



BDO Hungary
Corporate Finance

Overview of the private school market in Hungary



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Overview of private schools

Executive summary

In **Hungary**, the challenges facing public education - underfunding, teacher shortages, outdated curricula - has led to a significant **increase in demand for private schools**. Between **2020 and 2023**, the number of **students enrolled in private institutions** increased from **59,000 to 64,000**. This growing demand has exceeded the capacity of private schools, resulting in higher occupancy rates and longer waiting lists.

As part of our market study, we analyzed **28 educational institutions** within the Hungarian private school sector, identifying **10 as Hungarian and 18 as International schools**. Among these, 46% (13 institutions) offer education from kindergarten through high school (ages 3-18), while 10 cater to both primary and high school students, and 5 focus exclusively on high school education.

We classified schools as International if they followed a foreign national curriculum or an international framework and held internationally recognized accreditations (e.g., IB, IGCSE, ACSI, CIS). The International Baccalaureate Organization (IBO) accreditation is the most prevalent among these, offering the IB Diploma, a qualification widely recognized in over 150 countries. Notably, 39% of the International institutions surveyed in Hungary are accredited by IBO.

Several Budapest-based schools, following the English national curriculum, have adopted the IB diploma as a school-leaving qualification in place of A-levels. Students at these English-language schools also take GCSE and IGCSE exams after Grade 11.

There is a significant variation in tuition fees between the institutions surveyed. International schools, on average, charge HUF 4.3 million per year, while Hungarian institutions have significantly lower average annual tuition fees of HUF 1.5 million. Even within the international schools, there are major disparities. The two largest international private schools (AISB and BISB) charge as much as HUF 9 million annually for the final years of education.

In terms of revenue, the average annual income of the Hungarian schools is HUF 767 million, whereas International institutions generate more than HUF 1 billion annually. The average student population at Hungarian institutions is 488, while international schools have an average of 430 students. Despite having fewer students on average, International schools typically generate higher revenues, with the largest schools standing out both in terms of student numbers and financial performance.

Hungarian schools primarily offer instruction in Hungarian, with English taught as a foreign language. In contrast, many international schools provide a broader linguistic offering, allowing students to study in English, as well as French or German. In the largest international schools, English is the primary language of instruction, with French and German taught as foreign languages.

Regarding facilities and infrastructure, the private schools examined offer exceptional value. 93% of the institutions are equipped with sports facilities such as gyms, volleyball courts, and football pitches, and 82% of them also provide catering services.

**Note: The GCSE is a qualification typically pursued by students in schools following the English National Curriculum, taken at the end of Grade 11. Students take an 'A level' examination as a graduate at the end of Grade 12. Several students from schools offering the English curriculum choose to pursue the International Baccalaureate (IB) instead of A-levels, as the IB is more widely recognized and accepted globally.*



GENERAL MARKET SITUATION

The challenges of Hungary's public education system underfunding, outdated curricula, teacher shortages are driving the increase in demand for private education.

UNDERFUNDING

In 2022, Hungary's education budget accounted for just 4.3% of GDP, well below the OECD average of 5.7%. A decade earlier, in 2010, spending on education stood at 5.1% of GDP, but in recent years this percentage has steadily declined.

The shortfall in funding has resulted in low teacher salaries, outdated infrastructure, and an overall reduction in educational quality, prompting more families to seek alternatives in the private sector.

OUTDATED CURRICULA

The state curriculum is not primarily tailored to the different abilities of students. It is largely rigid, focusing primarily on content-based learning with a strong emphasis on memorization rather than on fostering problem-solving skills, critical thinking, and creativity (skills more often prioritized in private schools). The disconnect between the state curriculum and the evolving needs of modern society and the economy is a growing concern.

The shortcomings of the Hungarian education system are reflected in recent PISA results. In 2022, Hungarian students recorded their lowest scores in mathematics and reading in 15 years, falling below the OECD average.

TEACHER SHORTAGE

Teaching as a profession has become less appealing to the younger generation, primarily due to the low salaries. According to data from Central Statistical Office (KSH), the average gross salary for secondary school teachers in 2023 was HUF 555,700.

Nearly half (47%) of teachers in Hungary are over 50 years old, exacerbating the issue of teacher shortages. The teacher-student ratio in public institutions stands at 1:11, in contrast to 1:9 in International private schools, where smaller class sizes and more personalized attention are often seen as key advantages.

