



2022

THE STATE OF TURKISH STARTUP ECOSYSTEM

An In-Depth Analysis and Evaluation



WELCOME TO THE TURKISH STARTUP ECOSYSTEM

Time to take off



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Serkan Unsal Founder, CEO

The State of Turkish Startup
Ecosystem 2022

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KEY TAKEAWAYS

Quick Look at the Ecosystem

The Turkish startup ecosystem has advanced to a new level since 2017 with the introduction of a slew of regulations supporting the ecosystem, continuous improvement of ecosystem stakeholders, VCs gaining experience by establishing their second funds, and success stories coming one after another.

In the recent period of economic contraction, with the way paved for the establishment of Türkiye-based funds called VCIFs and the launch of equity-based crowdfunding platforms, the expected downward trend in investments is expected to be much less damaging than in other countries.

In Türkiye, in recent years, the gaming vertical in particular has turned into a global champion-making machine, while verticals such as fintech, marketplace, B2B SaaS have become other sectors challenging the throne of the gaming vertical.

Türkiye's startup ecosystem has entered a new era in which the number of global startups has soared. And with the wealth of experience it has amassed, it has started to push for a place in the top echelons among emerging markets.

01

TÜRKİYE SNAPSHOT



The most vibrant startup ecosystem in the region

SPEED



Fastest Unicorn
23 Months



Fastest Exit (\$100M+)
21 Months



Fastest Centaur (\$100M+ ARR)
36 Months

EXPERIENCE



VC's w/Exits
7



2nd Time VCs
5

TAKE-OFF



#Decacorns
2



#Unicorns
4



#IPO (Nasdaq)
1



#VCIF & VCIT founded (2020-2022*)
178

* As of Sep 30, 2022



#VC's Dry Powder (2020-2022*)
USD 1B

* As of Sep 30, 2022

02

QUICK HISTORY

The Early Years

A fully functional startup ecosystem in Türkiye, supported by acceleration programs, incubation centers, angel networks and VCs, has been in place as far back as the early 2010s. At this juncture, startups began to receive investments, local champions emerged, and newly established local VCs started to invest for the first time. This nascent period of the Turkish startup ecosystem was known as the "Learning Era".

The most prominent feature of this era was that startups struggled to reach the metrics to raise large investment rounds due to a lack of experience in globalization. This resulted in the total amount of investment in the entire ecosystem being less than 100 million dollars per year.

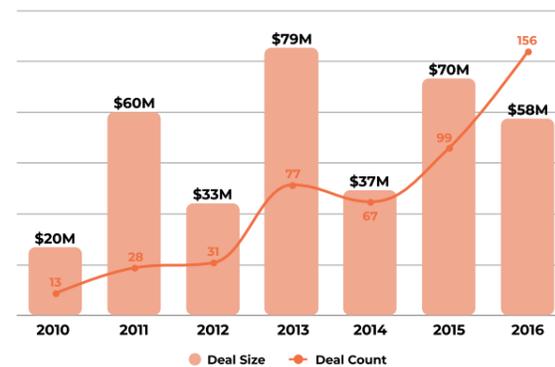


Chart 1 - Angel & VC Deals in Türkiye in Learning Era (1)

The biggest motivation for entrepreneurs in this period was to become local champions because the biggest success stories they had seen up to that point had come from local champions.

During this era, incubation centers, acceleration programs and co-working spaces were opened one after another. Venture capital funds were established for the first time, angel networks were established for the first time.

The number of accelerator programs increased nearly 4 times from 2010 to 2016 and reached 29. The number of incubation centers increased by 5.5 times to 51. The number of coworking spaces increased 11 times to 23.

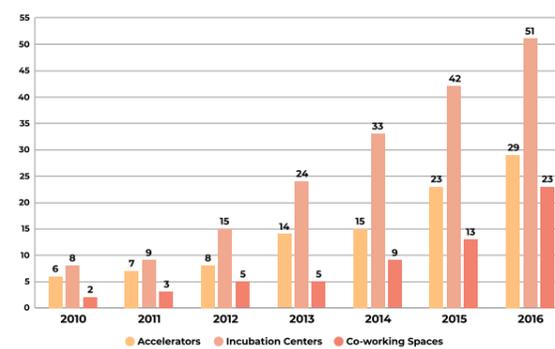


Chart 2 - # Accelerators, Incubation Centers, Coworking Spaces in Learning Era (1)

During this period, there was a dream of globalization and many methods were being tried (international accelerator programs, Silicon Valley tours, sales-oriented programs, etc.) but there was not a very prominent story.

