

Project Legacy- investigating the feasibility of launching a fund to acquire small and medium sized businesses

Capstone project Summary

Purpose of this project

The Purpose of the project was to investigate the feasibility of launching a fund to acquire small and medium-sized businesses where the proprietor(s) seeks to retire, but whose natural successors do not have the necessary capability or motivation (or both) to continue the business.

Key Success Factors

I was looking for answers to determine the key success factors in acquiring such businesses, and in transitioning the proprietor out of the business. I have interviewed with Gabor Szendrői from Concorde Group and with Mark Fekete from CFI group. As a consequence of these interviews, I could collate positive and negative experiences.

Considered Industries

I needed to target specific geographic locations and other markets for investing in terms of the value of opportunities. I analyzed the Hungarian market and the CEE market opportunities and ordered them into five groups such as Real Estate investments, Green Energy Industry, Manufacturing and Agriculture and Food Industry. Based on the SWOT analysis I shortlisted the opportunities to the manufacturing industry in Hungary and the Green Energy industry in the CEE region.

Effects of the Pandemic Situation

As the current pandemic situation occurred, it changed completely the opportunities and the order of the target industries. Many sectors slowed (including Manufacturing) because of the increased risk of the Global downturn, also I considered the possible effects of the escalating trade tension between the US and China and the uncertainty of the Brexit. Also during the capstone project, the Hungarian government restricts the acquisition of certain sectors for foreign ownerships.

Renewable Energy Business

As a summary, based on the above reasons, and the future attractiveness I choose to target the opportunities of the renewable energy business.

In the region, the energy sector is in transition, from the fossil energy sources to the more green energies. The current stage of the technologies and innovations allow us to efficiently and profitably operate some of the renewable energy businesses. Regarding my research, I focus on wind energy, photovoltaic energy, and CHP (Combined Heat Power- high-efficiency gas turbines).

The future trends predict that Electricity consumptions double until 2050, while renewables make up over 50% of generation by 2035. Gas continues to grow its share of global energy demand- the only fossil fuel to do so – and reach the maximum at 2035. Oil demand growth slows down substantially. Carbon Emission is projected to decline due to the decreased coal demand.

Opportunity and final concept

Until recently, EU governments' support programs shielded renewable companies from market risk, merchant risk, technology risk, and high barriers to entry shielded them from the significant competition. The FIT (Feed-In-Tariff) and Quota obligations were widely used in the time-frame of 2007-2012, the 10-15-20 years concession rights will expire in the upcoming years.

I investigated the possibilities of Launching a fund that acquires renewable energy-based power plants in the Central European region plus Germany. Target power plants have an available capacity between 30KW to 10MW, the major energy source is the wind, solar, high-efficiency gas turbines.

