

Venture Capital and Private Equity update Hungary – H1 2024

Participants in the survey:

3TS Capital Partners
Bonitás Fund Management
Day One Capital
Euroventures
Focus Ventures
Hiventures
Lead Ventures
PortfoLion Capital Partners
Solus Capital
Sycamore Capital Partners
Széchenyi Funds Ltd.
Wallis Asset Management
X-Ventures
Xanga Ventures

The above response rate represents 53.8% 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 H1 2024. Investments in H1 2024 were executed by 29 funds that are managed by 11 fund managers.

The data was collected through questionnaires completed by our members. Occasionally 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/en/statistics/>.

Highlights – H1 2024

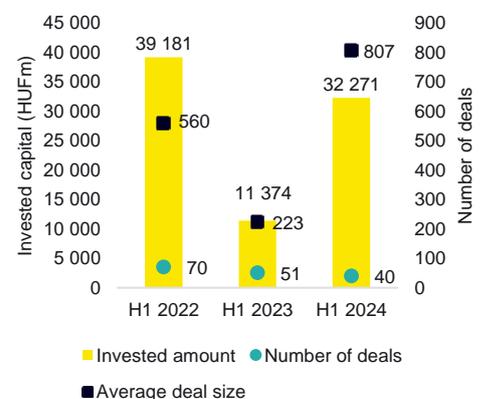
- ▶ Number of closed transactions: 40
- ▶ Number of divestments: 58
- ▶ Total capital invested: HUF 32 271 million
- ▶ Top three most active industries (by value):
 1. Communications
 2. Real estate
 3. Business & industrial services

Equity investments

During H1 2024, 40 transactions were closed in Hungary involving 40 target companies that received a total investment of HUF 32 271 million. Total invested value was 183.7% higher than the reported value of transactions in H1 2023 and 21.6% lower than in H1 2022 (see Chart 1).

The total number of transactions shows a decrease in the first half of 2024 compared to the same period in 2023, and in 2022. However, the average deal size increased significantly from H1 2023 to H1 2024.

Chart 1. – Half-yearly breakdown of the number of transactions



Equity investments – investment stage breakdown

In H1 2024, the largest reported transaction occurred in the PE growth phase amounting to HUF 11 427 million. The second largest transaction amounted to HUF 2 359 million reported similarly in the PE growth phase.

In terms of invested capital, the five largest transactions accounted for 59.3% of the total investment value during H1 2024.

12 out of the 40 transactions were first time investments, which represented 39.5% of the total amount invested.

Considering total invested capital, the largest amounts were allocated to companies classified in the PE growth stage (59.5%). In VC phases, VC seed was the outstanding category, representing 17.2% of the total investments.

Within the Venture Capital stages altogether 27 transactions were reported, and none in the VC incubation stage. These stages accounted for 67.5% of the total number of transactions and 40.5% of the total invested value.

Average deal sizes were HUF 504 million in VC seed stage, 551 million in VC start-up phase, 369 million in VC later-stage venture phase and 1 476 million in PE growth.

The most reported transactions happened in the PE growth stage with 13, whilst no transactions were reported in the VC incubation, PE Buyout, PE rescue/turnaround and PE replacement capital categories.

Equity investments – sector breakdown

Companies from 11 sectors received funding in H1 2024. The three largest sectors by total invested amount were Communications, Real estate and Business & industrial services that accounted for 69.1% of total transaction value and 50.0% of number of deals (see Chart 3 and Table 1).

In H1 2024, the largest transactions also occurred in the Communication and Real estate sectors.

The highest average deal size was HUF 2 292 million from the Communications sector which is followed by the Transportation sector with HUF 2 226 million.

