Startup Hungary

Hungarian Startup Report 2020

Exploring what makes Hungarian startups succeed

Startup Hungary
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Csongor Biás
Managing Director at Startup Hungary

The first Hungarian Startup Report

There is a dispute about when we should date the birth of the Hungarian startup ecosystem. Some people count it from the first high growth potential tech companies that popped up. Márton Szőke started Indextools in 2000 and later got acquired by Yahoo!. Márton Anka started LogMeIn in 2003 and went public in 2009, the year when Prezi launched and Ustream turned two years old. These were the origin stories. There was no startup ecosystem back then. The first startup conference was thrown in 2008. The first JEREMIE VC program was kicked off in 2010, dumping EU incentivized VC money into the market that has been going strong since. We can safely say that the startup ecosystem started to slowly develop in Hungary somewhere between 10-20 years ago.

What has happened during the past 10-20 years' time? How did the ecosystem progress? How many startups were started, how many of them failed? How successful are we in producing successful startups? Which verticals are the hottest? What works well and what does not?

Just as we don't have a clear answer to when we should count the start of the startup scene, the answers to these questions also vary. Various databases are inconsistent and noisy, the things we (think we) know about the startup scene are largely anecdotal and opinion-based. This is the reason we decided with Startup Hungary to publish an annual report, that makes our shared understanding more objective and allows us to measure the growth of the industry year over year.

This year, 232 tech companies took Startup Hungary's first Annual Hungarian Startup Survey. Based on our assumptions we were able to reach about 25% of the estimated 1,000 active startups in Hungary. This makes this report the most thorough, systematic assessment of the HU startup ecosystem to date.

Thanks to the contributions of the startups who participated now we have data to better understand what makes successful Hungarian startups successful, and struggling startups struggle.

For the purposes of the report, we have distinguished between two clearly identifiable groups:

The "champions" are startups that:

- have average monthly revenue over of 80K EUR, in the last 6 months, and
- have been growing at an average 5% or more per month in the last 6 months (or in 2019 if Covid-19 hit the business hard), or
- have a well-known international VC backing them.

The "pretenders" are startups that:

- are over 2 years old (started in 2018 or earlier)[1],
- have not yet reached Product Market Fit, and
- have no regular revenue or only an average monthly revenue of under 10K EUR.

1 While segmenting the teams, we took into consideration that some types of startups (eg. biotech), take a longer time to develop than eg. web / mobile applications, and removed certain companies from the pretender category, even if they were pre-revenue and older than 2 years.

Ten takeaways from the first Hungarian Startup Report

1. Hungarian startups dare to dream big

Optimism, a belief in success, and a can-do attitude are key requirements for entrepreneurship. We seem to be good at this. More than ⅔ of respondents believe their startup will be acquired, and 80% of them think they will be a key global player in their industry. A stunning 34% (79 teams) believe they could become a unicorn, a startup with a $1B+ valuation. The same number of startups believe they will raise capital from international VCs in the next 12 months. Only one out of 10 think they will fail. This sounds great. This is the spirit needed for success. However, considering other data from the survey, previous achievements of local startups and general startup statistics, we believe that the road to success is not well travelled, and the importance of reaching certain milestones is underestimated.

2. Going global is challenging

Many respondents, 37%, focus solely on the local market and another 17% report less than ¼ of their revenue coming from international sales. While 72% of the respondents want to expand to new markets in the near future, most - especially those who currently have a low ratio of export - want to expand primarily in CEE. Only 30% are looking to enter the US market. The biggest reasons startups stay local are because they feel their product isn't ready or because they want to test locally first. This seems somewhat concerning as we see that the most successful startups tend to focus on large international markets from the start. Testing a product and business model on the local market while aspiring to win on the international market doesn't equate.

3. Few startups have stable revenue and international scale

Out of 232 respondents, we identified just 24 Champion startups with 80,000+ EUR in monthly revenue and an average monthly growth rate over 5%. What do these companies have in common? Half of the Champions successfully make the leap to an international market - earning at least 75% of their revenue from international clients. They're also much more likely to raise from only private funds or international VCs. Finally, Champions are 4x more likely to have international team members - a fact no doubt bolstered by the higher likelihood that they have an ESOP (Employee Stock Ownership Plan) in place.

4. Startup founders are typically male, 30+ years old, well educated and have lived abroad

Contrary to stereotypes, startup founders are typically not in their twenties. Over 80% of CEOs are above 30 - and among the Champions, close to half are above 40. Most startup founders have a master's degree, and there is a balanced distribution of people coming from both business background and technical sciences. Three out of four respondents have spent significant time abroad, either working or studying. Founders usually have a few years of work experience - only 19% of respondents started their startups after finishing their studies. About half of the founders have either launched or worked at a startup before, but surprisingly we didn't find a correlation between the success of their current startup and whether the founders had previous startup experience. There is certainly a gender diversity problem. Only 29% of startups reported having a female co-founder, and only 12% have a female CEO.

5. Startups are typically B2B SaaS and focus on building web/mobile products

According to our research, most startups focus on B2B SaaS. 60% of respondents are building mobile or web products, and 57% of them earn money through a subscription model. We see many startups trying to target consumers and businesses simultaneously, but more startups struggle in the B2C space. A little over 60% reported they are using some sort of "deep tech." The top verticals were AI, Big Data, Fintech, Analytics/BI, IoT and Medtech. This data strengthens the stereotype that we have better resources for building tech-heavy, B2B startups compared to consumer products in the CEE region.

6. The biggest challenges are finding talent, getting traction, and a lack of marketing & sales skills

It's a returning theme that the biggest challenges are around getting traction. Almost half of the startups selected sales and customer acquisition as their top challenge. When we asked about the type of knowledge they lack in their team, sales (39%) and marketing (29%) topped the list. Lacking resources include professionals to work with (38%) and access to clients (34%). In the top three, we also saw funding which was driven mainly by the Pretender segment. The sales and marketing challenge is reflected in talent acquisition, where over half of the respondents are on the hunt for sales & business development people.

7. Private and public VCs don't work together

Almost two-thirds of responders have raised some type of external funding, and most of these have raised from local VCs. Almost 80% of those who raised from local VCs, raised from "public funds" (either fully or majority EU or government-backed) only, whereas 12% (70% of them Champions) raised from only private funds (mostly private money backed). There is an extremely low share of local VC funded startups (7%) that raised from both private and public VCs. This suggests that something is broken, and private, and public VCs don't, or can't, work together. One additional insight is that local accelerators and local angels funded fewer startups than local VCs (27% and 33%, respectively), showing that angel investing is not widespread and VCs are dominant even in the pre-seed stage.

8. Startups collaborate with corporates frequently and feel good about it

More than 44% of all respondents said they have a strategic collaboration with a large corporation. In half of the cases, this means that the corporation is a strategic client of the startup, while many also create innovative solutions together (30%). A notable number of teams participated in a corporate accelerator (18%) and raised money from corporations (17%). The past few years have seen a rapid increase in corporate players offering some type of startup program and collaboration opportunity. According to the answers, these do reasonably well: 50% of them rate them good, and 27% of startups rate the collaboration very good.

9. Regulatory and fundraising barriers push startups to set up entities abroad

Most startups said their biggest burdens include strict rules for acquiring public financial support (25%), bureaucracy in day-to-day operations (20%). 23% of teams have already formed a foreign entity, mostly in the US (36%) or UK (30%), but what is even more surprising, is that 29% of all respondents said that they will open a foreign entity in the next 12 months. If this is the case, in a year from now more than half of the Hungarian startups will primarily operate as foreign startups. The biggest reasons for opening, switching to, or forming a foreign entity are better chances of raising money, better conditions for development, simple and a transparent regulatory environment and less bureaucracy.

10. Startups are more resilient to the economic shock of Covid-19 than traditional industries

More than half of the startups reported that they either have a positive impact or they were not impacted by the economic effects of the Covid-19 pandemic. Only 34% experienced a negative impact. Most startups who reported negative impact were in marketing technology, and the most who reported positive effects were in education - which is in line with the recent shift to remote education. The future looks positive - 51% said it will have a positive effect in 2021 and only 21% think it will be negative. Medtech startups are especially bullish, 69% of them believe that COVID will have a positive impact on their business in 2021. Only 11% of the startups said they had to change their business models because of the pandemic and 38% had to make only minor adjustments.

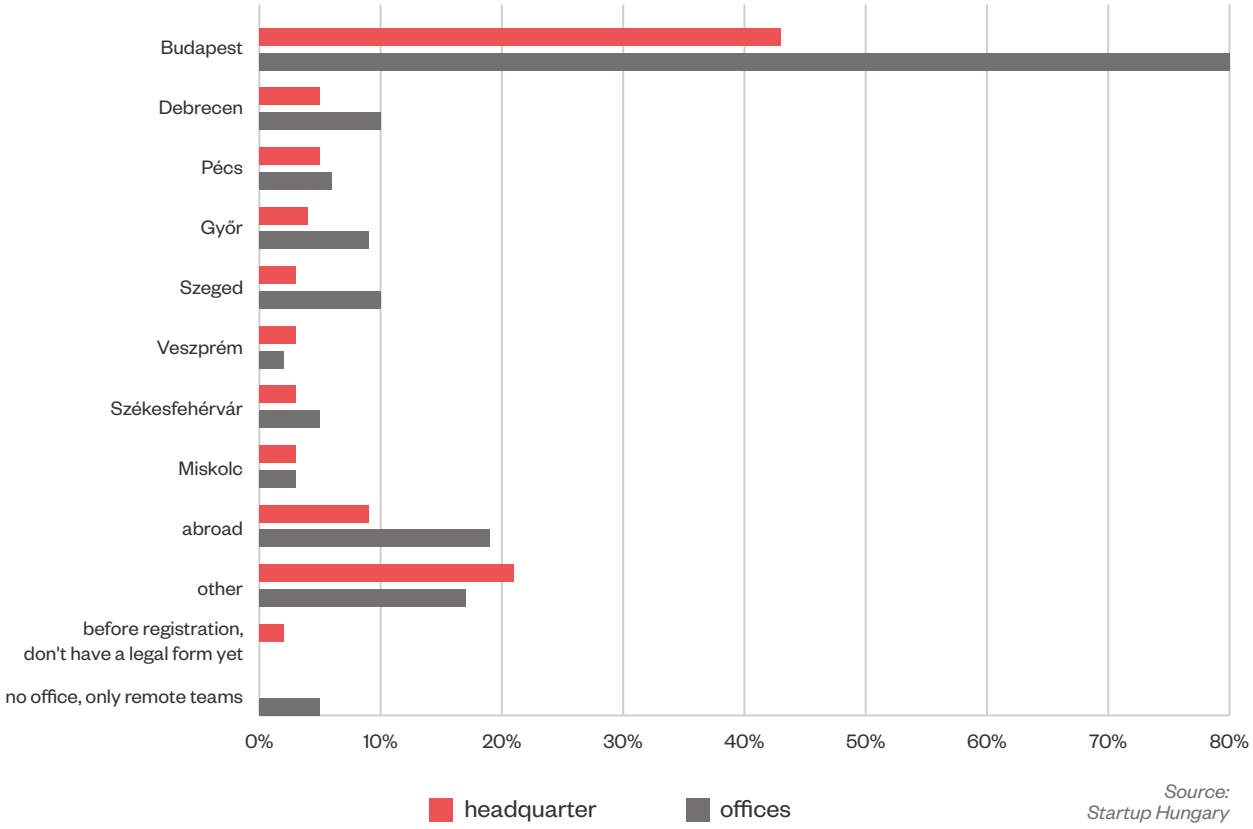
Startup Founders

Where do Hungarian startups come from?
This is how Hungarian startups incorporate
Venture building is for kids of all ages
You will find less women in startup leadership
Startup founders are well educated
Social sciences or engineering - which is more useful?
Previous work experience of founders
Is serial entrepreneurship an indicator of success?
Previous experience abroad is common
Most founders are motivated to address a big problem

Where do Hungarian startups come from?

Where are Hungarian startups incorporated and where else do they have operations?

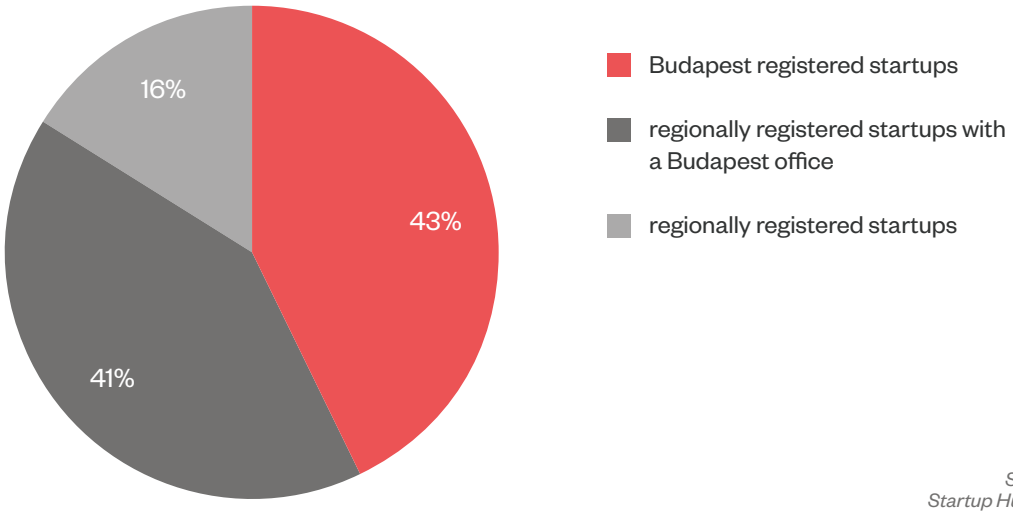
% of all respondents, n=232



Source: Startup Hungary

How many startups are registered regionally, but have operations in Budapest?

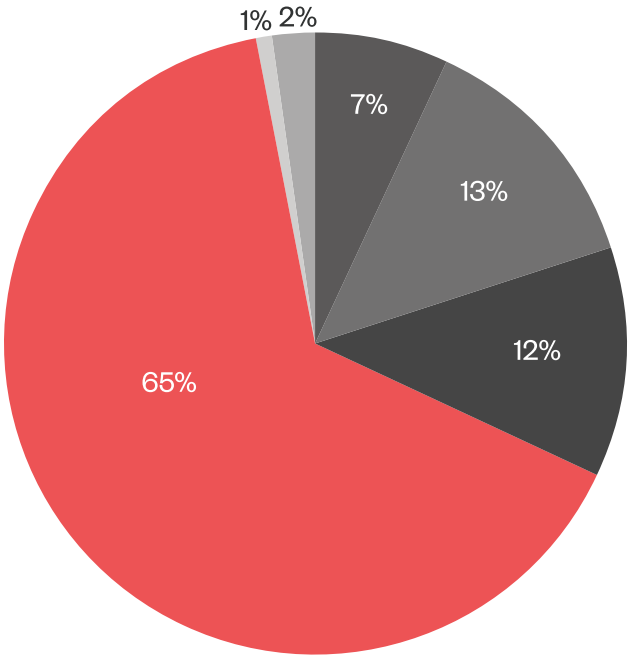
% of all respondents, n=232



Source: Startup Hungary

This is how Hungarian startups incorporate

What is the legal entity of your startup?
% of all respondents, n=232



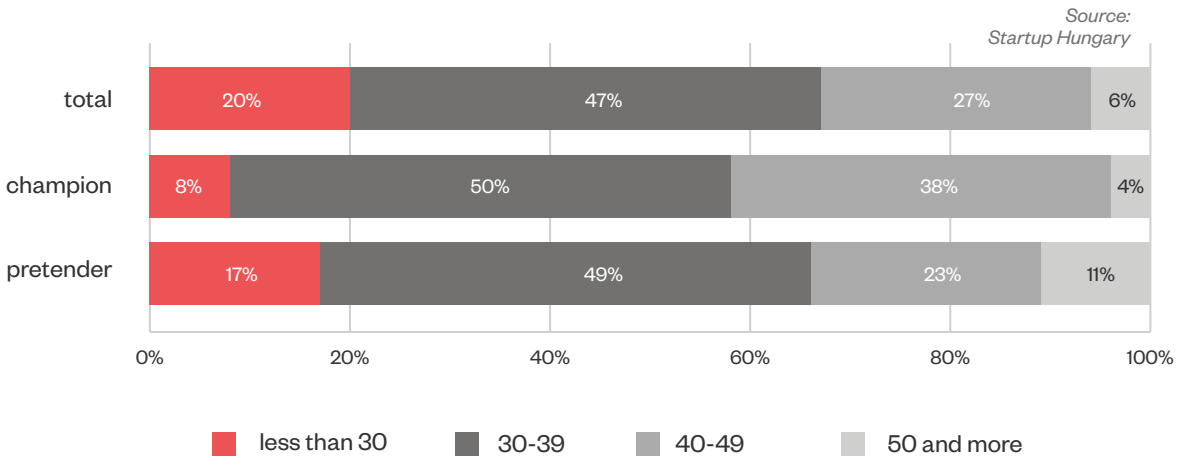
- before registration, we do not have a legal form yet
- foreign entity (with or without Hungarian subsidiary)
- Hungarian join stock company (Zrt.)
- Hungarian limited liability company (Kft.)
- no entity, startup is part of a large organisation
- other

Source: Startup Hungary

Venture building is for kids of all ages

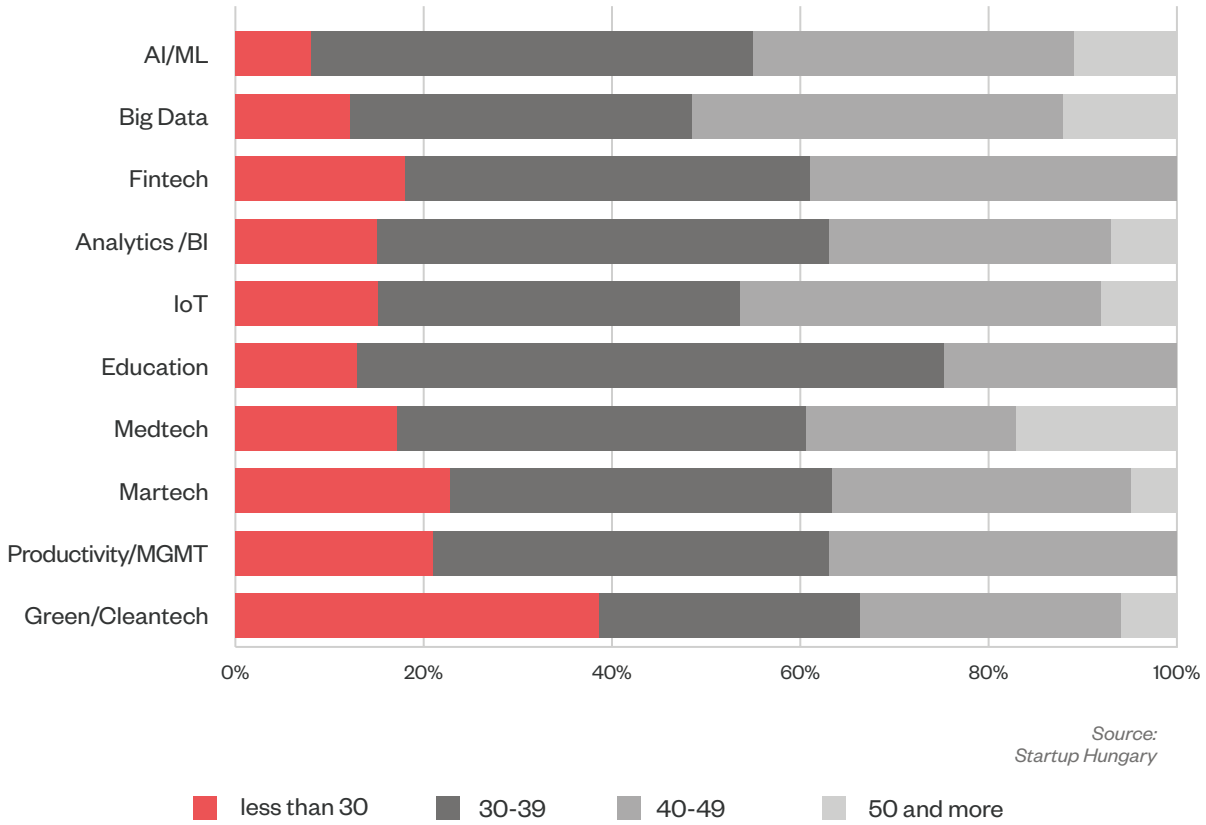
How old is the CEO?

% of all respondents, n=232, champion n=24, pretender n=75



How old are the startup CEOs by top vertical?

% of respondents / top verticals

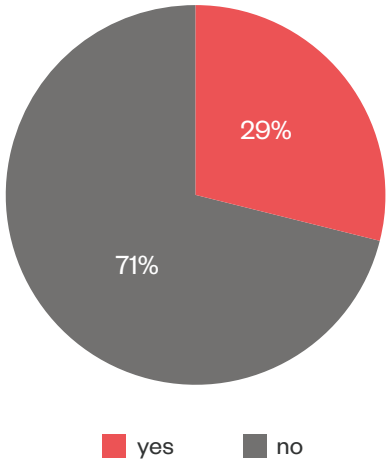


You will find less women in startup leadership

Do you have any female founders?

% of all respondents, n=232

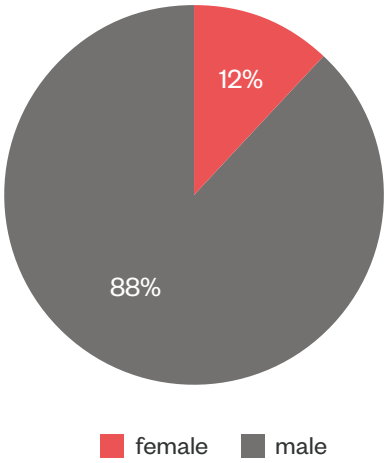
Source: Startup Hungary



What gender is the team's CEO?

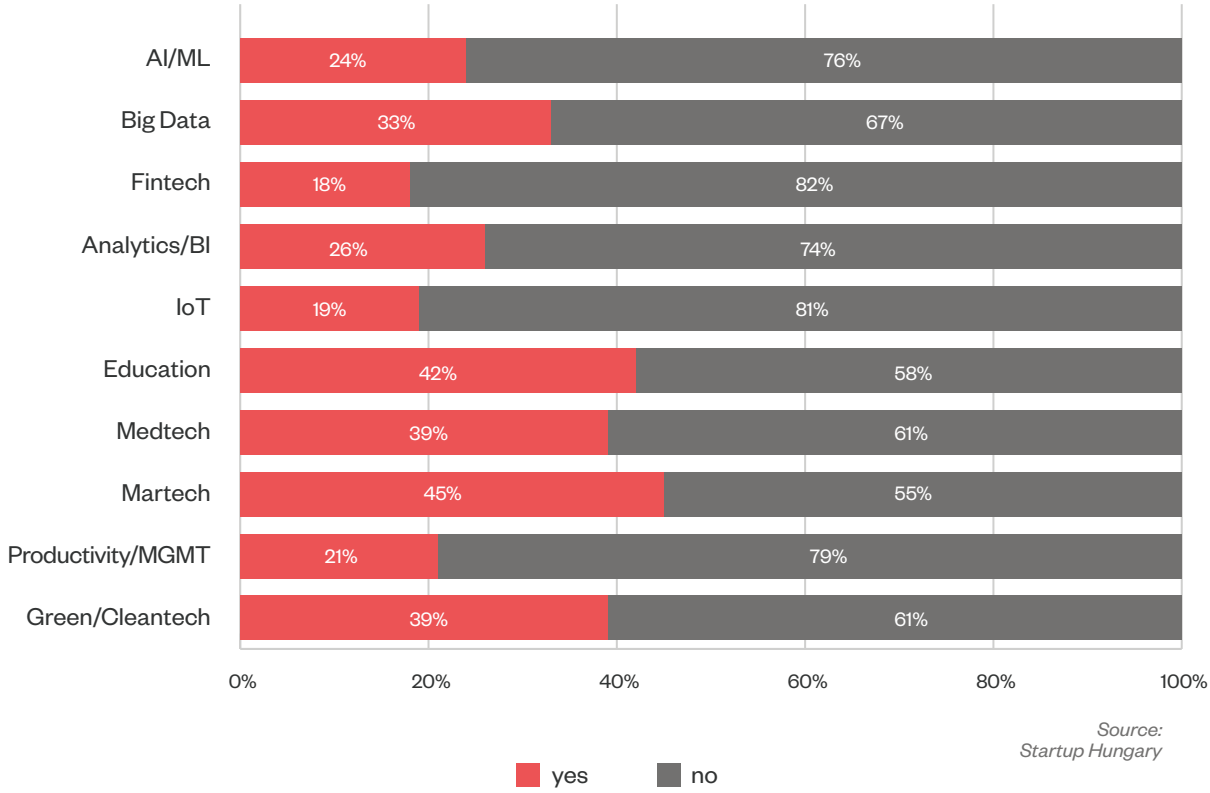
% of all respondents, n=232

Source: Startup Hungary



Verticals with the most female co-founders

% of all respondents / top verticals



Source: Startup Hungary

Kinga Jentetics
CEO & Co-Founder at PublishDrive

Women in startups - why not?

Around the globe, there are over 252 million female entrepreneurs, a number that's doubled in the last five years. Women, on average, also tend to run more profitable businesses than men.

More women graduate from university than men, yet interestingly, female empowerment is lagging in the tech scene when it comes to founding a business or running it as a CEO.

And in Hungary, only 29% of startups have a female founder, while only 12% have a female CEO.

Why are there still so few female leaders?
In my experience, there are three main reasons:

1. Women tend to have less confidence and question themselves more throughout the startup journey. But it's exactly this kind of entrepreneurial challenge that requires an above average level of self confidence.

2. Women tend to look for (and find) obstacles, while men more often approach processes with a can-do attitude, which provides an advantage in taking the leap towards entrepreneurship.

3. Women tend to take over too many responsibilities — whether it's in the home, with family or friend obligations, or starting or leading a business, we can feel overwhelmed by the whole new host of tasks required of starting a startup.

During the pandemic, I've seen more women volunteering to home-school or take care of their families, choosing to pivot away from their own career or business. So women rock when it comes to crisis management, but how come most of us avoid the risks it takes to start and lead their own business?

> ***The key lies in the lack of positive examples and a global focus on the 'WHY NOTS'.***

I was lucky to have a role model close to me growing up, in my own mother running her own business. From my childhood on, my journey to become an entrepreneur was set in stone. But even with this example leading the way, the journey was bumpy: a lot of people questioned me, our business, tried to push me into uncomfortable and awkward situations, or tested me more rigorously in meetings that lasted 3x longer than usual.

The challenges that came my way due to gender bias I saw as an opportunity to prove there is no 'WHY NOT' for women that doesn't exist for men. For example, I followed the advice of a Silicon Valley-based female angel investor who explained: 'You have to get prepared for any meeting 100 times more than a man, just because you are a woman. Having a fancy slide deck and charisma is not enough.' Hearing that, I went into number-crunching mode before each presentation, big or small, preparing for all possible questions coming my way from investors, partners, or potential clients.

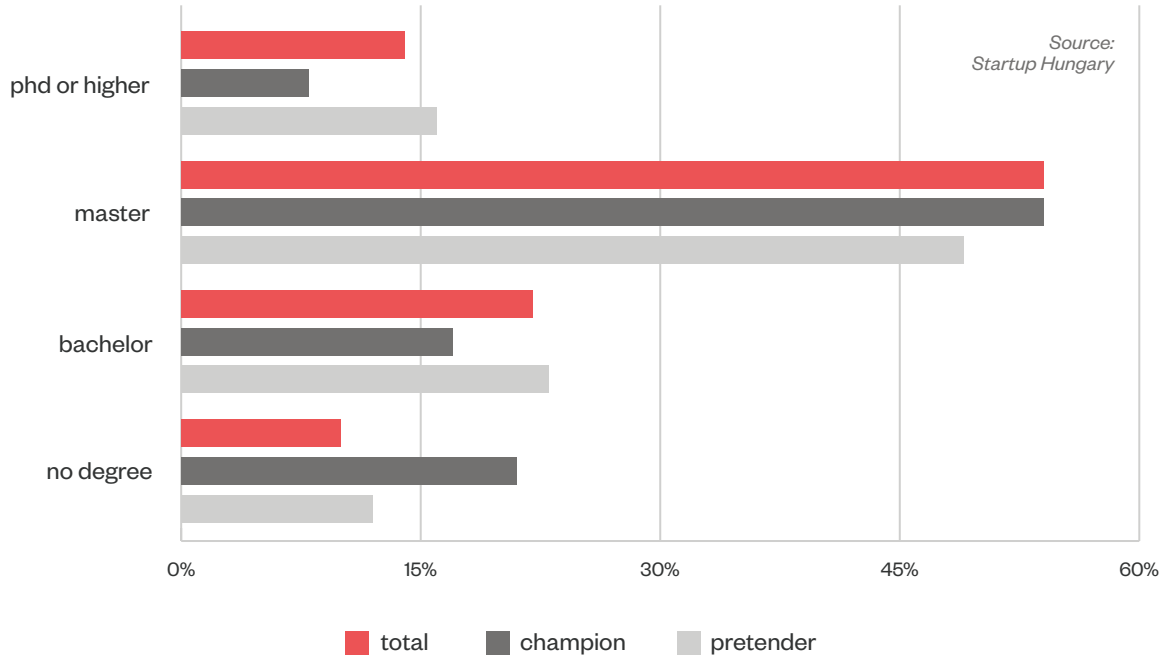
The trend of female empowerment on the startup side is positive — we now have more women founding businesses than ever. More females become role models for new generations, who can show the world how they use gender-based barriers as opportunities to cover all the bases. But true equality in entrepreneurship is a result of a mutual effort by both men and women. Men also need to support the women in their lives who dare to take the leap to start or lead a business.

The numbers don't lie: the positive trend will continue with more women-owned/led businesses generating more money for shareholders, especially if we can show the world the positive examples and erase the words 'WHY NOT' from the dictionary.

Startup founders are well educated

Highest educational qualification of startup founders

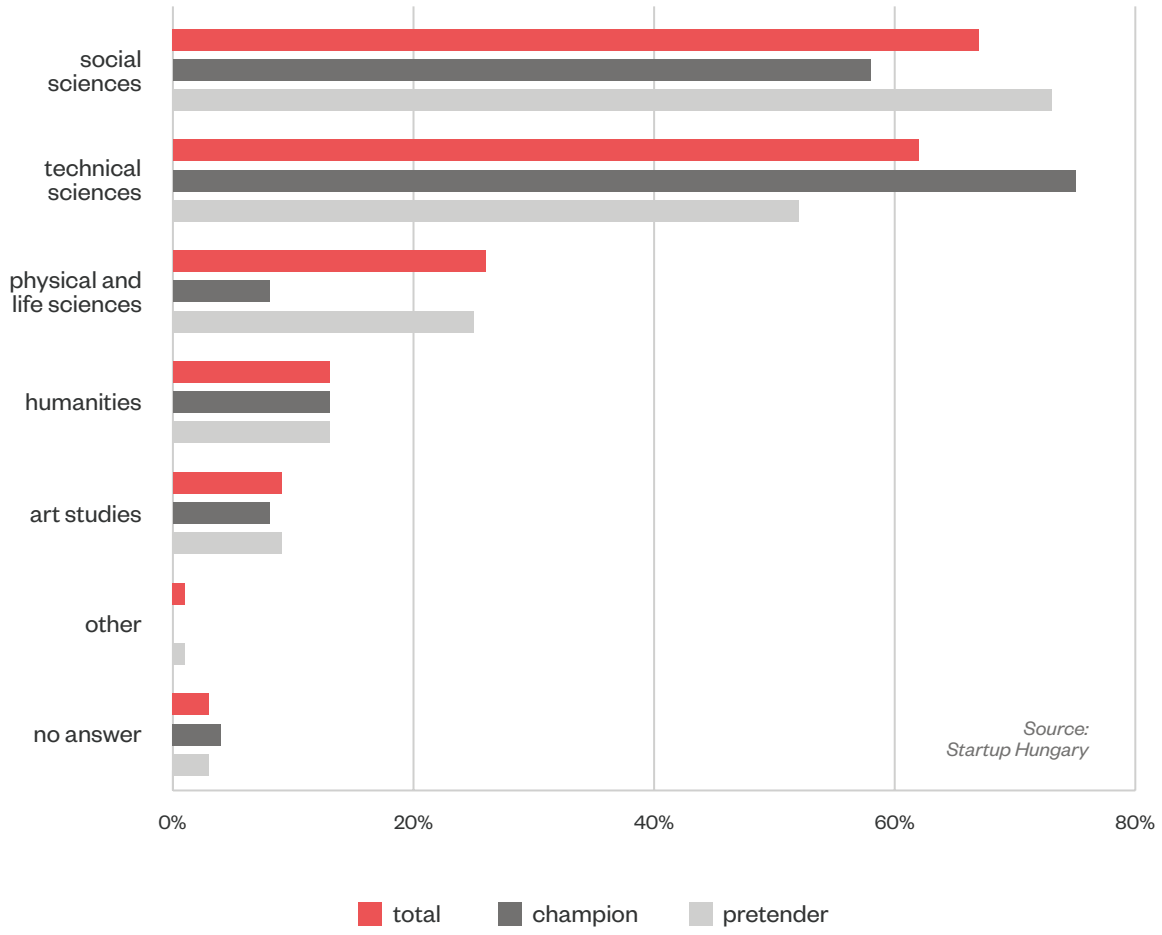
% of all respondents, n=232, champion n=24, pretender n=75



Social sciences or engineering - which is more useful?

What did you and the other founders study?

% of all respondents, n=232, champion n=24, pretender n=75



Krisztián Kölkedi
Head Of Department - Startup Program Leader
at NRDI - National Research, Development
and Innovation Office

The exponential opportunities in Hungarian higher education

Hungarian higher education has enormous potential, so there is a lot of discussion around how to integrate the capacities and knowledge that can be found there as effectively as possible into the economy, the business world and the innovation ecosystem.

The infrastructure of larger universities, both through their laboratory capacity and their students, has long allowed for multi-layered connections. Some of the smaller universities also have student bodies that can be motivated and the necessary assets, or can reach the needed level with some focused effort. So there is an opportunity for the university network to become a more active player in the ecosystem and, in addition to the more traditional methods, to learn from international success stories, and to take a greater share from business life.

Some believe that university regulations make it impossible to connect more closely with the market or that it's too early to address the additional training of university students as they are overburdened anyway. However, according to most of the independent market experts we interviewed, this could definitely be a long-term solution but because of the relatively long time investment, many lose the motivation to embark on the necessary transformations. Institutional reforms and developments, as well as an increased involvement of students, can only be achieved with a complete paradigm shift that demands more time. State regulations provide universities with the necessary tools, and the sooner the transformations begin, the sooner the incentivizing impact of change will be felt.

The issue of students is more complex, as it involves more than 200,000 stakeholders - from different disciplines with different needs and expectations, no less. We decided to get a headstart, and - taking advantage of the opportunity that NKFIH established an independent advisory board of market players, startups, capital and policy representatives in 2018 - discuss the issue with them. Among other things, as a result, we conducted a comprehensive research project involving nearly 13,000 university students in March 2020, which highlighted that we don't have to protect Hungarian university students from the entrepreneurial market, in fact, they're keen to acquire knowledge in this area. The important point is that this offering should be an option for them, not a mandatory course.

In September 2020, we launched the Hungarian Startup University Program (HSUP), the aim of which is to give students interested in the topic insight into the world of innovation and business at an early age, to learn the theoretical foundations, to meet business angels, incubators and successful business people, business leaders, and professionals, and even to work with them to implement their own ideas. Worst case scenario, if the business world doesn't appeal to them, they've still earned a few credits and learned

a solution-centric, innovative mindset. At best, however, they could get a business offer from a company or an investor and in a few years try their luck in the real world. The goal of the program isn't to make everyone a startup entrepreneur, but rather to introduce this world to those interested and offer them the opportunity to find a place in it. By breaking down negative stereotypes, the goal is to initiate a change in mindset, a long-term paradigm shift, as soon as possible. The skills acquired here will, in any case, be of benefit to those who complete the program in the future, regardless of whether they have obtained a further degree after completing their studies or work in the market for a few years (where there is a huge demand for young people with an entrepreneurial spirit and open to challenges / entrepreneurship), or immediately begins to build their own company.

In the first year, nearly 2,100 students from 21 universities joined the program, 500 of whom began project work in teams in the second semester. In the next academic year, based on the feedback so far, the program will continue with the involvement of nearly 5,000 students at 25 universities. Next year's plan is to make this knowledge and skills development program, which we have already started to prepare, available in secondary schools and in-house intrapreneur trainings.

