1 billion each, with a share of 63% from the total transaction values. The largest sectors are presented on the chart above.

Total investment size increased almost in all sectors compared to Q1 2016 and in certain cases even to Q4 2015. The second largest amount was provided to companies in the Computer & consumer electronics sector, which has seen the highest quarterly investment value since the start of the preparation of the Investment Monitoring Report (Q3 2013), more than doubling on the average levels.

Chart 1. - Q2'16 Invested capital by sector



Sector	Q2 2015		Q3 2015		Q4 2015		Q1 2016		Q2 2016	
	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)
Business & industrial products	3	438	6	882	4	385	3	333	4	512
Business & industrial services	2	390	8	2,727	8	4,831	7	946	11	3,457
Chemicals & materials	-	-	-	-	1	18	-	-	-	-
Construction	-	-	-	-	-	-	1	43	-	-
Communications	4	1,016	-	-	-	-	-	-	1	62
Computer & consumer electronics	-	-	4	260	4	645	5	544	8	1,313
Consumer goods & retail	2	1,411	5	1,046	5	342	1	87	8	328
Consumer services	3	252	2	380	3	400	5	953	9	537
Energy & environment	4	1,702	3	1,981	5	1,291	1	240	6	871
Financial services	-	-	1	0	-	-	-	-	1	60
Life sciences	5	1,242	1	21	8	1,088	3	703	7	419
Real Estate	-	-	-	-	1	300	-	-	-	-
Transportation	-	-	-	-	2	155	-	-	4	310

Table 1. - Quarterly breakdown of investments by sector

## Divestments

There have been three divestments reported in Q2 2016, one disclosed by Euroventures and two by SZTA.

Euroventures' investment was initiated in 2011 in the Business & industrial products sector with a total HUF 882 million investment until the exit. SZTA exited from companies where investment started in 2012 and 2015 in the Business & industrial services and Computer & consumer electronics sectors, respectively.

## Fund raising

There has been no fundraising reported in this quarter.

## Summary

During Q2 2016 59 companies received HUF 7.9 billion from VC and PE funds, mostly in the VC start-up phase. 25 projects received minimum HUF 100 million and the average deal size was HUF 151 million, excluding smaller follow-on investments. The top 5 transactions accounted for 33% of total market activity, and the three most active funds made 46% of all investments.

Chart 2. - Number of transactions - quarterly breakdown (including follow-on investments)

