

SW



INVEST IN
TÜRKİYE

2023

THE STATE OF TURKISH STARTUP ECOSYSTEM

An In-Depth Analysis and Evaluation

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Serkan Ünsal | Founder, CEO

The State of Turkish Startup
Ecosystem 2023

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KEY TAKEAWAYS

Quick Look at the Ecosystem

The Turkish startup ecosystem had a good learning period from 2012 until 2017. Many regulations supporting the ecosystem were implemented and ecosystem stakeholders continued to develop. The Turkish startup ecosystem reached a new level after 2017 when venture capitalists started establishing their second funds, several startups created success stories in globalization, and the first unicorns emerged.

The pandemic accelerated the digital transformation in all sectors much faster than normal. The abundance of money and the momentum created by Türkiye's years of experience in gaming enabled the Turkish startup ecosystem to make large investments during the pandemic.

The economic downturn after the pandemic caused a very serious decline in Series B and beyond.

However, thanks to the significant increase in local VC funds in Türkiye due to the regulatory change in 2020 and the launch of several equity-based crowdfunding platforms, we can say that Türkiye was largely unaffected by the economic downturn in terms of investment at the seed stage. Türkiye proved this by ranking fourth in Europe in terms of seed investments in Q3 2023. The gaming vertical continued to produce global champions despite many global setbacks. In addition, fintech startups broke out of their shell creating local champions and have recently started to take serious steps toward creating global champions by acquiring startups from abroad.

All these facts indicate that the startup ecosystem in Türkiye will recover quickly once the economic crisis is over and will break many records again.

01 TÜRKİYE SNAPSHOT

START



#VC Funds
(Seed & Early VC)¹ (2020-2023*)
278



#Angel Networks
19



#Equity Crowdfunding Platform²
21

SPEED



Fastest Unicorn
23 Months



Fastest Exit
(\$100M+)
21 Months



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

EXPERIENCE



VC's w/ Exits
7



2nd Time VC's
7

TAKE-OFF



#Decacorns
2



#Unicorns
3



#IPO (2023*)
3



#VC Funds¹
(2020-2023*)
280



Acquisitions Abroad³
(2020-2023*)
7



CVC Funds⁴
(2020-2023*)
53



VC Funds¹
(2020-2023*)
\$1.5B

02

QUICK HISTORY

The Early Years

A fully functional startup ecosystem in Türkiye, supported by acceleration programs, incubation centers, angel networks, and VCs, dates back to 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 achieve the metrics required to raise large investment rounds due to a lack of experience in globalization.

Although the number and size of investments in the ecosystem have increased every year, it has averaged around \$60 million. By the end of 2017, some funds that had closed their investment period made one investment after another, making a record number of investments, but still investing far below Türkiye's true potential.

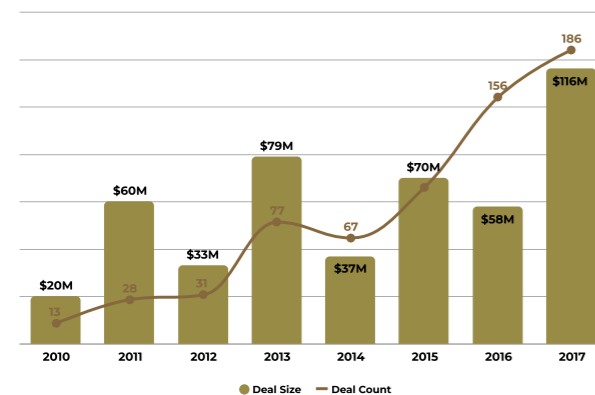


Chart 1 - Angel & VC Deals in Türkiye in Learning Era ⁽⁵⁾

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.

A succession of incubation centers, acceleration programs, and co-working spaces were opened during this period. Venture capital funds and angel networks were established for the first time as well.

The number of accelerator programs increased almost 5-fold from 2010 to 2017, reaching 37. The number of incubation centers increased 7-fold to 63. The number of coworking spaces increased 13-fold to 28.

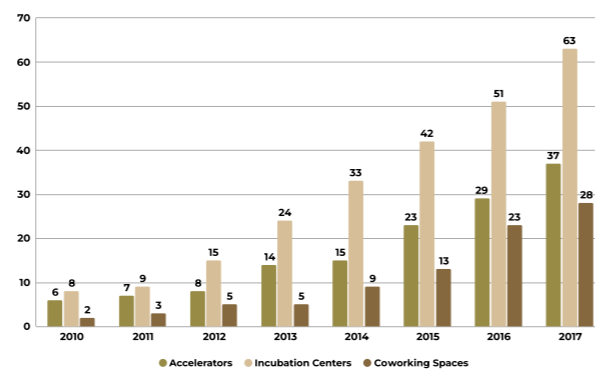


Chart 2 - # Accelerators, Incubation Centers, Coworking Spaces in Learning Era ⁽⁶⁾

Investors dreamed of globalization at this time and tried many methods to achieve this (international accelerator programs, Silicon Valley tours, sales-oriented roadshows, etc.) but no outstanding success stories were written.

