



2023 H1

Turkish Startup

Ecosystem

Investment Report

startupcentrum.com

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STARTUPCENTRUM

Global Startup Community!

Bridge Between Startups, Talents, Investors, & Incubators

Find the best startup jobs or launch your future unicorn company, meet the best talents and startups, get in contact with international accelerators and investors to grow!

WHO WE ARE?

StartupCentrum is also a startup that set out to help entrepreneurs find the right teammate, and then turned its focus to all the needs of entrepreneurship ecosystems. Startups can instantly apply investors or incubators, accelerators and technoparks through the platform. Or, s/he can find that teammate s/he has been looking for for a long time by filtering and send a message immediately. Platform member startups can also receive free credits and discounts from companies from AWS to Salesforce. In addition to these, you can access the reports prepared about entrepreneurship ecosystems in the world, especially in Türkiye, free of charge, or you can always participate in our entrepreneurship events held in different cities of Türkiye every month!

WHAT WE DO?



TALENT

Any talent who wants to work at a startup or scaleup can apply for job postings OR send a direct message by filtering startups according to their needs! Also, startups can open job applications OR send direct messages filtering talents by various filters!



FUNDING

A platform member startup can directly communicate with ecosystem stakeholders! A startup can apply to angel investors, VCs, CVCs and any other investors to receive funding! On the other hand, a startup can also apply to accelerator programs, incubation centers or technoparks!



REPORTS

The key to growth: Data! A decision maker, founder, investor or startup enthusiast can find insights about startups in our reports. We prepare investment reports, market research and ecosystem maps, and share them all for free! We also share news and weekly newsletter about startups from around the world!



PERKS & EVENTS

A platform member startup can take advantage of perks which increase in number every month, free of charge! Or entrepreneurs can join our Find Your Co-Founder events to meet people from the ecosystem and expand his/her network or find the co-founder s/he are looking for! You can follow us on social media for detailed information about the events.

INTRODUCTION

As the global startup community StartupCentrum, we aim to meet the information and analysis needs of all ecosystem stakeholders by evaluating the startup ecosystems in the world with data. We prepare our reports to contribute to developing the entrepreneurship ecosystem by creating accurate and reliable sources.

In the first half of 2023, Turkish Startup Ecosystem Investment Report, various information is given from the sectors of the enterprises that receive investment to the investment stages, from the countries where the investors are located, to the regions where the headquarters of the enterprises are located. Towards the end of 2022, while the concerns of the economic crisis increased around the world, there was a general belief that 2023 would be a challenging year for techno-enterprises due to the uncertainties in the global economic and political climate. It was observed that there was a severe regression in high-numbered investments, especially in investments of 100 million dollars and above.

In Türkiye, besides the uncertainties in the world, the 6 February Earthquakes, which caused deep psychological and economic wounds, took place. The earthquake, which killed tens of thousands of people and directly affected about 15 million people, brought life to a standstill in the country. In this process, techno-enterprise investments also slowed down considerably. While efforts were made to heal the wounds of the earthquake, general elections were held in Türkiye in May, just three months after the quake. It was a period when foreign investors mainly waited for the election results and slowed down their investments in Türkiye a little more.

So, how was the first half of 2023? Details are in the report!

StartupCentrum

H1-2023

**TURKISH STARTUP
ECOSYSTEM
AND FUNDING**

23

SUMMARY H1'23

\$218M

Total Funding Amount

In the H1'23, techno-startups received an investment of 218 million dollars.

164

Funding Rounds

162 techno-startups received investment in 164 funding rounds.

\$350.600

Median Funding Amount

The median value of investments was 350 thousand dollars.

Industries

AMOUNT

\$118M

Artificial Intelligence & Machine Learning

\$113M

Digital Marketing & Sales

\$21M

Gaming

DEALS

24 startups

Artificial Intelligence & Machine Learning

17 startups

Gaming

14 startups

Fintech

155

Institutional Investors

155 institutional investors* funded Turkish startups in H1'23.

39

Foreign Institutional Investors

39 of the 155 investors were foreigners.

32

Crowdfunding Rounds

32 successful crowdfunding round were closed in H1'23.

%20

Women-led Startups

20% of the funded startups had at least 1 female co-founder.

\$117,5M

Funding Amount

Women-led startups received 117,5 million usd in H1'23.

104

First Funding

104 startups received their first investment in H1'23.

TOP DEALS

INSIDER

Insider is an AI-powered omnichannel marketing technology company.

Amount : \$105 M
 Valuation :-
 Lead Investors : Qatar Investment Authority, Esas Ventures

HOTELRUNNER

Hotelrunner is an integrated sales and distribution management platform for accommodation, travel and payment points.

Amount : \$6.5 M
 Valuation :-
 Lead Investors : 212, Wix Capital, Ascension Ventures, DHM

FAZLA

Fazlai develops technology solutions that prevent excess food waste and facilitate waste management.

Amount : \$6 M
 Valuation : \$43M
 Lead Investors : 212, Türkiye Kalkınma Fonu (TTGV1), Esor Investments

GRAND-ATTIC

Grand-Attic (formerly Hadi) is a mobile gaming company that produces casual games.

Amount : \$5.3 M
 Valuation :-
 Lead Investors : Griffin Gaming Partners, Makers Fund, Akın Babayigit

LINKTERA

Linktera is a business/technology consulting and digital transformation company.

Amount : \$5 M
 Valuation :-
 Lead Investors : Letven Capital

BLUEDOT

Bluedot is the payment platform for electric vehicle charging stations.

Amount : \$5 M
 Valuation :-
 Lead Investors : Y Combinator, Stripe, Laci Impact Fund

ALTERNATIF SUPERAPP

Alternative SuperApp provides digital wallet service and secure mobile payment point.

Amount : \$4.7 M
 Valuation :-
 Lead Investors : APY Ventures, CapitalTurk Holding

PASSION PUNCH

Passion Punch is a story and design driven mobile gaming company.

Amount : \$4 M
 Valuation :-
 Lead Investors : Colendi, Turkcell GSYF

NETKASAM

Netkasam enables SMEs' digital transformation and e-commerce operations.

Amount : \$3.2 M
 Valuation :-
 Lead Investors : IQ Money

PAXIE GAMES

Paxie Games produces puzzle and makeover style mobile games.

Amount : \$3M
 Valuation :-
 Lead Investors : Ludus Ventures, Alfa Games & Partners

*The crypto investment (ICO) of 10.8 million dollars received by Metatime in Q1 2023-1 was excluded from the data, and the investment of 130,000 USD received in return for the shares was included in the data.

**The exact amount of funding BiSu received, shared in Q1'23, was announced and revised. Therefore, it has been removed from among the Top Deals.

