

TURKEY BRIEFING



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Dear Reader,

with this Turkey Briefing, we hope to provide You with information regarding Turkey as a Business Location. Each issue will focus on a different aspect of the Turkish Economy. We are also pleased to assist You if You require further information on certain aspects. On page 4, You can find our contact information.

We wish You an exciting read and look forward to Your feedback.

In This Issue

THE TURKISH START-UP ECOSYSTEM

TURKISH START-UPS ON A GROWTH PATH

Turkish start-ups are writing success stories. They ensure innovation, growth and productivity in both the Turkish, and international economy. That puts them at the center of attention - not only nationally, but also worldwide. Well-known international companies have been known to invest millions in Turkish start-ups.

At the beginning of 2020, a Turkish company made a name for itself. Investments of \$38 million, which the delivery start-up **getir** received, made good headlines. Much of that - \$28 million - came from leading Silicon Valley investors. This shows that the enormous potential of Turkish start-ups has been targeted by global investors.

But that's not all: In the midst of the corona pandemic, the lockdown and crash of the global economy, the global gaming giant **Zynga** raised \$1.8 billion for the acquisition of **Peak Games**. The Turkish start-up company Peak Games thus became the first Turkish unicorn, a start-up with a market valuation of over a billion US dollars.

And what's more: soon after, the fastest exit in Turkish start-up history took place. Just 21 months after it was founded, the game company Zynga bought the Turkish start-up **Rollic Games** for \$180 million.

After a successful year for the Turkish start-up ecosystem in 2020, despite the corona-pandemic, the year 2021 also got off to an exceptionally strong start.

In the first two months of the year Turkish start-ups raised \$186 million, surpassing the entire year of 2020 (\$ 139 million) and reaching an all-time high.

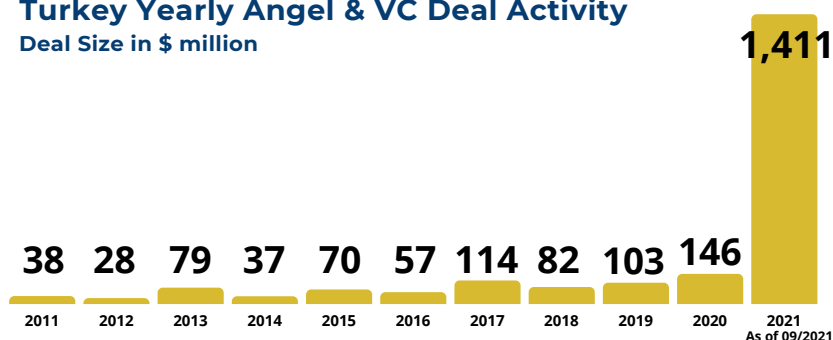
In March 2021 Turkey fetched its second unicorn. The Turkish rapid delivery start-up **getir** raised \$300 million new investment for international expansion, reaching a valuation of \$2.6 billion. Silicon Valley's **Sequoia Capital** and New York-based **Tiger** led the investment round.

But that's not all. In August 2021 **Trendyol**, one of Turkey's best known e-commerce platforms, announced that it had increased its valuation to \$16.5 billion. Thus, Trendyol is the first Turkish company to become a decacorn, which is the term used for companies with a value exceeding \$10 billion.

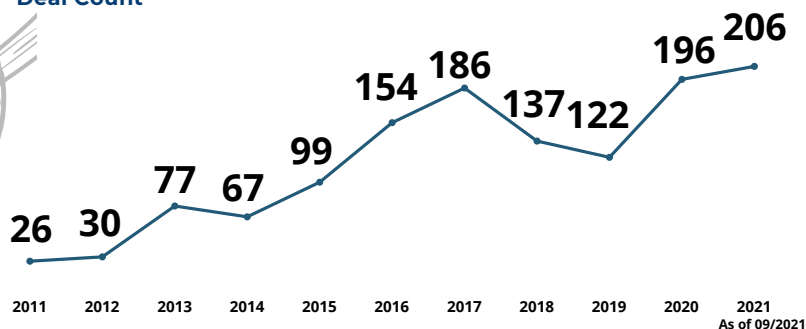
In the first nine months of 2021, start-ups in Turkey raised 1.4 billion dollars across 206 deals. The total deal volume increased by 1,170 percent, while the number of deals increased by 49 percent year over year. In 2021, the total number of transactions with 206 set a new high. In terms of angel and venture capital investments, Turkey was ranked 13th in Europe in the third quarter of 2021.