Restructuring

The investment period for many funds ended after the learning era with no global success story, so 2018 and 2019 were a period when investors tried to recover their funds and set up new funds. This meant there was movement in the ecosystem but some VCs managed to exit as local champions, which accelerated the launch of their second funds.

Pandemic

Although it was still very early in the pandemic, the acquisition of Peak by Zynga for \$1.8 billion and the acquisition of 80% of Rollic for \$180 million just 21 months after it was founded gave a much-needed boost to the ecosystem.

With the pandemic becoming increasingly serious, digital transformation took many sectors 5-6 years ahead in Türkiye, just as it did throughout the world. E-commerce, logistics, and gaming verticals reached the point they would have reached 5-6 years sooner during the lockdown.

With Getir becoming a unicorn in 2021, followed by Dream Games 23 months after its establishment, then Hepsiburada's IPO on Nasdaq and Trendyol becoming a decacorn, Türkiye's startup ecosystem soared in 2021 and broke the all-time investment record.

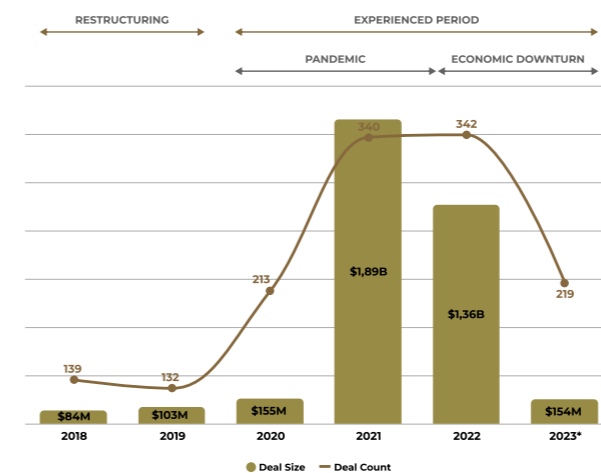


Chart 3 - Angel & VC Deals in Türkiye 2018-2023 ⁽⁷⁾

With Getir becoming a decacorn near the end of the pandemic, we can say that the Turkish startup ecosystem peaked by then.

Economic Downturn

Although this period was characterized by money scarcity and falling valuations around the world, Türkiye's situation was somewhat different.

Valuations did not fall much because the valuations of startups had not risen very high during the pandemic. The abundance of investors at the seed stage in Türkiye also ensured that there was no shortage of money, especially at this stage. The only similarity Türkiye has with the rest of the world here is that the money shortage after Series A was also felt seriously in Türkiye.

The abundance at the seed stage coupled with the fact that investors are now much more experienced, including many with unicorn and decacorn experience, make Türkiye a candidate for reaching new heights in the coming years.

	Founded: 1998 Years to become unicorn: 23 years (NASDAQ-IPO)
	Founded: 2010 Years to become unicorn: 11 years Years to become decacorn: 1 year
	Founded: 2010 Years to become unicorn: 10 years
	Founded: 2012 Years to become unicorn: 10 years
	Founded: 2015 Years to become unicorn: 6 years Years to become decacorn: 1 year
	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 help startups become established and grow.

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 provided grant support to 2,140 startups at the idea stage through the TÜBİTAK BiGG program since 2012, and this incentive program will continue as Pre-Seed investment starting in 2023.

The 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 stage.



Timeline 1 - Prominent Milestones for Government Support in Turkish Startup Ecosystem

04

A NEW ERA

Although Türkiye has fallen far below the peak it reached during the pandemic, it is still proceeding at a level much higher than before the pandemic.

Developments on the investor side, legislative developments that will grow the ecosystem, and important developments in certain verticals are the biggest proof that Türkiye will reach new heights.



VCs with Unicorns

Before the pandemic, no VCs had unicorns or decacorns in their portfolios, while 4 local funds now have unicorns and decacorns in their portfolios.

	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

The Venture Capital Investment Fund (GSYF in Turkish, VCIF in English) provides tax advantages and is based in Türkiye. Although its foundations were laid in 2014, the structure of the VCIF took its current form with the radical changes made in 2020. A record number of funds have been established in the past three years due to the mandatory allocation of shares to many institutions related to becoming a Limited Partner in these funds.

