

# Venture Capital and Private Equity update Hungary - Q3 2014

## Participants in the survey:

3TS Capital Partners  
Alliance Jura Hongrie  
Arx Equity Partners  
Buran Venture  
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  
Morando  
Portfolion  
Primus  
Riverside Europe  
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 Venture Capital Association and collected from public sources in order to present venture capital and private equity activity of the third 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.

The report is prepared by HVCA and EY and 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 2014

- ▶ Number of closed transactions by VC: 24
- ▶ Number of closed transactions by PE: 0
- ▶ Top three most active industries (by value):
  1. Business & industrial services
  2. Business & industrial products
  3. Life sciences

## Equity investments

Between July and September of 2014 over 24 equity investments were closed in Hungary (slightly higher than 22 in Q2 2014) with a total value of HUF 3.5 billion representing a 41% decrease compared to Q2 2014 in terms of total value of transactions.

The average deal size was HUF 148 million with investment sizes varying from couple of millions up to HUF 720 million.

Top 5 equity investments accounted for more than 54% of total investments in Q3 2014 in terms of value of deals.

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



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## Equity investments cont'd

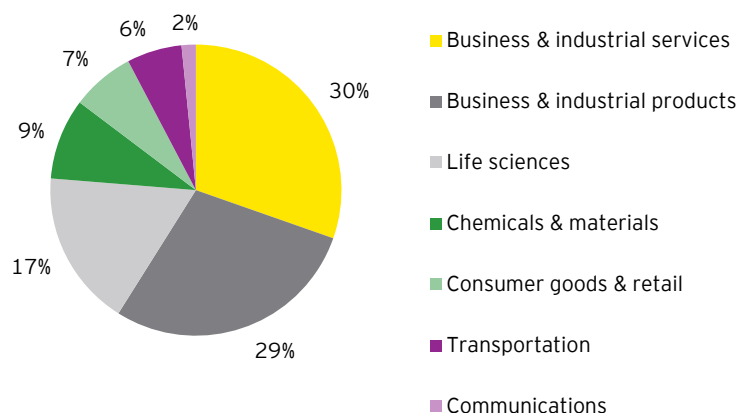
82% of total transactions were first time investments (down from 89% in Q2 2014) with a total value of HUF 2.8 billion in Q3 2014. Consequently, the remaining part of the investments were follow-on capital injections, which were, on average, 22% of the initial contributions. This would indicate that investors continue to 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

Three sectors dominated the VC / PE investment market, which accounted for 76% of total value of equity investments in Q3 2014.

The largest sectors included (in order of size of investments) Business & industrial services, Business & industrial products, Life sciences, Transportation and Chemicals & materials.

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



## Industry breakdown by value and number of transactions

Sector	Q4 2013		Q1 2014		Q2 2014		Q3 2014	
	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)	Number of transactions	Amount (HUFm)
Computer & consumer electronics	-	-	1	-	5	2,345	-	-
Life sciences	4	877	4	512	6	1,830	4	603
Business & industrial products	-	-	2	1,000	2	686	6	993
Business & industrial services	4	275	-	-	5	357	5	1,056
Healthcare services	-	-	-	-	1	210	-	-
Transportation	1	221	-	-	1	74	2	212
Chemicals & materials	-	-	-	-	1	50	3	313
Communications	-	-	1	-	1	46	1	55
Financial services	2	460	3	500	-	-	-	-
Energy & environment	2	120	3	405	-	-	-	-
Consumer services	6	736	3	157	-	-	-	-
Consumer goods & retail	1	24	2	63	-	-	3	244
Not specified	1	427	4	604	1	250	-	-

## Divestments

There has been two divestments reported in Q3 2014 (Sale of shareholdings to management in both cases), one in the Consumer services sector and one in the Business & industrial products sector. The total amount of initial investments was HUF 200m and the initial capital investments were in 2011 and 2012.

## Summary

During Q3 2014 24 new and existing start-ups received over HUF 3.5 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 54% of total market activity.

## Number of transactions - quarterly breakdown

