Turkey
Destination for Early Stage Investments

March 2021
What makes a country attractive for early stage investments?

- A supportive ecosystem
- Investments and successful exits
- New investment opportunities
Supportive Ecosystem
A Supportive Startup Ecosystem

**FUNDING**
- Business Angels
- Corporate Investors
- Local Investors & VCs
- FI/DFI
- Fund of Funds/Grants
- Local GE & PEs
- Foreign GEs PEs
- Accelerator Funds
- Foreign VCs
- Crowdfunding

**SUPPORTING**
- Technoparks
- Community Centers
- Media
- Mentor Trainers
- Living Labs
- Co-working spaces
- Deal Rooms / Investment Platforms
- Start-up Events
- Government
- Accelerators
- NGOs & Organizations
- Investor Analytics
- Startup Events
Turkish Startup Ecosystem in 2021

**FUNDING**

- **BUSINESS ANGEL NETWORKS**
  - 483 Accredited Business Angels
  - (As of September 30, 2018)

- **CROWDFUNDING**
  - TGIF

- **FFs/GRANTS**

- **LOCAL GE & PE**

- **ACCELERATOR FUNDS**

- **TECH ACCLRTR FUNDS**

- **LOCAL INVESTORS & VCs**

- **FOREIGN VCs**

- **FI/DFI**

- **CORPORATE INVESTORS & GE & PE**

**SUPPORTING**

- **ACCELERATORS (RUN BY UNIVERSITIES, TTO, TECHNOPARKS, NGOs)**

- **ACCELERATORS (RUN BY BANKS)**

- **LIVING LABS**

- **MENTOR TRAINERS**

- **MEDIA (ENGLISH)**

- **TECHNOPARKS**

- **NGOs & ORGANIZATIONS**

- **INVESTOR ANALYTICS**

- **COMMUNITY CENTERS**

- **MENTOR MOVEMENT**

- **TOP 3 STARTUP FRIENDLY COMPANIES**

- **DEAL ROOMS / INVESTMENT PLATFORMS**

Source: Startups.Watch
Turkish Startup Ecosystem in 2010

**FUNDING**

- BUSINESS ANGEL NETWORKS
- BUSINESS ANGELS
- CROWDFUNDING
- FSs/GRANTS
- LOCAL GE & PEs
- ACCELERATOR FUNDS
- TECH ACCLRTR FUNDS
- LOCAL INVESTORS & VCs
- FOREIGN VCs
- FOREIGN GEs & PEs
- CORPORATE INVESTORS & GE & PE
- FI/DFI

**SUPPORTING**

- ACCELERATORS (RUN BY UNIVERSITIES, TTO, TECHNOPARKS, NGOs)
- ACCELERATORS (RUN BY BANKS)
- LIVING LABS
- ACCELERATORS (PRIVATELY HELD)
- MEDIA (ENGLISH)
- MENTOR TRAINERS
- TECHNOPARKS
- INVESTOR ANALYTICS
- COMMUNITY CENTERS
- MENTOR MOVEMENT
- NGO & ORGANIZATIONS
- TOP 3 STARTUP FRIENDLY COMPANIES
- DE LAUGHER
- GOVERNMENT
- DEAL ROOMS / INVESTMENT PLATFORMS

Source: Startups.Watch
Ongoing Reform Process in Turkey

- **1980**: Establishment of the Capital Markets Board (L.No:2499)
- **1981**: Establishment of the Istanbul Stock Exchange
- **1982**: Issuance of the first mutual fund
- **1985**: Establishment of the Capital Markets Board (L.No:4054)
- **1987**: Technology Development Foundation of Turkey
- **1991**: The Law on Technology Development Zones (L.No:4487)
- **2000**: Establishment of Invest in Turkey Agency (L.No:5523)
- **2001**: The Law on Supporting R&D Activities (L.No:5746)
- **2003**: Foreign Direct Investment Law was passed (L.No:4875)
- **2006**: New Investment Incentive Scheme
- **2007**: The Law on Supporting R&D Activities (L.No:6102)
- **2008**: New Commercial Law (L.No:6326)
- **2009**: Introduction of VC Funds by the Capital Markets Board
- **2011**: New Capital Markets Law (L.No:6102)
- **2012**: Tax Incentive Program for Angel Investors
- **2013**: The Law on Supporting R&D Activities updated
- **2014**: Tax Incentive Program for Companies investing in VC Funds
- **2016**: Growth and Innovation Fund established by Development Investment Bank of Turkey
- **2017**: Law on Industrial Property Rights went into force (L.No:6769)
- **2018**: Establishment of the Turkey Wealth Fund
- **2019**: Tübitak 1514 Tech-InvesTR “Venture Capital Funding Program” V2
- **2020**: Techno-Investment Fund established by Development Investment Bank of Turkey