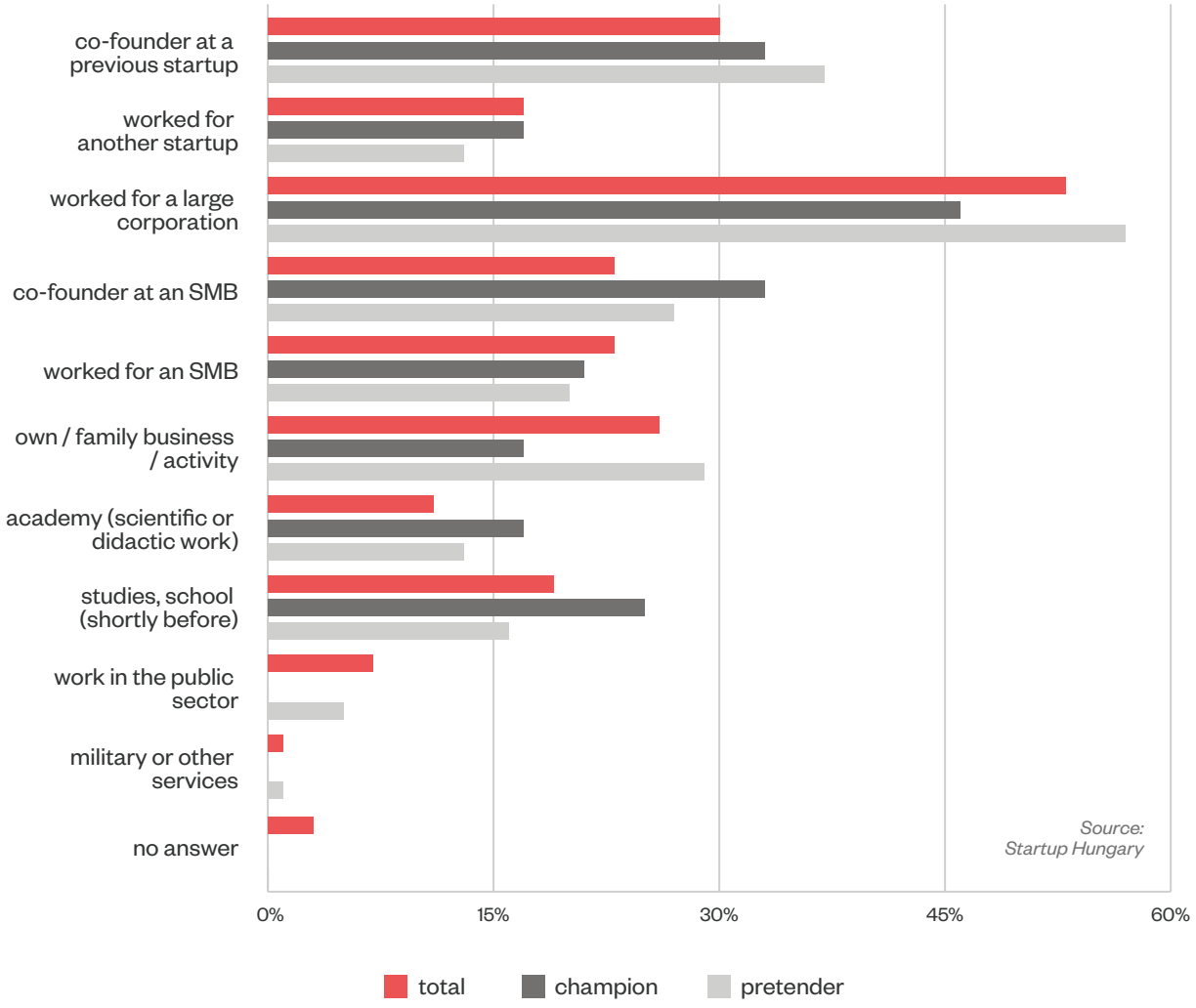
If more people embrace an innovative, solution-oriented approach, and more people focus on solutions rather than looking for faults and those responsible for a problem, this approach can have an exponential stimulating effect on economic and social development.

The process has begun. All you have to do now is maintain and make sure you stay up to date and don't lose sight of your original goals. And then you will succeed.

Previous work experience of founders

What did the team's founder(s) do before starting the startup?

% of all respondents, n=232, champion n=24, pretender n=75



Aurél Pásztor
Partner at PortfoLion Capital Partners

Build your foundation before starting your venture

Many of the most successful startup entrepreneurs are college dropouts. Bill Gates, Michael Dell and Mark Zuckerberg all left school because they were ambitious and had companies to build.

In our survey, only 37 people claimed to have dropped out of university. Should we be worried? Or is the next Hunicorn founder already among them?

Well, we don't know... but most investors are not looking for dropouts. The ideal startup founder is one with ambition, tested execution skills, domain expertise and a global outlook. Ambition is a must, and it comes from one's character but the rest can be gained just by making the pre-founder experience count.

Building and selling startups is a global business, and the US is its most relevant market. It has the largest market for software products and also for software companies. It has the most venture capital as well.

Chances are that founders who want to raise money, sell their software, or sell their company, will need to build networks in the US at some point.

Future founders who want to be strategic about their career, do well if they spend a couple of years abroad, working for companies that develop category leading products on a global scale. In more practical terms, it means US bigtechs or startups that scale fast.

Dropping out of Stanford or Harvard may be an option for some, but for Hungarian founders getting a masters degree first and then adding a few (but not too many) years of work experience at Google, Microsoft, or LogMeIn for that matter, may be the most valuable.

In these environments one can learn what it takes to build products for global audiences, work in diverse teams and see acquisitions from the inside. At the same time, working in a large organization, one might also develop a very strong desire to leave it all behind and build their own thing.

Although respondent numbers vary, it is good to see that about half of the founders we surveyed have worked abroad before launching a venture. Most of our entrepreneurs benefited from the experience by coming up with their startup idea at work and maybe that is also why the second most popular reason for starting a company here is to work with great people.

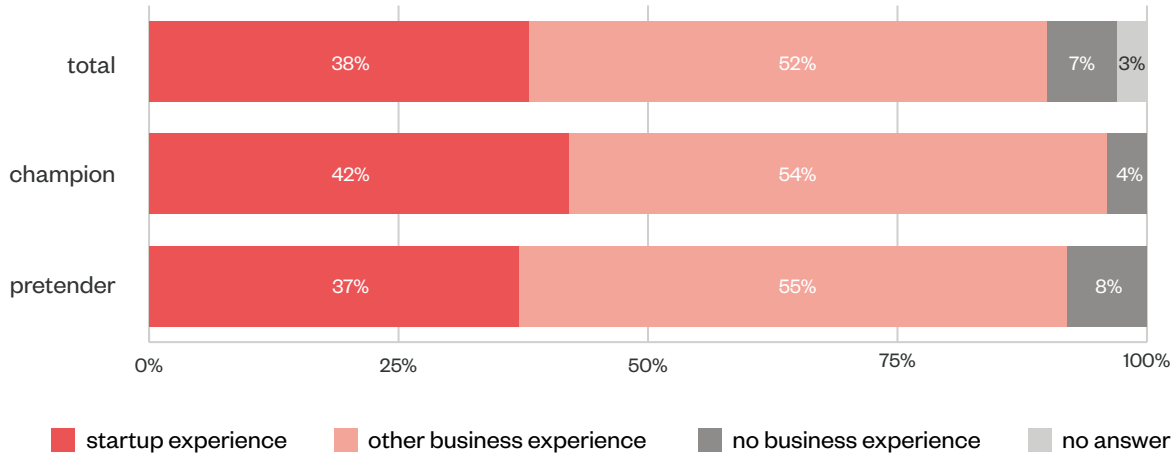
Still, in my view the Hungarian ecosystem is not as connected to the most relevant startup markets as it should be, and as some of our neighbours are. In Bulgaria or Serbia, there is a much stronger founder diaspora in the US than what we have here. While Poland has three teams at the Y Combinator alumni, the sole Hungarian alumnus there is Bitrise. We need to aim higher and this is what Startup Hungary is here to support!

Is serial entrepreneurship an indicator of success?

What did the team's founder(s) do before starting a startup?

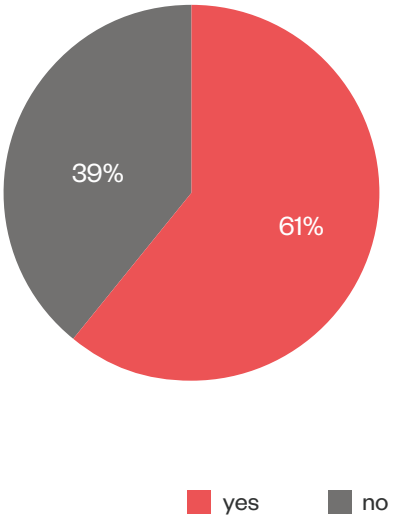
% of all respondents, n=232, champion n=24, pretender n=75

Source: Startup Hungary



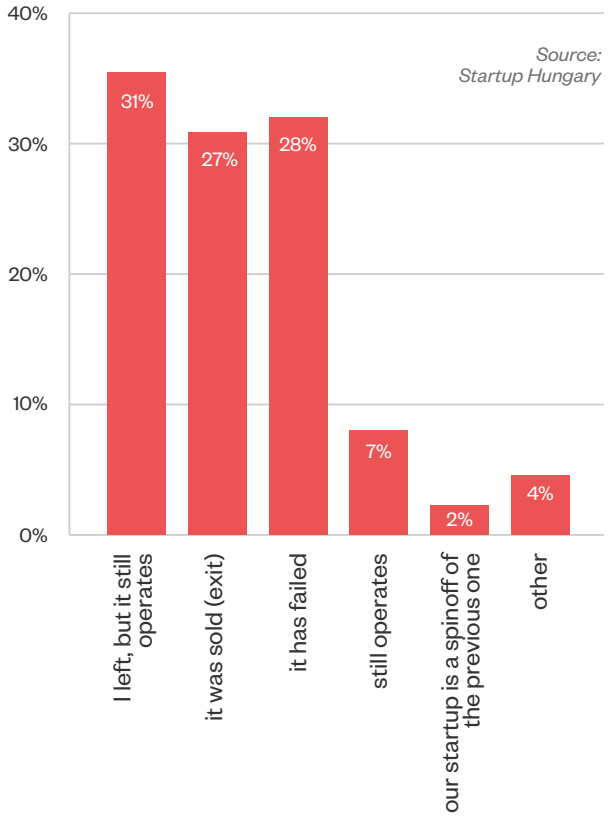
Did the founder's previous startup raise over 100K EUR in external funding?

Source: Startup Hungary



What happened with the previous startup?

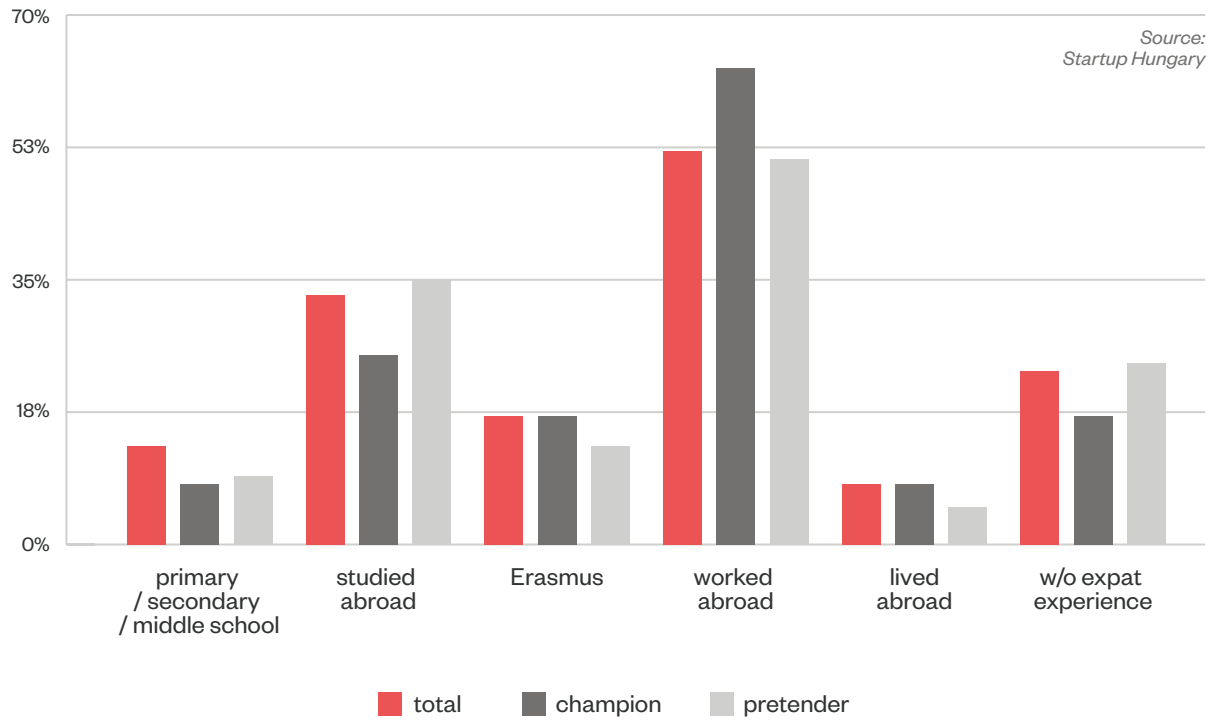
Source: Startup Hungary



Previous experience abroad is common

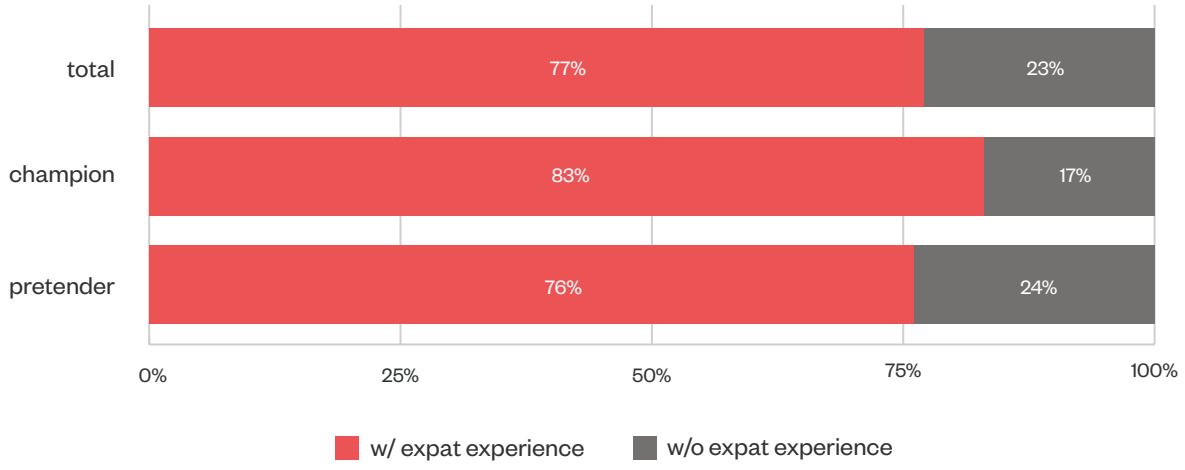
Did the CEO or any of the founders live abroad for over 3 continuous months starting at school age?

% of all respondents, n=232, champion n=24, pretender n=75



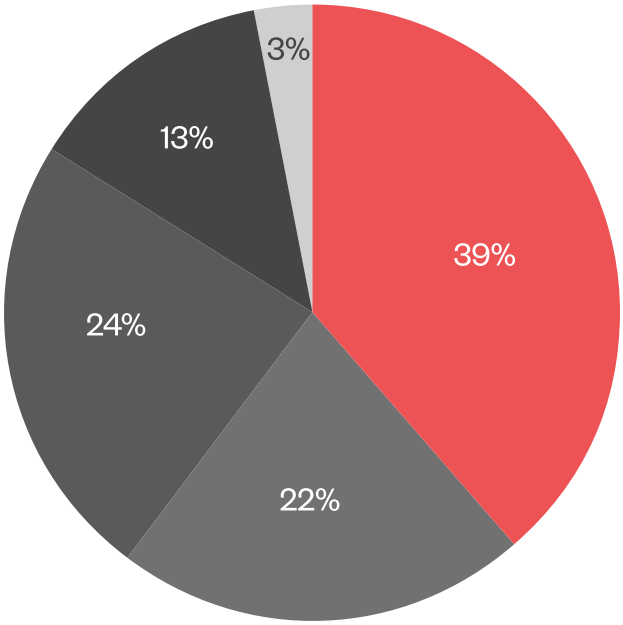
Has any of the founders or the CEO lived abroad continuously for more than 3 months starting from school age?

% of all respondents, n=232, champion n=24, pretender n=75, 2020



Most founders are motivated to address a big problem

What was your biggest motivation for starting your startup?
% of all respondents, n=232



- wanting to solve an important problem
- influence/help millions of people with the product or service
- creating a great company where I can work with great people
- other
- no answer

Source: Startup Hungary

István Csanády
Founder & CEO at Shapr3D

So you want to become a startup founder

First step: Deep self-examination. How much do you want it? It's important to understand that, because in the best case scenario, you'll be spending the next ten years on this.

Will your startup's product or service excite you for ten years? Are you sure?

For example, I grew up with CAD systems, and Shapr3D is my second run in the CAD world. I find the depth and complexity of the issue terribly exciting. I find it exciting that we do something that others do something with. And that it's something tangible. How many software industries are there that are tied to physical reality this closely?

I care about everything in the CAD world. The mathematics of CAD systems, the software architecture, the product, how to sell and market a CAD system, how they evolved, the history of the industry. Really everything. Are you this interested in the problem you want to solve? Or did you just bang out a prototype and think the world needs your genius solution, from which you will of course, quickly get rich.

If it's the latter, I have bad news for you: you won't. There is no overnight success. More precisely there is, it's just preceded by ten years of struggle. It's a cliche, but growing a big company - not a big team, that's easy - is a marathon, not a sprint. A good benchmark might be the questions: Is there anything you've been doing in your life for this long? If not, why would this be it?

Honestly: you probably just shouldn't do it. What you want to do makes no sense. Others have already done it better and faster -- and made it prettier and smarter along the way. Who are you to think you can build a business? Why do you think you're the one that's going to do it? Do you think you'll get right what other big companies built out of many hundreds of millions of dollars? What arrogance... Really, how dare you.

Still thinking about doing it? Well, now things are starting to get interesting.

How do you take failure? Does it rev you up or break you down? There will be plenty of failures, guaranteed. Especially in the first 2-3 years. Those will mostly be failures.

Do you have a co-founder? No? How much loneliness can you handle? If you do have one, there's a good chance you'll argue. Your relationship will certainly change fundamentally.

Are you willing to give up your standard of living for 3-4 years? I burned all my savings in the first year and a half and then earned a third of my previous salary for 3 years. For 5 years, I practically lived from a fraction of what I was making earlier. Are you willing to do that? Do you know that the most difficult thing for a person to give up from is their standard of living? It doesn't seem like a big sacrifice, but forget about sushi for a while. And the Croatian coast.

What's your stance on work life balance? Because it won't exist. You'll be sweating blood for the first 3 years. Sure, there are exceptions, with people tweeting about how you can build a business in 8 hours a day, but the truth is, you're almost always in a race against time, and you have to create something superhuman with terribly few resources. In this case, unfortunately, the only solution is to push 12-14 hours, seven days a week for a couple of years. For the most part, every successful company started like this. Are you willing to do that? Can you handle it? Is this really what you want?

> ***It won't be easier after three years, but it will be hard in a different way. You literally fight for the survival of your company for three years, and after that you're fighting for growth. And growth doesn't happen by itself, it has to be scraped together bit by bit.***

Sure, it will become increasingly routine, but it will also get three times harder each year. Can you get 3x smarter, faster, smarter every year? You won't be pushing 12-14 hours a day by then, but your mind will constantly be thinking about it. Always. Yes really. Even then.

You will probably need to raise capital, in several rounds no less...Are you willing to work with your investors, spend time with them? Manage them? Because that's part of the job. Understanding the terms sheet you got and what it means. Dealing with the legal and administrative part of starting a business. Traveling your soul out, spending half your life on a plane. Seeing your friends less often. Dealing with sales and marketing. With HR. Walking through thousands of CVs to find your top 30 people. Kick them out. It's not too fun, I'll be honest, but unfortunately you will make mistakes.

Are you willing to read tens of thousands of pages to understand how others did it? You'll have to, otherwise you'll be groping in the dark. A relentless amount of knowledge is available online, but it won't read itself.

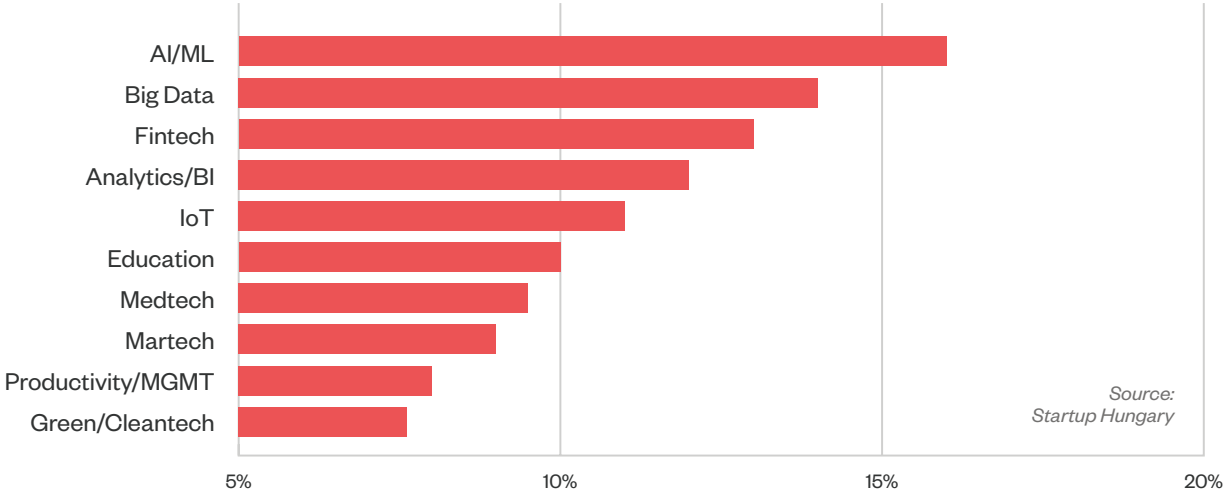
And what if you don't have any sense of success for years? Are you going to quit? Or push on? Will you make it? Are you sure? Because that's still not enough. Do you actually want this? Yes? Then it might be worth biting into. Turn to page 38 if you would like to learn how to start.

Verticals & Business Models

The hottest verticals are...
How common are deep tech startups?
The products and services being sold
How do startups make money?
Customer and user demographics broken down

The hottest verticals are...

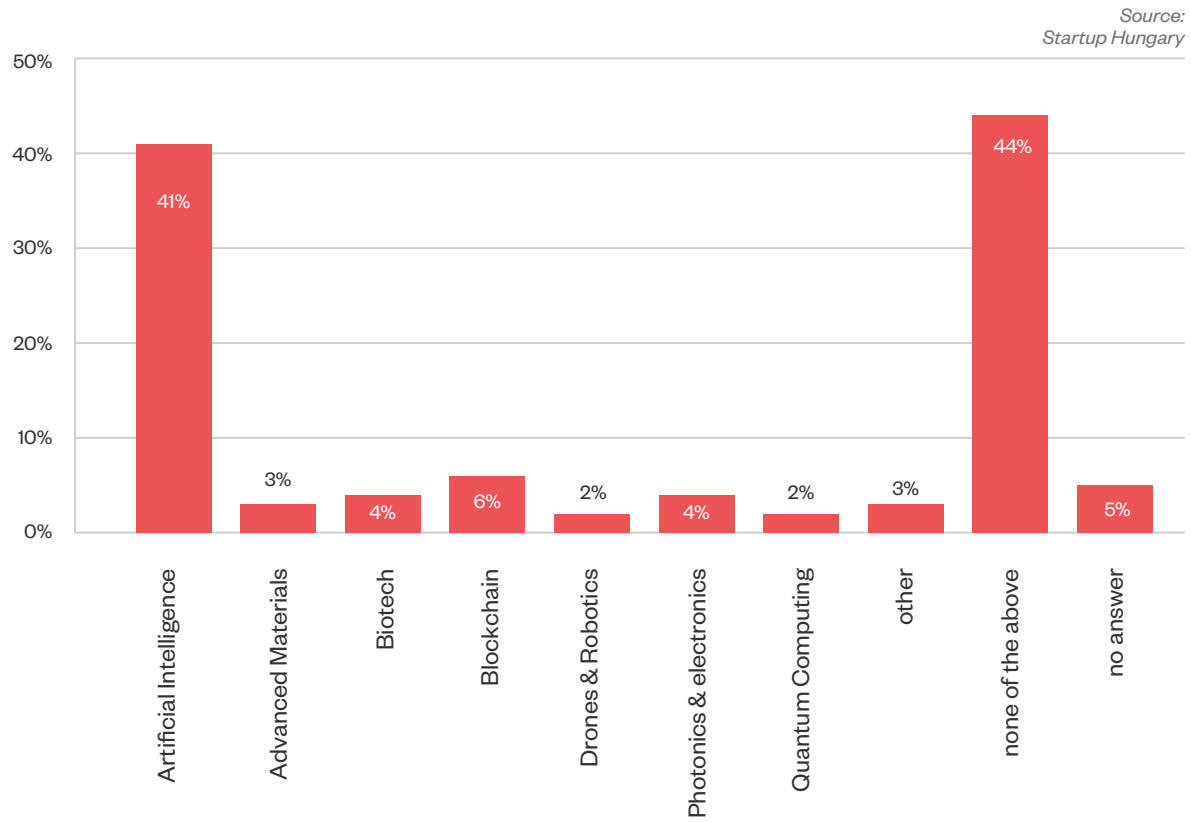
Which vertical describes your company best?
% of all respondents, n=232



How common are deep tech startups?

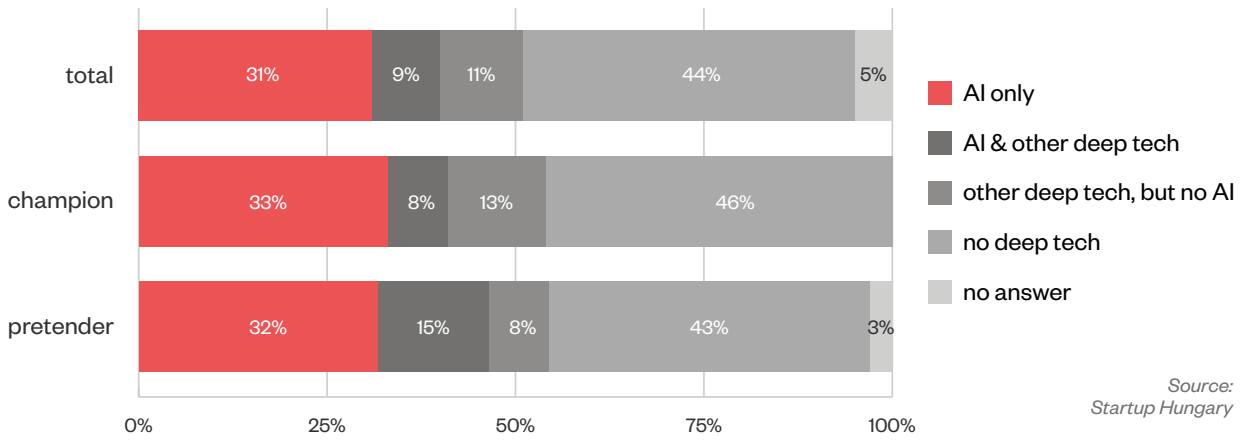
Are any of these technologies incorporated into your product?

% of all respondents, n=232



Success rate of deep tech startups

% of all respondents, n=232, champion n=24, pretender n=75



Szabolcs Nagy
CEO & Co-Founder at Turbine

The state of deep tech in Hungary

Cancer is a complex disease — and in order to design effective drugs, so too should our understanding of it be. Current drug discovery platforms take a simplistic view of what drives tumor behavior. This often results in the failure of drug candidates during patient clinical trials.

The scientific team behind Turbine spent decades researching and building a simulation-guided platform that understands cancer in its full complexity, and guides researchers to design drugs that have a high potential for success in human clinical trials. The Simulated Cell™ platform combines a digital copy human cellular behavior with simulated drug experiments. Using this technology, researchers can conduct more complex experiments than what would be feasible with currently available discovery tools. At Turbine we're using this technology to build our own pipeline of novel oncology drug targets and to collaborate with pharma companies, in order to overcome oncology's greatest challenges. We've raised three rounds of funding, the most recent round co-led by Accel and XTX Ventures, which we'll use to take our own targets closer to clinical validation.

With a strong academic base, Hungary excels in bioinformatics approaches: Using lab generated data to devise smart ways of gleaning information to treat disease or to better match patients with therapies. Local universities have strong majors focusing on bioinformatics, and there are some good labs - like the one Turbine itself spun out of - that focus on this specific topic. Network science and network biology also play into that, where we have leading experts, like Albert-Laszlo Barabasi in the field.

Software and the advancement of computing power are finally making their impact in this vertical. The tech talent in Hungary does a good job on the data analytics side, and cloud computing trends have helped us build the company to its current size without having to invest into massive computer infrastructure, giving us an advantage in the field. Global research institutions such as the Broad Institute invest a substantial amount into generating high-quality biological datasets, which we can utilize to train our models.

When we raised our first proper round in 2019, investors were surprised by how big the team and well-developed the product was compared to the modest amount we had raised in the first angel round.

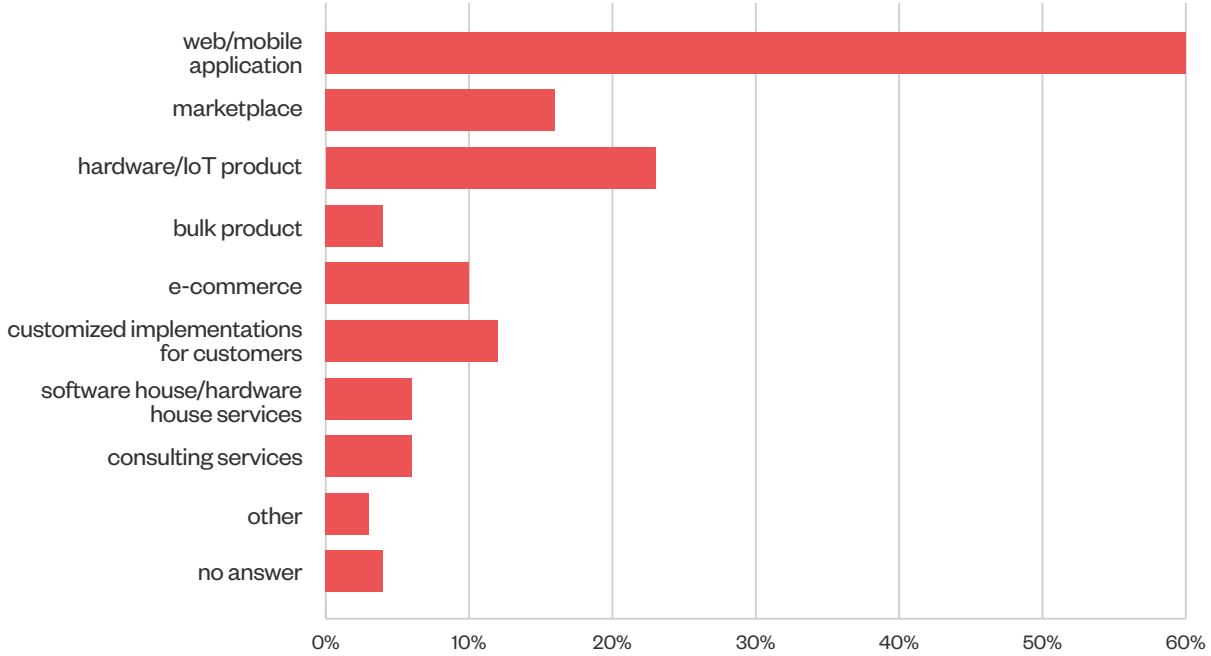
> ***Usually, biotech teams start out with Series A funding rounds of anywhere between $10-100 million USD. Turbine delivered a lot of proof points for the product's productivity and value at a fraction of that. We would not have been able to achieve that further West.***

We've also seen a shift with Hungarian and regional investors over the years since we started fundraising in 2017. When we first did the rounds around Europe, there were very few people who were even willing to speak to us. In more recent interactions, especially with deep tech investor teams, we've come across investment partners who were hired to invest into our specific vertical. There's plenty of motion forward, and we're trying to catch up to the West even on a continental level. We hope that we get to be that next company that breaks through with leading Western investors.

The products and services being sold

Choose a category that describes your product/service best!
all respondents, n=232

Source: Startup Hungary



László Jónás
Head of Business Development at Design Terminal,
Board Member at Startup Hungary

A unicorn or a zebra? – startup life beyond media pressure

Is it true that a startup is either a unicorn or nothing? I come across this approach more and more often. But is this really the case? Is the unicorn / non-unicorn binary what should define the everyday life of a new startup? Why don't we pride ourselves on value creation and its impact on our community?

The results of our study show that many newer startups envision themselves as unicorns (startups whose valuations have broken the 1-billion-dollar mark) in the coming years. It is important to aim high, but is this really the only point of starting an enterprise? Growth is an essential part of a startup, but it can have several sources. In the first period, many of them choose investor-funded, non-revenue-focused growth, hoping to achieve the desired unicorn status. However, another trend is also emerging – the zebras – that are proud of themselves because they grow mainly or entirely from their revenues and produce something that is useful to their customers and community.

Venture capitalists are usually looking for companies where exponential growth is expected – they may be unicorns – which, of course, involves high risk, as their model implies that they either operate and as a result become international actors, or they do not operate and disappear completely from the market (perhaps the example of WeWork may be familiar to most readers). In contrast, the growth of zebras is balanced and sustainable. They may not grow as fast, but they are also much less likely to go bust.

Of course, unicorns have a role beyond themselves, they show that we can also succeed. By setting an example, they inspire the next generation to set off to become entrepreneurs, thus making whole countries and regions attractive to innovative, talented people. Consequently, their role is unquestionable.

So what is actually needed then? It is important to see that the definition of success is not equal to exponential, global growth. A startup can be successful by creating value in its own community and providing livelihood for 5-10 or even more families. These ideas also involve a lot of work and intellectual values, and it would be important to show that we are proud of these as well.

> ***Our goal should be value creation and not scaling, per se. Scaling is the result of our business model and our work, but not the ultimate goal.***

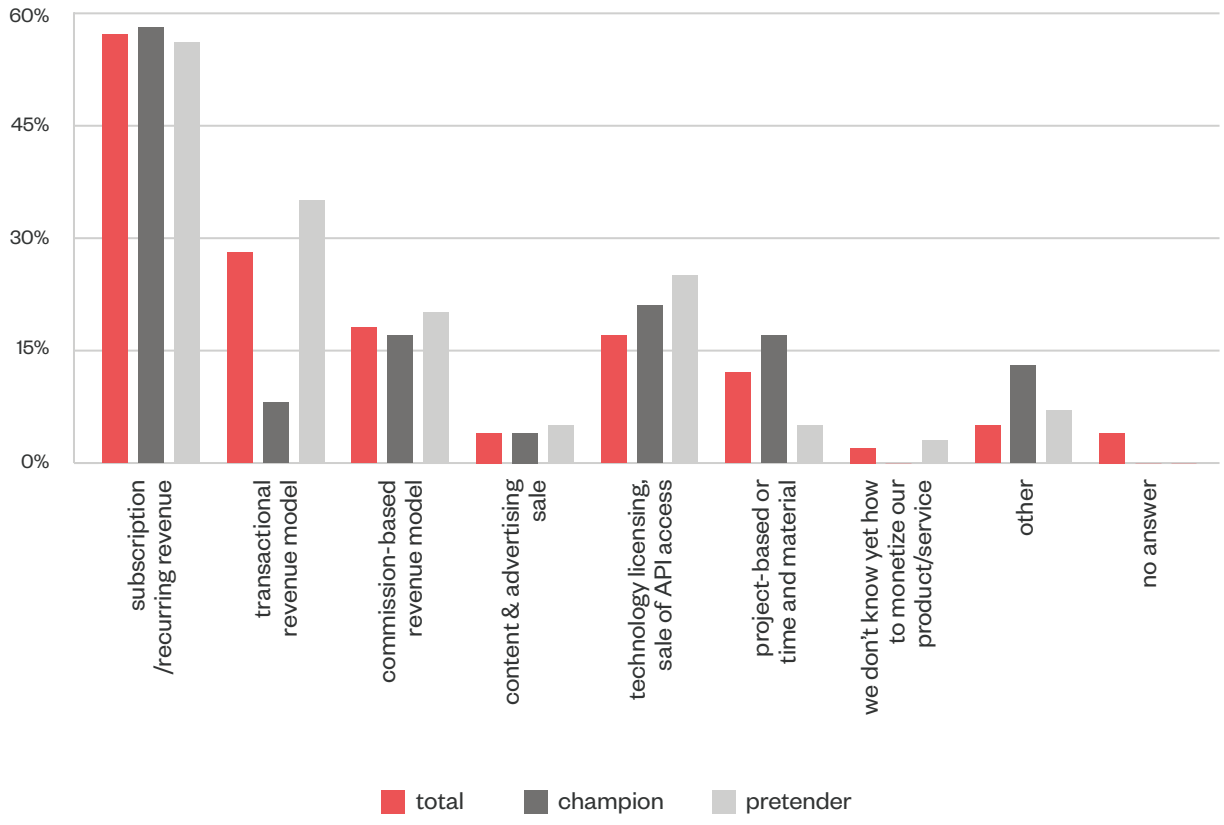
Of course, the media appreciates great success stories, so many expect from themselves to create a new Facebook or Google. But it's important to be proud of more than just the most successful 0.1% of entrepreneurs. Communication should shift from emphasizing that you are considered absolutely nothing, if you are not a unicorn, to focusing on those who dare to enterprise, take responsibility for each other and their community, and let them be role models for their peers. Surely, there are many teams in the country that deserve recognition, and whose example could set several young people on the rough road to building a venture. And, well, who knows – perhaps this is how a new unicorn is born.

How do startups make money?

What term best describes your revenue model? How do you earn or plan to earn money?

% of all respondents, n=232, champion n=24, pretender n=75

Source: Startup Hungary



Péter Árvai
Exec Chair, Co-founder at Prezi

A purpose beyond profit

When I started studying Business Administration in Stockholm in the early 2000s, many things in the world seemed to be heading in a positive direction. One dictatorship after another was falling. Living standards were improving across the globe. And businesses leveraging the opening markets coming from all of these changes were key heroes in the story. The sky was the limit.

Sure, some severe issues emerged, like tobacco and chemical companies obscuring their products' addictive and harmful effects to our health to prioritize sales. However, these issues seemed confined to some bad actors who just needed to be regulated.