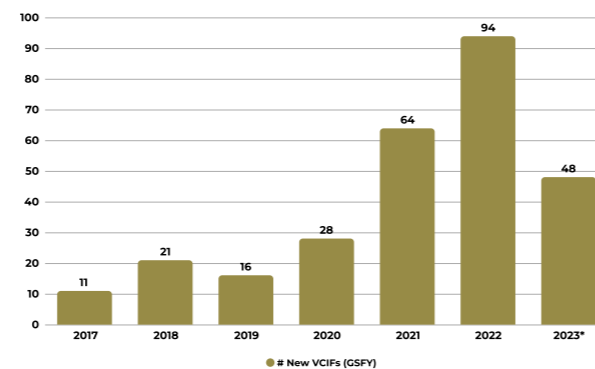


Chart 4 - # VCIFs (GSYF) in Türkiye (13)

* As of October 12, 2023

As of the end of Q3 2023, there were 270 VCIFs in Türkiye (284 including liquidated ones), more than half of which were established in 2022 or later. These funds mean 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

Funds established in Türkiye, excluding micro local funds such as VCIF/VCIT, have reached record sizes. Forty-six funds were established in 2020 and later totaling \$861 million.

While most of these funds focus on the Post-Seed Series A stage, some have added Central, Eastern, and Northern Europe to their mandate in addition to Türkiye.

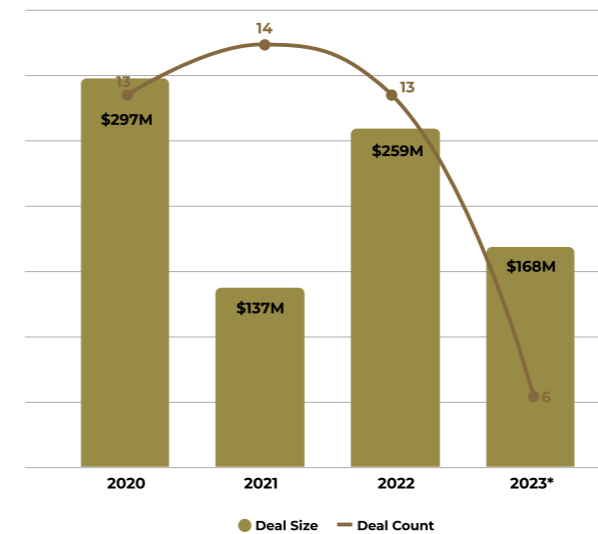


Chart 5 - VCIFs Established by Year (14)

(Except VCIF/VCIT)

* As of September 30, 2023

Equity-Based Crowdfunding Time

A new financing resource that entrepreneurs can turn to when they need financing was also launched in 2021. A regulation was issued in 2021 allowing entrepreneurs in Türkiye access to equity-based crowdfunding. To date, 21 platforms have been allowed to be established and funding for 108 technology companies has been completed so far on nine active platforms.

Considering that 44 startups that raised money on these platforms in the first nine months of 2023 received an average investment of \$363,000, we can say that equity-based crowdfunding became a good alternative for entrepreneurs in the pre-seed and seed stages in Türkiye.

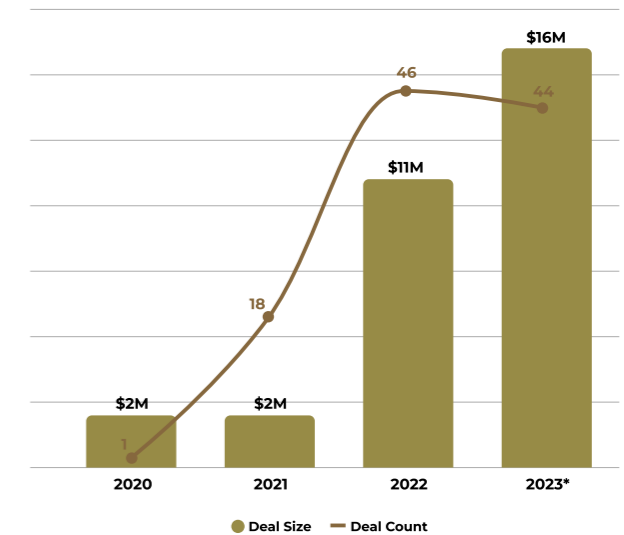


Chart 6 - Yearly Equity Based Crowdfunding Deals (15)

* As of September 30, 2023

Increased Appetite for CVC

The VCIF (GSYF) regulation and the success stories in the ecosystem have maximized the appetite of corporations to become corporate investors in recent years. There are 80 active CVCs in Türkiye and 53 of them were established in 2020 and later. CVCs took part in 37 percent of deals in the first nine months of 2023.

