



PRESIDENCY OF THE REPUBLIC OF TURKEY  
INVESTMENT OFFICE

2020

# THE STATE OF TURKISH STARTUP ECOSYSTEM

An In-Depth Analysis and Evaluation

# WELCOME TO THE TURKISH STARTUP ECOSYSTEM

**A More Experienced, Stronger Ecosystem**



PRESIDENCY OF THE REPUBLIC OF TURKEY  
INVESTMENT OFFICE

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The State of Turkish Startup  
Ecosystem 2020

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# KEY TAKEAWAYS

## Quick Look at the Ecosystem



Turkey, with a sizeable young population and high internet and credit card usage habits, is the shining star of South Eastern Europe and the Middle East. In terms of location, Turkey is a well-positioned, attractive hub, only three hours by flight away from the most important cities in Europe and many key cities in Asia.

Prior to 2010, the Turkish ecosystem had little to speak about, but since then the ecosystem has swelled in size and importance, quickly becoming a key regional startup hub.

In the first half of the 2010s, thanks to growth of brand-new VC funds and angel investors making their first investments, the Turkish startup ecosystem reached annual startup investments of 100M USD. In the second half of the 2010s, many of these new VC funds achieved exits and started working to establish their second fund. In this period, the exit time was significantly shorted compared to the pre-2010 years.

As the Turkish ecosystem enters the 2020s, the presence of more experienced ecosystem participants will help it to quickly reach its potential. And for those that want to play a part in this burgeoning community, our doors are always open.



## 01

# TURKEY SNAPSHOT



## Youth-Driven, Digitally Active Hotbed of Innovation

Turkey had an official population of 83 million in 2019, with half of that population under the age of 32.4, giving the country the largest youth population in the EU area. <sup>(1)</sup>

This growing population is both digitally connected and active, evidenced by being the 10th largest market for Facebook, 6th largest market for Instagram, 6th largest market for Twitter, 3rd largest market for TikTok and the 8th largest market for YouTube globally. Furthermore, Turkey was the 7th largest top market for mobile apps, as determined by the total number of app downloads. <sup>(2,3,4,5,6,7)</sup>

Turkey is currently the 19th largest economy in the world with an average annual GDP growth rate of 5.5% between 2003-2019. <sup>(8)</sup>

Turkey also places 7th among the top 34 upper-middle-income economies in the Global Innovation Index 2019 with human capital & research, and creative outputs as the top strength characteristics of the country. <sup>(9)</sup>

According to European Innovation Scoreboard 2019, Turkey is a “Moderate Innovator”. Turkey performs relatively well on Non-R&D innovation expenditures, SMEs innovating in-house, and SMEs with marketing or organizational innovations. Average annual GDP growth, enterprise births, and total entrepreneurial activity are well above the EU average. <sup>(10)</sup>

In 2019, e-commerce grew by 18% over the previous year, reaching 14.6B USD. From 2015-2019, the average annual growth rate was 13%. In 2013, online shoppers made up only 23% of Internet users in Turkey. In 2019, this ratio had reached 68%. <sup>(11)</sup>

In 2015, e-retail sales accounted for 2.9% of all retail sales in Turkey; e-retail reached 6.2% in 2019. In 2019, this ratio was 6.7 in developing countries and 12.3 in developed countries, with Turkey eclipsing both Spain and India. <sup>(11)</sup>

# 02

## START-UP SUPPORTING ECOSYSTEM



Running Total      New Accelerators

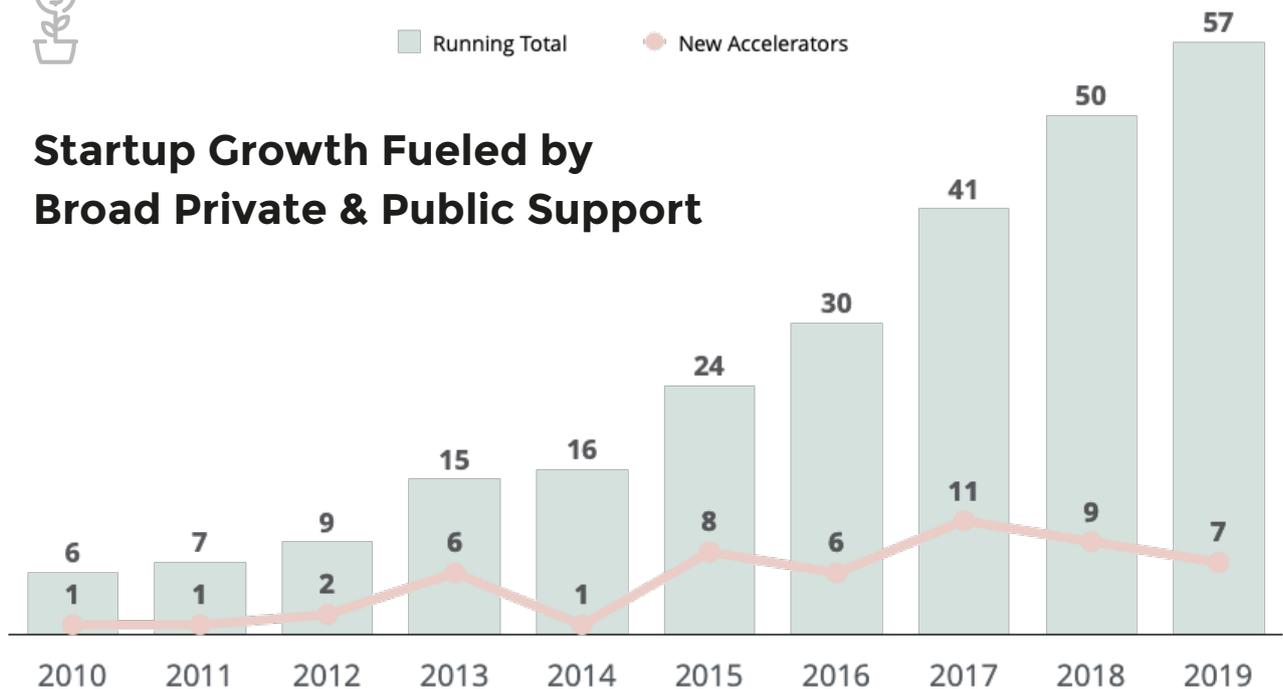


Chart 1 - The Number of Startup Accelerators in Turkey

### Accelerators

Prior to 2010, there were only 6 active startup accelerator programs in Turkey. By the end of 2019, this number had reached 57, an 8-fold increase in 9 years.