Harvest Time

The Turkish startup ecosystem, which had been progressing during the learning period, has entered a different era "Experienced Era" since the beginning of 2017. One of the most important factors that led to the breakthrough in this period was the fact that Getir raised big amount of money with the motto that the startup game can only be won if it is played big. Although 2017 was the year in which the annual investment of 100 million dollars was exceeded, 2017 and 2018 were spent with the efforts of VC funds to establish their second funds. Therefore, the leap in the amount of investment gained momentum from 2020, albeit with a slight delay. In 2020, with the good news coming from the gaming industry, Türkiye's startup ecosystem owned an industry that produced global champions for the first time and started to educate all other industries in a sense.

This year, both Peak's becoming the first Turkish startup to break the \$1 billion threshold and exit for \$1.8 billion, and Rollic's sale of 80% of its shares for \$180 million 21 months after it was founded took the entire ecosystem to another level. In 2021, Dream Games, also from the gaming industry, became the fastest Turkish startup to become a unicorn just 23 months after its establishment.

Experienced funds that established their second fund, success stories, and newly established funds thanks to many regulations pushed the Turkish startup ecosystem to over a billion dollars in 2021 in terms of investment and

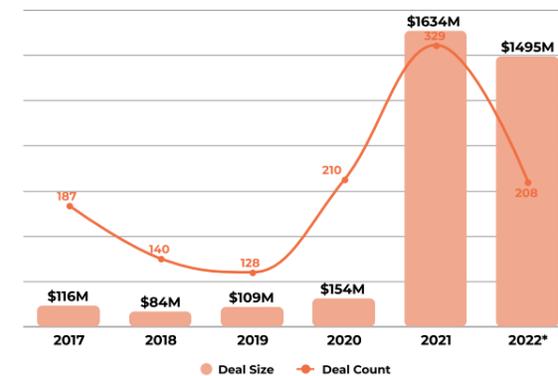


Chart 3 - Angel & VC Deals in Türkiye in Experienced Era (2)

* : As of September 30, 2022

\$1.634 million was invested in 329 investment rounds. Getir alone raised \$983 million in 2021 and an additional \$768 million in the first nine months of 2022. Even when these amounts are subtracted, the investment amounts in 2021 and 2022 are more than 4 times higher compared to 2020. Excluding Getir deals, investments amounted to \$651 million in 2021 and \$727 million in the first 9 months of 2022. Despite the economic contraction all over the world and the decrease in investments, this growth in startup investment is the most solid proof that the ecosystem has taken a major step forward.

The outcome of the Experienced Era was an increase in the number and total amount of investments, along with the emergence of Turkish startups reaching billion-dollar valuations. Before 2020, there was not a single startup in Türkiye with a valuation exceeding one billion dollars; today 6 startups have exceeded the one-billion-dollar valuation, and two of them (Getir & Trendyol) have even been labelled decacorn status. If we look at the speed at which these startups reached the billion dollar level according to the years they were founded, it will be clearer that Türkiye's startup ecosystem is in the Experienced Era.

	hepsi burada Founded : 1998 Years to become unicorn : 23 years
	trendyol Founded : 2010 Years to become unicorn : 11 years
	peak Founded : 2010 Years to become unicorn : 10 years
	insider Founded : 2012 Years to become unicorn : 10 years
	getir Founded : 2015 Years to become unicorn : 6 years
	dream+ Founded : 2019 Years to become unicorn : 2 years

List 1 - Billion Dollar Club Members

03

SUPPORTIVE ECOSYSTEM



The Turkish government is a very active and strong supporter of the startup ecosystem in Türkiye, offering a variety of programs and policies to enable the establishment and growth of startups.

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 Türkiye (TÜBİTAK) has been providing grants via its TUBİTAK BiGG Program to idea-stage startups since 2012. In 2021, 268 idea-stage startups received grants of 200,000 Turkish Liras each; in 2022, 178 such startups received grants of 450,000 Turkish Liras each. ⁽⁴⁾

Small and Medium Industry Development Organization (KOSGEB) has also been providing grants for many years at many levels, from the idea stage to the R&D stages.

04

A NEW ERA



VCs with Unicorns

VCs with unicorns, or even decacorns in their portfolios, are at the forefront of the outputs of the new era. In addition, there is hardly any VC or angel network which has not had at least one startup exit in its portfolio – proof that the investor pillar has achieved a healthy foundation.

	Unicorn Portfolio : Insider
	Unicorn Portfolio : BillionToOne, Carbon Health Insider
	Unicorn Portfolio : Payhawk Decacorn Portfolio : UIPath
	Decacorn Portfolio : Getir

List 2 - VCs with unicorns, decacorns in their portfolio

Hundreds of micro funds

Although the foundations of the fund structure, which provides tax advantages and is domiciled in Türkiye, were laid in 2014; the structure of the Venture Capital Investment Fund (GSYF in Turkish, VCIF in English) took its current form with the radical changes made in 2020.

