

# Venture Capital and Private Equity update Hungary – Q1 2018

## Participants in the survey:

3TS Capital Partners  
Alliance Jura Hongrie  
Arx Equity Partners  
CEE Equity Partners  
Central Fund  
DBH Investment  
Euroventures  
Finotech Capital  
Finext Startup  
Hiventures  
Kaerous  
MFB Invest  
Mid Europa Partners  
PBG-FMC  
Primus  
SZTA  
Venturio  
X-Ventures

The above response rate represents 69% 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 Q1 2018. Investments in Q1 2018 were executed by 3 funds that are managed by 1 government related fund manager.

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 – Q1 2018

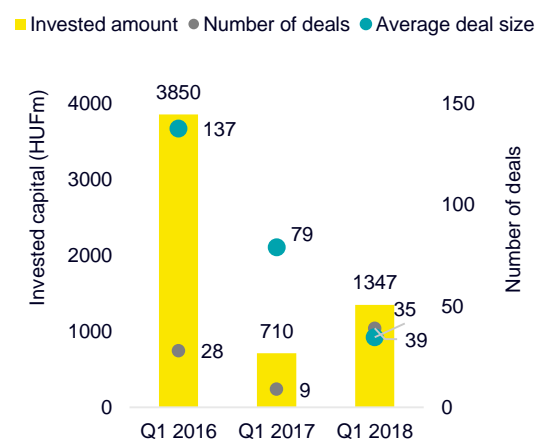
- ▶ Number of closed transactions: 39 (all by VCs)
- ▶ Number of divestments: 12
- ▶ Total capital invested: HUF 1,347 million
- ▶ Top three most active industries (by value):
  1. Consumer services
  2. Transportation
  3. Business and industrial services

## Equity investments

During Q1 2018, 39 transactions were closed in Hungary involving 39 target companies that received a total investment of HUF 1,347 million. This is significantly higher compared to the capital invested of HUF 710 million in Q1 2017, although lags the Q1 2016 level of HUF 3,850 million (see Chart 1).

While the number of transactions have started to increase in Q1 2017, the average deal size continuously declined in each of the first quarter of the past three years. One of the reasons for this was the launch of Hiventures in the second part of 2016 which considerably increased the number of small ticket sized pre-seed investments.

Chart 1. – Quarterly breakdown of the number of transactions



## Equity investments – investment stage breakdown

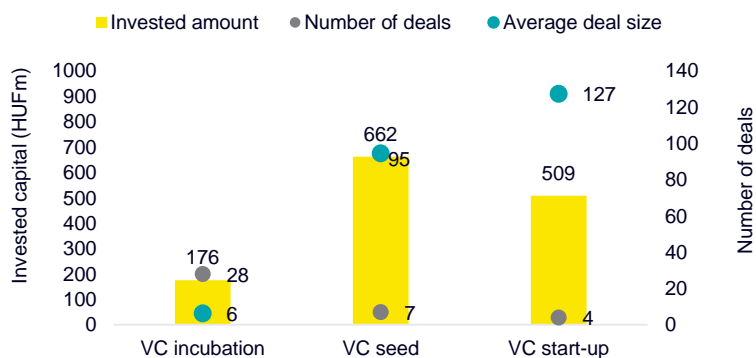
Transaction values varied between HUF 5 million VC incubation to HUF 150 million VC seed investment. The average deal size was HUF 35 million which is considerably lower than HUF 79 million in the same quarter of the previous year.

27 out of the 39 transactions were first time investments, which is 87% of the total amount invested.

VC seed phase was the most common investment stage in terms of injected capital accounting for 49% of the total (HUF 662 million) but only 18% of the number of deals. The number of transactions (28 out of 39) was highest in the VC incubation stage (see Chart 2 on the right), although with a relatively lower average deal size of HUF 6 million.

VC start-up investments had the highest average deal size and 4 companies received HUF 509 million.

Chart 2. – Q1 2018 Invested capital by investment stage



## Equity investments - sector breakdown

Companies from ten sectors received funding in Q1 2018, of which the two largest sectors were consumer services and transportation accounting for 45% of total transaction value (see Chart 3 and Table 1)

The largest transaction of Q1 2018 was in the life science sector of HUF 154 million, followed by two deals in the transportation sector each in the amount of HUF 150 million.