Given the popularity of fintech in Turkey, eight banks launched fintech-focused accelerator programs in the last period. Also, 15 technoparks started new accelerator programs, both locally and internationally. Except during the summer break, the likelihood of coming across a startup demo day every week in Turkey was very

high, demonstrating the high level of activity within the ecosystem.

Furthermore, in 2017, KOSGEB launched a broad grant program to support organizations establishing accelerator programs abroad as well as startups looking to take part in such programs. This program helped to enable Turkish startups to get high-level training and mentoring from a broader global experience base, thereby jumpstarting their globalization operations into international markets.

## Co-working Spaces

Co-working spaces have become the hip working and gathering hub for entrepreneurs and freelancers alike in recent years. While the co-working space model first emerged in Turkey in the early 2010s, the concept only began to gain popularity in 2015 when a handful of successful examples demonstrated the economic viability

of the concept, emboldening copycats to quickly diversify and multiply available co-working spaces across the ecosystem. By the end of 2019 the total number of co-working spaces in Turkey had reached 44, with over 5,000 startups, scaleups, and freelancers renting space in these communities.

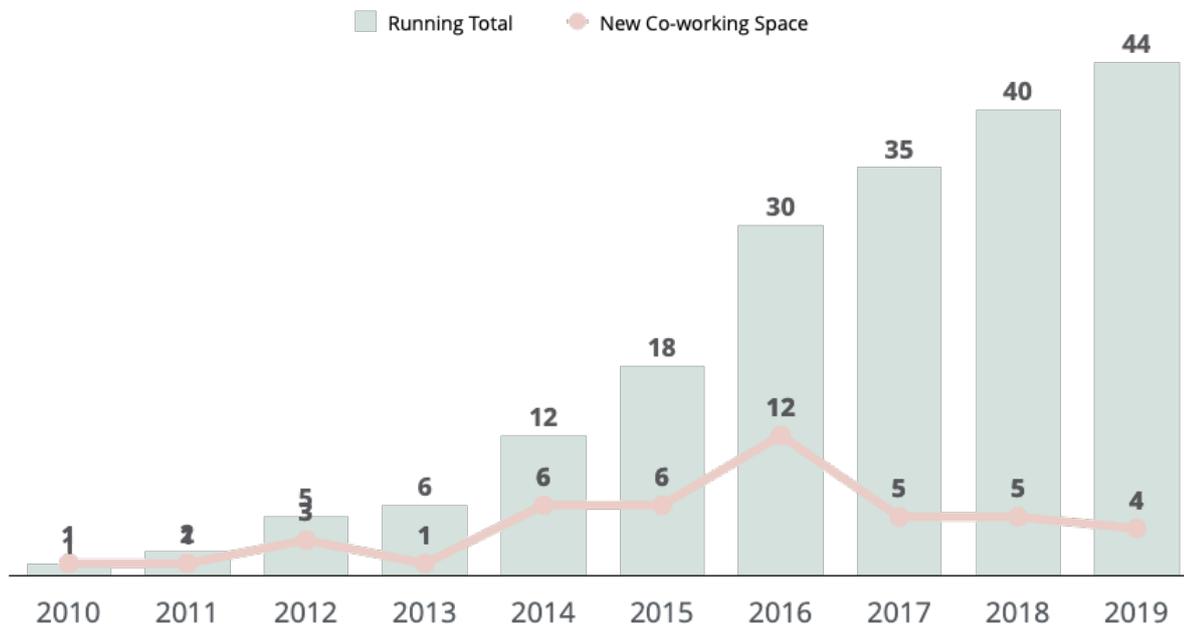


Chart 2 - The Number of Co-working Spaces in Turkey

## Technoparks

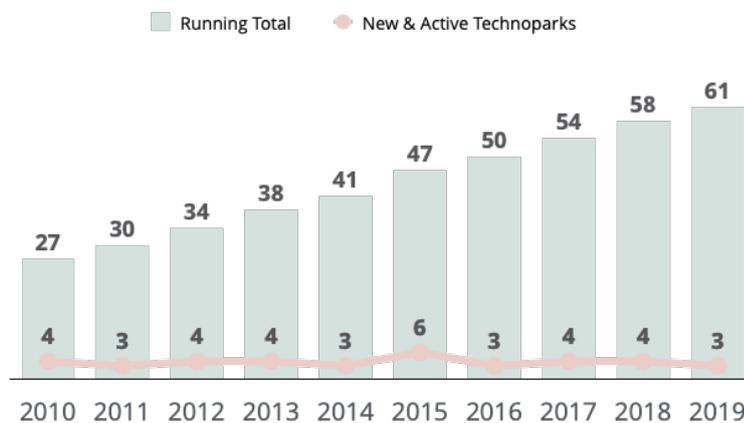


Chart 3 - The Number of Technoparks in Turkey

The establishment of technoparks in Turkey started in 2001, and now has reached 61 technology parks across the country at the end of 2019.

In Turkey, technoparks have been the gathering place for technology and innovation-based companies, from idea stage startups to tech firms with billions of Turkish Lira in exports annually.

These technoparks house more than 5,000 startups, scaleups and grown-ups, employing in total over 50,000 people.

## 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:



### Startup Support Organization or Program

The Small and Medium Enterprises Development Organization of Turkey (KOSGEB), The Scientific and Technological Research Council of Turkey (TUBITAK), Regional Development Agencies and Ministry of Treasury and Finance (MTF) are the top state organizations continuously supporting startups and investors in the ecosystem.

### Startup Funding/Access to Capital

TUBITAK has been providing grants via its program called TUBITAK BiGG to idea-stage startups since 2012. In 2019, 568 idea-stage startups received grants of 200,000 Turkish Liras each, while 823 early stage startups and scaleups received grants totaling 123 Million Turkish Liras. Over the same time period, KOSGEB provided grants to 417 idea-stage and 160 early-stage startups. In total, in 2019, these two institutions alone provided monetary support to technology-based startups, scaleups and grownups equivalent to 32.5 Million Dollars.<sup>(12)</sup>

Undersecretariat of Treasury (Ministry of Treasury and Finance today) launched an angel investor accreditation program in 2013 and since then nearly 524 individuals have gone through the investor certification process, thereby becoming eligible for tax incentives linked to startup investments in Turkey.<sup>(13)</sup>

The Technology Transfer Accelerator (TTA Turkey) Initiative, designed by the European Investment Fund (EIF) in cooperation with the Ministry of Industry and Technology, the Delegation of the European Union (EU) to Turkey and the DG Regional Policy of the European Commission, established two funds (ACT Venture Partners € 25M, DCP € 30M) in 2015 to provide early-stage investment to deep-tech, intellectual property-based startups in Turkey.