A record number of funds have been established in the last 2 years due to the mandatory allocation of shares to many

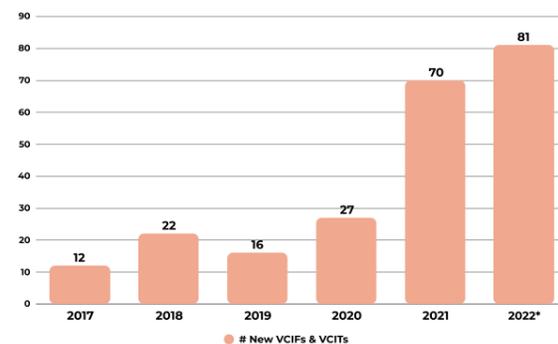


Chart 4 - Number of new VCIFs & VCITs by Year⁽⁹⁾

* : As of September 30, 2022

institutions related to becoming a Limited Partner in these funds.

In the first 9 months of 2022 alone, 81 new VCIFs⁽⁹⁾ and VCITs (GSYO in Turkish) were established. Since most of these funds have a fund size of less than \$10 million, it is possible to call them "onshore micro funds". Thanks to these funds, we can say that there will be no shortage of investment for startups in the coming years, especially in the pre-seed and seed stages. Although the recent economic contraction has reduced investors' risk appetite, these funds will fill the gap.

Record Amount of Dry Powder

Considering that VCIFs have 2 years to meet the minimum fund size requirement, it is important to note that some of these funds will close before they can start investing. Still, considering that the majority of them will be established, we can say that a record level of dry-powder awaits globally-minded entrepreneurs. If we note that these funds are up to Series B funds, there is still a gap in Türkiye for Series B and above.

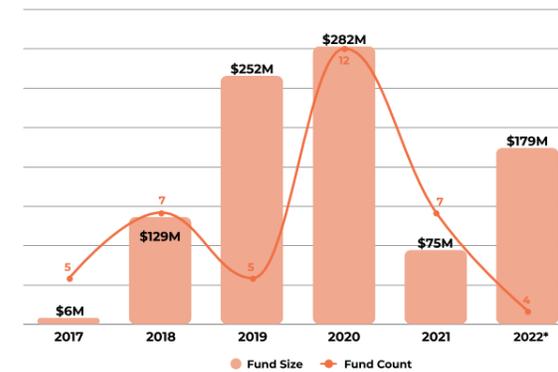


Chart 5 - VC Fundraising (VCIF/VCIT excluded) in Türkiye⁽¹⁰⁾

* : As of September 30, 2022

When the last 3 years are added together, the fact that dry powder is over 500 million dollars is a record for Türkiye (The fund sizes of most of the VCIFs and VCITs have not been finalized, but are expected to reach a total of \$1 billion when they are included). Even if the economic contraction is prolonged, and even if outlier startups fail to receive mega investment rounds, annual investment volumes are likely to be well above pre-pandemic investment volumes.

Equity-Based Crowdfunding Time

A new financing resource that entrepreneurs can turn to when they need financing was also launched in 2021. With the regulation issued, equity-based crowdfunding has also been made available to entrepreneurs in Türkiye since 2021. So far, 8 platforms have been allowed to be established and 48 funding rounds have been completed so far in 3 active platforms.

Considering that 30 startups that raised money on these platforms in the first 9 months of 2022 received an average investment of \$186,000, it is safe to assume that equity-based crowdfunding will be a good alternative for entrepreneurs in the pre-seed and seed stages in Türkiye.

With the launch of the other approved platforms in the next quarter, it is expected that more than one-third of the investments at the pre-seed and seed stages will prefer equity-based crowdfunding next year.



Global Champion Producing Industry : Gaming

Although there are Turkish startups creating global success stories in verticals such as Fintech, SaaS, and Grocery delivery; these startups are outlier startups that differentiate themselves from their industry. Gaming is the only vertical in the industry that consistently produces global champions. The reasons can be listed as follows:

- 75% of 5+ game startups turnover comes from outside Türkiye.
- 5+ game startups are at centaur level (\$100M+ ARR).
- 5+ game startups exited with valuations over \$100M
- 5+ game startups acquired by global companies outside Türkiye.

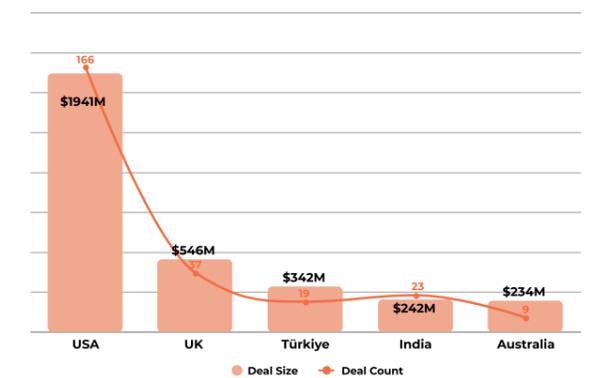


Chart 6 - Top 5 Countries in Gaming Deals in 2022*⁽¹¹⁾

* : As of September 30, 2022

Türkiye has the highest number of game studios in Europe after the UK and 266 game studios were established in Türkiye in the last 2 years. This makes the gaming vertical one of the most vibrant verticals.