Key Events:
- **January 24 Decisions in 1980**: Establishment of the Capital Markets Board
- **1982**: Issuance of the first mutual fund
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Government grants were the most active financing solution in the idea stage in 2020. The share of government grants was; %88 in idea stage and %32 in seed & early VC stage.

**Idea Stage**
- 531 Startups received $7M government grants in 2020 through Tubitak Teydeb Programs

**Seed & Early VC Stage**
- 1218 Startups received $47M government grants in 2020 through Tubitak Teydeb Programs
- 158 Startups raised $101M through Angels & Venture Capital Funds

Source: Startups.Watch
Government Supports the Early Stage Investors

When invested through venture capital and private equity funds in Turkey, instead of investing directly into the companies:

- Withholding tax for the distributed dividends
- Withholding tax on exit

When invested in the Turkish Venture Capital Investment Trusts and Funds by corporations:

The investment amount can be deducted from the corporate income tax base\(^1\)

When invested in startups by individuals with a Business Angel Certificate\(^2\):

75% of the investment amount can be deducted from the angel investor’s personal tax base\(^3\)

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\(^1\) Turkish Tax Law, Article 325/A - Up to 10% of the total corporate income tax base. - On exit from the fund, same amount must be invested in similar venture capital funds within maximum 6 months after exit, otherwise exempted tax amount will be paid. Even in this case, it can be considered as a tax postponing.

\(^2\) Can be obtained from the Turkish Treasury

\(^3\) Shares must be held by the angel investor for at least 2 years. - In cases where the angel investment is made in companies that have research, development, and innovations projects that are supported by the Ministry of Industry and Technology, Scientific and Technological Research Council of Turkey (TUBITAK) and Small and Medium Industry Development and Support Organization (KOSGEB) within the last 5 years, deduction amount will be 100% instead of 75.
Turkey's Global Rankings in Social Media Use

- **Facebook**: 37M Reach
- **Instagram**: 38M Reach
- **Twitter**: 11.8M Reach
- **Linkedin**: 8.4M Reach

**Penetration Rate**

<table>
<thead>
<tr>
<th>Category</th>
<th>Total Population</th>
<th>Mobile Subscriptions</th>
<th>Internet Users</th>
<th>Active Social Media Users</th>
<th>Mobile Social Media Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>%93 (W Avg: %67)</td>
<td>%75 (W Avg: %59)</td>
<td>%65 (W Avg: %49)</td>
<td>%65</td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>83.6 Million</td>
<td>77.4 Million</td>
<td>62.1 Million</td>
<td>54.0 Million</td>
<td>54.0 Million</td>
</tr>
<tr>
<td>Population (2020)</td>
<td>Million People</td>
<td>Million People</td>
<td>Million People</td>
<td>Million People</td>
<td>Million People</td>
</tr>
</tbody>
</table>

**Average Daily Time Spent Using the Internet**: 7h 29m

**Average Daily Time Spent Using Social Media**: 2h 51m

**Average Daily TV Viewing Time**: 3h 4m

**Average Daily Time Spent Listening to Streaming Music**: 1h 21m

Kaynak: Digital 2020 Report, Hootsuite & we are social
One of the Largest Talent Pools in Europe and MENA Region

Number of graduates from universities during the 2018-2019 academic year in Turkey

891,458

41,040 university graduates from Engineering and Engineering Trades

14,351 university graduates from Information and Communication Technologies (ICT)

Source: Council of Higher Education. Associate Degree Programs, Bachelor’s Degree Programs and Graduate Programs are included.
Investments and Successful Exits
Early Stage Investments in Turkey since 2010

In 2020, 165 startups raised a total of $139M from angels and VCs, setting a new record for the ecosystem.

