STARTUP HUNGARY

Hungarian Startup Report 2023

Discovering what makes Hungarian startups succeed

Startup Hungary
Hungarian Startup Report 2023
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Csongor Biás
Managing Director at Startup Hungary

Introduction

2023 was a turbulent year for the local startup ecosystem. Mirroring global trends, we saw a dramatic decline in investment - a plunge of over 60%, from a record €180 million to just €65 million echoing the downturn across Europe, with investments falling by more than 50% from the 2021 peak of €100 billion.

This huge decrease was driven by the lack of large rounds as the macro environment and public markets primarily impact growth-stage companies. Most local scale-ups switched gears to focus on efficiency and had raised large enough rounds in the previous years to wait out the funding winter. In 2023 the largest round was Commsignia's $15M Series B, being the only startup that raised >$10M, compared to 5 startups in 2022 with SEON raising a record-high $94 investment.

The early-stage fundraising landscape has also significantly changed with the end of many governmental and EU backed funding programs which have been dominant over the past years. Despite the decrease in the total number of early-stage rounds, we see a growing number of pre-seed and seed startups that are able to raise from local and international investors on terms that are more aligned with global standards.

Based on this year's research, we estimate a decrease in the total number of active startups. 147 startups filled out our survey, a double-digit decrease from previous years. We have identified 32 dead or zombie companies, that decided to shut down the business last year and we see fewer new startups being launched than in previous years.

Despite the challenging landscape, we also see promising signs and a new "rising star" and "champion" startups. These startups, with their innovative ideas, strong market potential, and proven track records, inspire confidence in the future of our ecosystem. In our categorization, we recognized 17 ‚champions' and 19 ‚rising stars' who show promise in emulating the success of our champions.

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 of 7% or more per month in the last 6 months, **OR**
- have a well-known international VC backing them.

The "rising stars" are startups that:

- have a strong founder-market fit, started by proven founders and going after a large market opportunity, **OR**
- are backed by an international VC at the pre-seed stage.

Executive Summary

1. A sharp decline in startup investments

We described 2022 as one of the most successful years of the Hungarian startup scene regarding the total funding. In comparison, 2023 witnessed a steep drop in investment volume, with capital inflow diminishing by more than 60%. This downturn brought investment levels down from a peak of €180 million to merely €65 million. The largest funding round was Commsignia's $15M Series B round, marking it as the sole startup to secure over $10 million in a financing round last year. As predicted, most local scale-ups, which had secured large rounds in the prior years, did not engage in fundraising activities in 2023. The number of early-stage deals also decreased due to the slowdown and stoppage of governmental programs, however, we saw an increase in high-quality, international pre-seed and seed rounds.

2. Fewer startups and champions again, yet more rising stars emerge

Our survey attracted 147 startup respondents this year, showing an 11% decline compared to 2023. In reviewing the past four years, we've observed a decreasing trend in the inception of new startups, and we have also confirmed 32 companies shutting down operations or entering zombie mode in 2023. The number of champion startups also declined from 23 to 17 due to mainly the slowing growth rates across industries. However, there's a positive twist as we identified 19 "rising stars" compared to 17 in 2022.

3. SaaS dominance and the rise of AI and Deep Tech

We revealed that 75% of the startups are working on web or mobile apps, a percentage even higher than before, showcasing the increasing popularity of SaaS business models. Naturally, with the GenAI boom, the artificial intelligence vertical is continuing to be a hot topic, with its popularity jumping from 22% to 26% in 2023. Additionally, the other popular verticals for last year were Fintech and Education, each tied with 14-14%. This year we looked deeper into the "deep tech" part of the ecosystem - 1 out of 10 startups fall into this category, and most are working on AI and biotech-related products.

4. There is a dip in founder confidence from last year

In 2023, surrounded by deep cutbacks in valuations, optimism among startup founders about their unicorn potential slightly waned, with 31% seeing their company as a future unicorn, down from 42% in 2022. Yet, a vast majority remain confident in their broader impact, with nearly every one of them aiming for international market presence and 83% believing in becoming key industry players. The aspiration for an IPO slightly receded, alongside a consistent 12% of founders who realistically acknowledge the possibility of failure.

5. Majority of startups struggle to go international

In 2023, nearly a third of startups were staying put with their sales firmly rooted in domestic soil and only 40% of the respondents reported more than half of their sales from abroad. Champion startups lead the charge, with virtually all boasting a bold 94% of sales overseas. The startups we identified as rising stars aren't far behind, with more than half making their mark internationally. Constraints in human and financial resources (33%), lacking international connections (25%) and the quest for perfecting products locally first (22%) are common refrains for startups who have less than 50% export.

6. Decline in the number of startup jobs

After years of steep growth, last year we saw a stagnation which turned into a slight decline this year in the estimated number of local startup jobs. As the downturn continued, there were 24% of startups which reported a decrease in team size and only 44% grew compared to 54% in 2022. We also saw a 4% decline in the number of employees in the top 20 startups. Many scaleups continued their downsizing to increase efficiency, however a few companies were able to grow significantly, despite the macro environment (e.g. Colossyan).

7. The biggest challenge remain sales & growth, fundraising is coming up

Similarly to previous years, sales, customer acquisition & growth remain the biggest challenges for most startups (38%). Notably two times more startups, 10% mentioned fundraising amongst the top challenges compared to last year. 24% actually would like to see government-backed early stage funding opportunities compared to 17% in 2022 and 12% in 2020. Also, not surprisingly, fewer startups reported difficulties with hiring top talent which is another indicator of the changing tech job market.

8. More than half of the startups flipped or planning to

Another figure that stayed the same is the number of startups that moved their legal HQ (29%) abroad or are planning to do so in the near future (26%). The most popular destination is the US, followed by the UK, and the most common reasons are the hope for better financing and regulations related. Despite the new regulations which address taxation challenges around ESOP programs, startups still find it difficult to implement, which is also a reason for flipping their companies.

CHAPTER 1

Founders, Teams, and Startup Profiles

Web and mobile apps dominate the tech scene
AI's lead in the tech sector further increases
Only 1 in 10 founders identify their startups as Deep Tech
AI and BioTech lead the charge in Deep Tech
B2B holds its edge over B2C
Duo founder teams are the norm
1 in 4 startups have female co-founders
40% of startups are run by part-time founders
The majority of startups were founded in 2020 or since
1 out of 4 startups reduced team size
Startup jobs
Most startups can feed their entire team with 2 pizzas
ESOP's high on the wish list, despite challenges

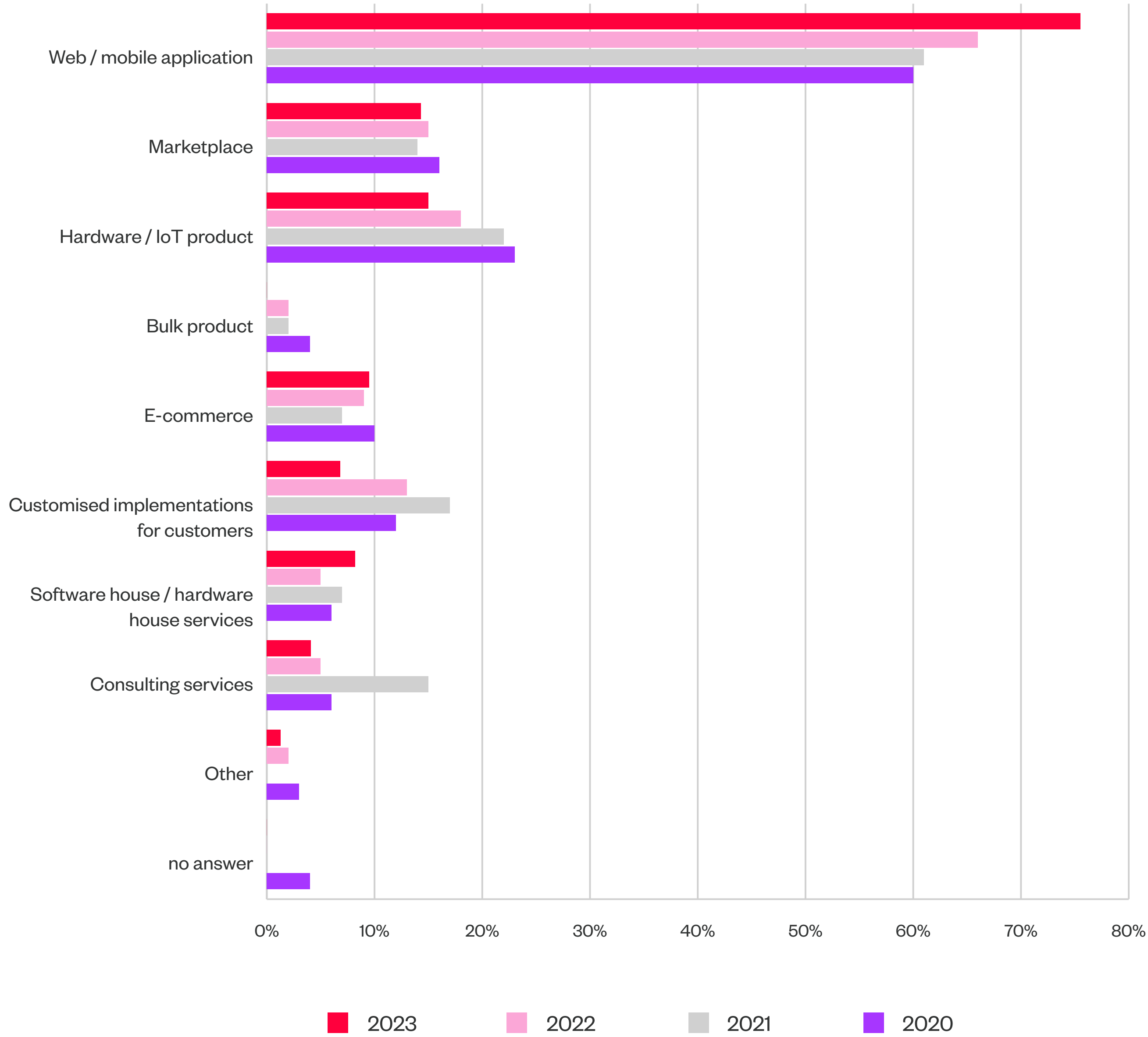
Web and mobile apps dominate the tech scene

Choose the categories that best describe your product or service*

% of all respondents, n_{2023}=147, n_{2022}=165, n_{2021}=212, n_{2020}=232

Source: Startup Hungary

**multiple choice question*



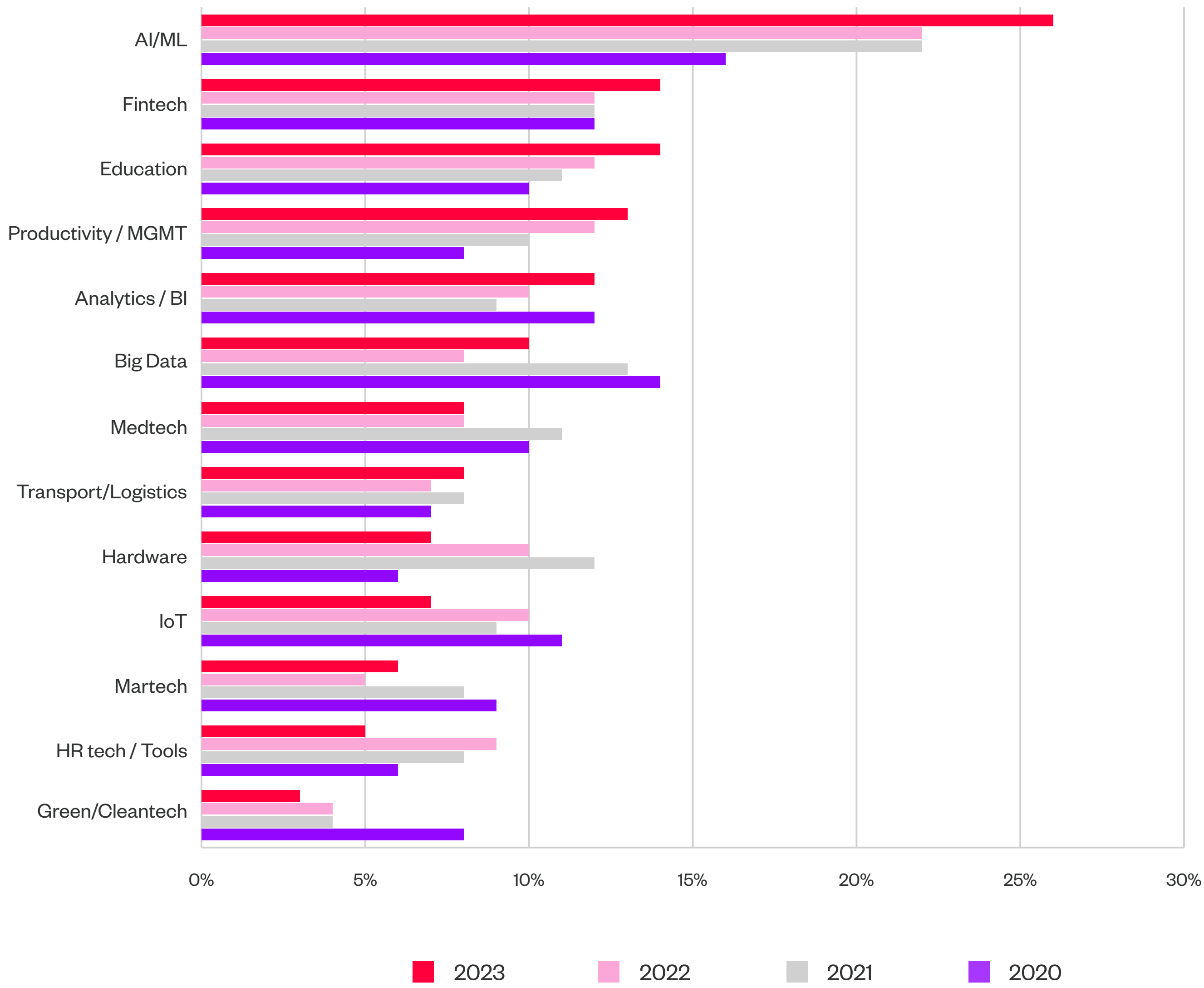
AI's lead in the tech sector further increases

Which vertical best describes your company?*

% of all respondents, n_{2023}=147, n_{2022}=165, n_{2021}=212, n_{2020}=232

Source: Startup Hungary

**multiple choice question*



Levente Juhász
CEE at Google

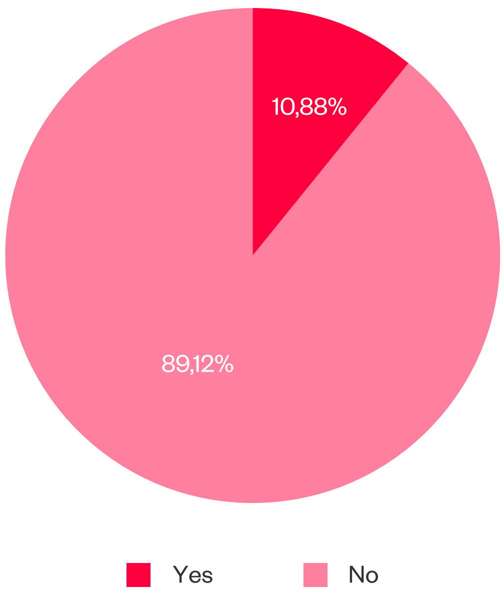
Expert comment

AI is the most profound technology in development today, opening up new opportunities that could significantly improve billions of lives. It's great to see that the majority of talent in Hungary continues to focus on this transformative technology - in fact, increasingly so. We are looking forward to seeing who will create the next Colossyan or Turbine.AI!

Only 1 in 10 founders identify their startups as Deep Tech

Do you consider your company a "Deep Tech startup"?
% of all respondents, n=147

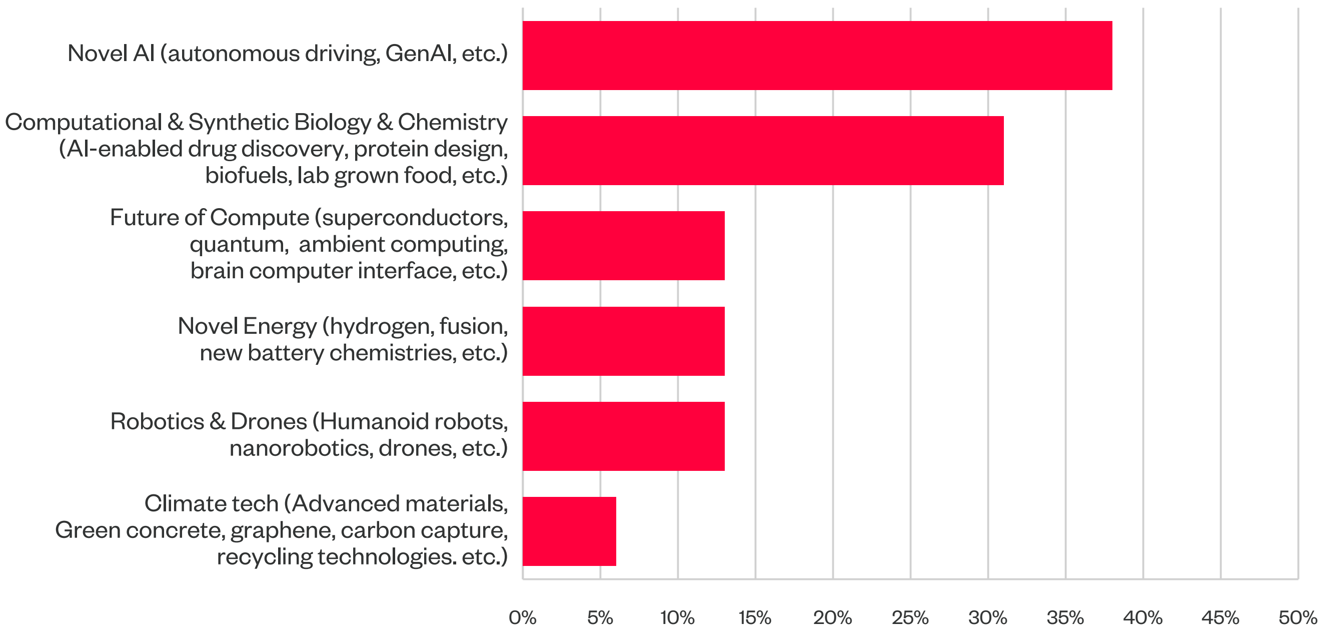
Source: Startup Hungary



AI and BioTech lead the charge in Deep Tech

Which deep tech category does your startup fall in?
% of all respondents, n=16

Source: Startup Hungary



Szabolcs Nagy
Co-founder and CEO
at Turbine

Deep Tech can be an engine of Hungary's growth - but only if we put in the work

Us Hungarians love to define ourselves in terms of historical greatness on various fields - football (6:3!), war (that time we almost held off two empires!) but more than any other, we love talking about science and engineering (Katalin Karikó! The atomic bomb! Ballpoint pen! Intel! The Ford Model T!).

And granted, we've shown ourselves to be a smart and resourceful nation that gets a lot out of often very little. Most of our breakthroughs were achieved by Hungarians, although not IN Hungary. Rather, historical forces, the promise of more resources & opportunities lured many of our brightest minds to ecosystems abroad.

The current global policy & investment landscape agree that deep tech is a pivotal area, with potential to address some of the most pressing challenges facing humanity, including climate change, energy sustainability, and advancements in human longevity.

> ***"Deep tech is defined as novel scientific or engineering breakthroughs making their way into products and companies for the first time."[1]***

Deep tech categories

Novel AI (autonomous driving, GenAI, etc.)
Computational & Synthetic Biology & Chemistry (AI-enabled drug discovery, protein design, biofuels, lab grown food, etc.)
Future of Compute (superconductors, quantum, ambient computing, brain computer interface, etc.)
Novel Energy (hydrogen, fusion, new battery chemistries, etc.)
Robotics & Drones (Humanoid robots, nanorobotics, drones, etc.)
Climate tech (Advanced materials, Green concrete, graphene, carbon capture, recycling technologies. etc.)

With the European Union aiming to position itself as a **deep tech** center of the world, Hungary finds itself at a crossroads. We are a nation without vast natural and human resources. We speak a language that isolates us further from the rest of the world, and we keep losing some of our best minds & most able hands to brain drain within and beyond the EU's borders. We seem hell bent on following decade old models of economic growth and underfunding education.

But we're also a historic citadel of deep tech - a country that is close to topping the charts in Nobel laureates/capita & still harbors the seeds necessary to make frontier technology an engine of our growth. A concerted effort between government, academia, startups & VCs can establish industries which are globally competitive, give brilliant Hungarians a reason to stay home & draw others back. We pride ourselves on our past in deep tech - but how can we capitalize on the opportunities it will present over the next decades?

[1] https://dealroom.co/uploaded/2023/09/The-European-Deep-Tech-Report-2023.pdf

We have strong hubs of STEM education and academic excellence in areas that will be crucial in the next decades like biotechnology and computational biology (Szeged, Semmelweis & Pázmány) as well as engineering, compsci, math & physics (BME, ELTE, Debrecen, Óbuda).

Politics aside, we have the unique advantage across the EU of an incredibly stable government that wants to see change well beyond single election cycles.

We clearly have individual successes. Both AIMotive (self driving cars) & Tresorit (secure collaboration built on novel crypto key exchange) exited recently. Turbine (modeling human cells with AI), Comsignia (tech connecting cars & their environment) and Colossyan (AI created multimedia from text) raised some of the largest funding rounds from leading global investors in recent Hungarian history.

> ***10% of startups from the 2023 Startup Survey are deep tech***

Finally, this 10% of deep tech highlights that even with the current challenges, founders are trying to solve truly hard problems in novel ways.

However, in order to excel, we can't rely on individuals to succeed against all odds & need to take a deep look at the issues that we should overcome to put Hungary on the global deep tech map.

The best deep tech ecosystems (Boston US, Cambridge UK, Grenoble FR or Munich DE) all have a few things in common. They're strong academic hubs that bring together research across multiple industries with experienced operators & entrepreneurs. Their tech transfer channels (tech transfer offices, grants & VCs) provide access to early funding to validate ideas in the real world fairly quickly. Finally, they have a history of successful commercialization, with plenty of case studies where academics seeded companies to financial & critical acclaim.

Contrasting this to Hungary, it's clear we have some of these but need significant improvements in others:

- Our education system still produces strong STEM talent.
- Consistent focus on a small set of industries can be breached where it matters.
- Spin-out channels aren't yet well developed.
    - HUN VCs are comfortable with SaaS but not yet with deep tech, and even regional VCs have only now started to form.
    - Tech transfer agencies - though evolving - are still far behind in their embeddedness and acceptance in academic circles.
- Hungarian academia is very siloed and doesn't provide a framework where the different skill sets needed for spinning out (both technical, scientific & commercial) can easily meet to spark new companies.
- Hungarian scientists & engineers do not yet see deep tech startups as a viable career choice.

All of these make the road a hard one - something we're keenly aware of at Turbine as we've taken a decade to navigate it until strong international success & support materialized.

Deep tech companies need to travel a vastly different road from launch to scale-up, something that the local ecosystem isn't yet set up to support:

- Taking the initial research or engineering breakthrough and running the „killer experiment", which validates its strength in the eyes of the market & Seed to Series A.
- While a B2B SaaS company should be focusing on initial commercial traction, this is often a distraction for a pre-seed or seed stage deep tech startup.
- However, this makes it difficult for local & most regional VCs to assess the validity of an idea, as they need to understand what specific metrics/KPIs/proof points actually matter in a given field.
- Another important factor deep tech companies (and their investors) must get right early on is to build the right mix of skill sets.

Luckily, various ecosystem players are growing aware of these differences & are willing to put in the time and effort to bridge these gaps. Collaboration among experienced founders, VCs, NGOs like Startup Hungary, and government entities can forge a new path where deep tech innovation becomes a hallmark of Hungary.

Knowing what I know today after almost a decade of building Turbine, I'm confident the next generation of deep tech founders can travel the road from inception to scale-up in a fraction of our time.

Péter Szabó
Managing Director
at Microsoft Hungary

Your AI platform determines your business success

Artificial intelligence is becoming increasingly important in the Hungarian startup sector, according to Startup Hungary's latest report for 2023. As Microsoft's Managing Director, I believe that the reliability and security of AI-based solutions are crucial. It's also vital to consider the platform businesses commit to when implementing these technologies.

The Hungarian startup sector has been impacted by the emergence of generative artificial intelligence in the last two-three years. As a result, an increasing number of startups are turning to more scalable business models, and the use of AI has already become a standard requirement among them.

Around half of the more than 2,000 startups in Central and Eastern Europe supported by the Microsoft for Startup Founders Hub, Microsoft's incubator programme for startups, have signed up to OpenAI, and 300 of them - a third of those using OpenAI - are using Microsoft Azure OpenAI. Azure OpenAI works with customer-defined and therefore trusted data sources, does not release data to public actors, does not use copyrighted information and pays great attention to data security. This reliability and the resulting efficiency advantage distinguishes it from other similar products.

