

SW

INVEST IN
TURKIYE

2021

THE STATE OF TURKISH STARTUP ECOSYSTEM

An In-Depth Analysis and Evaluation

WELCOME TO THE TURKISH STARTUP ECOSYSTEM

New Member of Unicorn Club!



Credits & Contact

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Serkan Unsal Founder, CEO

The State of Turkish Startup
Ecosystem 2021

Version: v1 // 2021



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KEY TAKEAWAYS

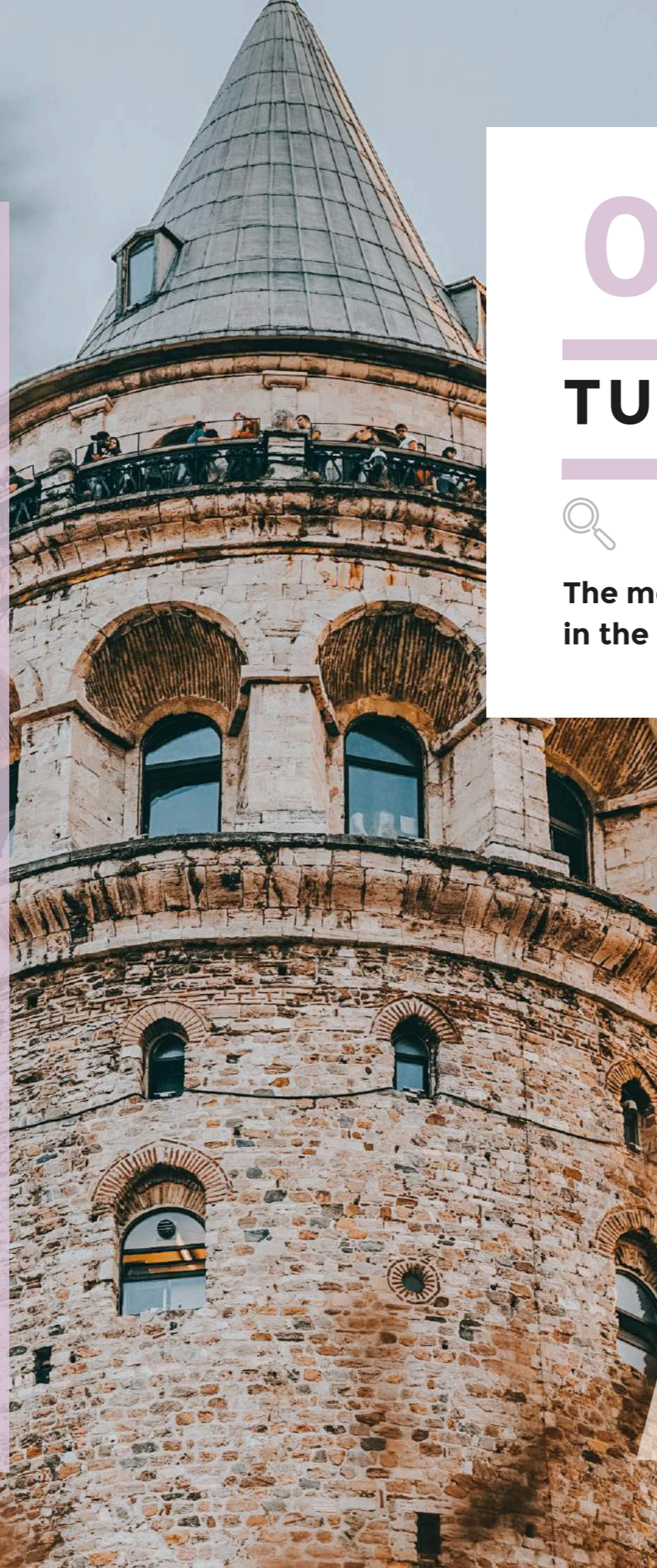
Quick Look at the Ecosystem

The best way to understand the Turkish Startup Ecosystem is to examine it as a series of periods. After 2000, the startup ecosystem can be clearly divided into three distinct periods.

The first period, from 2000-2009, was known as the bootstrapping period. Due to the lack of startup investors, most successful startups emerged from the bootstrap model, pulling themselves up to success.

In the second period, from 2010-2017, we saw a huge influx of supporting actors enter the ecosystem, leading to a rise in startups achieving growth via external investment. These actors included angel investors, VCs, CVCs, and accelerator programs, and, during this time, these actors established themselves, gained experience, and made their first investments.

Now, from 2018 onward, we have entered the Take-Off period. We witnessed Turkey's first unicorn, with a few more to follow suit shortly. VCs have raised and begun to deploy their second funds. We have our first IPOs. And many scaleups are starting to take their first steps toward global markets. The Turkish Startup Ecosystem is taking off, and we are all along for the ride.



01 TURKEY SNAPSHOT



The most vibrant startup ecosystem in the region

SPEED



Fastest Unicorn
23 Months



Fastest Exit
21 Months

EXPERIENCE



VC's w/Exits
7



2nd Time VCs
5

TAKE-OFF



#Decacorns
1



#Unicorns
4



#IPO (Nasdaq)
1



#Gaming Startups (Established 2020-2021)
127



#VC's Dry Powder (2018-2021*)
USD 680M

* As of June 30, 2021

02

STARTUP SUPPORTING ECOSYSTEM



Startup Growth Fueled by Broad Private & Public Support

Accelerators

In 2010, Turkey had as few as 6 accelerator programs. By 2020, this number soared to 65; H1 2021, the number of accelerator programs has galloped to 69. Although the pandemic had a negative effect on the number of programs run, many accelerators pivoted online to continue preparing entrepreneurs for raising investment and meeting with investors; in 2020 alone, all across Turkey 30 demo days took place online.

Incubators

Most incubation centers in Turkey have been established by technoparks, bolstering a direct correlation between the number of technoparks and the number of incubation centers.

Over the past decade, the number of incubation centers in Turkey has reached 82, driven by growth in the startup ecosystem and subsequent demand. These pre-incubation and incubation centers serve as catalysts and support mechanisms for startups who need a longer ramp up time before getting to scale, thus making these centers invaluable players in the ecosystem.

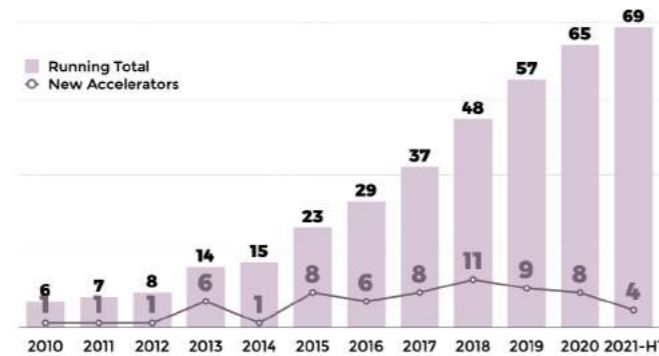


Chart 1 - The Number of Startup Accelerators in Turkey

In the last few years, accelerator programs have been more specialized, focused on individual sectors and themes, with a particular focus on the gaming sector. From 2020 to the first half of 2021, the number of accelerator programs focused on the gaming space rose by 33%.