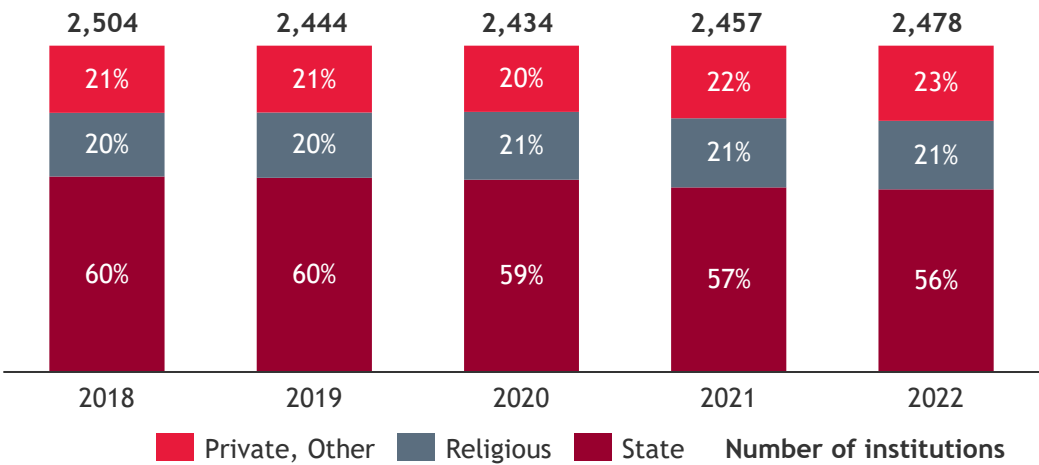
OUTDATED INFRASTRUCTURE

Public school infrastructure lags behind private institutions, not only in terms of physical facilities but also in digital readiness. Many public schools struggle to offer modern, technology-driven environments that are increasingly expected in today's educational landscape, further widening the gap between public and private education.

GENERAL MARKET SITUATION

The Hungarian private school market presents a compelling Investment Opportunity

DISTRIBUTION OF SECONDARY EDUCATIONAL INSTITUTIONS BY TYPE OF OPERATOR (%)



The current challenges in Hungary's public education system have led to a significant increase in demand for private schools, creating an attractive landscape for investment. While demand is growing rapidly, the supply of private education options has not yet caught up, resulting in most existing institutions operating at full capacity, and longer waiting lists.

In response to this rising demand, several new private schools have been established in recent years. Data from the Association of Foundation and Private Schools (AME) indicates that over 20 new foundation and private schools have launched since 2018.

Notable new entrants include the Diákszempon Primary and High School, which opened in 2019, and the Budapest School network, which has established several micro-schools, as those in Solymár (2018) and Érd (2020).

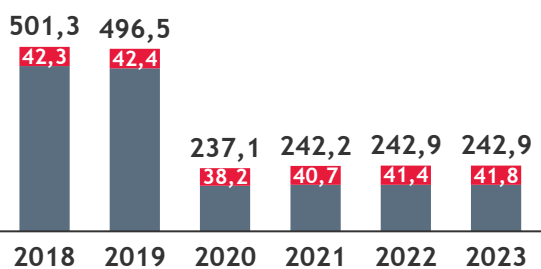
Furthermore, existing private schools are expanding into suburban areas to accommodate the growing demand. For instance, the Waldorf School opened a new branch in Batorbágy in 2019.

This expansion trend highlights the potential for growth in the sector, as the demand for quality private education continues to outpace supply. The Hungarian private school market is a promising area for strategic investment.

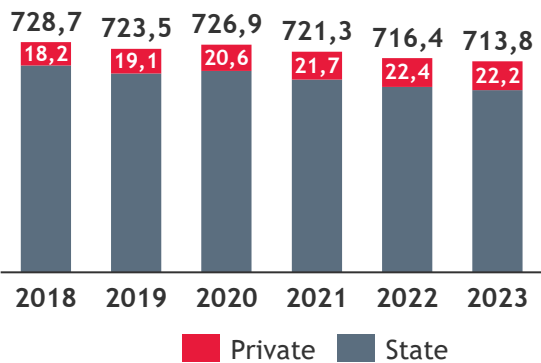
GENERAL MARKET SITUATION

The number of students attending private schools in has seen substantial growth over the last five years, affecting both primary and secondary school levels.