TUBITAK and MTF launched a fund-of-funds program to support the formation of new Venture Capital funds in 2018; currently 5 fund applications have been shortlisted for matching funding with the final selection and funding process ongoing.<sup>(14)</sup>

### Startup Globalization Support

Since 2016, KOSGEB has been providing support grants to acceleration programs abroad to help the globalization of Turkish startups, and to Turkish entrepreneurs looking to participate in accelerator programs abroad.



### Entrepreneurship & Technology Education

Within the last 5 years, bachelor's degree programs in entrepreneurship have been accredited in four universities to go along with graduate-level programs in seventeen universities in Turkey. In 2019, almost 14,000 students were admitted to 4-year Computer Science and Computer Engineering-related university undergraduate programs. <sup>(15)</sup>

### Startup Funding/Access to Capital

Technology Transfer Offices (TTO) at universities serve as a bridge between those universities and the private sector, helping to commercialize research and facilitate joint projects between academia and private companies. Since 2013, thanks to grants provided by TUBITAK and the Regional Development Agencies, the total number of TTOs has exploded, exceeding 139 in 2019, with nearly 60 of them having been established through public grants. <sup>(16)</sup>

## Startup-Friendly Corporations

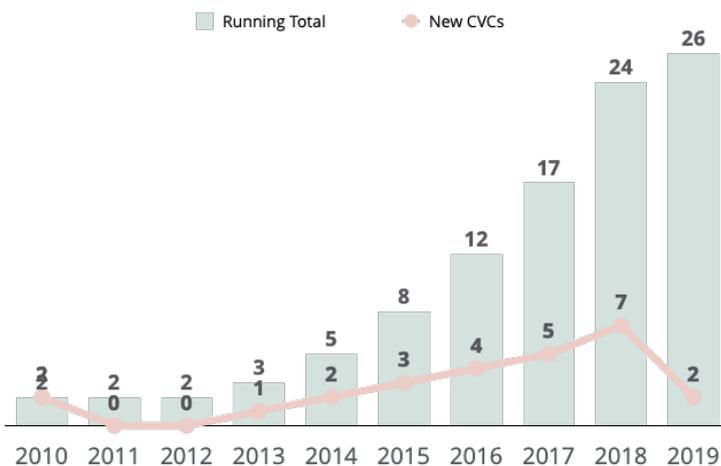


Chart 4 - The Number of Local CVCs in Turkey

Private corporations have become active players in the startup ecosystem, organizing and sponsoring a variety of events, contests and accelerators to support the formation and growth of local startups. Specifically, leading Turkish banks have launched both accelerator programs and venture capital funds to reach and support startups, while leveraging network resources to scale their growth. Just in the last five years, eight accelerator programs and four corporate venture capital funds have been established by Turkish banks.

In 2010, there were only two Corporate Venture Capital (CVC) entities specifically established to invest in early stage startups. By the end of 2019, this figure had ballooned to 26, thanks to the relaxation of regulations and availability of incentives designed to encourage private corporations to establish CVC funds. In 2019, 30 private companies also made direct investment into startups without a separate CVC entity.

## 03

## STATE OF THE ECOSYSTEM



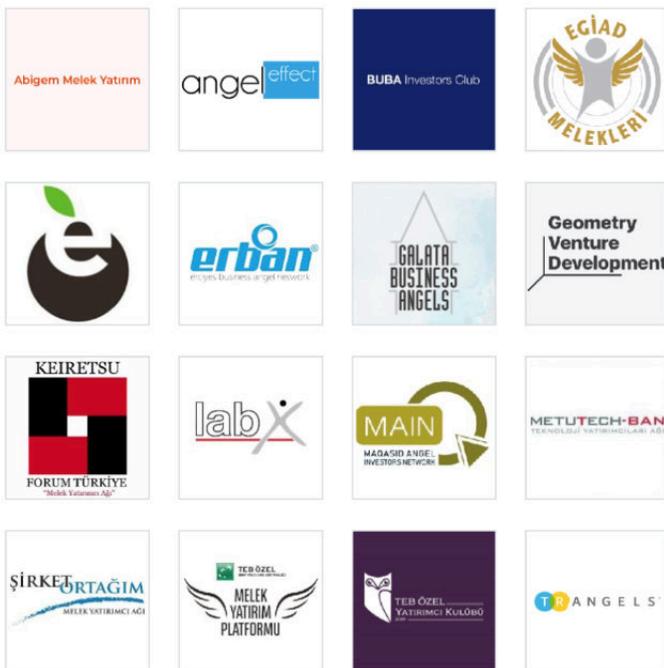
## Investors

Until 2010, bootstrapping was considered the funding norm for startups in Turkey. The first generation of successful externally funded startups such as Markafoni, Peak Games and Trendyol demonstrated to the ecosystem that high-flying startups have the potential to raise capital from a growing network of angel investors and venture capital funds in order to grow bigger, faster. Now, the VC-backed startup has become the new norm.

Essentially, as the interest in entrepreneurship and startups grew, local VC funds began to emerge and the number of angel investors multiplied. This growth was further accelerated by government incentives, helping to reduce the risk of startup investing for individuals, one of those programs being the angel investment accreditation launched in 2013. Through this program, The Ministry of Treasury and Finance (MTF) not only accredited angel investors, signaling to startups the trustworthiness and intent of such accredited investors, but also provided tax benefits to those investors for every startup investment made.

Moreover, the MTF also began to accredit angel networks as well, providing much needed transparency and standardization to the ecosystem.