Platforms used by companies to start using generative AI are crucial, as they have a fundamental impact on the development of business and the efficiency of processes, and changing platforms may create problems later on. As we have seen with several domestic companies, in order to keep pace with rapid change and to remain competitive in the market, many have embarked on AI transformation programmes without a well thought-out strategy. While speed may be justified, I believe foresight is equally important for its clear long-term benefits. More than 60 percent of Fortune 500 companies currently use Microsoft's AI solutions.

Artificial intelligence is used by businesses in a wide variety of areas, typically to improve customer experience and productivity, automate billing, warehousing, procurement and customer service tasks. According to Github's own report, developers are already using AI, GitHub Copilot, to code 46% of the software developed on its platform. AI has accelerated coding by 55%, they say.

A majority of domestic startups, 41%, generate more than half of their revenue abroad, so they cannot ignore the ability of AI to almost completely eliminate language barriers. In addition, AI's growing role in **creative content creation, data analytics, chatbots and cybersecurity** is also noteworthy.

The Report reveals that a third of Hungarian startups have moved their HQs abroad, and another quarter may follow within a year, suggesting regulatory changes are needed to retain them and boost their role in Hungary's economy.

Microsoft annually backs the Hungarian Startup Report by Startup Hungary, now in its fourth edition, offering insights into the local startup scene in 2023 from 147 Hungarian startups. For details on the Microsoft for Startup Founders Hub, click here.

Gabriella Sódar
Head of Business Development
at Blue Planet Foundation

Embracing the Oddity: Green Start-Ups as Ogres in the Financial Realm

As we bid farewell to 2023, a record-breaking year in terms of temperature, the pressing need for attention to our planet becomes undeniable. The call for businesses to embrace sustainable practices echoes louder than ever.

Green Start-Ups as beloved monsters in the Financial Realm

Drawing a parallel with the beloved movie „Shrek," where Shrek describes ogres (green monsters) as having layers, much like onions, green start-ups face a multifaceted challenge in the current financial system. They deal with constant skeptical questions from venture capitalists: „Isn't it too expensive? Who would pay for this?" Beyond their overused green patch (as the true meaning of greenness remains elusive), these start-ups are more complex and formidable than meets the eye. They are odd yet likable—everyone would want one in their portfolio, but there's also a certain fear associated with them. They are strong yet underestimated. Having localized and sustainable supply chains can enhance a company's ability to navigate challenges, reduce logistical complexities, and ensure a more reliable flow of goods and services during times of crisis. Above all, they have many layers, similar to the complexity of onions. But can these „ogres" seamlessly integrate into the start-up universe?

Navigating the Layers: Challenges of Sustainable Growth

Balancing the pursuit of hockey stick growth with maintaining environmental consciousness is as challenging as finding a delicate balance on a tightrope. Efforts to align capitalism with sustainability, such as conscious capitalism and impact investing, encounter inherent tensions between profit-driven motives and sustainable practices. For green start-ups, this journey demands strategic thinking, innovation, and, at times, systemic changes within the capitalist framework.

Building Sustainable Foundations: The Role of Core Values

To embark on this challenging journey, start with guiding core values that transcend generic mission-vision statements. These values should form the basis of business decisions, a constant checkpoint throughout operations. Developing truly sustainable solutions requires in-depth research, testing, and careful consideration of environmental and social impacts—criteria often challenged by the pressure to be the first to market.

Piotr Drozd, a sustainable business expert from the Netherlands, provides a clear visualization of the layers involved in addressing „What the Earth needs business to do." Each layer represents a different facet, emphasizing the multidimensional approach required for true sustainability.

The Bumpy Road Home: Challenges in Decarbonization

Sustainability isn't a straightforward journey, as Lego discovered in its pursuit of environmentally friendly alternatives. A two-year investment in a new plastic type unexpectedly resulted in higher carbon emissions, showcasing the intricate and sometimes counterintuitive nature of the path to sustainability.

Accelerating Change: Impact of Accelerator Programs

Y Combinator, a well-known accelerator not specifically focused on impact, funds over 100 climate tech start-ups, collectively valued at over $10 billion. This highlights the immense potential for start-ups addressing climate challenges. With specialized accelerators on the rise, even major enterprises like Google, Apple, and IBM are recognizing the possibilities and the need for sustainability assistance. European programs, such as Startup Wise Guys - Sustainability Accelerator Program, TechStars Sustainability Paris Accelerator, and .wave accelerator Budapest, further demonstrate this global shift.

Sustainability Trends 2024: Navigating a Complex Landscape

The latest report from Plan A unfolds critical sustainability trends for 2024, offering a roadmap for businesses navigating the evolving landscape.

Regulatory Complexity
A surge in climate disclosure policies reflects the increasing complexity of the regulatory environment. The shift from policy formulation to active disclosure signals the need for a proactive approach to ESG disclosure.

Low-Carbon Business Models
Urgency in decarbonization emphasizes transitioning to substantial, low-carbon business models. This approach is vital for adapting to the ‚decarbonization era,' characterized by global policies and a structured climate journey for companies.

Greenwashing Scrutiny
Growing focus on greenwashing prompts specific regulations. Emphasis is placed on adopting comprehensive and transparent sustainability strategies that go beyond superficial gestures. Carbon insetting and life cycle assessments are deemed vital for enhancing organizational transparency.

Technology for Stakeholder Engagement
The report underscores the importance of technology in stakeholder management, urging businesses to engage stakeholders for supply chain impact understanding. For large entities, involving small and midsize companies in their supply chain is crucial for overall sustainability performance.

In the quest for sustainability, green start-ups face challenges, but with strategic insights, innovative solutions, and a commitment to true core values, they have the potential to not only integrate but thrive in the start-up universe. The layers may be complex, but each one offers an opportunity for growth and positive impact.

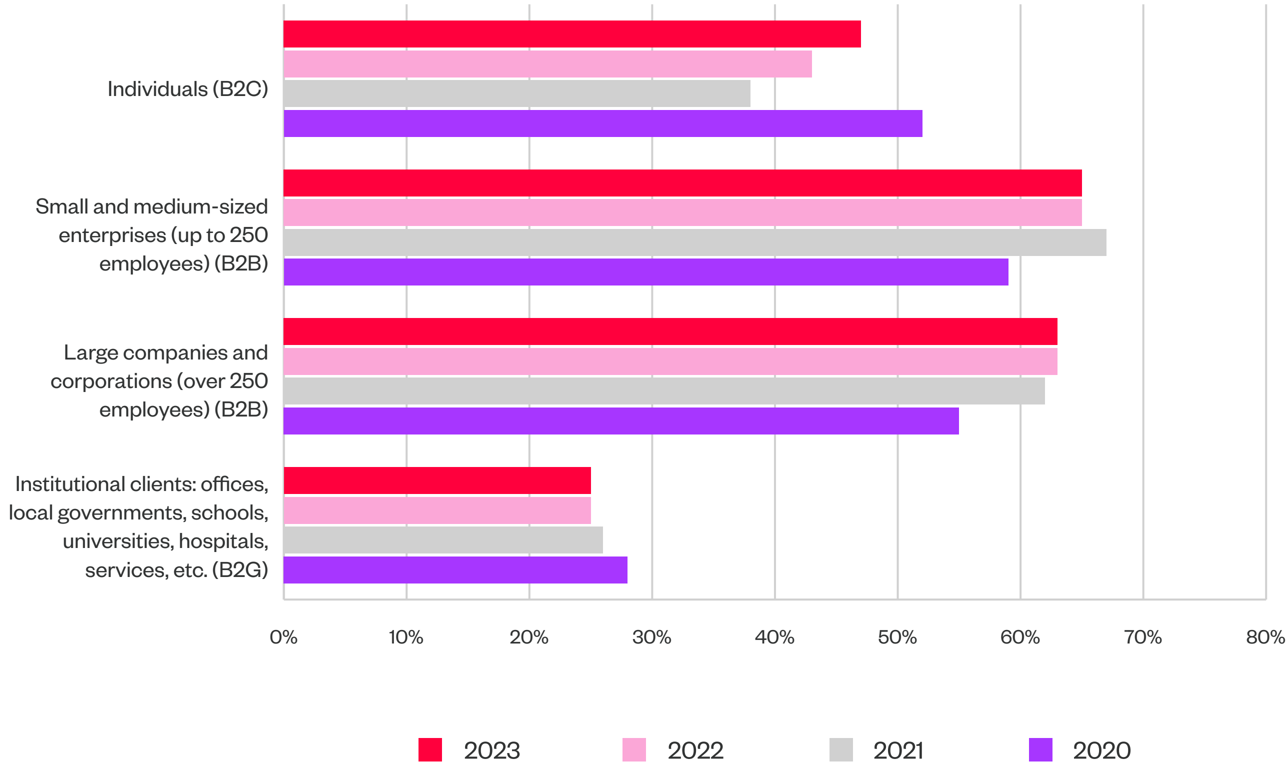
B2B holds its edge over B2C

What kind of customers/users are you targeting?*

% of all respondents, n_{2023}=147, n_{2022}=165, n_{2021}=212, n_{2020}=232

Source: Startup Hungary

**multiple choice question*

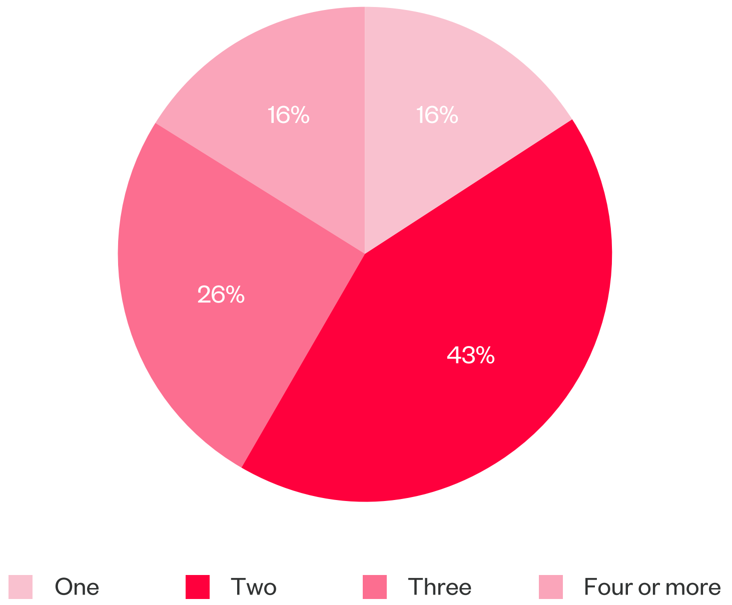


Duo founder teams are the norm

How many founders do you have?
% of all respondents, n=147

Source: Startup Hungary

**multiple choice question*



Expert comment

Bálint Orosz
Co-founder & CEO, Craft Docs

Having a strong founder can be the best possible asset you can have - at the same time dealing with misaligned co-founders can easily kill your startup. What people tend to forget though is being a co-founder isn't about being there on day 1 - it's about demonstrating ownership and impact at a level that goes beyond what can be "reasonably" expected from team members. While I started Craft alone, I feel very lucky that I now have a co-founder - who is just as integral to our success as I am.

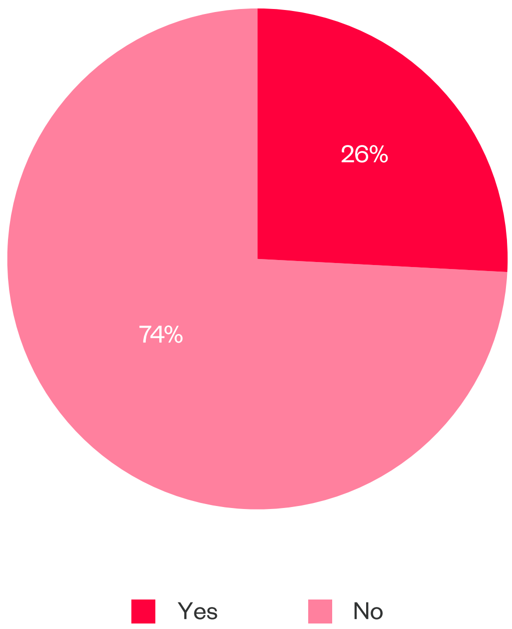
Zsófia Tóth
Co-founder & CEO, Volteum

I cannot imagine having any less or more co-founders than our team of 4. We are each others' strongest pillars and are incredibly fortunate that we don't have to go through the biggest challenges and successes alone. However, as each day is a rollercoaster and we need to grow so much individually during this journey, we must consciously work on our relationship and team dynamics to preserve these strong bonds. We defined our core values, have strict rules on direct communication, robust feedback culture and also go to team coaching monthly. During working hours, all four of us are 100% professional fighting for the company, while in our private life we are the closest best friends. This is a crazy but also a once-in-a-lifetime mixture.

1 in 4 startups have female co-founders

Are there women among the founders?
% of all respondents, n=147

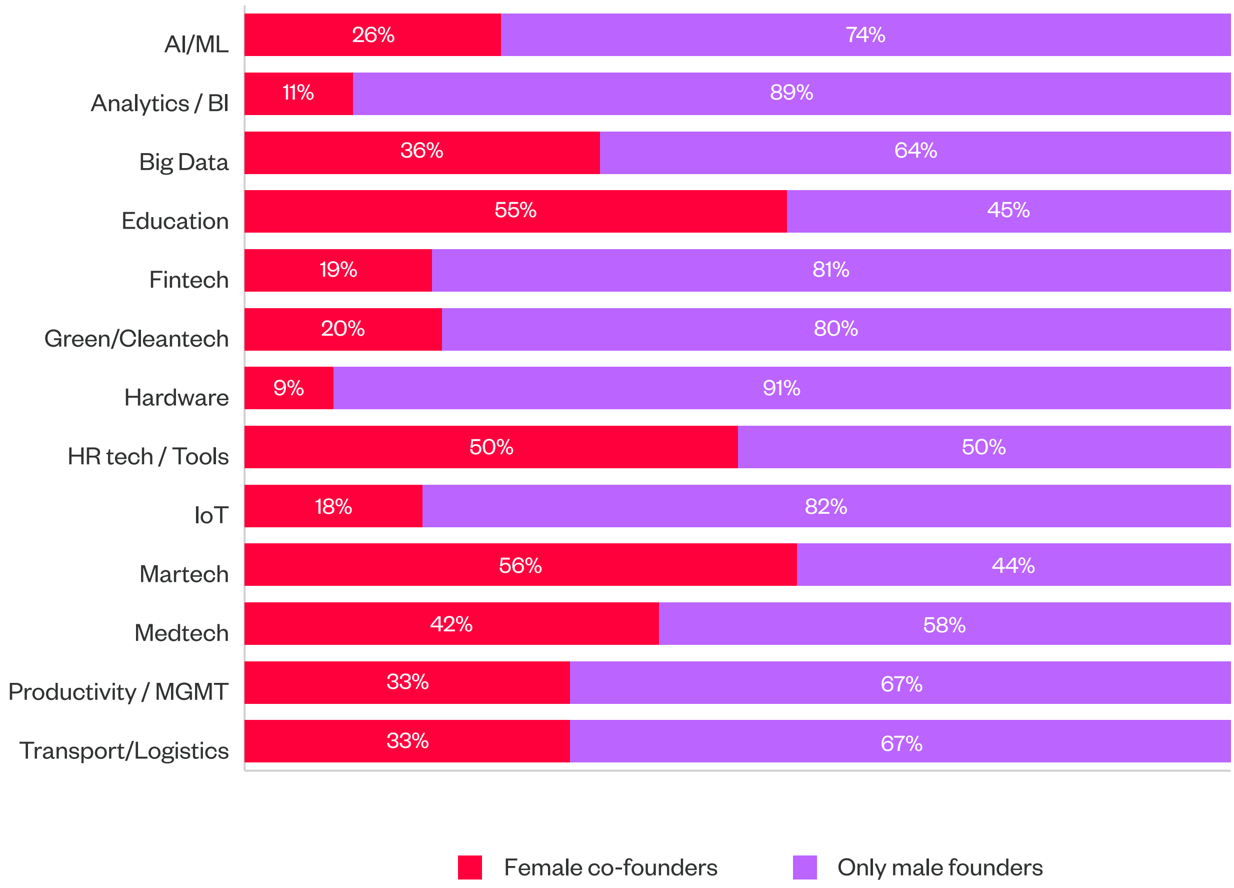
Source: Startup Hungary



Verticals with the most female co-founders

% of all respondents / top verticals, n=147

Source: Startup Hungary



Editorial comment

The latest figures on startup gender diversity show some encouraging signs, with an increasing number of women taking the lead in areas such as education, martech, and HR tools. However, the entrepreneurial landscape remains predominantly male. Gender biases in entrepreneurial education and how female entrepreneurs are portrayed in the media are still evident, yet the outlook isn't entirely bleak. As more women achieve STEM degrees and as organizations dedicated to supporting women in tech continue to emerge, the stage is set to redefine the role of women in the industry.

Zsuzsa Kecsmár
Co-founder and Chief Strategy Officer
at Antavo Loyalty Cloud

The LinkedIn Advantage: The Future of Business Is Very Personal

I was at the award ceremony of the GP Bullhound Entrepreneur of the Year award as a shortlisted entrepreneur. My hands were sweating - what if I won? The creme de la creme of European Venture Capital at round tables, the smell of strangely fresh conditioned air in downtown London, all of us in black tie. There was a large stage, the founder of GP Bullhound standing there, choreographed lights around him: Manish Madhvani talking about the state of business in 2023.

He noted business was not amazing in 2023 - the audience reacted with a unified sigh.

That it was the year of waiting, gathering your powers and momentum, to jump when the economy is back. He asked the audience questions and they reacted with nods and light laughter, like "Have you already invested in AI", " Scaleups are a better bet now", and "Have you already become an influencer".

This last thought from his speech has resonated with me, see, months later I am writing an article about it.

> ***"Have you already become an influencer in your field?" He asked on stage.***

His asking this meant many things.

It meant that even in the rigid world of VC, people may embrace the power of personal. Of course to get more leads, grow their pipelines. It meant that people were open to rolling up their sleeves and coming down from the ivory tower. It meant that for the battle of attention, we all have the same toolset, and some are ambitious enough to start using it.

> ***It's the new gold rush when you too have the chance to get gold. Getting in front of people's eyes by showing up, and being consistent.***

It resonated with me because I did start to become an influencer in my field earlier in 2023, gathering my powers and momentum.

My field is customer loyalty. I am one of the founders of Antavo, a SaaS technology for innovative loyalty programs with a team of 100 all over the world. Our customers include Tommy Hilfiger, KFC, BMW, Kathmandu, and others. I am the Chief Strategy Officer and I own our whole top-of-the funnel for new customers. So I thought, who if not me, when if not now?

So ever since then, I have been showing up on Linkedin, and it's mind-blowing to see how people reacted. Our prospects, customers, and partners look at me like a known person, the woman of the hour.

Brands ask me to hold inspirational sessions with them. Our partners get really excited when I go and see them in their city. I am telling my team: "Use me". And they book my calendar with meetings, to drive our business further.

Have I become smarter compared to a year before? Well, I would say marginally, but rather no.

Am I LOOKING smarter? Most definitely.

Just by showing up and just starting to talk, I have become more trusted. Only 1% of people on LinkedIn post consistently. The rest 99% is only reading others. **There is a**

true opportunity to be the 1%.

People always buy from people, and in B2B it's very true. Someone to relate to, someone easier to reach out to.

Here are the ways you may do it too.

- Just post it. There are many ways to overthink posting content on Linkedin. The best way is not to overthink it but to just post it.
- Speak to your ideal customer. My ideal customers are customer loyalty leaders at brands and retailers. I address their concerns, fears, and hopes.
- Maybe talk about business behind the scenes. People like to learn about others' work lives, especially if it's the glorified struggling / successful founder life.
- Share personal stories. I talk about bringing my daughter on a business trip or battling burnout. How I used to work in radio but felt not talented enough. How I wanted to build things so I wrote my bachelor thesis about the business plan of our company.
- Use simple language. I know, that simple oftentimes is not easy. My trick is to write as I speak, then edit. It makes great written material most times.
- Make it part of a system. My colleagues feed me marketing materials that I repurpose. I talk about the same thing in 50 variations. We made my LinkedIn one of our company channels.

Interestingly, talking about my husband of all people always gets great reception. My husband and father of our 3 children is Attila Kecsmar. He is my co-founder and a powerful CEO of our company. Talking about how we make it work as a couple in business checks all the boxes above.

I did not win the award by the way.

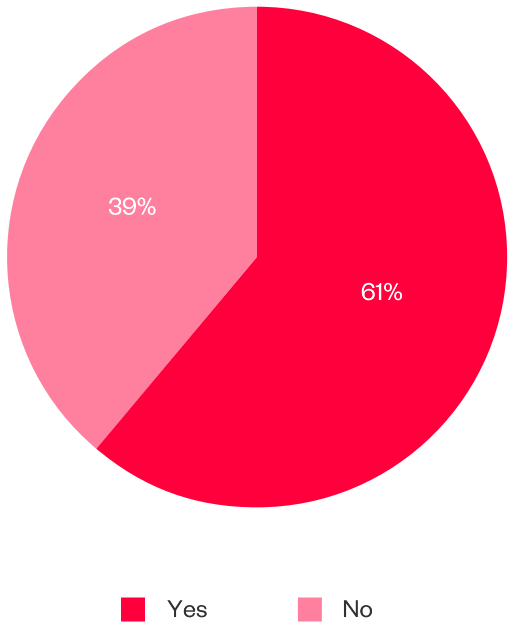
But I thank Manish for talking on stage about how business can get more personal, in a way that is a viable option even in their slowly changing world or VC.

So here is me, becoming an industry influencer. I can definitely be one, and so can you.

40% of startups are run by part-time founders

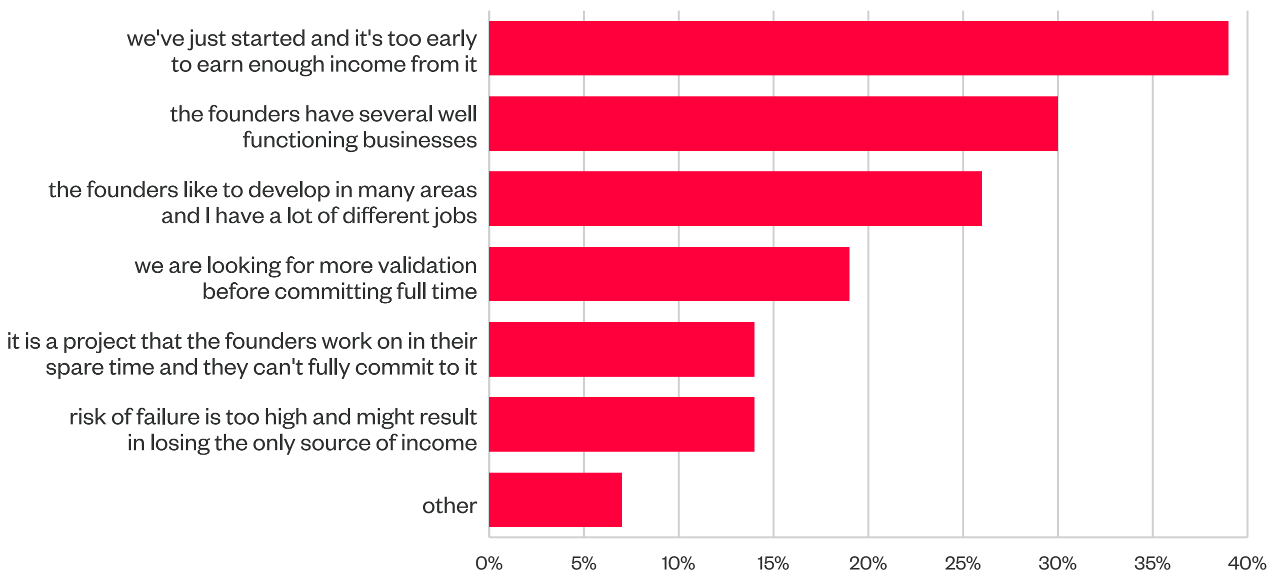
Are the founders working on the startup full-time?
% of all respondents, n=147

Source:
Startup Hungary



What are the reasons for not working full time on your project?
% of part-time founders, n=57

Source:
Startup Hungary



Márk Dömötör
Organization & People Development Consultant at Blueberry

Being efficient as a leader means investing your attention wisely

Being efficient as a leader means investing your attention wisely.

Trust Quakes: When Key Players Exit

Recently, a client of ours shared a story that began like this: “Last week, our senior engineering lead sent me a message saying, ‚We need to talk.’ I was shocked and instantly knew we had lost him. He quit the next day. I tried to make him stay, but trust was broken. There were signals about his dissatisfaction, we knew he doesn’t like some things about recent changes. But hey, he was with us from the beginning, and he was always this rebel type, we thought it’s the usual stuff. It’s a shame that he leaves, because it’s going to set us back for weeks and he was a key player.”