In the first 9 months of 2022, although the number of deals decreased, the record-breaking in terms of investment amount (\$342 million) clearly shows the interest in this vertical. It is expected that this interest will continue to rise in the coming months, and even at least 1 more unicorn will emerge.

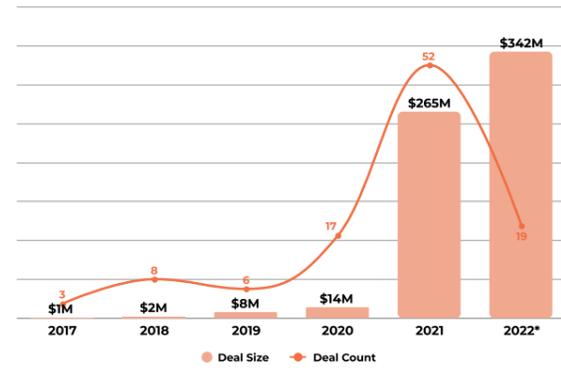


Chart 7 - Gaming Deals in Türkiye (2)

* : As of September 30, 2022

Local Champion Producing Industry : Fintech

Following the gaming industry, fintech is the most vibrant industry in terms of exits and creating local champions. Although the fintech vertical cannot produce global champions like the gaming industry, it is the number one vertical in Türkiye in terms of producing local champions.

With the regulations on digital banking and banking as a service (BaaS) issued at the end of 2021, it is safe to say that the coming period will be very active for the Turkish fintech ecosystem and the transformation of banks in Türkiye.

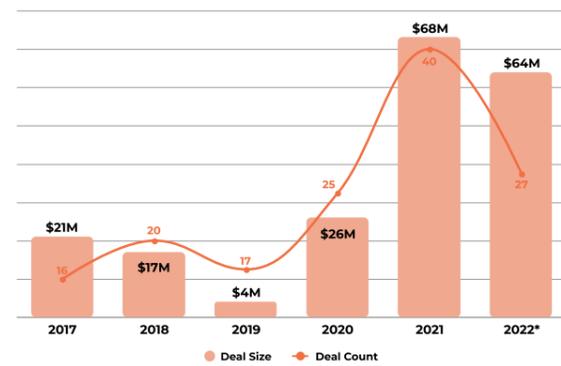


Chart 8 - Fintech Deals in Türkiye (2)

* : As of September 30, 2022

Looking at the first 9 months of 2022 alone, the fact that \$64 million was invested in 27 investment rounds created the expectation that the all-time investment record in the fintech vertical will be broken in 2022.

Post-pandemic Era

Especially during the pandemic, the digitalization wave, which teleported 3-4 years ahead, made some verticals in Türkiye the hot verticals and continued to accelerate after the pandemic.

At the top of these verticals is the marketplace, e-commerce, which has gained momentum with Trendyol becoming a decacorn. The demand explosion in this vertical is accompanied by the logistics and fulfillment vertical, which has been energized by solutions such as same-day delivery.

Again, due to the pandemic, there have been good developments in Türkiye in the field of deeptech and biotech, the number of funds has increased, and new laboratories have been opened for entrepreneurs to use. Although this vertical is a vertical that requires a lot of patience compared to all other verticals, there are hints that this vertical will also be a vertical that will push upwards in the coming years.

Finally, the mobility vertical has also gained momentum, especially with the success story created by Martı, and with the support of regulators, an environment that will pave the way for many innovations has started to emerge. This makes it possible to say that this vertical is also one of Türkiye's hot topics.

05

WHY TÜRKİYE AND WHY NOW ?



Interviews

Listed in Alphabetical Order



Despite the global economic slowdown, the Turkish startup ecosystem has forged ahead. While inflation has impacted equity prices among other exogenous factors such as the decline in cryptocurrency markets, startup deals have remained steady and venture capital investments strong.

According to CB Insights' report, the first half of 2022 saw the number of startup investments made worldwide decrease by 27% compared to the previous half. In stark contrast, the Turkish startup ecosystem waltzed through its most successful half in terms of investment volume (\$1.4b). Seed investments have increased – an attestation of the Turkish startup ecosystem's strength and potential.

Mega deals were the driving factor of the positive atmosphere in the Turkish startup ecosystem. Getir became the second Turkish decacorn, following Trendyol's path from 2021. As the pioneer VC in the ecosystem 212 has seen positive impacts of the change reflected in its portfolio.