FUNDING IN H1'23 (NO. OF DEALS)

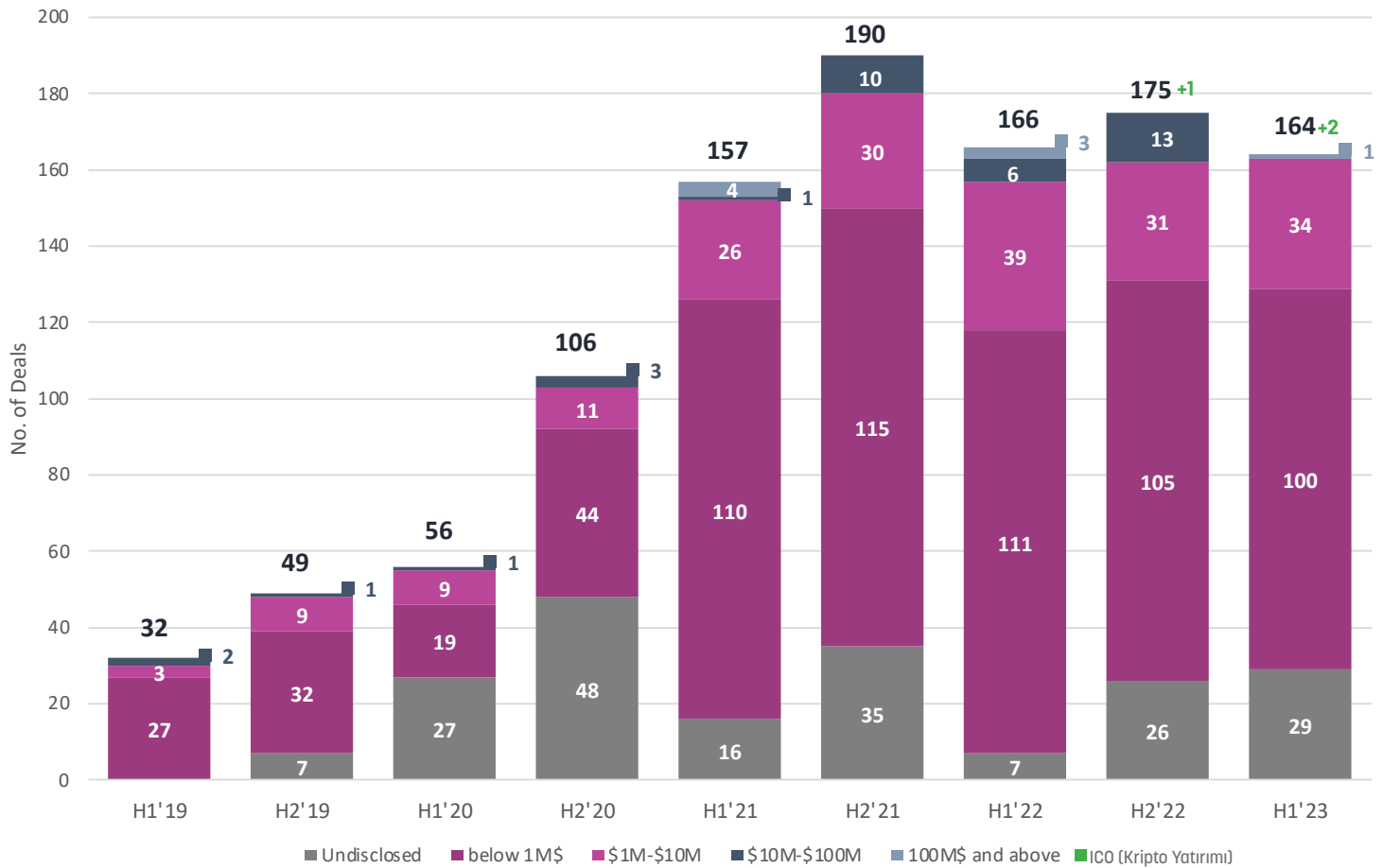


Chart1: Total number of investments by quantity range (deal count, halfyear)

In addition to the uncertainties experienced in the world, Türkiye had a hard year. The earthquakes in February 6 that caused deep wounds both psychologically and economically in Türkiye, the general elections in Türkiye only three months after the earthquake, the increase in the desire for talents to migrate abroad, and the retroactive taxation of enterprises with the newly enacted bill caused both entrepreneurs and investors take a step back and think. 2023 was a year when foreign investors, particularly, waited for the election results and slowed down their investments in Türkiye a little more.

Despite all the adverse developments, 164 deals were realized in the first half of 2023. The total figures show that the number of deals made in the first half of 2022 has been reached. However, the situation is slightly different when we go into the details. First of all, it is seen in the chart that the investment amount of 29 deals were cannot be reached. While valuations are between 10-20 million USD in 2 of these 29 rounds, the valuations in the remaining investments are below 5 million USD. This indicates that the amount received in these deals are mainly below 1 million dollars. Then, if we accept that these deals are also below 1 million USD, it is seen that 129 (78%) of 164 deals made in the H1'23 were under 1 million USD. In the H1'22, 118 (71%) of 166 deals were under 1 million USD. The main reason for the increase in deals under 1 million USD was crowdfunding rounds. While 32 crowdfunding investments were made in 2023, 29 were less than 1 million USD.

Another significant difference when comparing the H1'22 with the H1'23 was that this year, there were no deals between 10-100 million USD. Deals in this range, mainly attended by foreign investors, show that there has been a decline in foreign interest in the ecosystem this year. In addition to these seemingly negative figures, it should not be overlooked that 34 investments realized between 1-10 million USD and the second highest number of investments realized in this range on a half-year basis in the history of the ecosystem. A noticeable increase in deals announced as Pre-Series A in 2023 is promising for the coming years.

* For a more understandable explanation, the information of startups making ICO (Crypto Investment) has been excluded from the investment data, but the investments that these startups have received in return for their shares are included in the total value. For example: Metatime has given shares for 130,000\$ and received a crypto investment of 10.8M\$. The equity-based \$130 thousand and crypto-based \$10.8M was accepted as 2 different round, and the equity-based investment was included in the total value.