As of March 2020, MTF has accredited 524 angel investors, of which 300 are active, while the number of active, accredited angel networks has reached 11.<sup>(13)</sup> The most well-known angel investor networks, both accredited and non-accredited, are provided left:



List 1: List of Angel Networks in Turkey

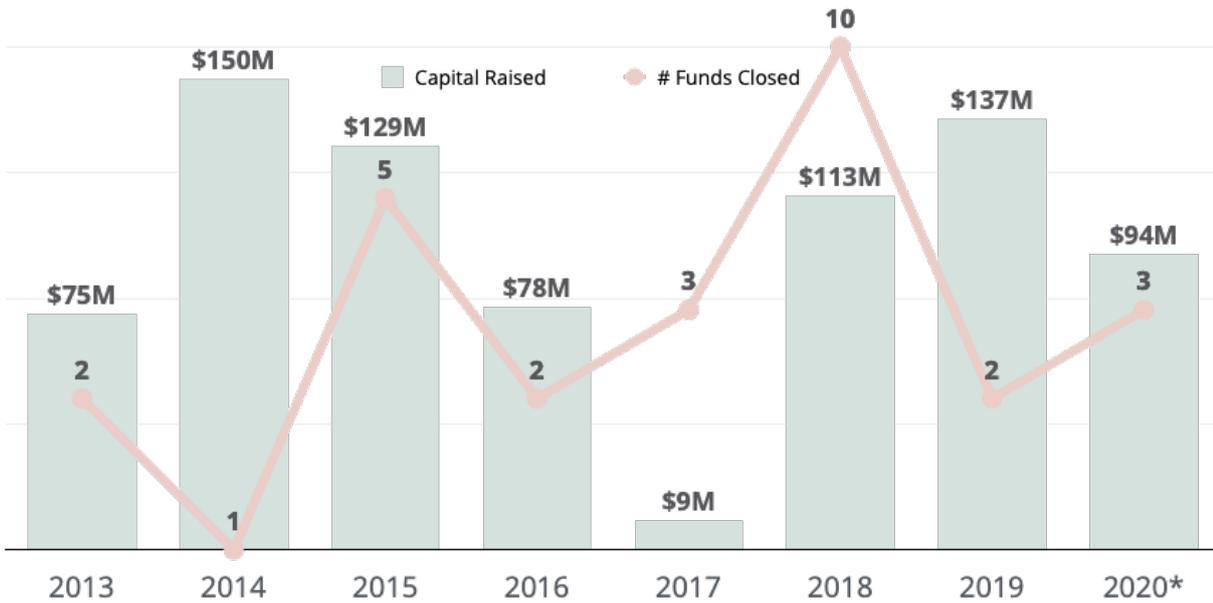


Chart 5 - Turkish VC Fundraising Activity

\*As of April 2020

As for local VC funds, their establishment dates back to the beginning of 2012, led by 212 Ventures and Revo Capital. Since then, the investment appetite and total number of local VC funds have drastically increased. Many of these new VC funds came to the end of their investment period

cycle at the end of 2017, and thus many of those funds worked to establish their second fund between 2018-2020. The most well-known seed and Series A VC funds and investment companies are as follows:



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

With the arrival of new regulations creating the framework for equity-based crowdfunding this year, crowdfunding platforms also started making the necessary preparations to enter this new market, i.e. Startupfon.

## M&A Activities

Most of the startup exits in Turkey have been through acquisitions. During the early 2010s, most of the exits were driven by bootstrapped startups, however this trend has shifted since 2015, with VC-backed startup exits taking the lead role.

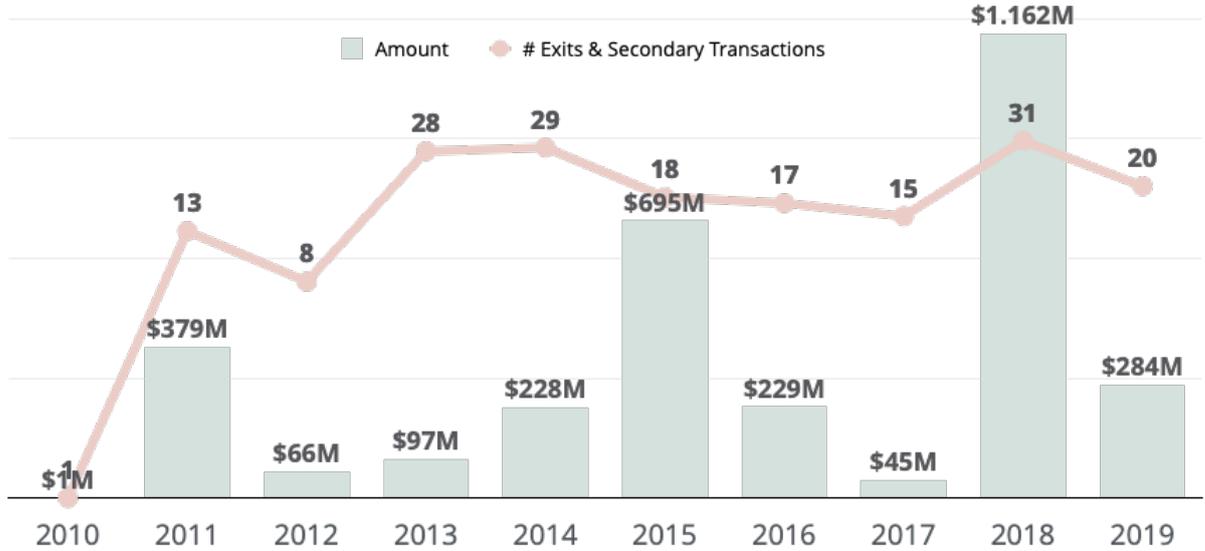
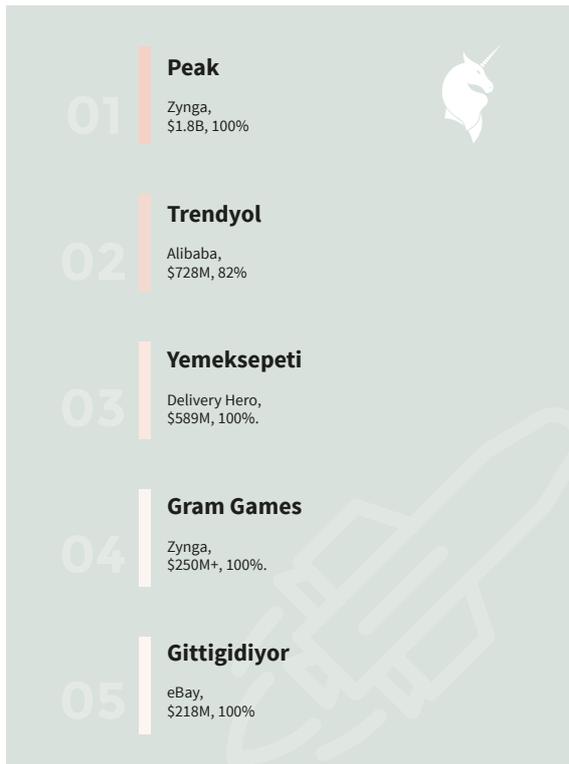