Chart 2. – H1 2024 Invested capital by investment stage

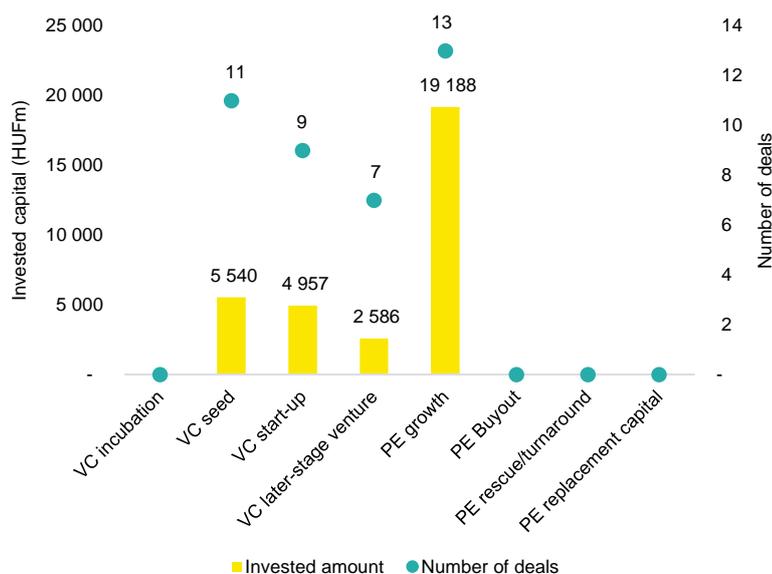


Chart 3. – H1 2024 Invested capital by sector

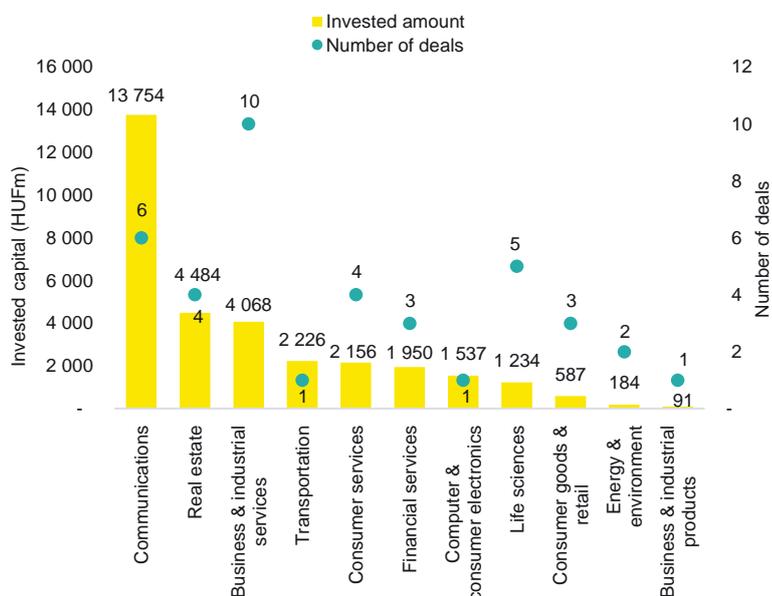


Table 1. – Half-yearly breakdown of investments by sector

| Sector | H1 2021 | | H1 2022 | | H1 2023 | | H1 2024 | |
|---------------------------------|------------------------|---------------|------------------------|---------------|------------------------|---------------|------------------------|---------------|
| | Number of transactions | Amount (HUFm) |
| Agriculture | 4 | 1 016 | - | - | 6 | 1 487 | - | - |
| Business & industrial products | 3 | 37 | 6 | 6 966 | 1 | 140 | 1 | 91 |
| Business & industrial services | 16 | 8 109 | 17 | 11 045 | 10 | 5 022 | 10 | 4 068 |
| Chemicals & materials | - | - | - | - | - | - | - | - |
| Communications | 2 | 682 | 2 | 2 280 | 6 | 258 | 6 | 13 754 |
| Computer & consumer electronics | 3 | 483 | 4 | 47 | 4 | 409 | 1 | 1 537 |
| Construction | - | - | 1 | 6 247 | 1 | 115 | - | - |
| Consumer goods & retail | 9 | 6 264 | 10 | 1 689 | 6 | 1 924 | 3 | 587 |
| Consumer services | 15 | 1 982 | 15 | 1 837 | 10 | 938 | 4 | 2 156 |
| Energy & environment | 2 | 212 | 3 | 275 | 1 | 101 | 2 | 184 |
| Entertainment industry | 1 | 100 | - | - | - | - | - | - |
| Financial services | 3 | 718 | 3 | 209 | 2 | 479 | 3 | 1 950 |
| Life sciences | 3 | 211 | 3 | 108 | 1 | 20 | 5 | 1 234 |
| Real estate | - | - | 6 | 8 478 | 3 | 482 | 4 | 4 484 |
| Transportation | - | - | - | - | - | - | 1 | 2 226 |
| Total | 61 | 19 813 | 70 | 39 181 | 51 | 11 374 | 40 | 32 271 |