FUNDING IN H1'23 (AMOUNT, \$)

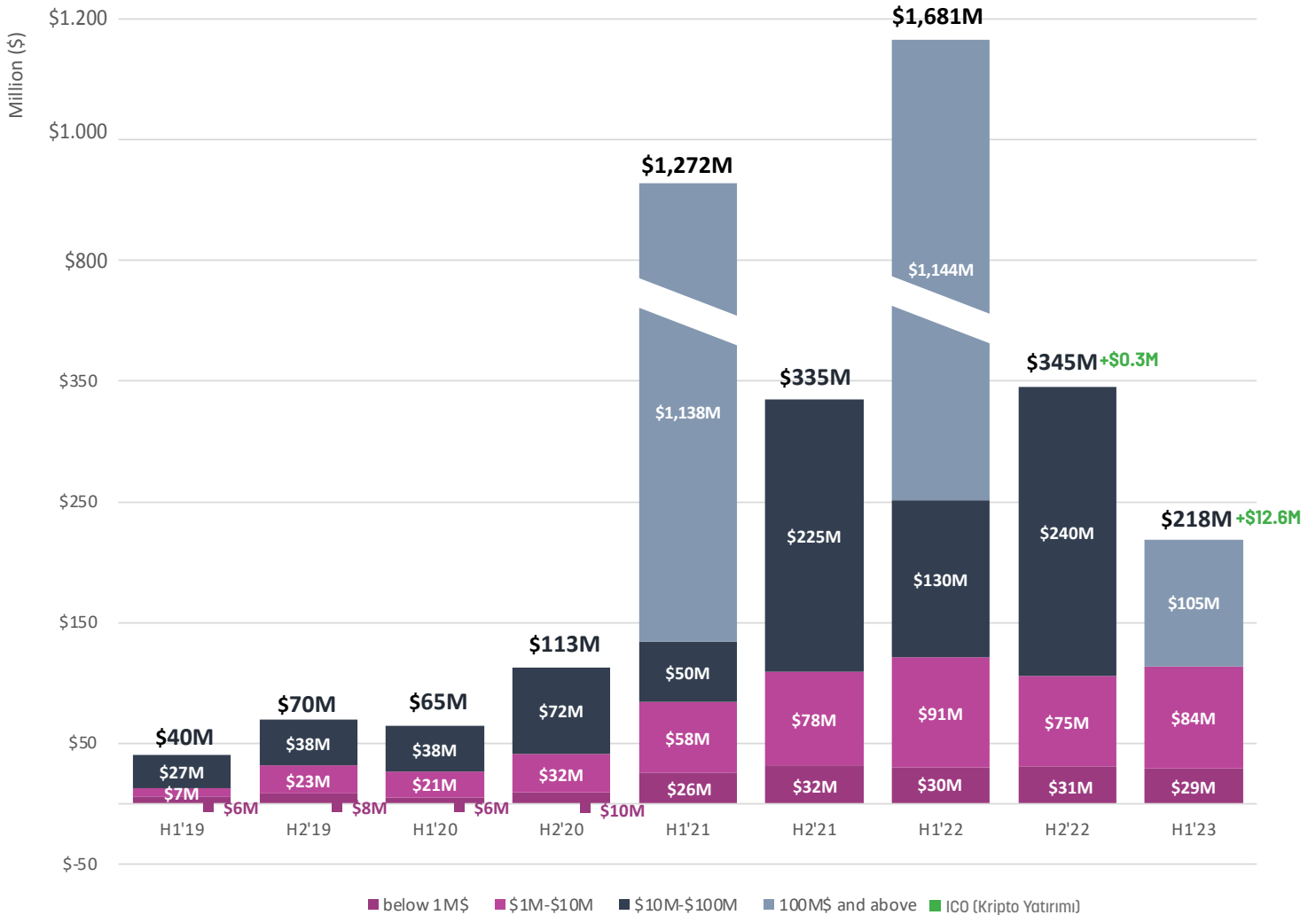


Chart2: Total investment amount by amount range (\$, halfyear)

The first half of 2023 may seem negative, but there is no need to worry in the short term. However, in the medium to long term, the tax imposed on companies receiving investments in Türkiye, especially with an emission premium, could prompt them to relocate their headquarters abroad. This, coupled with the loss of talented workers to foreign companies, could negatively affect the quality of businesses. Additionally, receiving salaries in foreign currency could make it harder for companies to attract and retain talent.

Nevertheless, despite these challenges, the investment ecosystem remains in good condition for investors, especially considering the decline in worldwide techno-enterprise investments for 2023. In the first half of 2023, the total investment amount was \$218 million, with Insider's investment contributing \$105 million (convertible-note round).

The H1'23 saw the lowest investment amount in the past two years, likely due to the lack of investments between \$10-100 million. However, deals between \$1-10 million reached a booming 84 million dollars, indicating a promising period. The total amount of these deals is higher than the 2021.

*To provide a clearer explanation, we have excluded the investment data of startups that have made Crypto Investment offerings (ICO). However, we have included the value of the investments received in exchange for shares by these startups in the total amount. For instance, Metatime exchanged shares for \$130,000 and received a crypto investment of \$10.8M. So, the \$130,000 is included in the total value, but the \$10.8M is not.

CITIES

Türkiye-based

128
Startups

\$68.3M
Funding Amount

Startups that have their headquarters in Türkiye and those that receive their investment through their company in Türkiye.

Foreign-based

34
Startups

\$149.3M
Funding Amount

Startups that are headquartered abroad but born in Türkiye, manage most of their operations from Türkiye, and have benefited from incubation centers and technoparks in Türkiye.

During the first half of the year, 128 of 162 startups based in Türkiye, raised a total of \$68.3 million. Out of the 128 startups, 32 of them received crowdfunding investments.

A total of 34 foreign-based startups operating in Türkiye have received a significant investment of \$149.3 million. Out of these 34 startups, 20 are from the United States, seven are from the United Kingdom, four are from Estonia, two are from Germany, and one is from Singapore. In particular, Insider, based in Singapore, received the bulk of the investment, amounting to \$105 million.

City	No. of Startups	Funding Amount(\$)	Crowdfunding Round
İstanbul	126	190.4 M \$	21
Ankara	14	9.2 M \$	3
İzmir	10	12.5 M \$	2
Kocaeli	4	3.3 M \$	1
Eskişehir	3	1.5 M \$	3
Kayseri	2	324.600 \$	2
Sakarya	1	239.500 \$	-
Konya	1	29.800 \$	-
Erzurum	1	-	-

Chart3: Cities with funded startups

İstanbul continues to dominate the investment scene in Türkiye, with a staggering 126 startups receiving approximately \$190 million in investments. Out of these, 21 startups managed to receive funding through crowdfunding. Ankara, on the other hand, saw only 14 startups receiving a total investment of \$9.2 million. However, Frantic Games(\$2.4M), Hipporello(\$1.8M)(despite being headquartered in the USA and operating from Ankara.), and Beam Technology(\$1.5M) managed to receive over \$1 million in investments.

İzmir saw 10 startups receive a total investment of \$12.5 million, with HotelRunner, a UK-based but operating in İzmir travel startup, receiving the majority share of \$6.5 million. Other notable startups in İzmir include Paxie Games(\$3 million) and File-Orbis(\$2 million).

Kocaeli received a significant investment of \$3.3 million, with Saha Robotics receiving the majority of the investment, a whopping \$3 million. Meanwhile, Erzurum made its debut on the investment list, with Physician, a consultation platform for general practitioners, receiving an investment valued at approximately 7.5 million Turkish Liras.