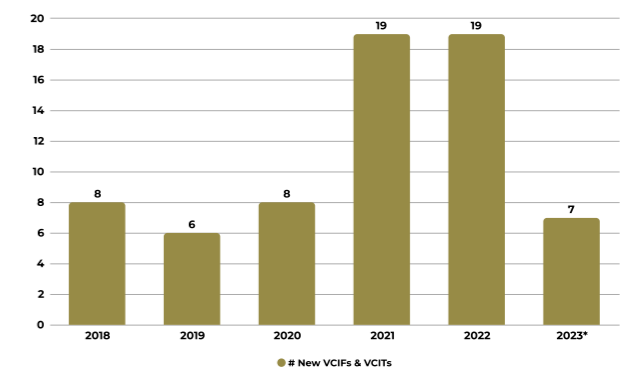


Chart 7 - # CVCs Established by Year (4)

* As of September 30, 2023

Global Champion Producing Industry: Gaming

The gaming vertical in Türkiye is the only vertical 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 the centaur level (\$100+ million ARR).
- 5+ game startups exited with valuations over \$100 million.
- 5+ game startups were acquired by global companies outside Türkiye.

After 2020, 320⁽¹⁶⁾ game studios were established in Türkiye, compared to 968⁽¹⁷⁾ in the UK, making Türkiye the country with the second-highest number of game studios established in Europe after the UK.

Creating its own ecosystem, the gaming vertical in Türkiye has 13 game-specific incubation centers, 21 game-specific accelerators⁽¹⁶⁾, two game clusters⁽¹⁶⁾, and two unicorns⁽¹⁶⁾.

Although the amount of investment has decreased due to the economic downturn, more investments were made in the first nine months of 2023 than in the whole of 2022.

Although there was no exit news in the gaming industry in the first nine months of 2023, the fact that Good Job Games sold some of its gaming portfolio for over \$100 million is the biggest indicator that the gaming industry is still the most active sector in Türkiye.

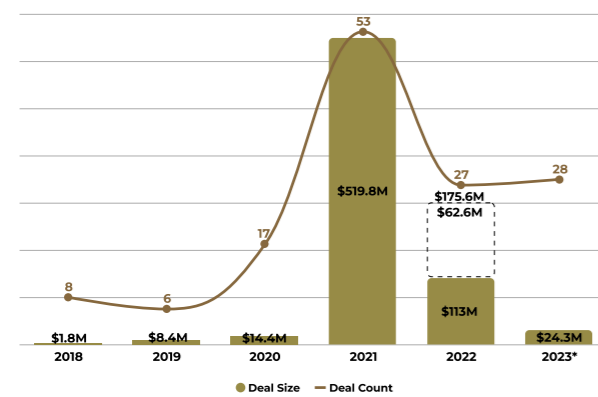


Chart 8 - Gaming Investments (Angel & VC) ⁽¹⁶⁾

* As of September 30, 2023

Fintech Startups Breaking Out of Their Shell

After the gaming industry, fintech is the most vibrant industry in terms of exits and creating local champions. For many years, the fintech vertical was known for producing local champions but failing to break out of its shell in terms of global growth. This is no longer the case and many Turkish fintechs have accelerated their overseas acquisitions to grow. In the past year alone, Param acquired Prague-based Twisto, Papara acquired Madrid-based Rebellion Pay, and Colendi acquired London-based SETL. These startups have recently accelerated their acquisitions in the local market. Most likely, we will see these startups as Türkiye's first fintech unicorns in the coming period. Therefore, we can say that the fintech ecosystem is at a tipping point.

With the recent regulatory changes in digital banking, open banking, and many other areas, fintech will be one of the most dynamic verticals in the coming period.

Although there was a decline in the size and number of investments in the first nine months of 2023, we can say that these figures will increase in the coming period with the Series A and B deals. It may take a little longer than expected, mainly due to the scarcity of money in Series A and B deals.

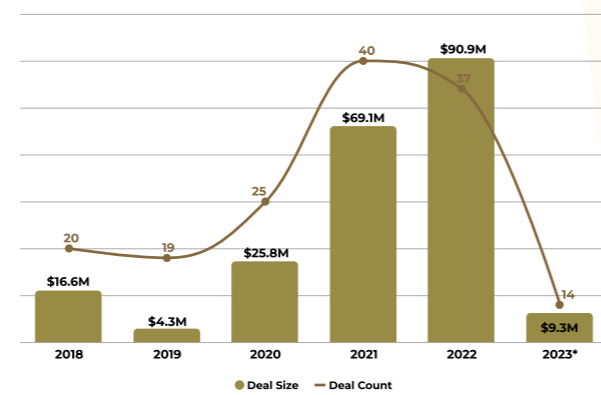


Chart 9 - Fintech Deals (Angel & VC)

* As of September 30, 2023

05

WHY TÜRKİYE AND WHY NOW ?



Interviews

Listed in Alphabetical Order



The dynamism of Türkiye's entrepreneurial ecosystem is both an indicator of its flourishing human capital and a reflection of its increasingly sophisticated regulatory landscape along with government-backed incentives and support.

Türkiye's entrepreneurial environment has been thriving, fueled by a talented workforce of engineers, developers, and fintech experts. These professionals excel in both technological innovation and understanding complex regulations, making them invaluable assets to the ecosystem.