Chart 6 - Exits and Secondary Transactions in Turkey

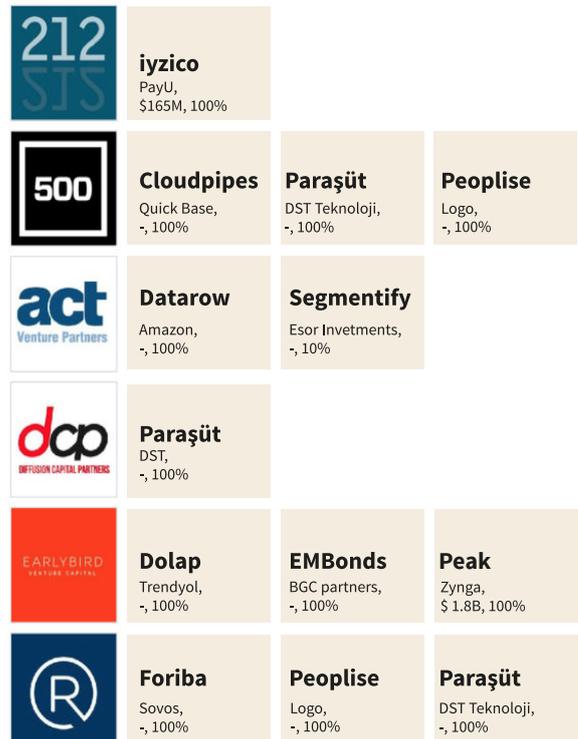
The five biggest acquisitions in Turkey between the years 2010 to 2019 are as follows.

### List 3 - Top 5 Exits (2010-2020)



In the past period, following a series of high-profile exits, many VCs have begun to return profits from their investments. These exits have also helped to fuel the fundraising efforts of their second funds. The most prominent of these exits are as follows :

### List 4 - VC Funds & Their Exits



## Deals

Starting in 2010, with the establishment of VC funds and angel networks, accreditation of angel investors, and the increase in accelerator programs, startup investments peaked in 2017.

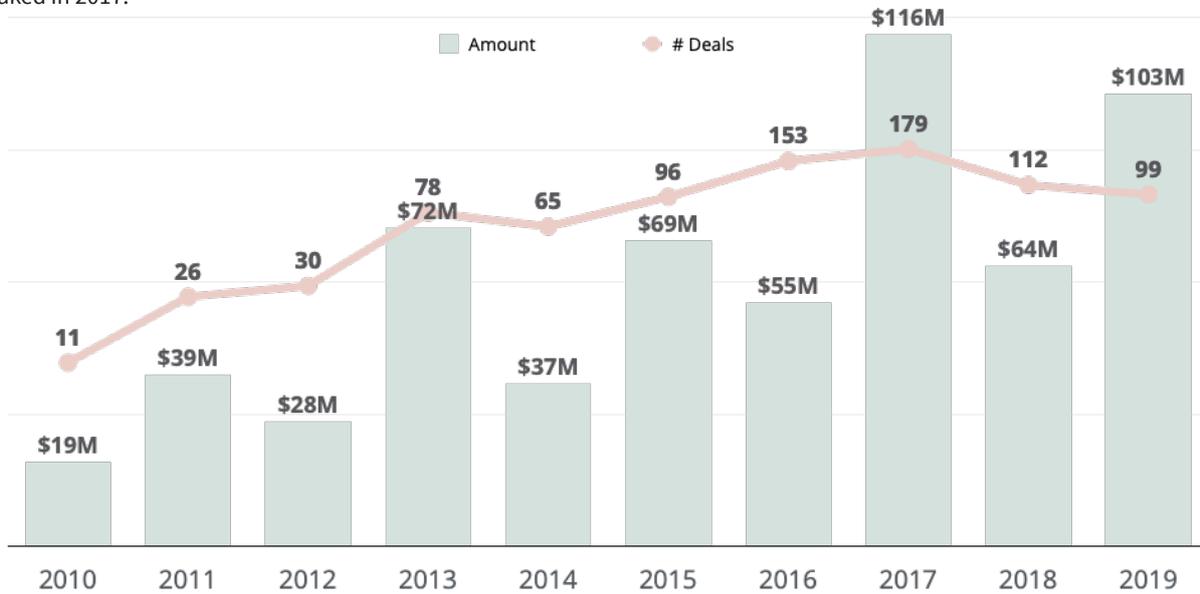


Chart 7 - Disclosed Equity Funding Rounds by Angels and VCs in Turkey

In 2013, super-angel Hasan Aslanoba personally left a mark on the ecosystem with both a wide range investments with large ticket sizes; then in 2017, deal size and amount hit a peak as multiple VC funds pushed to make their final investments before closing.

During 2018 and 2019, many VCs were focused on establishing second funds. Between 2018 and 30 April 2020, the total VC fund size of these newly established second funds equaled 260M USD. Overall, the total VC fund size established during this period surpassed 350M USD. This goes to show that an ecosystem built on more experienced funds is now here to support entrepreneurs.

At the end of 2019, TÜBİTAK and the Ministry of Treasury and Finance indicated the approval, in principle, of five government-supported funds. Of these five funds, two are VCs starting their second fund, one a VC's second closing of their second fund, and two are new VC funds. Assuming that these funds will be established by the second half of 2020, the total amount of VC "dry powder" in the startup ecosystem will approach 500M USD, which should lead to a rapid increase in deals.

In terms of investment amount, over the past five years, 75% of investments were for under 1M USD. Only a handful of startups received more than 10M USD in investment. However, as Turkish startups find the courage to compete in global markets, these rates are expected to improve in the years to come.



