

# Starting and raising the Series A round

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**IVCI Strategic Network – Breakfast Meeting**

**15 November 2011**

# Introduction – taking stock of the Turkish start up landscape

## Great momentum since 2005...

- Sustained economic growth has put Turkey firmly in the top-20 with a **GDP of ca. \$800 bn.**
- Compares well with other markets in terms of foreign investor perception:
  - **Favourable demographics** compared to rest of Europe / CIS region
  - Significantly **better infrastructure** (human and physical) than the rest of Middle East / Africa
  - **Stronger rule of law, low corruption index compared to other** big emerging markets like Mexico, S. Africa, Russia, India, etc.
  - **More accessible** than South East Asia and China
- Funds that have invested are seeing **good results** and **a few big successes** > \$100M market cap

**The real opportunity is ahead**

## ...but this only the beginning

- Only a handful of VC's have actually made \$5 million+ investments
  - Many are waiting on the sidelines and will probably start to come in soon
- **Talent is starting to pour in** with reverse migration of top talent from Ivy schools in the US, and from UK, Germany and rest of Europe
- **Supporting structure** coming into place:
  - Incubators (Etohum, Stratosphere)
  - Competitions and events (IBM, MIT, etc.)
  - Angel networks
  - Universities supporting research

# Journey of our portfolio companies

Date	Trendyol.com	Peak Games
2009 Q4	Founded	
2010 Q1		
2010 Q2	Sales begin	
2010 Q3	<b>1<sup>st</sup> Rnd</b> w. Tiger	Founded
2010 Q4	<b>2<sup>nd</sup> Rnd</b> w. Tiger	<b>1<sup>st</sup> Rnd</b> w. Hummingbird
2011 Q1		
2011 Q2	<b>3d Rnd</b> w. Tiger and Kleiner	<b>2<sup>nd</sup> Rnd</b> w. Earlybird
2011 Q3		<b>3<sup>rd</sup> Rnd</b> w. Earlybird, H.bird and Alpha



Today:  
One of the top ecommerce companies in Turkey with > \$100 million in revenues



Today:  
Top gaming company in Turkey/MENA and #6 globally with > 15 million monthly active users

## Key lessons learnt in the fundraising process

- **Don't be too valuation-sensitive**
  - The company's success is driven by how well it does
  - Think of the funds as your strategic partners, rather than entities that are “buying shares”
- **Choose funds that particularly suited to the company** and can add value beyond \$ - we have been extremely lucky in this respect:
  - Suitable for the stage of the company
  - Well connected in the respective industry
  - Open to collaborating with other funds
- **Practical advice on negotiating terms**
  - Know what to negotiate and what's “sine qua non” for the funds
  - Don't let the lawyers do the negotiating for you, make sure you have a detailed term sheet that covers all the key “substance”
  - Don't fuss about contingency terms etc. many of them are unenforceable under Turkish law any ways and most investor agreements are rewritten at the next round
  - Most funds will typically not enforce special rights, vetos etc. when the company is doing well – their main goal is to keep the entrepreneur happy
- If you have the option, set up the **legal entity** in BVI, Luxembourg or Netherlands as Turkish Commercial law can be somewhat restrictive with options, minority rights etc.

## What VCs expect to see at the outset

- Strong, committed, experienced **management team**; previous track record of management / angel investors is a big plus
- **Business plan** – this is less about detail, and more about “have you really thought this thing through ?”
  - Value proposition - solid understanding of market, product, differentiation
  - Comps - comparable businesses in Turkey and outside, key learnings from them
  - Stickiness – how vulnerable is the business to changes in tech, consumer behaviour etc.
  - Traction - in revenues, users, etc. to see that your assumptions are valid
  - Growth - how do you plan to grow / spend funding proceeds ?
  - Lockins - what prevents everybody from cloning you if you are successful ?
  - Size of opportunity – most VCs look for exit opportunities greater than \$100M
  - Exit plan - strategic sale, IPO, else ?
- **Realistic expectations** about how to work with VCs, valuation, DD process (from 2 weeks to 6 months) etc.
- **Protective rights:** right of first refusal, tag along, drag along, lock-in, liquidation preference, option pool, board seat, “nay” over major decisions etc.

**Thank you for listening !**