Moreover, during the same period, accelerator programs designed for scaleups and internationalization have also been launched, addressing an emerging need that has developed alongside the maturity of the ecosystem.

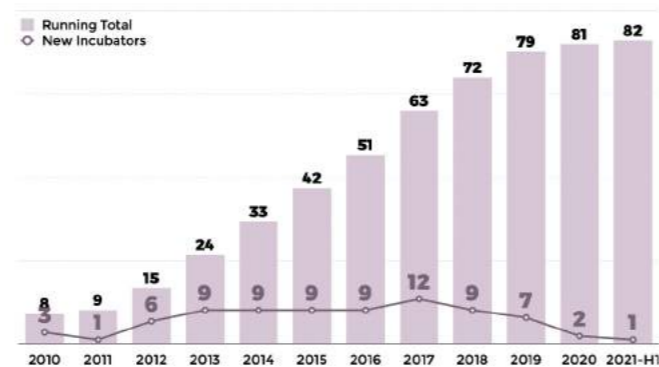


Chart 2 - The Number of Startup Incubators in Turkey

Co-working Spaces

The co-working culture, which emerged in 2010, became a widespread trend in 2016 and, following several leading successful spaces, led to the establishment of a wide variety of co-working options across the country. Although the pandemic put a damper on the sector's rapid growth, and pushed many startup teams to work from home, these spaces quickly transitioned into virtual office services and community connectors for their startup members.

Whether through organizing events and activities, or simply providing higher chances of serendipity to interact with people across multiple disciplines, co-working spaces have become the most active hubs for entrepreneurship in Turkey.

In Istanbul specifically, the Levent-Maslak corridor hosts both a plethora of co-working spaces and is both the city's, if not the country's, leading business center, resulting in a seemingly endless number of entrepreneurship events, and likewise both chance and deliberate encounters between entrepreneurs and investors.

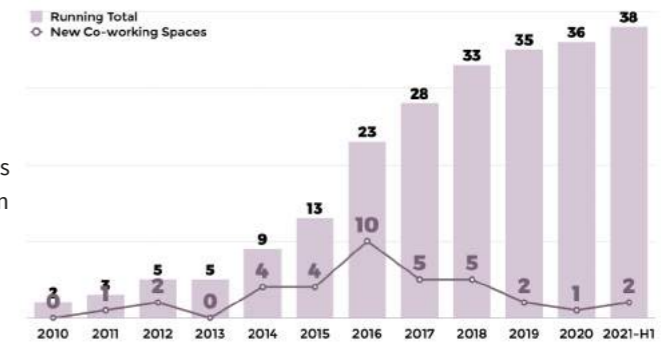


Chart 3 - The Number of Co-working Spaces in Turkey

Technoparks

Starting in the year 2000, the number of R&D technology parks have risen rapidly across the country, with 6,267⁽¹⁾ technology firms now residing in one in 2021. These firms employ a total of 64,866 people and generate TRY 7.7 billion in exports.

In 2010, the number of active technoparks, i.e. those that host at least one active technology firm, was 27; in 2021 this number has risen to 68. Moreover, an additional 16 technoparks are currently under construction.

While most early-stage startups in Turkey tend to prefer incubation centers, co-working spaces, and accelerator programs, scaleups overwhelmingly tend to establish offices in technoparks. This demonstrates the important role that technoparks play specifically in later-stage startup growth.

As part of a new regulatory framework in 2021, technoparks have started to establish incubation centers outside of their current zones, which provide startups even more working options to choose from.

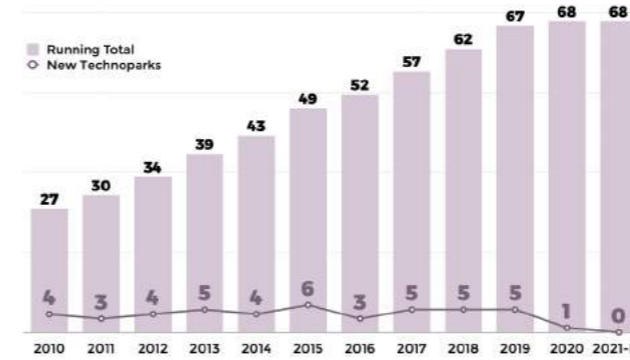


Chart 3 - The Number of Technoparks in Turkey

Government

The Turkish government is a very active and strong supporter of the startup ecosystem in Turkey, offering a variety of programs and policies to enable the establishment and growth of startups. A few of the government's key entrepreneurial policies are as follows:



Grant Program for Startups at Idea Stage

TÜBİTAK BiGG grant program launched to support entrepreneurs in idea stage. (1512)



Accreditation of Angel Investors

Ministry of Treasury and Finance started giving certificates to angel investor



Supporting Technology Funds

TTA Turkey Project is co-financed by the EU and the Republic of Turkey under the Instrument for Pre-Accession Assistance (IPA) funds and managed by EIF on behalf of the Ministry.



Supporting Growth Funds

The Turkish Growth and Innovation Fund (TGIF), established by EIF, Ministry of Treasury and Finance, KOSGEB and TSKB



Venture Capital Funding Program

Ministry of Treasury and Finance and Technology Transfer Offices supported by TÜBİTAK launched a VC funding program.



Two new funds and One FoF

Development and Investment Bank of Turkey launched Regional Development Fund and Technology and Innovation Fund (FoF + Fund) (USD 95.5 million)



Grant for Development of Startups

Entrepreneurship Development Support Program (KOSGEB)



Regional Venture Capital Support

Istanbul Development Agency program (TRY 250 million)

2012

2013

2014

2015

2016

2017

2018

2019

2020



Mentorship Program Support

Development and Implementation of Mentoring Mechanism



Supporting Entrepreneurship Courses

Supporting Entrepreneurship Certificate Programs in Universities



Supporting Accelerators

TÜBİTAK started supporting accelerators for screening and acceleration of startups at idea stage for 1512 program.



Supporting International Accelerators

KOSGEB started supporting accelerators abroad for the benefit of startups that want to globalize.



Equity Based Crowdfunding

Communiqué on Equity Crowdfunding numbered III-35/A.1 issued by the Capital Markets Board of Turkey. (First platform launched in 2021)

Beginning in 2012, governmental agencies enabled and supported the development of local startup mentors, accelerator programs, angel networks, business internationalization programs, venture capital funds, and crowdfunding platforms.