NUMBER OF STUDENTS IN SECONDARY EDUCATION (THOUSAND PUPILS)



NUMBER OF PRIMARY SCHOOL STUDENTS (THOUSAND PUPILS)



Data for the school year starting in September of the year indicated

The overall number of students enrolled in Hungarian schools has remained relatively flat during the analyzed period. A legislative change in 2020 - particularly impacting vocational and technical schools - has caused a decrease in the number of students classified within upper secondary education.

Since 2020, private upper secondary institutions have experienced a consistent annual growth rate of 3% in student enrollment.

At the primary school level, the number of students enrolled in Hungarian public schools has declined slightly between 2020 and 2023, while private primary schools have seen an opposing trend.

In 2018, the number of students attending private primary schools stood at 18.2 thousand.

By 2023, the number of students attending private primary schools had risen to 22.2 thousand, marking an average annual increase of 4%.



INSTITUTIONAL SUMMARY

Part of our market research, we surveyed 28 educational institutions within the Hungarian private school sector

CHARACTERISTICS OF THE SELECTED SCHOOL TYPES 1/2

01 TYPE OF OPERATOR	02 FORM OF EDUCATION	03 RELEVANCE
<p>The following types of operators were selected:</p> <ul style="list-style-type: none">▶ Limited liability company▶ Foundation▶ Association▶ Non-profit LLC.▶ Public benefit foundation▶ Public benefit association▶ Public benefit non-profit LLC.	<p>The following forms of education were selected:</p> <ul style="list-style-type: none">▶ Primary school▶ High school	<p>The following forms of education were <i>excluded</i>:</p> <ul style="list-style-type: none">▶ Vocational secondary and training schools▶ Technical colleges▶ Adult educational institutions▶ Institutions operating alternative pedagogical programmes▶ Schools operated by higher educational institutions▶ Institutions of religious interest▶ Sports and arts institutions▶ Specialized institutions for disadvantaged children

Database used: Office of Education - KIR data source (List of Functioning Public Education Institutions)

INSTITUTIONAL SUMMARY

Part of our market research, we surveyed 28 educational institutions within the Hungarian private school sector

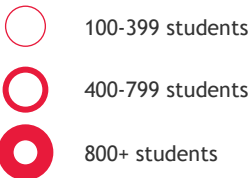
CHARACTERISTICS OF THE SELECTED SCHOOL TYPES 2/2

01	TYPES OF SCHOOLS	<u>HUNGARIAN</u>	<u>INTERNATIONAL</u>	
		(1) Hungarian affiliation	(2.1) Foreign affiliation	(2.2) Member of an international school network
02	LANGUAGE OF TEACHING	Hungarian	Hungarian and a foreign language	Foreign language only
03	TARGET AUDIENCE	Primarily Hungarian students	Hungarian and international students	Primarily international students
04	ACCREDITATION	Hungarian secondary school diploma only	International secondary school diploma	International qualifications only (IGCSE, IB)

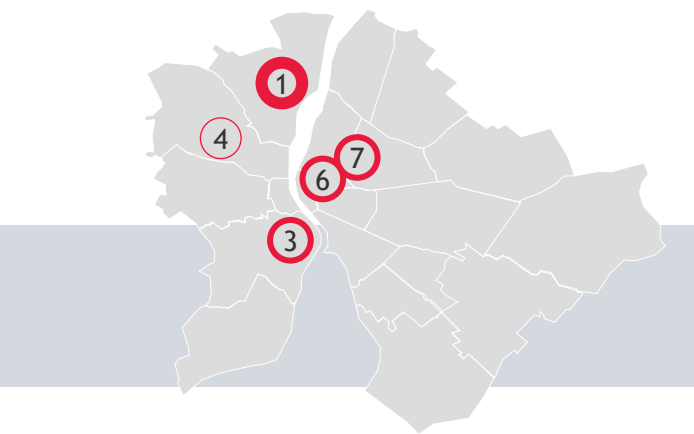
Database used: Oktatási Hivatal - KIR data source (Működő köznevelési intézmények listája)