We have heard similar stories repeatedly in different contexts, with different ‚we need to talk’ messages. If you receive such a message and your initial thought is ‚This means trouble’ or ‚I hope he is not leaving,’ it indicates missed opportunities as a leader to build trust earlier. Of course, there will always be people coming and going, that’s life, but you should practically never be blindsided by such a message. The good news is, if you are strategic with your attention, you can seize the trust building opportunities from tomorrow. Let us give you some context.

Startup Triumph: Trust as Currency

Trust is crucial for building a successful startup, as evidenced by research and anecdotal evidence. Being a great leader means you need to be good in creating a vision and tenaciously moving toward it and as well to master the people skills to “oil the machinery”. The best oil there is in any organization is trust. A great way to think about trust is articulated by Harvard Business School professor Frances Frei: Trust thrives when individuals display genuine behavior (Authenticity), demonstrate competence (Logic), and show genuine care for others (Empathy). Any imbalance in these elements can erode trust. Our experience shows that startup leaders are amazing in the first two, and usually have space for improvement in empathy. (The point of our example story). It’s quite simple to decrease our natural level of empathy in the everyday hustle of scaling a business and it has to do with getting stuck in a way of thinking about efficiency.

Savvy Leadership: Efficiency Unleashed

Efficiency is a key dimension we actively strive to optimize, and our mental model involves calculating it in terms of results (output) divided by resources used (input). So, you can become more efficient by:

a) delivering the same result with less resources or by
b) delivering a greater result with the same resources.

Let’s see how this played out in our example case: It’s a usual workday, a plethora of things are competing for our attention, and in this noise, we are doing our best to focus and solve important business issues by delivering the best solutions. When our engineering lead raises concerns, our minds quickly formulate solutions before he finishes speaking. So, we **already know the result (output) we aim for**: we either acknowledge his point, we dismiss it or in some cases we don't understand and need more information. The way to be efficient in this case is to reach our desired result with the least resources (time & mental energy) invested. This is clearly optimization in the first way. We thus try to cut the discussion short either by logic ("but, you forget that...") , humor ("no biggie, just be happy ....") or by sheer authority ("you are wrong."). None of these are wrong, but as we explained earlier, if you don't put empathy into the equation, trust will erode. And empathy is usually something we consider taking up a lot of our resources, so we minimize it or skip it entirely.

Investor Mindset: Leadership Gold

What if next time you approached efficiency optimization from the perspective of delivering a greater result with the same resources? We call this the investor mindset. You can explore this by dedicating a fixed amount of your resources to the person and try to get most out of the interaction! We bet that you would get even better results and build a solid foundation of trust in your relationships. Like this you wouldn't get blindsided either because you would already know if there were really serious concerns.

Trust-Building Hacks for Leaders

Here are some practical tips to experiment with during your conversations:

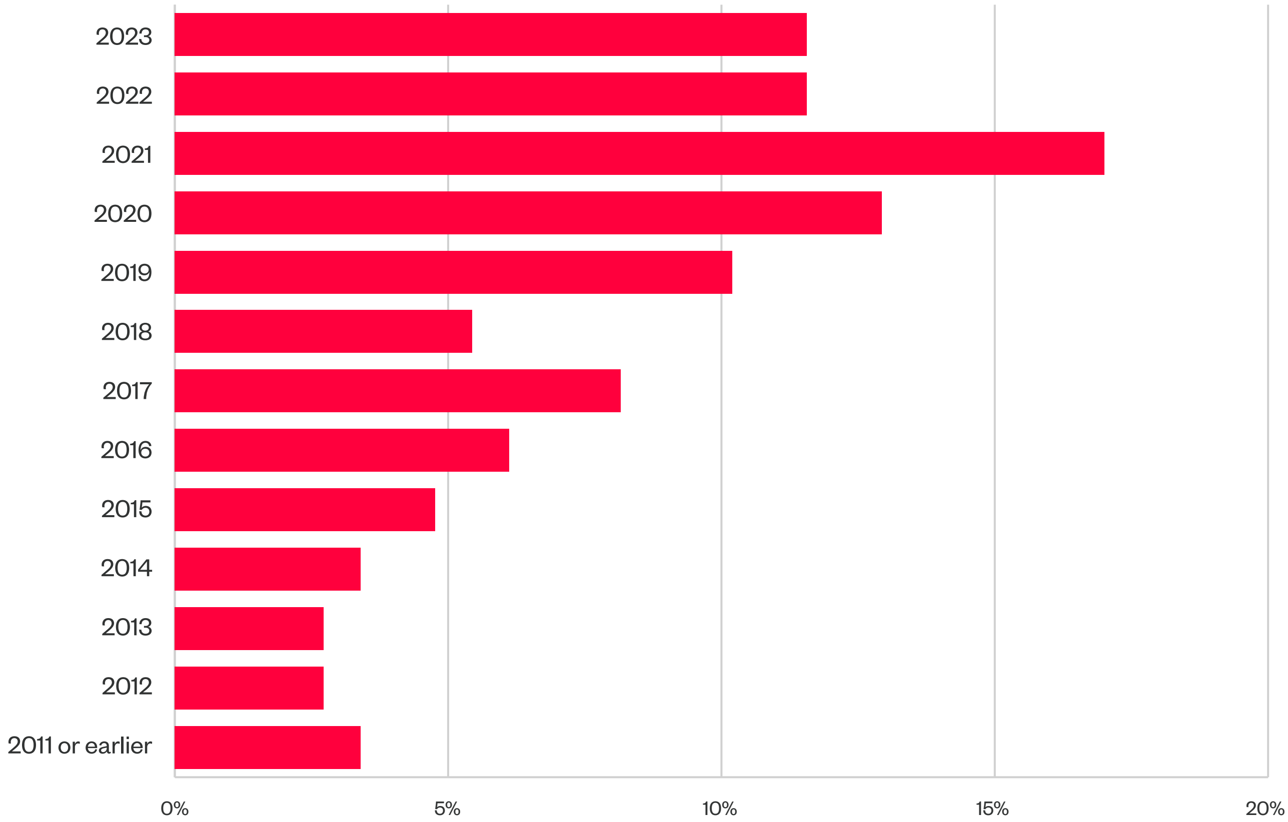
- **It's okay to postpone a discussion** to a time when you can pay full attention. Try something like this: "This sounds important to me, and I want to give you my full attention, which I can't do right now. What about talking at XY in the afternoon?" Make sure to follow up!
- **Ensure you enter the right efficiency mindset** that builds trust by allocating your resources appropriately. Try something like this in your inner dialogue: "I care about this person, I will dedicate the next 5-10 minutes to her and I want to get the most out of our discussion."
- **Avoid jumping to solutions prematurely**; first, verify your understanding is accurate. Try something like this: "So you are saying..." , "I get that ..." , "Let me check if I correctly hear what you are saying...". Just reflect your understanding of what the other person is saying. Don't exaggerate this by checking every sentence, you can be short and concise after a longer sharing from the other person.

Attention is one of your most valuable assets as a leader; make sure to invest it wisely.

The majority of startups were founded in 2020 or since

When did you start to work on your startup?
% of all respondents, n=147

Source: Startup Hungary



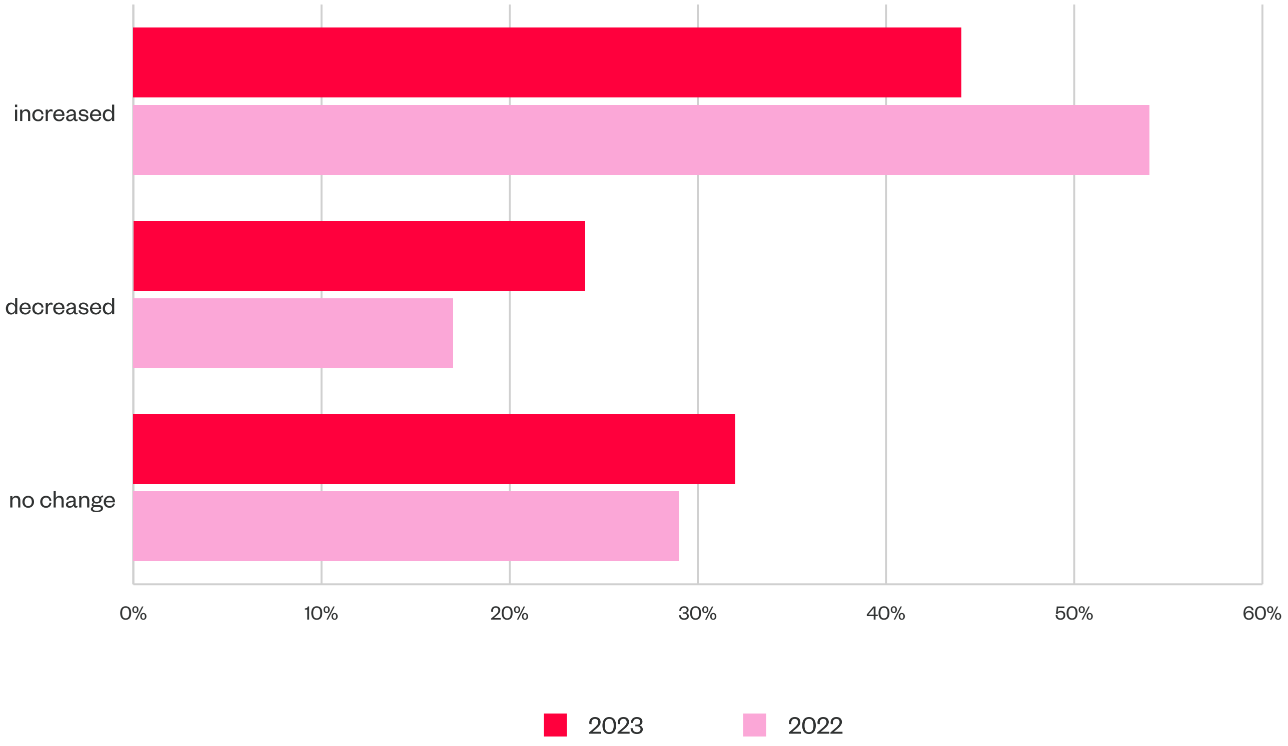
Editorial comment

We have identified 32 startups that were shut down or entered zombie mode in 2023 and we estimate that there were fewer new startups created, so the ecosystem has a demographic problem and we need more startups. On the other hand, the fail-fast mentality is healthy for the ecosystem and many struggling startup founders could potentially launch new projects.

1 out of 4 startups reduced team size

Did the size of the team change in the last 6 months?
% of all respondents, n_{2023}=147, n_{2022}=155

Source: Startup Hungary



Dominik Kovács
Founder & CEO at Colossyan

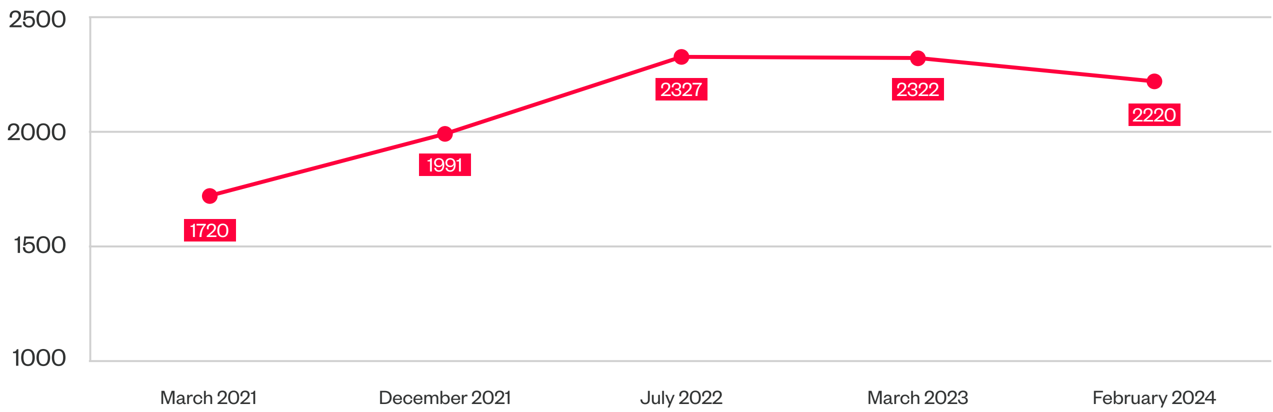
Expert comment

We found it particularly easier to recruit top talent in 2023, primarily for GTM roles. I think with the focus on efficient business operations the job market is not going to shift suddenly in the near future.

Startup jobs

Staff headcount in 2023 among 20 handpicked startups with >30 employees

Source: Startup Hungary



134%
Largest growth in 2023 (Colossyan)

4%
Decrease from the peak in 2022

75%
Employees based in Hungary

Source: LinkedIn (data from official company profiles), analysis by Startup Hungary.

Editorial comment

As the ‘funding winter’ continues we see the total number of startup employees started to decrease more significantly. Our survey of 147 startups showed 10% fewer teams reported growth and 24% of the teams shrank compared to 17% in 2022. Analyzing 20 handpicked startups with the largest headcount in 2023, total employees were 2,220, 4% decrease from the peak in 2022. Despite the recent downturn, and multiple scale-ups doing double-digit layoffs, some companies (e.g Colossyan) reported significant team growth.

Isabel Naidoo
Chief People Officer at Wise

The state of tech hiring and how to adapt to the changing market

We are at an interesting inflection point in the tech industry with competition for talent, with a lot of people having started to question how and why they are working. Companies have always had to be really crisp and transparent on their value proposition to attract the best talent for the role. In the current context, this feels more important than ever.

Mapping the market trends

Clear value proposition

Important aspects that job seekers look out for next to the salary are flexibility, having a safe and inclusive work environment, career development opportunities, and exciting challenges as part of meaningful work. Wise has transparent salary bands and career maps, offers competitive pay, and we allocate stock for every Wiser by level. We give each and every employee a piece of Wise, as it creates long term value and inspires them to focus on our mission. All Wise employees also have a personal development budget that they can use e.g on books, courses or conferences, to expand their skill set and support their professional journey.

Diversity

Another thing that is increasingly shaping the hiring market, is the focus on diversity and inclusion. At Wise we believe that diversity in teams and an inclusive working environment paves the way to higher performance and increases innovation, and it's more important than ever for companies to drive diversity and inclusion at work. Diversity enhances employee engagement through better collaboration, and it enables more accurate decisions which lead to better innovation, sales, revenue and growth. In short, companies with diverse teams build better products and perform better.

Strategies to overcome challenges and drive inclusiveness

Despite progress and international efforts in diversity and inclusion, the technology industry remains a male dominated space. We still see imbalances from graduate intakes, through to seasoned executives, and it's a trend that's yet to significantly shift. And gender balance is just one of the diversity challenges that the industry faces. Our bias towards the familiar, our selective awareness and the stereotypes that surround us influence our behaviour. Therefore building a culture where diversity, equity and inclusion are embedded requires a conscious effort that starts with understanding all these things that happen subconsciously. We need to educate ourselves and share experiences and learnings so that we can all come to a common understanding of these topics, and subsequently change our behaviours.

Companies need to embed diversity, equity and inclusion in their core culture and have a strategic data-based approach to their diversity goals. Using data will immensely help to track progress, identify shortcomings, and set focus.

How to attract and retain talent?

Budapest is one of the largest global locations for us at Wise. We've been building money without borders in Hungary since opening an office here in 2017, and today, we've grown to a full-stack office with over 700 employees. We are always looking for great tech talent to progress with our mission and it has always been competitive. Some of the things that we have learned is that organisations need to listen to their employees, use data to make informed decisions, be really in tune with the local market, and be agile enough to evolve employee offerings in our fast paced changing world, if they want to reach and retain talent. Companies are made up of people, and people are complex with differing needs. How companies can respond to these needs and offer customised experiences is what becomes a real differentiator.

Companies can also take initiative to solve their hiring challenges by investing in lifelong learning, sharing their in-house knowledge, and encouraging and empowering women and non-binary people to see their future in tech. This doesn't only help to widen the potential talent pool, but also bring more diversity into the sector. At Wise, we're passionate about supporting anyone, and especially women, interested in learning tech. Some things that we have found to be helpful include creating learning and networking opportunities, such as our annual Wise Women Code programme that had its first edition in Budapest in March 2024, Wise Product Academy to fast-track product manager development, organising industry meetups, and providing practical mentoring sessions.

When organisations set their team strategies and review policies, gathering and analysing data and feedback is a crucial step not to be missed. Communicating a clear, inclusive and transparent offer and fostering a data-driven, future-looking approach in decision-making will help companies to navigate the rapidly changing tech hiring landscape and build a solid foundation to their business success.

Roland Rausz
Investment Analyst
at Day One Capital

From Seed to Success: Analyzing Salary Trends in Hungary's Startup Scene

As startups compete for top talent, offering compelling compensation is essential for future success. Creating an environment that both challenges and motivates employees is key, and while a strong company culture is fundamental to this goal, the significance of financial incentives cannot be overlooked.

Therefore, Day One Capital conducts its annual salary benchmark survey to measure the status of the Central-Eastern European startup ecosystem regarding wages and benefits in high-growth companies. With its third edition this year, we had the chance to share the results of a Hungary-focused version during one of Startup Hungary's First Monday events. We investigated the top perks for employees, analyzing data for 850 employees across various roles, seniority levels, and gender, and explored the financial journey unique to startup founders.

The participating startups were categorized into three groups based on their funding levels: less than €5 million, between €5 and €20 million, and more than €20 million. Given the substantial differences between startups in their initial and later stages, this classification reflected the growth stages of startups, enabling us to derive more sophisticated, stage-relevant information.

Based on our results, even early-stage companies try to introduce some form of benefit for their employees. This mostly means cafeteria, which widens to higher value incentives with the growth of the company. This range encompasses bonuses, health insurance, and at times, transportation benefits. Across all stages, one incentive is consistently represented: share options. Reflecting a shift from previous years, employees are increasingly opting for these options over higher salaries, indicating a deeper commitment and a growing appreciation of their potential long-term benefits.

Regarding salaries, the average monthly wage in Hungary stands at €3,710, positioning it comfortably in Europe's mid-tier, slightly outpacing the Czech Republic. However, this lead may be short-lived, as our northern neighbour showed an annual salary growth rate of 20%, surpassing Hungary's 18%. In response to last year's steep inflation, many companies introduced one-time bonuses or general wage increases to maintain competitiveness. Yet, founders concede that continuously adjusting to such rapidly escalating costs over the long term is unsustainable.

Predictably, we observed salary averages climbing alongside company size, particularly as roles were filled by more senior employees. However, a notable salary surge became apparent only when companies exceeded €20 million in funding. Below the €5 million mark, salary increases were marginal, but beyond €20 million, a significant jump of 1.7 times was seen. This trend confirms what many anticipate: substantial salary increases for founders and early employees typically materialize after initial seed funding rounds, alongside the first hires of senior colleagues.

This pattern extends to employee seniority as well: on average, stepping up to a senior position can boost an individual's salary by 90%, and ascending to a leadership role (such as a team lead, vice president, or C-level executive) adds an additional 20%. The impact of seniority is most pronounced within product-related roles, where seniors can see their earnings leap by 123% compared to their counterparts. Software developers came in second, with a 75% increase in the wages of senior colleagues.

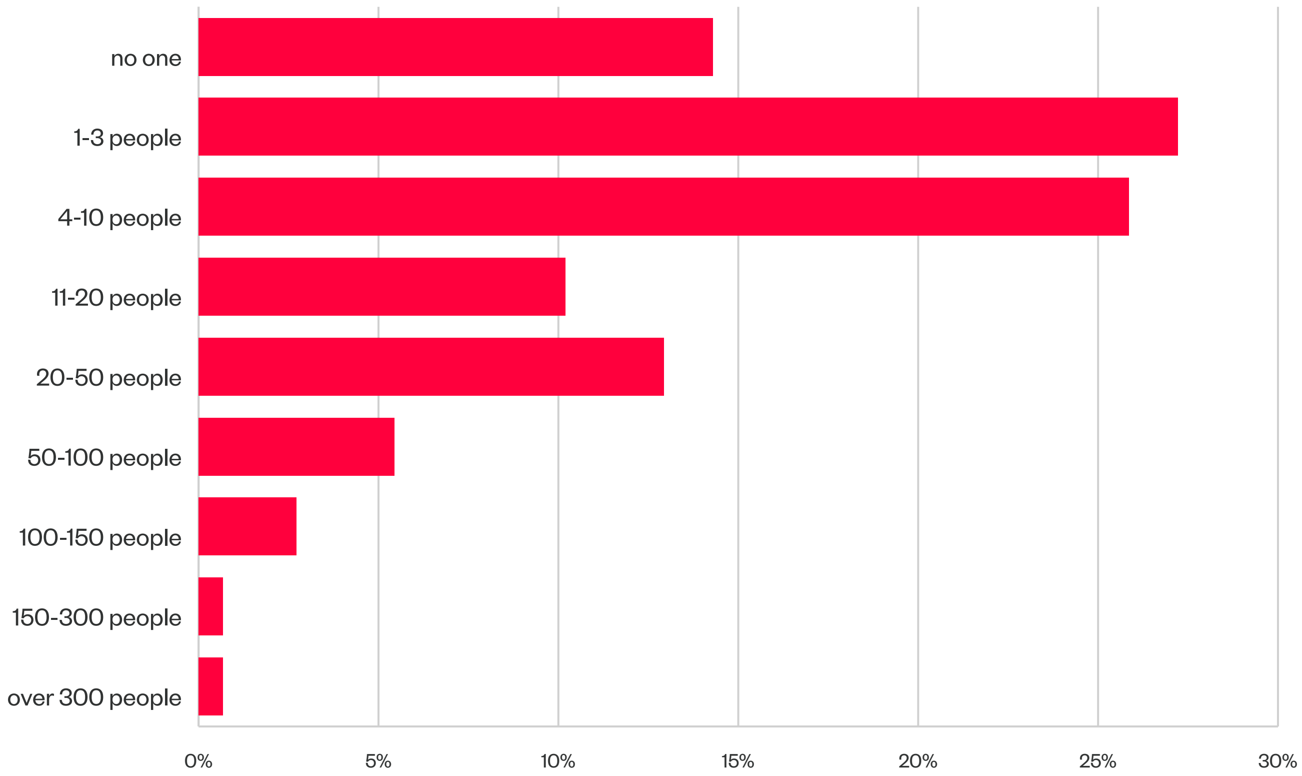
The gender pay gap, a frequently discussed issue, was present in our analysis of the Hungarian market, as well. On average, being male was associated with a 67% higher salary. However, it's important to note the composition effect at play: most of the higher-ranking positions were held by males, skewing the overall data since these roles naturally command higher salaries, regardless of gender. Nonetheless, some functions showed promising signs of parity: sales positions nearly achieved gender wage equality, with males earning just 5% more, while in human resources departments, females even surpassed their male counterparts' earnings by 1%.

While it's widely understood that the real financial reward for founders lies in their company's valuation, the specifics of a founder's salary remain a question of great interest. While the average salary of founders was higher than that of other employees, out of every company surveyed, they were never the ones to make the most. High-level experts were always paid better, and it was only in mature companies in the 20m+ funding range that we saw a significant gap in founders' salaries compared to the general average. As such, what everyone expects holds: it is not fun and games to start a company. It remains a risky adventure that only pays off after years of hard work.

Most startups can feed their entire team with 2 pizzas

How many full-time team members do you currently have in the company?
% of all respondents, n=147

Source: Startup Hungary



Csaba Vörös

Sales Manager at Create26

Embracing Flexibility: Coworking Spaces in a World Where Full Remote Isn't for Everyone

Budapest, the city where old-world European charm meets the pulsating energy of modern innovation, results in an ideal environment for startups to launch and thrive. Driven by a growing community of entrepreneurs and a supportive ecosystem, Budapest is ideally located at the heart of Europe, offering easy access to major European markets. This strategic geographical advantage is enhanced by the city's great infrastructure, from reliable public transport to a well-connected airport.

In this vibrant startup scene, coworking spaces like Create26 have become essential, evolving beyond mere workplaces to versatile hubs catering to a range of needs. We offer everything from individual flexi desks to private offices for larger teams, adapting to the various stages of business growth. Recognizing that not everyone prefers full remote work, Create26 provides a perfect blend of professional collaboration and in-person interaction, especially valued post-pandemic, and includes options for traditional office spaces within a more adaptable framework. The importance of these shared spaces extends to the meeting rooms and common areas, which have become central to fostering face-to-face interactions and community building, key elements in the modern entrepreneurial landscape.

At the heart of this ecosystem, Create26 stands out not only as a coworking space but also as a vibrant community hub. Emphasizing community life, Create26 collaborates with Startup Hungary to host events like the SH workshops and First Mondays, fostering a synergistic relationship that benefits startup founders, operators and the potential investors. These events have featured key speakers like the fraud fighters from SEON, discussing for the first time their impressive USD 94M Series B funding round, or Lars Jörnov from EQT Ventures, a 3 billion euro megafund, known for his role in developing Candy Crush. The First Mondays, workshops and community events provide a platform for like-minded peers to help each other advance their businesses and get insight from the successful ones.