To demonstrate the importance of these investments: Start-ups are now an indispensable basis for economic growth: New ideas, products, services and business models modernize the economic structure, promote competitiveness and innovation, and create new jobs.

Turkey Yearly Angel & VC Deal Activity
Deal Size in \$ million



Turkey Yearly Angel & VC Deal Activity
Deal Count



Source: startups.watch



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Start-up Ecosystem of Turkey

The epicenter of the Turkish start-up ecosystem is Istanbul. The country's historical, economic, and cultural center ranks 69th, jumping 11 spots from the previous year 2020, in a global comparison of cities by **StartupBlink**, a global start-up ecosystem research center. The sectors where Istanbul-based start-ups are most concentrated are transportation technology, e-commerce and retail technology, educational technology and financial technology.

According to the StartupBlink Report, Turkey ranked 44th in 2021 among the 100 countries with the best start-up ecosystem. In the ranking, in which criteria such as the number of start-ups, quality, working conditions, number of employees, ease of doing business, and access to technology services are taken into consideration, Turkey moved up five places compared to the previous year.

Regarding the Turkish start-up ecosystem StartupBlink states *"Turkish entrepreneurs are highly skilled, prefer a proactive approach, and exhibit a sense of community and true interest in helping the local start-up ecosystem grow, both rare in other countries."*

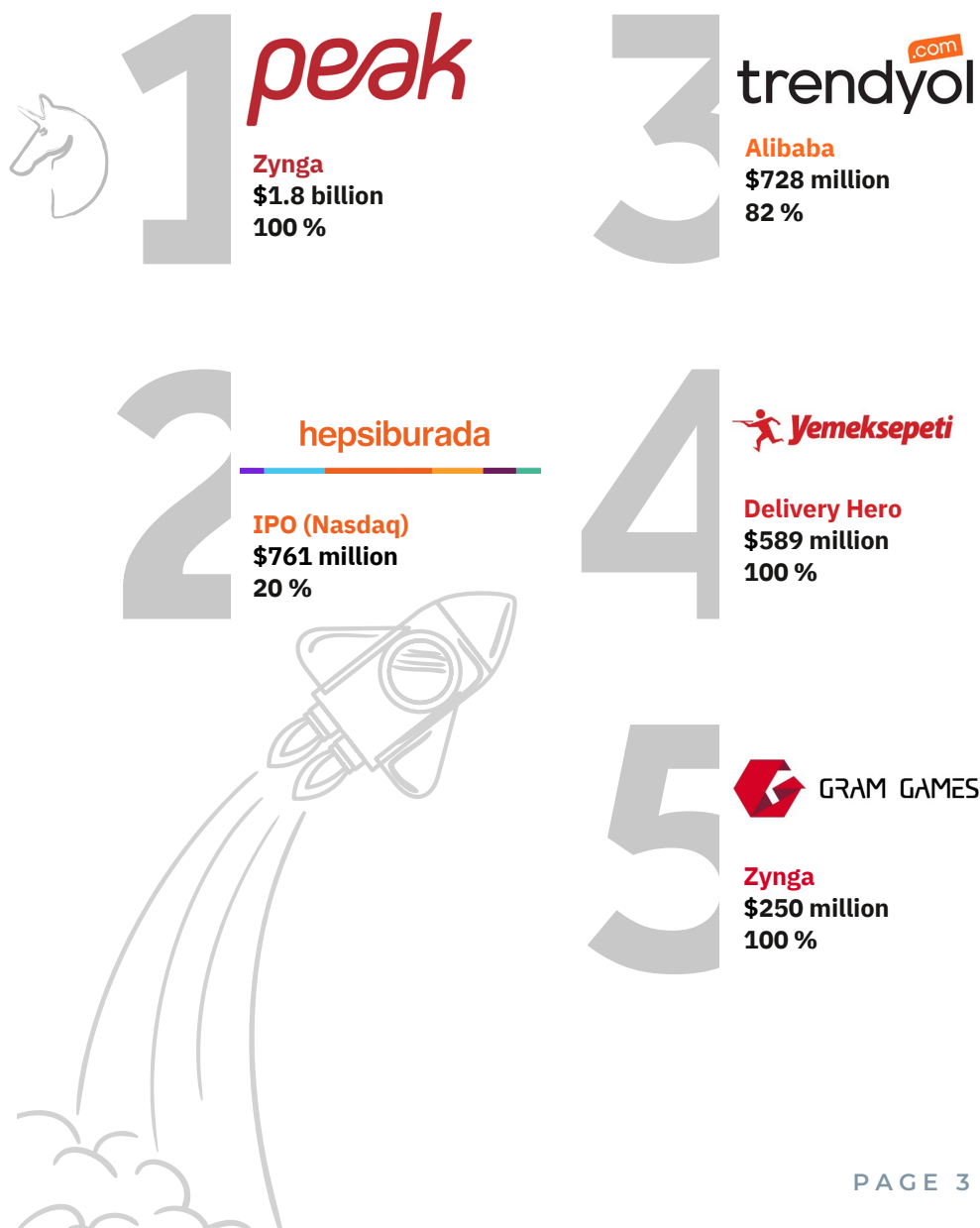
Istanbul is also among the top 100 cities globally, according to **Startup Genome**, the world-leading innovation policy advisory and research firm. Istanbul is ranked 16th among the Top 100 Emerging Ecosystems in 2021 (2020: 18), ahead of American and European cities such as Detroit, Houston, Phoenix, Brussels, and Hamburg.