In business school, I learned about Milton Friedman's ideas of shareholder primacy. Mr. Friedman felt that it was our duty as business leaders in an intricate economic system to make the hard decisions needed to let profits soar. In many ways, an implicit goal of business school was to teach us that we cared best by focusing on profits — no matter what our hearts told us.

But just as I finished my education and started working, things began to shift significantly. Most importantly, we realized that our economic system was stressing our planet beyond its limitations. Today, we see how our economic approach is changing our climate and igniting a human-generated 6th mass-extinction of life on earth. We have ten years to halve our carbon emissions or risk significantly endangering our grandchildren's future. As if all of this wasn't enough, our current business practices generate massive income inequalities. Most investors try to minimize their tax contributions, while managers grow their incomes with little accountability to their customers, employees, and their communities of origin.

Fortunately, meaningful change is starting to take shape. In 2011, Michael Porter, modern-day business strategy guru known for his 'competitive strategy', took a new approach and started talking about 'shared value'. Imagine that: business education becoming a place where our future leaders learn how to improve complex systems and think long-term — instead of in old school business cycles driven by quarterly results.

Perhaps even more significantly, in 2019 'The Business Roundtable', including the world's leading CEOs recommended a "move away from shareholder primacy," a concept that had existed in the group's principles since 1997, in favor of a move to "include a commitment to all stakeholders." Porter and the CEO's roundtable signals that the highest authorities in business recognize that growth needs to keep the planet, people, and money in mind. We don't know how far this change will go, but given how trust in big companies has been falling, there seems to be room for the business community to regain lost confidence from consumers.

Cynics will be quick to suggest this shift of language is just that, a shift in language with little action to back it up. But seldom have we had a more urgent call to change our ways. A global pandemic has reminded us of our dependence on nature. Further, last year the UN surveyed 50 countries and found that 64% of people felt that climate change was an emergency — presenting a clear and convincing call for decision-makers to step up.

So what should businesses focus on going forward? At the very least, we should stay true to our stated purpose. E.g., consider the opioid crisis in the US, where pharmaceutical

companies drove revenue at the cost of their customers' health. In this textbook example of what not to do, the hunger for profit led these companies to ignore, and even work against their stated purpose of healing people. My industry has no shortage of disappointing examples. The internet was born with a dream of making quality information accessible to all. While many products have helped achieve this, others have profited by distracting, inciting hatred, and spreading disinformation.

We should not equate, however, a focus on purpose to a loss of growth. As a positive example, consider the Danish energy company Orsted. It transformed from being one of the most carbon-intensive energy companies in Europe to being ranked the world's most sustainable energy company in just ten years. Orsted is pursuing purpose and growth and is helping to meet one of our generation's most significant challenges at the same time.

Some visionary business leaders will probably go even further. After spending the last 12 years commuting between Budapest and San Francisco, I am back to Karlskoga, Sweden, where I was born. I'm writing this in a 100-year-old building planned by Alfred Nobel for his workers' well-being. Many Nordic companies have followed in his footsteps. Scandinavian firms dominate the major sustainability and CSR performance indicators, including the Dow Jones Sustainability Index (DJSI).

> ***While we may not benefit from a century-old tradition of socially conscious entrepreneurship in Hungary, we have always been proud of our creativity. Given the challenges ahead, our ability to innovate will be crucial.***

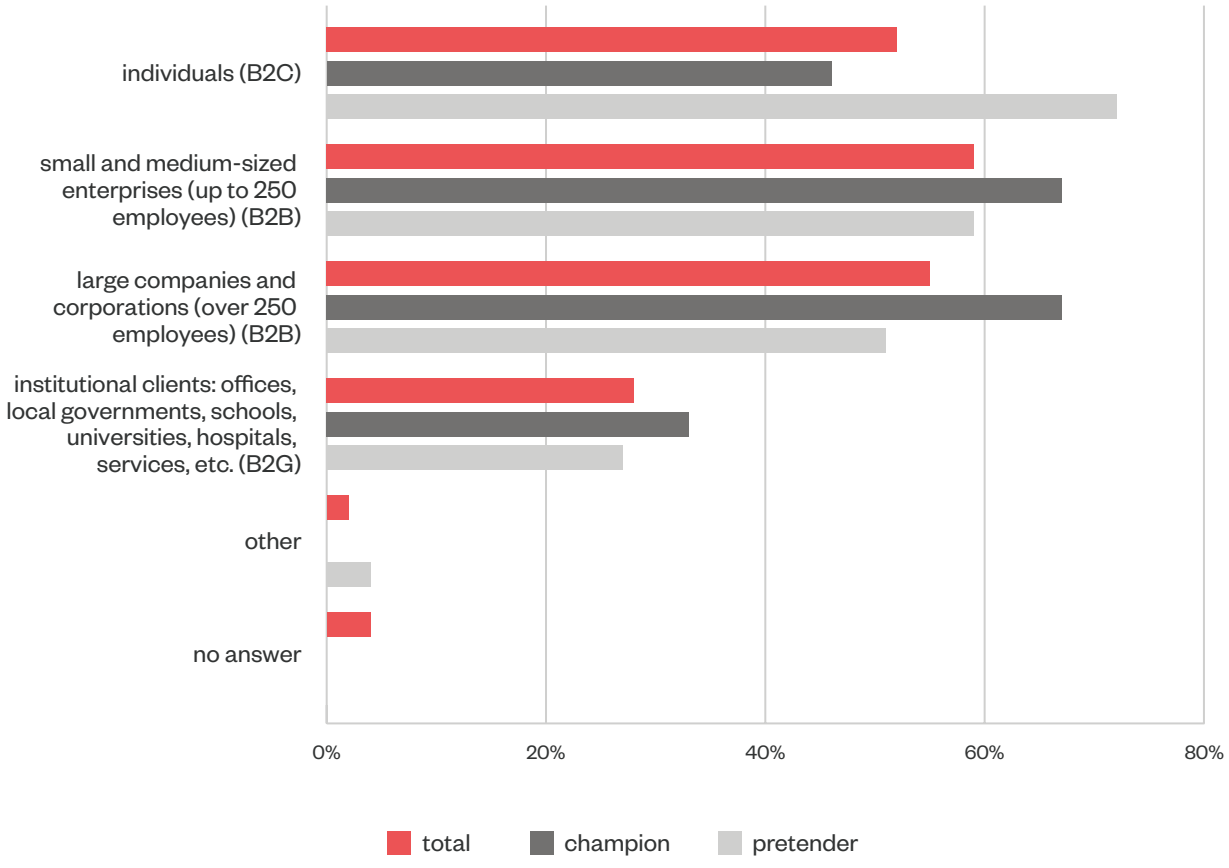
With Bridge Budapest, we've gathered over 1,000 companies with forward-leaning business leaders who want to create long-term value for our country. If you're getting ready to look at your organization's purpose meaningfully, then you should join like-minded people at our May Tax party. At this event, we will celebrate having paid the taxes that fund our hospitals, schools, and elderly care, indicating our responsibility towards the community we operate in. Like all countries in the world, Hungary needs the business community's help to build a future in which our children will want to live. I hope you will join us too!

Customer and user demographics broken down

What kind of customers/users are you targeting?

% of all respondents, n=232, champion n=24, pretender n=75

Source: Startup Hungary



Richárd Wenczel
Expert & Advisor at IVSZ, Board Member at Startup Hungary, early stage mentor

Mindset is the most important factor for success

We kicked-off Startup Hungary with the goal to have "more and better startups" in Hungary.

We launched the annual Startup Report to gain deeper insight into the Hungarian ecosystem, and to identify areas of intervention that contribute to the development of the community and to the international success of the startups. We are super excited to study the results and learn from the numbers.

But one observation could easily be made without data from the report: We need more startups in Hungary.

> ***There are countless studies and articles out in the world that explore the European startup ecosystem. There is also conflicting data available regarding individual countries. But regardless of which series of numbers we're looking at, one thing is certain: We need more startups in Hungary.***

We are inferior to several countries which we could take as a reference. Our goal is to identify the reason for that, and find an adequate answer to the challenge.

We could blame the second half of the 20th century, which didn't encourage entrepreneurship, leading to too few examples paving the way for future generations. But yet there are examples of countries that have tackled entrepreneurship effectively, regardless.

Even the specific market conditions could be incriminated, but we know smaller countries with similar histories that have created more unicorns.

The reasons could also be sought out in a lack of innovation and creativity, though we strongly believe these values are characteristic of our culture. They might be cultural specialities, or mindset, or financial peculiarities. Perhaps it's the bureaucratic environment, or any other distracting factors.

But one thing is for sure: we need more startups in Hungary. Having said that Startup Hungary and IVSZ - the association for the digital economy - support all initiatives that aim to:

- support the formation of new teams executing innovative ideas
- light a fire under university sparks, bolstering the few thousands of TDK papers (Scientific University Students') created annually
- spread an entrepreneurial mindset
- learn from failures instead of catastrophizing and giving up

The regulatory environment and financial opportunities are very important aspects of shaping the future, but I strongly believe that mindset is the most important factor of all. We need more ideas, novelties and innovation. We need more entrepreneurship and self-confidence. We need more experience and knowledge-share. We have to serve this to be able to build on a wider basis. A wider basis enables higher buildings and higher pyramids, so we can achieve "more and better startups" in Hungary.

István Csanády
Founder & CEO at Shapr3D

How to start a startup - the Hungarian version

So you've decided to take the red pill, you're going to build a startup. In the first years of your venture, you'll need to solve three key things:

What are you going to sell?
In English, what's your product? The product is always a solution to a problem. In our case, the problem is that CAD systems have not seen innovation since 1997, making them cumbersome, slow, unnecessarily complicated systems that don't serve their users as they would expect in 2020 - simply because they were designed in a different age, for a different world. And we think it's a big enough problem that millions of engineers and designers can't work as productively as they should be able to because their crazy CAD systems are actually standing in the way. What's the problem that you're going to solve?

> **In practice, no matter how beautiful it sounds, often the best products aren't created that consciously.**

Shapr3D also started out as an interesting prototype. I wondered if a much better modeling interface could be created based on multitouch. As it turns out, it can't, but it can be done with a combination of multitouch and stylus. I'd be lying if I said in advance that we were going to turn this into a company that would fundamentally upend the CAD industry (although I trusted that might be the case).

All products are small and lame at first. The way they grow nice and big is by serving a very narrow segment extremely well. For us, this initial niche was 3D printing hobbyists.

The initial little product embryo often has nothing to do with the "real" product. This is usually a pretty good piece of advice: don't develop anything you don't have to, try to solve everything with people at first, and then if it works, the coding can go. Obviously, you can't do this with everything, but it can work with much more than you might think, ask yourself three times over whether you actually need to write code or not.

Distribution
... that is, how and to whom are you going to sell? B2B or consumer? What size companies? Or exactly what kind of consumers? Boomers or Generation Z? What is the business model? What are your sales channels?

Many startups perish without even producing a single penny. They build and build without cause, because they're unable to sell. Either because no one needs what they are doing, or because they are trying to sell badly.

The distribution scenario largely depends on what exactly you're doing. B2B SaaS? Marketplace? Consumer SaaS? Before you get into it, it's worth spending a few months studying others' distribution models and go-to-market strategies, preferably not just in your "own" segment, but generally, because it gives you plenty of fuel for thought - and

as I mentioned earlier, the best startups don't just innovate products but also businesses. For example, the CAD industry has traditionally relied heavily on a sales-centric, top-down distribution, compared to which Shapr3D has built a bottom-up, product- and marketing-centric distribution model. Over the past ten years, we've seen great success stories come out of the fact that B2B software companies following the traditional top-down model do not have a very defensive strategy against startups following the emerging bottom-up model.

Pricing

Money. It's pretty important. How much do you sell for? That's a very tricky question. Is your product subscription-based? A one-time payment? There are infinite frameworks and all kinds of black magic. Value based pricing, competitor based pricing, etc. Pricing can easily be messed up, and it's very hard to objectively decide whether you've priced well. One thing you should never do: ask your users how much they would pay for a product. They can't tell you.

There you go, that's a startup, right? You can easily figure out what the product, distribution, and pricing will be, then you just have to wait, then go public and you're done. Not quite. The first and biggest problem is that this is a very tricky puzzle, as these three things are strongly related.

A product you design for SMBs will have a hard time selling for hundreds of thousands of dollars, while an enterprise product priced at a few hundred dollars is suicidal because it won't even return the cost of sales. You design a consumer or a B2B product completely differently and you will sell it differently. Consumer products can rarely grow without some virality, while very few B2B companies will be successful without sales. And so on...

So this is a terribly complex problem with infinite dimensions, where there are very rarely clear questions to answer, though you will find a million exceptions to every rule. Solving this puzzle is the basis of your success. If you come up with good answers, you may win, but bad answers will result in guaranteed failure.

Sound hard? Well, it's not easy. But if it were easy, everyone would do it.

Growth & Development

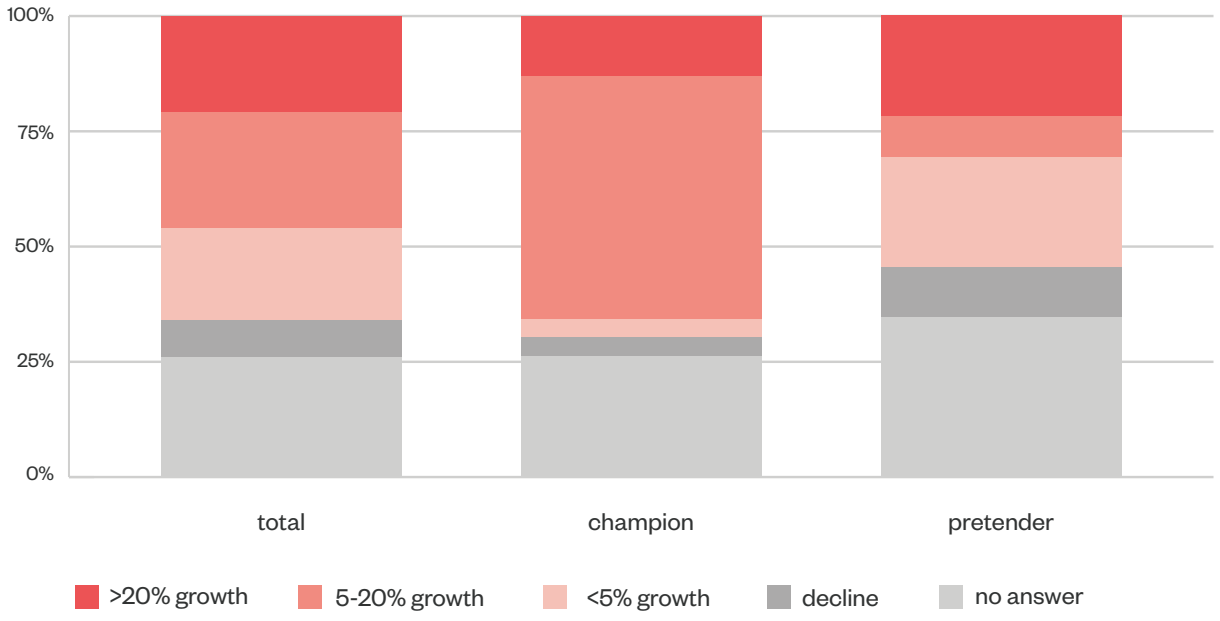
How fast do startups grow their revenue?
Pricing products
Top customer acquisition channels
At what age do tech companies reach product-market fit?
How much revenue is enough revenue
Average satisfaction rates
What is a founder's best-case scenario?
High impact activities and networks
What great mentors are made of
Funding, talent and access to clients are the most lacking resources
Strict funding rules & bureaucracy in day-to-day operations
are the most painful legal burdens
What barriers hinder growth?
What is the biggest challenge for startups?
How corporations help startups grow
Startups vs. the government

How fast do startups grow their revenue?

What was your average monthly revenue growth rate over the last 6 months?

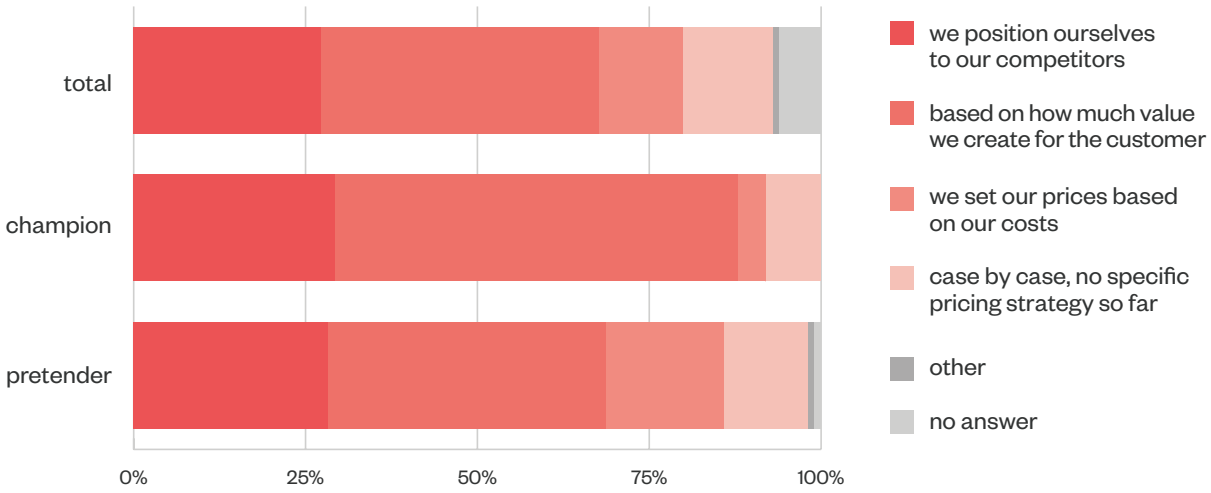
% of all respondents, n=168, champion n=23, pretender n=55

Source: Startup Hungary



Pricing products

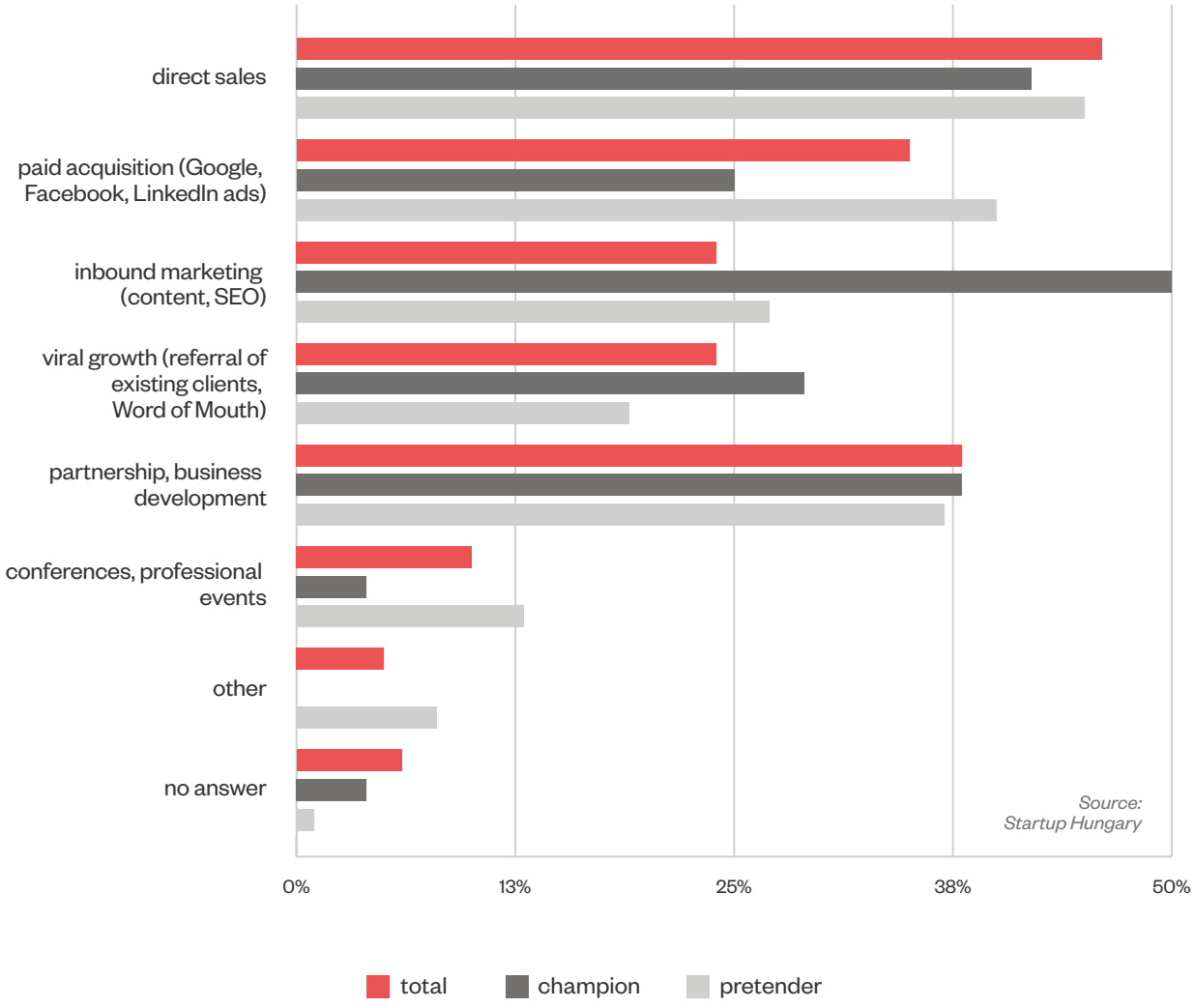
What is the most important factor you take into account when pricing your product?
% of all respondents, n=232, champion n=24, pretender n=75



Source: Startup Hungary

Top customer acquisition channels

Which customer acquisition channels are the most important for your startup?
% of all respondents, n=232, champion n=24, pretender n=75



István Simon
CEO at Prefixbox

Distribution strategies for B2B SaaS

Scaling B2B SaaS companies with larger deal sizes is challenging because of buyer decision-making processes with multiple stakeholders, the complexity of the solutions, and the fierce competition for the best customers. E-commerce search has been developing in-step with online retailing, evolving from a humble search box, to an essential - and powerful - feature, thanks to continuous technological improvements. By now no e-tailer can exist without a sophisticated search solution, as shoppers literally can't buy a product, if they can't find it.

The challenges and benefits of scaling from CEE

Scaling Prefixbox from CEE (Hungary in our case) had its difficulties at the beginning, but has gradually become easier as we won well-known international customers operating in other regions in addition to the CEE. Earning the trust of big e-tailers serves as an important proof of credibility for the rest of the market and opens doors for future growth. The challenge with closing these deals lies in the centralized decision making processes of multinational companies based in Western Europe, which can be difficult and time-consuming for companies approaching from the CEE.

After conquering the Hungarian market, we set our sights on Poland. As each market is unique, picking up local knowledge while acquiring the first customers can take a long time. To be successful, we had to become a "more Polish" company – our local team members were key to getting closer to prospects, building up personal relationships and better understanding the market.

> ***When it comes to hiring, the CEE region has an obvious advantage: expanding a team is easier here than in the West, due to the smaller number of tech startups and tech companies sucking up top talent.***

Top-down vs bottom-up distribution strategies

Prefixbox has a top-down sales process, and our distribution strategy is driven by direct sales. Integrating enterprise level search is a long-term investment and deal sizes are bigger. When a company decides to choose our solution, the process needs to be tested and proven, and that kind of decision making takes place on a higher level. We offer business benefits for the retailers (revenue growth, e-commerce KPI improvements), so we have to appeal to the main decision makers, which couldn't be achieved with a bottom-up strategy.

Lessons learned about direct sales & inbound marketing

While direct sales is our core strategy, we depend on inbound marketing activities like marketing automation, PPC and SEO to boost our visibility and to attract and engage prospects in a more efficient way. As most of these activities depend on content, it is imperative to have native speakers for our target countries (an American CMO, Polish sales manager and Customer Success team members) to develop and convey our messages successfully.

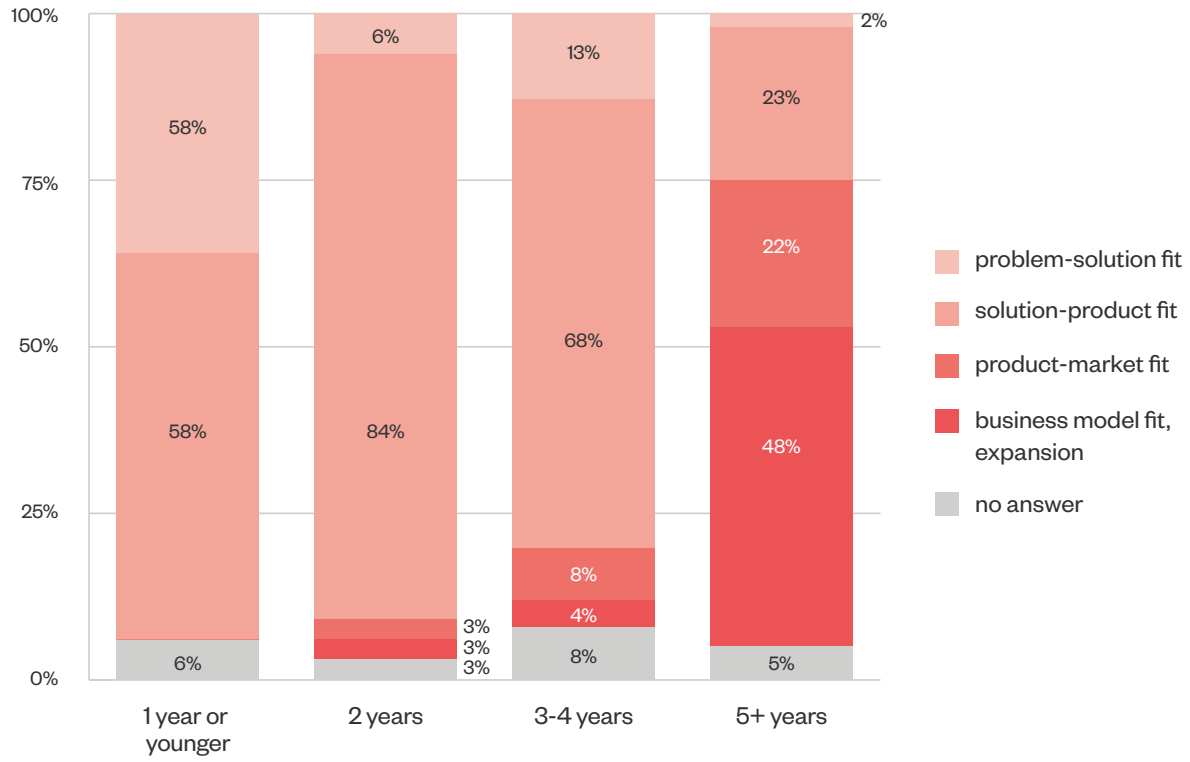
Corporate partnerships – like co-selling with Microsoft - have also been invaluable, bringing opportunities to the table that otherwise would be out of reach for us.

At what age do tech companies reach product-market fit?

What development stage are you at and when did you start your startup?

% of respondents / startup age, 1 year or younger=36, 2 years=32, 3-4 years=78, 5+ years=86

Source: Startup Hungary



Soma Arnold Tóth
CEO & Co-Founder at Recart

Achieving the ever elusive product-market fit

Startups usually have two main lifecycle stages: pre- and post product-market fit.

People tend to think that early stage companies fail because of competition or lack of resources. But in most cases, the cause of failure is a lack of product market-fit.

They either don't pick a massive or rapidly growing market, or can't satisfy the market with their solution. If you get to PMF, your chance of succeeding massively increases, and finding it should be every early-stage startup's #1 goal.

What is product-market fit?

I like the definition of world-renowned VC investor Marc Andreesen, who coined the term himself:

> ***"Product-market fit means being in a good market with a product that can satisfy that market."***

There's a debate around which component is more important: the product or the market? I tend to agree with Marc's position on this: picking a great market should be the priority.

Finding a good market

If you're not in a great market, even with the best product, you're most likely to fail.

How do you know you picked a great market? For Recart, the clear sign was the rapid growth of e-commerce. I started my first e-commerce company back in 2013, when only a few small businesses were building independent online shops. The number of companies in the space started growing rapidly, as technology made entering the race easier. By 2020, Shopify alone had 1.5 million active stores on their platform. E-commerce is a great, growing market with lots of unsolved problems.

I see too many startups picking local problems and markets because they believe selling to local companies is "low hanging fruit." There are a few big problems with this approach.

Often, (usually), the local market has completely different needs and problems from the big, international market. Once teams have built a solution for Hungarian companies, they're in a tricky situation: international customers don't bite. They don't use it that much, sales cycles are a lot longer, churn is much higher...it just doesn't stick.

So companies start rebuilding their product and offering – which almost always turns out to be a lot more effort than you think it will be in the first place. They have to start over and find their product-market fit again. This time on the international market.

Assuming that you want to build an internationally successful startup (and if you didn't, why on Earth did you start a startup in the first place?), make sure you build your product for a global, or at least a wider, regional market. Even if it's tempting to serve local clients.

Building the product

Once you have a great market, your goal is to provide a product that satisfies the needs of that market. Products usually a) solve a big, painful problem b) save time/energy/money c) generate massive value. If your product can satisfy the needs of a wider market, you'll find your product-market fit.

As Marc puts it:
You can always feel when product-market fit isn't happening. The customers aren't quite getting value out of the product, word of mouth isn't spreading, usage isn't growing that fast, press reviews are kind of "blah", the sales cycle takes too long, and lots of deals never close.

How did we know when we achieved product-market fit?

Here are some measurable KPIs from when we found our first product-market fit at Recart:

- Number of signups increased 5-10% week-over-week
- We had so many new users, at certain points we considered closing the signup form
- We struggled to keep our servers up
- The trial to paid subscription rate went from 4% to 16%
- MRR grew 5-12% month-over-month without investing a lot into sales and marketing
- Customers were talking about us on social media, discussing how to use Recart - some of them were even selling templates
- The best e-commerce brands started signing up for the service without any sales interaction

There are many other signs of product-market fit. The point is, you experience explosive growth and interest from your customers without investing a lot into sales and marketing.

Many founders in the CEE area believe they have a great product or even PMF after successfully raising their first round from VCs. In most scenarios, the logic doesn't hold. Don't let fundraising or press dictate your thoughts on success.

As Michael Seibel, CEO of YCombinator said: "When success happens, it's going to punch you in the face and you're not going to be able to confuse it with anything else. If you're not getting punched in the face with traction, you're not succeeding..."

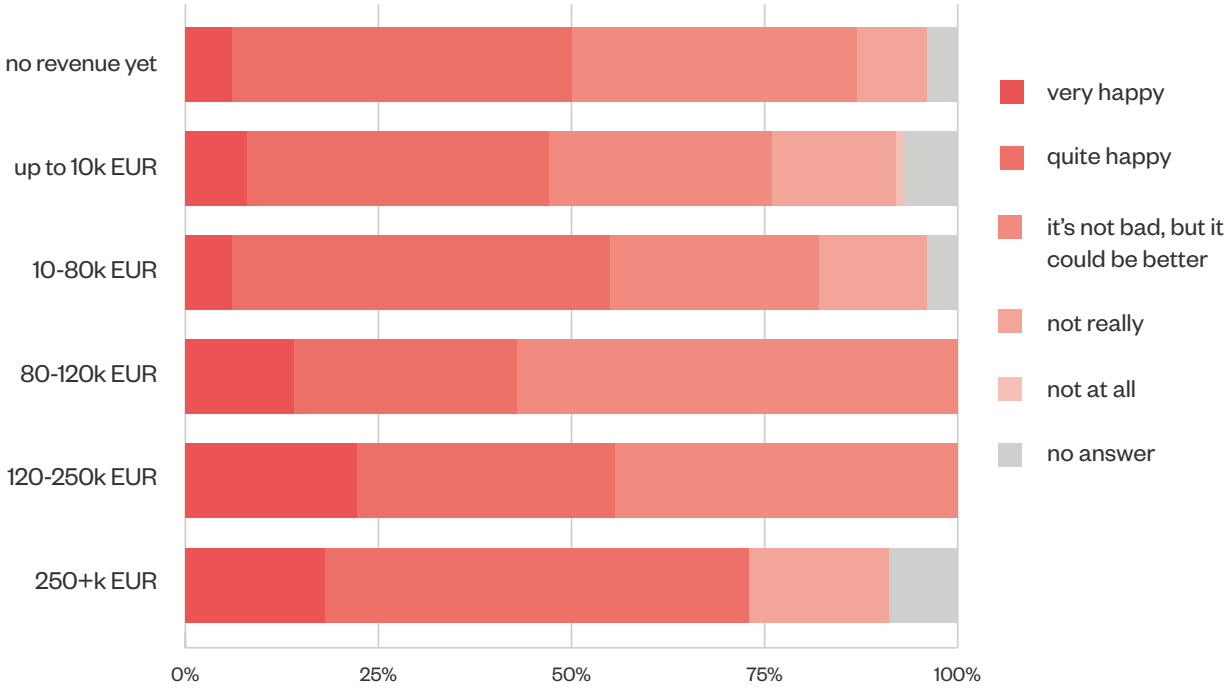
Don't fall for the hype. This is one of the top mistakes of CEE startups.

Successful fundraising, or articles about you on Forbes don't mean that you found your PMF. Your most important PMF indicators will all come from your customers. Instead of focusing on external things, deliver as much value to your customers as possible and look for the signs of explosive word-of-mouth growth, positive net revenue retention and high NPS scores.

How much revenue is enough revenue

Are you satisfied with your startup's development with regard to average MRR in the last 6 months?

Source: Startup Hungary

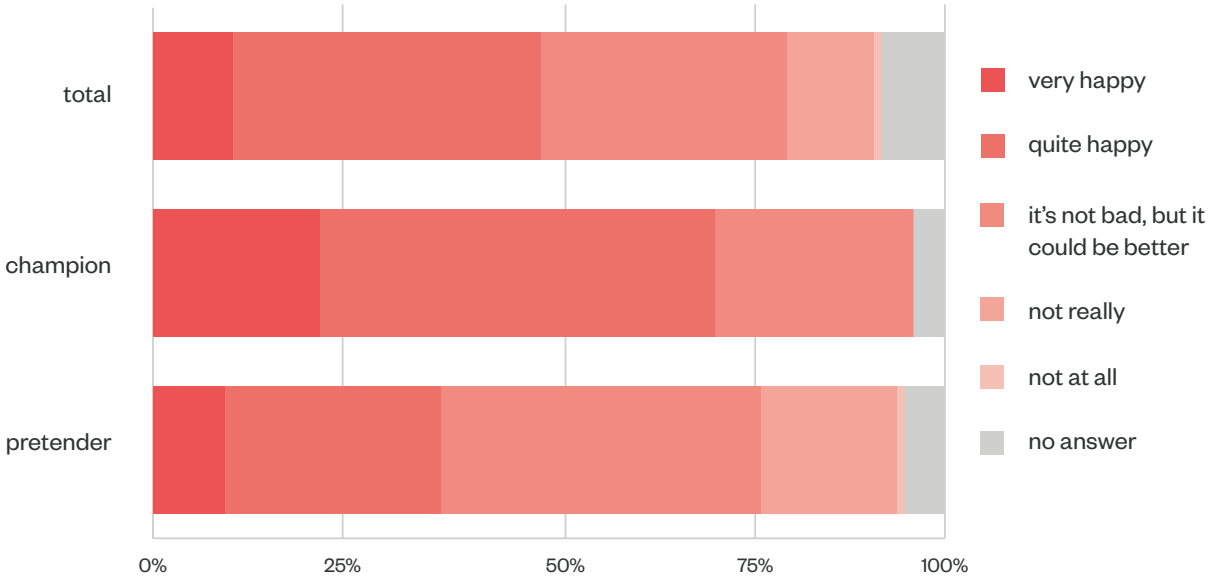


Average satisfaction rates

Are you satisfied with your startup's development?

% of all respondents, n=232, champion n=24, pretender n=75

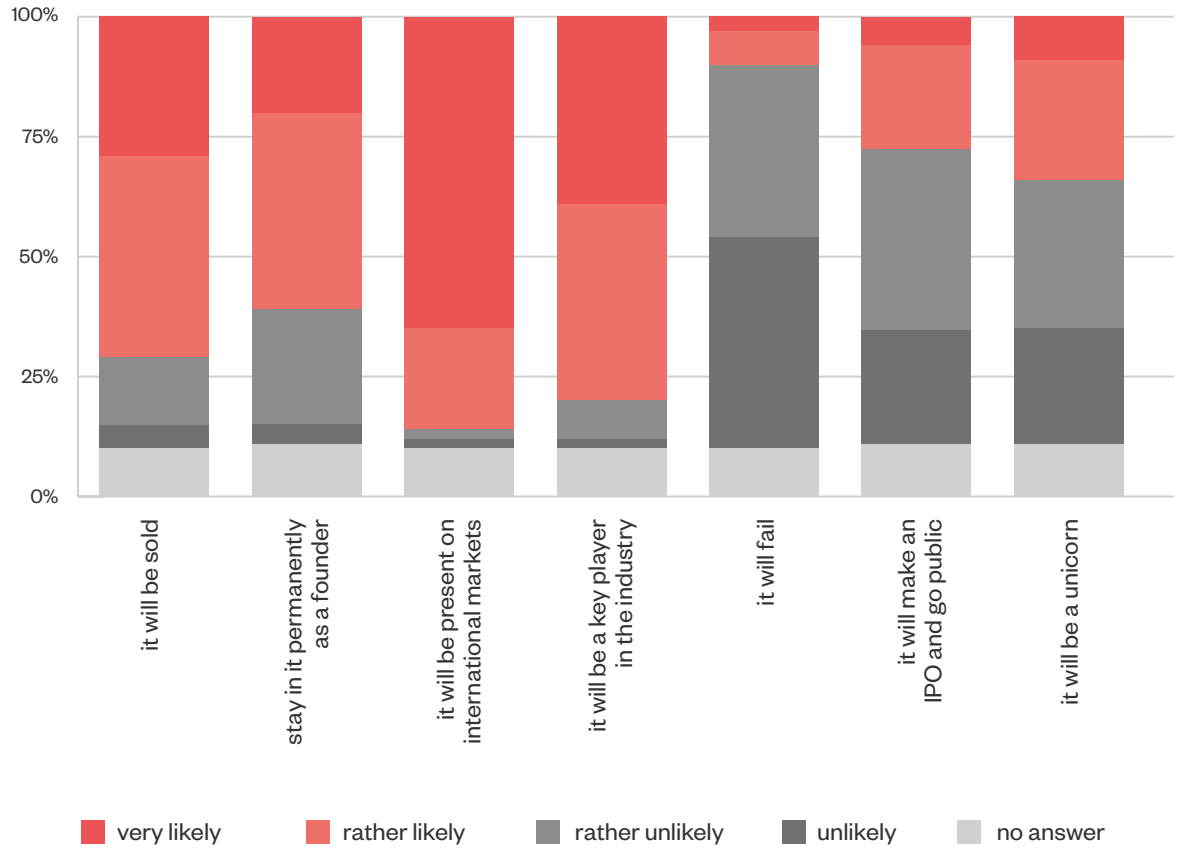
Source: Startup Hungary



What is a founder's best-case scenario?