The Scientific and Technological Research Council of Turkey (TÜBİTAK) has been providing grants via its program called TUBİTAK BiGG to idea-stage startups since 2012. In 2019, 568 idea-stage startups received grants of TRY 200 thousand each; in 2020, 531 such startups received grants of TRY 200 thousand each. ⁽²⁾

In the first quarter of 2021, 31 new technology firms were established with the support of the Small and Medium Industry Development Organization (KOSGEB); additionally, 241 startups received USD 830 thousand and 71 R&D firms received USD 200 thousand from KOSGEB over the same period ⁽³⁾.

03

STATE OF THE ECOSYSTEM

Mega Rounds, Unicorns, Exits... Turkey entered a new era!

Investors

From a funding perspective, the Turkish Startup Ecosystem can be divided into three periods. The first, prior to 2010, was the bootstrapping period, during which most startups found growth by relying on their own resources and generated revenue.

The second period, from 2010-2017, saw the emergence of new VCs, new angel networks, and new angel investors who became key players in the ecosystem. Growth was focused inwards, with internationalization taking a back seat. Also, while many

mistakes were made, a lot of experience was also gained, and we bore witness to several sub-billion dollar exits.

The third period has been highlighted by the rise of Turkish unicorns and several fast, successful exits while local VCs, having raised their second funds, leveraged experience gained through successful exits to begin making additional investments. Furthermore, funding and support for startup investing also increased. The Ministry of Treasury and Finance (MTF), the Scientific and Technological Research Council of Turkey (TÜBİTAK), and the Istanbul

Development Agency (İSTKA) provided matching funding to venture funds, leading to an increase in limited partners for funds.

Likewise, the government-sponsored angel investment accreditation program, which began in 2013, provides tax advantages to active angel investors, encouraging to the official accreditation of 643 angel investors to date.⁽⁴⁾

Angel networks are also quite popular in Turkey. The most well-known angel investor networks, both accredited and non-accredited, are provided above.



List 1: List of Angel Networks in Turkey



Rise of New Funds!

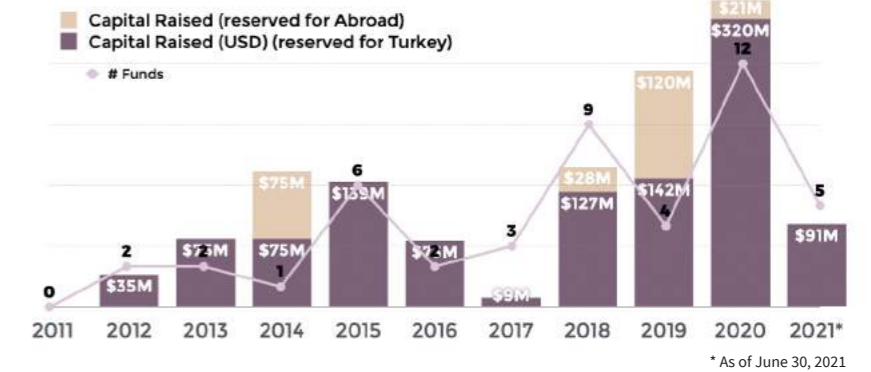


Chart 5 - Turkish VC Fundraising Activity

The growth of the Turkish startup ecosystem and a series of successful exits have led to an increase in new venture funds, while also making it easier for established VCs to raise their second funds. From 2018-2021, there is USD 680 million in “dry powder” available for investment in Turkish startups, the largest such available funding to date.

A new regulatory framework for venture capital investment funds has now encouraged VCs to establish their headquarters in Turkey over the Netherlands or Luxembourg, as had been popular previously. Specifically, banks have shown a strong interest in establishing local-based venture funds.

A few Turkey-based, early-stage VC funds and investment offices are as follows:



List 2 - List of Early Stage Local Funds and Investment Firms in Turkey

212	iyzico PayU, USD 165M, 100%				
500	Cloudpipes Quick Base, -, 100%	Paraşüt DST Teknoloji, -, 100%	Peoplise Logo, -, 100%		
act	Datarow Amazon, -, 100%	Segmentify Esor Inv., -, 10%			
dcp	Paraşüt DST Teknoloji, -, 100%				
EARLYBIRD	Dolap Trendyol, -, 100%	EMBonds BGC partners, -, 100%	Vivense Actera Group, -, 90.1%	FITE Triller, -, 100%	UIPath IPO, -, -
R	Foriba Sovos, -, 100%	Peoplise Logo, -, 100%	Paraşüt DST Teknoloji, -, 100%		

List 3 - VC Funds & Their Exits



Funds Gaining More Experience

Amongst these early-stage VC funds, 212, 500 Istanbul, DCP, Collective Spark, Revo Capital and Earlybird Digital East Fund have successfully raised their second funds and are now applying experience gained from their first funds toward new investments.



Increase in Thematic Funds

The acquisition of Peak by Zynga at a valuation of USD 1.8 billion, and Rollic's 80% acquisition also by Zynga for USD 180 million after only 21 months since founding have made gaming the darling of the investment community. In the past few years, WePlay Ventures and Ludus have raised thematic funds specifically to invest in local gaming startups.

M&A Activities

In just the past few years, Alibaba's majority (82%) acquisition of Trendyol for USD 728 million in 2018, Zynga's acquisition of Peak for USD 1.8 billion in 2020, and, in the same year, after only 21 months since its founding, Rollic's 80% share acquisition for USD 180 million have proven the exit potential of the Turkish startup ecosystem.

In terms of VC-backed exits, Earlybird Digital East Fund's investment in UiPath was not only one of Turkey's largest exits but for all of Europe as well. Other Turkish VC-backed exits, listed in order by size, include İyzico (212), Vivense (Earlybird DEF) and Foriba (Revo Capital).

The five biggest acquisitions in Turkey between the years 2010 to 2019 are as follows.

List 4 - Top 5 Exits (2010-2021*) (USD)

* As of June 30, 2021

01	Peak Zynga, \$1.8B, 100%
02	hepsiburada IPO (Nasdaq), ~\$761M, 20%
03	Trendyol Alibaba, \$728M, 82%
04	Yemeksepeti Delivery Hero, \$589M, 100%
05	Gram Games Zynga, \$250M+, 100%



Chart 6 - Exits and Secondary Transactions in Turkey

Deals

Startup investing in Turkey can be divided into three distinct phases. In the first phase, from 2011-2017, newly established VC funds made their first investments. By the end of 2017, most funds had finished their investment cycle and began raising their second funds, leading to a drop in startup funding in 2018. In this second phase, from 2018-2020, Turkish VCs, armed with newly raised funds, began investing in earnest again. Now, in 2021 and beyond, the third phase, we are witnessing mega round investments in high-flying scaleups with truly global ambitions such as Getir and Dream Games.