Although the investment levels may not be at their peak, it's worth noting that cities such as Kayseri, Konya, and Sakarya have also received investments in recent years, with at least a few startups receiving investments every year.

INDUSTRIES

The sectors that received the most investment in 2023 remained consistent with the previous year. Artificial intelligence and machine learning, gaming, finance, and health once again dominated the investment landscape. Additionally, the digital marketing and sales vertical, which has seen a multitude of SaaS startups in recent years, also garnered significant attention from investors.

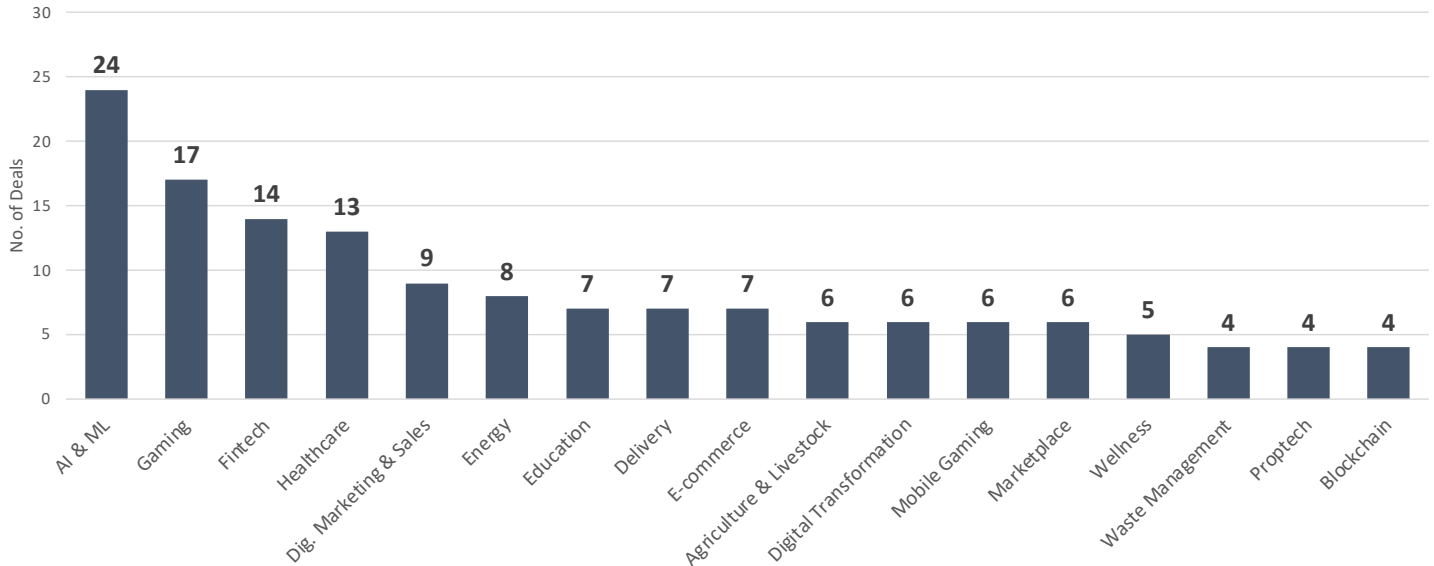


Chart4: Industries of funded startups (no. of startups)

During the first half of 2023, startups in the artificial intelligence and machine learning industries received approximately \$118 million in total, while those in digital marketing and sales received approximately \$113 million. Notably, Insider received a \$105 million investment and operates in both industries. Gaming investments decreased compared to 2021 and 2022, with only \$21 million in total. However, digital transformation was a standout industry with six startups receiving a total investment of \$8.95 million for their work in documentation digitalization. Waste management was also a prominent sector with four startups receiving a total investment of \$6.5 million, \$6 million belongs to the Fazla.

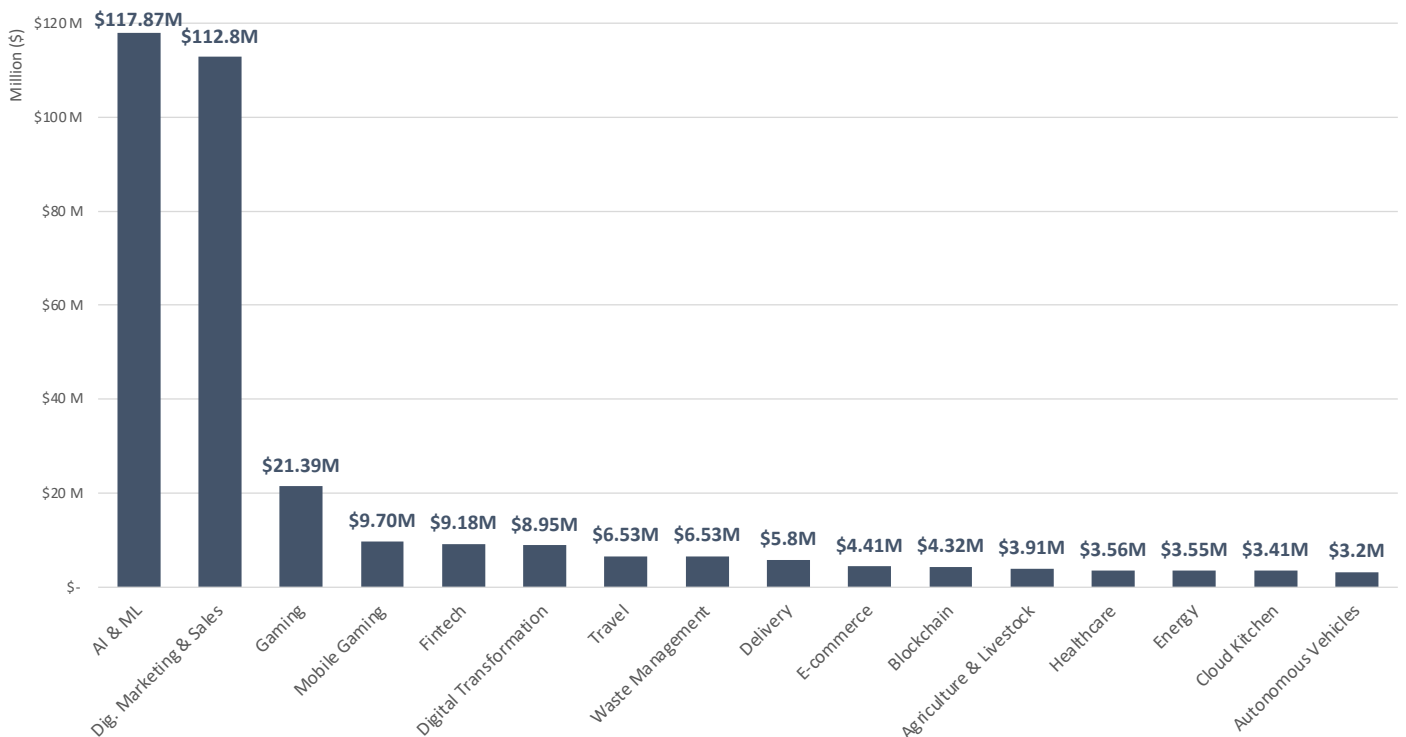


Chart5: Industries of funded startup (\$)

*It appears that blockchain startups have received a total of \$15 million in investment during Q1 of 2023, thanks to Metatime's investment data. However, the \$10.8 million investment received by Metatime through ICO (crypto investments) will be reviewed separately this semester and not included in the blockchain investments. It's worth noting that an investment of \$130,000 has been included in the blockchain investments.