Insider, one of our portfolio companies, unlocked "unicorn" status by tripling its valuation (\$1.2b) and becoming the first



Arın Özkula

General Partner at 500 Emerging Europe

Over the last decade, venture financing in Türkiye grew significantly from \$40M (in 2011) to \$1.5B (in 2021). Not only are more companies raising funding, there have been an increasing number of acquisitions, with the likes of Zynga, Alibaba, DeliveryHero, and Atlassian acquiring or investing in Turkish startups. We've also seen the country's first unicorns & decacorns arise in this time period. Yet while the Turkish startup ecosystem is obviously thriving, I believe it is still in its infancy.

This is due to the snowball effect currently unfolding in Türkiye, with some of the above-mentioned success stories both attracting more funding to Türkiye, and

Ali Karabey

Founder & Managing Partner at 212

unicorn in the Turkish startup ecosystem's SaaS vertical. Türkiye's leading mobility app Martı also plans to go public. Martı will be the first startup to be listed on the NYSE.

Yes, optimism is at the core of an entrepreneur's and, thereby, a VC's DNA. Especially in an unpredictable place like Türkiye and the wider MENA region, launching and scaling a business has not been for the faint of heart. Yet, it would also be a mistake to blindly ignore the obstacles or roadblocks to continued growth and momentum. As much as the Turkish startup ecosystem demonstrates grit and fortitude, external economic factors can have a negative impact. We continue to look out for these. As we do, what we are seeing is founders and investors that are working within these realities – and working around whatever challenge is presented. The proof is in the data – a high deal volume and prolific tally show that we can indeed have a positive outlook for upcoming quarters.



As we look ahead, we'll do just that — look at the data as we maintain a strict vigil on potential challenges. The good news is that is something the Turkish entrepreneurial ecosystem has always done. It is something we'll continue to do.

more importantly, creating a lot more serial entrepreneurs or encouraging operators to start their own companies. Take Peak Games: More than 20 gaming studios were established by former Peak employees, and they have gone on to raise several hundreds of millions of USD. The founders that we back today are more knowledgeable about what it means to operate a startup, and this will naturally only increase - exponentially.

At 500 Istanbul, we are proud to be part of this journey adhering to our global motto that unicorns can come from anywhere, having invested in more than 50 companies, with 3 unicorns and several centaurs in our portfolio. With the launch of our €70M second fund last year, we are excited to invest in an ecosystem where we see a greater migration of seasoned local talent to the entrepreneurial ecosystem, aspiring to build globally-focused businesses.



Atıl Erken

General Partner at Collective Spark

Startups in our portfolio went on to raise follow-on funding from reputable global investors where our deep reserve policy allowed us to lead or take part in subsequent rounds. Türkiye continues to be a very capital-efficient market producing significant exits, many unicorns and decacorns despite being significantly underpenetrated. Especially after the recent correction in the global startup ecosystem, Türkiye strengthened its position as a hub for affordable high-quality talent for engineers and managerial roles. Due to fiscal tightening and increasing interest rates globally, the next couple of years will be a tough ride for businesses with exceptionally high burn rates, while it will be a market grab

The Turkish startup ecosystem is rapidly growing in terms of both new business models and investments. In the past years, we have been talking about unicorns but instead, now we are talking about decacorns. This growth has been captured in really tough times. We had to face digital transformation with the pandemic. And this accelerated startup ecosystem across the globe and in Türkiye as well. Neither the pandemic nor soaring increasing high inflation rates and recession figures had much of an effect on the startup ecosystem. We founded Revel Games and Q Angels Angel Investment Network during those times. The Turkish economy is really investable thanks to a young educated population, large regional market opportunities and an investment-conducive climate.

In spite of the economic crisis, the startup ecosystem is growing purposely. Day by day, investment volume is climbing the charts with the new established startups,

Ayşe İnal

Co-Founder and CEO at Revel Games

gaming studios, angel networks and VCs. Besides, there are lots of shining startups and new business ideas. For the gaming industry, in particular, Türkiye emerged as a hub. Thanks to a young gamers' base and young talent pool, Türkiye is attracting the attention of global gaming VCs. Not just for gaming, but also for every area of new technologies like fintech, marketplace, healthtech among others are gaining ground and prominence in the ecosystem. With the changing trends, we see some new concepts surfacing such as metaverse, Web3 etc., and see their applications in Türkiye by young talented entrepreneurs. Therefore, we are growing in Türkiye to lead the change and will have a voice in innovation and new technologies.



opportunity for capital-efficient startups with solid unit economics, the kind of startups we like to invest in.

By engaging with government early on, we pioneered the flow of sustainable and patient capital in tech funds, which in turn gave confidence to endowments, pension funds and educational institutions to recognize venture capital as a promising asset class. We are proud to have these types of investors as our backers alongside development banks, family offices and exited entrepreneurs. We continue to be bullish on the startup ecosystem in Türkiye. We will continue to be one of the most entrepreneur-friendly funds by closely aligning incentives and by being at the service of our entrepreneurs through strategic advice, global connections and operational resources in different areas of expertise such as growth, product, technology and recruitment.