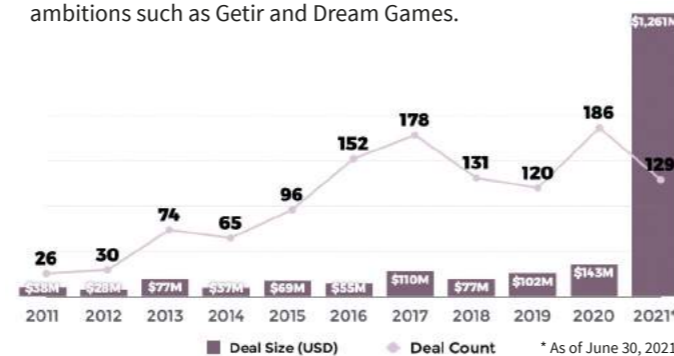


Chart 7 - Disclosed Equity Funding Rounds by Angels and VCs in Turkey

In 2021, Getir raised over USD 978 million in funding across three rounds while Dream Games raised USD 205 million across two rounds; just these two alone have pushed Turkey's annual investment amount well over USD 1 billion for the year.

Corporate Engagement

Turkish corporations first started to engage with the local startup ecosystem back in the early 2010's. As the ecosystem became more active, and more success stories began to emerge, corporations increased their presence in the ecosystem both through direct financial investments as well as corporate-sponsored accelerator programs. With the introduction of a regulatory framework for venture capital investment funds, Turkish banks specifically began to lead the charge in forming and deploying corporate venture capital (CVC) funds.

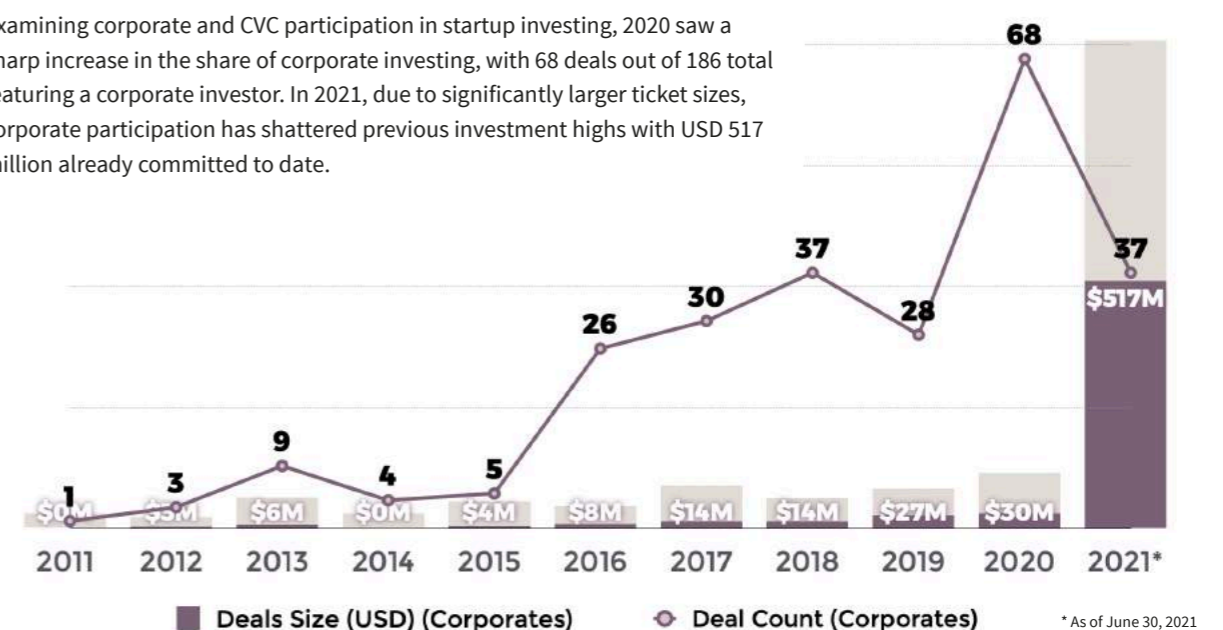
CVC funds started in the last 10 years include:



* As of Aug 15, 2021

Timeline 2 - Timeline of CVCs founded in Turkey

Examining corporate and CVC participation in startup investing, 2020 saw a sharp increase in the share of corporate investing, with 68 deals out of 186 total featuring a corporate investor. In 2021, due to significantly larger ticket sizes, corporate participation has shattered previous investment highs with USD 517 million already committed to date.



* As of June 30, 2021

Chart 8 - Deals in Turkey by CVC Participation

Hot Verticals



Gaming

Thanks to Peak's USD 1.8 billion exit and Rollic's 80% share acquisition for USD 180 million after only 21 months, Turkey has had an explosion in new gaming startups, with 213 new gaming studios established between 2019 – Aug. 2021. In total 445 gaming studios are currently headquartered in Turkey, making it one of Europe's most important gaming hubs.

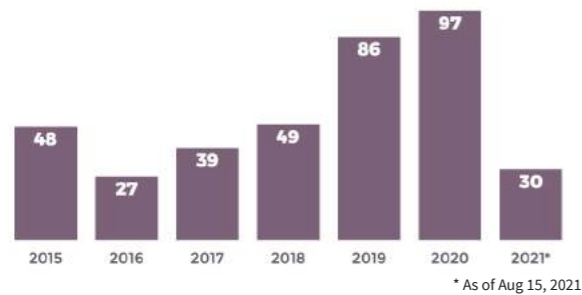


Chart 9 - # Gaming startups founded in Turkey

In the first 7 months of 2021, spurred by the success of locally produced games in the global arena and an increased appetite for gaming investments by VC funds, the gaming sector had 32 startups raise a total of USD 224 million, breaking a local ecosystem record.

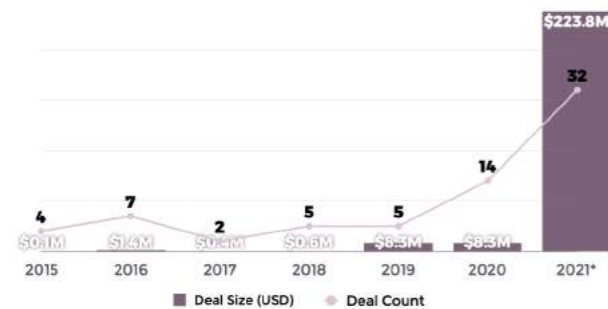


Chart 10 - # Game Deals in Turkey



E-commerce

Trendyol has become Turkey's first decacorn, having raised USD 1.5 billion in its most recent fundraising round that valued the company at USD 16.5 billion, and Hepsiburada's USD 3.8 billion valuation in its NASDAQ debut, are the largest indicator of e-commerce's success and continued growth potential. Specifically, the development of e-commerce platform models and same-day delivery logistics options have made the e-commerce vertical one of the hottest sectors in Turkey.