What is the probability of the following scenarios in relation to your company?
% of all respondents, n=232

Source: Startup Hungary



Zoltán Györkő
ex-Co-Founder at Balabit,
Co-Founder & Board Member at Startup Hungary

Every exit is an entry somewhere else

The survey showed that close to 80% of respondents reported that their company would be acquired. Because only 31% considered an IPO likely, close to 50% count on acquisition taking place during the growth phase or earlier.

Let's be clear, if a company raises venture capital, then sooner or later there will be some sort of exit, as the VC(s) need to pay for their investment and provide profit to their own investors within 5-10 years. From a VC's perspective, an IPO is also an exit, where they can freely sell their shares after the lock-up period. Putting aside the potential for an IPO - in which 70% of startups don't really believe - exits will likely take the form of some sort of acquisition.

There are many types of exits, differentiated by the taking strategic goals of buyers, and what startup phase the transaction happens in. The exit can be an early acquihire, where the buyer is actually acquiring the team. From local stories, examples include Skyscanner's acquisition of Distinction, or Radoop's RapidMiner exit. It can be technology focused, playing on future growth, like Ustream and IBM, or Superpowered and Splice. A different case is when the buyer purchases a market, like when BlaBlaCar bought Autohop, or FoodPanda bought Netpincer. Acquisitions also vary according to whether you have a strategic or a financial buyer , or whether it's cash or cash and stock based.

If we only look at the finances, the state of the cap table - how much it's diluted and the liquidation preferences put on the founding team - is at least as important as the size of the exit.

A successful exit isn't only defined by money. The results confirm that only a minority of founders (8%) become entrepreneurs for the sake of making a lot of money. A majority (41%) want to solve an important problem, 23% want to build a good company, 21% to improve the lives of millions. Which is why it's important to understand what will happen with the product and the team after acquisition. Is the buyer a competitor, who will sink the product? Is an industry behemoth buying, in order to prove their own 'innovativeness?' Or is it a dynamically growing startup that you would be happy to work at, where beyond money you can also get shares that provide additional upside? There's no point in ordering the options in importance.

> ***My definition of a successful exit is one that fulfills the expectations of founders. If they want to retire to their yachts, then that, if they want to start a new startup, then that.***

Let's be honest, known Hungarian big exits (IND, Ustream, Balabit) already bypassed the early acquihire or tech purchase level, but still belong in the small-medium 100-150M USD category.

Startup news is ruled by the legend of unicorns, but few add, that unicorns are typically built by serial entrepreneurs. Those that are past 1-2 serious exits, have walked the path, who can shortcut unnecessary detours and work much

faster with their network, and are capable of reaching the legendary 2T3D (2X Triple, 3X Double) growth, ensuring that in 5 years, they'll generate $100M ARR for a $1B valuation. Unicorns aren't just that. They're also the result of VC confidence, which earlier, more, and better fundraising (and FOMO) provide.

Real big exits aren't just for founders who earn "life changing" amounts. They also benefit a bunch of key people through ESOP programs. Part of the earned amount from an acquisition is typically reinvested in startups, through teammates who have become angel investors or through a VC. Paypal's exit produced about 50 angels and UIPath is on a good path to that number.

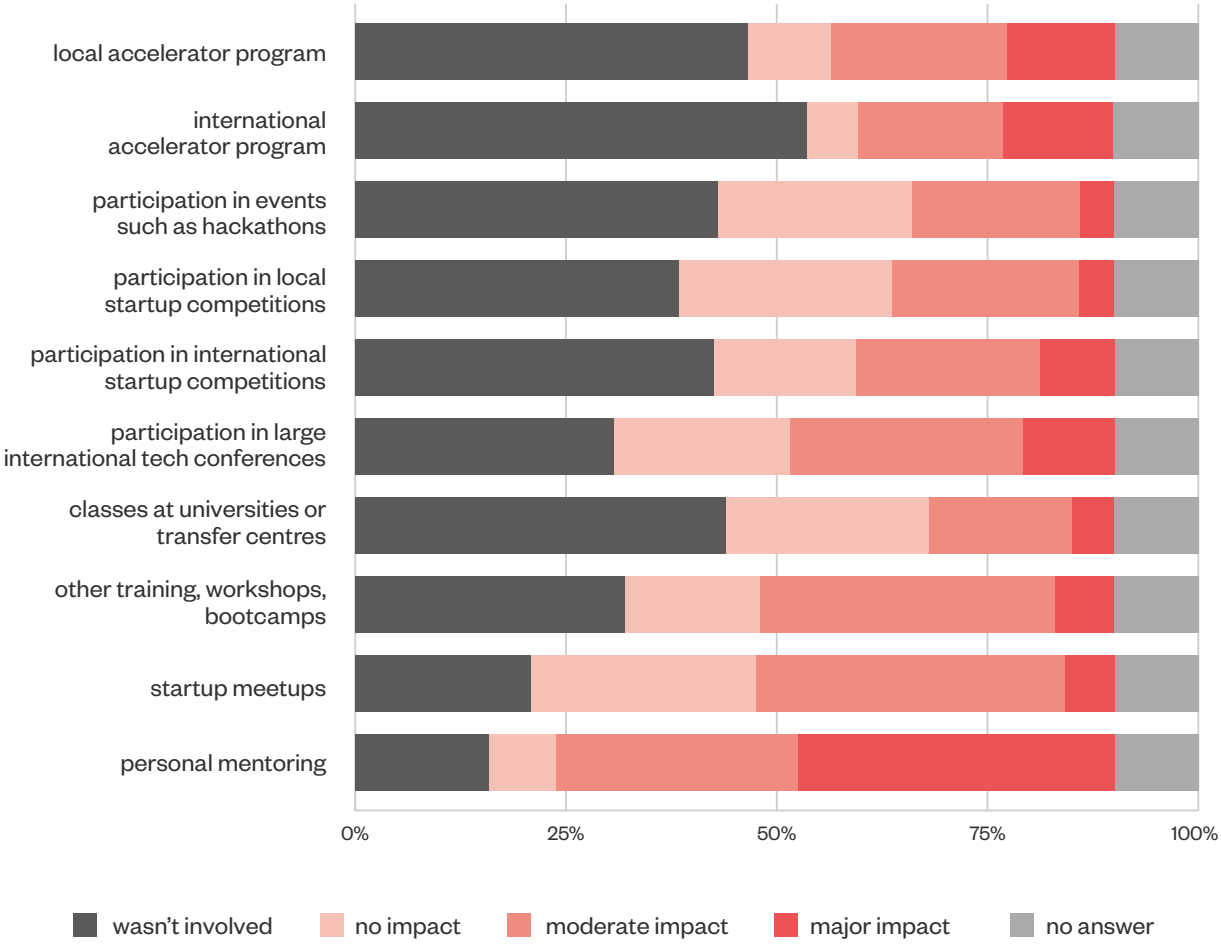
A big exit also provides the market with knowledge and a network, because suddenly there are many experts that have already lived through a step onto the international market, building global sales, and engineering scaling at least once.

The reinvested resources and knowledge speeds up the growth of the next generation of startups, who can then reach further and higher.

High impact activities and networks

How would you rate the impact of the following knowledge sources and networks on your startup's development?
% of all respondents, n=232

Source: Startup Hungary



Barnabás Birmacher
CEO & Co-Founder at Bitrise

The Y Combinator experience as a Hungarian startup team

Founders outside of Silicon Valley or other innovation hubs, can reap many of the associated benefits of these places remotely through global startup incubators, like Y Combinator.

These incubators provide access to knowledge, talent, capital and a connection with peers and mentors that aren't available to most teams. As the world turns into a single marketplace, and - as a region - we increasingly produce new companies that target an international audience, this access isn't just a competitive advantage, but arguably, a necessity.

Editorial Note

This summer, for the first time ever, YC moved its training program online, an interesting twist for the US-based incubator with largely American alumni. The move to remote resulted in a doubling of European participants in the program — YC's most recent cohort included 26 founders from Europe, up from 12 a year ago. The move signals a more global outlook for the accelerator, which is equally good news for Hungarian startups looking to tap into a powerful network and knowledge base that is unparalleled anywhere else in the world.

Early on in our startup journey, we saw joining Y Combinator as a necessary step towards fulfilling our ambition to create a global success story. Y Combinator is - by all accounts - the world's most successful startup incubator. It famously connects its participants to visionary founders and teams that have made the journey we're looking to make. Alumni include Airbnb, Dropbox, Reddit and many more. YC alumni today have a combined valuation of $300B+.

On the one hand, this valuation shows the massive impact that joining YC has on the trajectory of a company's growth, but it's also a consequence of their notoriously high standards. Out of every startup that applies, under 3% are actually admitted. It's one of the reasons YC was the only incubator we considered: If we really had a billion dollar idea and the capacity to execute on it, meeting the YC standard would validate that.

In the end, it took us two years to make it into the program: In 2016, we applied unsuccessfully. After that, we spent a lot of time working on our understanding of the market, and our ability to gather - and act on - the challenges faced by our customers. The insights from that first application changed the way we were approaching Bitrise as a product, and ignited even grander ambitions. We learned to listen better, and dream bigger.

A year later, we were in. We soon realized that was only a very small part of the challenge. The incubator itself lasted 3 very intense months, where practicing the cycle of rapid ideation, releases, and learning was probably the main takeaway. It taught us to think of every week as a new opportunity to improve and deliver value. Value you test by talking to customers and gathering feedback continuously. Today, 4 years later, most of the customers we worked with in YC are still with us, and have - in many cases - grown alongside us.

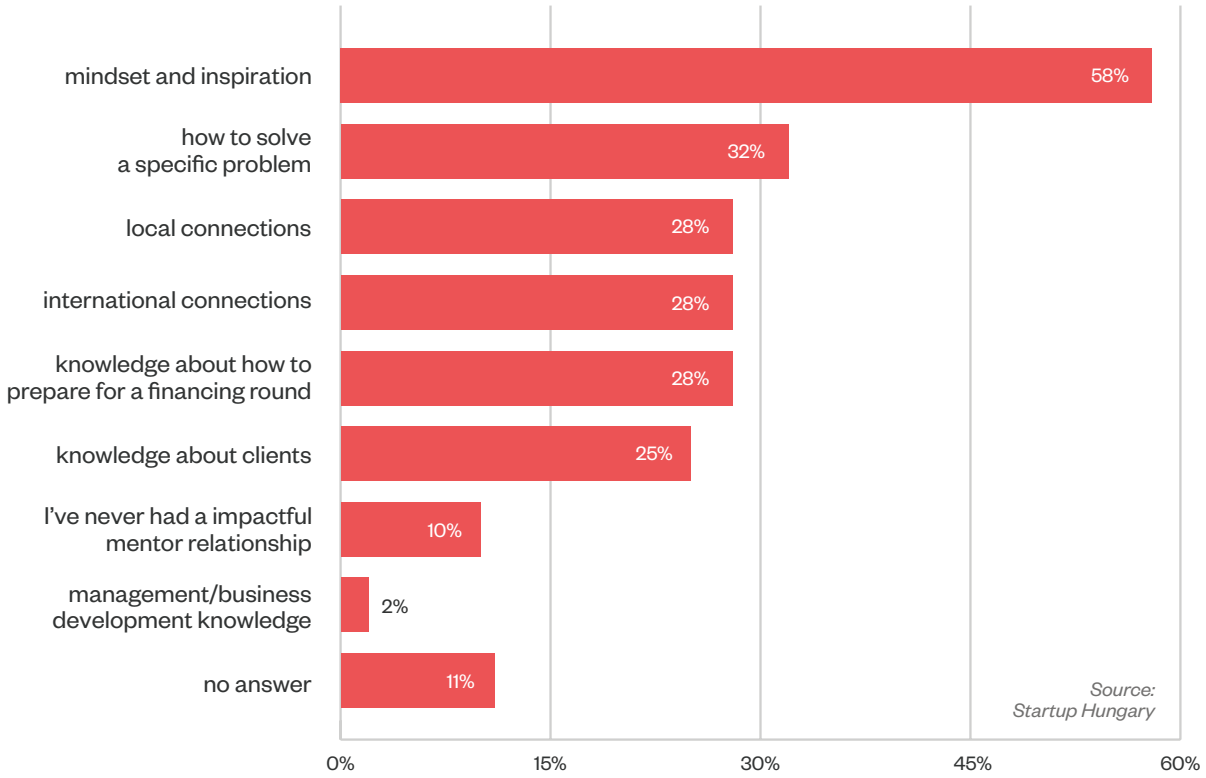
A Y Combinator batch famously 'ends' with a demo day, where you present your new and improved product to investors. There are a lot of stories out there about the craziness of this day, and having experienced it ourselves, I can confidently say that it's probably even crazier than you'd imagine. It's also not the end of the YC experience.

Every day since, we've benefited from the learnings and connections we gathered there, including being part of a growing community of YC alumni companies. Via this community, we've found new hires, advisors, customers and opportunities. We also pay it forward by offering alumni's and new YC batches sizable allocations of free resources, with the aim of helping them like we were helped before.

Today, being 'a YC company' still shapes a lot of our thinking, and culture. It's also why YC's motto is what guides our work at Bitrise. We aim to always "Make Something People Want."

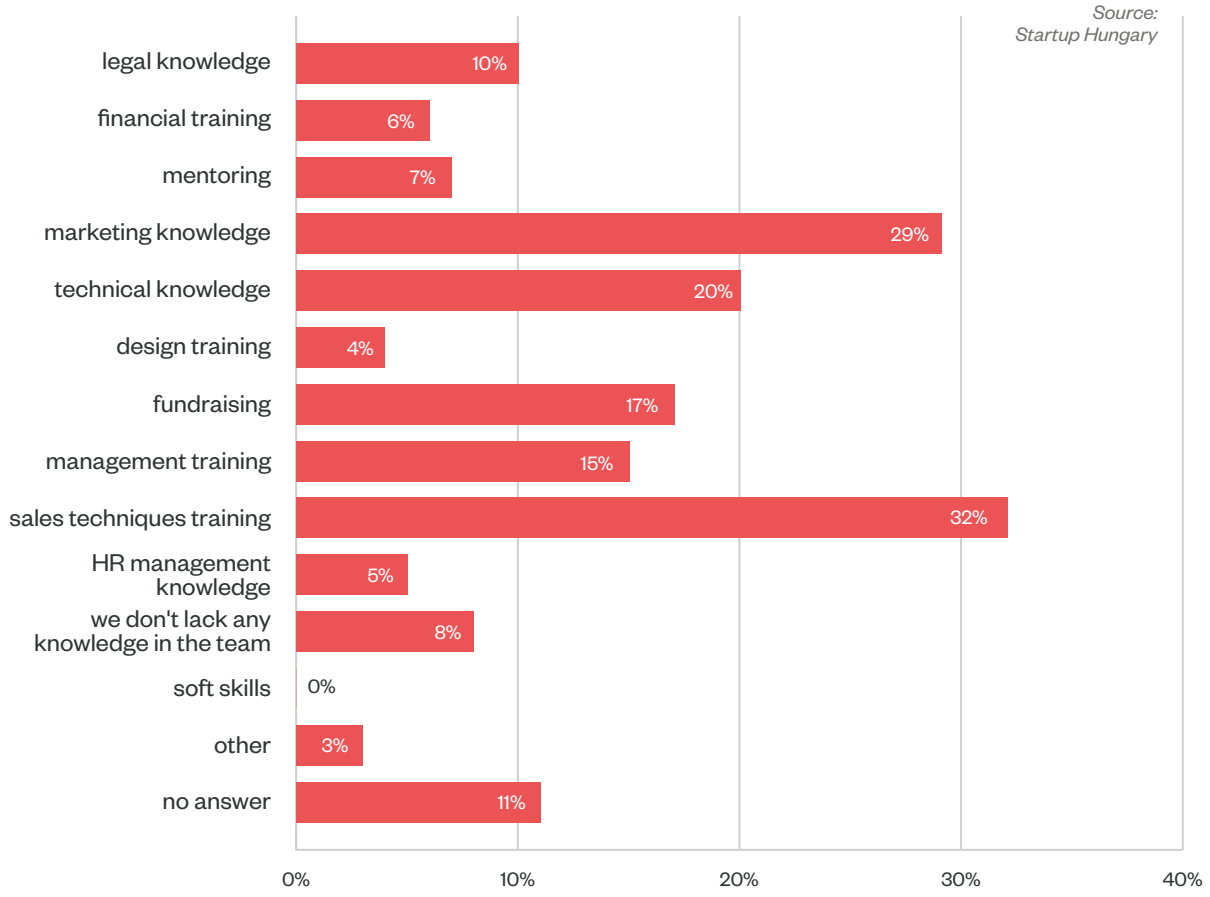
What great mentors are made of

What did you gain from working with a mentor?
% of all respondents, n=232



Marketing & sales skills are in short supply

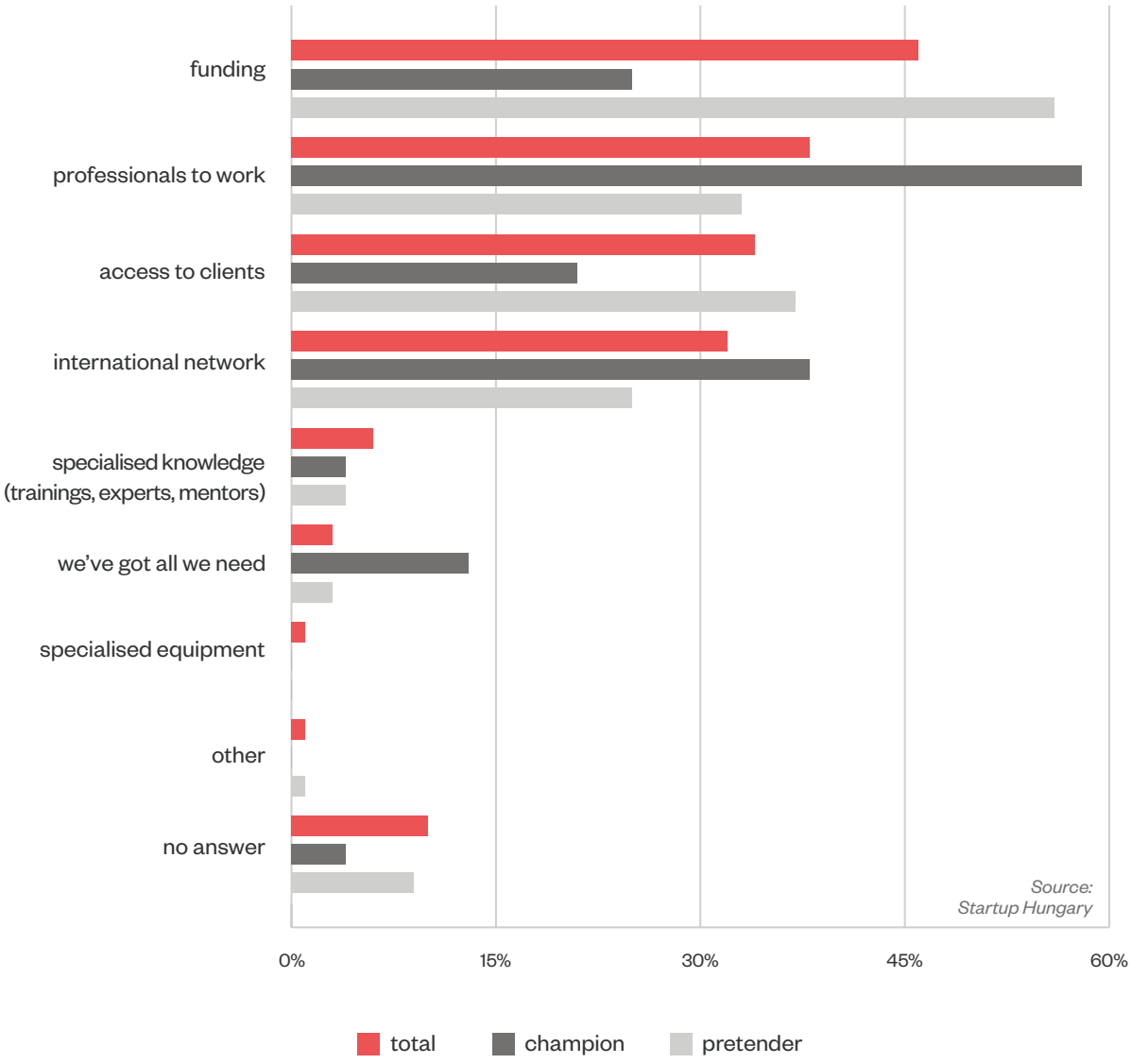
What type of knowledge do you lack?
% of all respondents, n=232



Funding, talent and access to clients are the most lacking resources

Which resources do you lack?

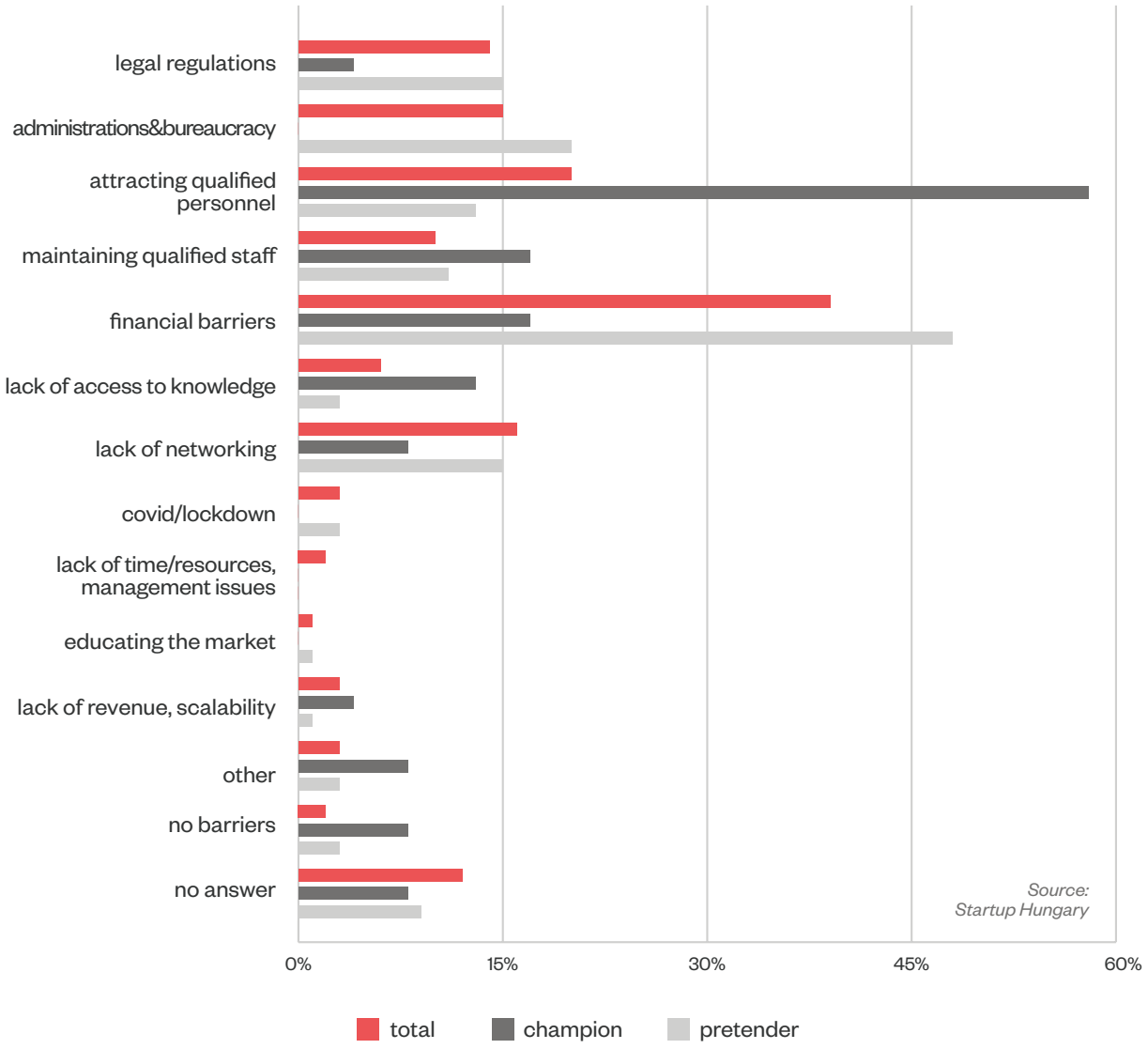
% of all survey respondents, total n=232, champion n=24, pretender n=75



What barriers hinder growth?

What barriers make it hard for your startup to grow?

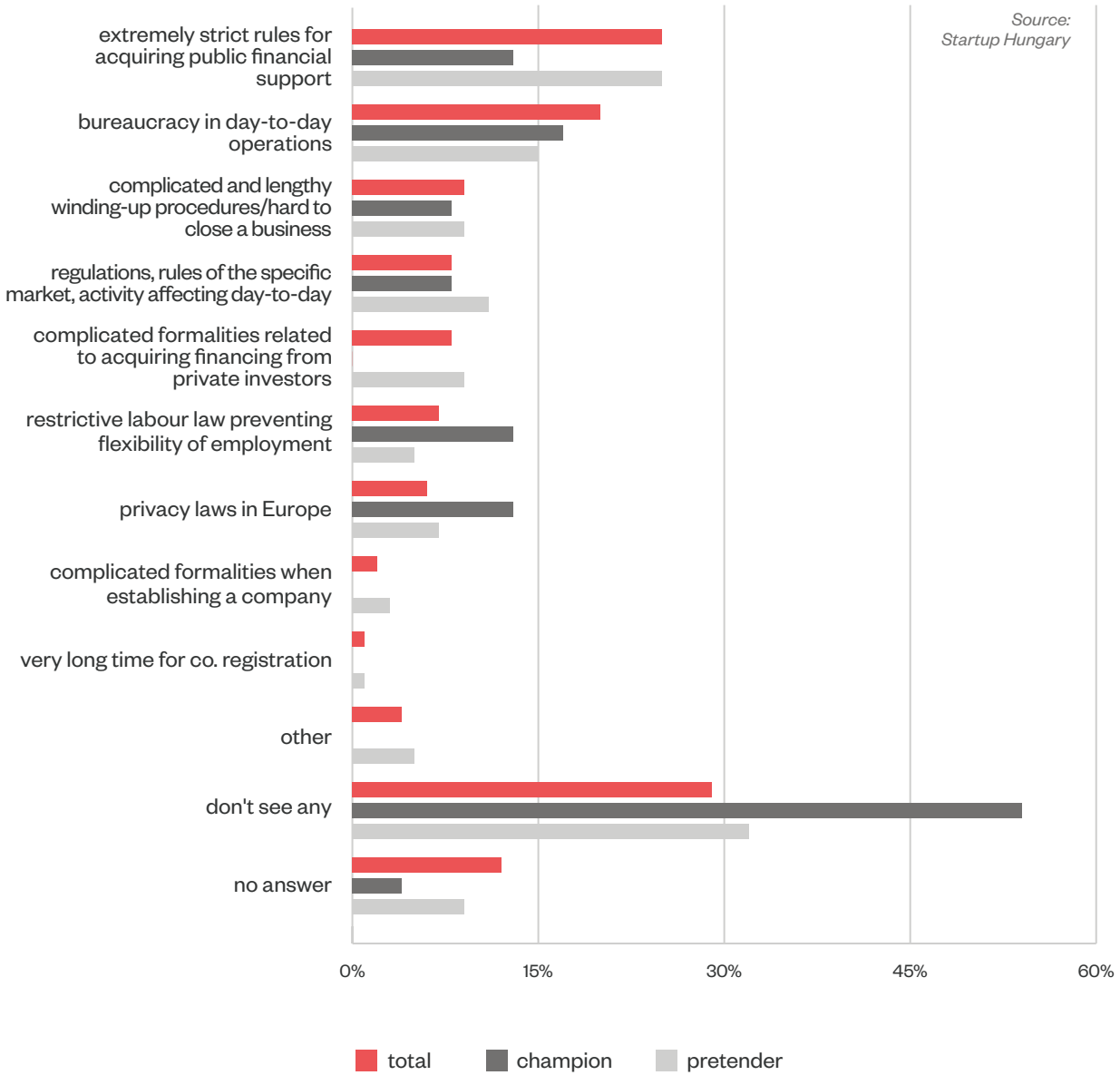
% of all respondents, n=232, champion n=24, pretender n=75



Strict funding rules & bureaucracy in day-to-day operations are the most painful legal burdens

What are the legal barriers that make it difficult for your startup to grow?

% of all respondents, n=232, champion n=24, pretender n=75



Melissa Blaustein
CEO and Founder of Allied for Startups

In policy you are either at the table or on the menu

Startup entrepreneurs are multi-taskers, they often juggle sales, management, human resources, finance and many other areas of business simultaneously. Unless there is a specific pain point, regulatory questions aren't an imminent concern, and they shouldn't be. Added to that, 9/10 startups don't make it to their fifth year, which makes building lasting relations with policy makers very challenging.

Startups are the most innovative, agile and resilient actors of the economy, they are also the biggest job creators. At this extraordinary time, startups play a crucial role in planning the post-COVID-19 economy. Policy should be made with them, not for them. The right regulatory environment allows startup entrepreneurs to multi-task and innovate.

European and global policy matters for startups.

There are over 10,000 online platforms in Europe, of which approximately 92% are startups and SMEs. The European Union's efforts to regulate digital platforms, such as the Digital Markets Act (DMA) and the Digital Services Act (DSA), will have an impact on the innovation ecosystem in Europe and more specifically in any nascent startup ecosystem, such as the Hungarian.

The Digital Services Act could be an opportunity for businesses to benefit from further harmonisation and regulatory consistency, and become the cornerstone of an open innovation platform economy. It could, however, have the exact opposite effect by setting limits and disincentivizing scaling-up.

The DMA also has the potential to adjust specific shortcomings in the digital rulebook with a targeted approach. What it shouldn't do is create legal uncertainty with unclear thresholds, broad unjustified prohibitions or one-sided obligations.

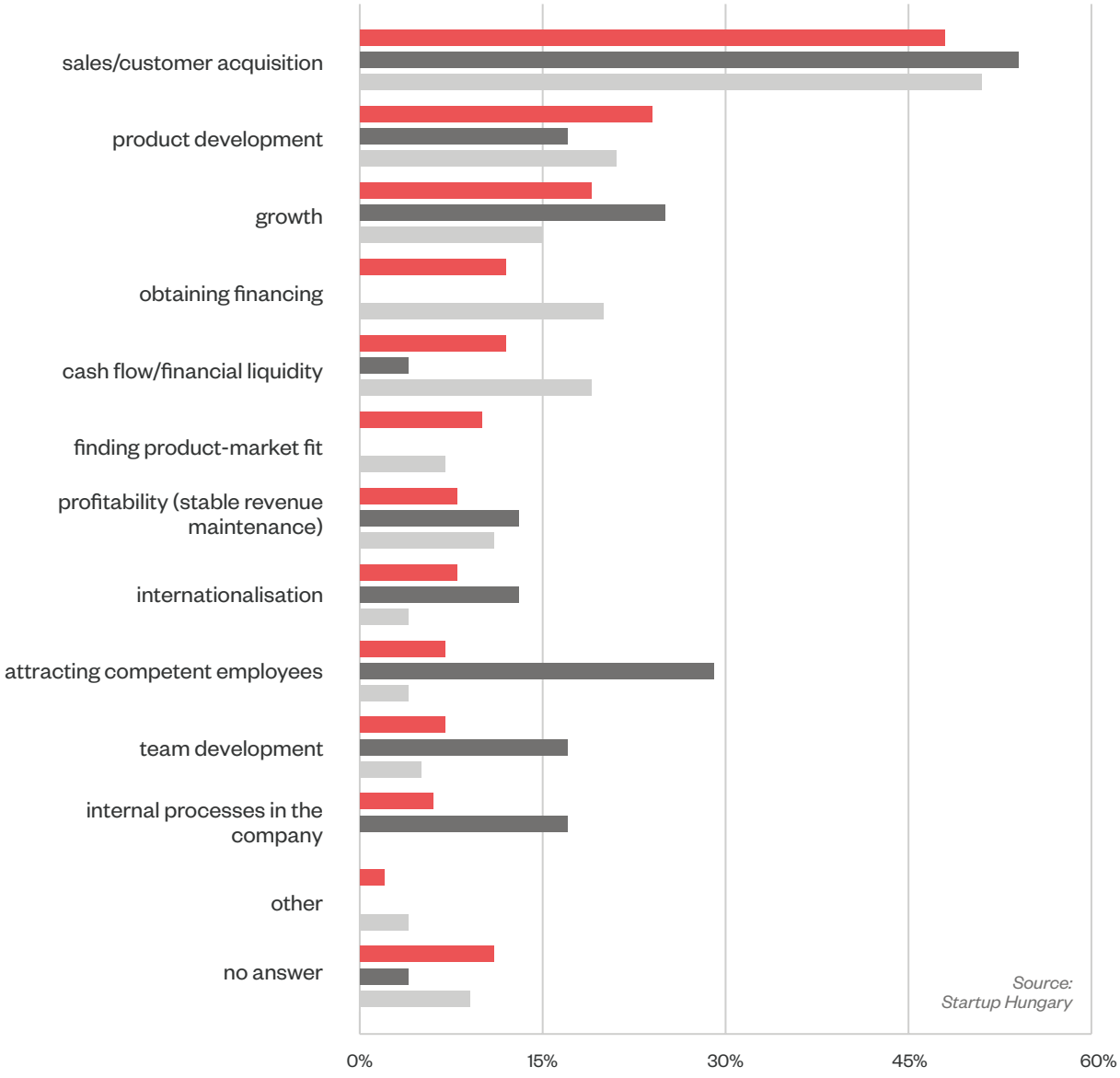
> ***In both cases, the litmus test for legislation is whether it enables more startups to scale-up and produce the economic growth the EU is after.***

Policy makers have realised that Startup Nations not only exponentially grow GDP and create jobs, they are also pioneers in life-saving and environmentally friendly innovation. The Startup Nations Standard is a collection of best practices among EU Member States on how to help startups thrive, including startup visas, stock option reform and access to finance. Enough enthusiasm and collaboration amongst countries has the potential of turning Europe into the Scale-up continent. Startup communities' and ecosystem builders' role will be essential in driving Member States and local governments to adopt these practices.

Policy makers should be asking startup entrepreneurs, "What do you need from us to be able to grow and scale post-COVID-19?" Building those bridges between policy makers and startups, ensuring they have a seat at the policy table, allows for better environments for growth and economic development.

What is the biggest challenge for startups?

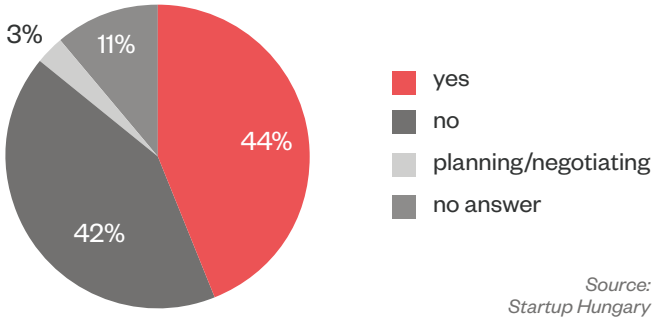
What are the main challenges in your startup?
% of all respondents, n=232, champion n=24, pretender n=75



How corporations help startups grow

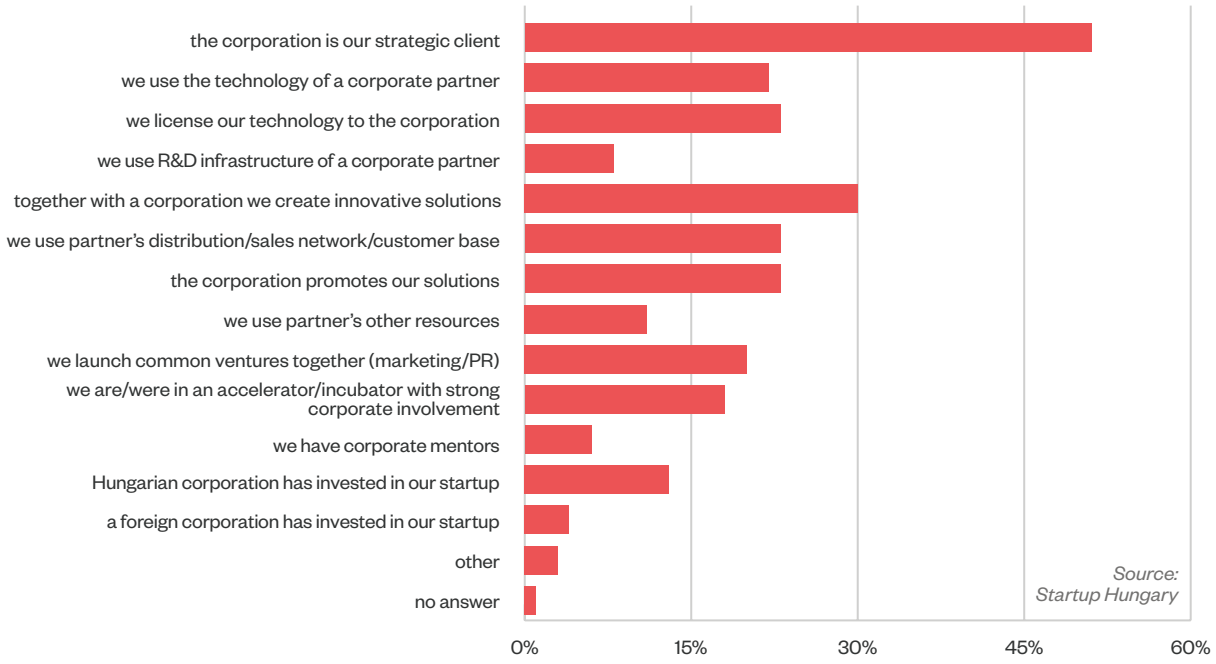
Do you have a strategic or other key collaboration with a large corporation?