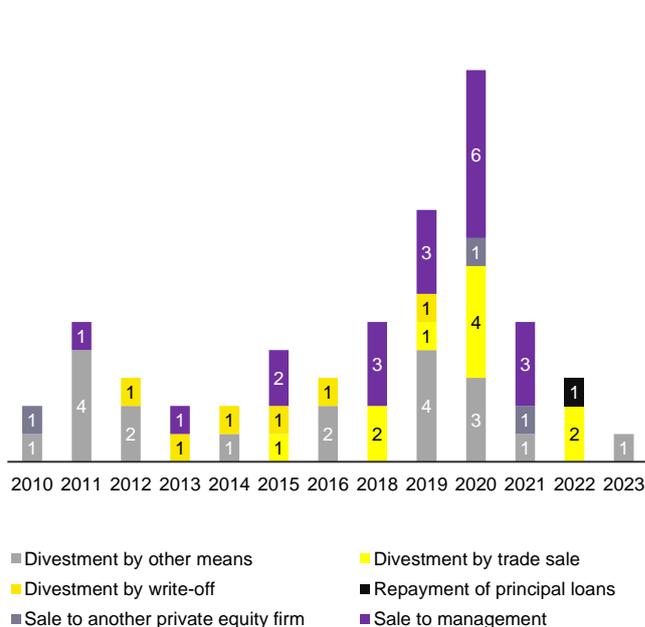
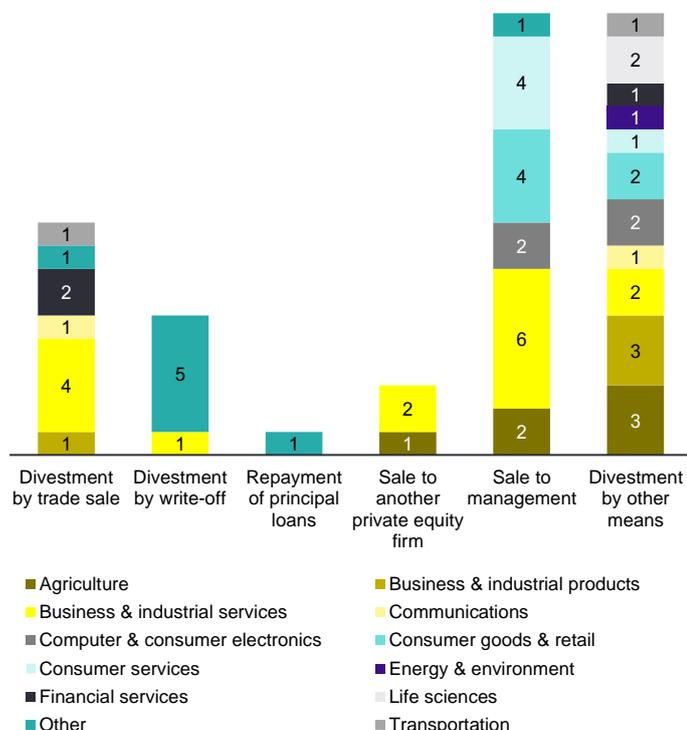
Divestments

14 funds reported a total number of 58 divestments (48 full and 10 partial) in H1 2024 in various sectors, in which the largest number of divestments – 15 out of 58 - occurred in Business & industrial services (see Chart 4 below).

Based on the form of exits, divestments comprised of 19 sales to management and 19 divestments by other means, 10 divestments by trade sale, 6 divestments by write-off, 3 sales to another private equity and 1 repayment of principal loan. The investment lifetime of exited investments varied between 1 to 14 years (see chart 5). The average investment lifetime of the 58 exits in H1 2024 was around 6.5 years.

Chart 4. – H1 2024 Number of divestments based on sector and form of exit

Chart 5. – H1 2024 Number of divestments based on year of first investment and form of exit



Fund raising

There was HUF 81 683 million fundraising reported in H1 2024, from which 2 funds were created.

Summary

During H1 2024, 40 companies received HUF 32 271 million from VCs and PE funds. There was a significant increase (183.7%) in invested amount, even though the number of the deals in H1 2024 was 21.6% lower compared to H1 2023. The largest amount was allocated in PE growth phase (HUF 19 188 million), and in volume terms most of the transactions were closed in PE growth phase and VC seed phase (76.2% of the total).

Companies operating in Communications, Real estate and Business & industrial services sectors received 69.1% of the total capital invested in the first half of 2024. Considering the number of deals, the two most active sectors (Business & industrial services and Communications) accounted for 55.2% of the total market activity and 40.0% of the number of transactions. Furthermore, the largest transaction by value can be found in Communications (HUF 11 428 million).

There were 58 divestments by 14 funds in various sectors. A high number of divestments – 38 out of 58 – were classified as either sale to management or divestment by other means in H1 2024.

There was HUF 81 683 million fundraising reported in H1 2024.