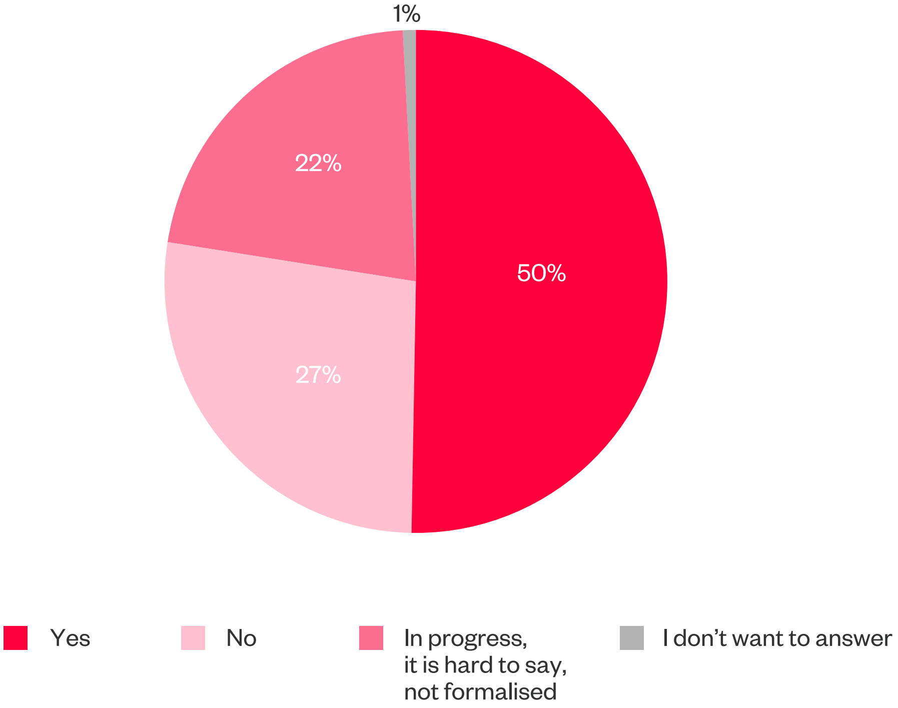
Create26 doesn't only rent out office spaces, but a whole community. This philosophy is reflected in our approach to coworking, emphasizing the importance of building relationships and fostering a sense of belonging among our members. The space has seen the growth of numerous companies, such as Turbine, Recart, or Colossyan, which started small within these walls and have grown to be significant players in their fields. We take pride in these success stories, and hope to foster many more founders and small teams in becoming brilliant scaleups.

In summary, Budapest as a startup hub is distinguished by its unique blend of cultural depth, strategic location, and an expanding ecosystem supporting entrepreneurs. Coworking spaces like Create26 are at the forefront of this transformation, reflecting the evolving nature of work and collaboration in the 21st century. For startups seeking a city that offers historical inspiration alongside modern innovation, Budapest and its modern coworking offices like Create26 present themselves as an ideal choice.

ESOP's high on the wish list, despite challenges

Do you have team members who own "Employee Stock Options' in your startup?
% of all respondents, n=147

Source: Startup Hungary



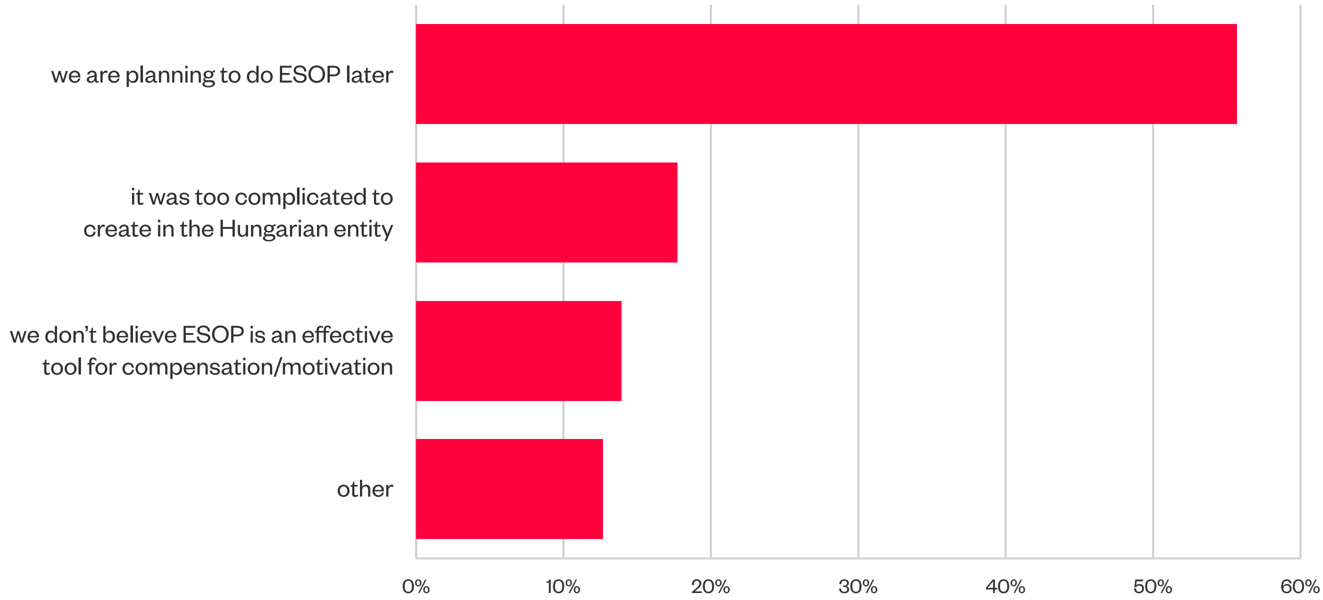
Editorial comment

In 2023 a new regulation was implemented that improves the regulatory framework for ESOPs from a taxation perspective - the timing of taxation is only after liquidation and it is taxed as a capital gain, not as income, however implementing such programs remains problematic and bureaucratic compared to other legislations.

Why don't you have an "Employee Stock Option Pool"?

% of respondents who said no or hard to say / in progress n=73

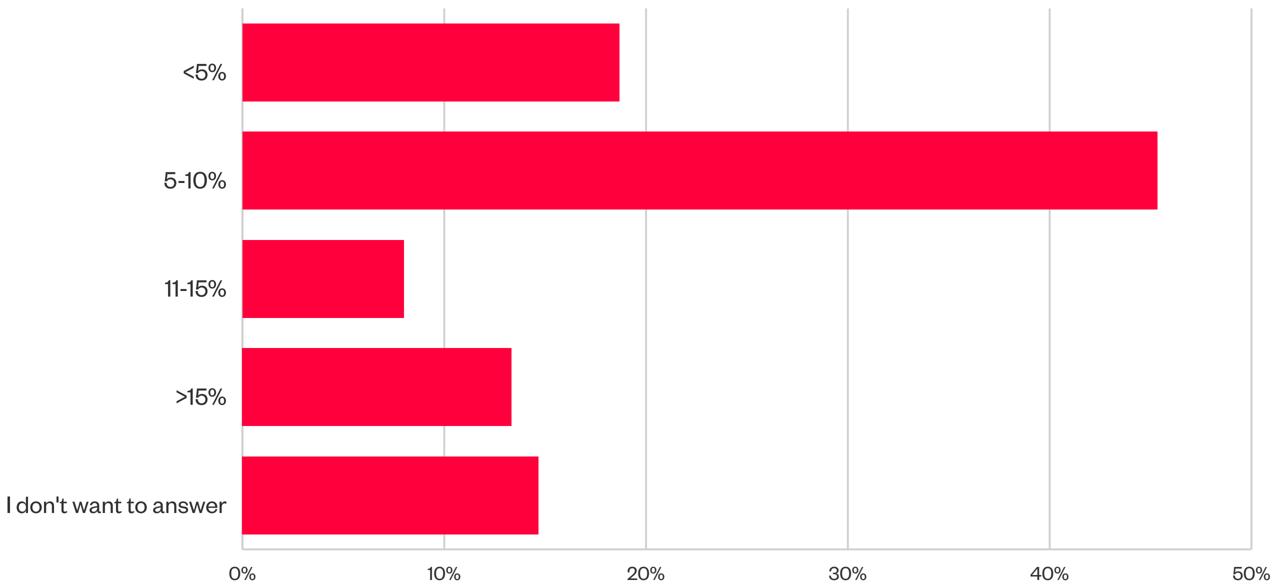
Source: Startup Hungary



How big is your "Employee Stock Option Pool"?

% of respondents who said they have ESOP, n=74

Source: Startup Hungary



CHAPTER 2

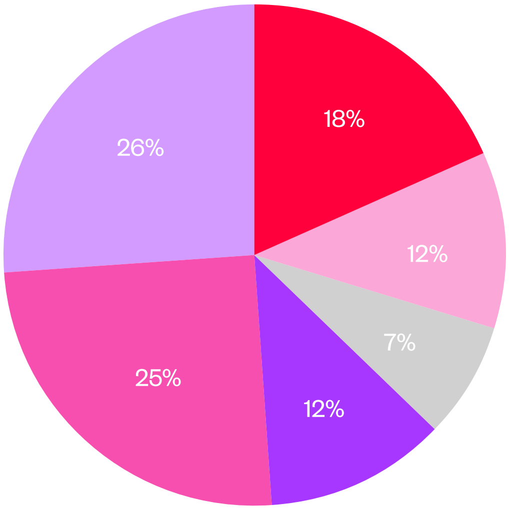
Growth & Development

Over half of startups saw rising or steady revenues in 2023
How much startups make
International presence is key
A lot of early-stage startups are staying local
Where local startups expand to
More than half the startups have a foreign legal HQ or plans to flip
The biggest struggles are sales, growth and financing
The shift in the request for areas of government support
How founders envision the future

Over half of startups saw rising or steady revenues in 2023

Are you currently generating revenues from the sale of your main product/service?
% of respondents n=147

Source: Startup Hungary

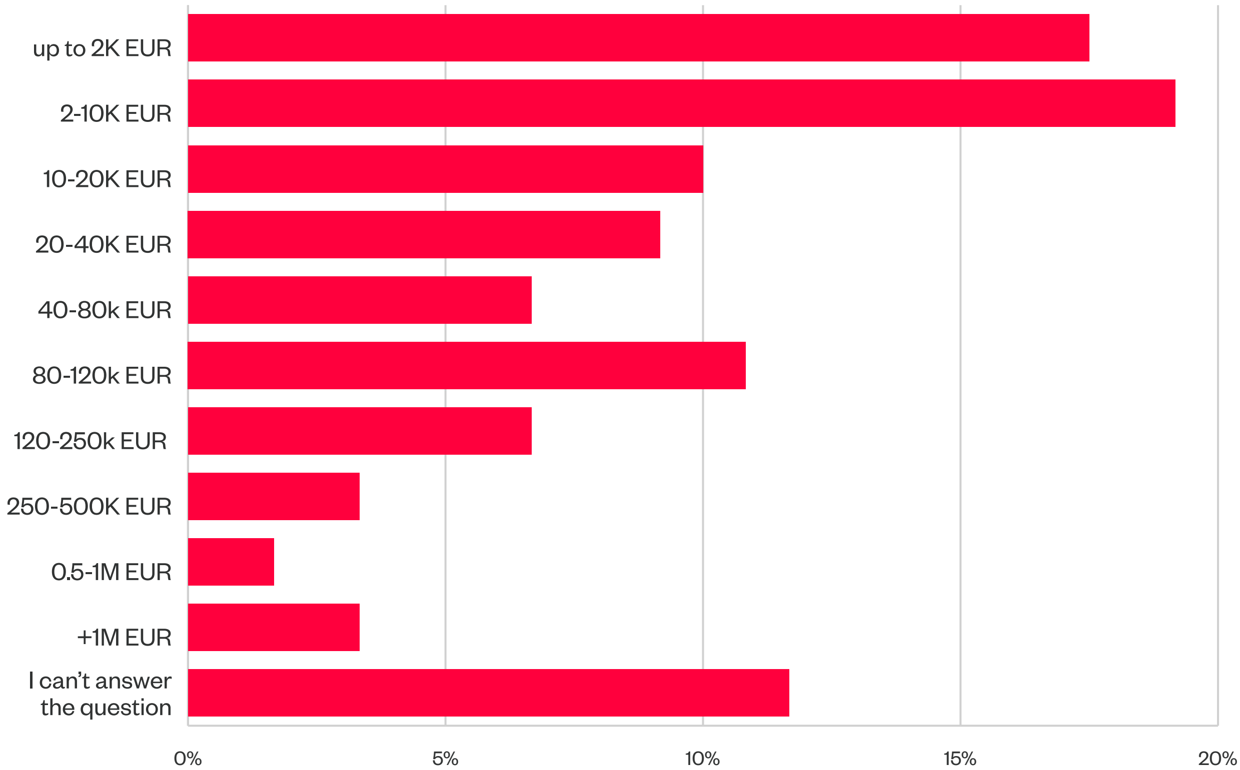


- we don't have paying customers yet
- secured our first clients and started to generate revenue recently
- smaller revenue last year (2023) than the year before (2022)
- revenue was similar in 2023 and 2022
- higher revenue last year (2023) compared to the year before (2022)
- much higher revenue last year (2023) compared to the year before (2022)

How much startups make

What was the average monthly revenue for the last 6 months?
% of all respondents, n=120

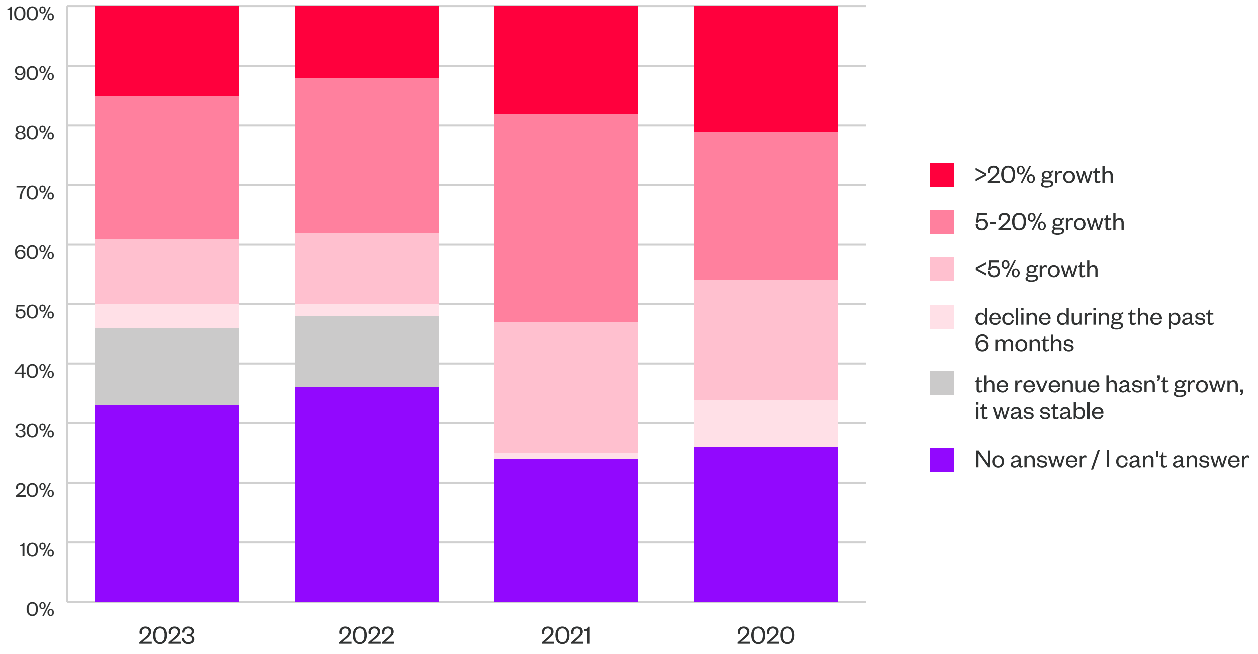
Source: Startup Hungary



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

% of respondents with revenue, n_{2023}=147, n_{2022}=165, n_{2021}=168, n_{2020}=168

Source: Startup Hungary



Dániel Kiss-Király

Investment Manager at PortfoLion

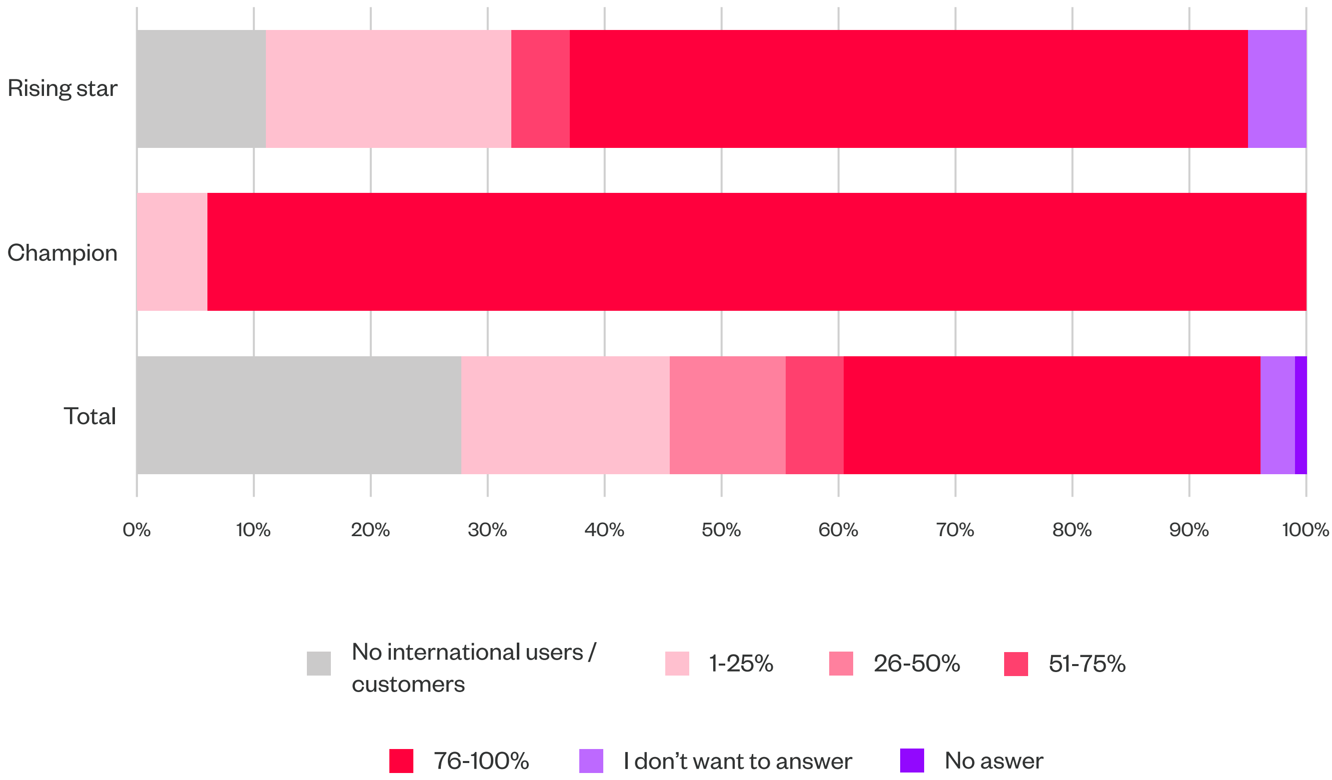
Expert comment

Enterprises are rationalizing spending and tightening budgets, creating a challenging environment for startups compared to the previous five years leading to 2021. This atmosphere, marked by extended sales cycles and harder negotiations, leads to fewer startups achieving the rapid growth that venture capitalists typically seek. Moreover, in the past year and a half, the focus has shifted from "grow at all costs" to efficiency. Today, companies are looking inward, addressing operational issues before heavily investing in a sales engine, or opting for a sustainable growth rate in response to a tougher macro environment.

International presence is key

What percentage of your sales comes from abroad?
% of all respondents, total n=147, vs. rising star n= 19 vs. champion n= 17

*Source:
Startup Hungary*

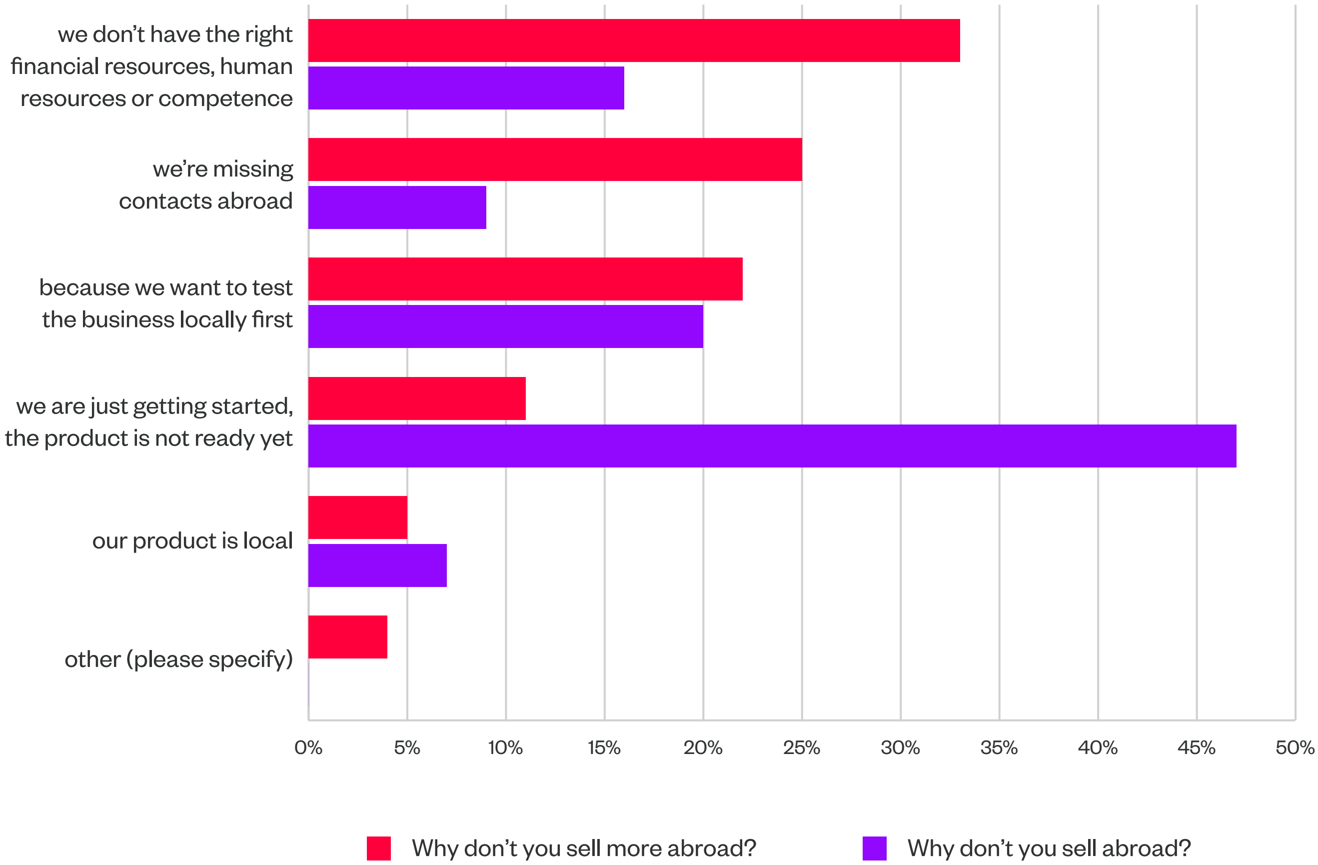


A lot of early-stage startups are staying local

Why do you do less than 50% of your sales abroad (including zero sales)?