% of all respondents, n=232



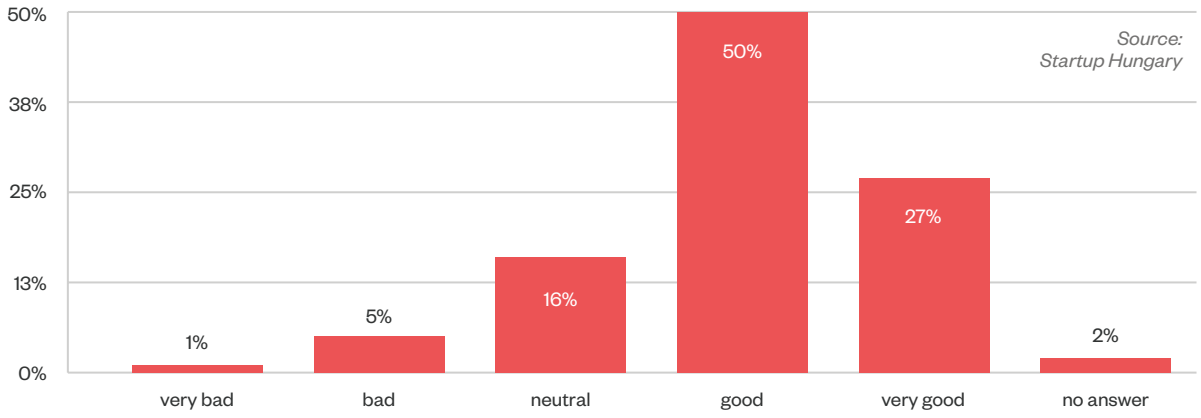
Describe the relationship with your corporate partner

% of startups collaborating with large corporations, n=101



How do you rate your cooperation with the corporation?

% of startups collaborating with large corporations, n=101



Péter Szabó
OCP Lead at Microsoft Hungary

5 rules for working with corporates

Building a startup is a bumpy road and no two founders go through the same journey. The single common denominator is whether or not there are paying customers. In the lifecycle of a B2B startup, you eventually start considering how to work together with corporates. Options are endless, and choosing the right ally can either give you wings or waste lots of your most valuable asset: time.

Both corporates and startups are constantly looking for ways to interact with and learn from each other. These corporate startup engagements range from one-off hackathons through systematic incubator and accelerator programs to corporate venture funds.

> **Corporates are looking for vitality, new ideas and agility – while startups are seeking industry ability, experience, relationships with their target market and financial stability. Sounds like a good fit, right?**

All in all, choosing your corporate ally wisely is a delicate matter. To ease your dilemma, here's a checklist to go over before engaging with a corporate:

Know yourself. Know where you are, what your goals are and what is needed to get there. Know what you are good at and where you can run the show alone. Recognize if you need support in certain areas. If you are clear with your strengths and weaknesses, focusing on partnerships will be an easy exercise.

Pick the right ally. Before engaging with a corporate partner, do your homework. Do your due diligence about the company, understand the underlying goals and put yourself in the place of your potential partner. What are they looking for? What are they lacking? Don't get blinded by shiny announcements – try to look deeper, talk to startups who are already engaged with the corporate and get their feedback. If you have found your sweet spot, ensure that your goals are aligned and communicated clearly.

Prioritize. There are so many opportunities out there, that it is actually difficult to say no. Especially if you are on track and more corporate companies see the potential in engaging with you. Stay selective, and bear in mind that one partnership done right can bring you more than working with half-energy on several leads while fragmenting your focus along the way.

Manage expectations. Partnering with a corporate is hard work. It involves lots of learning, adjustment and flexibility. You will always get out as much as you put into it. Expecting that things will evolve on their own, and that others will do the job for you is an unrealistic expectation. Magic happens when you fully invest in what you have signed up for.

Plan. Entering any kind of business relationship will only bear fruit in the long run. Don't expect a tangible impact if you haven't invested enough time and energy. So, when planning a partnership, think ahead and imagine your startup in the future. Try not to get stuck in everyday challenges, and look at how a corporate partnership can transform your business in the future.

During the past 15 years, Microsoft has continually invested in improving its relationship with startups. Those that are currently in our global programs are on track to realize over $1BN in sales opportunities by the end of the fiscal year. BizSpark, BizSpark plus and Reactor, M12 were our flagship programs aimed at bridging the gap between startups and corporates in order to come up with win-win scenarios. Our programs have shifted smoothly as we better understand what startups need and how we can best help them reach their goals. Today, the Microsoft for Startups program not only offers access to cutting edge cloud technologies along with one-on-one tech support, but also business and communication benefits.

At Microsoft we believe in the power of partnerships, we build all our business on a trusted partner network and we are continuously improving our partnering methods to a level of excellence. We are happy to share this ability and open doors to our startup partners developing business-to-business services.

Veronika Spanarova
Managing Director and Country Head of Hungary, Citi

Successfully incorporating innovation in-house and as a corporate champion

Hungary has a growing presence in Fintech, coming in first in the Startup Hungary survey — bolstered by the local presence of global Fintechs like TransferWise.

In addition to being an innovative leader in the financial services space, we help drive the development of the financial services industry in technological, behavioural and structural changes through our work as a corporate startup champion. We promote a culture of innovation through our Innovation Lab network and accelerator programs, and through our own startup partnerships.

Citi itself has 23,000 technology experts globally, an employee count on par with the world's biggest tech giants. On top of that, we invest over 20% (equivalent to $8.5bn) of our annual budget into researching and developing new solutions for our clients. It's this work that helps us understand the needs and agile workflows of startups, allowing us to co-create successful tech solutions with our partners and portfolio companies worldwide.

Our in-house innovation labs use cutting-edge technology to service clients around the world, and focus on developing technologies to digitize and automate processes to enhance the client experience.

During COVID, we've been focusing our efforts on driving digital transformation in client engagement on all of our channels and developing self-service platforms that dramatically increase our time to market with new services.

As a corporate champion, we are always working to partner with strategic Fintechs and startups to co-create solutions for our clients' institutional banking needs. These partnerships are what make it possible for us to deliver the best financial services platforms possible — especially in the areas of real-time risk management, foreign exchange management and payment solutions, and local payment methods for clients.

Startup and Fintech partners co-create solutions with our teams in six focus areas:
1) commerce and payments;
2) data analytics & machine learning;
3) financial services & technology;
4) customer experience & marketing;
5) security & enterprise IT and
6) property technology.

The partnerships have become win-win situations, with Honey, two Citi Ventures portfolio companies that got acquired in multi-billion dollar deals.

On average, Citi Ventures, the arm of Citi working with innovation partners, meets with over 1,000 startups annually, and maintains an active portfolio of over 60 companies.

Our investments in numbers:

- In 2019, Citi Markets & Securities Services closed 15 FinTech Investments (9 new investments and 6 follow-on investments)
- In 2020, Citi Markets & Securities Services closed 21 FinTech Investments (15 new and 6 follow-ons)
- Citi has 3 Blockchain initiatives live and 11 underway, partnering with Fintech firms

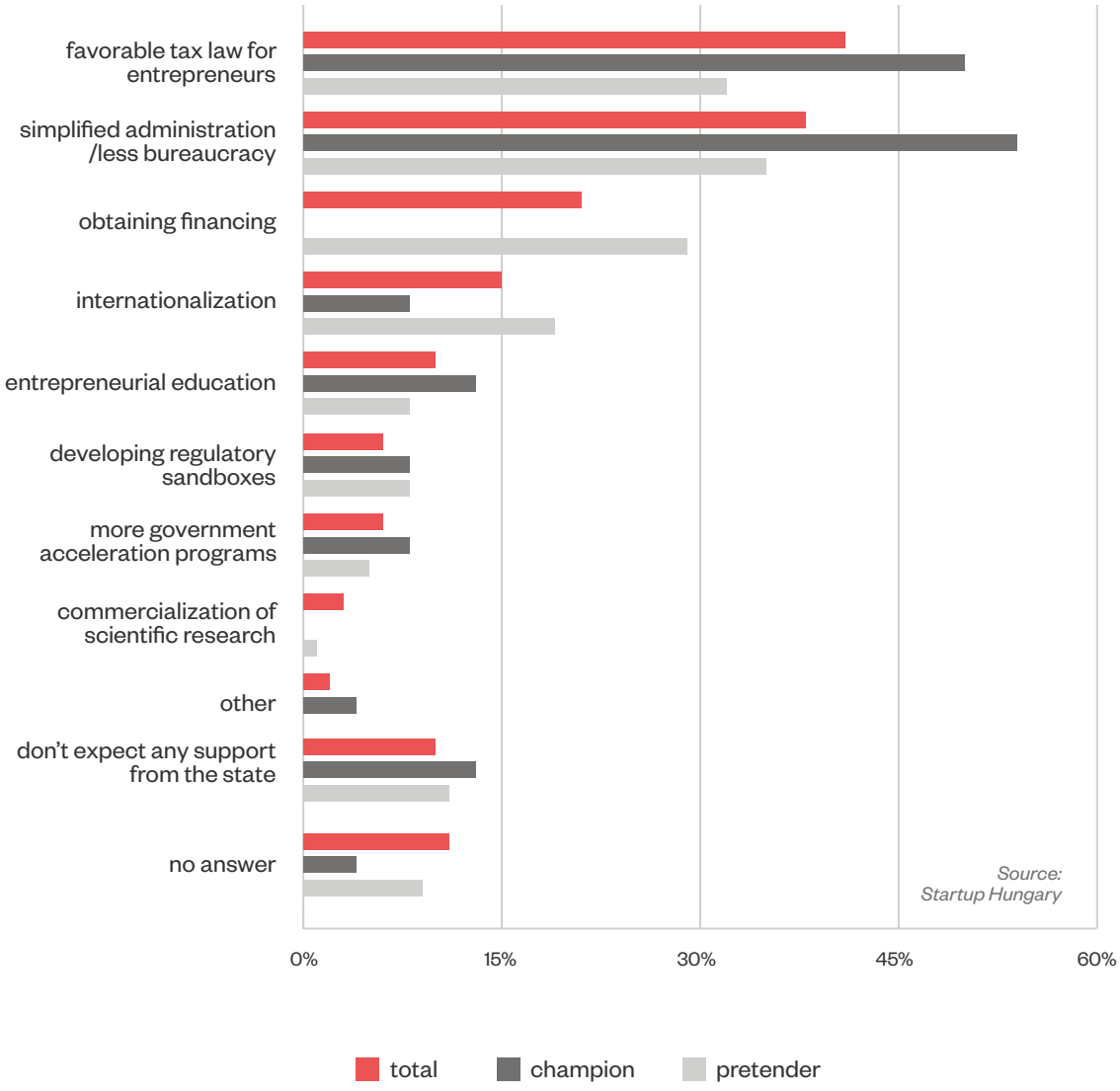
Times may be preventing us from meeting in person. But in reality, innovation never stops.

To see how we continue to make good on our commitment to empowering clients like you to meet tomorrow's challenges through industry-leading experimentation, collaboration and more, explore our newly launched Virtual Innovation Lab.

Startups vs. the government

In which areas would you like to see increased governmental support?

% of all respondents, n=232, champion n=24, pretender n=75



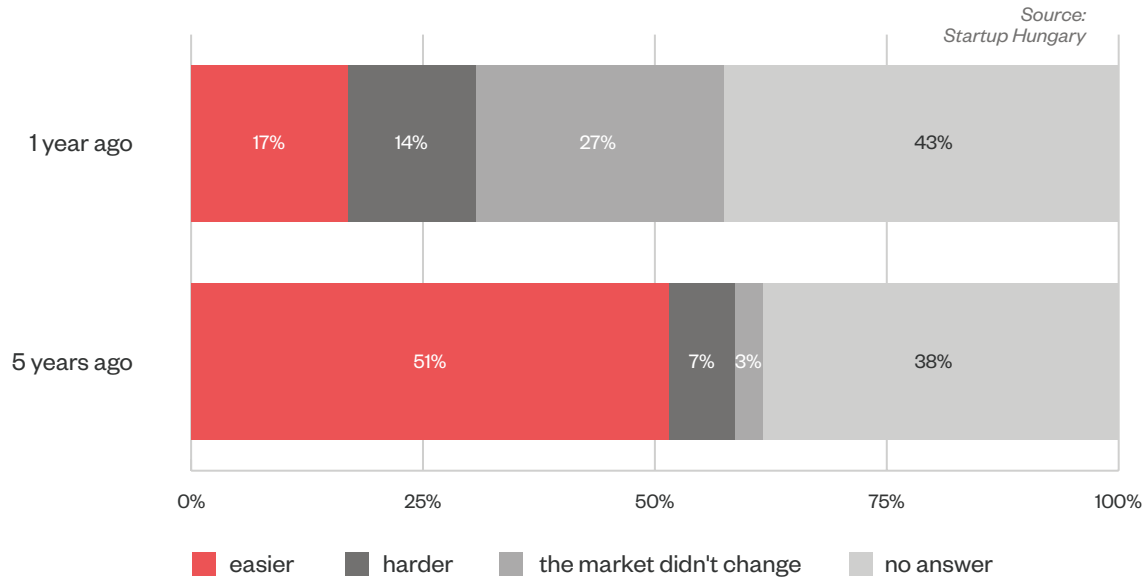
Startup Financing

Today's fundraising scene
How popular is bootstrapping?
Where do startups raise money from?
Government backed funds vs. private VC
Number of funding rounds
Total equity funding volume
Equity ownership among the founders
How VC meetings convert to term sheets
How do startups choose their investors?

Today's fundraising scene

Perception of change in available capital

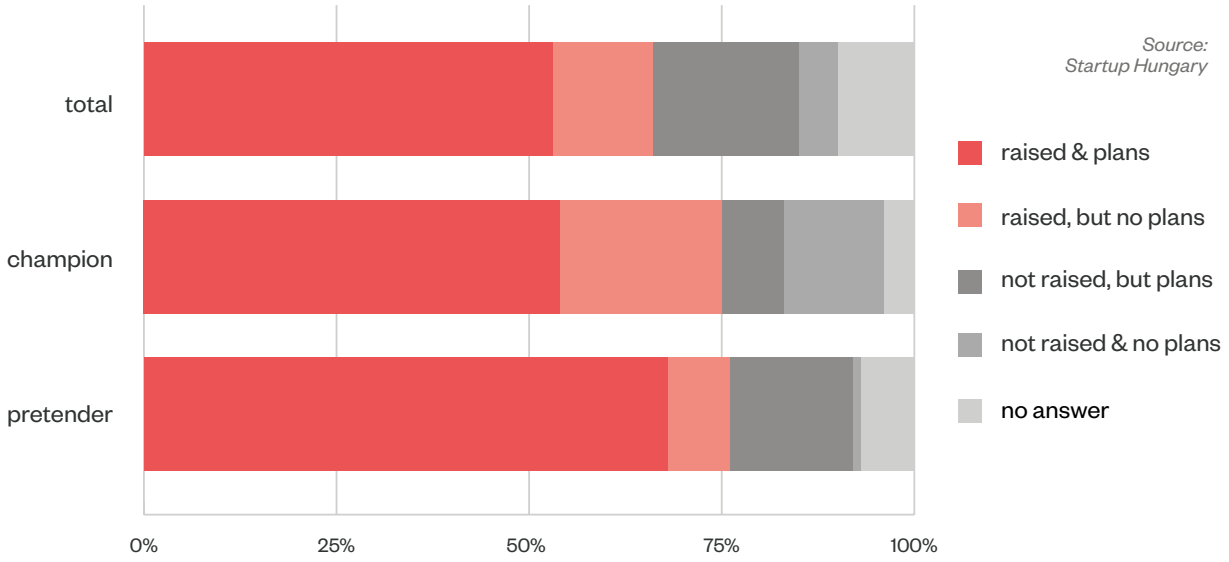
% of all respondents, n=232



How popular is bootstrapping?

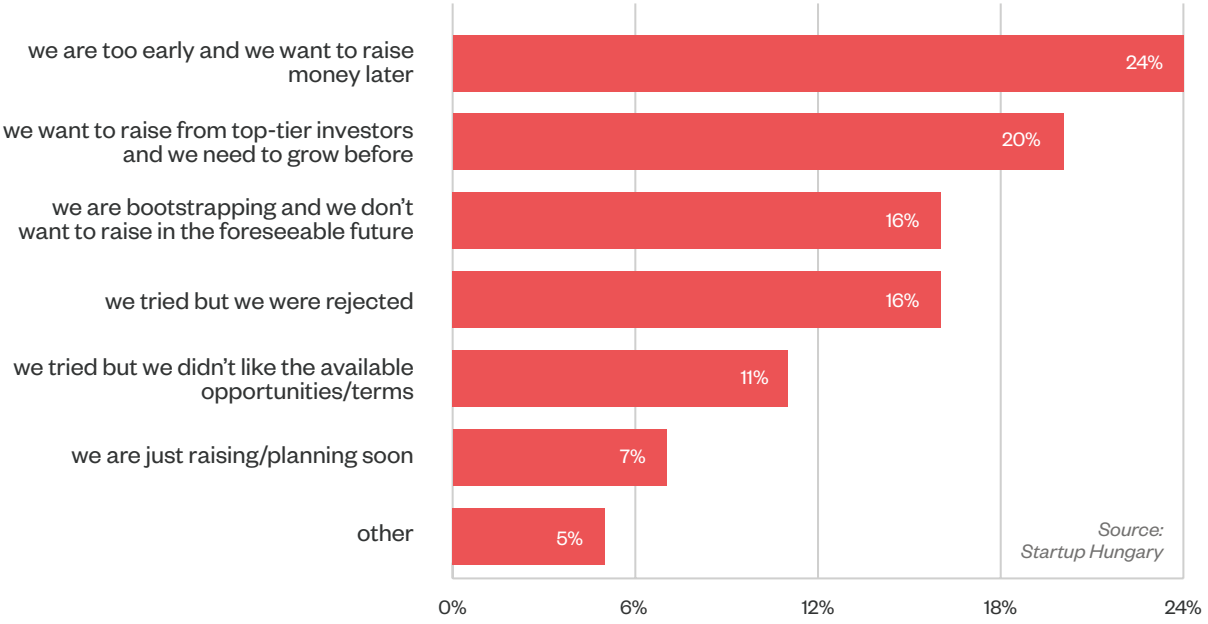
Have you raised external funding or are you planning to in the next 12 months?

% of all respondents, n=232, champion n=24, pretender n=75



Why didn't you raise money?

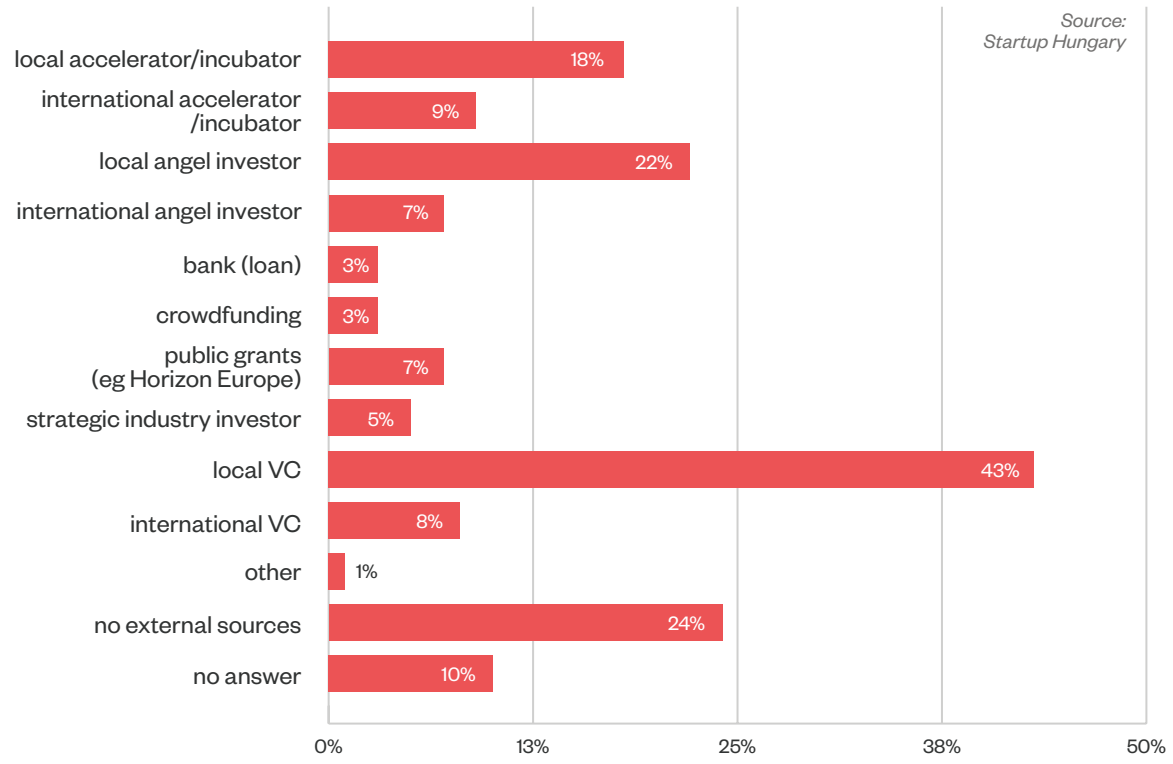
% of startups with no external funding, n=55



Where do startups raise money from? 1/2

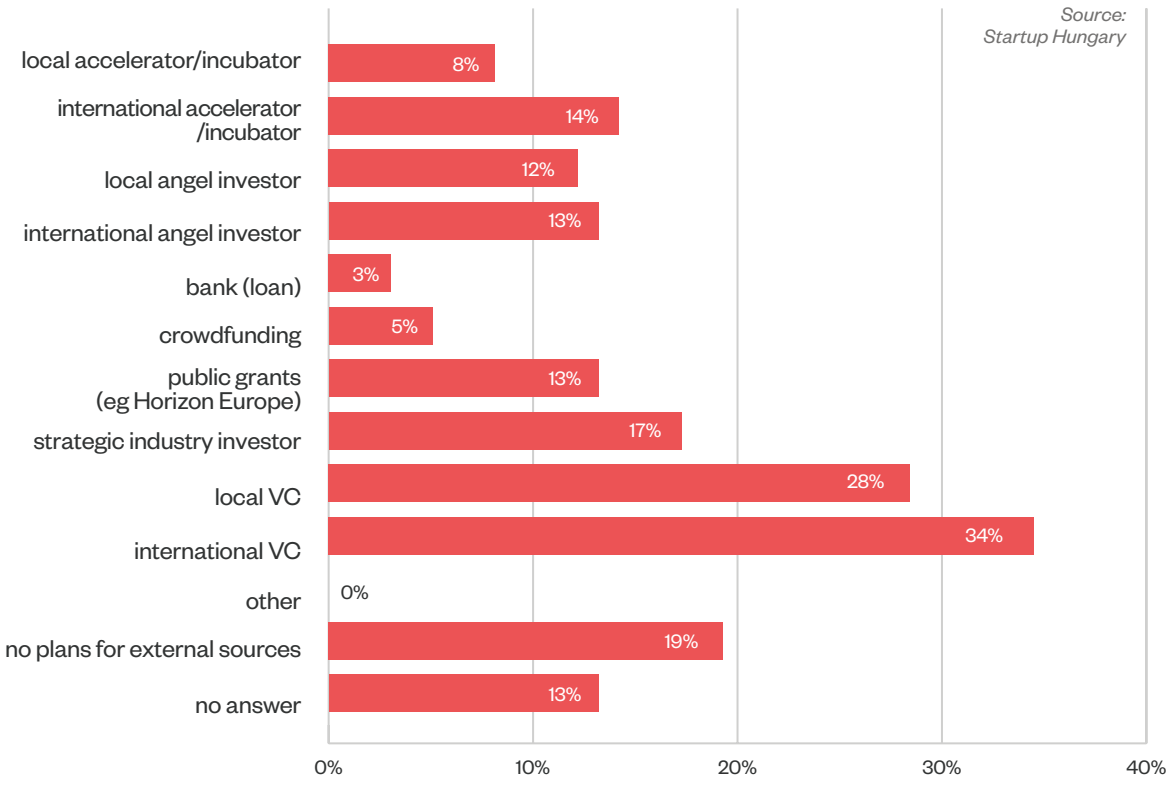
Where did you raise money from?

% of all respondents, n=232



Where are you planning to raise from in the next 12 months?

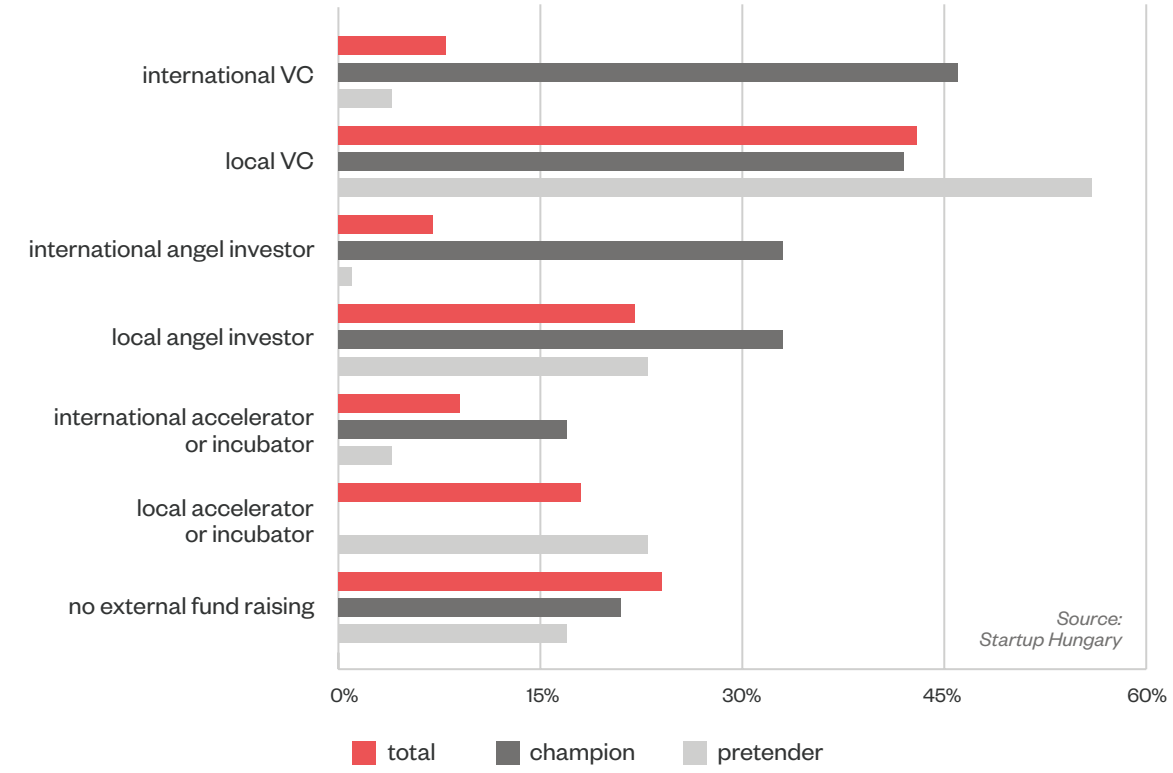
% of all respondents, n=232



Where do startups raise money from? 2/2

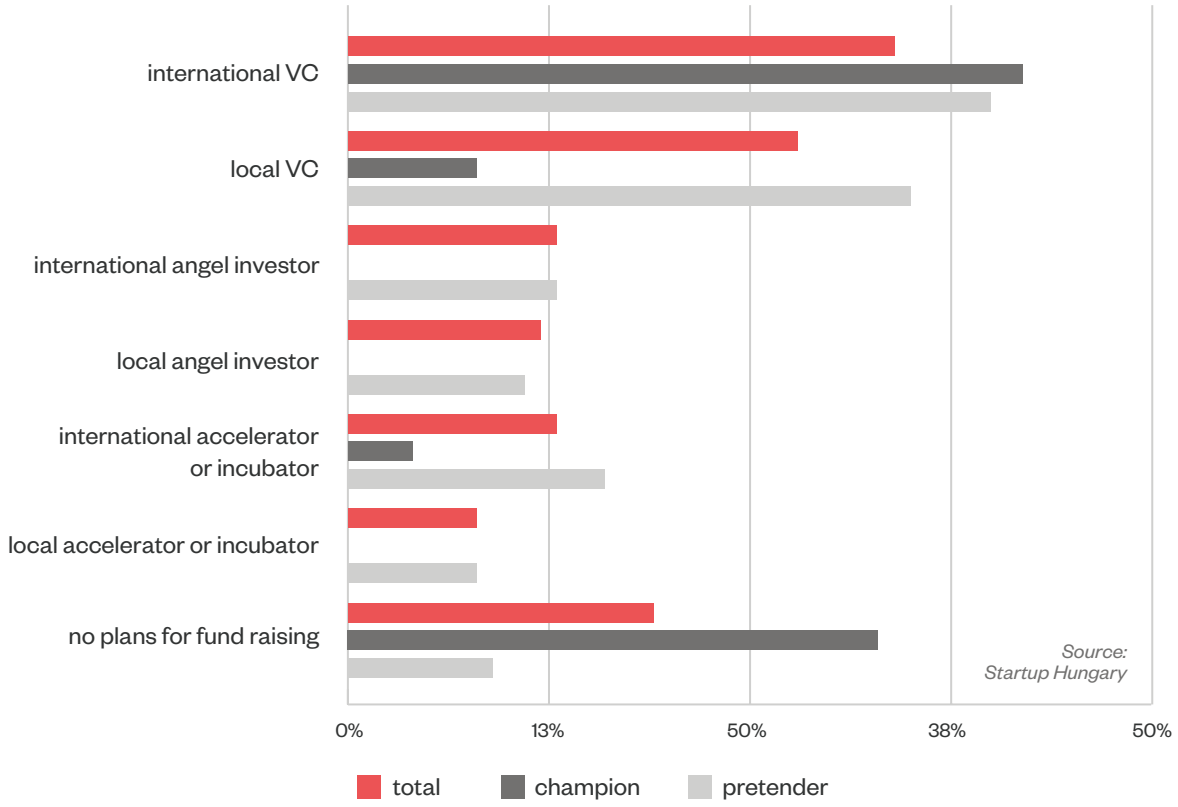
Where did you raise money from?

% of all respondents, n=232



Where are you planning to raise from in the next 12 months?

% of all respondents, n=232



Zsolt Weiszbart
Partner at Day One Capital

(H)unicorns wanted

In the last decade, most of the countries in the CEE region have produced at least one company that meet the criteria of a startup Unicorn - a private company with an enterprise value of more than 1 Billion USD. But Hungary is still waiting to have one. Although optimism is much needed in our industry, it was surprising to see in the survey results that over 60 startups believe they will rather likely-, and 25 believe they will most likely achieve this.

In football, an oft-used KPI is the number of players that play in one of the four major leagues (Premier League, La Liga, Bundesliga, Serie A) from a given CEE country. Along similar lines, the number of Hungarian startup companies that have managed to attract financing from international cutting-edge Tier 1 investors can also be an objective measure of a local startup ecosystem. Looking at the main input conditions, such as the number of engineers, available capital, and entrepreneurial mindset, the local ecosystem should have produced at least 3-4 startups per year that would receive follow on investments from a European Tier 1 VCs, but unfortunately based on the numbers of the last ten years, only about ten companies have actually done it. Out of the above mentioned three input factors, let's take a deeper look at the available capital.

The current landscape of the domestic investment market is heavily dominated by "non-private funds," meaning state-owned funds or funds which were chosen by the government as intermediaries. Even the so called 'corporate VCs' rely heavily on receiving funds from the government. A crucial part of starting a new fund is fundraising, very similar to the process that startups are doing. When prospective fund managers are mastering the struggle of their own fundraising, they are always reminded that this phase needs to be repeated every 3-4 years and that they will be judged on the track record of their investments. In the case of the "non-private funds," this crucial step is missing as capital has been "awarded" to them. As a direct result of the overflow of "non-private funds", it is almost impossible to raise capital to start a new private venture fund. As of today, in Hungary, only a handful of private venture funds exist which operate along with the same incentives and principles as their peers in Western Europe and the US.

Another structural problem is that currently most of the local angels and incubators are feeding the state-owned VC funds, and in most cases, the local VC funds are making follow on investments in each other's portfolio companies. This "domestic value chain" creates a fake impression where all players tend to believe that they are in the same business as their peers in Europe or in the US. Just as the first place of the national championship in European comparison means nothing in football, the same is true for the startups and investors praised solely by the Hungarian media.

The local investor community should be aware of how the game is played in the top leagues. It's time for a reckoning: let's look at those - be they an angel investor, an incubator or a venture capital fund – who have managed to put one or more portfolio companies into the "top league".

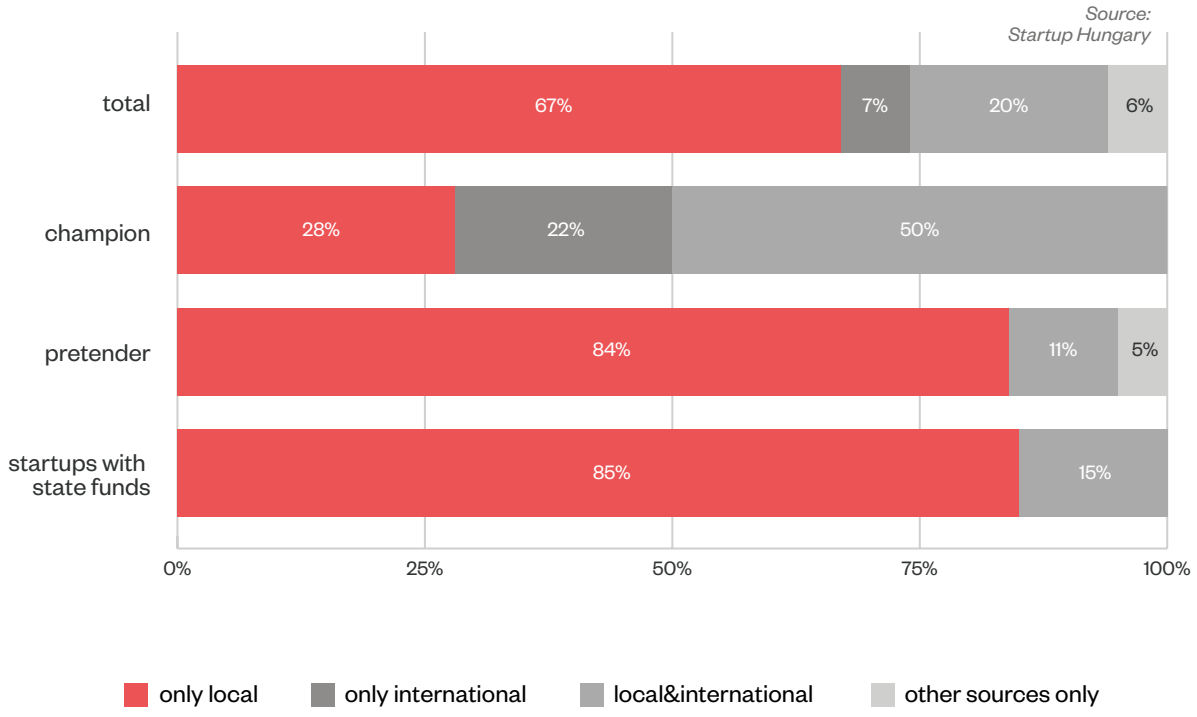
No surprise, that almost all of the startup companies that attracted follow on capital from Tier 1 VCs, were funded by the few private venture funds or angels who, over the last decade, have systematically established relationships with international VCs through joint investments.

In order to increase our chances of producing the first (H)unicorn, these types of relationships and the number of cross border co-investments need to be drastically increased. If we do so, I am very confident that the first Hungarian (H)unicorn will be born within four years, boosting the next generation of founders and private investment funds.