INSTITUTIONAL SUMMARY

Hungarian private schools in Hungary

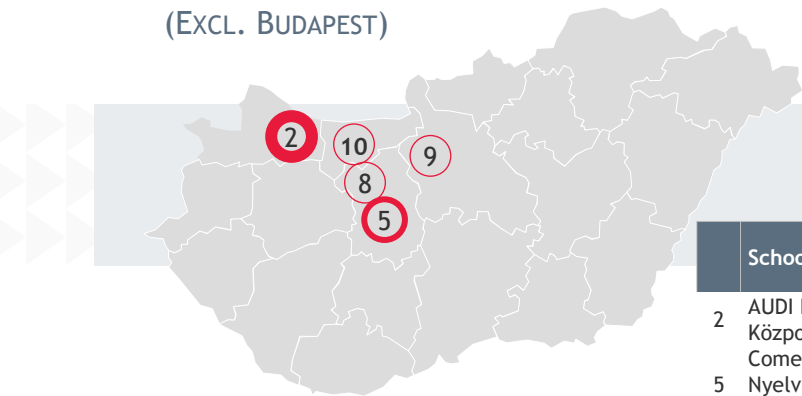


LOCATION OF HUNGARIAN PRIVATE SCHOOLS IN BUDAPEST



	Schools highlighted	Number of students
1	Alternatív Közgazdasági Gimnázium	1,100
3	Budapest School Általános iskola és Gimnázium	715
4	Budenz József Alapítványi Gimnázium	150
6	Diákszempon Általános Iskola és Gimnázium	418
7	Európa 2000 Gimnázium	438

LOCATION OF HUNGARIAN PRIVATE SCHOOLS NATIONWIDE (EXCL. BUDAPEST)





	Schools highlighted	Number of students
2	AUDI Hungária Általános Művelődési Központ	844
5	Comenius Angol-Magyar Két Tanítási Nyelvű Gimnázium, Általános Iskola és Óvoda	469
8	Láncos Kornél Gimnázium	244
9	Creascola Két Tanítási Nyelvű Általános Iskola és Nyolcosztályos Gimnázium	292
10	Színes Iskola - Személyközpontú Óvoda, Általános Iskola és Gimnázium	211

INSTITUTIONAL SUMMARY

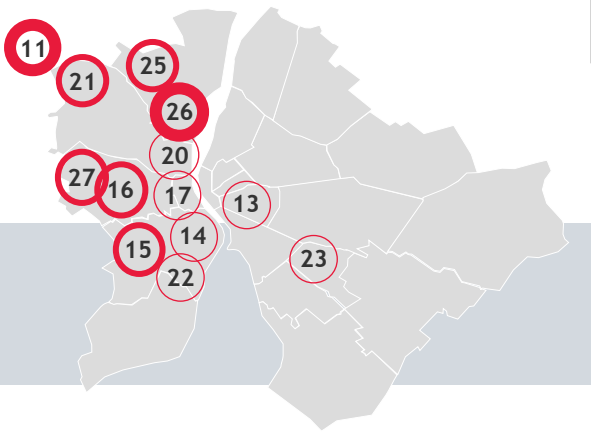
International private schools in Hungary

 100-399 students

 400-799 students

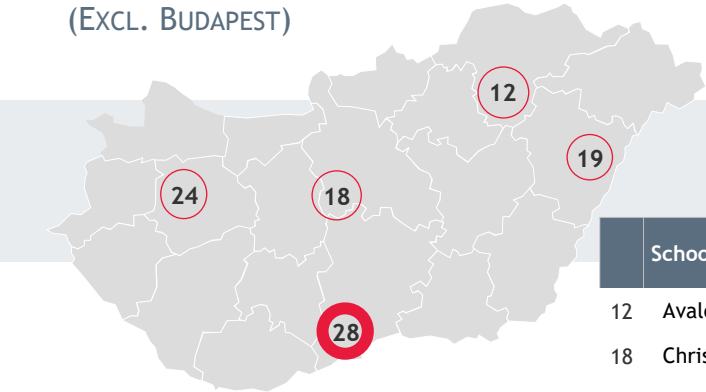
 800+ students

LOCATION OF INTERNATIONAL PRIVATE SCHOOLS IN BUDAPEST



	Schools highlighted	Number of students
11	American International School of Budapest	945
13	Avicenna International College	88
14	BME által alapított Két Tanítási Nyelvű Gimnázium	210
15	Britannica International School	480
16	Budapest British International School	414
17	Budapesti Osztrák Iskola	236
20	Greater Grace	190
21	Gustave Eiffel Francia Iskola	734
22	International School of Budapest	308
23	Maarif	36
25	SEK	508
26	The British International School Budapest	1,041
27	Thomas Mann Gimnázium	566