% of startups with 0-50% export, total n=55

Source: Startup Hungary

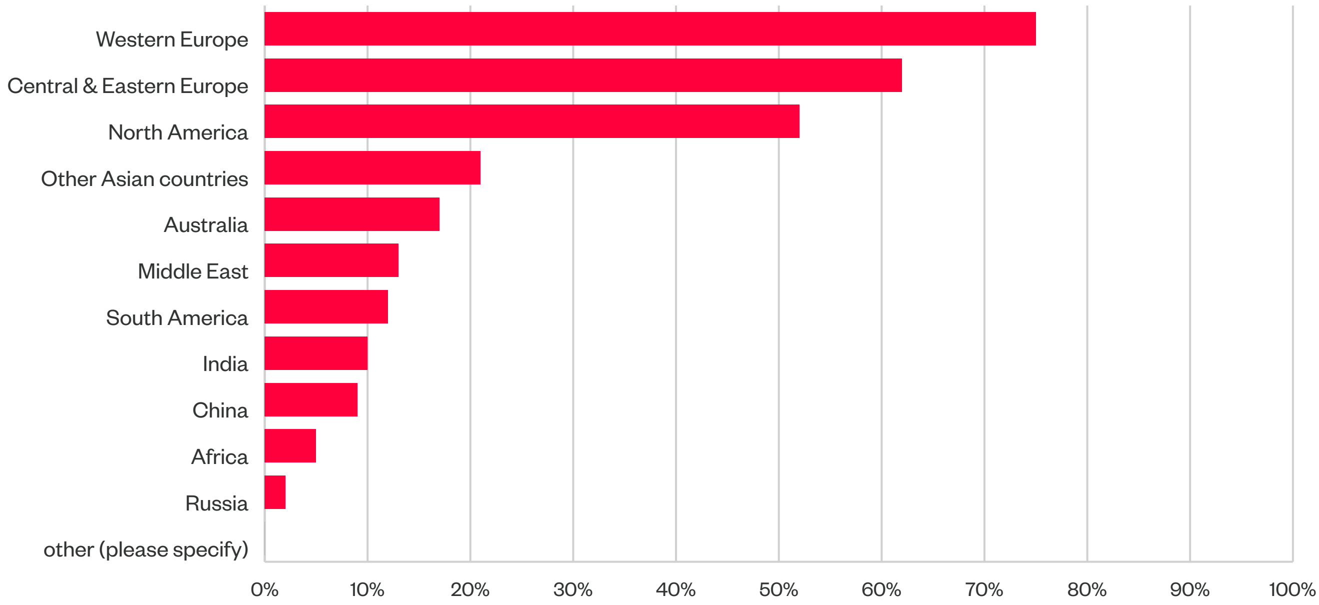


Where local startups expand to

In which regions do you generate revenue from international customers?

% of startups with export, total n= 105

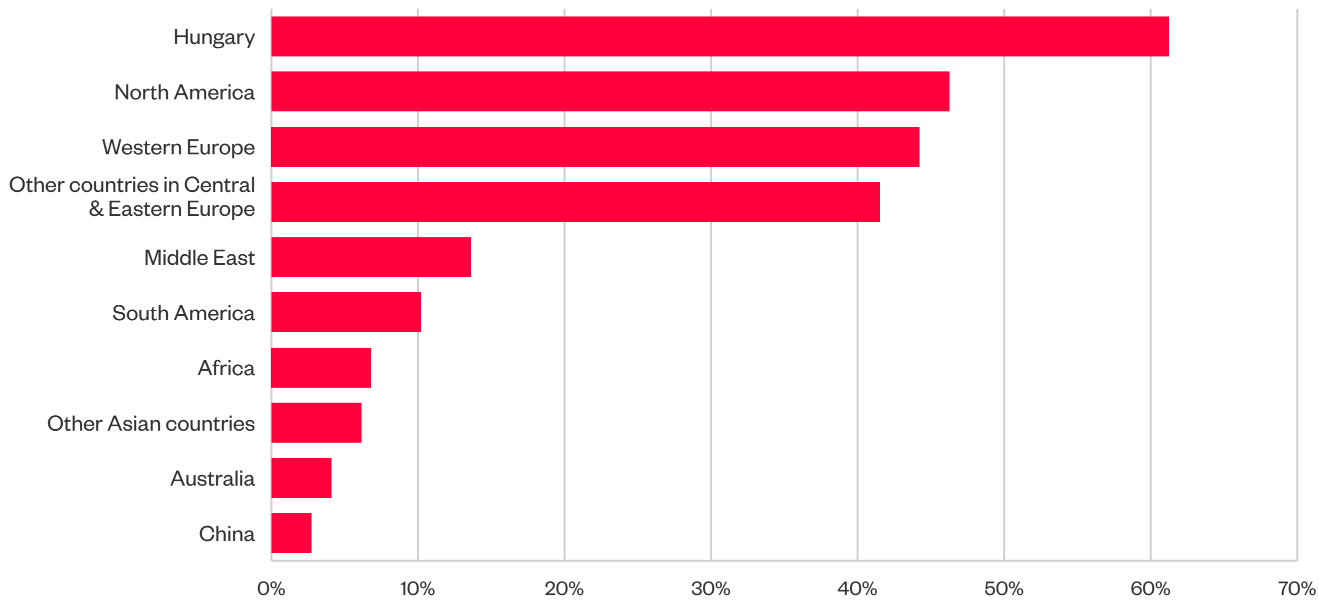
Source: Startup Hungary



Which regions are you planning to prioritize in the next 12 months?

% of all respondents, total n=147

Source: Startup Hungary



Marek Krizka
Co-Founder & CEO at Sparring Legal LLP

Expert comment

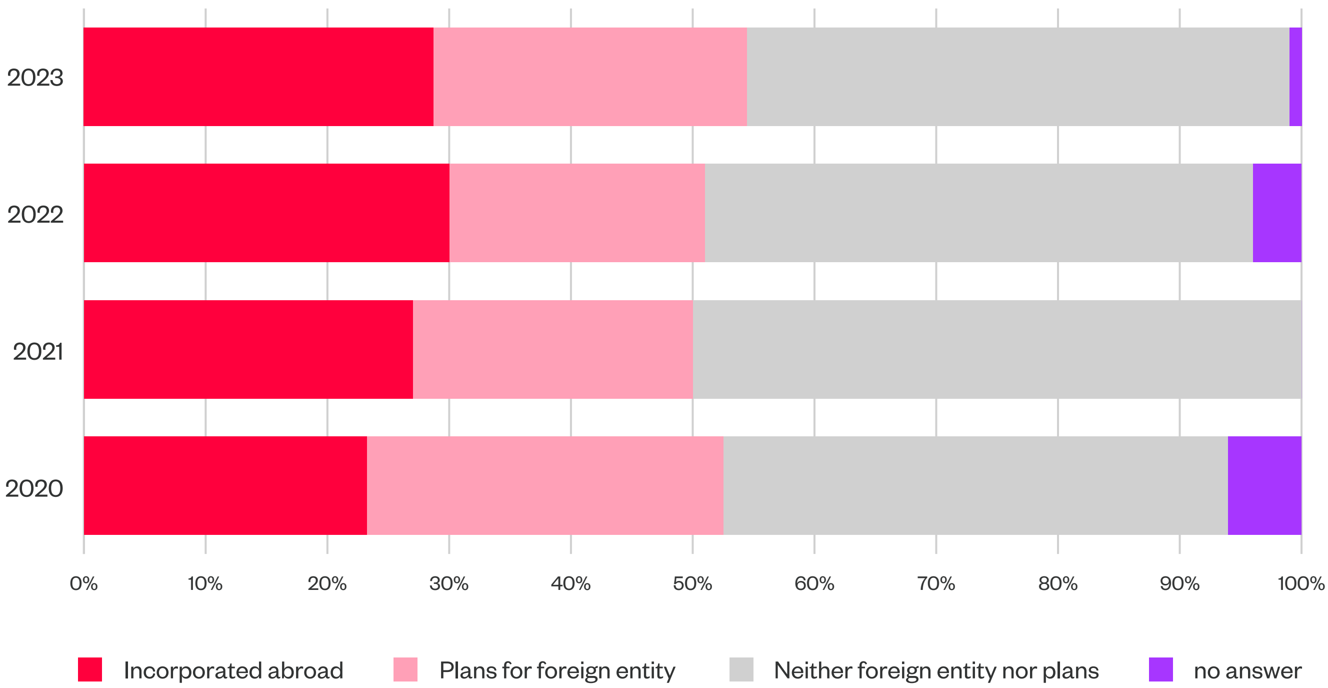
In contrast to the overall significant drop in the amounts of startup financing in H2 2023, CEE startups are showing a decent degree of resilience and continue expanding on the western markets. The ability to work efficiently with less capital is proving invaluable in the current market conditions. The natural stepping stone after overgrowing local economies are the DACH region, Nordics and the United Kingdom. The United States, despite being the most lucrative market for startups in its size and funding opportunities, continues to be challenging for CEE startups to penetrate due to both business and operational challenges. However, with the gradual establishment of transatlantic bridges, we are seeing a gradual increase in the percentage of US-generated revenues within our local startup ecosystem—albeit these are likely to remain below the full market potential for years to come.to a tougher macro environment.

More than half the startups have a foreign Legal HQ or plans to flip

Is your startup incorporated abroad or are you planning to incorporate a foreign entity in the next 12 months?

% of all respondents, n_{2023}=147, n_{2022}=161, n_{2021}=212, n_{2020}=232

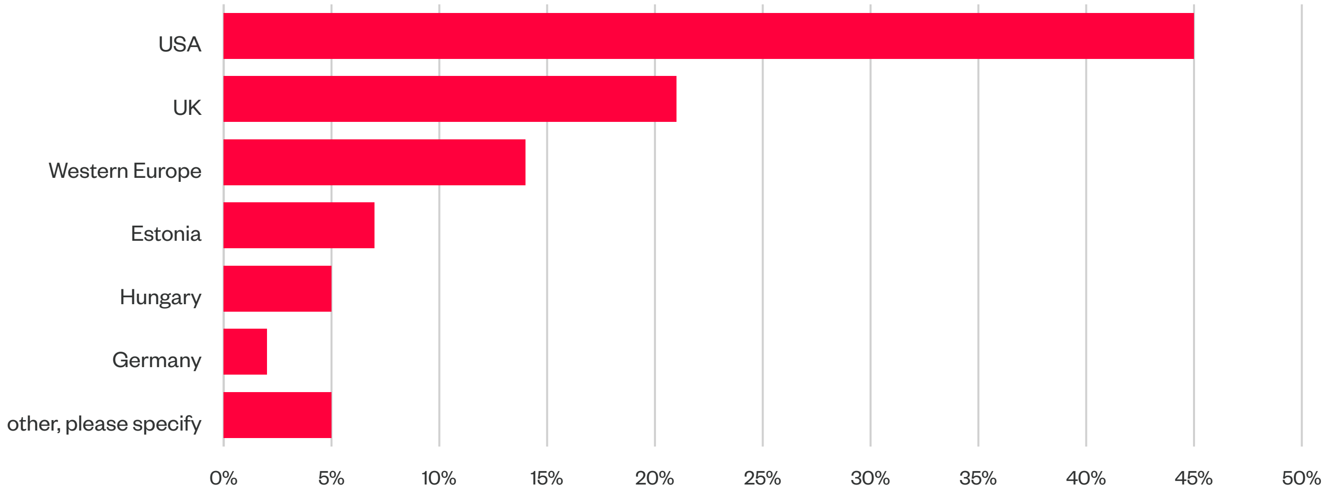
Source: Startup Hungary



Where is your legal HQ?

% of startups incorporated abroad, n=42

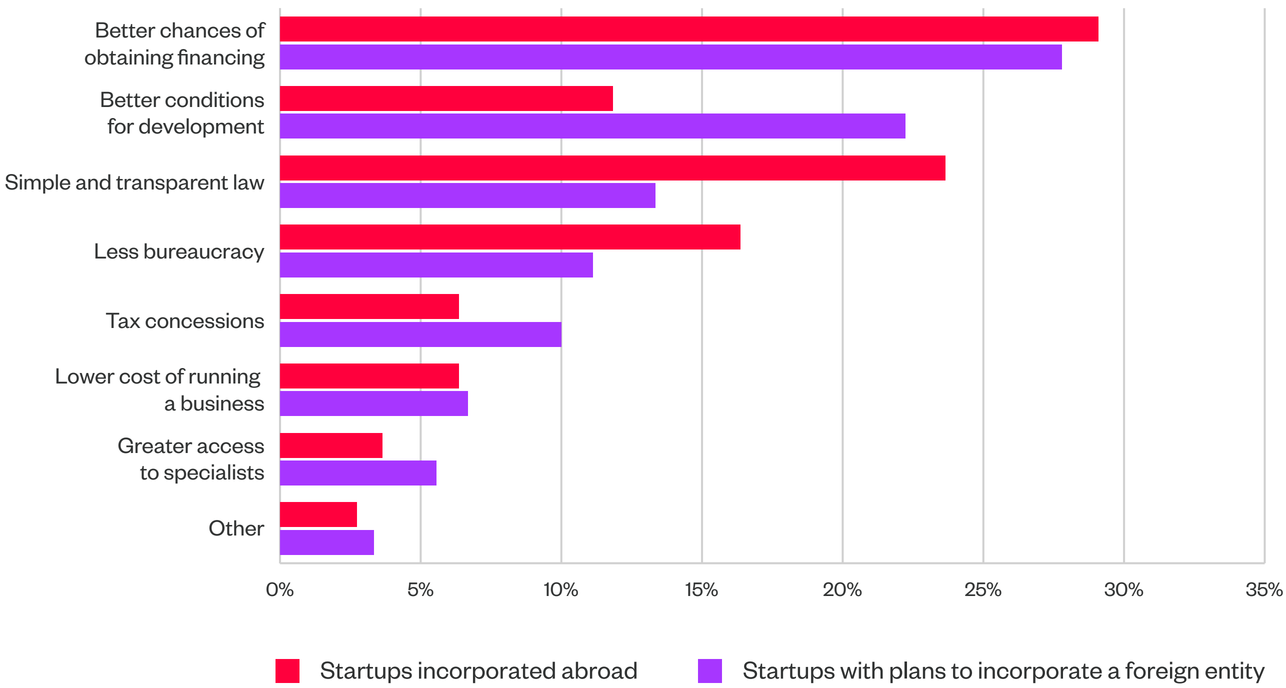
Source: Startup Hungary



Why did you or why do you want to establish a foreign entity?

% of startups incorporated abroad n= 110, % of startups planning a foreign entity n=90

Source: Startup Hungary



Vienna Business Agency

Why you should expand your business to Vienna

What comes to mind when you think of Vienna, the capital of Austria? Strauss waltzes, great art and schnitzel, perhaps. But as entrepreneurs know, the landscape of Vienna has changed to reflect a buzzing, cosmopolitan and forward-thinking capital in the heart of Europe. The flourishing startup scene is attracting ever more international entrepreneurs. Around 10,000 enterprises spring up in the city each year, thanks to a wealth of contributing factors which make it a great place to do business.

A springboard for global growth

Due to the city's proximity to Hungary and the shared history of the two countries, it's no surprise that Vienna is home to over 27,000 Hungarian citizens, with thousands moving to the city each year. In total, Austria has over 40,000 Hungarian speakers.

Geographically, Vienna is best located to take advantage of the confluence of eastern and western, northern and southern Europe. According to Christian Frey, Head of International Business at the Vienna Business Agency: "Being in the heart of Europe really lends Vienna extra desirability as a business destination, in addition to the numerous networks and ecosystems the city provides. It's more than just convenient – it gives businesses a foothold in all European markets."

Excellent transport links makes accessing new markets (especially in the CEE region) convenient. An extensive rail network can speed you to Budapest in two and a half hours, Prague and Munich in four hours, and Bratislava in just one hour. By air, every European capital, with the exceptions of Ljubljana and Bratislava, is reachable in under three hours from the international airport. This ease of travel proves to be invaluable for expats with family and friends living abroad.

Businesses especially appreciate the transparent bureaucracy and well-ordered management of the city's public agencies and offices.

World-class quality of life

Startups are drawn by the exceptional quality of life, internationality and multilingualism which thrives in Vienna. Well-maintained infrastructure, good healthcare, schools and public spaces as well as an abundance of green spaces make Vienna an immensely pleasant place to reside and work.

Voted the world's 'Most Liveable City' for the fourth time in 2023 by The Economist and for the 11th time by Mercer's Quality of Living City Ranking, the city prides itself on being splendid yet affordable, efficient yet down to earth.

In 2019, Vienna was also selected as the number one city to start up in by PeoplePerHour, beating Tokyo and Madrid to the top place. Here, factors such as healthcare, business infrastructure, the talent pool and co-working spaces were also considered for the final ranking.

Smart talent loves Vienna

As a consequence of the first-rate working conditions, the city is home to a large, accomplished international workforce. In 2022 alone, 237 international companies relocated to Vienna. Among these relocations, the IT, Life Sciences, commerce and business-related services were strongly represented.

International companies established

- **237** International companies established
- **~ 11 Mio. Euros** of triggered investments
- **1.143** Jobs created

Expats from across the globe work at one of the 40 headquarters of international organisations such as the United Nations, Samsung, Boehringer Ingelheim, Thales and Siemens. With an additional 90 multinational headquarters, it's clear to see that Vienna is an attractive hub for world citizens.

Not only do educated professionals flock to Vienna as expats, but the city produces highly-skilled workers in droves. Vienna has a significant university population of around 200,000 students and boasts dozens of prestigious institutions of higher education. A strong emphasis is placed on training for technical professions, thanks to the country's unique system of technical colleges (HTLs). These educate select pupils in technical and engineering fields from a young age, such that these graduate from secondary school with a high level of knowledge in specific STEM fields as well as excellent English-language skills. As a result of the importance placed on education, Vienna can pride itself on being a city brimming with academics and those who value learning and development.

The dedication to supporting challenging research is evident. Eleven Nobel Prize winners have conducted their ground-breaking research at the University of Vienna, the most recent of them being Anton Zeilinger, who was awarded the prize in Physics in 2022 for his work in the field of quantum physics, and Ferrenc Kraucz in 2023 for the study of electrons. In fact, one third of Austria's total research expenditure flows into the Viennese research and development sector – an astonishing €4.2bn in 2021. The presence of so much brilliance means services and products from Vienna enjoy a reputation for top quality and reliability around the world.

Startup support

Vienna's startup ecosystem has taken off and is making waves in tech industries from education to finance. Dense funding opportunities, a tightly networked startup community and plenty of expert and public support provide entrepreneurs in Vienna with a distinct advantage.

The Vienna Business Agency supports entrepreneurs with grants and advice on setting up shop and creating success stories in Vienna. Committed to breaking down barriers for underrepresented groups, bonus funding is available for founding teams led by women, immigrants, and people with disabilities. In 2022, around 44% of all companies and over 20% of startups in Vienna were founded by women, according to the Austrian Economic Chamber and the Austrian Startup Monitor – the highest percentages of any European city.

Other more specialised incubators, such as high-tech incubator INiTS, focus on promoting and financing startups in their field. On a national level, the Austrian Wirtschaftsservice (AWS) and the Austrian Research Promotion Agency (FFG) hand out hundreds of millions in funding and guarantees each year.

Life Sciences Hub Vienna

- **600** Organisations
- **41.000** employees
- **13.3 billion euro** revenues
- **42.257** students

Get to know the ecosystem

A fantastic opportunity to network with all the top players in the ecosystem is the ViennaUP festival – a week-long event dedicated to entrepreneurship and innovation provided by the Viennese startup ecosystem for the local and international startup community.

„With ViennaUP, we're ready for a journey where Vienna and the lively startup scenes of Central and Eastern Europe come together," said Gabriele Tatzberger, Head of Startup Services at the Vienna Business Agency, which produces the festival. "One of our aims is to highlight how cross-border collaborative efforts can drive entrepreneurship in the whole region for the world to see."

Ready to find out if Vienna is a good fit for you and your startup? Get in touch with the Vienna Business Agency for cost-free, expert consultations about relocation, funding and expat life in the city.

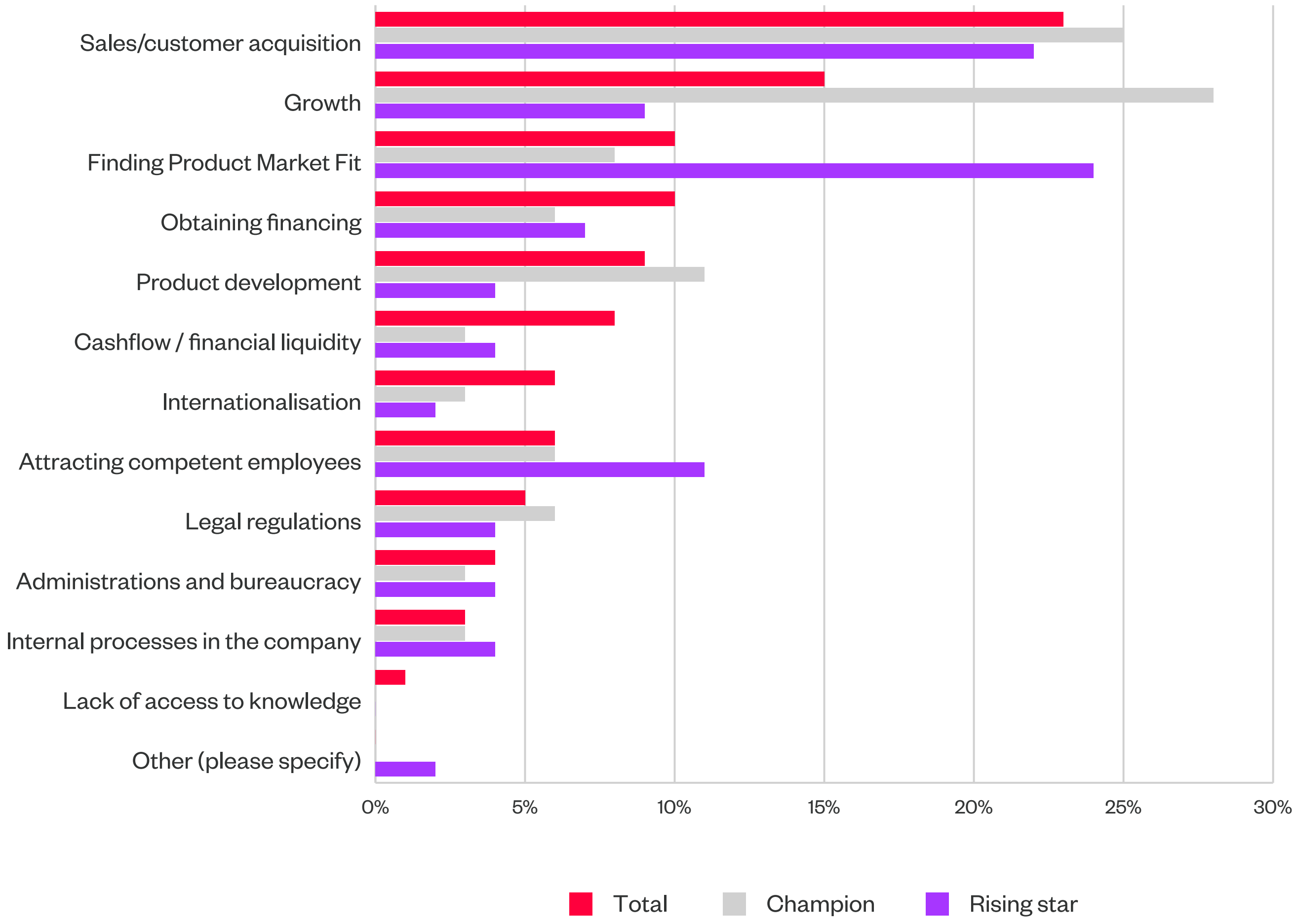
For further questions or to set up a company in Vienna, please contact our representative in Hungary:
budapest@viennabusinessagency.com

The biggest struggles are sales, growth and financing

What are the main challenges facing your startup?

% of all respondents, total n= 147, champion n=17 , rising start n=19

Source: Startup Hungary



Viktor Hatfaludi
B2B Sales Consultant
at Revenue Ramp, ex-Bitrise

Sales must change in 2024

The way B2B buyers make decisions has changed since 2022 and SaaS Sales as we know it along with it.

- Corporate focus shifted from growth at all cost to sustainable growth.
- A Series of layoffs lead to less capacity to deliver projects so only top-level objectives get funded
- Buyers are taking on less risk to keep their jobs.
- And AI has made creating tools easier which means supply increased while demand decreased.

So ultimately it's buyers who close deals today, not sales reps. But does that mean Direct B2B is dead and we should focus on PLG? Absolutely not - and teams that adapt to the new playing field still have a shot at hitting targets in 2024. In this post we'll cover what must change and how to execute.

Why should you consider letting go of some accounts?

At first you'd think casting a wide net is the safe bet when going to market. But that's exactly why you're getting low reply rates and validating message-market fit takes more than it has to. My recommendation is to disqualify anyone who's not In-market ICP. Which leaves you with companies who are actively looking for a solution like yours. Here's how to identify them:

1. Are there any buying signals? Any insight that signals a potential need for a solution like yours. i.e. keywords mentioned in a 10-K financial report
2. Do you have insights that can benefit a prospect? Any situation where you can educate prospects on a better way to do their job to be done. i.e. by educating competitors of your prospect
3. Any other triggers. i.e. a past user of yours joined a new company, actively hiring for roles that match your Personas, or an executive joined recently.