With a young and digitally active population and a pool of creative, ambitious, brilliant engineers; Türkiye has always enjoyed a great potential to rank among the leading entrepreneurship hubs in the world. Prior to 2010, the Turkish ecosystem was practically non-existent. Over the last 10 years, however, it has been gradually growing out of its infancy stage and quickly becoming a key regional startup hub. Despite national and global crises, including the recent pandemic and military conflicts in our vicinity, Türkiye's ecosystem has seen significant exits on record, yielding several unicorns. At Vispera, we started our journey as a born global company; in fact, the first customer we billed was overseas. Vispera is a retail image recognition and analytics company serving its grocery retailer and supplier clients with business technology solutions for retail execution monitoring,

Aytül Erçil

Partner at Vispera

productivity-boosting and perfect store enablement, giving businesses a digitized view of their store.

Mobile or fixed cameras capture and recognize the products, detect empty spaces and other non-compliance issues and alert the appropriate staff through notifications.

We are happy to export a technological solution to more than 30 countries to clients like Coca Cola, Unilever, Phillip Morris, Henkel, Carlsberg. using our proprietary image recognition technology, underpinned by AI, machine learning, deep learning.



Barış Özistek

Managing Partner at Boğaziçi Ventures

Boğaziçi Ventures is a regulated alternative asset management company focusing on disruptive innovation. The company manages multiple technology investment funds early to Pre-IPO stages. We're laser focused investing only in Türkiye as we attract very strong deal flow from super talented teams with disruptive technologies. Our investment thesis is to be partner with these companies and provide unparalleled support to them during their journey through global markets.

Türkiye's technology startups are rising on the shoulders of the strong talent flow participating in the ecosystem. Startups became the desired destination of well educated, ambitious and hardworking

Turkish talents. Türkiye is also attracting significant talents from surrounding countries which helps the ecosystem grow faster at a multinational level. Capital efficient environment is also encouraging investors to be more active in the market.

Gaming is the star vertical with 2 unicorns, multiple exits and more than 1.000 game development studios. Born global game companies know how to scale a digital product worldwide. Talents in the game industry are becoming the masters of digital marketing, localization, data analytics, live operations and monetization in a variety of geographies.

We are expecting exponential growth in the next 5 years within the Turkish ecosystem. This growth will be triggered by those talents who will also fuel other industries to scale up to the global markets. Capital markets are also slated to grow faster coincidentally. We'll see many more tech companies being listed on the Turkish stock exchange which will give investors a slew of opportunities to exit.



Başak Taşpınar Değim

Co-CEO at Armut.com

innovations and needs without receiving any investment. When we started to open the doors of the solution, we entered a rapid growth process and became one of the fastest-growing companies in the sector. As a result of investing in our technology by constantly focusing on customer experience, we achieved to create a successful product which is globally scalable which led us to establish a global company called HomeRun. It can be defined as a global company whose administrative center is in Türkiye and carries out its operations in several countries.

This year, macroeconomic factors have given rise to a few drawbacks, both locally and globally, to getting new rounds of

We founded Armut.com in 2011 due to the lack of accessible professionals who provide quality and reliable service in line with our personal needs. For the first two years, we focused on creating a solid technology infrastructure and solving the service quality problem by following



Cem Sertoğlu

Partner at Earlybird Digital East

2022 has witnessed a major correction in public and private technology markets. The new environment that puts more emphasis on business fundamentals favors the resilient and capable Turkish founders, who have been adept at building large success stories under difficult macro conditions and stricter access to capital.

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

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

investments for startups. In the general startup ecosystem, there is constant talk of how important long-term sustainable growth is.

When you demonstrate how your product solves a real problem and your growth is sustainable, it's still easier to find investment opportunities. That's why we have merged with our Italian competitor ProntoPro as one of the fastest-growing companies in the sector, raising a new round of 15 million Euro investment recently. Now operating in 14 EMEA countries, serving 12 million customers and with more than 1.4 million professionals, we are way closer to European leadership in the local services market. With a total of 206 employees from 22 different nationalities and 2 headquarters in Istanbul and Milan, we believe that Armut is a good story starting off from Türkiye and expanding to Europe with a good product developed with the latest technologies and continuous

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

With its large and tech-savvy population, Türkiye is also unique in the region for enabling consumer-facing businesses to create very large outcomes, even if these businesses stay local. Trendyol stands out as a shining example in this regard, becoming a decacorn by focusing on the Turkish e-commerce opportunity alone.

Türkiye'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.

Türkiye has become a top startup ecosystem driven by its strong digital infrastructure, high-quality talent pool, and supportive government policies. The turbulent 2022 has impacted the valuations of businesses in almost every sector but Türkiye has continued its strong progression and is on track to exceed the \$1.6bn investment value of 2021. Our portfolio companies Getir, Param, Midas and Massive Bio contributed to 60% of the funding value.