LOCATION OF INTERNATIONAL PRIVATE SCHOOLS NATIONWIDE (EXCL. BUDAPEST)



	Schools highlighted	Number of students
12	Avalon	110
18	Christian School	253
19	Debreceni Nemzetközi Iskola	245
24	QSI International School of Pápa	98
28	Magyarországi Német Általános Művelődési Központja	1,285

INSTITUTIONAL SUMMARY

Key characteristics and indicators of the Hungarian and International private schools surveyed

Key parameters and indicators		Hungarian institutions	International institutions
	Average number of students (persons)	488	430
	Average tuition fees (HUF/year)	1,515,000	4,355,313
	Proportion of bilingual institutions (%)	60%	61%
	Number of educational forms*	2.1	2.4
	Accreditations	n/a	International qualifications (IB, IGCSE)
Specific financial indicators (data in million HUF, 2022)			
Revenue** (M HUF)		767	1,003
Costs** (M HUF)		669	922

* The "Number of educational forms" refers to the levels of education provided by each institution, such as nursery, primary, and secondary education (e.g., a value of 3.0 indicates that the surveyed institution offers all three levels).

** Revenues and Expenses are consolidated based on the financial accounts of the institutions and their affiliated entities. To calculate the averages, institutions operating under different business models have been filtered to minimize distortion. Where "n/a" is indicated, public data was insufficient to accurately determine the tuition fees.



LOCATION AND INFRASTRUCTURE

INFRASTRUCTURE OF HUNGARIAN AND INTERNATIONAL PRIVATE SCHOOL INSTITUTIONS

		Hungarian	International
	Building type	Average occurrence (%)	Average occurrence (%)
Educational building	Educational building	100%	100%
	Library	80%	100%
	Green area	60%	78%
Area suitable for sports	Sports field/facility	90%	94%
	<i>Football</i>	70%	72%
	<i>Basketball</i>	40%	44%
	<i>Volleyball</i>	30%	39%
	Swimming pool	0%	11%
Other activity	Music/concert hall	10%	17%
	Dance hall	10%	28%
	Studio	10%	17%
	Laboratory	90%	94%
	Canteen	80%	83%



MARKET ENTRY PROCESS

The establishment of a new private educational institution can be broken down into three key phases

1

CONCEPTUAL DESIGN

Conceptual Design focuses on planning the institution's operations and preparing the necessary documentation for registration and authorization. The primary considerations include:

- ▶ Type of educational forms: determining the range of education levels to be provided (nursery, primary, secondary);
- ▶ Financing plan: outlining the funding structure;
- ▶ Organizational Structure: defining the internal operational model;
- ▶ Policies and Educational Strategy: drafting the essential internal policies, house rules, and operational guidelines, as well as establishing the foundational elements and guiding principles of the educational strategy;
- ▶ Strategic Plan: developing a long-term plan to guide the institution's growth and objectives;
- ▶ International Accreditations: deciding which international accreditations (IB, IGCSE) to pursue for global recognition and standards alignment.

MARKET ENTRY PROCESS

The establishment of a new private educational institution can be broken down into three key phases

02

REGISTRATION

Step 0: Ministerial opinion

According to Section 21 (2) of the National Public Education Act (Nkt.), a ministerial opinion is required to determine whether the proposed public education institution can fulfill the core responsibilities of public education.

To initiate this process, the private education institution must submit an application to the Government Office, which will then liaise with the Ministry. The Ministry provides the Government Office with a copy of its expert opinion. In cases where the opinion is unfavorable, the institution is only notified of the refusal, without receiving the specific details or rationale behind it.

Step 1: Registration

In Hungary, the establishment of a public education institution is subject to a mandatory notification requirement under Section 21 (2) of the National Public Education Act. The institution is officially established on the day it is registered in the appropriate register. For institutions founded by a church, or by private entities (such as limited liability companies, foundations, or associations), the prospective operator must notify the competent government office corresponding to the institution's location for the registration process. To complete the registration, the following prerequisites must be met:

- an official school principal must be appointed;
- legal documentation must be provided, confirming the right to use the real estate intended for the institution for a minimum duration of 6 years.