Source: Startups.watch Only disclosed equity fundings are counted. Non-Equity, Secondary and Post-IPO transactions, Grants and convertible debts are excluded.
Angel and VC funding for Turkish startups grew by 31% and reached to $139M in 165 deals last year.

### Early Stage Investments in 2020 in Europe

<table>
<thead>
<tr>
<th>Country</th>
<th>Angel &amp; VC Funding</th>
<th>Deals</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>$13.6B (1693)</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>$5.3B (478)</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>$5.1B (593)</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>$2.3B (233)</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>$1.8B (280)</td>
<td></td>
</tr>
<tr>
<td>The Netherlands</td>
<td>$1.5B (223)</td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td>$1.1B (125)</td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>$800M (103)</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>$773M (280)</td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>$649M (121)</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>$560M (150)</td>
<td></td>
</tr>
<tr>
<td>Ireland</td>
<td>$578M (123)</td>
<td></td>
</tr>
<tr>
<td>Estonia</td>
<td>$306M (83)</td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td>$257M (73)</td>
<td></td>
</tr>
<tr>
<td>Russian Fed.</td>
<td>$202M (86)</td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>$202M (70)</td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>$178M (86)</td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td>$139M (165)</td>
<td></td>
</tr>
<tr>
<td>Luxembourg</td>
<td>$88M (26)</td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td>$85M (46)</td>
<td></td>
</tr>
<tr>
<td>Hungary</td>
<td>$75M (98)</td>
<td></td>
</tr>
<tr>
<td>Iceland</td>
<td>$57M (13)</td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td>$35M (16)</td>
<td></td>
</tr>
<tr>
<td>Ukraine</td>
<td>$34M (32)</td>
<td></td>
</tr>
<tr>
<td>Latvia</td>
<td>$32M (26)</td>
<td></td>
</tr>
<tr>
<td>Czechia</td>
<td>$32M (33)</td>
<td></td>
</tr>
<tr>
<td>Lithuania</td>
<td>$28M (32)</td>
<td></td>
</tr>
<tr>
<td>Croatia</td>
<td>$19M (39)</td>
<td></td>
</tr>
<tr>
<td>Romania</td>
<td>$18M (25)</td>
<td></td>
</tr>
<tr>
<td>Malta</td>
<td>$18M (7)</td>
<td></td>
</tr>
<tr>
<td>Slovenia</td>
<td>$18M (8)</td>
<td></td>
</tr>
<tr>
<td>Belarus</td>
<td>$17M (6)</td>
<td></td>
</tr>
<tr>
<td>Serbia</td>
<td>$17M (6)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Startups.Watch
Early Stage Investments in 2020 in MENA Region

Angel and VC funding for Turkish startups grew by 31% and reached to $139M in 165 deals last year.

When compared to MENA countries, Turkey ranks as the 3rd country in early stage investments.

