

Venture Capital and Private Equity update Hungary - Q1 2014

Participants in the survey:

3TS Capital Partners
Arx Equity Partners
Corvinus
Darby Overseas
Investments/Franklin
Templeton Magyarország
DBH Investment
Docler Investments
Enterprise Investors
Euroventures
iEurope
Informatikai Kockázati
Tőkealapkezelő
Kisvállalkozás Fejlesztő
Kaerous Capital
MFB Invest
Mid Europa Partners
Morandó
Portfolion
Primus
Riverside Europe
SZTA
Venturio
X-Ventures

The above response rate represents 62% of HVCA members.

Introduction

The following is an analysis of data provided by the members of the Hungarian Venture Capital Association and collected from public sources in order to present venture capital and private equity activity of the first quarter in 2014.

The data was collected through questionnaires completed by our members. Sometimes these questionnaires were 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.

Highlights - Q1 2014

- ▶ Number of closed transactions by VC: 19
- ▶ Number of closed transactions by PE: 4
- ▶ Top three most active industries (by value):
 1. Business & industrial products
 2. Life sciences
 3. Financial services

Equity investments

Between January and March of 2014 over 23 equity investments were closed in Hungary (compared to 20 in Q4 2013) with a total value of HUF 3.2 billion representing a 18% increase compared to Q4 2013.

The average deal size was slightly above HUF 140 million with investment sizes varying from couple of millions up to HUF 600 million.

Top 5 equity investments accounted for more than 60% of total investments in Q1 2014.

Most of the equity investments were invested in the start up phase followed by VC later stage ventures and VC growth.

Four investments were closed in the private equity growth stage.



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Equity investments cont'd

77% of total transactions were first time investments (up from one third in Q4 2013) with a total value of HUF 2.8 billion in Q1 2014.

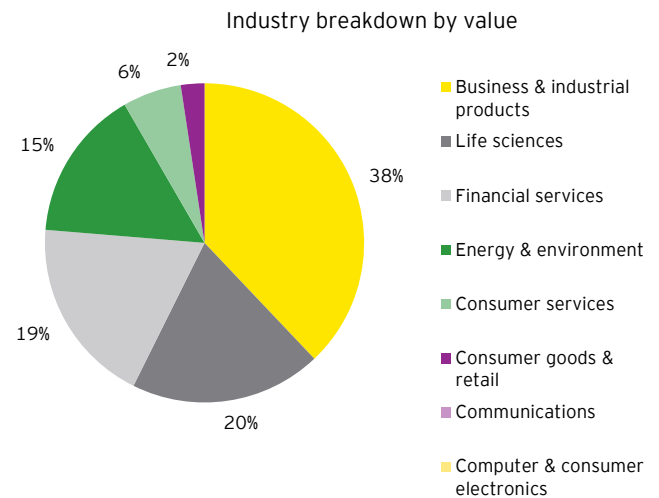
Consequently, the remaining part of the investments were follow-on capital injections, which were, on average, 26% of the initial contributions. This would indicate that investors believe in these investments and are willing to increase their exposure with a view of growth and better exits.

Equity investments - industry breakdown by value

Four sectors dominated the VC / PE investment market, which accounted for 91% of total value of equity investments.

The largest sectors included (in order of size of investments) Business & industrial products, Life sciences, Financial services and Energy & environment.

Also notable, but having seen minor investments are the Consumer services and Consumer goods & retail.



Divestments

There has been one divestment in Q1 2014, where the aggregate equity investment was HUF 100 million and the initial capital injection was in 2011. The form the exit was trade sale.

Summary

During Q1 2014 23 new and existing start-ups received over HUF 3.2 billion from VC / PE funds in Hungary.

At least 10 projects received minimum HUF 100 million or more in form of equity investment or shareholder loan.

Top 5 transactions accounted for 61.71% of total market activity.