Papara has emerged as a significant player in Türkiye's fintech landscape, establishing itself as one of the country's largest financial institutions. With its innovative payment solutions and user-centric approach, it has rapidly amassed a user base that now exceeds 18 million. This success not only boosts confidence in Türkiye's startup ecosystem but also positions Papara as a competitive platform on the international stage.



Ahmed Faruk Karslı

Founder - Papara

The Turkish government has been increasingly proactive in nurturing the fintech sector, recognizing its potential to revolutionize financial services and contribute to economic growth. Through various incentives, the state aims to create a conducive environment for fintech startups to thrive. These government-backed measures occupy a pivotal role in the mid-term plan, and they will be instrumental in bolstering the fintech ecosystem, providing the necessary support structures for innovation and scalability. On the regulatory front, Türkiye has made significant improvements. Legal reforms have streamlined the once-complicated processes for businesses, allowing startups to concentrate more on innovation. Additionally, various investment channels are injecting much-needed capital into these ventures, with a keen eye on governance and regulatory compliance.



Altogether, this multi-faceted support validates the significance of fintech in Türkiye's economic landscape and signals a strong commitment to fostering a competitive and compliant sector that can stand up to global standards.

Ahu Serter

Founder - Arya Women Investment Platform & Fark Labs

As we navigate through 2023, I reflect on Türkiye's remarkable growth in the startup ecosystem. My journey has been deeply involved as both an angel investor and through our corporate VCs, notably with initiatives such as Arya Ventures, Fark Labs and the Better Future Fund.

Türkiye, bridging Europe and Asia, offers a rich blend of cultures and insights. This duality powers our startups, equipping them with multifaceted perspectives, allowing them to craft globally resonant solutions. Importantly, with a significant young and female population, and a high percentage of STEM education, Türkiye presents tremendous early-stage deep tech investment opportunities. These ventures not only solve global challenges but also actively seek international

investors to inject "smart money" for overseas growth.

Furthermore, the increasing number of universities in Türkiye boosts our deep tech aspirations. Every day, more technoparks emerge, and the count of entrepreneurial academics rises, all fostering a robust ecosystem for innovation.

A point of pride is Türkiye's commendable gender balance in the business world, standing among the best globally. We're highly aware of this balance, especially in managerial roles, making Arya Ventures a crucial platform and tool in this regard. It's not just about funding; it's about nurturing and guiding these businesses toward success.

With governmental backing and our focused collaborative efforts with ecosystem partners, Türkiye solidifies its appeal for both domestic and global investors. I invite potential investors and partners to join us on this dynamic journey, shaping the startup future in Türkiye and beyond.



Ali Karabey

Founder & Managing Partner - 212

investors worldwide to tread cautiously. Türkiye experienced a fair amount of plunges compared to the local and global peaks of 2021 and 2022. The Turkish ecosystem faced a decline in mega deals, a swift drop and a gradual recovery, indicating a step-by-step return to normalcy.

The first half of 2023 brought hurdles for the Turkish ecosystem, including earthquakes, elections, and worldwide apprehension. Turkish entrepreneurs display exceptional resilience, a testament to their unwavering optimism. Launching and scaling a business has never been for the faint of heart in Türkiye and the MENA region. But now, entrepreneurs and

Geopolitical tensions, high inflation, and looming interest rate hikes in major economies cast a shadow on the global VC market in 2023. Uncertainty led VC

At Earlybird Digital East, Türkiye remains a core market for Digital East Fund III, our new \$200m fund, dedicated to startups with global ambitions and roots in Emerging Europe.

2023 saw tech markets rebound from the slowdown in 2022 and with breakthroughs in AI, presented substantial opportunities for entrepreneurs. In an environment that encourages innovation while emphasizing business fundamentals, strong Turkish founders who honed their skills through success stories the ecosystem has created in recent years, have a distinct advantage. We have been fortunate to support the largest successes emerging from the country, including multibillion-dollar companies Trendyol, Peak, and Yemeksepeti.

Supported by a strong talent base and improved access to capital, Türkiye's exceptional engineering talent is now more ambitious to develop products that address global markets. Peak's huge

Cem Sertoğlu

Partner - Earlybird Digital East Fund

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 large outcomes, even if they stay local. Trendyol is a great example, becoming a multi-billion dollar success by focusing on the Turkish e-commerce opportunity. Midas, Türkiye's leading mobile investment platform, is also an example in the making, demonstrating a very strong momentum fed by the interest of Türkiye's wide retail investor base.

Türkiye is a great market for early-stage tech investments. We are very enthusiastic about the market and continue to see it as our most attractive investment geography.



investors must adjust to an evolving funding landscape. We've observed increases in insider rounds, a deliberate investment pace focusing on nurturing existing portfolios, and a rise in unpriced rounds. What truly stands out is the indomitable spirit of founders and investors, who adapt to challenges and find ingenious solutions.