Focusing also means cutting tasks that don't drive revenue

Only three things matter in business: being known, being trusted, and providing value people don't want to live without. At least 50% of this is about promoting your products because even having the best product won't drive revenue. Regardless of whether you've chosen PLG or Direct Sales as your GTM strategy. You need to get word out on the street and here's what you can do:
First you need content. Messaging that resonates with your personas and their stage of awareness. Then you need a way for this content to find its way to your target group. Now whether you're doing PLG or Direct Sales you need to find, identify, and research your target accounts so you know where and how to share your message. That used to take 4-8 hours each week even for experienced sales folks.
Now thanks to AI there's a faster way to find and research companies. Tools like Clay and Bardeen can help you automate these tasks so you have all the context you need to start conversations with prospects. Disclaimer: these tools aren't magic. They're only as good as your ability to define your Ideal Customer Profile which is the first thing we take care of for you at Revenue Ramp. Once you know who to target, just be human because...

People buy from people they trust

Easy to book meetings with your network, right? Not so much when you're reaching out to strangers. It's common to

see reply rates around 0,1% to 1% when reaching out cold - even though the industry average is around 4%. So let's fix that:
In the mid-term you should strive for building credibility in your space. Sharing your knowledge freely and regularly helps. But you have a runway to worry about so we're going to borrow trust from others when getting started. Here's the TL;DR:

One way is to partner with influencers in your space both for feedback around your roadmap and also to write about your solutions. Who better to learn from than someone who speaks to your end users day-in day-out?

The other way is near-bounding. This is when you're collecting insights about the companies you're trying to sell to by talking to people close to the company and the people who work there. Past employees, first degree connections who know people at the company, and even your investor network. Once you have insights and/or get warm introductions it's time to show you did your homework and these prospects are better off with you than without you.

There's more to it but that's the gist. Once you've gotten people's attention it's time to..

Make it easy to choose you over others

But how do you do that when 80%+ of buyers prefer to buy without talking to sales? That's where buyer enablement comes into play.

For starters you can make it clear who your solution is for, why they should care and why they should act now. Then when they're ready to give your product a try the focus is on shortening the time to value.

Ideally you'd want users to reach out to you if they bump into a wall, but it's more likely they'll just write off your product as "does not meet requirements" instead. And this happens often with early stage products as well as complex technical solutions. Having a sales-assisted user onboarding can help with this. Here are some ideas:

1. provide interactive walkthroughs on your website so visitors can try out your product without needing to create an account,
2. create short onboarding tutorials for frequent use cases,
3. provide sample or demo applications so users don't have to upload sensitive materials to try your platform,
4. use digital sales rooms to track who's engaging with your materials and when. That way you can reach out to the right people at the right time. Lastly
5. coach your contacts and champion to sell the value for you in meetings where you're not on the guest list.

Plenty more but these five are already gold. And when they're ready to loop in more stakeholders.

Co-create business cases that drive transformation, not solve problems

The larger the impact the bigger the deal size. But there's a small caveat when you're selling in a downturn:

1. A series of layoffs mean there are fewer people to do the same amount of work,
2. people are taking fewer risks to keep their jobs, and
3. even if they have confidence in your solution they might not have the capacity to execute your project.

So if the impact isn't big enough the project probably won't get funded. There is a way around this though: multi-threading into accounts.

After every call you have with a user or prospect at an account ask them:

1. who else do you know of that's facing a similar challenge?
2. who else might be impacted down the line if you don't find a solution to this?
3. what goal or OKR is supported by solving this and who owns it?

And when you've talked to enough people, identify your Champion(s) and co-create business cases with them. Execs are more likely to listen to their own people than some sales rep they've never met.

About the author

Viktor has 10 years of full-cycle experience in tech sales. His latest contribution was helping Bitrise scale from 3M to 20M USD in revenue. For more enterprise sales tips and tricks, follow Viktor on LinkedIn.

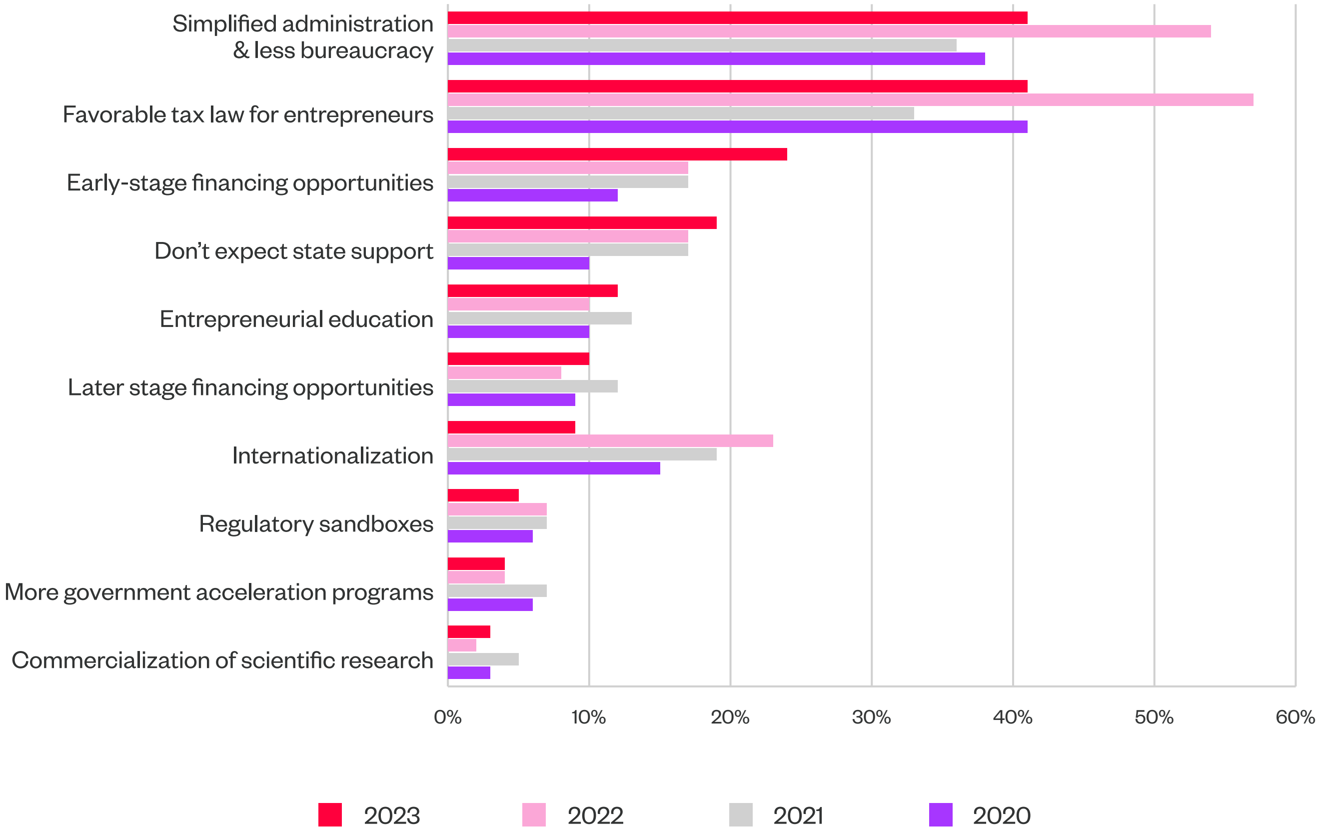
The shift in the request for areas of government support

In which areas do you want to see increased governmental support?*

% of all respondents, n_{2023}=147, n_{2022}=134, n_{2021}=212, n_{2020}=232

Source: Startup Hungary

**multiple choice question*



Editorial comment

With the end of various government programs, "easy money" has basically disappeared from the market, which is not necessarily a bad thing as we see good teams are able to raise pre-seed and seed from market players too. However this shift is reflected by the increase in founders expecting governmental early-stage financing opportunities.

Natalia Olędzka

Communication and Advocacy Officer at Allied For Startups

Inés Moreno-Alonso

EU Director at Allied For Startup

It's time to implement digital legislation, not produce it

The need to regulate the digital space is clear: It protects consumers, safeguards privacy, and creates standards of democratic excellence. However, striking the right balance between regulatory overreach and laissez-faire for digital actors is crucial to ensure the European Union (and the world, for that matter) remains agile, creative, and innovative.

Think about the following scenario. Imagine architects in the EU were informed that, from this moment onwards, they were only allowed to build 2-bedroom houses that follow a very specific design, metrics, and color code. Additionally, these guidelines would be written in hieroglyphs, making them virtually impossible to decipher. Under such conditions, architects would almost certainly be disincentivised from building any houses at all, and would likely relocate to a different jurisdiction to bring their constructions to life. This reflects the sentiments often experienced by EU-based entrepreneurs regarding regulatory constraints.

In the last five years, digital actors have witnessed a tidal wave of regulation across the board - spanning data, competition, and AI, amongst many others. EU regulation can serve as an extremely useful tool for startups, as it harmonises often fragmented markets and legal frameworks. However, including the startup perspective in the creation and implementation of laws is essential.

Policymakers should be asking themselves two things. Will existing startups be capable of complying with this tidal wave of regulation? Perhaps more importantly, **is Europe incentivising or creating a hostile environment for new business creation?**

When we ask entrepreneurs, the latter is typically their primary concern. Why? While efforts to consolidate the Digital Single Market allow startups to scale up once, rather than 27 times, excessive regulation also comes with legal compliance costs and red tape. This effectively precludes startups from dedicating their limited resources to developing their product or services and, instead, forces them to try and understand highly complex and fractured pieces of EU law.

In the next mandate, the European Union has the opportunity to focus on smooth implementation of this surge of digital regulation. This will create a much-needed period of regulatory stability that will enable European innovators to adapt to the shift of legal paradigm. Entrepreneurs are well-aware that a new piece of legislation can either make or break a startup. Therefore, gradually implementing these policies can provide them with the necessary time and flexibility to navigate the intricate landscape of regulatory requirements. Furthermore, ensuring that startups have a voice at the policymaking table will help us keep our innovation power in house. With the 2024 elections and a new legislative cycle, Europe has the chance to distinguish itself in every jurisdiction as a hub of innovation rather than merely a regulator.

Jared Schrieber
Co-founder of Numerator
(a Silicon Valley unicorn),
Hungarian Angel Investor

László Czirják
Managing Partner at Interactive
Venture Partners

Mary Alcantara
Senior Partner
at Interactive Venture Partners

Improving Hungarian Legal Structures

Community effort to identify regulatory, legal and tax startup pain points for founders and investors

We believe in the talent and potential of this region and want to empower founders to build global companies from the CEE. Though we can and have invested in local entities throughout the region, we find more and more founders are opting to flip to an international jurisdiction earlier – some waiting to form a CEE subsidiary until after the first investment round is completed and only when hiring the first non-founder employees.

As angel and VC investors, we recognize the benefits to a flip – the legal and tax benefits of, for example a Delaware C-corp, make the US a popular choice for startups around the world. However, we have an interest in developing the local startup ecosystem here in Hungary as much as possible – and this includes advocating to make Hungarian legal, regulatory and tax rules more favorable for both startup founders and investors.

As such, we, like many of this community, have been engaged in discussions with government representatives including Laszlo Bodis, Deputy State Secretary for Innovation, Ministry of Culture and Innovation. One of the ideas that emerged from one such discussion was to systematically collect a list of pain points related to different aspects of creating and operating Hungarian legal entities, specifically the Kft and the Zrt. The list catalogues pain points from the founder/ startup perspectives as well as the investor perspective, and covers everything from company formation to bankruptcy/ dissolution, and topics in between, including founder equity, vesting, ESOPs, management, governance, and investment issues.

The initial draft has been circulated amongst the Startup Hungary community and to other ecosystem players. It's been great to see the comments coming in from founders, investors, and legal professionals. We plan to share the results with stakeholders in the relevant ministries and government agencies to inform policy makers of our recommendations and proposed regulatory changes.

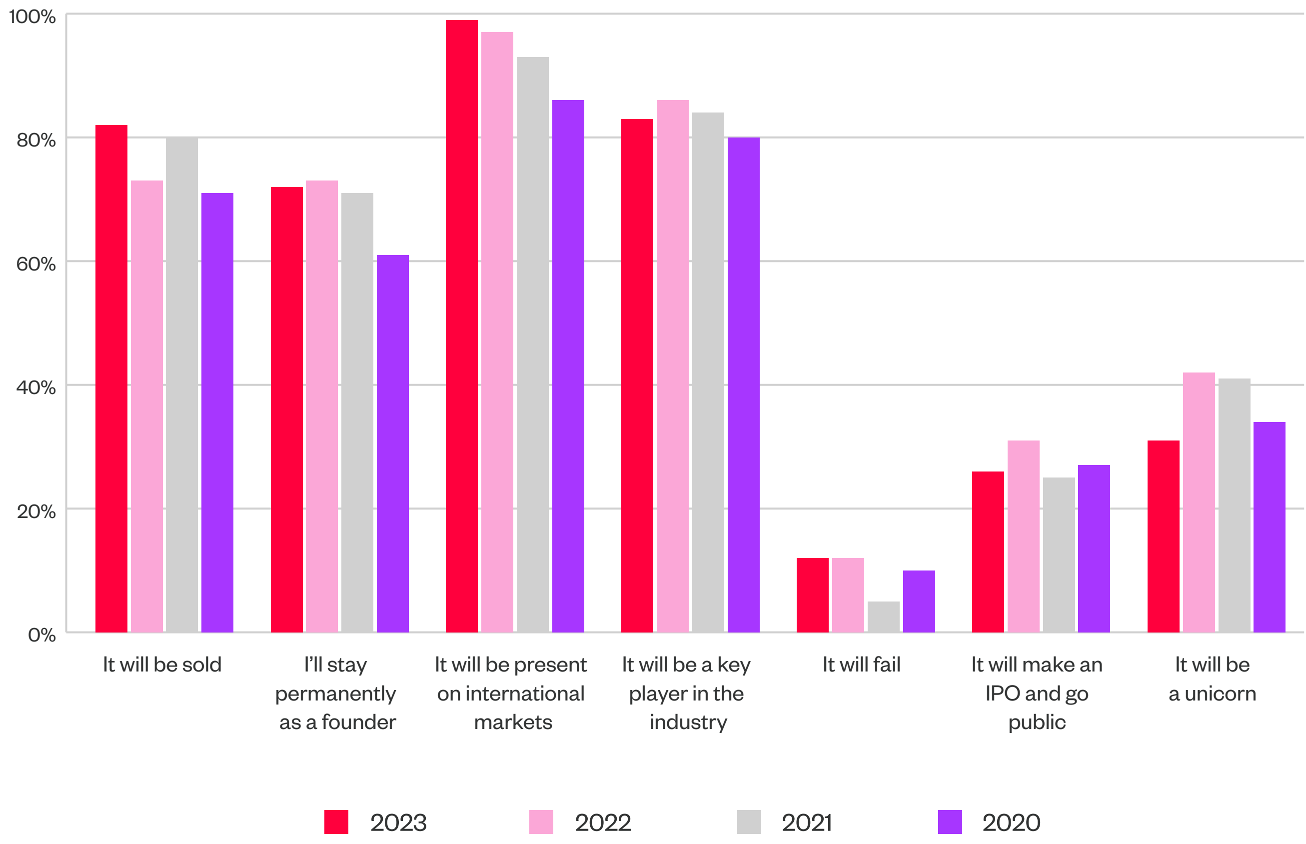
The ultimate goal of this effort is a better functioning startup ecosystem resulting in more successful startups in Hungary. Thanks to all who have contributed so far, and feel free to get in touch with us on Slack or directly if you want to learn more or get involved.

How founders envision the future

How likely are the following scenarios for your company?

% of all respondents with "very likely" & "rather likely" answers, n_{2022}=139, n_{2022}=154, n_{2021}=212, n_{2020}=232

Source: Startup Hungary



György Szilágyi
Co-founder at Tresorit

Expert comment

Based on data, founders have remained overly optimistic about the future of their company. As we know, the real chance of an exit to a strategic buyer, achieving unicorn status, or successfully executing on an international IPO is super small, way smaller than the perceived probability of the respondents. Though the startup scene faced unforeseen and unprecedented events in the past years, it is great to see that Hungarian founders kept their spirit and remained bullish over the past four years. This optimism and belief are essential to win against the odds and succeed.

Arvind Purushotham

Head of Citi Ventures

Eight Bold Predictions For 2024

Every year, Citi Ventures puts out a list of trends we're following in finance, tech and innovation. Last year, we predicted that 2023 would be "the year of contradictions" — and we had no idea how right we would be. While the market downturn that began in 2022 has continued as expected through 2023, the generative AI (GenAI) revolution has ramped up even faster than we thought it would, dominating the landscape and driving tens of billions of investment dollars into now-household names like OpenAI and Anthropic.

Heading into 2024, we predict much of the same: high interest rates and the threat of a recession will likely keep the public and private markets around pre-COVID levels at least through the first half of the year, and GenAI's impact on business and society should only grow. Prompted in part by these trends, we believe that innovation and adoption will accelerate in areas ranging from "vertical fintech" to cybersecurity — areas that we have been examining closely as we consider our investment priorities for 2024.

Here are our top eight predictions for 2024.

Fintech predictions

1. **More Americans than ever will turn to digital tools to manage, consolidate and refinance their debt — as will the financial services firms that underwrite that debt.**

   Amid record-high levels of consumer debt (over $17 trillion, including $1 trillion in credit card debt), multi-decade high interest rates and the end of the student loan repayment moratorium in the U.S., we expect to see many Americans consolidate and/or refinance their debt in order to reduce their interest payments and improve their financial situations.

   Fortunately, startups such as Spinwheel, Method and Payitoffl are building solutions to help people view and manage their debt all in one place. We believe that consumers — and the financial institutions that serve them — will adopt these tools at a rapid pace next year. Several banks and credit unions have in fact already begun to do so, including U.S. Bank, which recently partnered with Payitoff to help its customers manage their student loan debt.

2. **An increasing number of employers will offer digital financial wellness tools as an employee perk.**

   In this time of economic uncertainty, firms of all sizes are increasingly partnering with financial services companies to offer financial planning and wellness products to their employees. FinTechs like Vestwell and Trust & Will offer "point solutions" for retirement planning, estate planning, tax prep and more, while many financial institutions provide more holistic employee financial wellness solutions — often by integrating point solutions from fintechs into their product suites. Citi Global Wealth at Work, for example, partners with law firms, professional services groups, asset managers and large enterprises to offer high-touch wealth management services to their employees.

   Whether for point solutions or holistic offerings, we believe that demand for employer-based financial wellness tools will skyrocket in 2024 as companies strive to better support their employees' financial journeys.

3. **A new crop of "vertical fintech" unicorns will emerge.**

   With the fintech market flush with "horizontal" solutions (e.g., Stripe and Square) that address the basic needs of a wide range of customers, several "vertical fintechs" — industry-aligned software-as-a-service (SaaS) companies with embedded lending and payments modules — are now arising to better serve the specialized financial needs and pain points of specific industries. Several such companies, including Toast (in the restaurant industry) and Flywire (in education) have already gone public, demonstrating the vast growth potential for vertical fintechs in other large industries like healthcare (e.g., Paytient, Level and Adonis) and trucking (e.g., Coast and Mudflap).

For investors seeking startups that balance innovation and growth with profitability amid the market downturn, vertical fintechs could become prime targets in 2024: their profitability is often boosted by blending a software offering with a financial services offering, and once they establish themselves in their respective domains they offer sustainable business models and strong moats. Thus, we would not be surprised to see several new vertical fintech unicorns emerge next year!

4. **The "creator economy" will further converge with "social commerce," spawning the next generation of e-commerce offerings and strategies.**

The ongoing quest to meet modern consumers where they are is bringing together two multi-billion-dollar consumer trends: "social commerce" — the buying and selling of goods and services through social media apps — and the "creator economy," the ecosystem of businesses centered on independent digital content creators and social media influencers.

As creators become increasingly important marketing channels for consumer brands, brands are looking for new ways to collaborate with them — both by embedding their products in creators' content (e.g., TikTok videos) and by embedding creator content into their e-commerce platforms. For example, Buywith enables creators to host live virtual shopping events during which viewers can purchase the items they're reviewing, while Walmart allows sellers on its platform to add influencer-generated content to their product pages.

Meanwhile, many creators are also looking to sell their own branded merchandise via personal online stores, social media and other e-commerce sites. Startups like Pietra and KOMI allow creators to design and source product lines, develop online stores and access additional sales channels — helping them build their audiences, reduce their dependence on major social media platforms and further accelerate the growth of social commerce.

In 2024, we expect to see this trend pick up steam, leading to new opportunities for brand-creator collaborations such as co-branded and special edition products.

Enterprise tech predictions

1. **The "generative enterprise" will emerge at scale, prompting a surge in demand for employees with the skills to work with generative AI tools.**

The generative AI (GenAI) revolution is entering a new phase as enterprises begin embedding large language model (LLM)-based tools such as chatbots and co-pilots throughout their organizations — giving birth to the age of the "generative enterprise."

In 2024, we expect to see a proliferation of GenAI tools that will help employees in various roles, from tech to marketing, legal and finance. This should in turn transform enterprises' human capital needs: the role of software developers will change (leading to the rise of the "AI engineer"), employees will increasingly need to oversee and test GenAI systems and non-technical business stakeholders will need to learn the emerging art of "prompt engineering" in order to get the desired results from their AI assistants.

At Citi Ventures, we believe that this transformation will create a significant opportunity for startups to not only sell GenAI tools to enterprises but also to help them upskill their workforces so they can use those tools as effectively as possible.

2. **As "human in the loop" AI systems move into production, enterprises will shift their experimentation efforts toward fully autonomous AI agents.**

The AI tools currently being implemented within companies are largely so-called "human in the loop" (HIL) systems that require human input and/or monitoring (e.g., a customer service agent confirming that an AI-generated email is ready to send to a customer).

As companies integrate and begin to use these systems, we expect them to start experimenting more with fully autonomous AI agents that have defined roles and perform particular tasks. These agents could one day operate independently and even interact with other AI agents, helping companies reach unprecedented levels of productivity by further augmenting human labor and enabling people to focus on more conceptual tasks. We have been following the emergence of several such agents within the AI ecosystem and look forward to investing in them as they mature.

3. **Cyber attackers will increasingly seek to exploit LLM vulnerabilities — and enterprises will adopt new tools and practices to stop them.**

For all their potential upsides, the LLM-based tools now entering production also present new cybersecurity concerns. Not only do they offer new attack surfaces and vulnerabilities for attackers to exploit (e.g., "prompt injection," "data leakage" and "hallucinations"), but bad actors can also use them to stage large-scale, sophisticated attacks such as deepfakes and reverse engineering. As LLM use ramps up across the business landscape, we expect to see LLM-based attacks increase as well.

Fortunately, enterprises are far from defenseless against such attacks: new tools are emerging to help them protect both the "build-time" (i.e., the core model and data) and the "run-time" (i.e., the prompts, inputs and outputs) of their LLMs, and we believe that enterprises will adopt these tools at scale in 2024. Furthermore, just as hackers can use LLMs to improve their attacks, so too can cybersecurity companies use them to improve their defenses. Next year, we expect that numerous cybersecurity firms will incorporate LLMs into their solutions — including several companies in our security portfolio.

4. **More organizations will look to consolidate their cybersecurity stacks within their web browsers.**

The rise of cloud technology and transition to hybrid work environments has transformed how enterprises and their employees store, manage and access their data and IT applications — shifting many work systems from data centers to web-based applications accessed through a browser. This change is having a dramatic impact on how enterprises protect their data: as the browser becomes the "new operating system" for many applications, it is also becoming a key security layer.

As a result, a growing number of enterprises are turning to secure browsers that enable them to implement data loss prevention protocols, access controls, multi-factor authentication and more all within the browser. In fact, two of the leading secure browsers, Island and Talon, both announced major growth milestones recently: in October, Island raised $100 million at a $1.5 billion valuation; in November, Palo Alto Networks acquired Talon for over $600 million.

With tailwinds behind it, we expect this trend to accelerate in 2024 as hybrid/remote work becomes the norm and the shift toward cloud continues.

All in all, we at Citi Ventures foresee another year of economic recovery and fast-paced innovation ahead. As consumers and businesses alike adjust to this evolving reality, new opportunities will arise for entrepreneurs to build and scale the category-defining software companies of the future. We look forward to supporting them in their journeys, backed by the power and scale of Citi.