Chart 3. – Q1 2018 Invested capital by sector

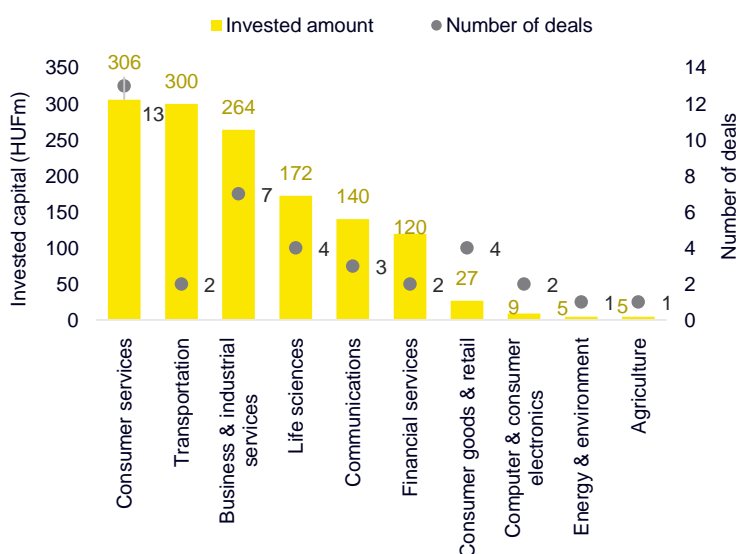


Table 1. – Quarterly breakdown of investments by sector

Sector	Q1 2016		Q1 2017		Q1 2018	
	Number of deals	Amount (HUFm)	Number of deals	Amount (HUFm)	Number of deals	Amount (HUFm)
Agriculture	-	-	-	-	1	5
Business & industrial products	3	333	-	-	-	-
Business & industrial services	7	946	-	-	7	264
Chemicals & materials	-	-	3	160	-	-
Communications	-	-	-	-	3	140
Computer & consumer electronics	6	544	2	240	2	9
Construction	1	43	-	-	-	-
Consumer goods & retail	1	87	1	50	4	27
Consumer services	5	953	2	106	13	306
Energy & environment	2	240	-	-	1	5
Financial services	-	-	1	154	2	120
Life sciences	3	703	-	-	4	172
Transportation	-	-	-	-	2	300
<b>Total</b>	<b>28</b>	<b>3,850</b>	<b>9</b>	<b>710</b>	<b>39</b>	<b>1,347</b>

## Divestments

6 funds reported a total number of 12 divestments in Q1 2018. Divestments occurred in various sectors with no specific concentration (see Chart 4 on the right).

Based on the form of exit, divestments comprised 5 sales to management, 4 divestments by trade sale, 2 divestments by write-off and 1 divestment by other means.

The life of the investments exited by VCs varied between 2 to 10 years (see chart 5). The average life of the 12 exits in Q1 2018 was around 5.75 years.

Chart 4. – Q1 2018 Divestments based on sector and form of exit

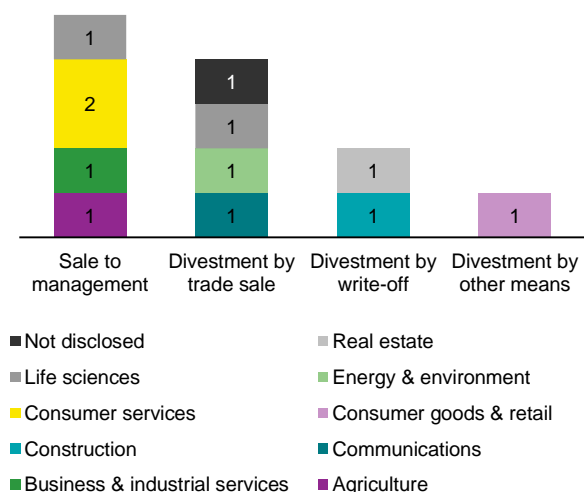
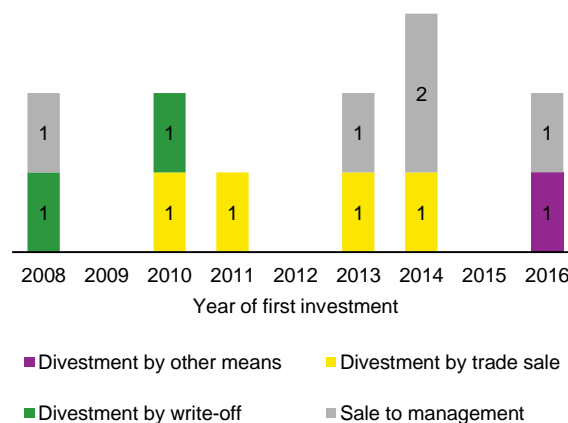


Chart 5. – Q1 2018 Divestments based on year of first investment and form of exit



## Fund raising

There has been no fundraising reported in this quarter.

## Summary

During Q1 2018 39 companies received HUF 1,347 million from VC funds. The largest amount was allocated in the VC seed stage (HUF 662 million), but in number terms most of the transactions were VC incubations (28 out of 39).

The three largest transactions accounted for 34% of total market activity.

There were 12 divestments by 6 funds in various sectors.