At 212, we remain optimistic about the ecosystem's future, initiating our third growth fund. We witnessed the making of the first software unicorn in the region and the emergence of up-and-coming startups and entrepreneurs who demonstrated their ability to thrive and expand their businesses even under challenging conditions. We support many more going after global markets. Adaptability weaves into the fabric of the Turkish entrepreneurial ecosystem, a trait we wholeheartedly embrace while building a resilient future for startups and investors.

Looking forward to 2024, we expect a revival in later-stage investment opportunities starting late in 2023. This revival will be driven by the maturity of more than 300 startups that raised pre-seed and seed funding in 2022 and are now gearing up for their next funding rounds. Investors will have a variety of investment options at different growth stages, which will come with favorable terms, reviving the funding landscape in a more balanced manner.

In the meantime, the current funding environment has split into two distinct paths. Certain companies, especially those in sought-after verticals such as Gen AI, continue to attract considerable investor interest and are raising mega-rounds, partly due to the scarcity of exceptional startups. Simultaneously, in the overall sector, the average investment size has decreased from \$4.5 million in 2022 to under \$1 million in 2023, primarily because there are fewer late-stage investment rounds happening.



Parallel to the global economic slowdown in 2023, the volume and number of deals closed in the Turkish startup ecosystem

Cenk Bayraktar

Founding Partner & Managing Director - Revo Capital



At Revo, we stick to our strategy of prioritizing startups with strong teams and global ambitions, regardless of economic conditions. Even during the VC funding boom, we remained strategic and cautious, looking for startups with disruptive technologies instead of inflated valuations. This approach remains at the core of our strategy going forward. In our second fund, we've invested \$50mn across 16 startups over 3 years, including 3 new investments in the first half of 2023, and we aim to invest in 5 startups every year. In 2024, our focus will shift to supporting and making follow-on investments in our portfolio companies. We are also in the process of raising our third fund to bridge

the funding gap between seed and late-stage startups, especially those originating from Türkiye, aiming to facilitate their global expansion and export their technology.

Dr. Elif Altuğ CFA

Ceo and Board Member - Türkiye Development Fund

couldn't reach the expected levels this year. Venture capital investments are long term in nature characterized by successive downturns and upswings. At Türkiye Development Fund (TDF), we recognize this cyclic nature and maintain our belief that mature venture markets are established drivers of economic expansion.

We have three investment scopes that are mainly; direct VC investments to startups, fund of funds investments and lower mid-cap PE investments to Turkish SMEs. Currently, we manage seven active funds under the TDF umbrella, with a total size of around 2 billion TL. The majority of these funds are allocated to direct and indirect venture capital investments.

Within these mandates, 2023 was a breakthrough year for us. We increased the number of funds managed under our umbrella from 5 to 7, nearly tripled the number of companies invested compared to last year and reached 18 companies in our portfolio. Additionally, by taking LP positions in 5 VC funds, we leveraged the investment amount transferred to nearly 80 startups.

The only focus of TDF is Turkish founders and Turkish startups. With our experience so far, we can explicitly say that Türkiye is well ahead of the average of many European countries in all dimensions of creative capital. We believe this trend will continue, and Türkiye will start to gain more prominence in the global startup ecosystem. With this perspective, as TDF we will continue to increase the given numbers which we believe will directly have an impact on the Turkish startup ecosystem.

Emin Can Yılmaz

Founder & CEO - Param



In 2023, global venture capital investments showed consistent growth despite facing various challenges and opportunities whilst seeking funding. During the first quarter, the Turkish fintech industry emerged as a leading contender, with a

transaction volume of USD 13.6 million, in alignment with global trends. Expected to remain an appealing location for both local and overseas investors in 2024, Türkiye possesses the potential to reinforce its global fintech position with its adept young workforce, financial expertise, and technological aptitude.

Türkiye's sole Embedded Finance Provider Param seamlessly integrates financial services into products and platforms, anytime, anywhere, ensuring an end-to-end solution. Param UK received its license from the FCA, becoming our first overseas entity in the European market. In 2022, we received investments from the European Bank for Reconstruction and Development (EBRD), CEECAT Capital, Alpha Associates,

and Revo Capital at a valuation of USD 217 million, making us the most valuable fintech in the sector. We acquired Twisto, a BNPL provider based in the Czech Republic. Additionally, we founded Param International in the Netherlands.

In 2021, one of Türkiye's leading companies in open banking and collection systems Finrota, joined the Param family. In 2023, both Univera and Univis, the leading digital transformation company in sales and logistics, also became part of our team. We also invested in Hopi, which specializes in loyalty applications with the value it offers to its users. In addition, an agreement was made to acquire the leading company that provides technology infrastructure and financial software solutions to companies. Together with more than 1,000 colleagues, we continue to achieve continuous results in the financial technology sector with our in-house technology and rapid implementation capabilities.