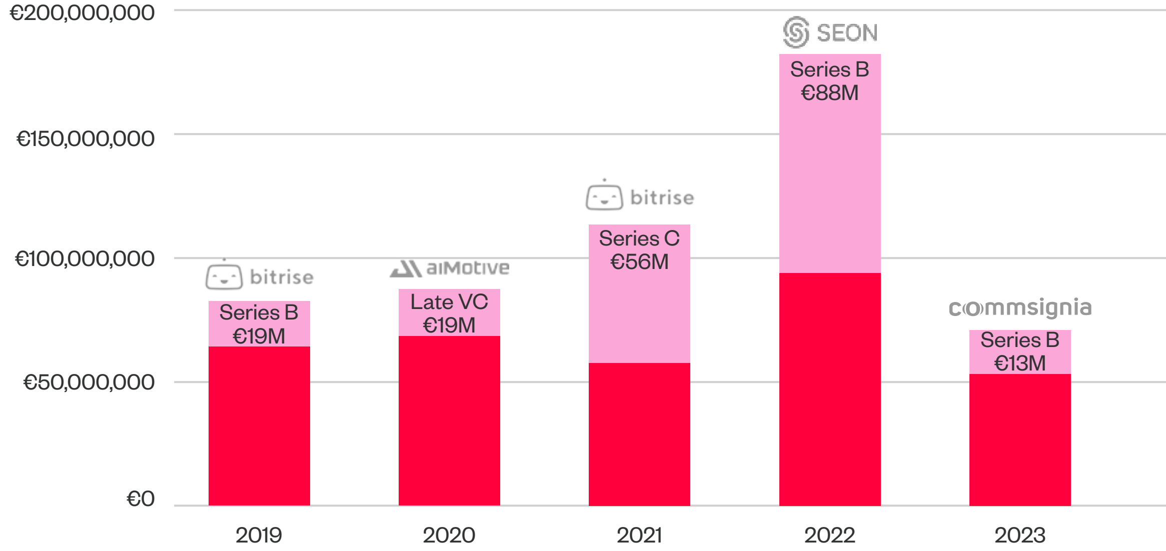
CHAPTER 3

Startup Financing

Total capital raised by Hungarian startups

Total capital raised by Hungarian startups
between 2019 and 2023

Source:
Startup Hungary



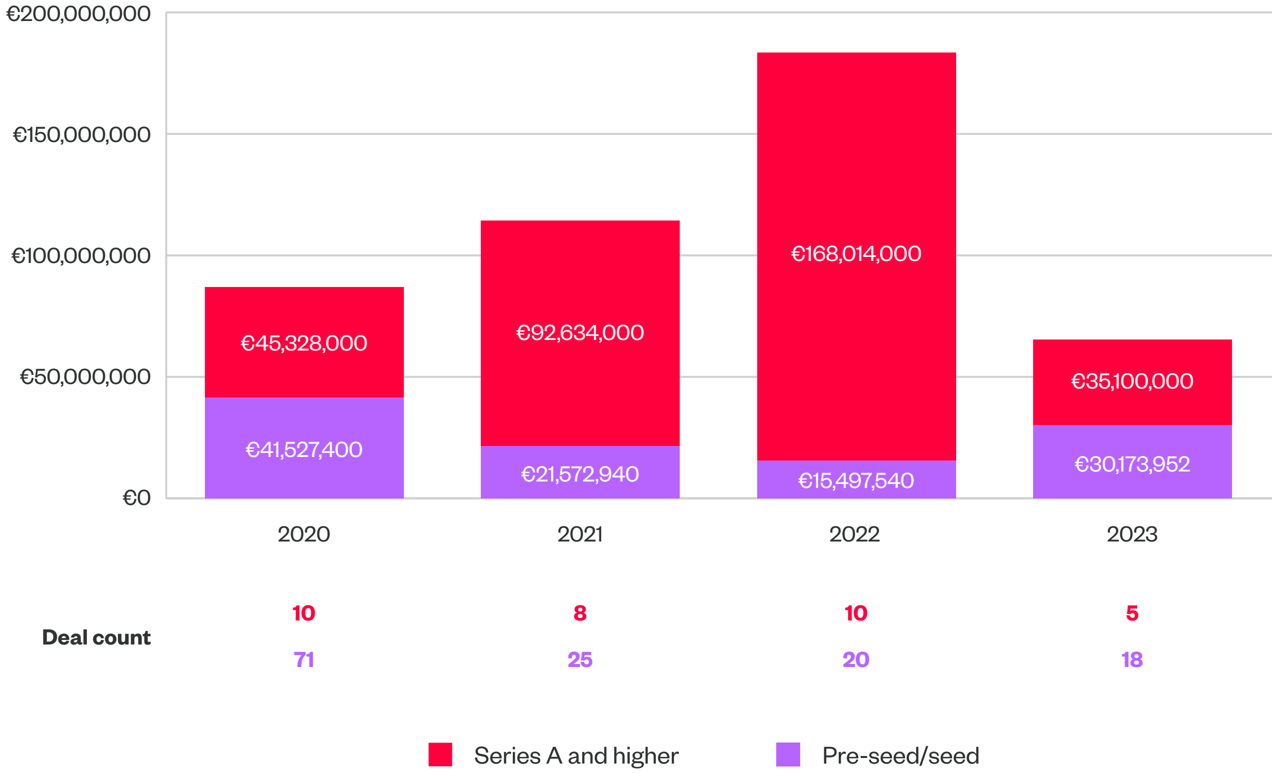
	2019	2020	2021	2022	2023
Number of deals	80	81	33	30	23
Percentage of capital from Hungarian VCs	59%	74%	33%	34%	45%

Source: Crowdsourced Hungarian Funding Database Managed by Startup Hungary

2023 was strong for early-stage startups

Yearly comparison of Pre-seed/seed and Series A/higher funding rounds

Source: Startup Hungary



Enis Hulli

General Partner at 500 Emerging Europe

Expert comment

As an asset class is away from liquidity, both in geographical scope and developmental stage, its impact unfolds with a measured delay and a buffer. Hence, it's only natural that the ripple effects are more in late-stage investments compared to their pre-seed or seed. Hungary is now cultivating its third wave of startup triumphs, similar to Israel or Estonia, and this momentum shows no signs of waning. I'm confident that the deal activity and investment volumes at the pre-seed and seed stages remained unaffected once we discount the public funding available in 2020. I anticipate late-stage deals to resume their trajectory in the forthcoming year, fueled by liquidity and the complete rest within the venture landscape.

Hottest early-stage deals in 2023

Source: Startup Hungary

pre-seed
OpenMeter
$400,000
Y Combinator

pre-Series A
MUNCH
$4-5,000,000
Apiton Capital
FJ LABS

pre-seed
AXOFLOW LOGGING UNLEASHED
$2,900,000
Credo.
500 Emerging Europe
NOTION

pre-Series A
Colossyan
$5,000,000
Emerge Capital
day1
APX
Launchub Ventures
oktogon

pre-seed
Mitzu
$500,000
oktogon ventures
Interactive Venture Partners
Cloudbreak Ventures

seed
PIMLICO
$4,200,000
a16z

seed
eversync
$2,200,000
42CAP
PICUS CAPITAL
oktogon
Dreamcraft

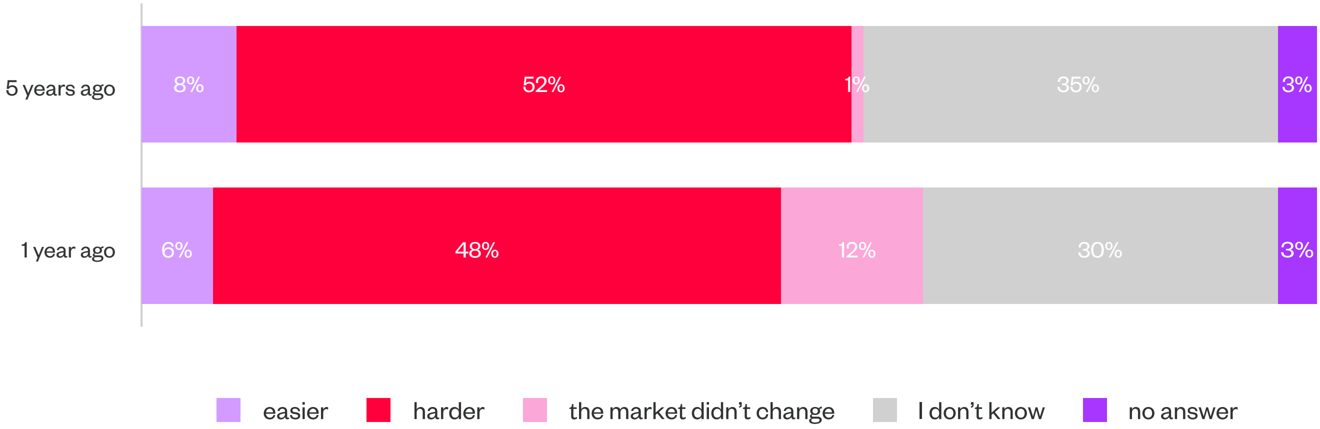
pre-seed
zocks
$5,000,000
Lightspeed

Current fundraising landscape

Perception of change in available capital

% of all respondents, total n=147

Source: Startup Hungary



Mary Alcantara

Senior Partner at Interactive Venture Partners

Expert comment

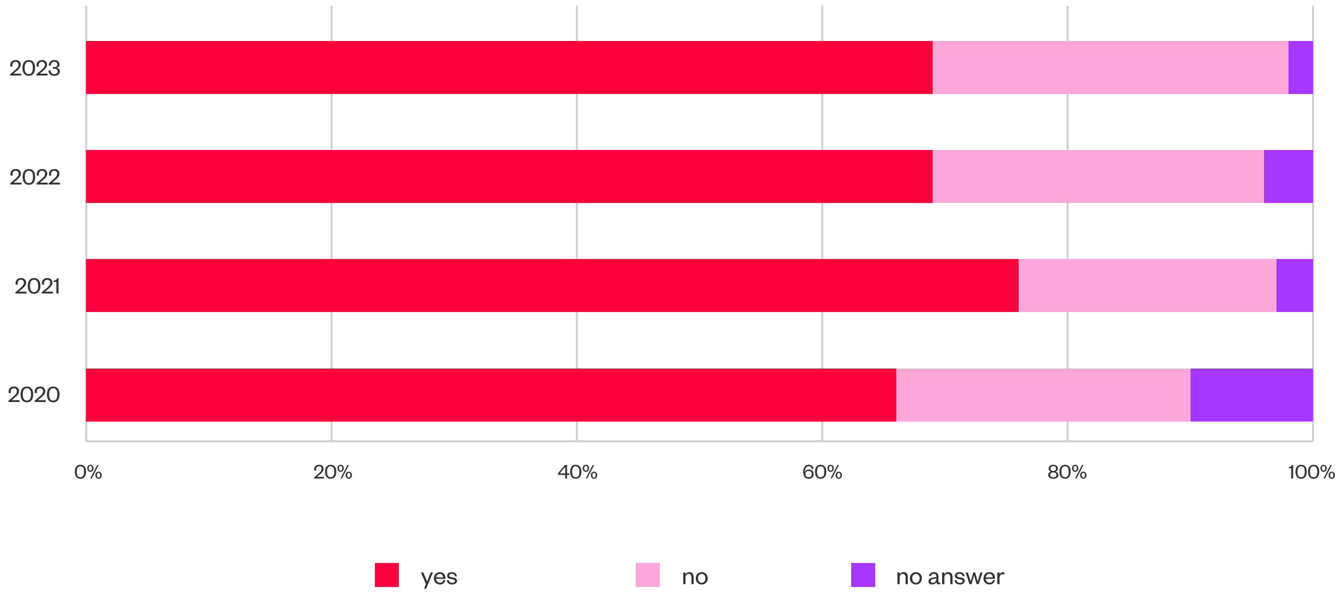
Overall, it seems around half of surveyed founders feel that finding financing is more difficult now than in past periods, whether one year or five years ago. This is not totally surprising, given several market factors (valuations coming down from 2020-2021 levels, decrease of public capital available), though also depends a lot on the stage and amount of capital sought. For idea stage companies, we think it's still relatively easy to get a first check. The market in the CEE has skewed more recently toward early stage deals, with investors putting relatively less money across more companies, essentially derisking their investment portfolio. But it also will cause more monitoring burden, so we find it unlikely to remain a trend in the coming years. For later stage companies doing well, finding financing is not a challenge - indeed, they are in the driver seat and can cherry pick which firms to take money from.

Two-thirds of startups received funding

Have your ever raised external funding?

% of all respondents, n_{2023}=147, n_{2022}=158, n_{2021}=212, n_{2020}=232

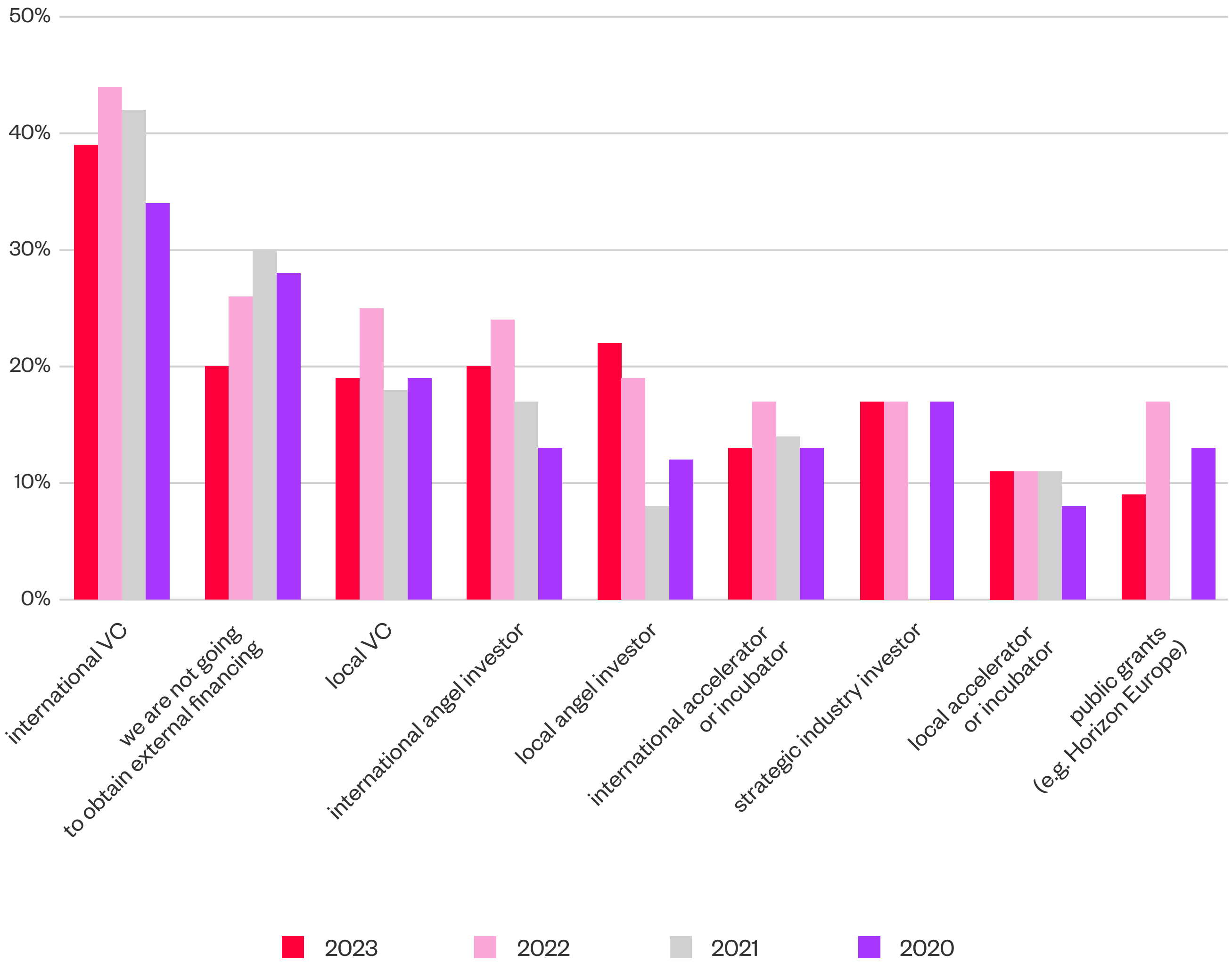
Source: Startup Hungary



What external sources of financing do you intend to obtain in the next 12 months?*

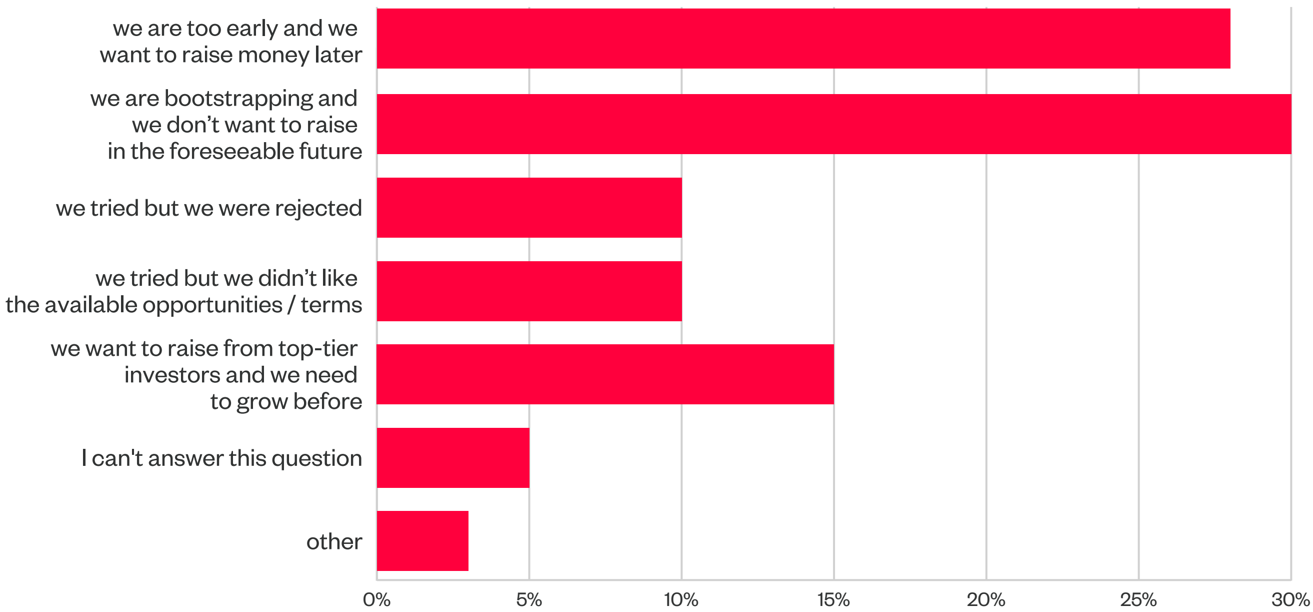
Source: Startup Hungary

**multiple choice question*



Why didn't you raise money?
% of bootstrappers, n=40

*Source:
Startup Hungary*



Tibor Bedő
CEO and co-founder at BrokerChooser

Expert comment

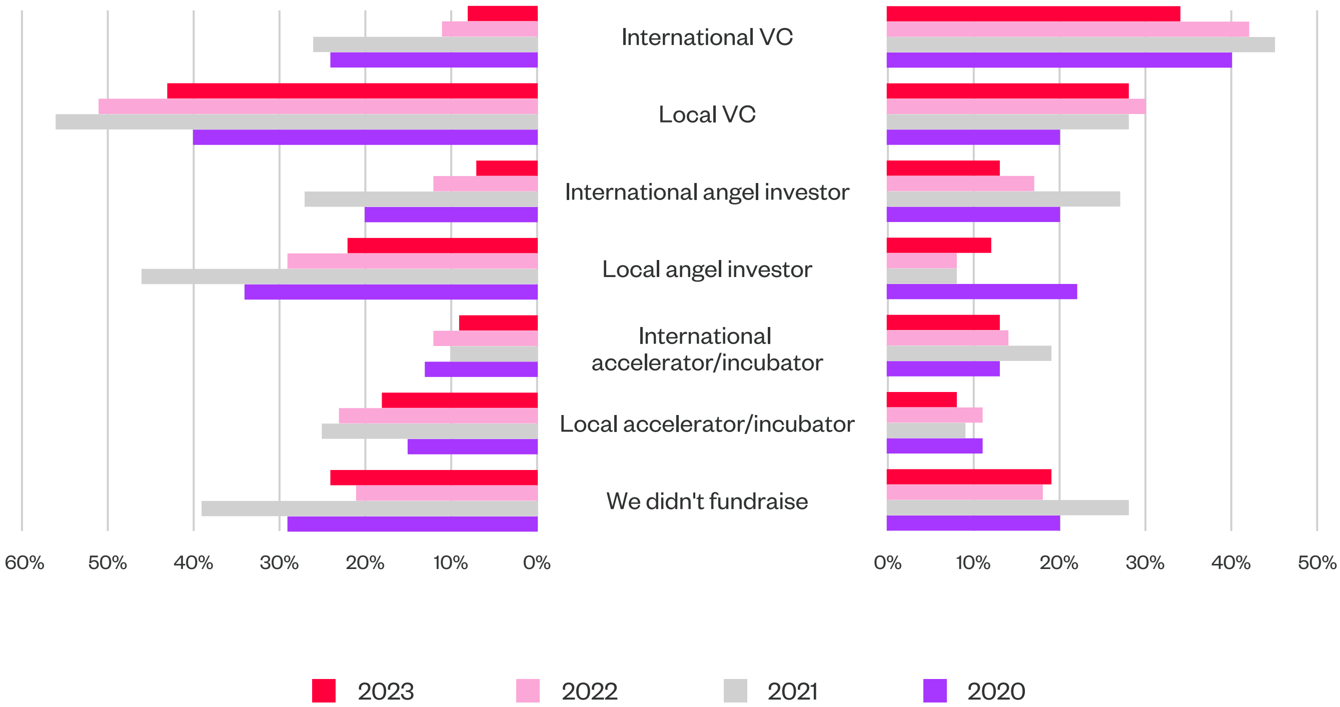
The best way to finance your startup is from your own profit, also known as being bootstrapped. Achieving this without going under is extremely difficult (in some industries outright impossible), but it has its perks. Concentrating on generating revenue compels you to deliver value to your customers through your product. You do not chase vanity metrics. Being cost conscious introduces a sense of scarcity which is the best way to narrow your focus to the most value-adding activities. It is akin to playing the mage in a roleplaying game: very hard at the beginning, but it does pay off later in the game.

Where startups get money from

Where did you raise money from vs. where are you going to raise from next year?