Chart 8 - Disclosed Equity Funding Rounds Activity by Size



Due to regulative changes regarding corporate investing, in the last few years the number of companies starting Corporate Venture Capital (CVC) entities have increased dramatically. For example, in 2017, of the 10 new venture funds that were started, seven of them were CVCs. Given the learning curve for corporate investing, the initial CVC fund sizes have been small but as these companies gain experience, we should expect to see larger CVCs in the near future.

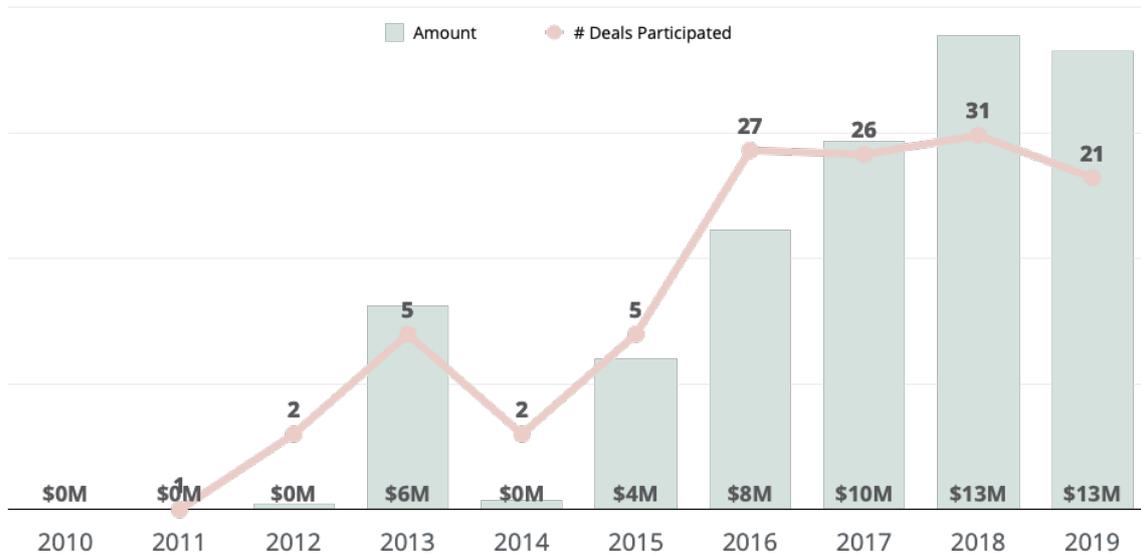


Chart 9 - Disclosed Equity Funding Rounds by CVC Participation

The following are foreign-funded VC firms invested in Turkish startups between 2018 and 2019, which shows that many funds and investors believe in the potential of Turkish startups and are putting their money behind that belief.



List 5 - International Investors in Turkey (2018-2019)

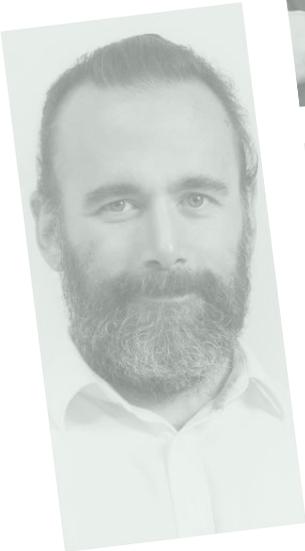


# 04

## WHY TURKEY AND WHY NOW ?



**Interview**



212 has been in the forefront early stage technology investments in Turkey, a bridge between two great continents serving as the regional base of many global corporations, offering the right environment for startups to launch, test and go global.

The Turkish entrepreneur is positioned to understand and meet the needs of global enterprises. The local market enables entrepreneurs from start to exit; four of the top 10 venture capital exits in Europe since 2018 have come from Turkey. Still, angel and venture capital funding, less than \$1 per capita, is significantly lacking, leaving room for investment opportunity.

A case in point is our investment in digital payments company izyico, which grew more than 500-fold from our initial investment and went on to attract global follow-on investors including IFC, Endeavor, Vostok and Amadeus. Or Insider; the online growth management platform expanding across 24 countries in less than 4 years after 212's funding,



## Ali Karabey

Founder & Managing Partner at 212

convincing Sequoia to make its first investment in our region. Even during more uncertain macro-environments, the success stories are funded and the foreign investment funnels through to Turkey.

For the 5-year investment period of 212's first fund, from 2012 to 2017, the capital invested in the ecosystem grew +500%. 212 injected more than 19% of the investment in 2012 alone and continued thereafter to make significant contributions to the invested capital. According to Startups.watch, total capital invested in Turkish startups was \$103M in 2019 a 61% increase from 2018. In 2019 alone we invested \$7M in five companies, and of the \$20m invested in Turkish startups in Q1 2020, 10% came from 212.



Turkey proves to be an excellent source of affordable talented developers, a strong market for testing product market fit and an ever-maturing startup ecosystem. We truly believe in the success of Turkey as a hub for startups and successful exits.

## Atıl Erken

General Partner at Collective Spark

As an early stage technology fund, Collective Spark continues to primarily focus on ventures coming out of Turkey in areas such as fintech, marketplaces, SaaS and enterprise software. From our second fund, we have made nine investments in less than two years and will continue to grow our portfolio at the same pace. Our portfolio companies serve 80+ countries and have achieved 294% average annual revenue growth. We are co-investment friendly and have observed improved outcomes through supporting our companies on operational aspects.

The significant progress in the Turkish startup ecosystem in the past couple of years can be observed on all fronts from accelerators to angel networks, from exited entrepreneurs to increased number of founders with engineering roots and from new corporate investors to new venture capital funds emerging. The government has been doing its fair share in this pursuit through research and development grants and most recently through Turkish Treasury's bold Tech-InvesTR Program to directly invest in venture capital funds.

We continue to be bullish on the talent and the world class entrepreneurs who are super passionate to take on global opportunities. The strong investment to exit ratio, recent lucrative exits and increased appetite from larger US and EU based funds to lead or co-invest in later stage rounds are promising signs that show the investment gap is going to close in the upcoming years. Turkey is the next hotspot for tech startups and now is the right time!

Thanks to the talented and aspiring founders, the Turkish tech eco-system is in a very promising state. In this aspect, industries such as banking, telco and automotive have reached a high-level of digitalization. Currently, we see a strong inclination towards tech entrepreneurship from former senior executives of well-developed and conventional industry companies. This increases the success rates of the startups, and as Bogazici Ventures, we are determined to provide the necessary financial support and sophisticated mentorship to the startups for their international growth.