MARKET ENTRY PROCESS

The establishment of a new private educational institution can be broken down into three key phases

03

AUTHORIZATION

Once the educational institution has been officially registered, the application to obtain the necessary permit for operation must be submitted to the local government office responsible for the institution's location. This application should be submitted within six months of the institution's registration.

The operator, or their authorized representative, may submit the application for the operating license electronically to the Government Office following the operator's decision to move forward.

For newly established schools, the operator must file the application for an operational license by the last working day of May in the year in which the school intends to open. This timeline ensures that the necessary approvals are in place before the academic year begins.

The application process requires the submission of several essential documents, including but not limited to: Educational Programme, Financial Plan, Public Health Opinion.

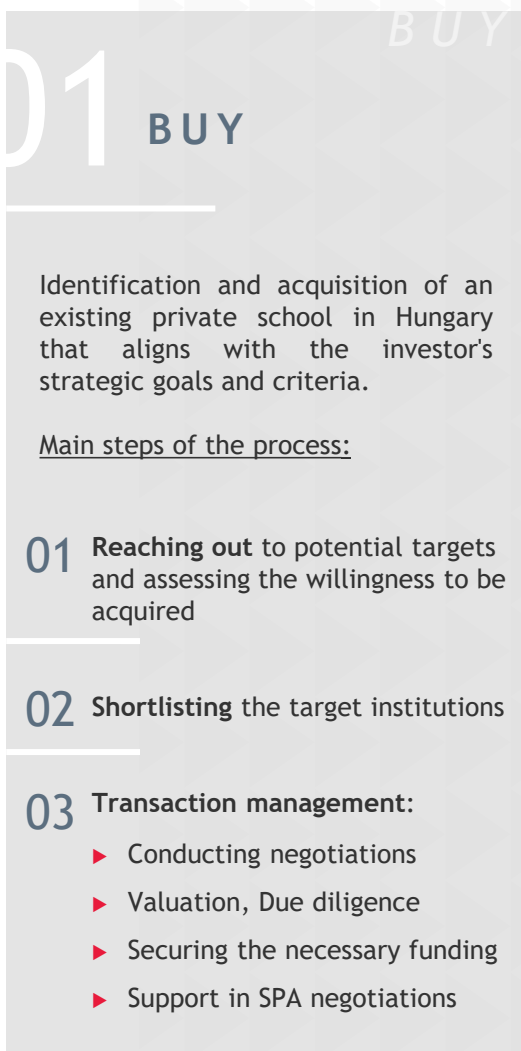
As part of the licensing procedure, the Government Office will review not only the submitted documents but also verify that the institution complies with key operational requirements. This includes checking material resources, personnel requirements, public health standards and disaster prevention protocols.

Only after successful completion of this review process and fulfillment of all conditions will the institution be granted an operating license, allowing it to begin its educational activities legally.



OUR SERVICES

The approach to enter the Hungarian private education market is outlined below. BDO Corporate Finance's team offers comprehensive support throughout the entire process, leveraging both financial and educational expertise to ensure a successful entry.

The diagram for the 'BUY' process is a vertical grey rectangle. At the top, the word 'BUY' is written in a light grey, sans-serif font. Below it, the number '01' is in a large, white, sans-serif font, followed by the word 'BUY' in a smaller, dark blue, sans-serif font. A horizontal white line separates this header from the main text. The main text describes the identification and acquisition of a school. Below this, the phrase 'Main steps of the process:' is underlined. Three steps are listed, each with a number in a large, dark blue font: '01 Reaching out...', '02 Shortlisting...', and '03 Transaction management:'. The third step includes a bulleted list of four sub-points, each preceded by a dark blue right-pointing triangle.

01 BUY

Identification and acquisition of an existing private school in Hungary that aligns with the investor's strategic goals and criteria.