Enis Hulli

General Partner - 500 Emerging Europe



In 2021, the Turkish startup ecosystem experienced explosive growth that firmly placed it in the spotlight of the global tech industry. This dynamic surge birthed multiple unicorns, signaling Türkiye's emergence as a formidable player on the startup stage. It wasn't just the number of unicorns that grabbed attention; the amount of investment flowing into these startups skyrocketed, increasing tenfold within that short timeframe.

Fast forward to 2023, and the landscape has shifted. The global economy has tightened its belt, resulting in a crunch in liquidity. Investment levels may not reach the soaring heights of 2021, but Turkish startups are proving their mettle. They've always prioritized unit economics and profitability, which now positions them as

resilient and anti-fragile in the face of market downturns.

While global markets experience turbulence, Turkish startups are weathering the storm, building a reputation for their adaptability and staying power. This resilience is set to propel them forward. Predictably, we can anticipate the birth of a Turkish unicorn annually, each with its sights firmly set on global markets.

Türkiye's success story began with local businesses, then gaming companies, and now, the next wave is on the horizon - Software as a Service. With a laser-like focus on talent and robust global market access, Turkish startups are poised to carve a niche in the SaaS sector, further cementing their place in the global tech arena. In this ever-evolving landscape, the Turkish startup ecosystem remains a captivating narrative of growth, adaptability, and unwavering ambition.

As Finberg we expanded our horizons in 2021; investing in international startups like TapTap, Plum, and O.N.E, strategically aligning ourselves with globally acclaimed VC funds like Portage, Manhattan Venture Partners, and 500 Startups with a dual aim: co-investing in diverse ventures and facilitating foreign investments & networks for our startups. To date, we've invested over \$60 million across 52 startups and funds.

While global markets were faced with uncertainties, Türkiye witnessed a growing corporate interest, like leading to the formation of many CVCs. This, we believe, is a testament to Türkiye's resilient and evolving startup ecosystem—a beacon for foreign investors seeking untapped opportunities and exponential growth.

Moreover, government incentives, particularly in the form of tax advantages and grants, contributed to a surge not only in the number of corporate investors but also pension funds, which stabilize the financial ground for startups in Türkiye.

Ihsan Elgin

Executive Board Member - Finberg

Another development is that investors noticed the importance of market expansion, as startups need to hedge their risk and secure foreign investors by operating in countries other than Türkiye. There is a particular focus towards the Middle East and Asia, shaping a new frontier for Turkish startups.

Although it is challenging to catch the investment figures and growth of the previous year, both Turkish VC funds and the CVC ecosystem continue to expand and evolve. There are a total of 264 active funds and 79 CVCs actively and the number increases every day. This situation signifies more opportunities and resources to support new startups and innovation. Moreover, it indicates the increasing significance of startups in the business world.



Mehmet Ali Ergin

Vice Chairman of the Board of Directors - Re-Pie Asset Management

Turkish Startup Ecosystem when compared to the last decade has been flourishing rapidly in the wake of many global and local tragedies. Apart from the unpredictable global balances, be it regional conflicts or global pandemic, as well as the local incidents and setbacks such as the earthquake and national election, 2023 has been so far not only a period of hardships but also the emergence of great ideas and advancements in the venture capital sector.

Within the first half of 2023, the ecosystem has seen almost 218M USD in investments focusing mostly on AI/ML, gaming, fintech

and healthcare sectors. While more companies are popping up, the entrepreneurs and the public as a whole is learning more about what is needed to become a globally renowned founders and drag in international talent and funding. Despite all struggles, Türkiye has become a major breeding ground for successful ideas and potentially global expansions.

Having positioned ourselves as the largest alternative asset management company regulated by Capital Markets Board of Türkiye, Re-Pie has been supporting major global and local talents since 2017 through 36 venture capital funds as well as 26 real estate and 8 mutual funds with AUM totaling above 1.5B USD.

With such track record of having invested in nearly 90 startups, we currently are and will continue supporting the venture capital ecosystem with further funding and contribute heavily in the making of new unicorns and global success stories.

Given the series of advancements observed over the preceding years, it is unquestionably clear that the entrepreneurial framework of Türkiye has undergone significant maturation and fortification. This has enabled the nation to establish itself as a pre-eminent global center for entrepreneurship.

The synergistic endeavors of the private sector in tandem with governmental initiatives have been paramount in realizing this commendable growth. The governmental bodies have not only introduced a myriad of supportive initiatives but have also actively participated as financial contributors in various funds. Furthermore, established Turkish enterprises are demonstrating an augmented inclination towards forging partnerships with founders possessing transformative and pioneering visions.