Grocery Delivery

The elevation of Getir, founded in 2015 on the principle of 10-minute market delivery to your doorstep, to global unicorn status and similar success/growth experienced by Yemeksepeti in the fast market delivery sector under the Banabi brand has made the dark store concept a mainstay in Turkey cities. Additional players and startups continue to emerge in this sector, promising a variety of delivery speeds and unique concepts.



Fintech

Given the enormous support by local banks, regulative changes made to support innovation in the sector, and the high number of successful exits, Fintech continues to be one of Turkey's most important verticals. Recently, opportunities in open banking and cryptocurrency have seen a surge in new startups pursuing new approaches.

Colendi raised USD 30 million in series A round lead by RePie Asset Management within the participation of foreign investors and it became the biggest fintech round.



Deeptech

Deeptech first began to emerge as an up-and-coming vertical in 2015. Since then, the establishment of two deeptech-focused VC funds, the launch of deeptech-specific accelerator programs and incubation centers, and the emergence of successful deeptech startups has made this one of the hottest verticals to watch in Turkey.



Billion Dollar Club

In 2019, Turkey had yet to generate a single unicorn startup, or any technology company valued at over USD 1 billion. Peak's acquisition for USD 1.8 billion in 2020 made it the first to pass this milestone. In the first eight months of 2021, new funding rounds by Dream Games and Getir added two more to the list. Furthermore, Hepsiburada launched its IPO on Nasdaq at a valuation of USD 3.8 billion, while Trendyol raised an additional USD 1.5 billion, becoming Turkey's first decacorn. Thus, the Turkish Billion Dollar Club went from a membership of 0 to 5 in just two years, with Trendyol being the sole decacorn club member.

Established as recently as 2019, Dream Games became Turkey's fastest-to-unicorn startup in 2021. These success stories demonstrate that the Turkish startup ecosystem has not only figured out the right ingredients to be a global player, but how to do it at breakneck speed as well.



List 5 - Members of Turkish Billion Dollar Club

While not yet official, extrapolating current revenues and growth rates, the Turkish Billion Dollar Club is expected to double the number of its members over the next two years.

04

WHY TURKEY AND WHY NOW ?



Interviews

Listed in Alphabetical Order



Twenty years ago, in 2001 Pozitron turned one and Gitti Gidiyor and Yemeksepeti launched. It was the dawn of the Turkish startup scene. E-commerce defined everything, in a place that lacked seasoned investors, let alone venture capitalists, incubators, and any hope to be a unicorn or simply “exit.”

In two decades, Turkey’s startup ecosystem has not just grown — it’s surpassed expectations. Despite crises and conflict, in two decades, it has witnessed significant exits and has yielded unicorns. More importantly, it has evolved into a vibrant and competitive network.

Today’s Turkish startups are players in AI, FinTech, Gaming, and SaaS — not just in Turkey, but on the world stage. Our companies are globally recognized and fierce. The benchmark is no longer confined to Turkey’s

Ali Karabey

Founder & Managing Partner at 212

borders. The benchmark is now Europe, Asia, and Silicon Valley.

Remaining on par with these global players will be the test for the next 20 years. That responsibility lies with the ecosystem — the VCs, angels, accelerators, and other stakeholders. If the first two decades of the Turkish startup ecosystem were hard, the next two and beyond will be harder. Sustaining success always is.



Arın Özkula

General Partner at 500 Istanbul

With a young and tech-savvy population with great engineering talent, Turkey always had great potential to be an important startup hub in Europe. Over the last 10 years, the Turkish startup ecosystem has been gradually growing out of its infancy stage to fulfill this potential. Venture financing in this period grew 10 times, and the growth has especially been accelerating since 2018, with significant investments in Turkish founders and over USD 3.5 billion of exit value. 3 of the top 10 exits in 2018 and one of the top 10

exits in 2019 in Europe were from Turkey, while Peak’s exit to Zynga for USD 1.8 billion was one of the largest exits globally in 2020.

At 500 Istanbul, we are proud to be the one of the first early-stage investors in Turkish founders. Having invested in leading companies like Insider, Firefly, Carbon Health & BillionToOne, we believe that the last few years have hinted at Turkey’s true potential in the next decade. We are excited to continue to back globally focused teams with our €30m second fund, and expect an even greater transformation in the ecosystem in the coming years.



Atıl Erken

General Partner at Collective Spark

as Tarfin, Justmop, Yolda went on to raise follow on funding from reputable US & EU based investors where our deep reserve policy allowed us to lead or participate in multiple rounds. We continued our pace during COVID-19 and we are not slowing down anytime soon.

Collective Spark is a USD 40 million early-stage technology fund primarily focusing on ventures coming out of Turkey & Turkish diaspora in areas such as fintech, marketplaces, gaming, SaaS and enterprise software. From our second fund, we made twelve investments in three years, having led eleven of the initial rounds. Startups in our portfolio such

Turkey once again has proven to be a very capital efficient market producing significant exits and many unicorns despite being significantly under penetrated with respect to VC dollars. This gap might start closing as we continue to witness USD 1B+ private equity funds cutting single million-dollar checks in pre-revenue startups. We are also confident

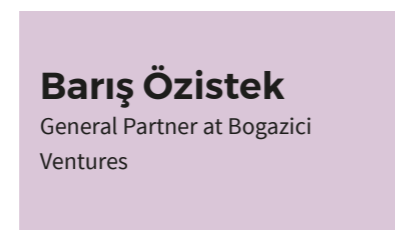
government is going to continue doing its share by directly investing in funds & fund of funds, giving confidence to other types of patient capital such as local endowments which we are proud to have secured as backers.

We continue to be bullish on the entrepreneurial and engineering talent and the determination of serial entrepreneurs shooting for bigger outcomes. We strive to be the most entrepreneur friendly fund by closely aligning incentives and by being at the service of our entrepreneurs 24/7, through strategic & practical advice, global connections and operational resources in different areas of expertise. As the most co-investment friendly fund in our ecosystem, we have seen inspiring results by joining forces with local & global VCs and value adding angels.

As the founding partners of Boğaziçi Ventures, we were fortunate to be the early entrepreneurs in gaming and fintech verticals with multiple exits. Now, we enjoy being one of the pioneers in the eco-system as the early stage tech investors.

Turkish tech companies are extremely powerful in terms of hard worker talents, creativity, and ambition. The market provides the ideal conditions to launch and polish the tech products. Open minded teams are close both to Western and Eastern culture and business networks which expands the addressable market. This is a geography where tech entrepreneurs truly work for disruption.

Local market is big but in the last 5 years we see a strong mind shift to international growth. That created a significant fuel for acceleration. It's now more likely to see tech



Barış Özistek

General Partner at Bogazici Ventures

companies with exponential growth. Recent unicorns prove the strong growth while we expect the market to reach more than 10 unicorns soon in gaming, RetailTech and Fintech verticals.