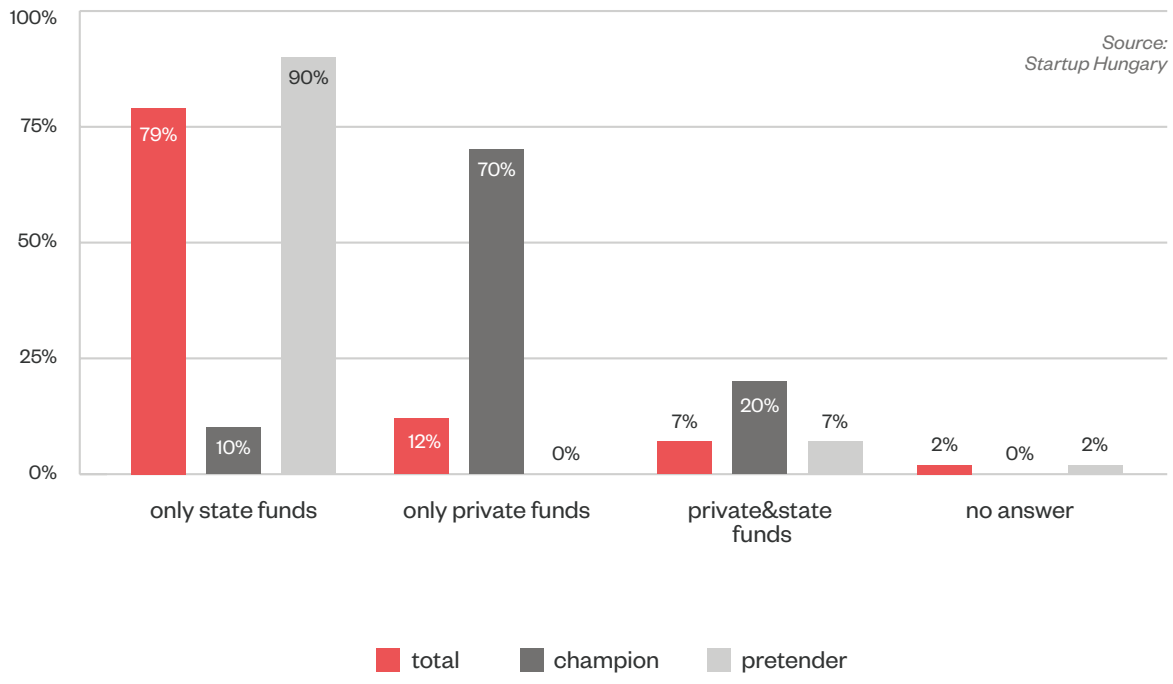
Do government backed funds, private VCs and international players invest in the same startups?

Where did you raise money from?

% of all respondents, n=153, champion n=18, pretender n=57, startups with state funds=71



Which local VCs did you raise money from?



Dénes Szluha
Investment Director, Scale-up Investment Program at Hiventures

The highs and lows of government -funded VCs in the CEE region

Government financed VC funds are a known model the world around. The form differs from region to region, but generally, the more underdeveloped and incomplete the market financing, the greater the role of the government. On the old continent, public funding appears in two ways: direct and indirect. Direct, when the state is involved in the development of the startup ecosystem with its own fund manager and funds, like in Ireland by Enterprise Ireland or the federal High-Tech Gründerfonds in Germany and its many rival regional counterparts. Indirect, like the British Business Bank in the UK or the EU Community level EIF.

If we compare Europe to other continents, the initial, high-risk phase of startups is avoided by private investors. And this is even more true of our region.

For historical reasons, 3F (Friends, Family, Fools) financing is an almost non-existent concept in our region, but the pre-seed phase is also avoided by institutional investors at an increasing rate. There were a few VCs and investors in this phase at the end of the 1990's, but nowadays many private fund management fail at fundraising. Many of them are not able to invoke capital from the government due to the lack of necessary private resources. Recognizing the deficit, the Hungarian government was the first in the region to participate in filling the market gap, thereby accumulating a lot of experience in the last 10-12 years about the indirect model, and deciding that there is a place for a direct presence. Today, similar programs have been established in many other countries in the region.

The number of partly or completely government-backed local VC funds compared to private funds is rather big in Hungary. Somewhere around 70-80%, if we count government and EU resources. If we take a wider view on the V4s and Austria, we see a higher rate of private funding, I would guess around 50-60%. It's difficult to give a general ideal ratio of government involvement, but I would consider 80% in the pre-seed phase, 50-60% in the seed phase, and 30-40% in the later stage, but even before Series A. An interesting indicator - although it doesn't reflect the proportion of resources available - is that in Europe, 70% of VC fund managers manage some form of public or community funding.

The benefit of the relatively large number of government backed investors and funds is that there is at least money in the local market, in fact, there's a lot - it's working with a similar amount of liquidity as Western markets. Whether that's good or not is a topic of eternal debate.

On top of this, our historical past results in two contradicting opinions around government financing. The first asks, what does the government want in the market? The other asks, why doesn't the government fund my company (my investment) — isn't that its job? Funny enough, but sometimes these are the words of the same person, in relation to its different investments.

I think that 30 years after the regime change, it's time to let go of these qualms. Of course, at the InvestEurope (then EVCA) event in Paris in 1999, I also looked at the German VC representative like some sort of wonderbug, but since then a significant amount of VC money in the EU is government-backed. The advantages of this money is that it exists and it's usually ready to take on a higher risk than market investors. Resources in this form have provided opportunities for hundreds of startups, and I'm proud to say that Hiventures portfolios include multiple successful startups that would not have received investments from others at their given phase, and have since proved their place and role in the market. Certainly, we might be just the first step in a startups quest for funding and are happy to present them to domestic and international private investors for follow-on investments.

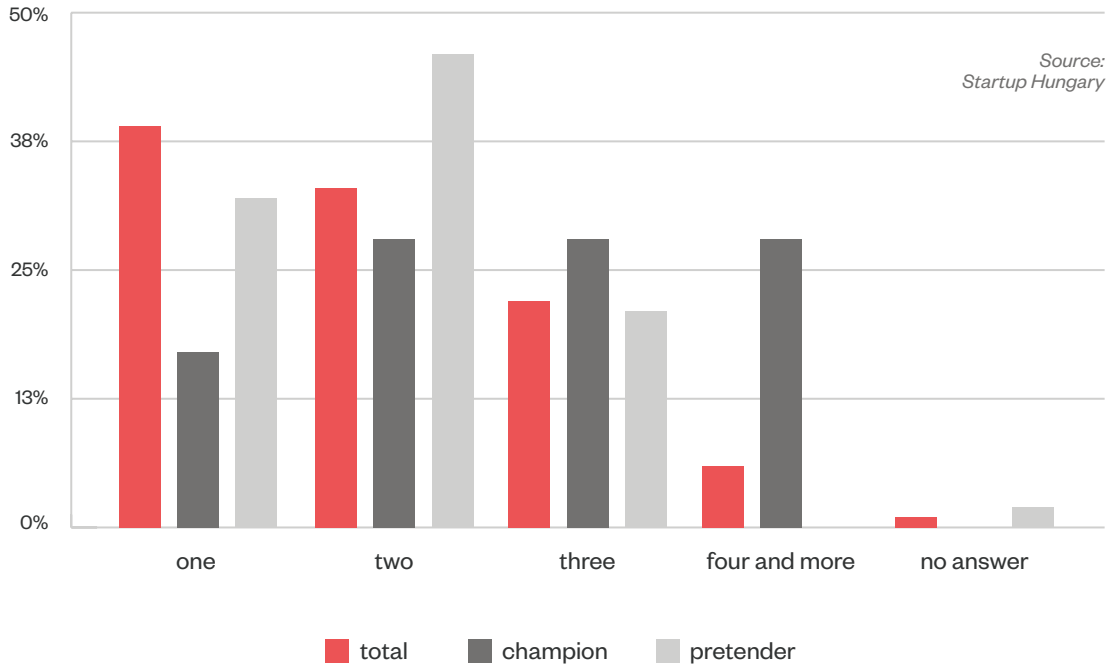
As a counterpoint to my previous argument, with regard to the abundance of liquidity, I am forced to voice my eternal mantra. Abundance of financial resources can spoil the startup attitude, so you have to be sensible. Later success is partly rooted at the beginning and requires a lot of self-discipline and a lean approach (measurement - experience - creation), which are too often inflated as empty phrases.

In many cases, because there is a lot of capital, startups want to develop their solution to the maximum instead of going out into the market and validating it. Then, two or three years later, in the next investment round, there is no clear explanation for how the company may have generated so little sales revenue from so much capital and normally that's the end of the story; no one will further finance them with such a poor track record .

Number of funding rounds

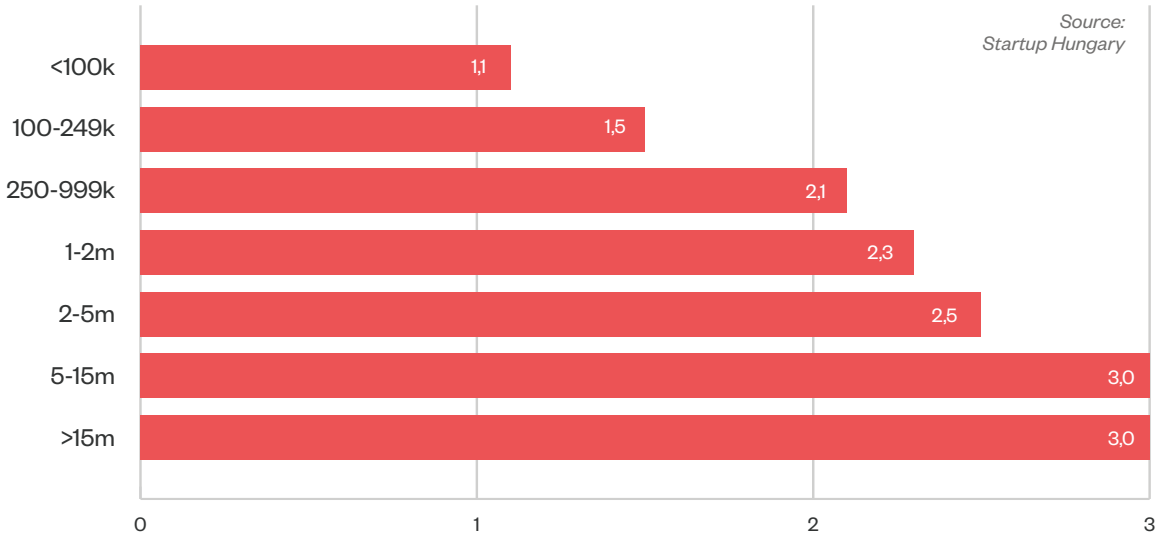
How many funding rounds have you raised so far?

% of startups w/ external funding, n=153



Average rounds by the total funding amount

startups w/ external funding, n=153



Balázs Haszonics
CFO at Lead Ventures

Scaleups: startups with an outstanding track record

Based on data from recent years, only 1 in 100 startups has a chance of becoming successful. A significant number of them end up failing, typically before they actually take off or perhaps a few cycles later, due to a lack of adequate determination, proper financing, human resources or real market interest.

In addition to these common challenges, there are thousands of other potential causes for failure. But let's look at the companies that have successfully passed the initial hurdles and reached the point of realizing their business idea. At the outset, they launch their operations and enter the market with their product or service, generating turnover and income. Then comes the next step, the team looks to start an international expansion, to present their original idea to a global audience.

Although the pursuit of scalability is expected by investors from the moment the startups are created - and thinking of global success isn't necessarily far from the mentality of the founders - both are rather a theory than a practice. Many only realize as they are getting ready to take the next step, that difficulties don't only occur when they launch their business: reaching a higher weight-class is at least as tough of, or an even greater, test.

A qualitative shift is required in their approach, professionalism and often in their business model as well, moreover this growth phase often demands greater resources than the original launch.

This proves to be more than what angel or seed investors can handle – and less than what Western European and American venture capital companies interested in investing over EUR 10 million per company are looking for. That's where scaleup investors enter the picture, looking for EUR 2-5 million investment opportunities, bridging the gap in the financing chain. These don't just offer assistance in moving forward with a well-timed investment, but also help scaleups appear on the radar of Western investors.

What does this category cover exactly? Let's call the startup entering puberty a scaleup, now facing a brand new field as a beginner, similar to the days when it was originally founded, even if it has since enjoyed regional recognition. We are all acutely aware – some have first-hand experience, others have heard tell – that teenagers require special treatment. In good news, they are on the cusp of adulthood --their perspectives are much more promising than that of startups: roughly 1 in 20 scaleups become successful.

Although the category is not considered new, interest in it has increased in recent years in Central and Eastern Europe. For example, in the year before the pandemic hit, the number of scaleup investments in the region increased by more than 100 percent YoY. The promising growth was halted by COVID-19, however even last year we saw double-digit expansion, while according to PitchBook Data, the continent on the whole experienced a slight downturn. Hungary is in fifth place among country rankings in CEE, both in terms of total value of realized transactions, their average size, as well as the number of deals – this statistic is similar to Estonia and Czechia.

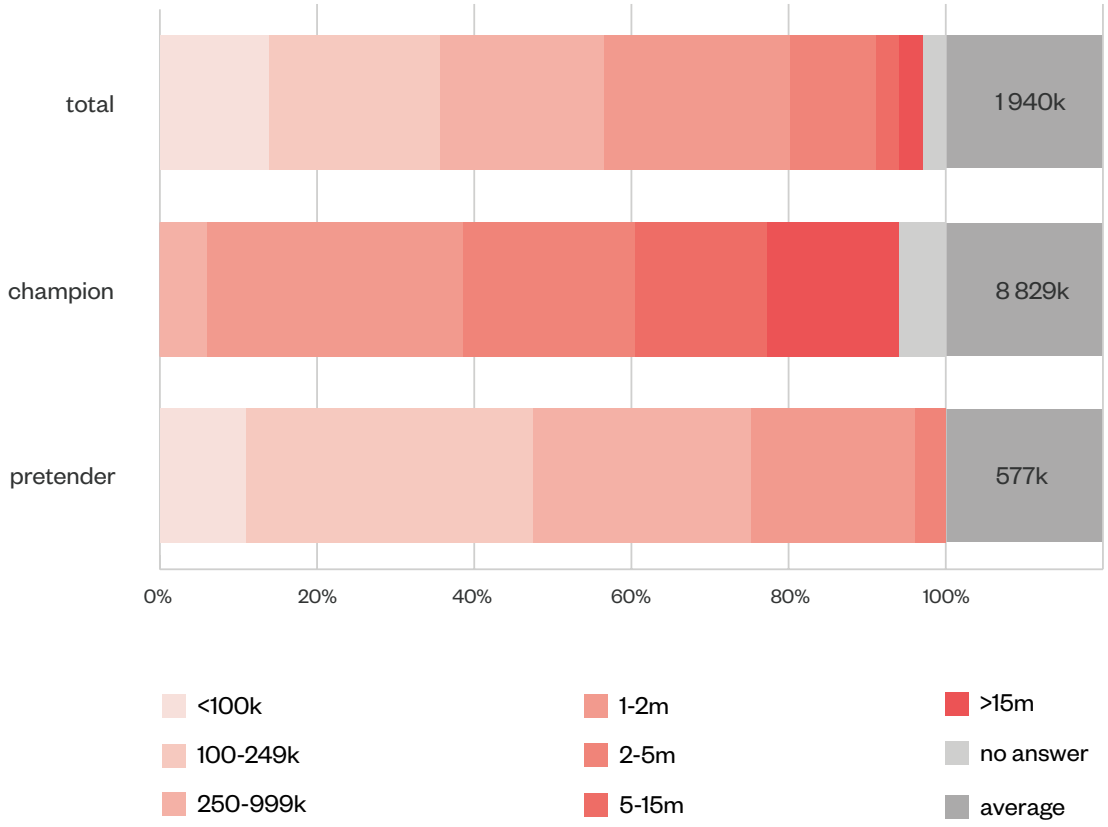
Taking the industrial distribution of transactions into account, we do not differ from regional characteristics: half of the investments are made in IT, one-fifth in business products and services (B2B), while consumer products and services (B2C) and the healthcare vertical are in a tight race for third place.

Total equity funding volume

What is total amount of funding you've raised in EUR to date?

% of startups w/ external funding, n=153

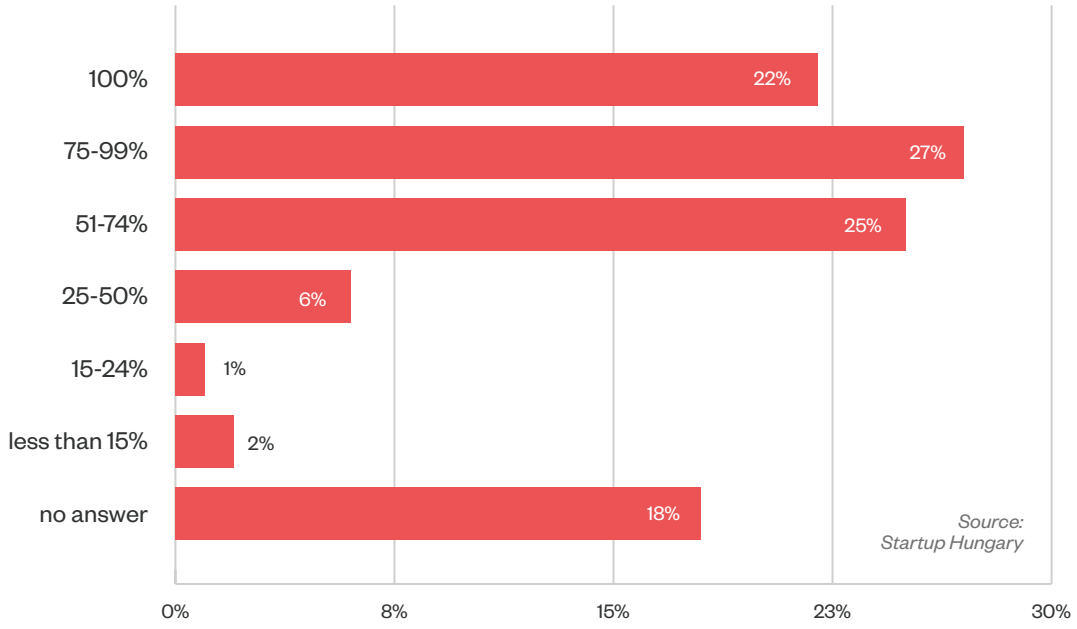
Source: Startup Hungary



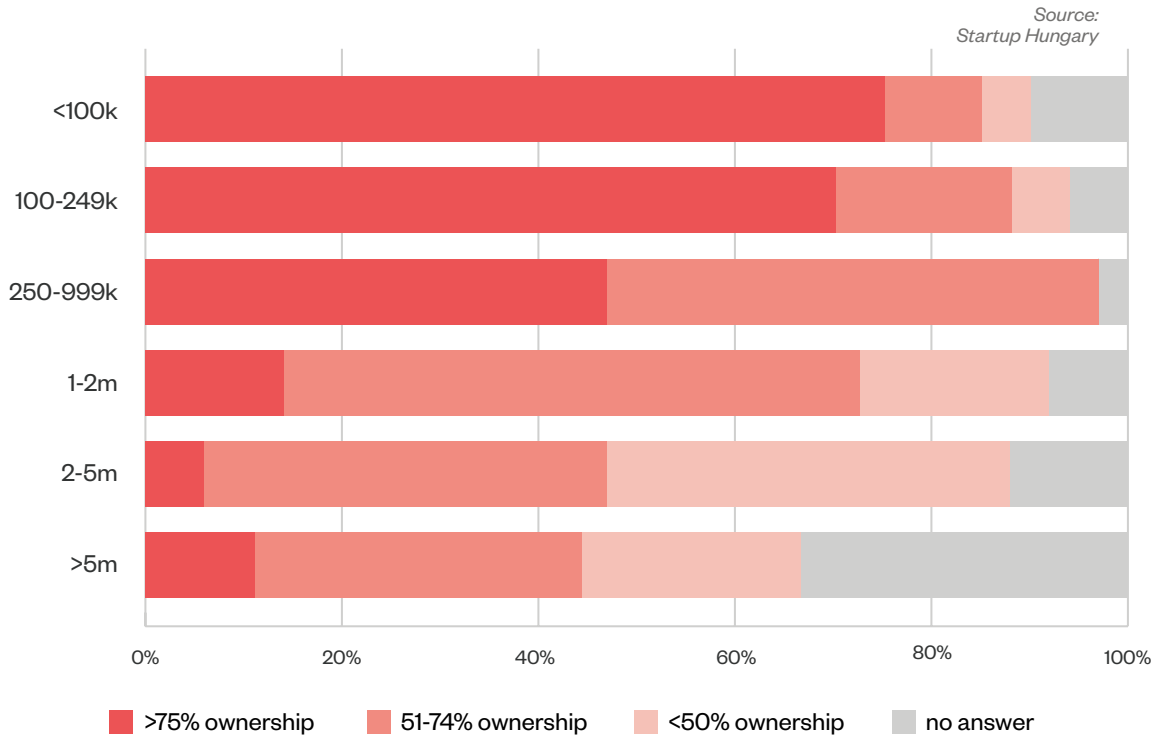
Equity ownership among the founders

What part of the company's shares currently remains in the hands of its founders and employees?

% of all respondents, n=232



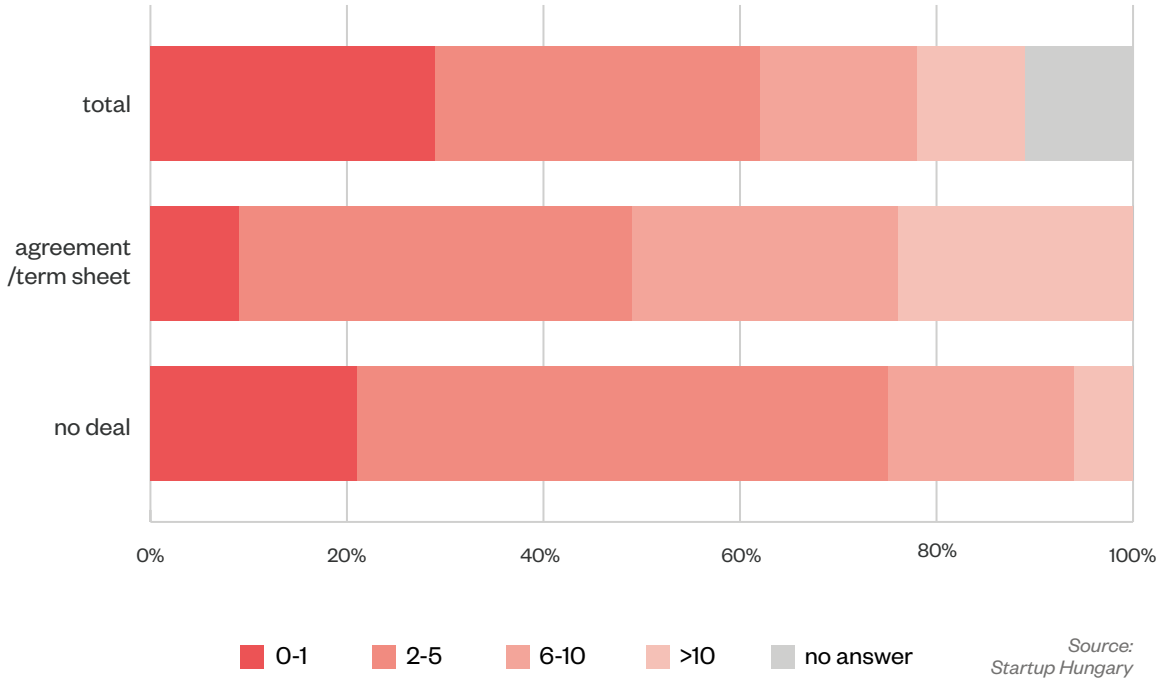
Equity ownership by funding volume



How VC meetings convert to term sheets

With how many investors did you meet during last year vs did any of the meetings convert to a term sheet?

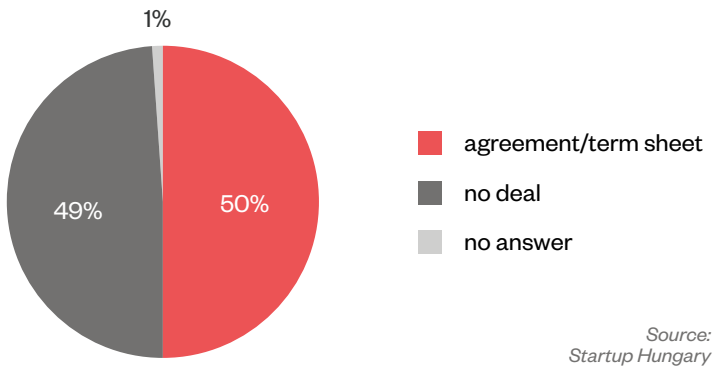
% of all respondents, n=232, agreement/term sheet=82, no deal=80



Source: Startup Hungary

Did any of your meetings result in the signing of an investment agreement or a term sheet?

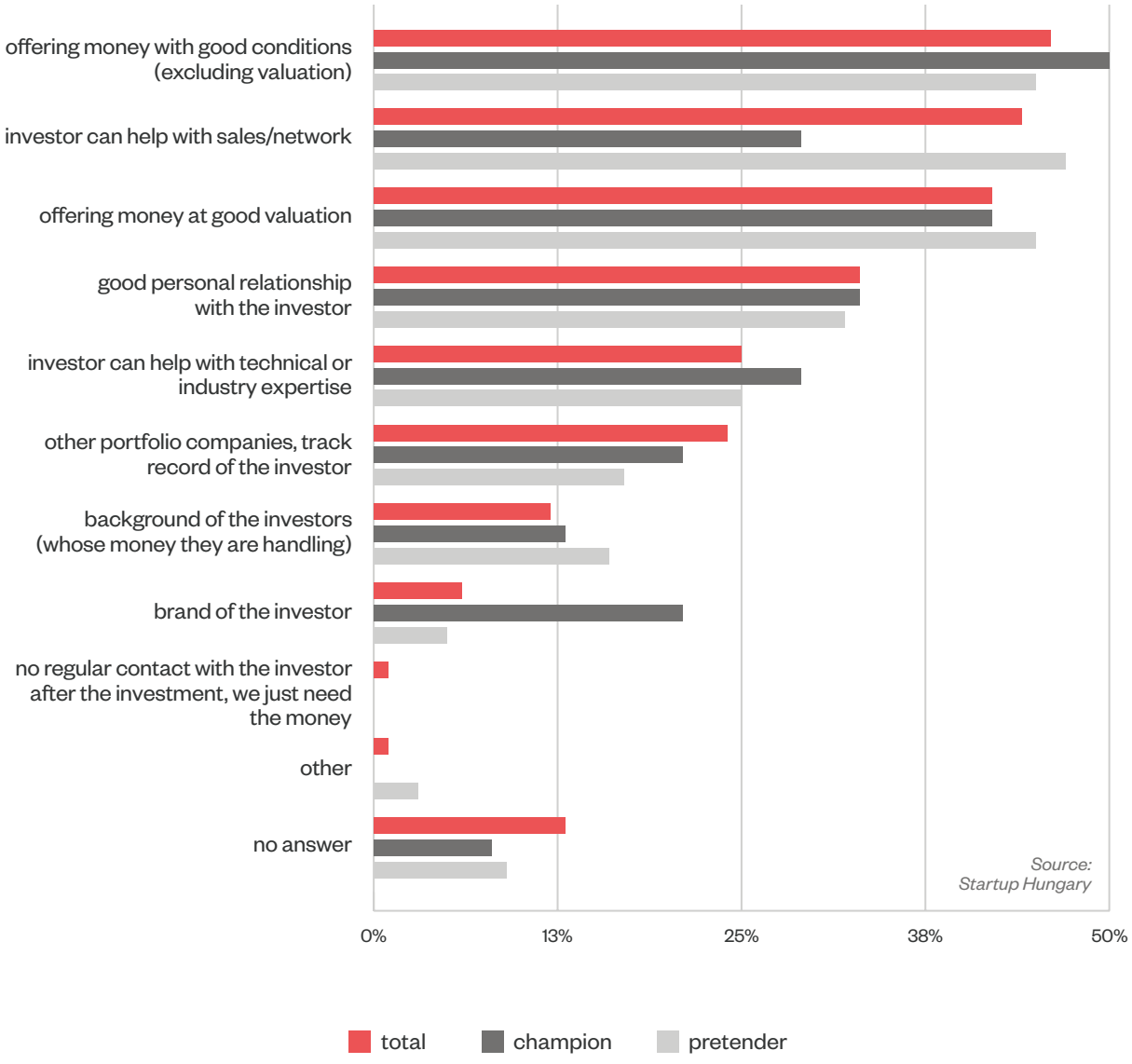
% of startups w/ at least 1 investor meeting, n=164



Source: Startup Hungary

How do startups choose their investors?

What are the top factors you take into account when choosing an investor?
% of all respondents, n=232, champion n=24, pretender n=75



Dénes Nagy
Research Team Member - "A study on the role of local venture capital investment in supporting businesses"

The role of local VCs in supporting their portfolio companies

Institutional venture capital is key in supporting young companies targeting fast, international growth. In addition to their financial role, investors help their portfolio companies side-step the usual pitfalls and find potential 'shortcuts.' The additional value of venture capital financing is oft-debated and questioned, both locally and in the global startup scene:

What are those areas where the expectations of investors are most likely to diverge from reality? What is the foundation of a successful collaboration and what are the most common failures?

> ***What areas can investors truly provide value in and where could further untapped synergies lie?***

These are some of the questions that our research team seeks to answer by analysing the role and approach of local, institutional venture capital teams, with the help of stakeholders (institutional investors, startups, and experts).

The research team's comprehensive knowledge of entrepreneurship and research approaches and decades of hands-on experience and commitment to the topic make this deep analysis possible. The study employs multiple approaches, both qualitative and quantitative, and by channeling the most experienced players' opinions, enables the team to provide the aforementioned questions with relevant answers. Thanks to the research team's value-driven approach, we're confident that the ecosystem's players will benefit from valuable takeaways.

According to the interviews led up until this point, a successful investor-startup collaboration has multiple requirements, summarized below:

Investor-startup match: When involving an investor, it's important to take into account the investor's policies, the characteristics of their fund, as well as the chemistry during the pitch meetings that will define the future cooperation.

A successful investor-startup match depends on information alignment. The cooperation's framework, contract terms and consequences should be learned, and to be comprehensible as well as acceptable during the investment process. Furthermore, the entrepreneur shouldn't just choose the easiest path and accept everything in the hopes of raising some money, arising from either information misalignment or liquidation challenges.

Ideally, investors pursue a supporting role, and don't try to get involved in business operations. They support with insights and constructive comments on business strategy, and don't intend to influence decisions on a daily basis. Active communication between investors and management,

fueled by timely and quality information and relationship management, are fundamental for trust to be built and maintained, which is what makes real support possible.

Whether the early expectations were realistic, markedly influences the co-operation. The fund manager's corporate governance, the amount of human resources available to spend on the company, and industry knowledge and experience, ultimately define the added value of the investment.

The next phase of research will include listening to startups and executives from investor portfolio companies to paint a bigger picture. In this phase, we count on the openness of company founders and management. In the course of the research, we put emphasis on the importance of analysing co-operations anonymously, and within the context of both the individual stakeholders and the local ecosystem.

The results of the research will partly be summarized in HVCA's 30-year anniversary yearbook, and in more detail in a dedicated publication.

A study on the role of local venture capital investment in supporting businesses

Research team
(Dr. Judit Karsai, József Török , Dénes Nagy, Gergely Gazdag, Balázs Besenyei, Tibor Harsányi)

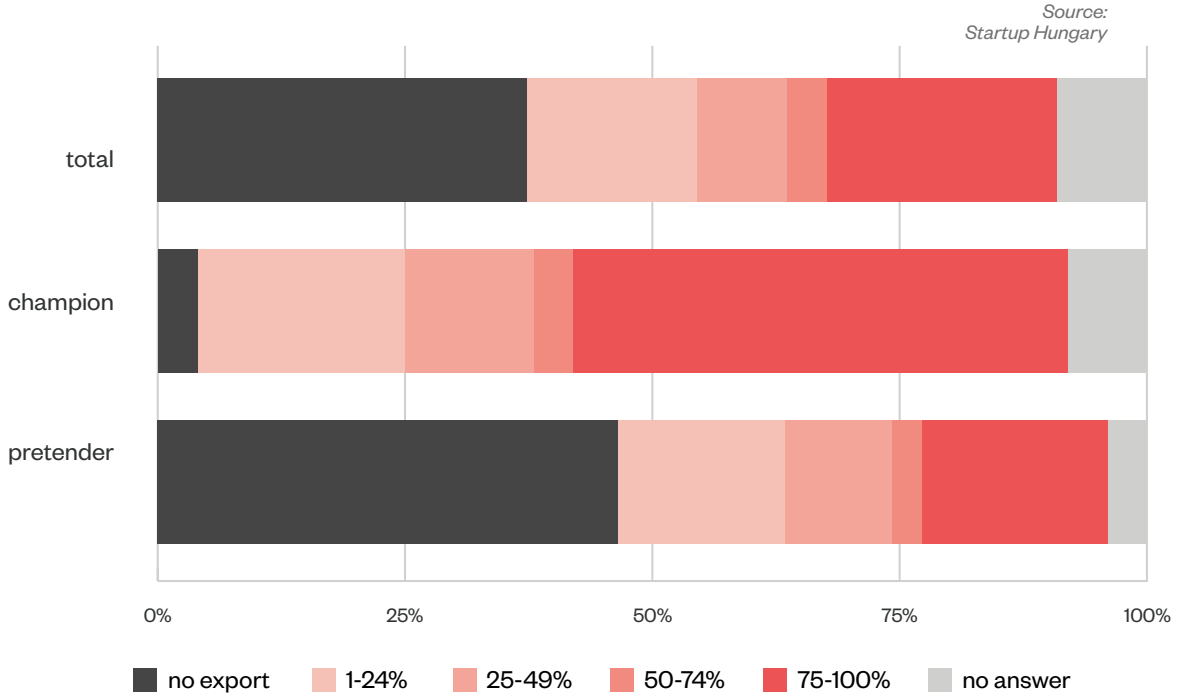
International Expansion

Hungarians in the international market
How do startups plan international expansion?
Where are your foreign customers?
Foreign subsidiaries
Why do startups open foreign entities?

Hungarians in the international market

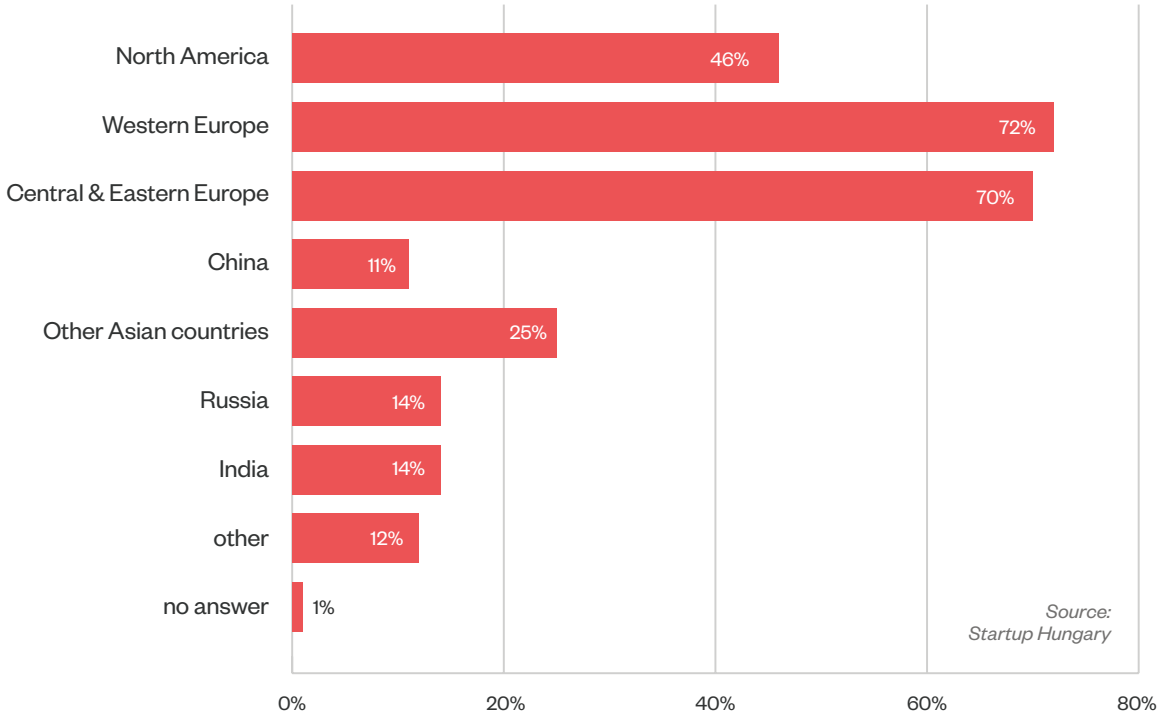
What percentage of your sales comes from abroad?

% of all respondents, n=232, champion n=24, pretender n=75



In which regions do you generate revenues from international customers?

% of startups w/ export, n=133



Gyula Fehér
General Partner at Oktogon Ventures,
ex-Co-Founder at Ustream,
Co-Founder at Startup Hungary

The time to go global is now

Two factors contribute to the ease with which startups can build global enterprises from anywhere, including Budapest. The first catalyst is the collapse of the Eastern Bloc, allowing us to join the Western system, and to travel and do business with minimal barriers.

The second big catalyst has been the spread of the information economy. There's never been an era where the barriers to entry to a tier one prime market have been lower than they are now. On the technological level, the emergence of microchips and the internet have both supported this. Today, there's nothing easier than producing and delivering virtual goods.

In our context, 'virtual goods' primarily mean software services and products. Basically, you can be anywhere in the world and create a product which people from anywhere else are able tol use. A lot of times they will do so without even knowing who you are.

And that is surreal, especially for us in this region. Sure, that still does not make Budapest the same as Boston, London, or Silicon Valley, but it also means that you can bootstrap your business without paying $4,000 for a studio apartment in SF. With local cost of living and global reach at hand, the traditional challenges of launching a global business from this region have been greatly reduced.

It is difficult to think back to a time when, as a Hungarian, I could incorporate a company in the US, UK, or the Netherlands, get it up and running, hire people, and enjoy the same rights and protection from these states as their own citizens do, without actually having to re-settle there. I think we need to appreciate this and take full advantage of the rare window opportunity while it is open.

There are already examples of companies with founding teams from Hungary who have leveraged this successfully. They raised capital and targeted global markets from day one. They have big name customers from different regions who pay them a lot of money for their services. One of our portfolio companies, Bitrise, serves a lot of such global companies, both industry mainstays and newcomers, and not a single one of their customers cares that the majority of the team is Hungarian.