FUNDING STAGE

Looking at the investment data by stage, it appears that the first half of 2023 saw a lack of activity in the Late Stage. Only two investments were made at this stage, specifically Insider and Linktera investments. Meanwhile, Seed Stage investments made up the majority of investments at 91.5% (150 deals) and collected a total investment amount of \$79.1 million, with a median investment amount of approximately \$288,000. In the early stage, 12 startups received a total amount of \$28.9 million, with a median early stage investment amount of \$3 million.

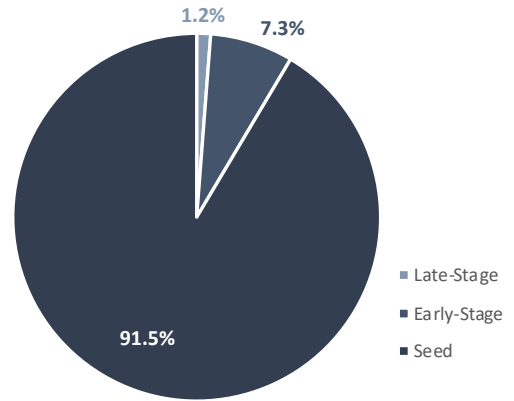


Chart6: Funding stage distribution

	No. of Deals	Amount (\$)	Median of Deals (\$)	Avg. of Deals (\$)
SEED	150 deals	\$79.1 M	\$288.600	\$638.000 M
EARLY STAGE	12 deals	\$28.9 M	\$3 M	\$3,2 M
LATE STAGE	2 deals	\$110 M	\$55 M	\$55 M

Chart7: Funding stage details

FUNDING ROUNDS

During the H1'22, 96 out of 161 startups (59%) were received investment for the first time. In the H1'23, the rate remained relatively stable, with 104 out of 162 startups (63%) receiving first-time investments. The total amount received by startups that received funding for the first time during the H1'23 was \$48.4 million, compared to \$68.6 million during the same period in 2022.

In 2022, an average of \$583,600 was invested per startup for those first-time funded startups, while in 2023, that average increased to \$856,900. Furthermore, there was a decrease in the median investment amount from 2022 to 2023. The median investment amount was \$294,300 in the H1'22, but declined to \$239,500 during the first half of 2023.

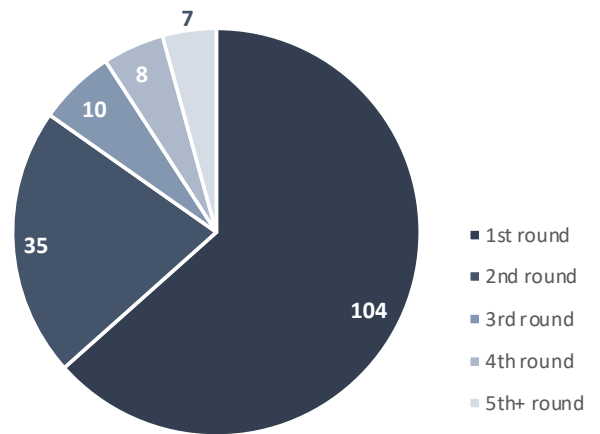


Chart8: Distribution of closed rounds by startups in H1'23

\$48.4M

Funding Amount

Total investment amount of startups that funded for the first time in H1'23

\$245.700

Median Fund. Amount

Median investment amount of startups that funded for the first time in H1'23

\$583.600

Avg. Fund Amount

Average investment amount of startups that funded for the first time in H1'23

INVESTORS

356

Investors

Number of investors who made at least 1 investment in H1'23, including all investor types

201

Angel Investors

Number of individual investors and angel investment networks that have at least 1 investment in H1'23.

155

Institutional Investors

Number of institutional investors identified to have at least 1 investment in H1'23

In the first half of 2023, there were 356 investors who participated in 164 investment rounds. Out of these investors, 201 were individual investors and angel investment networks, while 155 were institutional investors. The continental distribution of institutional investors can be seen in the map provided below.

Foreign investors have shown great interest in the Turkish startup ecosystem in the past two years, which has significantly contributed to the amount of investment. However, it has been observed that their interest has decreased somewhat in 2023. In interviews with some foreign investors, it was learned that they are waiting for the general election to pass before making any further investments. They also expect predictable economic policies to be established. Out of the 155 institutional investors, 39 were based abroad, and they participated in 27 investment rounds. The total size of the investments made by foreign institutional investors was approximately \$143.5 million, including the \$105 million invested in Insider.

Foreign investors play a crucial role in emerging startup ecosystems like Türkiye. Their interest encourages investors and provides more accessible financing to startups. The year 2023 will be an important year for understanding the importance of foreign investors for the ecosystem.



Chart9: Regional distribution of institutional investors

*Institutional Investors

CO-FOUNDERS

In the first half of 2023, a total of 162 startups received investment in 164 rounds, with 309 founders. Unfortunately, only 35 (11.3%) of the founders were women, while a staggering 274 (88.7%) were men. In 2020 the percentage of female founders was the same (11.3%) There is an increase from 2021 when only 10% were female. However, it's worth noting that there was a significant increase in the number of female founders receiving investment in 2022. As things stand, 2023 is on track to have similar levels of gender distribution to 2021.

It's important to highlight that in H1'23, only 33 startups had at least one female founder and received a total investment of approximately \$117.5 million. While it's good news that four of these startups received more than \$1 million in investment, the remaining 29 received less than \$1 million. We need to do better and ensure that female founders have equal opportunities to access funding.

