



Exclusive

**Hungary**

## **DBH Group plans 1-2 deals via new EUR 14mn JEREMIE backed VC fund**

Apr 24, 2009 (DW) - DBH Group, a Dutch-Hungarian business services and investment company, plans at least one or two transactions this year via a new HUF 4.3bn (EUR 14.3mn) fund with the expected support of the E.U.'s JEREMIE initiative, the group's CEO has told DealWatch.

"We are planning to support small and mid-sized businesses, either Dutch-owned firms looking to invest in Hungary, or domestic firms looking to grow and expand abroad," Sandor Erdei, the CEO of DBH Group, said in an interview.

"DBH currently operates two innovation and business centers in Hungary, with another one to open in October, where we provide various services to some 45 SMEs, many of which are in need of added capital to finance their growth plans," he added.

Erdei said that if their new venture capital fund is awarded the necessary funds through the JEREMIE program, they would be ready to start investing in these firms immediately.

"I believe we would be able to do at least one, but more likely two investments already this year," said the CEO.

DBH Investment Venture Capital Fund Management Zrt hopes to win HUF 3bn in E.U. backing for the new fund, which, together with HUF 1.3bn from its own resources, would see the fund kick-off with a hefty HUF 4.3bn (EUR 14.3mn) to invest.

The Joint European Resources for Micro to Medium Enterprises initiative, known by the acronym JEREMIE, is an initiative of the E.U. and the EIB Group. It aims to provide non-grant financial debt and equity instruments to support SMEs in member states.

The E.U. has earmarked HUF 35bn (EUR 116.7mn) for Hungary under this scheme. It will be distributed to applicants via the state's venture finance company Magyar Vallalkozasfinanszirozasi Zrt, and the results of the tender process will be announced May 12.

DBH Group was established in 1994 as a regional development agency under the framework of a Dutch-Hungarian government initiative, but has been operating as a profit-oriented company since 1998. Its venture capital arm was set up in 1999.

The group has carried out 11 investments into SMEs so far, of which all but two - electronic services firm E-Care Solutions and hotel/tourism project Ezustfenyo Kft - it has exited.

"We plan to eventually exit these investments as well, but only in around 3-5 years," said Erdei.

DBH also plans to expand its business services center network this year, adding sites in Slovakia's Kosice and in the Romanian capital Bucharest by September.

DBH is one of 18 Hungarian companies that have submitted applications for JEREMIE funds. It is expected that seven or eight applicants will be successful and the size of the winning individual funds will be capped at HUF 7bn.

Of that amount a maximum of 70% will come from the E.U. support and each fund will have a maximum ten-year investment period.

The funds are to target local companies in the early stages of development that have been active for less than five years and have annual revenue of less than HUF 1.5bn (EUR 5.6mn).

Acquiring stakes will only be allowed through capital raises, whilst the maximum amount of capital available per target will be EUR 1.5mn per year, for up to three years.

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