

# Venture Capital and Private Equity update Hungary - Q3 2015

## Participants in the survey:

3TS Capital Partners  
Alliance Jura Hongrie  
Arx Equity Partners  
Bonitás  
Buran Venture  
DBH  
Docler Investments  
Euroventures  
Finatech Capital  
Finext Startup  
iEurope Capital  
Kaerous Capital  
MFB Invest  
Mid Europa Partners  
PortfoLion  
Primus  
Riverside Europe  
SZTA  
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 2015.

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/hu/statisztika/>.

## Highlights - Q3 2015

- ▶ Number of closed transactions by VC: 18
- ▶ Number of closed transactions by PE: 2
- ▶ Number of divestments: 4
- ▶ Total capital invested: HUF 1.8 billion
- ▶ Top three most active industries (by value):
  1. Business & industrial products
  2. Consumer services
  3. Business & industrial services

## Equity investments

Between July and September of 2015 18 VC investments and 2 PE investments were closed in Hungary. The investment values of the PE investments has not been disclosed; therefore, the analysis discusses the activity of the VC funds only, with a total value of HUF 1.8 billion. VC investments in this quarter are 29% lower than in Q2 2015 and the total investment value is only half of the investments disclosed in Q3 2014.

The average transaction value was HUF 101 million with investment sizes varying from 15 million up to HUF 280 million. This is significantly lower than the general trend in 2014 and in Q1 2015, when the average VC investment size was close to HUF 170 million. Although Q2 2015 has shown a lower average deal size (HUF 150 million) compared to previous quarters, this quarter's average further decreased by 33% compared to Q2 2015.



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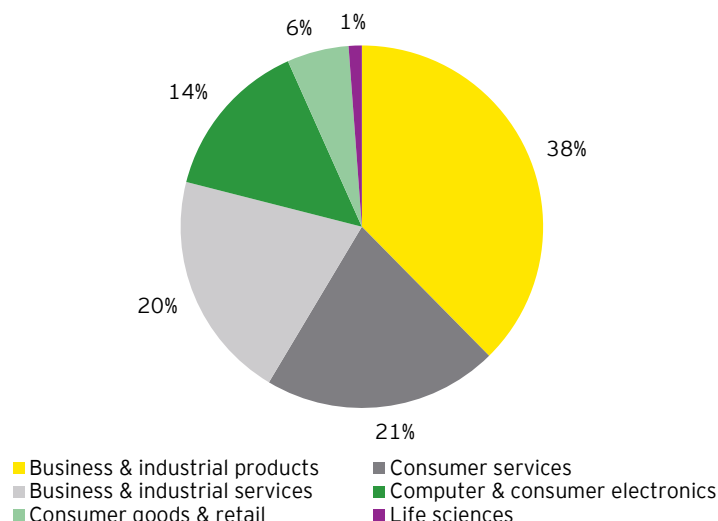
## Equity investments cont'd

60% of the total transaction value was invested as first time investment (down from 70% in Q2). The remaining part of the investments were follow-on capital injections, which were, on average, 37% of the initial contributions. A significant share (24%) of the follow-on transactions have been started in previous quarters of 2015.

Nine funds have reported investments during this quarter, all of them investing less than HUF 1 billion. The top three players were responsible for 89% of all investments, with at least HUF 150 million capital invested by each. The most active fund conducted 50% of the investments in terms of transaction value, with a total funding of over HUF 900 million.

The most common investment stage, with 80% of all capital injected, was the VC start-up phase, up from 57% in Q2 2015. The remaining investments were all made in the VC later-stage phase.

Chart 1. - Q3'15 Invested capital by sector



## Equity investments - sector breakdown by value

The top three sectors received over HUF 250 million each, with a share of 79% from the total transaction values. The largest sectors were (in order of size of investments) Business & industrial products, Consumer services and Business & industrial services.

The sectors, which received the most VC capital during 2015 so far, are Business & industrial service (HUF 2.5 billion), Life sciences (HUF 1.7 billion), and Consumer services (HUF 1.1 billion). This is in line with the trend seen in 2014, when the most popular sector was also Business & industrial services and 4 out of the 5 most popular sectors in 2014 are still in the top 5 in 2015.

Sector	Q3 2014		Q4 2014		Q1 2015		Q2 2015		Q3 2015	
	Transactions	HUFm	Transactions	HUFm	Transactions	HUFm	Transactions	HUFm	Transactions	HUFm
Business & industrial products	6	993	3	2 707	-	-	3	438	5	682
Business & industrial services	6	1123	10	20 953	7 <sup>1</sup>	96 780 <sup>1</sup>	2	390	4	370
Communications	1	55	3	649	1	20	1	50	-	-
Computer & consumer electronics	-	-	3	394	3	698	-	-	4	260
Consumer goods & retail	3	244	2	350	4	813	1	25	3 <sup>2</sup>	100
Consumer services	-	-	1	80	4	479	3	252	2	380
Energy & environment	-	-	3	15 523	2	66	2	156	-	-
Life sciences	4	653	6	805	4	415	5	1,241	1	21
Transportation	2	212	1	1 061	2	170	-	-	-	-
Other	3	313	1	301	-	-	-	-	1 <sup>2</sup>	-

Table 1. - Quarterly breakdown of investments by sector

<sup>1</sup> including an outstanding PE investment (1 transaction - HUF 95 billion)

<sup>2</sup> including a PE investment with undisclosed transaction value

## Divestments

There have been four divestments reported in Q3 2015, all publicly disclosed, by the Széchenyi Tőkealap.

Three out of the four exits have been conducted in the Business and industrial products sector, and one divestment was in the Financial sector.

## Fund raising

There has been no fundraising reported in this quarter.

## Summary

During Q3 2015 18 companies received over HUF 1.8 billion from VC funds and further 2 companies received PE funding with undisclosed values.

6 projects received minimum HUF 100 million and the average deal size was HUF 101 million.

The top 5 transactions accounted for 60% of total market activity, and the three most active funds made 89% of all investments.

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