Our newest fund is fully focused on Turkish tech companies where we see many advantages such as reasonable company valuations, ideal market to launch the product due to high levels of digital adoption and an ideal geographic location for managing international growth.

Sure enough, we cannot ignore the new global reality due to the

## Bariş Özistek

General Partner at Bogazici Ventures

pandemic, but we also cannot forget the fact that Turkish executives have already mastered managing crisis'. Most of our portfolio companies, especially the ones in fintech, new media and e-commerce have shown growth signs even during crisis period; while the others have successfully shifted or added new business lines in a very short amount of time and managed to get through these times just fine.

I strongly believe that the Turkish tech eco-system will remain as one of the most promising domains in the upcoming years. Our new fund BV Growth is focusing on the most promising 4 verticals which are Gaming, FinTech, RetailTech and HealthTech where we see a huge opportunity for the Turkish tech companies to scale-up rapidly and expand to international markets.



## Cem Sertoğlu

Managing Partner at Earlybird

Turkey is the most important market for our €150m early-stage tech VC fund focused on Emerging Europe. Over the last decade, both as private investors as well as VC fund managers, we were fortunate to have backed the largest technology success stories in the country, including Trendyol, YemekSepeti, and Peak Games. The Turkish market is unique in that it's home to brilliant engineering talent able to innovate and develop products that display global appeal.

Peak Games's success with two big US hits, Toy Blast and Toon Blast, is a testament to this. These globally successful products are usually iterated in the domestic market. However, the domestic market is also big enough to sustain very large outcomes, even if the company ultimately stays local, without expanding internationally. Trendyol is a great example, achieving "unicorn" status by focusing on the Turkish e-commerce opportunity. This dual optionality that the Turkish market provides to its ambitious technology startups makes it a great market for us in which to focus our investments. We continue to see it as our most attractive investment geography.

Turkey is evolving into a very attractive and dynamic startup ecosystem, representing a fertile ground especially for emerging and disruptive technologies. We believe the main pillars of this ecosystem are: talent, market, and capital incentives. Turkey has a competitive advantage with its well known quality tech talent; and is starting to have serial entrepreneurs and experienced startup talent driving new companies. It also benefits from its young and resilient population, strong technical and engineering training, attractive cost structure, dynamic labor market, and broad incentives and tax benefits for research and development initiatives.

As a result, we have seen an increase in the number of venture capital funds in Turkey and their investment activity over the past years, coupled with rapid development and globalization of venture capital portfolio companies. This creates exciting opportunities for cooperation between local funds and international

## Cenk Bayrakdar

Managing Director at Revo Capital

investors to scale Turkish companies globally. We have experienced this first hand with our portfolio company Getir, a grocery delivery startup which raised \$38M in the 2019 round led by Sir Michael Moritz. Also one of our 2 exits in 2019; Foriba, was acquired by HG Capital backed Sovos, global leader in tax software.

We believe that the role of a VC is not just to provide pure cash injection based on risk assessment; therefore we based Revo Capital's model on "smart money" – providing active support in the rapid acquisition of new competences by the organization and determination to actively support founders on their path to global success.



While our top priority is the companies we support. We will continue to support startups with confidence and optimism during these challenging times with Revo Fund II with €41m capital commitments alongside EBRD, IFC and EIF and prominent institutions like Enerjisa Enerji, QNB and Yıldız Ventures.



## Dilek Dayınlarlı

Managing Partner at ScaleX Ventures

ScaleX Ventures is an early-stage venture fund out of Turkey searching for the next global champions to invest in. We have been backing startups that are building and selling their technology worldwide, and our portfolio stands out from the crowd, with notable follow-on investments from top tier VCs and an exit to Amazon. In view of this, we believe that the presence in Turkey gives us and our portfolio a competitive advantage.

The main reason behind this advantage is the technical, engineering talent which is at the highest level globally. Turkey has one of the largest talent pools in Europe, with the number of software developers constantly growing.

Besides the strength and abundance, employing such technical talent is also significantly more affordable than its counterpart.

Over and above, we have also observed a remarkable increase in the numbers of accelerators, incubators, technology parks, events and other initiatives in Turkey that support innovation. Recently progressing public-private partnership and government's widening support play an important role in Turkey's thriving startup scene.

On account of these, we believe that Turkey has the potential to play a substantial role in the global startup ecosystem, and we are ready to take the required initiatives that support startups and entrepreneurs in the process of entering foreign markets.

Established in 2015 in Istanbul, StartersHub has invested in over 60 early stage technology startups to date. Our portfolio includes success stories such as Zeplin, Meditopia and Thread in Motion.

Our belief in the Turkish startup ecosystem's potential to create attractive returns for investors is supported by solid foundations:

1. Strong, young technical and engineering talent with risk taking appetite, at a small fraction of the cost in Silicon Valley.
2. Government R&D support and incentives, public and private university science and technology parks providing fertile ground for innovation
3. Number of underfunded high potential startups and low level of local funding resulting in relatively underpriced entry valuations

## Ebru Dorman

Chairwoman at StartersHub

4. Big local market, tech savvy and connected nation providing a good starting point for entrepreneurs eager to go global
5. Istanbul acting as a regional hub for numerous multinationals. B2B startups leveraging successful implementations in Turkey to open MNC doors globally.

Why now? There is an increasing number of second and third time entrepreneurs and a growing number of experienced professionals creating startups. Pre-seed and seed investment culture is growing stronger. Government's vision to increase number of success stories and investment in expanding the technical talent base.



## Enis Hulli

General Partner at 500 Startups Istanbul

Turkey is home to a high level of skilled human capital -in fact, the fastest growing country for professional developers in EMEA with 16.5% y/y growth- and not enough accompanying VC activity - averaging only \$1 per capita. Despite the limited access to VC funding, Turkey has experienced immense liquidity from technology-related M&A from a diverse pool of acquirers coming for teams, products or just the market, either from East or West.

500 Istanbul's investment thesis relies heavily on investing in locally incubated ideas or teams building a solution for a global audience and market. The investment strategy of finding successful early-stage teams and enabling them to connect with international markets proved to be a strong thesis.