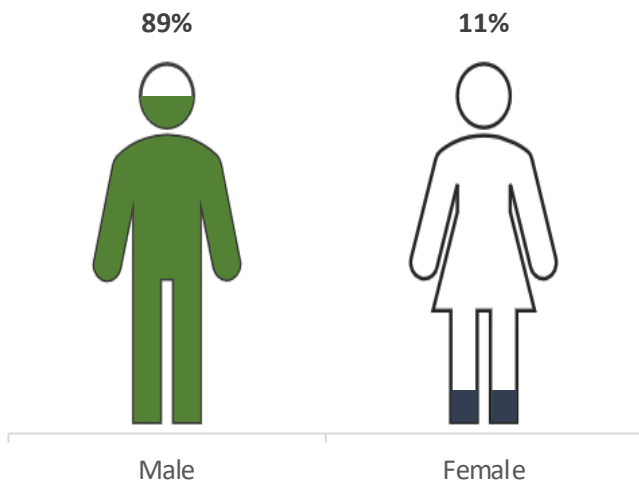


Chart10: Gender distribution of co-founder of funded startups

33 Startups

33 startups with at least 1 female founder received investment in H1'23. 7 of them have only female co-founders.

\$117.5M Funding Amount

In the H1'23, startups that had at least one female co-founder received a total investment of \$117.5 million, with \$105 million of that coming from Insider. Startups that had only female co-founders received an investment of \$3.2 million.

CROWDFUNDING

32 Successful Rounds

In H1'23, 32 investments were closed through crowdfunding platforms.

₺276.3M Funding Amount

In H1'23, 276.3million TRY was made through crowdfunding platforms. This equates to approximately \$13.8 million.

₺4.8M Median Fund. Amount

The median value of the investments was 4.8 Million TRY. This equates to around \$250,000.

Platform	No. of listed startups	Successful Funding	Failed Funding	Continuing*	Total Investment Amount	Total Investors (Cumulative)
Fonbulucu	23	16	-	7	207.5 M TRY	41.291
Fonangels	8	5	1	2	35 M TRY	3.123
Basefunder	5	3	-	2	5.1 M TRY	773
StartupBurada	4	4	-	-	17.4 M TRY	2.019
Efonla	4	1	2	1	536.000 TRY	147
Fongogo	3	2	-	1	4,.8 M TRY	1.248
Fonlabüyüsün	1	1	-	-	5.9 M TRY	600

*As of July 5, 2023

H1-2023

STARTUP LAW

RELATED LEGISLATION CHANGES

Prepared by:

**YAŞAR
LAW
OFFICE**

DEVELOPMENTS IN STARTUP LAW - H1'23

1) Amount of **Earnings to be Exempted from Income Tax** within the Scope of **Young Entrepreneur Support** has been Increased

The portion of 75,000 Turkish Liras of the income which is obtained by full taxpayer real persons who have been registered as income taxpayers for the first time due to their commercial, agricultural or professional activities and who have not completed the age of 29 as of the registration of the taxpayer, for three taxation periods starting from the calendar year in which the activity was commenced is exempt from income tax. Pursuant to the Law No. 7440 on Restructuring of Certain Receivables and Amending Certain Laws ("**Law No. 7440**") published in the Official Gazette dated 12.03.2023, amount of earnings to be exempted from income tax has been regulated as the amount in the second income bracket of the income tax tariff; thus, for 2023, young entrepreneurs' earnings up to TRY 150,000 are exempt from income tax.

2) Compliance Period with the **Payment Services Regulations** has been Extended Again

The Regulation on Payment Services and Electronic Money Issuance and Payment Service Providers and Communiqué on Information Systems of Payment and Electronic Money Institutions and Data Sharing Services of Payment Service Providers in the Field of Payment Services have been entered into force through their publication in the Official Gazette dated 01.12.2021 and numbered 31676. Institutions operating as of this date were obliged to comply with the new regulations until 01.12.2022. The compliance period with the new regulations has once again been extended until 30.04.2023.

3) **Minimum Equity Amount of Payment Institutions and Electronic Money Institutions** has been Increased

Pursuant to the Communiqué on Redetermination of Minimum Equity Amounts of Payment Institutions and Electronic Money Institutions entered into force on 30.06.2023, the minimum equity amounts of payment institutions and electronic money institutions shall be increased to (i) TRY 7,000,000 for payment institutions intermediating invoice payments, (ii) TRY 15,000,000 for other payment institutions, except for payment institutions providing the service of providing consolidated information on online platforms regarding the payment accounts of the payment service user held with payment service providers, and (iii) TRY 41,000,000 for electronic money institutions.

4) **Additional Corporate Tax** has been Imposed Against **Taxpayers Benefitting from Corporate Tax Exemptions and Deductions**

Pursuant to the Law No. 7440, a one-time additional corporate tax has been imposed against taxpayers benefitting from corporate tax exemptions and deductions, which will be subject to corporate tax returns pertaining to 2022. Accordingly, the additional corporate tax at the rate of 10% shall be calculated on the exemption and deduction amounts from the corporate income in accordance with the Corporate Tax Law No. 5520 ("CTL") and other laws, and over the tax base subject to reduced corporate tax in line with the article 32/A of the CTL. This additional corporate tax shall be collected without being associated with the income for the period, i.e. even if the taxpayer has made a loss within the period. In addition, the additional corporate tax at the rate of 5% shall be calculated on the earnings subject to the participation income exemption as per the article 5/1(a) of the CTL and on the earnings subject to participation income that are derived from abroad and certified to carry a tax burden of at least 15%. The additional corporate tax shall be paid in two instalments in April and August. Taxpayers subject to a special accounting period shall declare the additional corporate tax with the corporate tax return to be issued for the fiscal year closing in 2023.

Taxpayers from the region declared as disaster area are exempt from additional corporate tax. In addition, the corporate tax exemptions and deductions that are not be subject to additional corporate tax, which can be evaluated within the scope of startup law, are as follows: the corporate tax exemption amount obtained by deducting the venture capital investment funds or partnerships, the amount obtained by deducting the venture capital fund allocated for the purpose of capitalizing venture capital investment partnerships or acquiring venture capital investment fund shares from the corporate tax base, the corporate tax exemption and deduction amount on the income that micro and small enterprises derived from technology development zones ("**Technopolis**") and research and development ("**R&D**") and design centers.

As a result, startups and their investors will be required to pay additional tax at the rate of 5% or 10% of other corporate tax exemptions and deductions they benefit from. However, it is considered necessary for the relevant taxpayers who will pay the additional corporate tax described above to declare the corporate tax declaration with a reservation on the grounds that the additional corporate tax is contrary to the principles of non-retroactivity and foreseeability and to file a lawsuit with a refund request.