There is a strong wind at Turkish tech eco-system's back. Top talents are willing to work for startups instead of conglomerates, experienced talents are brave and ambitious to become entrepreneurs, early stage financing is reachable and many government supports push for more international growth. We're in the correct time and location to develop the next unicorns.



Cem Sertoğlu

Managing Partner at Earlybird Digital East Fund

At Earlybird Digital East, Turkey continues to be one of the core markets for our €200m early-stage tech VC fund dedicated to Emerging Europe.

Turkey's large domestic economy and strong technical talent base make it a breeding ground for ambitious tech startups addressing large global or regional markets. We were fortunate to have backed the largest technology success stories emerging from the country, including multibillion-dollar companies Trendyol, Peak, and Yemeksepeti, each proving the potential of the Turkish startup ecosystem.



C. Murad Özsert

Co-Founder & CTO at yolda.com

dominant form of inland freight movement, market size reaching up to 50 bn USD - big enough to provide us with the necessary market depth on our journey to becoming Unicorn.

Another advantage of starting operations in our home country, Turkey; was the demographic advantage of our country and a well-trained engineering talent pool including software developers available to build a sustainable and scalable business. And this was a direct result of strong university infrastructure focusing on engineering and technology. The logistics industry is just at the beginning of digitalization for both Turkey and Europe. It is still a conventional sector handled in same way upon hundreds of years. Now, it

is our turn. We are expanding our operations and services to Europe aiming to make Yolda.com as global startup. We believe that our hyper-scaled growth ambition and early-stage investments received from prominent global investors will encourage Turkey's entrepreneurs to build success stories in increasing numbers aiming at scalable business models and developing truly global products.

Supported by easier access to capital, Turkey's brilliant engineering talent is getting more ambitious in developing products that address global markets. Peak's huge success in the US and other major markets is a testament to this.

Turkey's large and tech-savvy population also enables consumer-facing businesses to create very large outcomes, even if these businesses stay local. Trendyol is a great example of this, becoming a multi-billion dollar success by focusing on the Turkish e-commerce opportunity alone.

Turkey's strong fundamentals and investment track record make it a great market for early-stage tech investments. We are very enthusiastic about the opportunity our home market presents and continue to see it as our most attractive investment geography.



Cenk Bayraktar

Managing Director at Revo Capital

We are excited for the continued strong growth of the Turkish startup ecosystem in 2021. USD 509 million invested in a total of 62 deals which is more than the total of any other year, marking a record high year for Turkish startup ecosystem. Our portfolio company Getir attracted USD 428M of the total USD 509M investment for its global expansion, becoming the highlight of Turkish ecosystem in 2021.

There is more than USD 500 million dry powder in the ecosystem still waiting to be deployed over the next couple of years, presenting a great opportunity for early stage

companies. However at later stages, we are observing an increasing funding gap and unrealized potentials of internationalization. It is therefore crucial for Turkish VCs to leverage and share their fundraising know-how and make introductions to international VCs as follow-on investors. Over the past year we also observed the Turkish startup ecosystem becoming increasingly decentralized as startups and IT developers have become mobile as IP no longer has boundaries. As a result, we are also seeing an uptick in the number of Turkish founders that start their company abroad.

We plan on closing the gap in growth funding through Revo Capital Fund II. We completed the third closing of our second fund at €60M and have already backed 5 companies. We plan

on investing in 10-15 startups that are from Turkey, Eastern Europe and the Baltics. Some of our target verticals are B2B SaaS, Fintech, Big Data, AI, Marketplaces and HealthIT. As an active investor we have a natural alignment of interests with our entrepreneurs and help them supercharge growth and find the best investors.

Accelerated by the pandemic we also saw fintech transforming consumer and enterprise financial services across Europe and Turkey. We see a tremendous potential in the momentum that Turkey is adopting fintech, in many cases "leapfrogging" typical stages in the digitalisation of financial services making it a growth market for the world's leading fintech platforms, as well as the potential for the region's nascent startup ecosystem to develop local champions and enable the digitalisation of banks and other businesses.



Demet Mutlu

Trendyol Founder and CEO

Turkey is a youth-driven, digitally active hotbed of innovation with a vast pool of brilliant engineers and innovative developers laying the foundation for an ever-maturing startup ecosystem. Turkey's

traditional values—such as generosity, loyalty and strong community networks—are well suited to the digital age, making Turkey a welcoming centre of opportunity for international entrepreneurs.

With half of its population under the age of 32 and as home to the 7th largest market for mobile apps, Turkey is poised as a digital leader. This is reinforced by its strong startup culture, fuelled by broad private and public support and reflected in the exciting growth of its e-commerce sector – worth USD 32 billion by 2020. As the largest e-commerce platform in Turkey, Trendyol is defining the shape of the industry's success.

Data-driven and with a finger on-the-pulse of trends, Trendyol operates multiple businesses across a range of services; Trendyol's own delivery network (Trendyol Express), an R&D centre that drives digital transformations (Trendyol Tech), an instant food and grocery delivery service (Trendyol Go), and the largest second-hand platform in the country (Dolap).

With its deep knowledge and experience on how to keep users engaged in today's attention economy, the platform has achieved "super app" status, offering customers what they need and earning their loyalty over time.

From the marketplace to the super app, Trendyol welcomes sellers and customers from across borders. Making retail mobile, agile and on-demand, it continues to turbocharge the future of Turkey's e-commerce sector.

As an enterprise software and SaaS company solely focused on SMEs, Mikro Yazılım Group is the result of a successful roll-up strategy that brought together some of the mature but small, excellent software companies and several innovative SaaS startups under one vision with the leadership of financial investors, Turkven and Earlybird.

Our vision of supporting Turkish SMEs grow profitably is rooted in the strong global trends such as increasing digitalization of business processes, high-growth e-commerce activity, fast-paced innovations in fintech and the prevalence of digital banking which are all present in Turkey in different degrees, highlighting several opportunity areas for years to come.

The existence of highly qualified engineering teams that can innovate products that have broad appeal, a

E. Göktekin Dinçerler

Executive Chairman at Mikro Yazılım Group

strong and company-wide focus on customers which we choose to call "customer obsession" and a well-functioning channel partner organization is what we are counting on to deliver against this vision.

We believe that Mikro Yazılım Group's recent success story in SaaS and enterprise software is not a coincidence but rather is a result of an investment thesis that solidly built on a combination of Turkey's growing startup ecosystem, a wealth of mature but small, excellent product companies in Turkey and a dynamic economic environment that rewards innovation handsomely.



Gülsüm Çıracı

General Partner at Startupfon

Startupfon is Turkey's leading online venture investment platform with a newly established venture capital fund; looking to penetrate the early-stage opportunities in the market. Startupfon invests in early-stage technology and tech-driven startups appealing to global markets and supports their expanding journey. Being Turkey's first co-investment fund, Startupfon contributes with its mechanism that facilitates the participation of potential investors in the ecosystem.