Downstream investability within the globally facing 500 Istanbul portfolio has been a key performance indicator for our first fund.

Our portfolio companies have raised \$300M+ from top-tier global VC firms, accounting for \$50 follow-on funding for every \$1 invested by 500 Istanbul. Combined with higher capital efficiency and lower valuations, Turkey is prime for delivering outsized returns to investors compared to other EMEA hubs.

Turkey, having a population of 82 million with half of it below 32 years old, has an excellent dynamic demographic base for start-ups. Recent triple-digit exits in e-commerce, marketplace, and gaming is a sign of a high performing start-up scene. Especially Istanbul is an attractive, multicultural place to start a technology business and offers advantages to both entrepreneurs and investors. The country's well-known universities generate many globally competitive engineers that serve the entrepreneurial ecosystem. Cost competitiveness of the labor force and affordable living expenses make it a reasonably efficient alternative to many start-up hotbeds while diverse lifestyle options make Istanbul a vibrant hub. Over the last decade, the focus of most investments has been business model innovation rather than deep-technology endeavors due to low capital needs. Deep-tech investment has been in the form of government grants close to €2.5 billion in over 15.000 companies.

## Haluk Zontul

Managing Partner at  
Diffusion Capital Partners

This public policy enabled a build-up of innovative startups solving big problems with protected intellectual property. Diffusion Capital Partners (DCP) is Turkey's leading Venture Capital fund manager with a focus on deep technology opportunities. We seek for 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, conducting 24 investments and 4 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 complemented with talented founders will generate international success stories and attractive investment returns for funds like us.



## Nazım Salur

Founder of Getir

Getir created the ultrafast delivery model in the world, bringing everyday items to customers in 10 minutes. We are proud to be the designers and developers of an original business model that came out of Turkey and generated great traction, exceeding 2 million monthly deliveries in Istanbul. The global recognition, and the sizable investment Getir received from prestigious investors should motivate Turkish entrepreneurs, and pave the way for additional VC investment into the Turkish ecosystem.

Turkey has an untapped pool of great talent, yet few success stories have emerged due to the scarcity of investor-backing. Turkey accounts for

1% of the global economy, yet Turkish start-ups and scale-ups collectively received only 0.03% of the global investments in 2019, 1/30th of Turkey's share in the global economy. I hope to see this disequilibrium normalize to some extent, as more long-term focused value-seeking investors come to appreciate the significant opportunity in the Turkish market.

In today's world, the spread of the pandemic has shifted the consumption of goods and services to digital channels. Countries such as Turkey, with robust demographic trends but lagging in digitalization, pose additional opportunity as the catch-up phase accelerates in this environment.

Our goal now is to take Getir international, and make it a global success story. I hope our story inspires Turkish entrepreneurs to think big, and go for original ideas with global aspirations.



## Nevzat Aydın

Co-founder of Yemeksepeti

white collars in Turkey tend to prefer becoming entrepreneurs and create a difference in life rather than having fancy jobs in multinational firms. These talented young, enthusiastic, passionate and ambitious individuals with good education are going to develop the ecosystem in Turkey.

In terms of the idea; I look for specific features – like the business model – it must be scalable and tangible in terms of growth. I know many promising startup examples which had to throw in the towel in the first steps of the journey because of the difficulty of reaching financial resources. The business world should be more enthusiastic about supporting entrepreneurs. We need people with courage. We need people

not afraid of skepticism. We need some crazy ideas to follow. That's how we can create a unicorn from Turkey. From intrapreneurship to mentorship and angel investment, people who managed to come to a certain level should share their experience, know-how and resources with young entrepreneurial minds.

Turkey has a lot of potential start-ups as an east-west destination. Half of the population is under the age of 32.4. This is really exciting for entrepreneurship. The activities conducted by universities, angel investors, venture capital funds, incubators and technology parks along with Small and Medium Enterprises Development and Support Administration (KOSGEB) and The Turkish Scientific and Technological Research Council (TÜBİTAK) funds stand out as positive developments. If there are enough funds and capital with the right exit strategy, the ecosystem in Turkey will grow much faster.

As an active angel investor with 28 investments, when I choose an idea to invest in, primal thing I look for is the potential of the entrepreneur himself/herself. I believe in the hands of the right entrepreneur any idea can foster because today it is the execution that counts more than the idea itself. More

ACT is a deep-tech VC investor in Turkey with a portfolio of companies in the digital and health domains - such as targeted drug delivery technology for cancer treatment (RSResearch), breach and attack simulation software in cybersecurity (Picus), AI-based wifi performance optimization software (Ambeent) and safe-AI technologies for autonomous vehicles (Eatron).

Deep-tech is the new tech and deep technology start-ups are on the rise globally. Turkey's deep-tech ecosystem has also been flourishing over the last five years, and we witness globally competitive success stories. On the growth rate of professional developer talent, Turkey is one of the highest in Europe (by 30% YoY).

The talent pool size in Turkey alone is more substantial than many sub-regions in the European Continent, while salary levels are significantly lower than Global Hubs. Those advantages pave the way for

## Okan Kara

Managing Partner at ACT  
Venture Partners

lower cost of scaling accompanied by non-inflated valuations.

The high-quality engineering education of leading universities, the rise of the status of entrepreneurship within the society, and globally well-connected Turkish entrepreneurs and scientists pave the way for sustainable deal flow in deep tech domains.

Turkish deep-tech entrepreneurs are willing to scale globally, and the Customs Union with the European Union allows market access opportunities in Europe.

During the last two years, the local investment community has also enjoyed lucrative exits. For instance, one of ACT's portfolio company TeamSQL has recently acquired by Amazon, Inc.



Overall, the local ecosystem has passed the critical thresholds of know-how, know-who and know-what, and such momentum will bring tremendous opportunities for global LPs and GPs.

# 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 01.06.2020

### Key Terms and Definitions

**Startup** : Product focused private tech company with lots of blurry things like revenue model, customer and product. Tailormade 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 \$50K 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 \$200K 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 \$1M 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 is 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. Th 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 \$1 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.

**ICO (Initial Coin Offering)** : Fundraising mechanism in which startups sell their underlying crypto tokens in exchange for bitcoin and ether. Unlike IPO, there is no middleman or central authority.

**IEO (Initial Exchange Offering)** : It’s very similar to ICO but there is a middleman/central authority (launchpad).

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