THE STATE OF TURKISH STARTUP ECOSYSTEM

An In-Depth Analysis and Evaluation
WELCOME TO THE TURKISH STARTUP ECOSYSTEM

New Member of Unicorn Club!

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**KEY TAKEAWAYS**

**Quick Look at the Ecosystem**

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

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

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

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

Startup Growth Fueled by Broad Private & Public Support

Accelerators

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

Incubators

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

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

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

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

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

Co-working Spaces

The co-working culture, which emerged in 2010, became a widespread trend in 2015 and, following several leading successful spaces, led to the establishment of a wide variety of co-working options across the country. Although the pandemic put a damper on the sector’s rapid growth, and pushed many startup teams to work from home, these spaces quickly transitioned into virtual office services and community connectors for their startup members.

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

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

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

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

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

<table>
<thead>
<tr>
<th>Program Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Grant Program for Startups at Idea Stage</strong></td>
<td>TÜBİTAK BiGG grant program launched to support entrepreneurs in idea stage. <em>(2012)</em></td>
</tr>
<tr>
<td><strong>Supporting Technology Funds</strong></td>
<td>TTA Turkey Project is co-financed by the EU and the Republic of Turkey under the Instrument for Pre-Accession Assistance (IPA) funds and managed by EIF on behalf of the Ministry.</td>
</tr>
<tr>
<td><strong>Supporting Growth Funds</strong></td>
<td>The Turkish Growth and Innovation Fund (TGIF), established by EIF, Ministry of Treasury and Finance, KOSGEB and TSBK</td>
</tr>
<tr>
<td><strong>Venture Capital Funding Program</strong></td>
<td>Ministry of Treasury and Finance and Technology Transfer Offices supported by TÜBİTAK launched a VC funding program.</td>
</tr>
<tr>
<td><strong>Two new funds and One FoF</strong></td>
<td>Development and Investment Bank of Turkey launched Regional Development Fund and Technology and Innovation Fund (FoF + Fund) (USD 55.5 million)</td>
</tr>
<tr>
<td><strong>Grant for Development of Startups</strong></td>
<td>Entrepreneur Development Support Program (KOSGEB)</td>
</tr>
<tr>
<td><strong>Regional Venture Capital Support</strong></td>
<td>Istanbul Development Agency program (TRY 250 million)</td>
</tr>
<tr>
<td><strong>Equity Based Crowdfunding</strong></td>
<td>Communiqué on Equity Crowdfunding numbered III-35/A.1 issued by the Capital Markets Board of Turkey. (First platform launched in 2021)</td>
</tr>
</tbody>
</table>

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

The Scientific and Technological Research Council of Turkey (TÜBİTAK) has been providing grants via its program called TÜBİTAK BiGG to idea-stage startups since 2012. In 2019, 568 idea-stage startups received grants of TRY 200 thousand each; in 2020, 531 such startups received grants of TRY 200 thousand each. *(1)*

In the first quarter of 2021, 31 new technology firms were established with the support of the Small and Medium Industry Development Organization (KOSGEB); additionally, 241 startups received USD 830 thousand and 71 R&D firms received USD 200 thousand from KOSGEB over the same period. *(2)*
State of the Turkish Startup Ecosystem 2021

03

State of the Ecosystem

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

Investors

From a funding perspective, the Turkish Startup Ecosystem can be divided into three periods. The first, prior to 2010, was the bootstrapping period, during which most startups found growth by relying on their own resources and generated revenue. The second period, from 2010-2017, saw the emergence of new VCs, new angel networks, and new angel investors who became key players in the ecosystem. Growth was focused inwards, with internationalization taking a back seat. Also, while many mistakes were made, a lot of experience was also gained, and we bore witness to several sub-billion dollar exits.

The third period has been highlighted by the rise of Turkish unicorns and several fast, successful exits while local VCs, having raised their second funds, leveraged experience gained through successful exits to begin making additional investments. Furthermore, funding and support for startup investing also increased. The Ministry of Treasury and Finance (MFT), the Scientific and Technical Research Council of Turkey (TÜBİTAK), and the Istanbul Development Agency (İSTKA) provided matching funding to venture funds, leading to an increase in limited partners for funds.

Likewise, the government-sponsored angel investment accreditation program, which began in 2013, provides tax advantages to active angel investors, encouraging the official accreditation of 643 angel investors to date.²⁶ Angel networks are also quite popular in Turkey. The most well-known angel investor networks, both accredited and non-accredited, are provided above.