Turkey expects that in the near future, thanks to a mature start-up ecosystem, a large and young population with a high high-tech penetration rate, an affordable and competent developer pool, an increasing investment trend in various industries and successful exits to global companies, many more strong companies will emerge.

As early as the 2010s, global technology corporations such as **Delivery Hero**, **Ali Baba**, and **eBay** acquired several Turkish e-commerce start-ups such as **Yemeksepeti**, **Trendyol**, and **Gitti Gidiyor**. Each acquisition amounted to more than \$100 million. The following are Turkey's five largest acquisitions between 2010 and 2021.

TOP 5 EXITS 2010-2021*

*As of 06/2021



Technoparks

The reason that Turkish start-ups have been able to flourish so quickly is also due to public initiatives and the technological ecosystem.

The establishment of technoparks (Technology development zones) in Turkey started in the early 1980s in order to advance technology development. In 2001, a legal framework was created to accompany the expansion and regulation of technoparks.

Technoparks are organized research and business development ecosystems where universities/research institutions and industrial organizations carry out research, development and innovation in the same environment, transfer information and technology among each other, and integrate academic, economic and social structure.



The technoparks in Turkey found inspiration in Silicon Valley as a successful model to replicate. In numerous technoparks all across Turkey, technology development and technology production were brought under one roof. Talents, networking and state incentives laid the foundation for the current success of the Turkish start-up scene. There are currently 88 technoparks in Turkey. The total number of companies operating in technology development zones and carrying out R&D has reached 6,818, and 70,810 personnel are employed in these companies (as of July 2021).

In these technoparks, companies from the medical, energy, chemical, food, defense and automotive industries carry out research and develop new products, technologies and working processes. One of these technology centers is **Bilişim Vadisi**, also known as the Turkish Silicon Valley, in the western Turkish district town of Gebze (Kocaeli) near İstanbul. In addition to numerous companies, **TOGG** is also based here and conducts research and development activities for the first Turkish electric car.

Succes Stories

getir

The grocery delivery company getir was founded in 2015 and became Turkey's second unicorn in March 2021. It is one of the most successful start-ups in the country. getir's business model attracted the attention of American entrepreneurs from Silicon Valley, among others, who invested a total of \$300 million in the start-up at the beginning of the year.

getir is now also operating in various European Countries such as the Netherlands, France, Spain, Germany, Spain, and Italy.

Peak Games

The İstanbul-based gaming company Peak Games became Turkey's first unicorn, after its acquisition by Zynga for \$1.8 billion. Peak Games was founded in 2010 and is now one of the largest companies in the global mobile gaming industry.

hepsiburada

hepsiburada is one of the leading online shopping platforms that has been operating since 1998. hepsiburada became in 2021 the first Turkish company to be traded on the NASDAQ stock exchange.

trendyol

trendyol is the first decacorn of Turkey. It is one of the largest Turkish companies in e-commerce. In 2018, Alibaba, the Chinese e-commerce giant, paid \$782 million for an 82 percent interest in Trendyol. After investing \$350 million in Trendyol in 2021, Alibaba increased its ownership to 86.5 percent.



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