The startup ecosystem of Türkiye has become a training ground and what we call a “founder factory” with global scale funding rounds & acquisitions causing an exodus of talent into the ecosystem. Global startups are also going all out to attract Türkiye’s high-quality talent pool. There are more than 150,000 developers in Türkiye coupled with over 10,000 students graduating with technology-related degrees each year.

Cenk Bayraktar

Founding Partner & Managing Director at Revo Capital

Seed-stage deals have also been in throttle mode. In 2022, the record was broken in terms of amount invested at this stage. Founders looking for funds for their new ideas in 2022 have been seeking a far lower valuation when compared to the previous years, and this has also revived early-stage investor sentiment. Revo Capital continues to invest in product-led founding teams with capital efficient growth models from its €90mn second fund. We are excited about the prospect of increase in seed-stage startups and their funding, as we expect to see them advance their business enough to go to Series A funding in 9 to 12 months from now.



Dilek Dayınlarlı

General Partner at ScaleX Ventures

Türkiye is one of the most promising ecosystems across Europe, especially in SaaS, fintech, gaming, AI, and deeptech. Thanks to the great talent base of tech-savvy and young individuals possessing well-equipped engineering skills backed by an entrepreneurial mindset, success stories like Peak Games, OpsGenie and Insider have started to spread. These globally-renowned successful startups create a spill-over effect on the ecosystem that transfers experience and know-how from proven founders to newcomers.

ScaleX Ventures is a globally-focused fund, with a team based in Türkiye. Turkish startups are continuing to expand globally

to create new success stories, especially in these uncertain times, and we will continue to support them in their journey by providing crucial value-add. We always say, “ScaleX is for founders by founders”. In the US, 60% of the funds are ex-operator led, while this is only 8% in Europe and in Türkiye ScaleX is the only operator led fund. Thanks to our founders who realized one of the biggest exit of the region with OpsGenie, invested in world-renowned startups including DataRow (acquired by Amazon), Picus Security, and Gtmhub, and led the blockbusting deals including Insider and Iyzico, and exited Peak (acquired by Zynga) and Vivense as the leading operators, we bring great expertise arising from hands-on experience to the table. We strongly believe Türkiye will become one of the most attractive ecosystems with its ambitious entrepreneurs and the contribution of true ecosystem builders like ScaleX.

The Turkish ecosystem continued to break records, even this year where the liquidity began to disappear under the effects of the pandemic. The total funding of \$625M poured into the Turkish startups in the first half of 2022 exceeded the full-year total funding last year as the ecosystem’s largest Getir deals in both years were excluded. This marked Türkiye as one of the highest-growing hubs in early-stage ventures within Europe.

As the effects of the pandemic on personal lives wind down, companies in diverse industries including technology are still struggling amid the global economic turmoil. Yet despite uncertainties, Turkish technology companies continue to adapt, innovate, and grow. The business model that combines local technology development with a focus on global sales and marketing is successfully executed by many technology companies in Türkiye including the ones in DCP’s portfolio. As Türkiye continues to be a safe haven within the region this business model continues to deliver successful results despite rising competition from Eastern European countries.

In 2021, technology investments constituted 66% of all M&A deals in Türkiye showing a growth of more than 60% from the year before. As the technology sector becomes a staple in the Turkish economy with a yearly deal size approaching USD

Haluk Zontul

Managing Partner at Diffusion Capital Partners

3.5 billion DCP continues to support entrepreneurs to create long-lasting and globally successful deep tech enterprises.

As significant deal sources for DCP, technoparks and universities in Türkiye host well-versed entrepreneurs and academicians with ambitions to build world-class technologies. With its second fund, DCP remains a key player in the Turkish technology ecosystem and continues to fund technology companies at the intersections of diverse areas including artificial intelligence, medical services, and wireless communication technologies.



Olcay Silahlı

Co-founder & CEO at Fazla Gıda

When we first stepped into the startup ecosystem in 2016, there were no entrepreneurs focused on impact building and few VCs actively seeking opportunities. It can be said that those were the days when startups in Türkiye were trying to rise on their feet. As an impact-driven startup started with a B2B focus, one of the biggest concerns that we have faced on the investor side was conducting our operations only in Türkiye and we were frequently asked about our expansion plans. Expanding abroad may be seen as an important step up while you

operate only in Türkiye with a B2B model. But Türkiye has the appropriate atmosphere for generating new ideas and testing products in the market.

Lately, we see and celebrate a lot of investment news from various sectors and witnessing rapid ecosystem growth. During this growth, as there is still a limited foreign investment, it is to say that there is more room for both local investors and startups to thrive in this huge market potential. Considering all of these, Türkiye is a promising geography for founders and investors. Adopting a more open minded and visionary approach from more investors by not only being keen to invest in already expanded start-ups but also trusting and helping startups that proved their products and services in their local market and is willing to undergo an expansion would accelerate the ecosystem’s growth even further.