DEVELOPMENTS IN STARTUP LAW - H1'23

5) Developments in the **Portfolio Management Companies Regulations**

The Communiqué Amending the Communiqué on Principles Regarding Portfolio Management Companies and Their Activities (III-55-1.d) ("**Amendment Communiqué**") has entered into force through its publication in the Official Gazette dated 18.02.2023 and numbered 32108. Amendment Communiqué has introduced the sub-portfolio management. Portfolio management companies ("**Company**", "**Companies**") which are authorised by the Capital Markets Board ("**CMB**") or institutions authorised abroad to perform portfolio management activities will be able to manage a certain portion or all of the portfolio managed by an authorised institution abroad or a portfolio management company in Türkiye (sub-portfolio manager) within the framework of the agreement between them. There is no requirement to sign an agreement between the sub-portfolio manager and investors.

Pursuant to the Amendment Communiqué, the minimum initial capital of the Companies for the evaluation of the establishment permit applications by the CMB has been increased to TRY 30,000,000. The minimum shareholders' equity requirement shall be (i) TRY 30,000,000 for Companies with a managed portfolio size of TRY 1,000,000,000, (ii) TRY 40,000,000 for Companies with a managed portfolio size of TRY 1,000,000,001 to TRY 4,000,000,000, (iii) TRY 50,000,000 for Companies with a managed portfolio size of TRY 4,000,000,001 to TRY 36,000,000,000, and (iv) TRY 100,000,000 for Companies with a managed portfolio size exceeding TRY 36,000,000,000. For Companies with a managed portfolio size exceeding TRY 72,000,000,000, additional equity equal to 0,02% of the exceeding amount will be required; however, if the equity amount exceeds TRY 200,000,000, the additional equity will not be further required. In addition, the minimum number of portfolio managers has been increased to be no less than 3, 4, 5 and 6, respectively, according to the above-mentioned portfolio size ranges. The Amendment Communiqué allows Companies to establish a liaison office. In order to establish a liaison office, a liaison office manager who meets the necessary qualifications as per the Communiqué on Principles Regarding Portfolio Management Companies and Their Activities and a sufficient number of personnel shall be employed.

Companies which obtained the establishment and activity permits prior to Amendment Communiqué shall comply with these amendments until 30.06.2023, this period may be extended up to six months in case of reasonable grounds.

6) President has been **Authorised to Increase the Ratio of Working Hours Spent Outside the Technopolis and R&D and Design Centers** that can be **Benefitted from Income Tax Withholding Incentive to 100%**

Pursuant to the Law No. 4691 on Technology Development Zones ("**Technopolis Law**"), the income tax calculated after applying the minimum living allowance on the wages of R&D design and support personnel working in Technopolis arising from their relevant duties can be deducted from the tax accrued on the withholding tax return to be submitted. This incentive thus reduced the personnel costs of the venture companies. In addition, it was regulated that the periods spent outside the Technopolis or R&D and design center shall also be considered within the scope of the income tax withholding incentive, provided that they do not exceed 20% of the total number of personnel working in the Technopolis or R&D and design center hours subject to the income tax withholding incentive or the total working hours subject to incentive. Pursuant to the Presidential Decree No. 5806, this ratio was increased to 75%. Accordingly, for example, in case 10 employees of an employer spend all of their monthly working time in their branch in Technopolis and 30 employees spend all of their monthly working time outside, this incentive can be utilized for all 30 employees working outside (corresponding to 75% of the total number of employees). On 12.03.2023, pursuant to the amendments on Technopolis Law and the Law No. 5746 on Supporting Research, Development and Design Activities, the President has been authorized to increase the ratio of the working hours spent outside the Technopolis and design centers to 100%. Accordingly, pursuant to the Presidential Decree No. 7015, the ratio of the working hours spent outside the aforementioned regions and centers has been increased to 100% for the duration of the state of emergency in the earthquake zone. In addition, pursuant to the Presidential Decree No. 7103, the ratio of the working hours spent outside the aforementioned regions and centers has been increased to 100% for the IT personnel whose qualifications will be determined by the Ministry.

DEVELOPMENTS IN STARTUP LAW - H1'23

7) Implementation Period of **Additional Corporate Tax Deduction** for R&D and Design Expenditures has been **Extended**

Pursuant to the Decree of the Council of Ministers numbered 2016/9092, 50% of the increased amount of the R&D and innovation or design expenditures made by R&D or design centers compared to the previous year can be subject to an additional deducted in the determination of taxable corporate income. In order to benefit from this additional corporate tax deduction, R&D or design centers shall achieve at least a twenty percent increase in any of the following indicators compared to the previous year: (i) the ratio of R&D or design expenditure in total turnover, (ii) the number of registered national or international patents, (iii) the number of internationally supported projects, (iv) the ratio of the number of postgraduate researchers in R&D or design centers to the total number of R&D or design personnel, (v) the ratio of the total number of researchers or designers in R&D or design centers to the total number of R&D or design personnel, and (vi) the ratio of turnover generated from new products resulting from R&D or design activities to total turnover. Pursuant to the Presidential Decree No. 6652, the implementation period of the additional corporate tax deduction has been extended to 31.12.2028.

8) **Digital Transformation Support Program and Green Transformation Support Program** were Included among **Priority Investments**

Pursuant to the amendment to the Decree on State Aids in Investments No. 2012/3305, investments prioritising technological progress within the scope of the Digital Transformation Support Program and investments prioritising green transformation within the scope of the Green Transformation Support Program were included among the priority investment subjects. Thus, the investments within the scope of these programs can benefit from the support elements applied in the fifth region such as value added tax exemption, customs duty exemption, tax reduction, insurance premium of employer's share support, insurance premium of employee's share support, interest or profit share support and allocation of investment space.

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9) **Venture Capital Market** has been Established

The Communiqué on the Principles Regarding the Companies whose Shares to be Traded on the Venture Capital Market (II-16.3) ("**VCM Communiqué**") has been entered into force by the CMB through publication in the Official Gazette dated 18.05.2023. With the VCM Communiqué, non-public joint stock companies will be able to sell their shares to be issued through capital increase to be traded in the venture capital market ("**VCM**") to qualified investors without public offering. Pursuant to the VCM Communiqué, a prospectus shall be prepared for the issuance of shares and the approval of the CMB shall be obtained. Shares listed on the VCM can only be purchased by qualified investors.

VCM Communiqué also regulates the procedures and principles regarding the rules to be complied with after the sale of the shares of the joint stock companies issued through capital increase without public offering, financial reports and independent auditing, material event disclosures, exemptions, other obligations, financial thresholds and waiting periods for the public offering of shares.

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Yaşar Law Office is established to provide solid, practical and effective solutions to its clients through its responsive, diligent and dynamic approach.