Turkey is the World's 17th largest economy with a GDP of 857 billion USD. The ability to adapt to the latest technologies, the ever-increasing number of software developers and engineers, and having the largest talent pools in Europe especially combined with the young population makes Turkey an extremely favorable climate for entrepreneurship.

Although the Turkish startup ecosystem is quite young, the number of acceleration programs, angel investors, venture capitals and most importantly the number of entrepreneurs continue to grow rapidly every year. There has been a 35% increase in the number of startup

investments from 2019 to 2020 and still on the rise by 2021.

Recent successful exit stories such as Insider, Getir, Trendyol and Peak have led the qualified and bright engineers to take part in the emerging startup ecosystem. We believe that this will lead to more successful startups in the coming years. In addition to the progress in the ecosystem, public policies are constantly evolving and improving in order to support entrepreneurship in Turkey.

From this point of view, compared to the sophisticated ecosystems, Turkey offers great opportunities to reach good deals much earlier and more easily. As Startupfon, we have already invested in three startups in two months after our first closing in March 2021 and aim to invest more in the second half of the year.

2020 solidified two trends,

1. more and more people turned to online tools for work, school, entertainment, and shopping, which accelerated the transition into the digital economy,
2. the importance of making investments in deep technologies that would accelerate scientific discovery, yield life-saving vaccines and drugs and enable environmentally-friendly change has become apparent.

We believe Turkey is very well positioned to benefit from both trends. With a population of 82 million, with half of it below 32 years old, Turkey has excellent dynamic demographics that form the base for startups. In addition, the highly agile workforce adopted remote work very quickly and has an appetite for global expansion opportunities. Recent exits in gaming are a sign of this high-performing startup scene.



Hande Çilingir

CEO of Insider

There is an overall increase in investments to Turkish companies, although the total amount of investment is still less than in regions such as Europe, America, and Israel. As companies exporting technology, software, and services abroad increase, the number of companies and investors abroad who trust the promising products of Turkish companies is also increasing. We can deduce that the startups in Turkey are on the right track observing the vision of entrepreneurs in the recent period. It also shows the potential of the Turkish ecosystem.

Today, there are many examples of successful startups that have received investment from abroad and they have never failed yet.

Haluk Zontul

Managing Partner at Diffusion Capital Partners

The country's well-known universities generate many globally competitive engineers that serve the entrepreneurial ecosystem. Over the last decade, public programs supported more than 15.000 companies that are active in deep-tech domains. This policy enabled a build-up of innovative startups solving big problems.

Diffusion Capital Partners (DCP) is Turkey's leading Venture Capital fund manager focusing on such deep technology opportunities. We seek investment opportunities with a science and R&D engrained competitive edge and transformational aspirations in multidisciplinary fields. DCP team has the unique experience of managing two funds with a deep tech focus, 28 investments, and four exits. The



connections with universities and research centers nurtured over the years provide healthy and proprietary deal flow. We believe current deep-tech opportunities developed in these institutions complimented with talented founders will generate international success stories and attractive investment returns for funds like us.

What makes entrepreneurs in Turkey different from others in the world is that they are in the state of mind where "Being Successful" is not an option but a necessity. This is a driving force that pushes to success. Originating from our geography, the survival and adaptation instincts of entrepreneurs in Turkey are very advanced. They can survive when things don't go well.

The Insider story also begins in this geography. Insider's investment from Sequoia Capital and being in the Top 5 in the Forrester and Gartner Reports together with the giants of the industry shows that anything can be achieved.

Turkish startup ecosystem in terms of angel and VC investments, rose to the 10th among the countries that most investment in Europe in the first quarter of 2021. Considering the Angel and VC funding is still less than around USD 2 per capita leaving room for investment opportunity.

Capital Markets Board of Turkey (CMB) approved and issued Alternative Investment Funds communiques in 2014. This legislation is aligned with AIFD in the EU. The instrument is used for either venture capital investment funds (VCIF) or private equity investment funds (PEIF). Since 2014, 65 funds have been established by 19 portfolio management companies, again regulated by the CMB. Total size of regulated Turkish VCIFs/PEIFs today are 7,5 billion Turkish liras. Those funds are targeting different stages of ventures.



In the light of developments in the past several years, we may comfortably state that the Turkish entrepreneurship ecosystem has become more developed and robust in many respects and has in fact become one of the leading entrepreneurship hubs in the world.

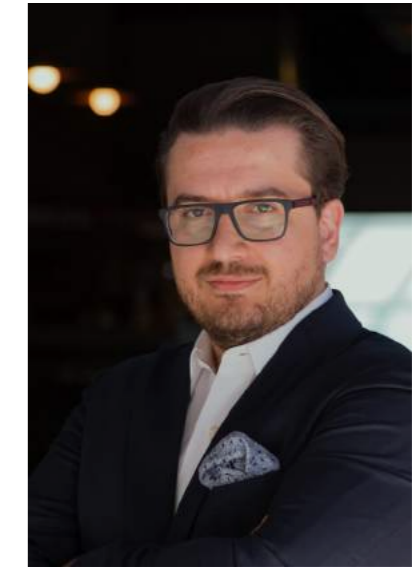
Mehmet Ali Ergin

Founding Partner - Re-Pie Asset Management Co.

Within the mandatory investment into VCIFs by private pension plans and tax incentives to companies that invests into VCIFs accelerated the growth of investor base and size of funds.

In 2022, companies that has R&D centers will have to invest into VCIFs. These regulations by government gives momentum to the investments into start-up ecosystem.

We invested into 6 scale-ups through our First Diversified VCIF and we aim to invest into another 15 in the coming 12 months. EdTech, games, healthtech, IoT, logitech and fintech are primary targets of this fund. Being a regulated asset management



company and creating regulated fund structures give assurance to our LPs which are private pension plans and qualified investors. Our successful investments, especially Getir attract local and foreign investors. Tax incentives of the tool become the cherry on top.

Murat Onuk

Ceo at Arz Asset Management

Significant steps taken by the private and public sectors are the main driving force behind this success. The public sector initiated various programs to back the ecosystem and has contributed as an investor in various funds. Additionally, Turkish corporations are now more eager to work with founders who have a unique and transformative mindset.

In 2021 Q1, Turkish startups raised a tremendous amount of investment, setting a record for the ecosystem.

Fueled by large investment rounds and large exits, Turkey has now become the 10th most active country in Europe and 2nd in MENA in terms of

angel and VC funding. Positive developments in the ecosystem have further increased the appetite of investors targeting Turkish startups, whose numbers have skyrocketed in recent years.