In the past few years, Türkiye-based startups successfully procured an unprecedented volume of financial support, thereby inscribing a pivotal milestone for the national entrepreneurial ecosystem. Thanks to substantial investment transactions and noteworthy business exits, Türkiye has upgraded its



Türkiye has emerged as a dynamic hub for startups, championing innovation and entrepreneurship. The Turkish startup ecosystem is defined by its vibrancy, adaptability, and determination to redefine traditional industries.

Istanbul, the nation's epicenter for both economic and cultural endeavors, stands out as a nucleus of innovation. With a youthful and tech-savvy population,

Murat Onuk

Managing Partner - Arz Asset Management

position in Europe and maintains its rank in the MENA region concerning angel and venture capital investments. The positive trajectory observed within the ecosystem has invariably increased the appetite of investors, leading to a significant influx targeting Turkish startups in recent times.

We maintain our belief that, thanks to its adept workforce with robust resistance to financial disruptions, geostrategic advantage, resilient economic framework, demographic potential, enticing fiscal incentives, and a burgeoning research & development milieu, Türkiye is poised to emerge as a foremost entrepreneurial nexus on the global stage.

At Arz Asset Management, a preeminent asset management institution based in Türkiye, we have been at the forefront of facilitating the transformation of Turkish startups into global industry leaders since 2018. We have become one of Turkey's most actively investing asset management

Oğuz Alper Öktem

Founder & CEO - Marti Technologies Inc.

Türkiye provides fertile ground for startups to flourish. Investment incentives, incubators, and accelerators offer essential support, nurturing a culture of innovation and risk-taking.

In 2018, Marti Technologies Inc. embarked on a mission to revolutionize urban transportation throughout Türkiye via tech-driven solutions. Fast-forward to 2023, Marti stands as a formidable presence in Türkiye's transportation landscape, having secured a listing on the NYSE in July 2023.

Marti's journey commenced with the introduction of two-wheeled electric vehicles in March 2019. Today, with a fleet exceeding 42,000 e-mopeds, e-bikes, and e-scooters, Marti serves nine cities nationwide, underpinned by cutting-edge software systems and an IoT infrastructure. Moreover, Marti has expanded its service offerings with a ride-



companies with nearly 20 investments we have made in the last two years, and we aim to make 30 investments next year.

We express our profound enthusiasm to be integral to this ascendant narrative and cordially extend an invitation to like-minded entities to collaborate in further elevating this endeavor.

hailing platform, offering car and motorcycle ride-hailing options that seamlessly connect riders with drivers traveling in the same direction.

We firmly believe that green technology, human capital, and entrepreneurship ecosystem will assume even more significant roles in propelling economic activity. As a younger generation of tech-savvy Turks, we must exert extra effort to become a driving force in building an economy driven by technology, creativity, and innovation.

We regard Marti as a trailblazer within its industry, serving as an exemplary representation of a new generation of Turkish startups that provide technology-driven solutions and robust business models. We are confident that the entrepreneurial spirit, combined with innovative business concepts, can flourish in Türkiye when provided with the necessary resources for scaling. At Marti, we are determined to demonstrate that this possibility, which may have seemed unimaginable in the past, is now within reach.



Yiğit Arslan

Managing Partner – TechOne
Venture Capital

We've witnessed the first wave of venture-backed large Turkish startup exits between 2010 and 2020, and the vast majority of these companies had B2C revenue models, leveraging on the purchasing power of an 80 million and growing dynamic population. Through these successful exits and a growing venture capital interest we've observed a spike from 31 to 331 venture deal counts in Türkiye between 2012 and 2022, portraying a growing vibrancy of this ecosystem.

Turkish ecosystem got its share from a global slowdown of volume and deal count in venture deals in 2022 and 2023. Global venture funding reportedly decreased c. 35% in 2022, and is expected to decrease by another 25%. On the other hand, the Turkish ecosystem is in a healthy transition of producing more global businesses

rather than relying on hyper-local B2C businesses. We are keen believers of the potential of Turkish founders to establish truly global businesses like Udemy, Insider and Timus Networks.

As TechOne venture capital, we focus on early stages of funding and we are one of the representatives of a second wave of Turkish VCs. We believe that we can pioneer a new era of data-driven decision making in venture capital investments, leveraging advanced analytics and AI to maximize chances of success and provide a clear growth path for the startups we invest in.

We believe creating a true globalization bridge for our portfolio companies will help drive them to success. With a comprehensive data-driven international network, we ensure that the founding teams we invest in have access to global human resource markets and collaborations, giving them a competitive edge in today's interconnected world.

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 October 15, 2023

Key Terms & Definitions

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

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 five to six years. The goal is to sell the shares at much higher prices when the fund expires.

Corporate Venture Capital (CVC): CVC funds are the same as VC structures, except 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 in Türkiye is usually less than \$50 thousand.

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 in Türkiye is generally \$200 thousand.

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 in Türkiye is generally \$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. 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: 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

Decacorn: Company valued at over \$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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