Yaşar Law Office provide consultancy and litigation services to real and legal person clients in the fields of corporate law, commercial law, employment law, data protection law, dispute resolution, enforcement and bankruptcy law, tax law, inheritance law, real estate law and foreigners law. We assist in the procedures of company incorporation, preparation of shareholders' agreements and all other day-to-day corporate matters. Our team provides assistance with utmost care on contract transactions, ranging from drafting, reviewing, amending and negotiating contracts to enforcement and termination, and represents our clients in the resolution of commercial disputes. In addition, in the field of employment law, we offer legal consultancy to prevent disputes and carry out litigation procedures in case a dispute arises. We manage various issues ranging from incentives to taxation of the digital economy. We ensure our clients comply with the applicable data protection and privacy legislation, especially the Personal Data Protection Law, provide legal consultancy on compliance process and preparation of necessary documents.

Yaşar Law Office render legal services in Turkish, English, and German.

Please note that this informative note is not intended to cover all matters that may need to be considered in relation to rights and liabilities regarding the subject matter nor does it constitute legal advice. If any advice is required in relation to this subject, please contact Yaşar Law Office: info@yasarlaw.com, yasarlaw.com.

H1-2023

SECONDARY TRANSACTIONS AND TURKISH DIASPORA

SECONDARY TRANSACTIONS

Startup	Startup Country	Acquirer	Acquirer Country	Deal Type	Amount	Share
Fitty	Türkiye	Tamer Group	Türkiye	Acquisition		
Tridi	Türkiye	Xometry	USA	Acquisition		
Infoset	Türkiye	BtcTürk	Türkiye	Acquisition		
Playbook	Türkiye	eduMe	United Kingdom	Acquisition		
Ludus Eğitim	Türkiye	Kidolog	Türkiye	Acquisition		
Tuvis	Türkiye	Smartex	Portugal	Acquisition		
Biletiva	Türkiye	Mobilet	Türkiye	Acquisition		
Mindbehind	Türkiye	Insider	Türkiye	Acquisition		
Maçkolik	Türkiye	Halka Arz	Türkiye	IPO	323.000.000 TRY (Collected amount)	
CRC Danışmanlık	Türkiye	Migros	Switzerland	Acquisition	2.900.000 TRY	
DORinsight	Türkiye	İdeal Finansal	Türkiye	Acquisition	10.032.000 TRY	
Rebellion	İspanya	Papara*	Türkiye	Acquisition		
E-kart	Türkiye	Giesecke+Devrient	Türkiye	Acquisition	4.500.000 EUR	50%
Hamurlabs	Türkiye	Topkapı Danışmanlık	Türkiye	Acquisition		20%
Biletiva	Türkiye	Mobilet	Türkiye	Acquisition		
Hesapkurdu, Koalay	Türkiye	BHL Holdings UK	United Kingdom	Acquisition	65.000.000 USD	97.5%
n11.com	Türkiye	Getir	Türkiye	Acquisition		%67

*News are shared that Papara is the 7th Unicorn of Türkiye by purchasing Rebellion. Türkiye's one of the largest financial initiatives Papara has a business volume that could be an Unicorn, but this information was not included in the report due to the absence of an official statement.

TURKISH DIASPORA

Startup	Amount	Investors	Co-founders	Headquarter
Carbon Health	\$ 100.000,00	CVS Health Ventures	Caesar Djavaheerian, Eren Bali, Greg Burrell, Pablo Stanley, Tom Berry	USA
House of Blueberry	\$ 6.000.000	Makers Fund, Everblue Management	Gizem Mishi McDuff	USA
Sovereign Labs	\$ 7.400.000	Haun Ventures	Cem Özer, Preston Evans	USA
Flowla	\$ 1.300.000	Antler, Fuel Ventures, ScaleX Ventures, Logo Ventures	Erdem Gelal, Alper Yurder, Oğuz Gelal	United Kingdom
Payrails	\$ 14.400.000	EQT Ventures, General Catalyst, Andreessen Horowitz, HV Capital	Orkhan Abdullayev, Emre Talay, Nicolas Thouzeau	Germany
Inflection AI	\$1.300.000.000	Microsoft, Reid Hoffman, Bill Gates, Eric Schmidt, Nvidia	Mustafa Süleyman, Carlos Virella, Karen Simonyan	USA

VERİ & METODOLOJİ

- The investment data presented in the report does not include IPOs, debt financing, growth equity, and grants.
- VC investments made by Private Equity firms are included in the investment data.
- Before being classified as a startup, each company was evaluated by our team, taking into account factors such as growth potential, problem solving, technology, age, etc. Scale-up companies are also included in the data. Our definition of “startup” includes companies that started as a startup.
- The latest included data date is June 30, 2023. (Includes 1 crowdfunding round that closed on 4 July.)
- Startups that provide services in multiple sectors are included in each sector they operate in when discussing the most invested sectors.
- Investments made in different currencies are converted to US dollars (\$) at the exchange rate on the date of the investment announcement. Investments valued in millions are indicated by the abbreviations “M” or “Mn” (e.g., \$1,000,000 = \$1M or \$1 Mn). Investments valued in billions are indicated by the abbreviation “Mr” (e.g., \$1,000,000,000 = \$1 Mr).
- The investment stages section uses the stages announced by the startups in their investment rounds.
- The section on Turkish Diaspora includes startups whose founders are of Turkish origin but do not meet the criteria for “Turkish startups”

What are the criteria for a startup to be considered a Turkish startup?

A startup must meet one of the following 3 main criteria to be considered a Turkish startup:

- 1) Having an official company only in Türkiye,
- 2) Meeting at least 2 of the following 4 sub-criteria:
 - Having participated in an incubation center/acceleration program in Türkiye before
 - Having been in any technopark in Türkiye before
 - Having a (legal) company established in Türkiye
 - Both the founders and some of the team (depending on the size of the team) living in Türkiye
- 3) If the startup has a (legal) company established in Türkiye and has received its initial investments through this company but later moved its headquarters abroad, it is still considered a Turkish startup.

We classify Turkish startups as ‘Türkiye-based Startups’ and Foreign-based Startups’ based on the criteria listed above. The purpose of this classification is to provide decision-makers, researchers, and entrepreneurs with a small contribution to solving questions such as why Turkish entrepreneurs prefer to establish their companies abroad or why they feel the need to move their companies abroad. With these data that we will regularly share in each of our reports, it will be easy to observe whether the number of startups based abroad is increasing or decreasing over time.

Türkiye-based startups:

- Startups that have a registered company in Türkiye and receive investments through that company.
- Startups that have a registered company both in Türkiye and abroad, but receive investments through the Turkish company.
- Startups that have a company only in Türkiye, but their investment has not yet been reflected in the trade registry.

Foreign-based Startups:

- Startups that have a registered company abroad and receive investments through that company.
- Startups that have a registered company both in Türkiye and abroad, but their investment cannot be traced through the Turkish trade registry.
- Startups that meet the criteria to be considered a “Turkish startup,” but do not have a registered company in Türkiye.

Startups that have not yet established a formal company are categorized into one of the two categories above based on the entrepreneur’s declaration or the country where the team is located.



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