We strongly believe that Turkey is on the road to become one of the most attractive entrepreneurship hubs in the world thanks to its skilled workforce, strategic location, robust economy, favorable demographics, lucrative investment incentives and strong R&D ecosystem.

At Arz Asset Management, a uniquely positioned asset management company in Turkey, we have been supporting the transformation of Turkish startups into global players in their respective fields since 2015. We are excited to be part of this growth story and welcome others to join us in taking this journey to the next level.



Nazım Salur Founder of Getir

Founded in 2015 and achieved ‘unicorn’ status in just 5 and a half years Getir became an important example for the development of the Turkish startup ecosystem. The factors behind the success of Getir include Turkey’s young population reaching, widespread internet use and accelerated transition towards the digital age.

When we look at the pace and potential of the Turkish e-commerce market, between 2014-2020 the online shopper penetration increased by 20 points and has reached 36.5%. Projections show that in the following 4 years Turkey’s e-commerce market

As the global impact investing market is close to the USD 1 trillion mark with more on the way, one of the greatest challenges is to have a solid supply pipeline. Majority of this pipeline could come from a few high-potential newly industrialized countries that have the necessary foundations; such as the promise of a large regional market, competitive human capital and a strong institutional base. Turkey is definitely in this select group. We have just established the Impact Investing Advisory Board (EYDK) with the backing of 27 leading public, private and third sector stakeholders to create and uplift the national impact investing ecosystem.

Our stakeholders are competent at enabler, intermediary and policy sides and are ready to nurture a supply side that is diverse, institutional and financially attractive for the growing demand. Turkey has a

is estimated to grow over 2.5 times, attracting the continued interest of global technology ecosystem.

Getir is the ultrafast delivery pioneer which revolutionized last-mile delivery in Turkey in 2015 with its 10-minute grocery delivery proposition and now as the inventor of this model became a firm exporting its unique technology to the world.

In June 2021, Getir concluded its Series D funding round, raising USD 555mn and took the company’s valuation to over USD 7.5bn.

This marked Getir’s third investment round in 2021, increasing the firm’s valuation 8.8 times in 5 months. We intend to use all the capital raised

towards pursuing our expansion plans both domestically and internationally. In addition to 33 cities in Turkey, Getir currently operates in London, Paris, Berlin and Amsterdam. With the recent acquisition of BLOK, currently operating across several cities in Southern Europe including Madrid, Barcelona and Milan, Getir gained immediate access into Spain and Italy, with Portugal soon to follow. Three cities in the US are on the roster to follow by the end of this year as Getir expands into the United States.

Turkish e-commerce market which reached 226 billion Turkish Lira (32.2 billion US Dollars) volume, growing 66% in 2020, fueled by leading brands like Getir. We are happy that Getir, the Turkish 5 letter word, is now winning the hearts of people in many other countries.

Şafak Müderrisgil Chairperson at EYDK (Impact Investing Advisory Board)



burgeoning startup and venture capital scene with two unicorns in 2020, countless R&D centers and technology parks enjoying various incentives and private sector support. EYDK shall build on these strengths to create a new breed of Turkish impact investor. In this regard, we are also focusing on developing a localized and competent impact measurement framework. Five key areas with the highest impact are listed as refugee livelihoods, women’s empowerment, health-tech, renewable energy and financial inclusion. These offer good investment opportunities for investors who pursue the triple bottom line. Turkey is well-positioned

to initiate a robust impact investing ecosystem and provide access to both MENA and EECA regions. EYDK is ready to welcome the global impact capital.

05

APPENDIX

Disclaimer

The information provided in this report is general and does not constitute financial, tax, or legal advice. Whilst every effort has been taken to ensure the accuracy of this report, the editors and authors accept no responsibility for any inaccuracies or omissions contained herein. Financial, tax, or legal advice should always be sought before engaging in any transaction or taking any legal action based on the information provided. Should you have any queries regarding the issues raised and/or about other topics, please contact the authors of this report.

All information in this report is up to date as of 20.08.2021

Key Terms & Definitions

Startup : Product focused private tech company with lots of blurry things like revenue model, customer and product. Tailor-made solution providers are not considered as startup.

Corporate Venture : A subsidiary of an established company created to launch a new product or service

Venture Capital Funds (VC): VC funds are structures that invest in startups and receive minority shares in return. Investment periods are limited and generally 5–6 years. When the fund expires, it aims to sell its shares at much higher prices.

Corporate Venture Capital (CVC): CVC funds are the same as VC structures, the only difference is that this fund is financed by a single company. (e.g. Intel Capital)

Pre-Seed Investment : the initial round of funding used to build and demonstrate the viability of a product idea. Pre-seed round size is generally less than USD 50 thousand in Turkey.

Seed Investment : the funding round used to reach product/market fit. The startups at this stage have a working product and some paying customers with some early metrics. Seed round size is generally USD 200 thousand in Turkey.

Series A : the funding round used to scale up a startup. Startups at this stage have achieved product/market fit and have repeat customers. Series A round size is generally USD 1 million in Turkey. It’s usually the first round of financing that a startup receives from a venture capital firm.

Series B, C, D, E.. : Funding rounds made by VCs with higher valuations compared to preceding round.

Convertible Debt : It is an 'in-between' round funding to help companies hold over until they want to raise their next round of funding. When they raise the next round, this note 'converts' with a discount at the price of the new round.

Growth Equity : It's the type of investment for growing well-established, less-risky businesses. The company does not have to be profitable. The firm's minority or majority shares may be taken by the fund.

Private Equity : Private equity round is led by a private equity firm and it is a late stage round. The company has gone beyond generating revenue and developed profitable margins, stable cash flow.

Equity Crowdfunding : Equity crowdfunding platforms allow individual users to invest in companies in exchange for equity. Typically on these platforms the investors invest small amounts of money, though syndicates are formed to allow an individual to take a lead on evaluating an investment and pooling funding from a group of individual investors.

Corporate Round : A corporate round occurs when a company, rather than a venture capital firm, makes an investment in another company.

SAFE : Alternative to convertible notes. An investor makes a cash investment in a company, but gets company stock at a later date, in connection with a specific event.

Exit : It's the method by which an investor and/or entrepreneur intends to "exit" their investment in a startup. Common options are IPO and buyout from another company.

Primary Transaction : Transaction or funding type where investors buy equities directly from the company issuing them.

Secondary Transaction : Transaction or funding type where investors buy equities from the existing shareholders.

Cash Out : Shareholders who sell their shares personally earn money as a result of this second transaction

Buyout : The purchase of a controlling share in a company

Unicorn : Startup valued at over USD 1 billion

Decacorn : Company valued at over USD 10 billion

Ticket Size : Average investment amount made by and investor.

Term sheet : A non-binding agreement that outlines the major aspects of an investment to be made in a startup.

Due diligence : Deep analysis an investor makes of all the facts and figures of a potential investment.

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