RS Research is a biotechnology start-up discovering and developing smart nanomedicines for targeted chemotherapy. Our technology can increase the effect of chemotherapy while reducing side effects in multiple indications for a “Cure with A Smile”. Our leading candidate has advanced to the second dose level following the positive review of the safety data in the ongoing Phase I clinical trial in NSCLC patients.

Start-ups’ agility that helps them go beyond the boundaries is a crucial foundation for world-changing discoveries via deep tech, most specifically biotechnology. Thus, with the recent developments in the world, biotechnology is now a new vertical in Türkiye more than ever, in a way that we cannot deny anymore. Receiving Türkiye’s 9th largest

Rana Sanyal

Co-Founder at RS Research

investment in 2021 as a deep-tech start-up, the very fact that RS Research ranked 25th among the largest investments in the last 20 years in Türkiye is a solid proof of how promising and rapidly growing Turkish deep tech ecosystem is.

Start-ups are the key to proactively creating solutions to shape the future, rather than being merely reactive. Türkiye has a brilliant young population and an extraordinary talent pool for engineering and innovation. This puts us forward with an admirable performance in positioning start-ups to accelerate deep-tech efforts.



Sina Afra

Chairman at Entrepreneurship Foundation

The Turkish digital space is one of the fastest-growing internet economies in the world. There are four main driving forces behind this growth: credit card penetration, logistic infrastructure, high mobile internet usage and a viral/social young population.

Domestic economic challenges added a new dimension to Turkish tech start-ups: They go international and generate revenues in hard currencies. The last few years, in particular, have seen many gaming or SaaS companies grow international and achieve unicorn valuations. This trend is poised to continue unabated and Turkish startups will become more and more global companies. But this will also bring back a lot of new connections, knowledge and capital to Türkiye.

The biggest challenge is access to capital but this will change as more success stories make headlines.

Türkiye’s main hotspot is Istanbul –“Digital Bosphorus”. With dozens of universities, young people and good infrastructure, Istanbul continues to attract new outside talents. The talent pool in Istanbul, and Türkiye at large, is vast and competitive.

Türkiye is also providing a huge domestic market for incoming international players. Some of the players use Türkiye as their hub between Europe, Russia and the MENA region.

Finally, entrepreneurship is on the rise in Türkiye. The Entrepreneurship Foundation receives 136,000 applications per year – compared a to meagre 6,000 applications in 2014. In Türkiye, more and more young people want to get into the colorful world of entrepreneurship.



Yahya Ülker

Founder and CEO at Yıldız Ventures

Under our VC initiatives, Yıldız Ventures holds various limited partner positions in local and global VC funds such as Revo Capital, 500 Istanbul, 212, FoodLabs, Susa Ventures through which we generate co-investment opportunities for our pipeline, diversify our portfolio in terms of geography and technological verticals. We also established Gözde Tech Ventures in 2022 as the new-generation technology investment arm of Gözde Private Equity with the intention of escalating our exposure to early-stage technology investments in Türkiye and abroad with a sector-agnostic investment approach. Gözde Tech Ventures currently has three investments in its portfolio: Ember Technologies, Ember LifeSciences and Kolay IK. As part of our venture acceleration program, we have also invested in six seed stage start-ups including Paragon Pure, The Nom and Vibe Vision. We have also invested in

Established in 2019 to support the entrepreneurial ecosystem, Yıldız Ventures operates both as a Venture Capital (VC) and the Corporate Venture Capital (CVC) arm of Yıldız Holding aiming to invest in areas that add value to our core businesses in the food and retail industries.

ClickMeLive, a Türkiye based video-oriented shopping platform. In line with our CVC mandate, our incubation portfolio involves istegelsin – Türkiye’s first online supermarket established with an initial capital of \$30 million, E-star, EuroFresh and BizimTarifler.

Despite recent global economic turbulence, we trust that Türkiye will hold onto its strong fundamentals and entrepreneurs that continue to maintain the attraction to the local venture ecosystem for foreign and local investors, particularly within the realm of e-commerce, fintech, gaming, and SaaS verticals which have successfully prevailed through fundings in the recent past. We believe there might be opportunities for foreign investors and start-ups to establish their R&D or Resource Centers in Türkiye which would help to develop the ecosystem.

At Yıldız Ventures, we continue to be bullish, supporting technological platforms and funding innovative start-ups leading the global technological transformation.

06

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 20.10.2022

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 Türkiye.

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 Türkiye.

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 Türkiye. 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.

VCIF 'GSYF' (Venture Capital Investment Fund): A fund structure established under the supervision of the Capital Markets Board of Türkiye and domiciled in Türkiye.

VCIT 'GSYO' (Venture Capital Investment Trust): A company structure established under the supervision of the Capital Markets Board of Türkiye to invest in startups.

Centaur: Company with \$100M annual recurring revenue.

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