% of all respondents, n_{2023}=144, n_{2022}=114, n_{2021}=212, n_{2020}=232

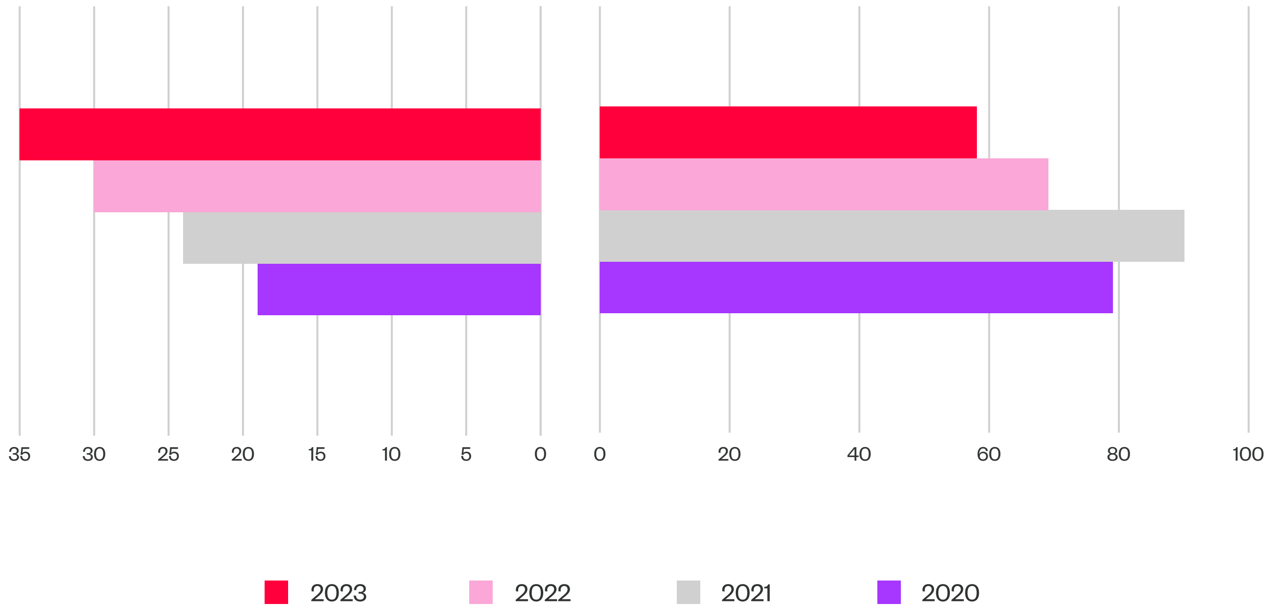
Source: Startup Hungary



Did you raise money from an international VC or are you planning to in the next 12 months?

number of startups, n_{2023}=144, n_{2022}=114, n_{2021}=212, n_{2020}=232

Source: Startup Hungary



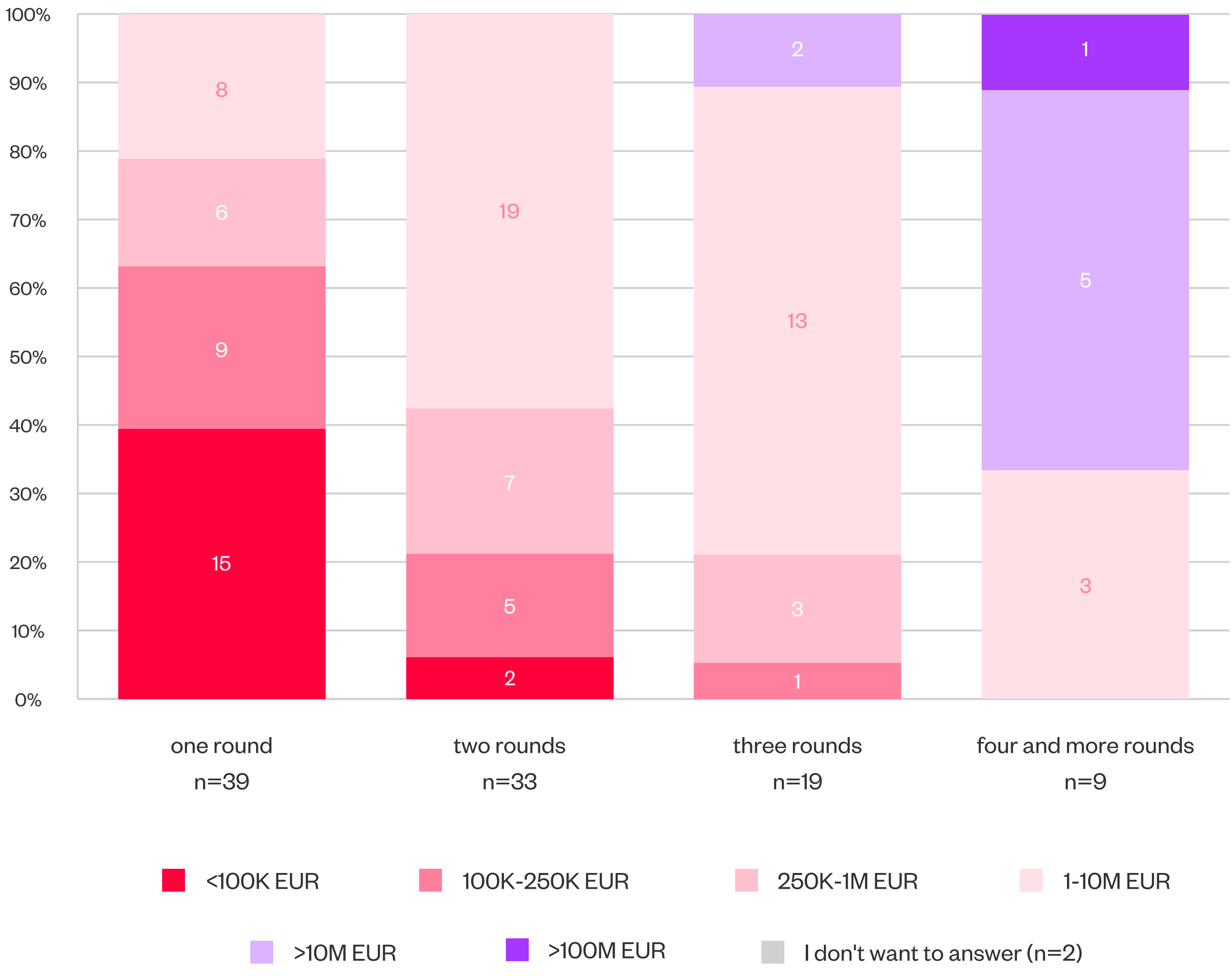
Editorial comment

While many startups aspire to attract investment from global VCs, a small portion actually manage to succeed. The previous chart overstates the number of startups funded by international VCs due to fewer survey respondents, similar to 2022. A better representation is seen in our second chart. Until 2023, a total of 35 startups have successfully secured international VC investment, based on the responses we received. This maintains an average trend of about 5 startups per year. However, according to our funding database, the number stands at 10 startups for 2023. It's noteworthy that 60% of our respondents from last year projected securing international VC rounds.

Number of funding rounds

Number of rounds by total funding amount
% of startups w/ external funding, n=102

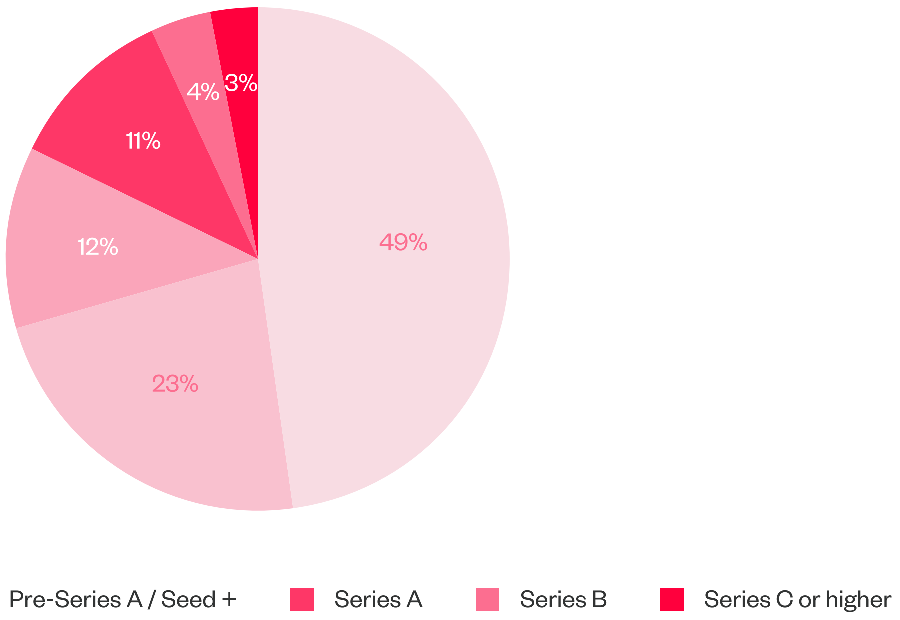
Source: Startup Hungary



Half of the startups are pre-seed

What stage was the most recent round of investment you raised?
% of startups w/ external funding, total n=99

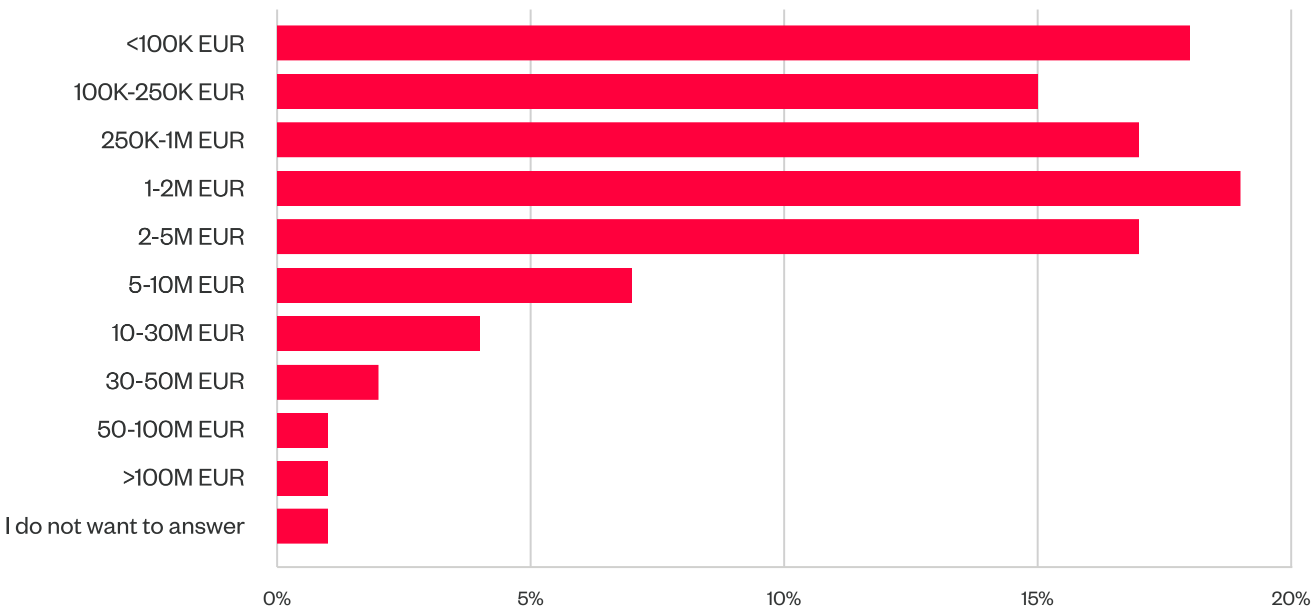
Source: Startup Hungary



Total amount of funding raised by startups

What is the total amount of funding you've raised in EUR to date?
% of startups w/ external funding, n=113

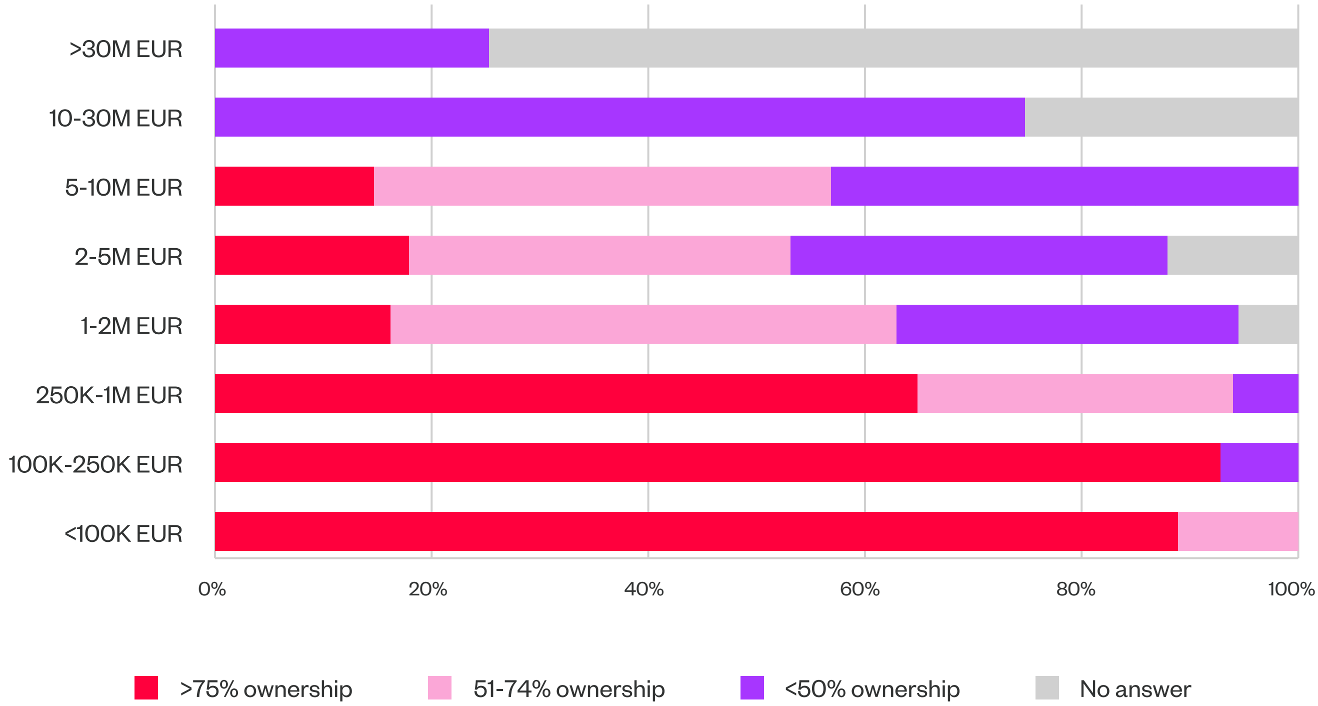
Source: Startup Hungary



Startups give up a different amount of equity at different stages

Equity ownership by funding volume
% of all respondents / funding volume, n=102

Source: Startup Hungary



László Czirják
Managing Partner at Interactive Venture Partners

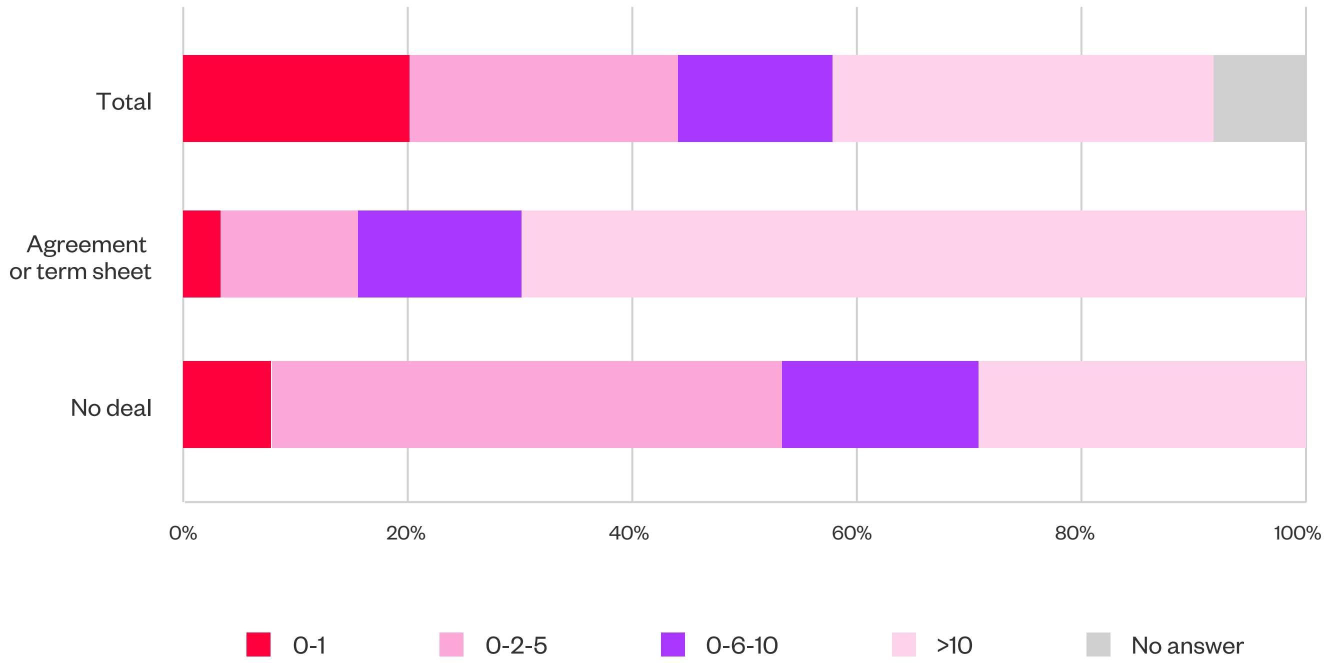
Expert comment

Though improvement can be seen in the earliest funding stages, it's still disheartening to see founders giving up so much equity so early. It undermines the founder's motivation and loyalty to the startup, and this is contrary to investor's interests. Alas, many investors undermine their own success. Yet, there isn't a simple solution. Valuations are still heavily discounted in the CEE region, and some investors simply want to misguidedly gain full control of a startup. Understandingly, founders are cautious and tend to raise less money - but then they risk stunting their growth. The advice we can give to founders is to stay lean in spending, focus intensely on product market fit rather than creating an ideal product. This path should bring enough traction to justify bigger valuations and better terms.

How VC meetings convert to term sheets

How many investors did you meet last year?
How many convert to a term sheet?
% of all respondents, total n=135, agreement/term sheet n=40, no deal n=66

Source: Startup Hungary



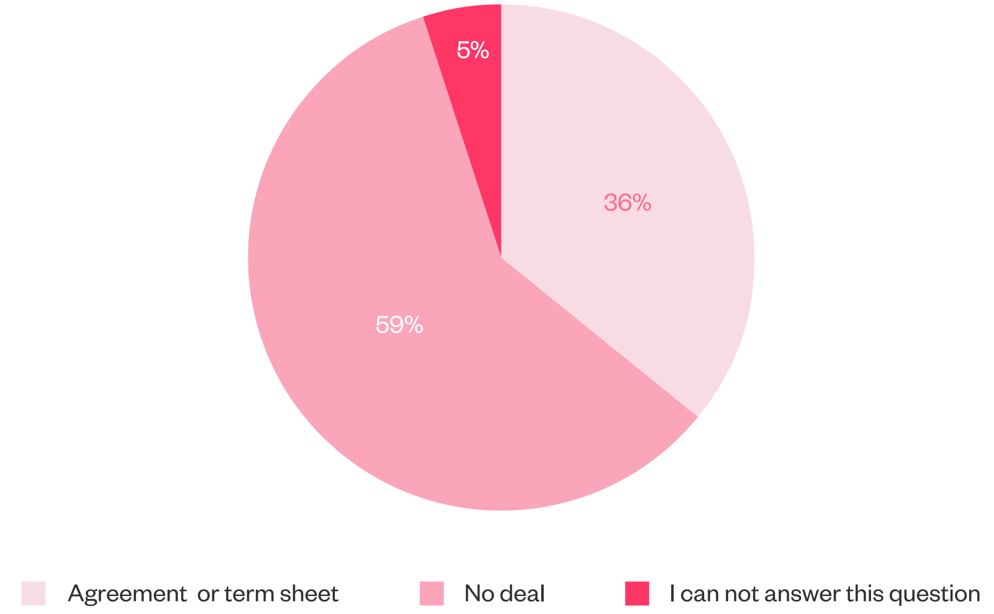
Henrik Néninger
Associate at Lead Ventures

Expert comment

Consistent and strategic outreach to a larger number of potential investors significantly amplifies the prospects of securing a term sheet for startup founders. While this may seem more time consuming it pays off in the long run, because it can either create competition among investors or form consortiums, both of which VC-s prefer from a validation perspective.

Did any of your meetings result in an investment agreement or term sheet?
% of startups with at least 1 investor meeting, n=112

Source: Startup Hungary



Ádám Csuhai
Principal at Lead Ventures

Expert comment

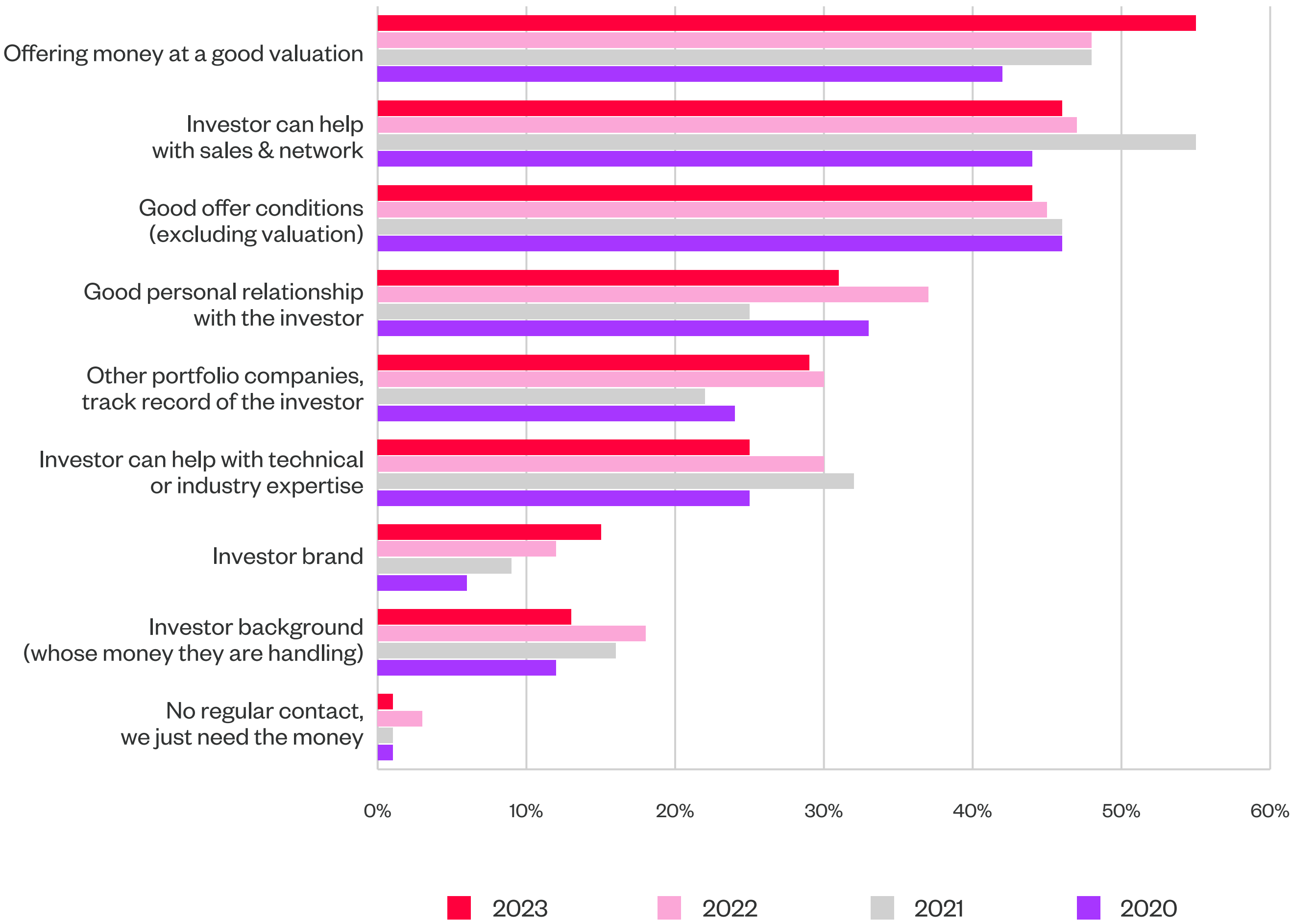
VCs can evaluate a great number of investment opportunities while converting only a small percentage to actual investments. VC-s are selective and invest only to the best fit in line with their investment thesis, hence say no for several reasons. However, founders shall ask for feedback, which can increase their chances at their next meeting if they successfully incorporate it.

What startups look for in an investor

What are the top factors you take into account when choosing an investor?

% of all respondents, n_{2023}=147, n_{2022}=158, n_{2021}=212, n_{2020}=232

Source: Startup Hungary



Balázs Haszonics
CEO at Lead Ventures

Expert comment

The role of investors remained relatively unchanged over the last years. However, as funding became scarce and runways became shorter and shorter the significance of partnering up with a strong financial partner increased. Besides funding founders prefer to leverage the network and brand of their investors, which can help them to attract talent and potential partners.

Methodology

Startup Hungary conducted a survey between December 2022 and March 2023, which is the basis of this report. The survey was completed by 147 startup founders, and its methodology was designed by Dr. Agnieszka Skala, an Associate Professor at the Faculty of Management, Warsaw University of Technology. Startup Poland, our partner organization, has been using this survey method for many years now to create similar reports.

To define the research sample, Startup Hungary utilized last year's criteria for defining potential survey respondents, rather than creating a new definition of the term „startup." Respondents of the survey had to be companies that

1. **create new technological solutions**

OR

2. apply new technologies to **create products or services in the following areas:**

a. IT / ICT
b. energy technologies
c. industrial technologies
d. material technologies (including nanotechnology)
e. biomedical technologies

OR

3. **have a scalable business model.**

There were no restrictions on the number of years a company needed to be on the market to participate in the survey. The scalability criteria allowed for software agencies and similar companies to be analyzed separately from other respondents, which provided additional data for comparison.

The data was obtained by conducting a broad awareness campaign and individual invitations to local startup founders, and all participants completed the questionnaire voluntarily and without any compensation.

The data was obtained from 147 voluntary participants who completed the questionnaire following a widespread awareness campaign and individual invitations to local startup founders. The data set was cleansed of non-startup companies and duplicate responses, and any missing responses were due to some questions not being mandatory. The differences in the number of respondents per question were due to the logical path employed in the survey.

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Research Methodology

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Acknowledgements

Now in its fourth year, the Hungarian Startup Report is the most in-depth survey of the local startup ecosystem. It is the result of a united effort by the Startup Hungary team, its founders, board members, partners, and friends, as well as the network of local startups who took the time to complete the questionnaire. The creation and completion of the survey is a significant achievement towards creating a measurable benchmark for stakeholders to make better informed decisions around launching, growing, investing in, creating legislation for, and acquiring local startups.

We are committed to publishing this report annually in order to document data-backed trends as accurately as possible. The results provide a north star that shows us what ecosystem players need to focus on, how they should define their future activities, and where they can maximize their impact.

The project could not have been completed without the support of our founding partners, Google, Design Terminal, IVSZ, our key strategic partner, 500 Emerging Europe, our strategic partner, Wise, and without our sponsors, Microsoft, PortfoLion, Blue Planet Foundation and the .Wave program, Citi, Lead Ventures, Day One Capital, Bird & Bird, Interactive Venture Partners and Sparring.

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