<table>
<thead>
<tr>
<th>Super League</th>
<th>1. League</th>
<th>2. League</th>
<th>3. League</th>
</tr>
</thead>
<tbody>
<tr>
<td>Israel</td>
<td>United Arab E.</td>
<td>Egypt</td>
<td>Lebanon</td>
</tr>
<tr>
<td></td>
<td>$4.2B (414)</td>
<td>$72.7M (97)</td>
<td>$8.5M (12)</td>
</tr>
<tr>
<td>Turkey</td>
<td>$139M (165)</td>
<td>Morocco</td>
<td>Armenia</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>$7.1M (38)</td>
<td>Jordan</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$10.4M (15)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bahrain</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$10.2 (7)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Startups.Watch
In terms of funding raised, SaaS, AI, Marketingtech, Healthtech, Fintech and Deeptech were the most popular verticals in Turkey, in 2020.
Turkish Startups’ Exit Activities in the last decade
<table>
<thead>
<tr>
<th>Year</th>
<th>Company</th>
<th>Deal Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>eBay</td>
<td>Global marketplace Ebay acquired Turkish leading marketplace: Gittigidiyor</td>
</tr>
<tr>
<td>2015</td>
<td>Delivery Hero</td>
<td>German takeout food company Delivery Hero bought Turkish yemeksepeti.com for $589M</td>
</tr>
<tr>
<td>2018</td>
<td>zynga</td>
<td>Zynga bought Turkish game developer Gram Games for $250M</td>
</tr>
<tr>
<td>2018</td>
<td>ATLASSIAN</td>
<td>Australia based software developer paid $295M for Turkish OpsGenie</td>
</tr>
<tr>
<td>2018</td>
<td>Alibaba</td>
<td>Chinese Alibaba paid $728M for the %82 stake of the Turkish e-commerce company: Trendyol</td>
</tr>
<tr>
<td>2018</td>
<td>Naspers’s PayU</td>
<td>Naspers’s PayU bought fintech startup iyzico for $165M</td>
</tr>
<tr>
<td>2019</td>
<td>Microsoft</td>
<td>Microsoft acquired Turkish open-source firm Citus Data</td>
</tr>
<tr>
<td>2019</td>
<td>Sovos</td>
<td>Sovos acquired Turkish e-invoice startup Foriba</td>
</tr>
<tr>
<td>2020</td>
<td>Team Blue</td>
<td>Team Blue acquired Turkish web hosting firm Natro</td>
</tr>
<tr>
<td>2020</td>
<td>yabb</td>
<td>Social networking and instant messaging company Yabb acquired influencer marketplace Fango</td>
</tr>
<tr>
<td>2020</td>
<td>TPAY Mobile</td>
<td>UAE-based FinTech firm TPAY Mobile acquired Turkish mobile payment platform Payguru</td>
</tr>
<tr>
<td>2020</td>
<td>zynga</td>
<td>Zynga bought Turkish mobile game maker Peak for $1.8bn</td>
</tr>
<tr>
<td>2020</td>
<td>zynga</td>
<td>Zynga paid $168M for the %80 stake of the Turkish mobile game maker Rollic</td>
</tr>
</tbody>
</table>
Peak Games has become Turkey’s first Unicorn

- The US-based interactive entertainment giant Zynga acquired a Turkish mobile game developer Peak Games for $1.8 billion.
- Peak’s investors had included European VCs Earlybird and Hummingbird Ventures and Endeavor Global.
- Zynga had also bought Peak Games’ mobile card game for $100 million back in 2017. And also bought %80 stake of Rollic Games for $168 million in 2020 (after Peak deal).

zynga

- The leading global social game developer running social video game services.

peak

- Founded by Mr. Sidar Sahin in Istanbul, Turkey, in 2010.
- The owner of Toon Blast and Toy Blast games, which have over 12 million average mobile daily active users.
New Investment Opportunities
# State Supported VC Funds in Turkey

<table>
<thead>
<tr>
<th>Investor (Limited Partner)</th>
<th>Fund Manager (General Partner)</th>
<th>Fund Size</th>
<th>Investment Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Treasury and Finance</td>
<td>500 arz portföy collective spark Gedik portföy</td>
<td>Total Size: ~ TL 1 Billion</td>
<td>Direct Investment in technology startups</td>
</tr>
<tr>
<td>Scientific and Technological Research Council of Turkey</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ministry of Industry and Technology</td>
<td>Kalkınma yatırım bankası</td>
<td>TL 350 Million</td>
<td>Investment in VC funds who invests in technology startups + Co-Investment in &gt;Serie C level technology startups</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Istanbul Development Agency</td>
<td>General partners to be to be included in the program will be announced in June 2021</td>
<td>TL 250 Million</td>
<td>Investment in VC funds who invests in technology startups</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vakif katilim albaraka</td>
<td>Bilisim vadisi technology development zone</td>
<td>TL 100 Million</td>
<td>Direct Investment in technology startups</td>
</tr>
</tbody>
</table>
The total amount of new funds raised equaled 270M USD in 2020, the largest total funding base to date.

Source: Startups.watch
CVC participation in early stage investments has been on the rise in the last 4 years.

Source: Startups.watch Only disclosed equity fundings are counted. Non-Equity, Secondary and Post-IPO transactions, Grants and convertible debts are excluded.