> **So it is go time now, because who knows how long it is going to last. Maybe it will last forever, but history has a way of twisting and turning, so we should not take anything for granted.**

Targeting the right market

For a tech company, in most cases, the ideal primary target market tends to be the US. The good thing about that market is that if something sticks, it will typically apply to the entire Western market with minor localization, especially in case of software products. If you have a physical product, localizing can become a bigger challenge. At a minimum, you'll likely need to adjust to different tax regimes, languages and data protection laws.

This brings us to the other advantage of the US market, the fact that it is a relatively homogenous market. It is not as fragmented as the EU or other markets and neither is it as distinctly unique as the Chinese market.

At the end of the day, whether it is the US or not, when you are choosing a target market, the goal is to find the biggest, most homogenous market that speaks a language that you can build a product in. Target customers should love to buy stuff and have a lot of purchasing power. They should be very comfortable taking out their credit card and signing up for products online, without going around in circles, haggling and trying to make you develop custom features just for them. Eastern Europe does not check all of these boxes, because we are small, fragmented, and very, very price sensitive.

It has not always been this easy to appeal to a distant geography. When Ustream started out, and also when Prezi started, teams kind of needed a local presence in the US to have access to the local ecosystem. Our companies both opened offices in the Bay Area. It was cool that you could walk over to Twitter two blocks down to work on an integration. The same held true for relationships with top investors, who were also concentrated in the area and were much easier to access if you were there.

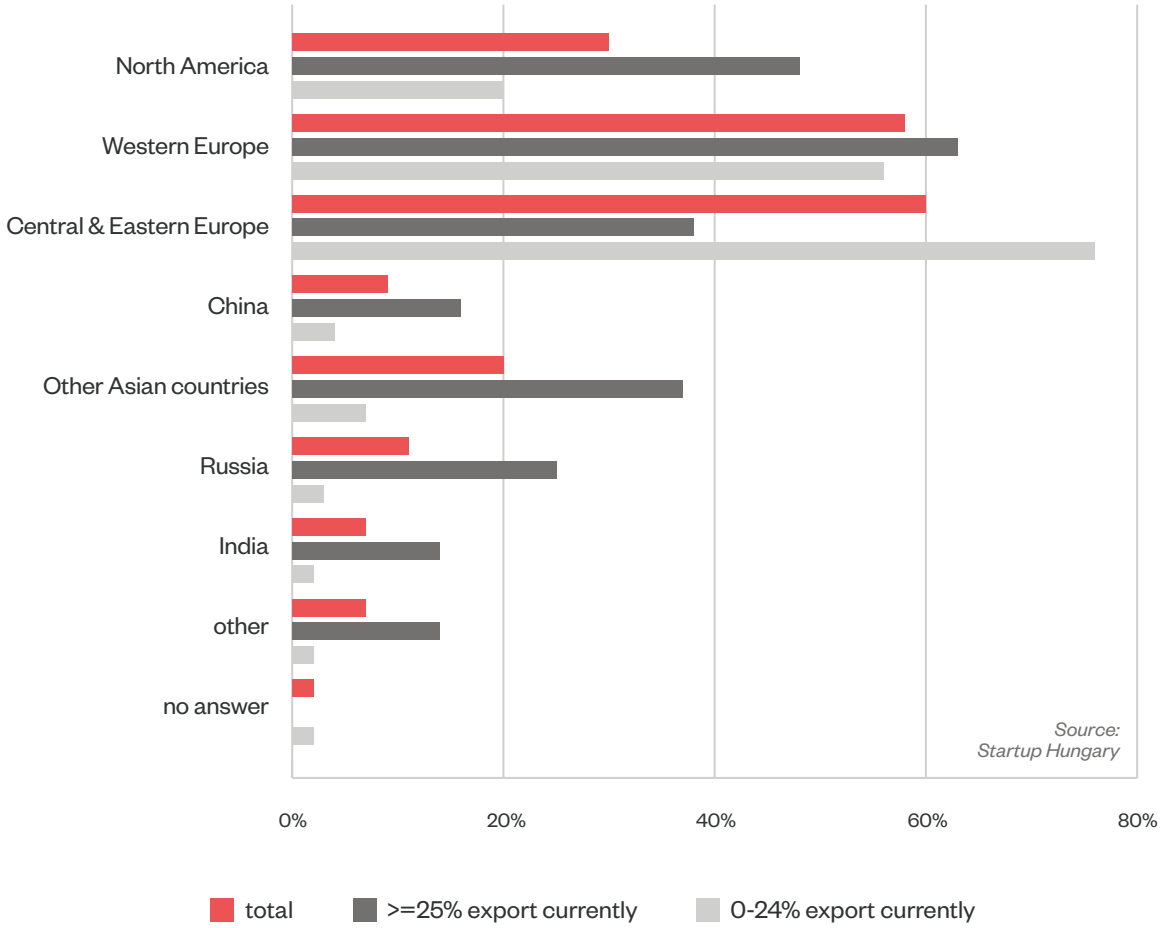
By now, this has changed a lot. Especially with the pandemic, VCs are taking meetings online, removing the extra burden on European teams of having to travel and stay in a hotel to pitch in Silicon Valley. And as more and moreUS companies adopt the remote first model, it is not as big of a thing to say that you have an international team. People will no longer assume that it will impede you in achieving your goals.

With remote work so normalized in the Bay Area and beyond, your launch is ready to be secured more or less from your home office desk. And if we assume that building a product and launching it anywhere takes the same amount of gray hair, then it just makes sense to aim at going global right away

How do startups plan international expansion?

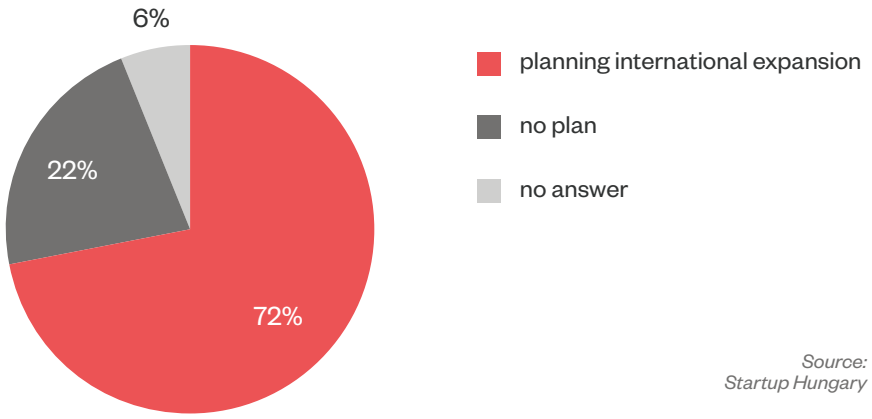
Which regions are you planning to enter within the next 12 months?

% of startups w/ foreign market entry plans, n=166, >=25% export=63, 0-24% export=95



Are you planning to enter a new foreign market within the next 12 months?

% of all respondents, n=232



Bernát Nacsa
Principal at Day One Capital

Think global - from day one

Startups are built by people - and people naturally have a unique cultural background to work with, with all its pros and cons. Acknowledging this conditioning and optimizing it to build a successful venture translates to leveraging the former and mitigating the latter. In Hungary (and the whole region) our cultural heritage in building startups is broadly experienced as having strong innovative abilities and technical skills on one hand, lagging ambition, management, and sales ability on the other - largely attributed to a late exposure to capitalism.

The insecurity stemming from these cultural norms often leads us to defend our comfort zone and limit startups' initial focus exclusively to domestic and regional markets for customers, talent, and capital, in lieu of a globally competitive field. Starting small before expanding is a natural and unavoidable progression path, which should be implemented vertically, instead of geographically. While it may sound counterintuitive, "validating" the product in domestic markets first - with plans of expanding internationally only after, is a misguided growth strategy.

This approach limits the founders' ability to develop a real and unparalleled solution for a specific and universally existing problem, due to a small sample size and selection bias. While launching and growing in limited geographies may often lead to some traction, it usually results in either generic products with no competitive edge on the global scale, sacrifice of speed, or both. In venture, generic solutions do not work, mainly because most ideas which are obvious, feasible and big, have already been done. In short it is a hundred times better to find your first users with almost identical needs spread across the globe than to find them in the same location, yet only dealing with somewhat similar problems.

> ***Thinking global from day one is necessary to avoid wasting years on dead-end ideas plausible for the immediate geographical context, but indefensible in the long run.***

Instead, building something for a genuinely interesting and underserved problem, however insignificant or even banal that problem might seem, comes with a significantly higher chance of tapping into a product market fit with real scalable potential. All big tech companies have started from this point and grown through a series of iterations and expansions to adjacent markets.

In our hyperconnected day and age, digital products will increasingly be more specialized in function and less restricted by the physical world. As such, factors like distribution, language and culture should almost never be treated as barriers to thinking global. Embracing these shifting dynamics, being curious, bold and confident is not a recipe, but a requirement, for success.

Where are your foreign customers?

Why don't you sell abroad?
% of startups w/o export, n=86

Source: Startup Hungary

Pál Bíró
Country Manager at Google Hungary,
Board Member at Startup Hungary

Startup stars aim for international markets from day one

72% of Hungarian startups report that they plan to go international and expand globally in the next 12 months, which is similar to the results of a recent startup survey conducted in Poland. At face value this sounds promising. However, surveyed founders also claim that they want to test their product locally first, and that it's too early to focus on international expansion. Willingness to go global is one thing but to actually do it is another.

The brightest stars of the Hungarian startup ecosystem were built for international markets from the ground up - and the same is true for the recent high-flyers from Romania, Lithuania and Czechia. These teams understood the importance of offering their products to a much wider audience than their domestic market. Inspired in part by these success stories, a 2018 McKinsey report called the Central and Eastern European countries the digital challengers of Europe.

With the right combination of top tech talent, high-quality digital infrastructure and vibrant tech ecosystems, the region has a clear potential for strong growth in digital. The key missing element? A more entrepreneurial and global mindset.

Working with startups at Google, we understand that during the expansion phase the main challenges for startups are localization and supporting the product/service internationally. But I want to stress that with the right mindset and the right people, startups can overcome these challenges. We are extremely proud and humbled to help some of these companies in pursuing their ambitions - Codeberry and Xeropan are just two amazing examples who participated in our Startup Accelerator program and are now active internationally.

If startups really want to grow big, they should build products for global users from the very beginning. This does not mean they can't test the product in their own market, but if the domestic Hungarian is their only test market, it may easily result in false conclusions. Testing across different markets, even at a small scale, could give more useful directions for growth. Digital plays a crucial role here because testing a software product on several markets has never been as easy as it is now.

> ***The best performing startups design products for global markets – and also strive to build diverse teams, which in turn reduces local biases.***

The digital transformation that enables such fast growth has vastly accelerated, as online became a lifeline during the Covid-19 pandemic lockdowns. Again, the numbers illustrate the huge shift online:

McKinsey found that there were 12 million new users of online services in Central and Eastern Europe in the middle of 2020 - a whopping 25% increase compared to the start of the year. Google's own data paints a similar picture: search interest in online shopping or searching for "how to shop online" doubled worldwide in 2020.

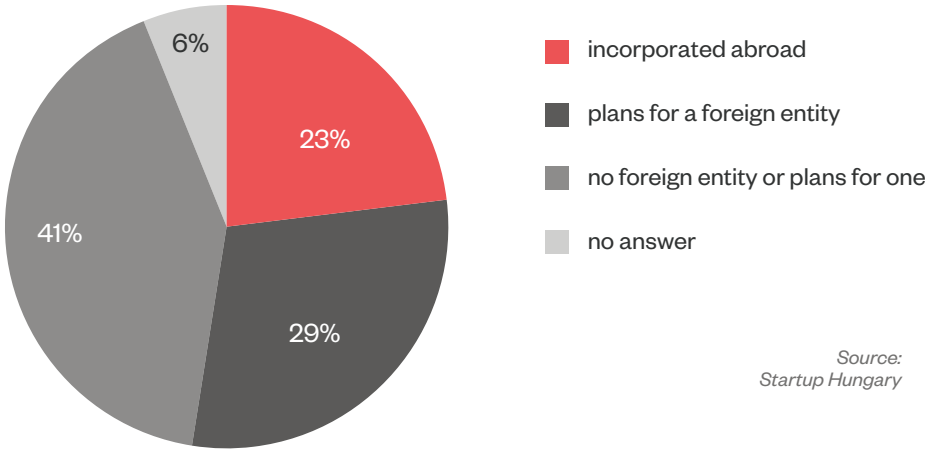
The remote and hybrid work structures that founders and teams are increasingly adopting could lend another advantage, by letting startups flexibly recruit talented people abroad. To help make these collaborations effective and productive, we've made some of our most popular tools both more useful and more accessible for small businesses like early-stage startups. For example, the advanced features of Google Meet are now free for all existing customers.

Another free tool that founders focused on international expansion can rely on is Market Finder, which helps identify new potential markets, discover operational information about them and facilitate market entry around the world.

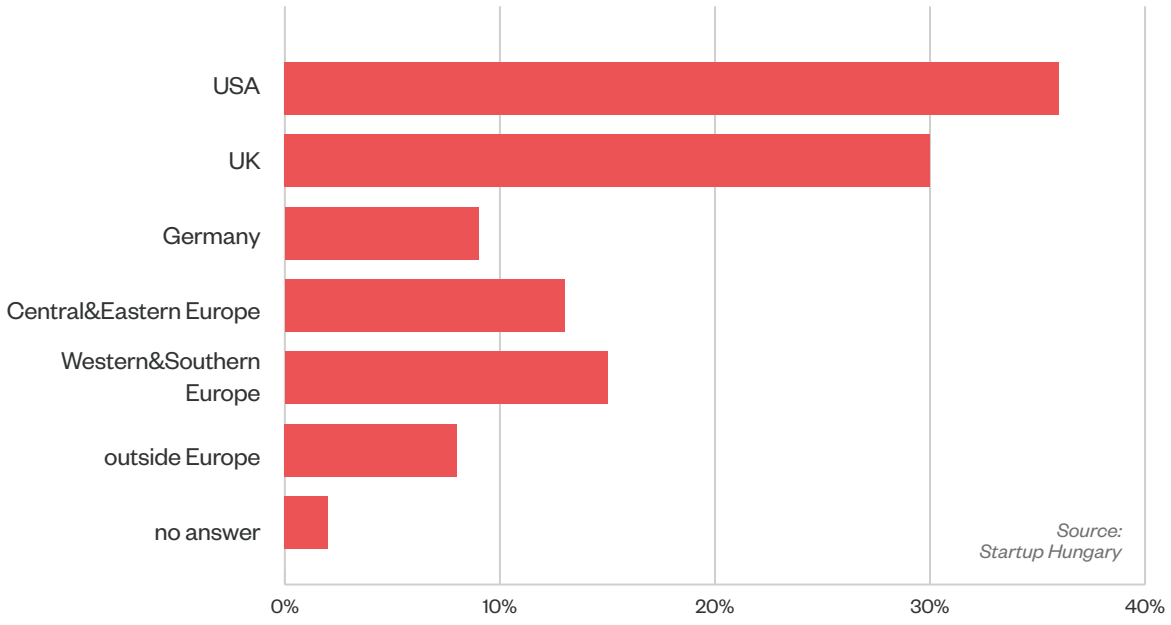
I have no doubt that the combination of talented entrepreneurs, a global mindset and an ecosystem that supports them will lead to many more startups achieving global success from Hungary. This is a conviction we share with Startup Hungary and I am looking forward to working with all our partners to make this potential a reality.

Foreign subsidiaries

Is your startup incorporated abroad or are you planning to incorporate a foreign entity in the next 12 months?
% of all respondents, n=232

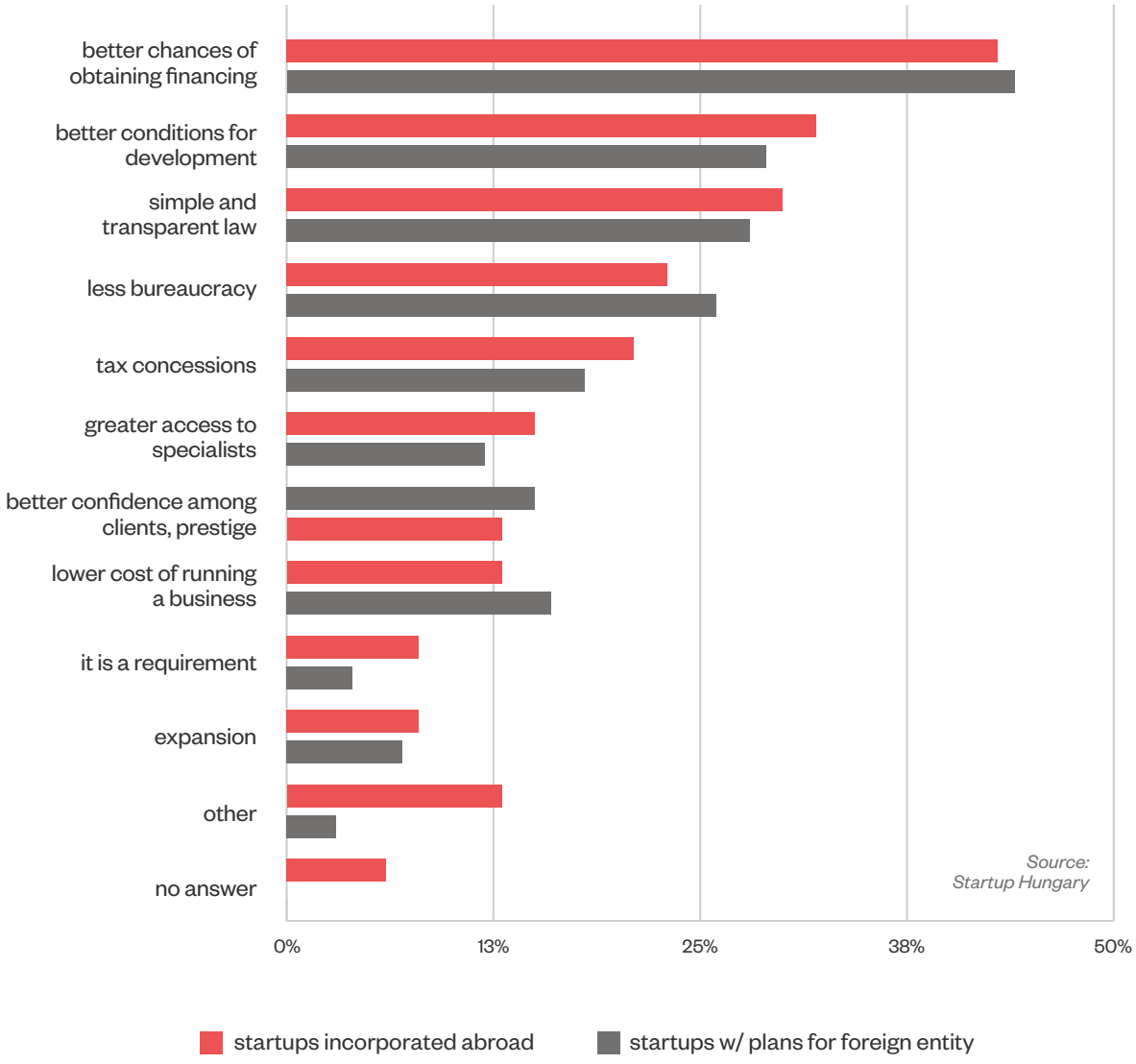


In which country/countries?
% of startups incorporated abroad, n=53



Why do startups establish foreign entities?

Why did you or why do you want to establish a foreign entity?
Startups incorporated abroad n=53, startups planning a foreign entity n=68



Balázs Vinnai
Serial Entrepreneur, Chairman of ICT Association of Hungary,
Co-Founder of Startup Hungary

From regional to global – a route to success for CEE startups

Traditionally, there is (or was) a set way to set up and grow a business: after coming up with an idea, one would start out serving a well-known local market, then test and perfect the product or service there. Then, if it was successful, they would invest the profits into international operations, expand first in regional countries, and eventually, go global.

In sports, the situation was similar. Toni Kukoc, for example, was already a successful player in Split and then in the Italian league, and only then did he transfer to the NBA. But things have changed. For example, Luka Doncic signed up for Real Madrid at the age of 13 and was barely older than 18 when he began his career in Dallas. As the world changes, so to does mindset have to keep pace.

It makes sense that at first, everyone wants to succeed in a playing field that they already know, before venturing into foreign markets. Startup Hungary's 2020 survey shows that currently, less than 60 percent of the country's startups and scale-ups have any international customers. The most common reason why companies don't want to compete internationally is that they have started recently and they want to test themselves first on the home field. However, like in professional sports, there are reasons why this traditional approach has its drawbacks for startups or scale-ups.

First: not every idea can succeed only in the Hungarian market. Perhaps the technology a venture would require is not yet widespread in the country. Or perhaps it serves such a niche need that, while a small range of customers is more than willing to pay for the product, the domestic market is not big enough to return the investment. This could also discourage potential investors, which may halt the venture before it even starts.

Even if a venture is successful domestically and regionally and is ready to go global, building it up solely on the Hungarian market could waste valuable time that competitors could use to their advantage. Let us say, for example, one develops an alternative to credit card payments, which becomes a hit in Hungary. After a successful local trial, the company is ready to go international – only to realize that they already have competitors abroad with much larger funding that got "inspired" by their original idea.

Technological innovation is a market characterized by intense competition, where speed is essential. If a company is planning to go global, it may not be able to afford the time needed to build up a domestic customer base first.

The United States remains the global leader in the number of successful ventures, including unicorns. One of the reasons is that few American startups launch their product in Ohio only, for example, moving on to expand to the entire Midwest only after they succeeded, and then targeting the rest of the US and the world. When US companies enter the market, they aim for the entire American market. By contrast, few European startups start with similar ambitions.

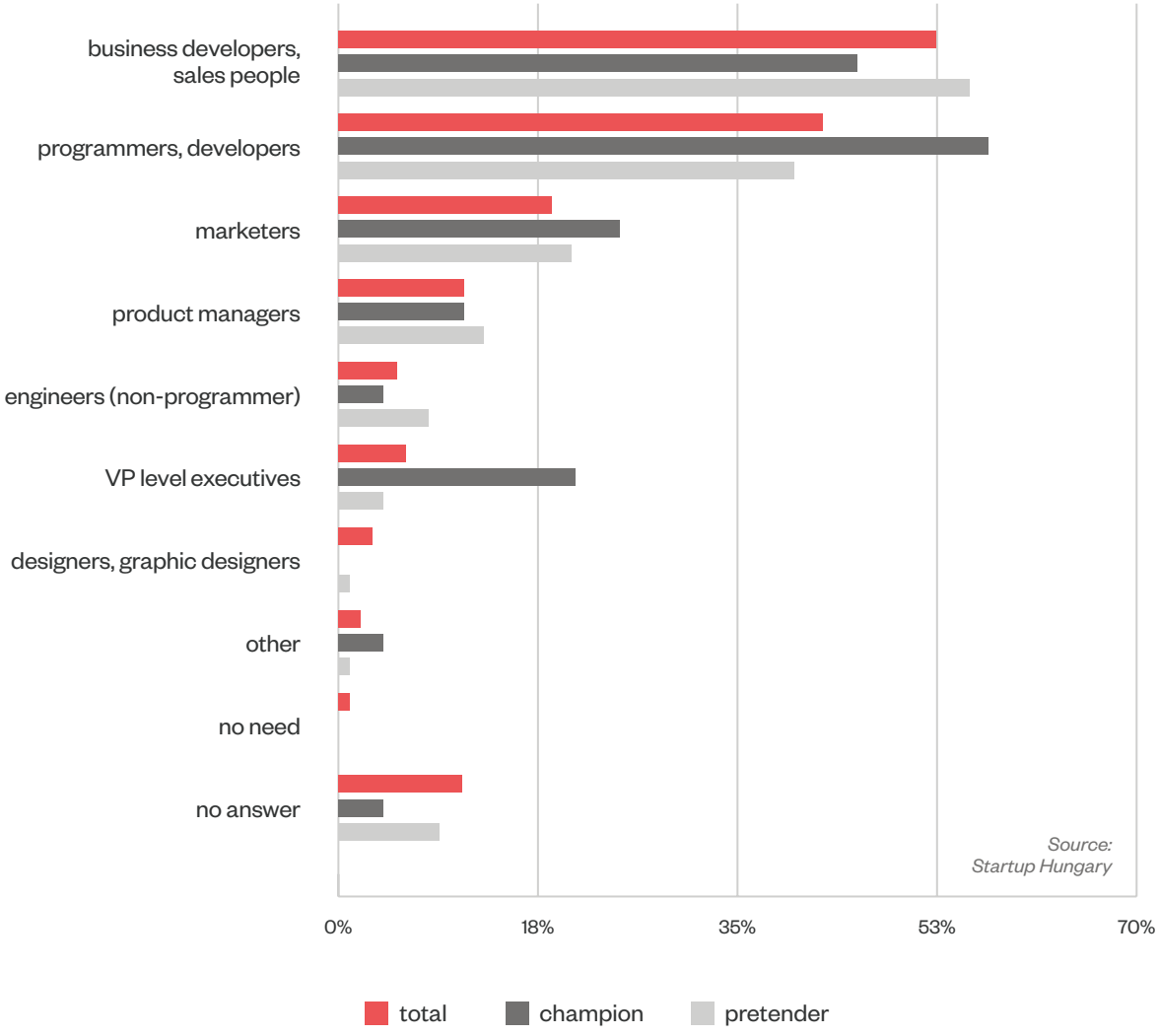
Currently, the fragmented nature of Europe, including the CEE region is a disadvantage that is made clear by the relatively small number of global success stories originating from the continent. However, through increased regional cooperation, this diversity could be transformed into a driver of unique creativity. Because of this, IVSZ- ICT Association of Hungary places particular emphasis on regional digital cooperation.

People & Culture

The hunt for talent
Average number of teammates
How many team members are actual employees?
The numbers behind ESOPs
Industries where startups offer employees stock options
Hungarian startup salaries
How many startups employ foreigners?
Company culture

The hunt for talent

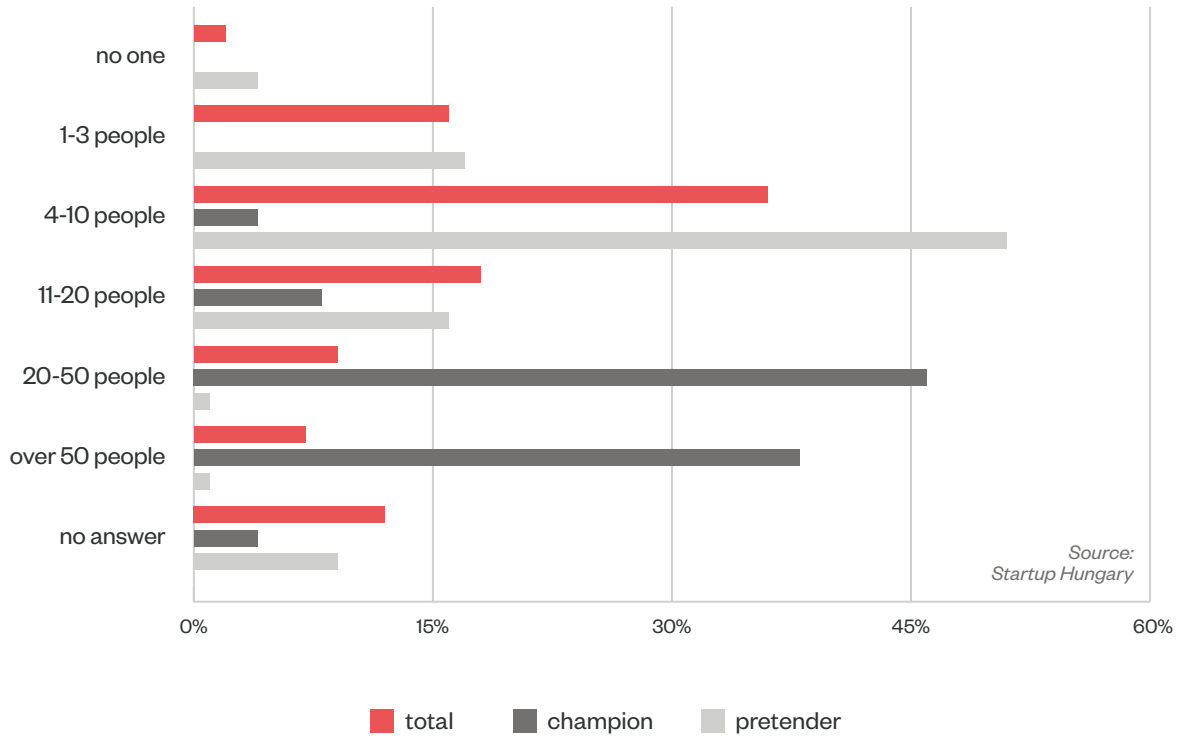
What kind of talent do you need the most?
% of all respondents, n=232, champion n=24, pretender n=75



Average number of teammates

How many team members do you currently have in the company?

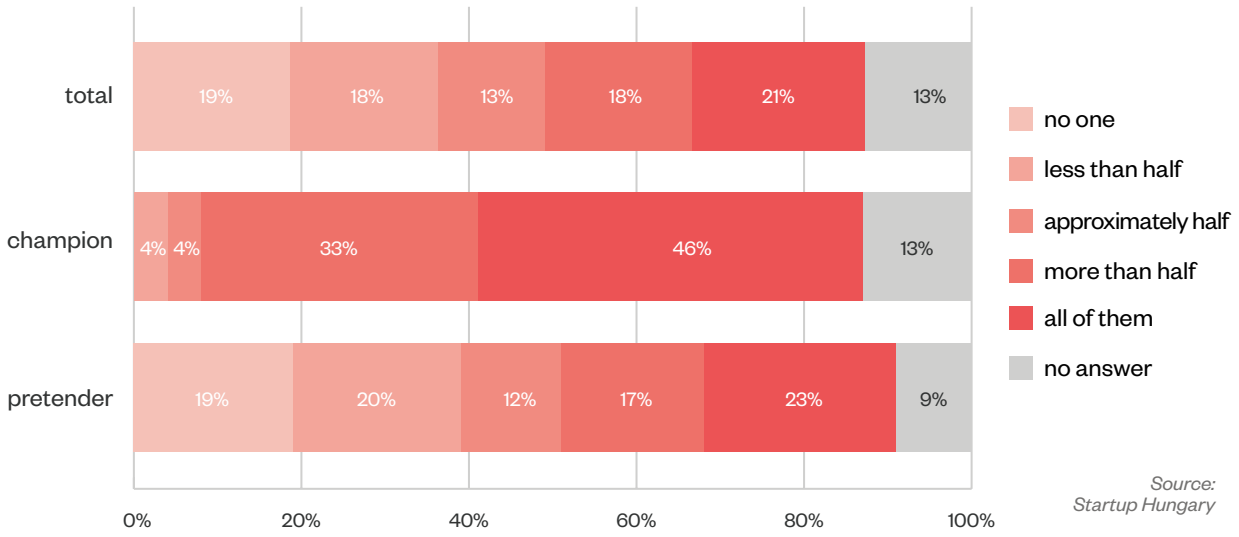
% of all respondents, n=232, champion n=24, pretender n=75



How many team members are actual employees?

How many team members have employment contracts?

% of all respondents, n=232, champion n=24, pretender n=75



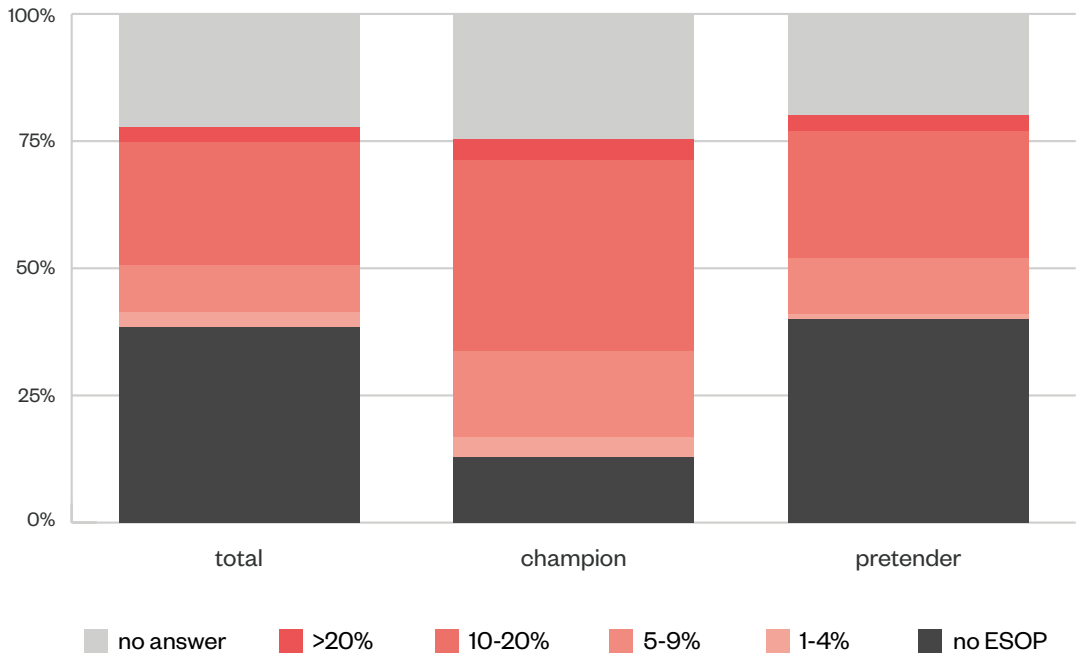
Source: Startup Hungary

The numbers behind ESOPs

Do you have an ESOP? If yes, how big is it?

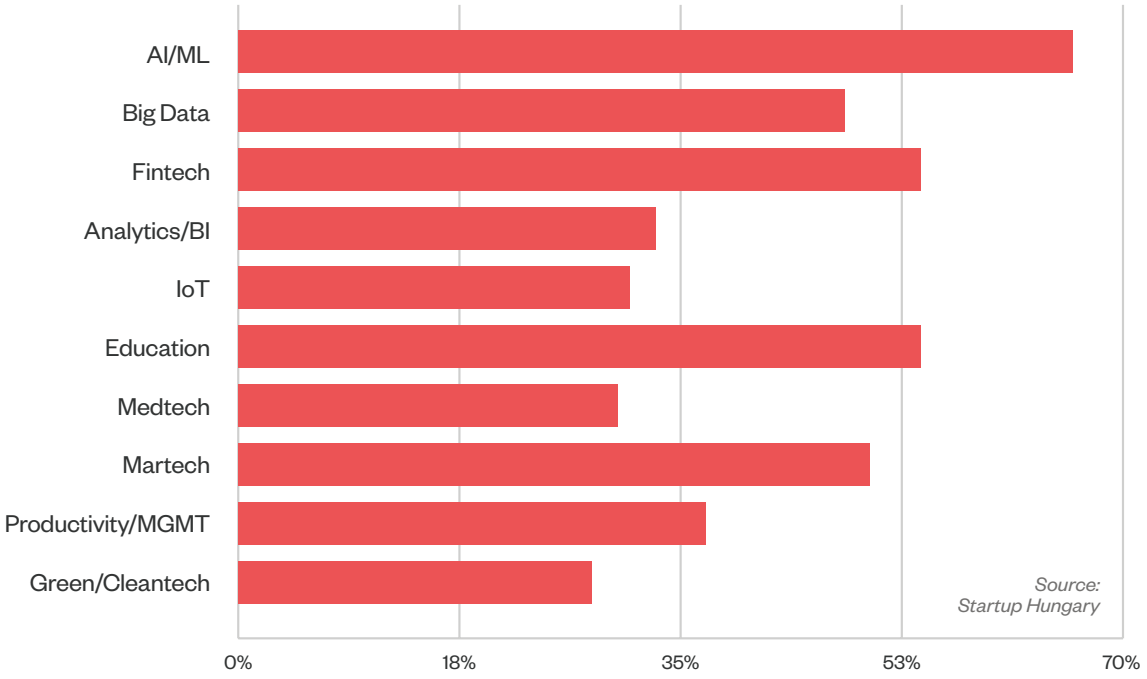
% of all respondents, n=232, champion n=24, pretender n=75

Source: Startup Hungary



Industries where startups offer employees stock options

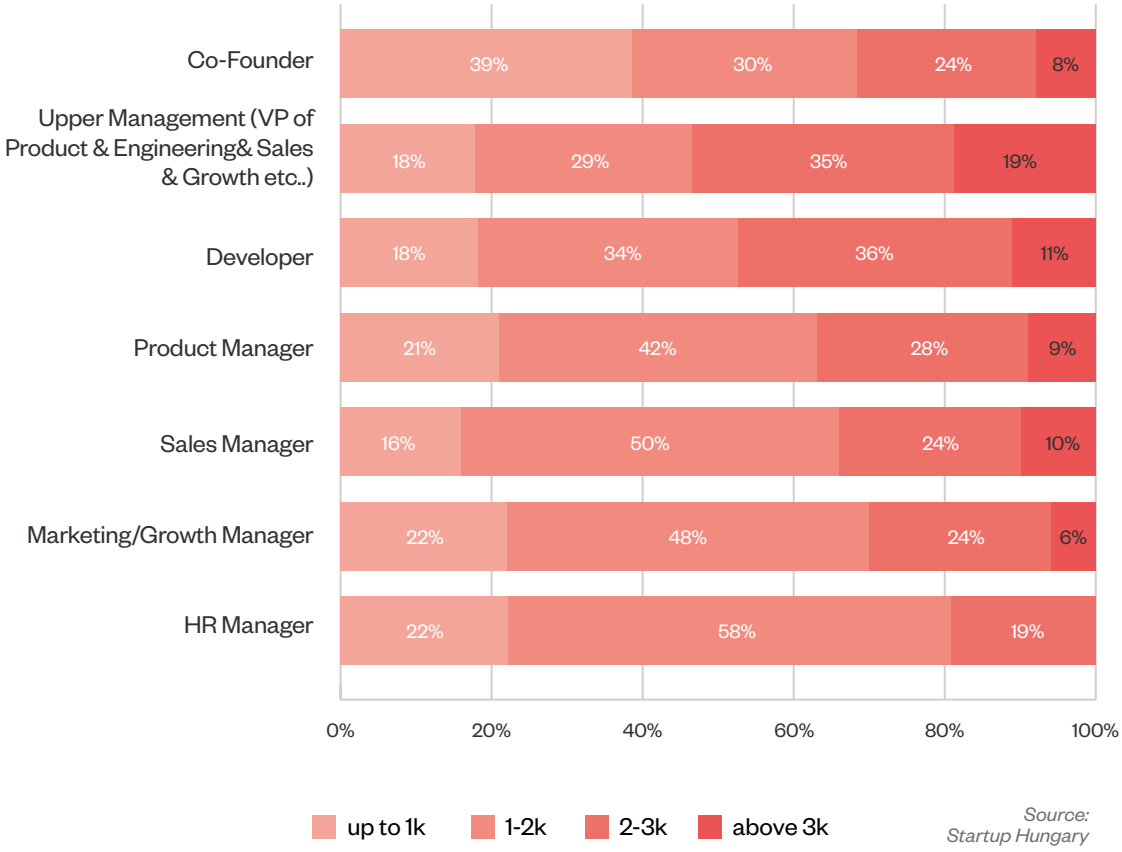
Do you have team members who own ESOP in your startup? by top verticals



Hungarian startup salaries

On average, how much do your team members earn net in EUR?