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

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

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

List 1: List of Angel Networks in Turkey

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

List 3 - VC Funds & Their Exits

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Increase in Thematic Funds

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

M&A Activities

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

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

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

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company/Deal</th>
<th>Value (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Trendyol</td>
<td>728M</td>
</tr>
<tr>
<td>2</td>
<td>Peak</td>
<td>1.8B</td>
</tr>
<tr>
<td>3</td>
<td>Rollic</td>
<td>180M</td>
</tr>
<tr>
<td>4</td>
<td>Yemeksepeti</td>
<td>538M</td>
</tr>
<tr>
<td>5</td>
<td>DeliveryHero</td>
<td>122M</td>
</tr>
</tbody>
</table>

Corporate Engagement

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

CVC funds started in the last 10 years include:

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

*As of June 30, 2021

- **Peak**
  - Zynga, $1.8B, 100%

- **hepsiburada**
  - IPO (Nasdaq), $476M, 20%

- **Trendyol**
  - Alibaba, $728M, 82%

- **Yemeksepeti**
  - DeliveryHero, $538M, 100%

- **Gram Games**
  - Zynga, $135M, 100%

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

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

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

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

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

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

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

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

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

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

Established as recently as 2019, Dream Games became Turkey’s fastest-to-unicorn startup in 2021. These success stories demonstrate that the Turkish startup ecosystem has not only figured out the right ingredients to be a global player, but how to do it at breakneck-speed as well.
Twenty years ago, in 2001 Pozitron turned one and Gitti Gidiyor and Yemeksepeti launched. It was the dawn of the Turkish startup scene. E-commerce defined everything, in a place that lacked seasoned investors, let alone venture capitalists, incubators, and any hope to be a unicorn or simply “exit.”

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

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

Remaining on par with these global players will be the test for the next 20 years. That responsibility lies with the ecosystem — the VCs, angels, accelerators, and other stakeholders. If the first two decades of the Turkish startup ecosystem were hard, the next two and beyond will be harder. Sustaining success always is.
As the founding partners of Boğaziçi Ventures, we were fortunate to be the early entrepreneurs in gaming and fintech verticals with multiple exits. Now, we enjoy being one of the pioneers in the ecosystem as the early stage tech investors.

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

Local market is big but in the last 5 years we see a strong mind shift to international growth. That created a significant fuel for acceleration. It’s now more likely to see tech companies with exponential growth. Recent unicorns prove the strong growth while we expect the market to reach more than 10 unicorns soon in gaming, RetailTech and Fintech verticals.

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

We set out at Yarda.com in 2020 with the aim of being the leading freight tech startup not only in Turkey but also in Europe. Yarda.com matches freight shipments with available independent carriers to provide fast, cost-effective transport for businesses of all sizes. We specialize in ‘less than truck load’ (LTL) shipments, harnessing ‘sharing economy’ dynamics. This means we consolidate loads from multiple shippers, making the most of each truck’s capacity. This helps reduce logistics costs, increases customer satisfaction, and helps reduce the carbon footprint of the end-to-end freight journey. Moreover, our business model supports individual carriers by opening new business opportunities for them through the Yarda.com web platform.

Turkey was a good place for us to begin operations. Our home country has almost 1 million independent truck drivers, and road is the dominant form of inland freight movement, market size reaching up to 50 bn USD - big enough to provide us with the necessary market depth on our journey to becoming Unicorn.

Another advantage of starting operations in our home country, Turkey, was the demographic advantage of our country and a well-trained engineering talent pool including software developers available to build a sustainable and scalable business. And this was a direct result of strong university infrastructure focusing on engineering and technology. The logistics industry is just at the beginning of digitalization for both Turkey and Europe. It is still a conventional sector handled in same way upon hundreds of years. Now, it is our turn. We are expanding our operations and services to Europe aiming to make Yarda.com as global startup. We believe that our hyper-scaled growth ambition and early-stage investments received from prominent global investors will encourage Turkey’s entrepreneurs to build success stories in increasing numbers aiming at scalable business models and developing truly global products.
We are excited for the continued strong growth of the Turkish startup ecosystem in 2021. USD 509 million invested in a total of 52 deals is more than the total of any other year, marking a record high year for Turkish startup ecosystem. Our portfolio company Getir attracted USD 428M of the total USD 509M investment for its global expansion, becoming the highlight of this ecosystem in 2021.

There is more than USD 500 million dry powder in the ecosystem still waiting to be deployed over the next couple of years, presenting a great opportunity for early stage companies. However, at later stages, we are observing an increasing funding gap and unrealized potentials of internationalization. It is therefore crucial for Turkish VCs to leverage and share their fundraising know-how and make introductions to international VCs as follow-on investors. Over the past year, we have also observed the Turkish startup ecosystem becoming increasingly decentralized as startups and IT developers become mobile as IP no longer has boundaries. As a result, we are also seeing an uptick in the number of Turkish founders that start their company abroad.

We plan on closing the gap in growth funding through Revo Capital Fund II. We completed the third closing of our second fund at 600M and have already backed 5 companies. We plan on investing in 10-15 startups that are from Turkey, Eastern Europe and the Baltics. Some of our target verticals are B2B SaaS, Fintech, Big Data, AI, Marketplaces and HealthTech. As an active investor, we have a natural alignment of interests with our entrepreneurs and help them supercharge growth and find the best investors.