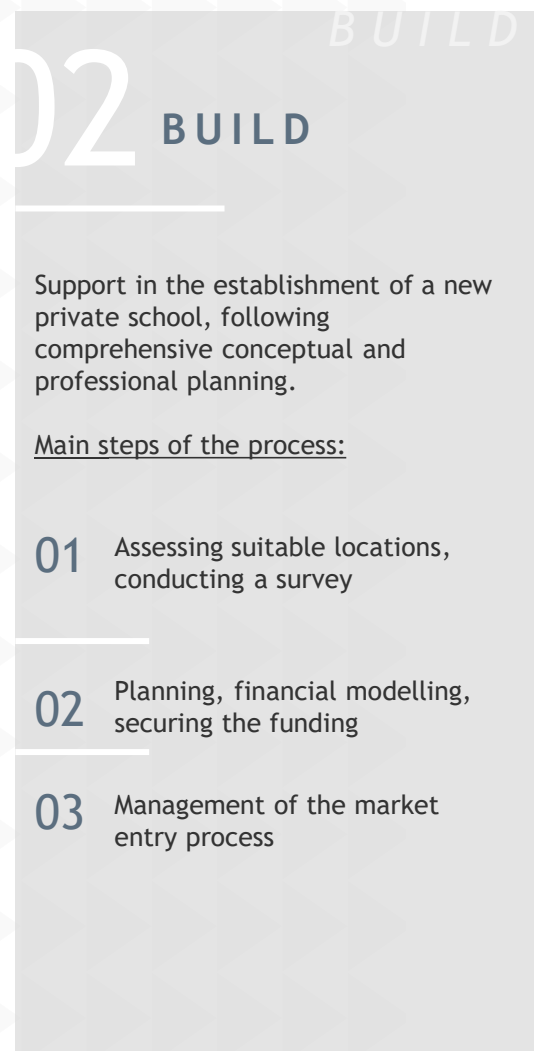
Main steps of the process:

01 Reaching out to potential targets and assessing the willingness to be acquired

02 Shortlisting the target institutions

03 Transaction management:

- ▶ Conducting negotiations
- ▶ Valuation, Due diligence
- ▶ Securing the necessary funding
- ▶ Support in SPA negotiations

The diagram for the 'BUILD' process is a vertical grey rectangle. At the top, the word 'BUILD' is written in a light grey, sans-serif font. Below it, the number '02' is in a large, white, sans-serif font, followed by the word 'BUILD' in a smaller, dark blue, sans-serif font. A horizontal white line separates this header from the main text. The main text describes support in establishing a new school. Below this, the phrase 'Main steps of the process:' is underlined. Three steps are listed, each with a number in a large, dark blue font: '01 Assessing...', '02 Planning...', and '03 Management...'.

02 BUILD

Support in the establishment of a new private school, following comprehensive conceptual and professional planning.

Main steps of the process:

01 Assessing suitable locations, conducting a survey

02 Planning, financial modelling, securing the funding

03 Management of the market entry process

OUR EXPERTS



Eszter Valkó

Areas of expertise:

- ▶ Cash flow, CAPEX and liquidity management
- ▶ HR Director - teaching and non-teaching staff
- ▶ Procurement, facility management and IT Services
- ▶ Real estate investment planning, preparation and project management
- ▶ Liaison with the Hungarian supervisory bodies and institutions

Eszter is a finance professional and qualified chartered accountant with experience in multinational companies. For the past 11 years, from 2012 to 2023, she was the Director of Operations and Finance at the BSO accredited British International School Budapest (BISB), part of the Nord Anglia Education group of schools.

In addition to classical financial areas such as statutory accounting and management reporting, she was also the school's operational manager. As a senior manager, she was responsible for HR, procurement, building operations, catering, cleaning and IT services.

Under her leadership, the school completed two property investments, for which Eszter was the project manager. Eszter also served as the school's 'Data Protection Officer' and was responsible for the Legal and Regulatory & Compliance areas. She was the liaison between the school and the Ministries, Municipality and between the school and child welfare institutions.

After a career of more than a decade as a lawyer, Balázs worked on the acquisition and expansion of the Budapest School's operating licence between 2018 and 2020. During this period, he also helped the school become the third Hungarian institution to join the Council of International Schools.

Over the past three years, he has gained significant experience in the areas of internal community learning, BPS Model compliance monitoring and organisational development within the Budapest School network.



Balázs Horváth

Areas of expertise:

- ▶ Management of the authorization process
- ▶ Detailed knowledge of the legal and regulatory background
- ▶ Organisational development

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HUNGARY



General disclaimer

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Information and data quality

In preparing our study, we have relied on publicly available data and information, without specifically verifying their validity. We have used different sources of data (e.g. school websites, education industry databases, articles, analyses) for the presentation and analysis of the private school market and individual private schools under study, so the data under study may refer to a different reference date.

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