Co-Founder n=127, upper management n=97, developer n=116, product manager n=81, sales manager=70, marketing/growth manager=79, HR manager=36

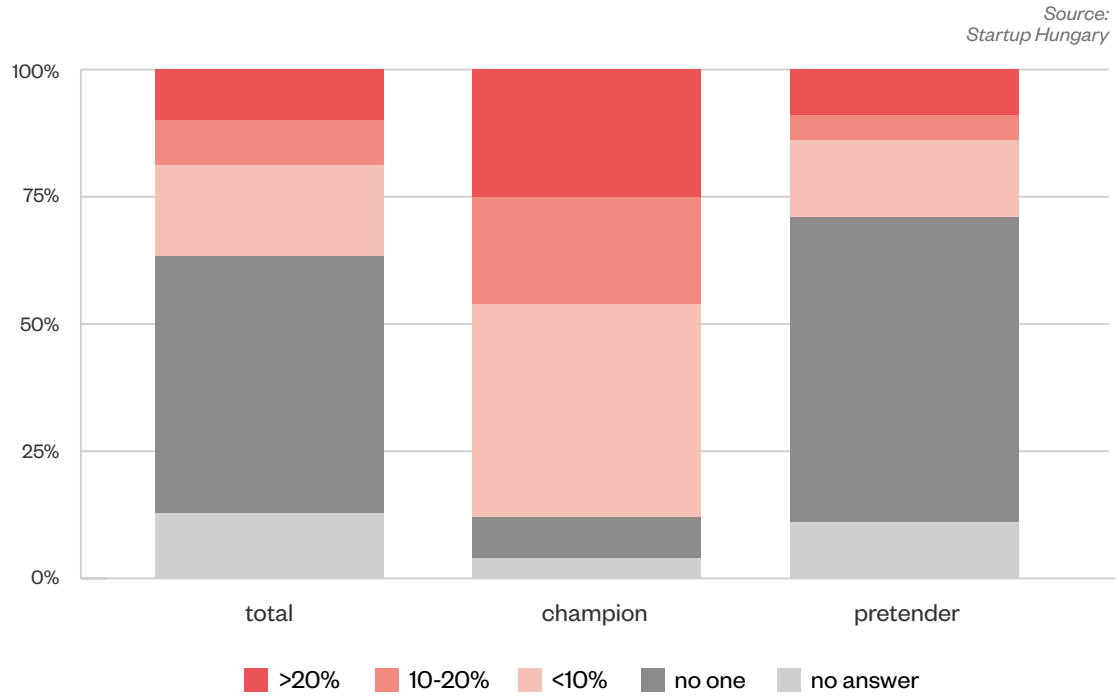


Source: Startup Hungary

How many startups employ foreigners?

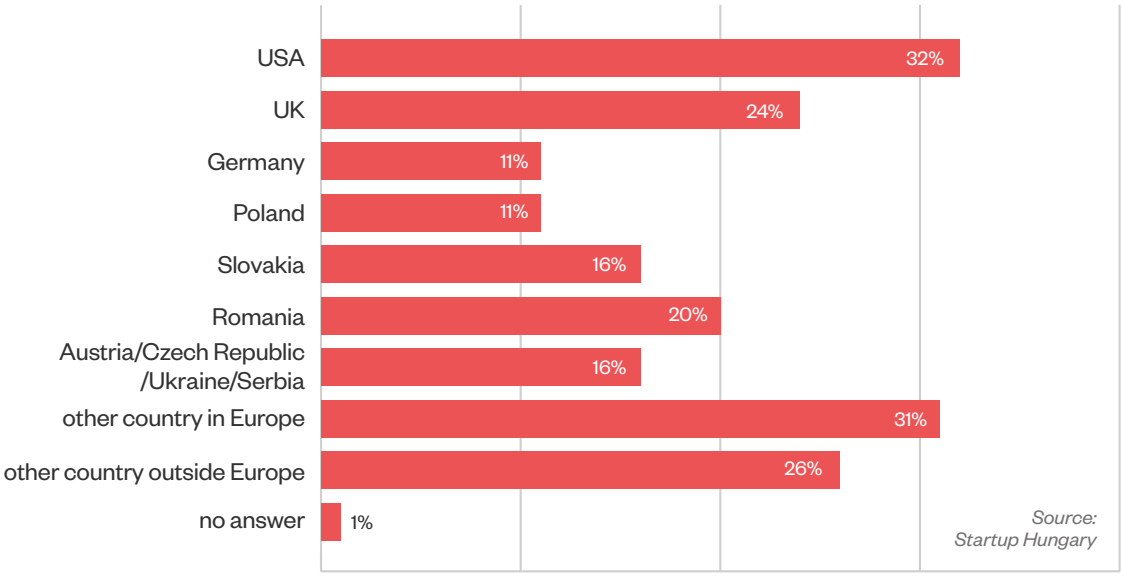
What proportion of all team members are foreigners?

% of all respondents, n=232, champion n=24, pretender n=75



What proportion of all team members are foreigners?

% of all respondents, n=232, champion n=24, pretender n=75, 2020



Tamás Kádár
CEO of SEON Technologies

Growing a global business from Hungary

Hungary is where I grew up, studied, and where I launched my first business with my university friend.

I would be lying if I didn't say it's been an uphill battle.

But now that we're now expanding internationally, I can take time to reflect on what I've learned about doing business in Hungary, both as a young entrepreneur and as CEO of SEON.

Forced to Adapt

Our first business venture with Bence, now COO of SEON, was a crypto exchange. It was focused on the entire CEE, simply because it was the place we knew.

Unfortunately, we were soon assailed by fraudsters, and forced to build our own fraud management system. As we'd soon realise, this is a global problem, not in any way endemic to the region.

Still, there was a silver lining: when local businesses came to us for advice on how to fight fraud, we realised we were onto something much bigger. By then, we had worked out how to build risk tech that was effective, affordable, and more flexible than anyone else's.

This is how our startup, SEON, was born.

Budapest as Headquarters

Now when the time came to choose where to open SEON's headquarters, we didn't have a ton of choice.

Budapest was the only place in the country with engineering talent, and relatively low labour costs compared with the likes of London or Silicon Valley.

Besides, we knew there were already some local startups taking advantage of this such as Shapr3D and Barion. We could reap the benefits of low Opex costs, and acceptable standards of living.

In the first month, we have successfully secured a seed investment round, courtesy of Fiedler Capital, and later PortfoLion, the Budapest VCs who need no introduction in these pages.

Bridging the Talent Gap

We have some fantastic developers in our Budapest office. But there is nevertheless a huge shortage of talent here.

While I understand this is true everywhere around the world, our biggest problem has undoubtedly been to convince Hungarian expats to move back here, those who are currently working for companies like Google or Amazon.

Budapest might be a cool up-and-coming city, but try to bring talent there, and reality suddenly hits you in the face: the Hungarian capital doesn't have the clout of London, Oslo or Tel-Aviv. English isn't as widely spoken outside the capital. International schools are expensive.

What's more, antiquated labour laws still add obstacles in the way of hiring foreign talent.

Lack of Executive Skills

When we began expanding the team beyond building and maintaining our product, things became even trickier.

For us, this was particularly apparent with Hungary's lack of SaaS growth executives and leaders. Because we cater to a global audience, we also wanted strong marketing campaigns with native speakers, something the Hungarian talent pool still lacked.

After an initial move to Malta to get closer to the iGaming industry (whose fraud challenges are well-documented), I decided to focus my searches in London. Luckily, this is where we found exactly what we needed.

First International Hires

We'd been to London numerous times. In February 2019, we'd won the Lion's Den pitch there. In September of the same year, we'd received the Pitchit award at the Lendit fintech conference.

This helped us get a foot on the ground, but also realise how fast-paced the startup ecosystem was in the UK capital. Networking happens naturally there, simply by virtue of being such a global hub.

In fact, our first hire in London happened almost without any effort from our side.

A mutual connection recommended we meet with a consultant regarding our potential expansion. After talking with him for a few hours, we liked what he had to say so much, we invited him to join our company as CCO.

This is the kind of serendipitous introductions we have yet to see happen in Budapest, especially when it comes to executives and leaders.

In spite of all the talk about the "budding startup ecosystem", at this stage, it's still a network that's way too small to produce any real valuable connections.

A Foothold in the Global Business World

For us, it made sense to open a London office as soon as possible. Yes, it would be costlier, but the benefits would far outweigh the cons. While originally designed as a place to scale up our biz dev, it was also a way to legitimize the company on the world stage.

In March 2020, we opened our Soho office, in London, which we now use as a base for all our marketing and sales efforts. This also includes face to face meetings with clients (when possible due to COVID restrictions) and gives us a great base to launch global marketing campaigns across Europe and Asia, as well as North America.

It's also where we negotiated our Series A, led by Creantum. I doubt this fundraising round, the largest Series A by a Hungarian company, would have been possible had we remained too local to the CEE.

Ok For Startups, But Not ScaleUps

The strategy to establish hubs in targeted markets has worked wonders for us so far.

This year, we'll be opening a new office in Austin, Texas, to better meet growing demand in the North American region. Similarly, we're looking at consolidating our position in the APAC region.

We're certainly moving past the startup phase of our company, and joining bigger leagues.

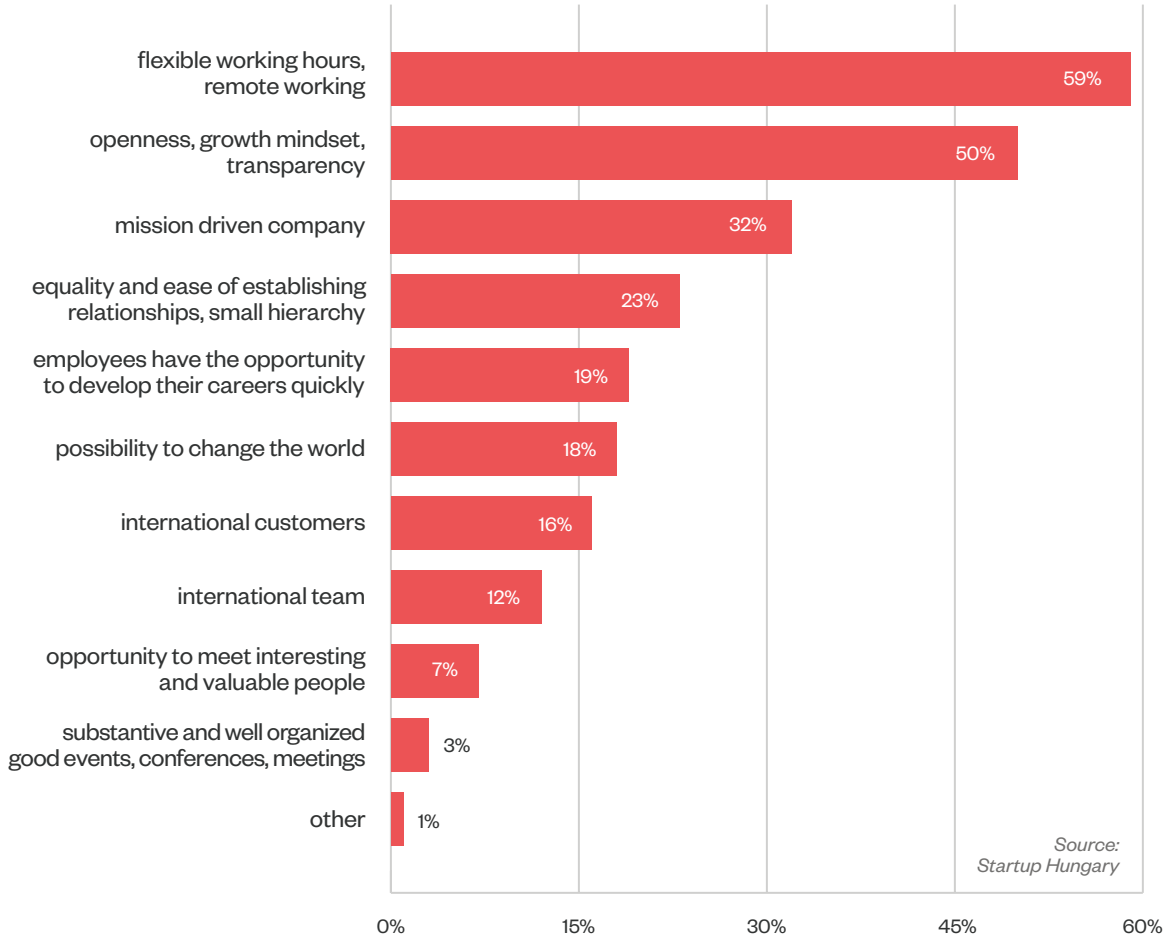
And as much as I have some kind of connection to Budapest and Hungary in general, I have to admit that the country was never fully ready to accommodate a company that's growing as fast as ours, which is completely natural given the size and socioeconomic factors of the region.

Even in the age of restricted travel and remote meetings, I still believe the country is better as an operational base rather than headquarters for a global organization.

Maybe in 10, 20 years, things will be different, but for now, we have no choice but to look outward and encouraging our fellow startup founders to waste no time of internationalisation and hiring foreign, experienced talent for marketing and sales roles.

Company culture

How would you describe the work culture at your startup?
% of all respontents, n=232



Veronika Pistyur
Partner at Oktogon Ventures, Co-Founder at Bridge Budapest, Co-Founder & Board Member at Startup Hungary

A good storyteller is an effective leader

I often hear from founders and company leaders that communication is just 'fluff.' That the numbers speak for themselves. It's unnecessary, unproductive, performative. And that's exactly right — if we don't understand it, and don't do it well that is. In 'startup world,' numbers often prove things later than in a traditional business environment. And a story built on data, knowledge, and reasoning isn't a drawback, it actually becomes a catalyst.

Naturally, without calibrating and understanding the right ratio, we end up where we started, carrying the "fluff" stamp with us. Which is why skillful practice is essential.

When we talk about challenges facing Hungarian startups, market knowledge always gets a prime spot on the list, next to management abilities, lack of processes, and the fact that marketing isn't our strength. The last is an exaggeration, and an unclear one at that. The real challenge is much more that we don't understand how important it is for us to tell our story and what we do well.

Who is our product a great solution for and why? Let's reexamine this area and learn how to work with it. If we dig deeper and work past the usual "communication is a nice to have" or "that's just PR," we'll find the key to effective leadership. With time, the majority will understand that there's a connection between authentic storytelling, company success, and good company leadership.

Why is authentic, brief and understandable storytelling important, and who is it important for?

First and foremost, it's important for us. Until we can describe clearly - and succinctly, in one sentence - what our company does, how can we expect others to understand? That includes our partners, potential new employees, customers, and investors, or even the world at large.

Clear communication, digestible content is the first step. It's no accident that these simple sounding sentences arrive after a hard birth. This is the foundation. This is what all internal and external communication is built on. If it's chaotic and goes in too many directions, we also become hard to follow, as leaders, and as a business.

> ***Your story embeds the context, the bigger picture, and the raison d'etre for biting into enterprise building in the first place. It's the explanation for why you have reason to hope for success.***

Many people think of this question as something that we'll have time for later. And then come the first misunderstandings within the team, confused customers and investors, that we explain our USP to in vain, because it's too convoluted to understand. Or we meet the dilemma, on how potential hires will find us when we grow, if they don't see us, if they don't understand us, if we're not speaking the same language.

Of course it's never too late to get started, but all founders should be encouraged to practice their own sentences, their stories, as soon as possible. It takes a while to get a feel for

the best expressions, and it's worthwhile to test their impact in diverse environments. For some, it comes easily, they communicate well, but for many, practice and polishing is a necessary part of the process. You know it's good when even your grandparents understand.

We don't become authentic because of PR, but rather, because what we have to say is clear, we know and understand our market and our customers. What we represent internally and externally is credible and aligned with ourselves.

In practical terms, everything is covered, and no one is confused about what to represent where. This consistency forms the basis for our credibility. Without it, it's hard to lead. It's one of the biggest jumps in turning a fun side project with friends into a real company — with a leader who listens, filters and feedbacks new information based on a solid foundation.

Beyond understanding, we also have to communicate the bigger picture. The fact that the media is grateful for a good story is just a bonus. Not to mention investors. Right off the bat, you'll decrease the risk of anyone drawing the wrong conclusions from a story told the wrong way. Or that they imagine something there that's not, and accidentally chase you into an illusion instead of a true vision. All because we misunderstood each other.

A good story isn't just one version of our company, it's a vision that holds us accountable.

Telling the story of our ecosystem and region still requires a lot of work and practice from all of us. To tell this story right, we should always consider data over feelings. Which is why the results and conclusions of the Startup Hungary report have exponential significance. Telling the story of our region well is an important milestone in allowing us to be found and recognized on the startup world map.

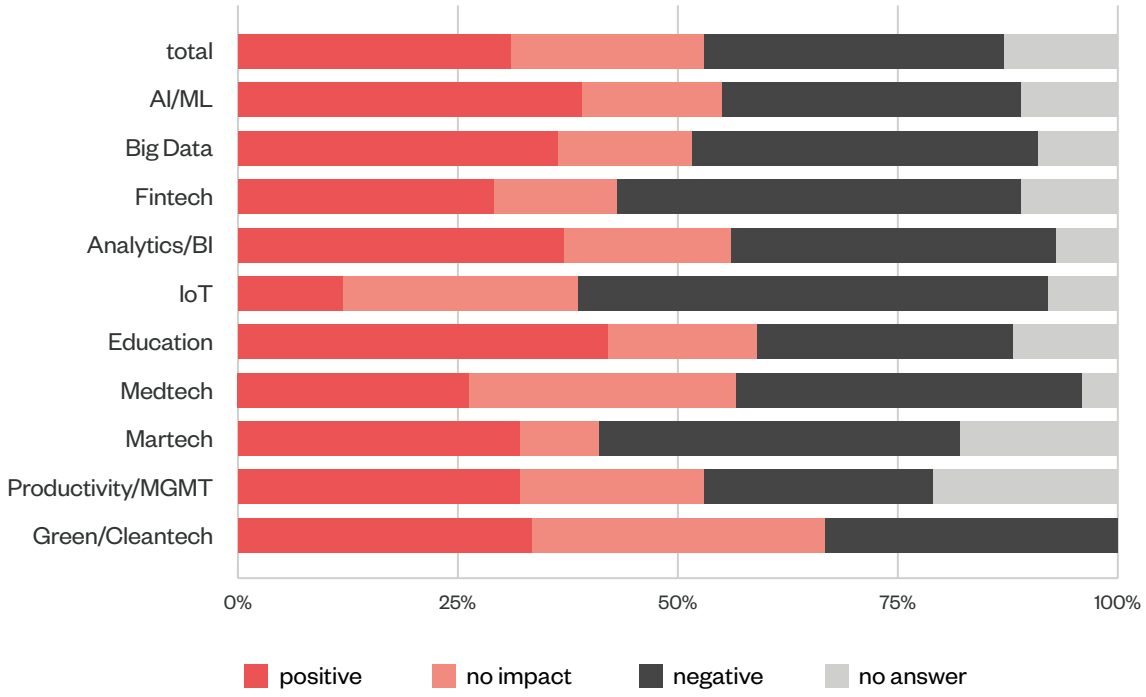
COVID-19

How the pandemic influence your startup?
What improved or became more difficult?
How startups adapted
How did the size of teams change in the last 6 months?
Growth & revenue changes from 2019 to 2020

How did the pandemic influence your startup?

COVID-19's impact on startups by vertical

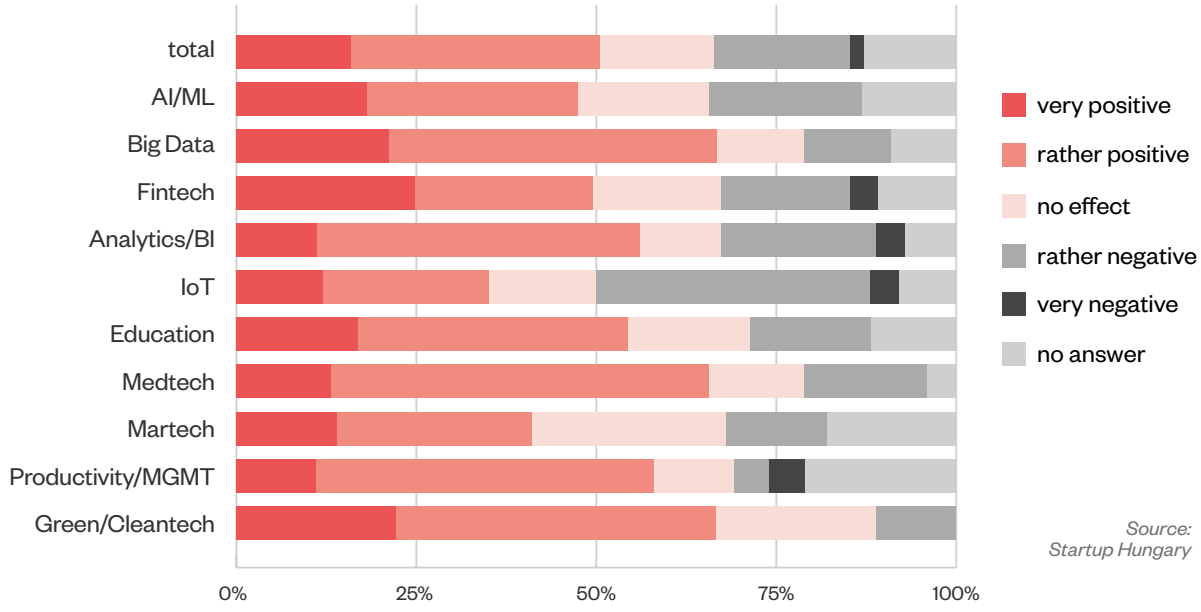
% of respondents / top verticals, n=202



Source: Startup Hungary

How will COVID-19 effect your startup in 2021?

% of respondents / top verticals



Source: Startup Hungary

What improved or became more difficult?

What has changed for the worse or for the better?

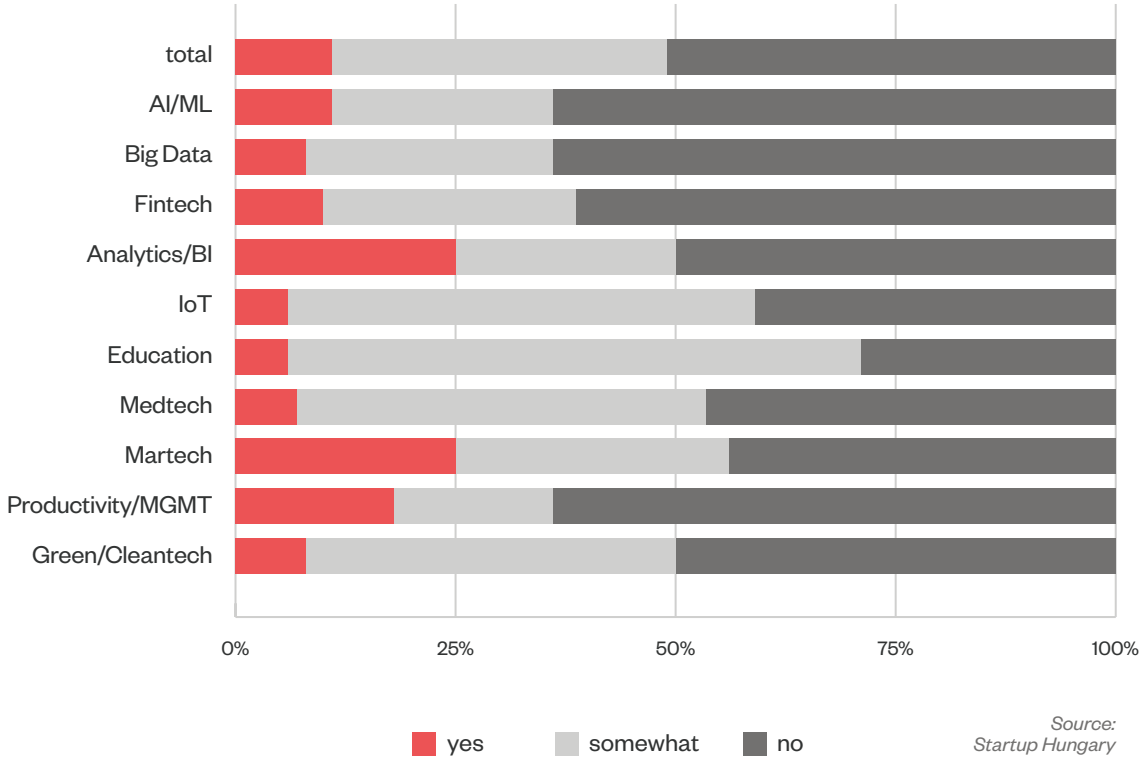
startups w/ negative COVID-19 impact, n = 80, startups w/ positive COVID-19 impact, n = 72

Source: Startup Hungary

How startups adapted

COVID-19's impact on startup business models by vertical

% of startups w/ any COVID-19 impact / top verticals

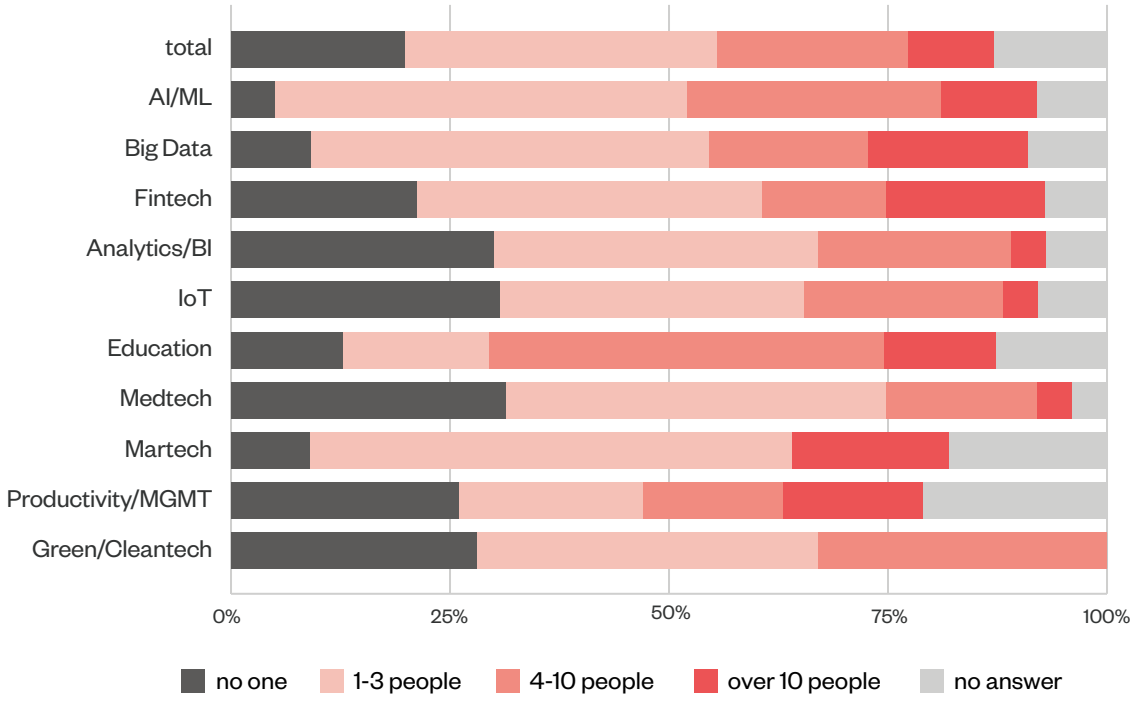


Source: Startup Hungary

How did the size of teams change in the last 6 months?

Change in the number of employees in the past 6 months by vertical

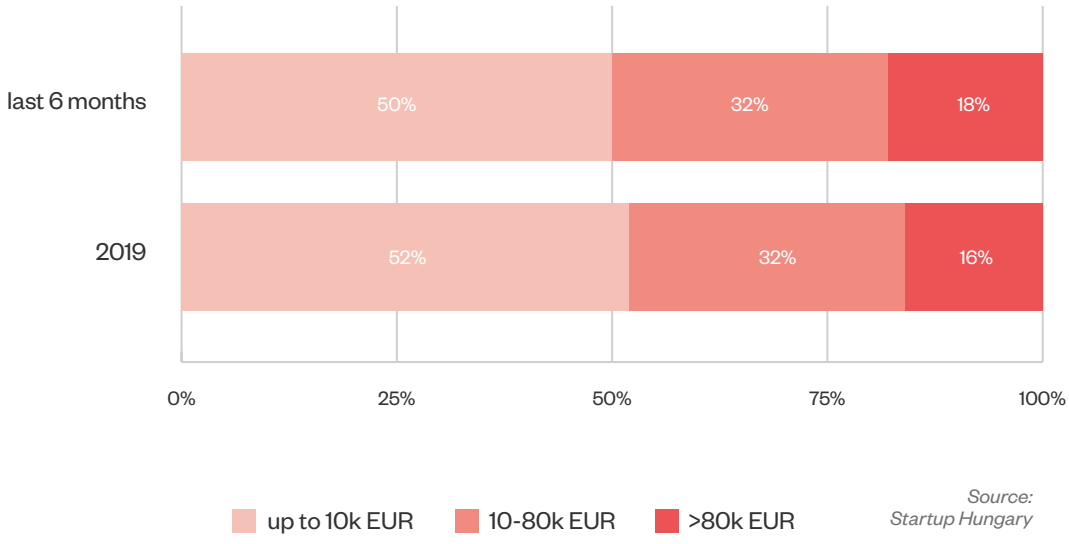
% of all respondents / top verticals



Source: Startup Hungary

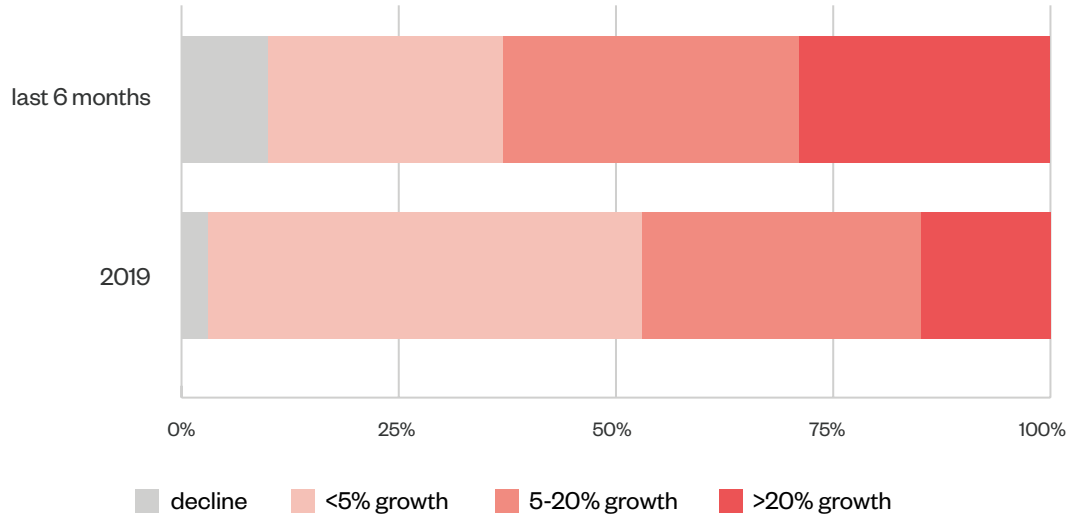
Growth & revenue changes from 2019 to 2020

What was the average monthly revenue for the last 6 months and what was it in 2019?
% of startups w/ revenue, last 6 months n=151, 2019 n=118



Source: Startup Hungary

What was the average monthly revenue growth rate for the last 6 months and what was it in 2019?
% of startups w/ revenue, last 6 months n=124, 2019 n=98



Source: Startup Hungary

Methodology

This report is based on a survey conducted by Startup Hungary researchers between December 2020 and March 2021 and completed by 232 startup founders.

The survey method was designed by Dr. Agnieszka Skala, Associate Professor at Faculty of Management, Warsaw University of Technology. It has been applied by our partner organization, Startup Poland, for over 6 years to generate similar reports.

How the research sample was defined:

The research team is aware of the controversy concerning the numerous definitions of startups worldwide and by no means wishes to add yet another one. The following is merely a sample definition describing the criteria used to define this group of respondents.

A respondent of Startup Hungary's survey was a company which:

1. **creates new technological solutions**

OR

2. applies new technologies to **creates products or services that can be attributed to one of the following areas**:
   a. IT / ICT
   b. energy technologies
   c. industrial technologies
   d. material technologies (including nanotechnology)
   e. biomedical technologies

OR

3. **has a scalable business model**

As a result, no minimum or maximum number of years on the market were applied to determine whether the company should be classified a startup. Moreover, software agencies and similar companies were also analyzed separately from the startup group in order to compare the differences in development between startups and software agencies.

How the data was obtained:

An awareness campaign was created for the research, and startup founders were also individually invited to take the survey. Ultimately, 232 companies completed the questionnaire. Participation in the survey was voluntary, respondents did not receive any compensation for completing the questionnaire.

How the data was analyzed:

The data set was cleared of companies that did not meet the initial criteria of a 'startup' and duplicated responses were deleted.

All differences in the number of respondents per question can be attributed to the logical path applied in the survey. Any missing responses were due to the fact that answers to some questions were not obligatory.

For the purpose of the report, two groups were distinguished:

The champions (24 companies) are startups that:
- earned over 80k EUR in average monthly revenue in the last 6 months, and
- have been growing 5% or more per month on average over the last 6 months, or
- raised funding from notable international investors

The pretenders (75 companies) are startups that:
- are over 2 years old (except non-software products (eg biotech), and
- have not yet achieved product-market fit, or
- have no regular revenue or an average monthly revenue under 10k EUR

Startup Hungary Ops Team

Csongor Biás
Managing Director
at Startup Hungary

Bernadett Sitku
Operations Manager
at Startup Hungary

Startup Hungary Board

Péter Halacsy
Founder at Budapest School,
previously Co-Founder
and CTO at Prezi , Co-Founder
& Board Member
at Startup Hungary

Veronika Pistyur
Partner at Oktogon Ventures,
Co-Founder at Bridge Budapest,
Co-Founder & Board Member
at Startup Hungary

Zoltán Györkő
ex-Co-Founder at Balabit,
Co-Founder & Board Member
at Startup Hungary

László Jónás
Head of Business Development
at Design Terminal,
Board Member at Startup Hungary

Pál Bíró
Country Manager
at Google Hungary,
Board Member at Startup Hungary

Richárd Wenczel
Expert & Advisor at IVSZ, Board
Member at Startup Hungary

Report Ambassadors

Balázs Komár
Co-Founder at IseeQ, xLabs, Budapest Startup Safari

Richárd Sallai
Report Intern, Startup Hungary

Dénes Nagy
Senior Portfolio Manager at Central Invest

Tamás Gubits
Co-Founder at Madic Marketing, President at Startup Sopron Foundation

Dénes Szluha
Investment Director, Hiventures' Scale-up Investment Program

Tamás Péter Turcsán
Founder at Pozi.io

dr. Bálint Réti
COO & Co-founder at PénTech

Tamás Tüske
Founder of Start IT up - startup community in Győr

Fabrizio Mazzá
Business Development Manager at HubHub

Zsanett Andresin
Innovation Consultant at OTP LAB

Péter Kovács
Co-Founder of IseeQ, xLabs, Budapest Startup Safari, Global Startup Awards

Partners

Research Methodology

Analytics, research partner

Report partner

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Acknowledgements

The Hungarian Startup Report is the most comprehensive look at the local startup ecosystem to date. A project like this would have been impossible without the tremendous effort of the Startup Hungary team, its founders, board members, partners, and friends. Just like the organisation itself, this project is the result of a broad collaboration between various ecosystem players over a shared goal.

Startup Hungary was launched in August 2020 with the idea of bringing together key ecosystem players and established startup founders who want to give back by helping more startups launching from Hungary succeed. In addition to the 12 founders and our founding partners, new organisations have joined our movement since the beginning of 2021, to help us fuel the growth of the startup ecosystem.

Since our launch, we have focused largely on running online events to grow and inspire the community. This report is one of our first key publications. From the results, we've put together data-backed principles that show us what to focus on, how to define future activities and how we can create a bigger impact.

Special thanks to all the entrepreneurs and contributors who participated in the survey and provided expert commentary.

We are grateful for the support of the main sponsor of this project, NRDI - National Research, Development and Innovation Office.

The project could not have been completed without the support of our founding partners, Google, Design Terminal, IVSZ and without our new strategic partners, Microsoft, PortfoLion and our supporters, Citi, Lead Ventures and Day One Capital.

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