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

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

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

The existence of highly qualified engineering teams that can innovate products that have broad appeal, a strong and company-wide focus on customers which we choose to call “customer obsession” and a well-functioning channel partner organization is what we are counting on to deliver against this vision.

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

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

With its deep knowledge and experience on how to keep users engaged in today’s attention economy, the platform has achieved “super app” status, offering customers what they need and earning their loyalty over time. From the marketplace to the super app, Trendyol welcomes sellers and customers from across borders. Making retail mobile, agile and on-demand, it continues to turbocharge the future of Turkey’s e-commerce sector.

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E. Göktekin Dinçerler
Executive Chairman at Mikro Yazılım Group

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

Although the Turkish startup ecosystem is quite young, the number of acceleration programs, angel investors, venture capitals and most importantly the number of entrepreneurs continue to grow rapidly every year. There has been a 35% increase in the number of startup investments from 2019 to 2020 and still on the rise by 2021.

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

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

Demet Mutlu
Trendyol Founder and CEO

Turkey is a youth-driven, digitally active hotbed of innovation with a vast pool of brilliant engineers and innovative developers laying the foundation for an ever-maturing startup ecosystem. Turkey’s traditional values—such as generosity, loyalty and strong community networks—are well suited to the digital age, making Turkey a welcoming centre of opportunity for international entrepreneurs.

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

Gülşüm Çıracı
General Partner at Startupfon

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

Cenk Bayrakdar
Managing Director at Revo Capital

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

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

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E. Göktekin Dinçerler
Executive Chairman at Mikro Yazılım Group

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

Although the Turkish startup ecosystem is quite young, the number of acceleration programs, angel investors, venture capitals and most importantly the number of entrepreneurs continue to grow rapidly every year. There has been a 35% increase in the number of startup investments from 2019 to 2020 and still on the rise by 2021.

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

From this point of view, compared to the sophisticated ecosystems, Turkey offers great opportunities to reach good deals much earlier and more easily. As Startupfon, we have already invested in three startups in two months after our first closing in March 2021 and aim to invest more in the second half of the year.
2020 solidified two trends,
1. more and more people turned to online tools for work, school, entertainment, and shopping, which accelerated the transition into the digital economy,
2. the importance of making investments in deep technologies that would accelerate scientific discovery, yield life-saving vaccines and drugs and enable environmentally-friendly change has become apparent.

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

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

Capital Markets Board of Turkey (CMB) approved and issued Alternative Investment Funds communiques in 2014. This legislation is aligned with AIFD in the EU. The instrument is used for either venture capital investment funds (VCIF) or private equity investment funds (PEIF). Since 2014, 65 funds have been established by 19 portfolio management companies, again regulated by the CMB. Total size of regulated Turkish VCIFs/PEIFs today are 7.5 billion Turkish liras Those funds are targeting different stages of ventures.

**Within the mandatory investment into VCIFs by private pension plans and tax incentives to companies that invests into VCIFs accelerated the growth of investor base and size of funds.
In 2022, companies that has R&D centers will have to invest into VCIFs. These regulations by government gives momentum to the investments into start-up ecosystem.
We invested into 6 scale-ups through our First Diversified VCIF and we aim to invest into another 15 in the coming 12 months. EdTech, games, healthtech, IoT, logitech and fintech are primary targets of this fund. Being a regulated asset management company and creating regulated fund structures give assurance to our LPs which are private pension plans and qualified investors. Our successful investments, especially Getir attract local and foreign investors. Tax incentives of the tool become the cherry on top.
Turkey has an institutionally and financially attractive supply side that is diverse, and are ready to nurture a bottom line. Turkey is well-positioned towards pursuing our expansion plans both domestically and internationally. In addition to 33 cities in Turkey, Getir currently operates in London, Paris, Berlin, and Amsterdam. With the recent acquisition of BLOK, currently operating across several cities in Southern Europe including Madrid, Barcelona and Milan, Getir gained immediate access into Spain and Italy, with Portugal soon to follow. Three cities in the US are on the roster to follow by the end of this year as Getir expands into the United States.

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

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

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

**Nazım Salur**  
Founder of Getir

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

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

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

This marked Getir’s third investment round in 2021, increasing the firm’s valuation 11.8 times in 5 months. We intend to use all the capital raised towards pursuing our expansion plans both domestically and internationally. In addition to 33 cities in Turkey, Getir currently operates in London, Paris, Berlin and Amsterdam. With the recent acquisition of BLOK, currently operating across several cities in Southern Europe including Madrid, Barcelona and Milan, Getir gained immediate access into Spain and Italy, with Portugal soon to follow. Three cities in the US are on the roster to follow by the end of this year as Getir expands into the United States.

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**Şafak Müderrisgil**  
Chairperson at EYDK (Impact Investing Advisory Board)

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

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**APPENDIX**

**Disclaimer**

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

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

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**Key Terms & Definitions**

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

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

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

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

**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.
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 secondary 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.

Terms 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.

References
