

INOVENT EXPERIENCE IN TURKEY

iVCi Strategic Network Breakfast Meeting 5
Tuesday 3, May 2011

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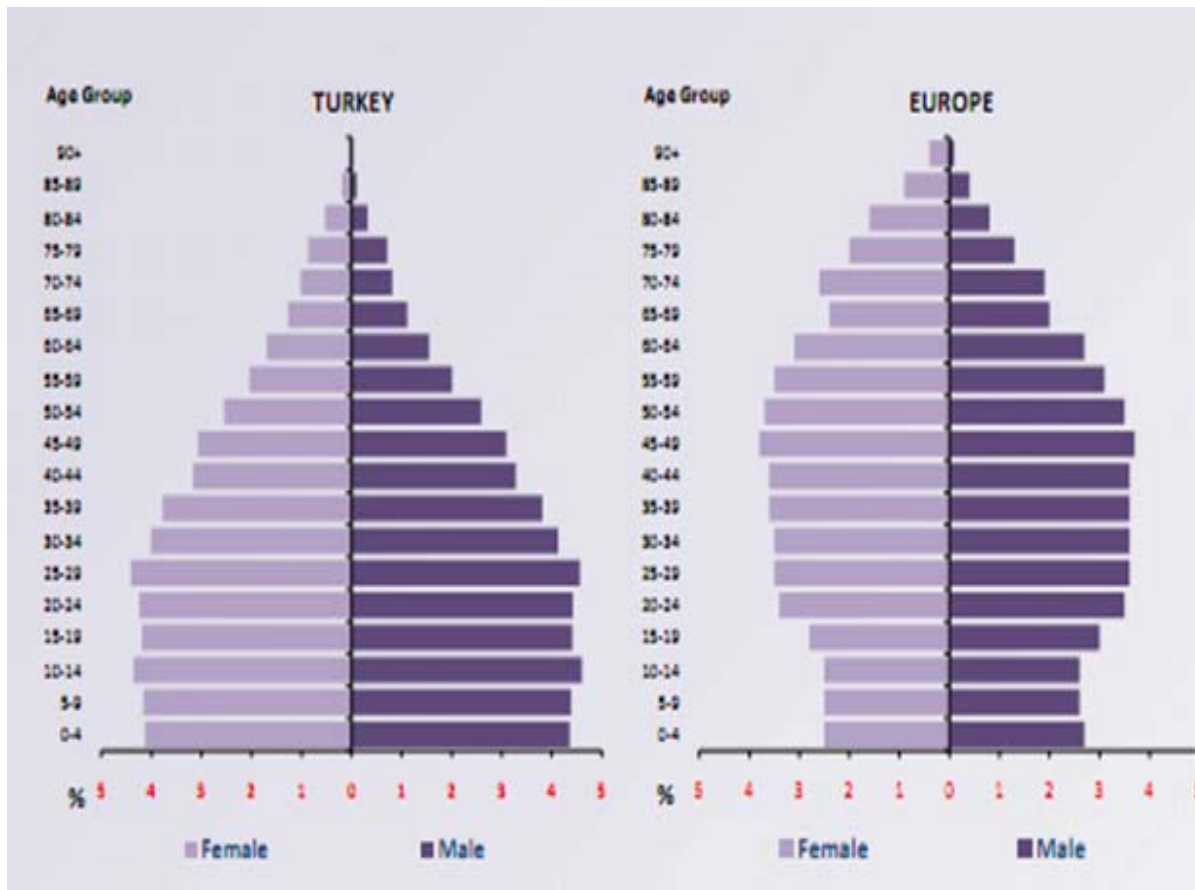
Some Facts About Turkey

Inovent

-  **What we do, Who we are, Figures, Portfolio Companies and their Products etc.**

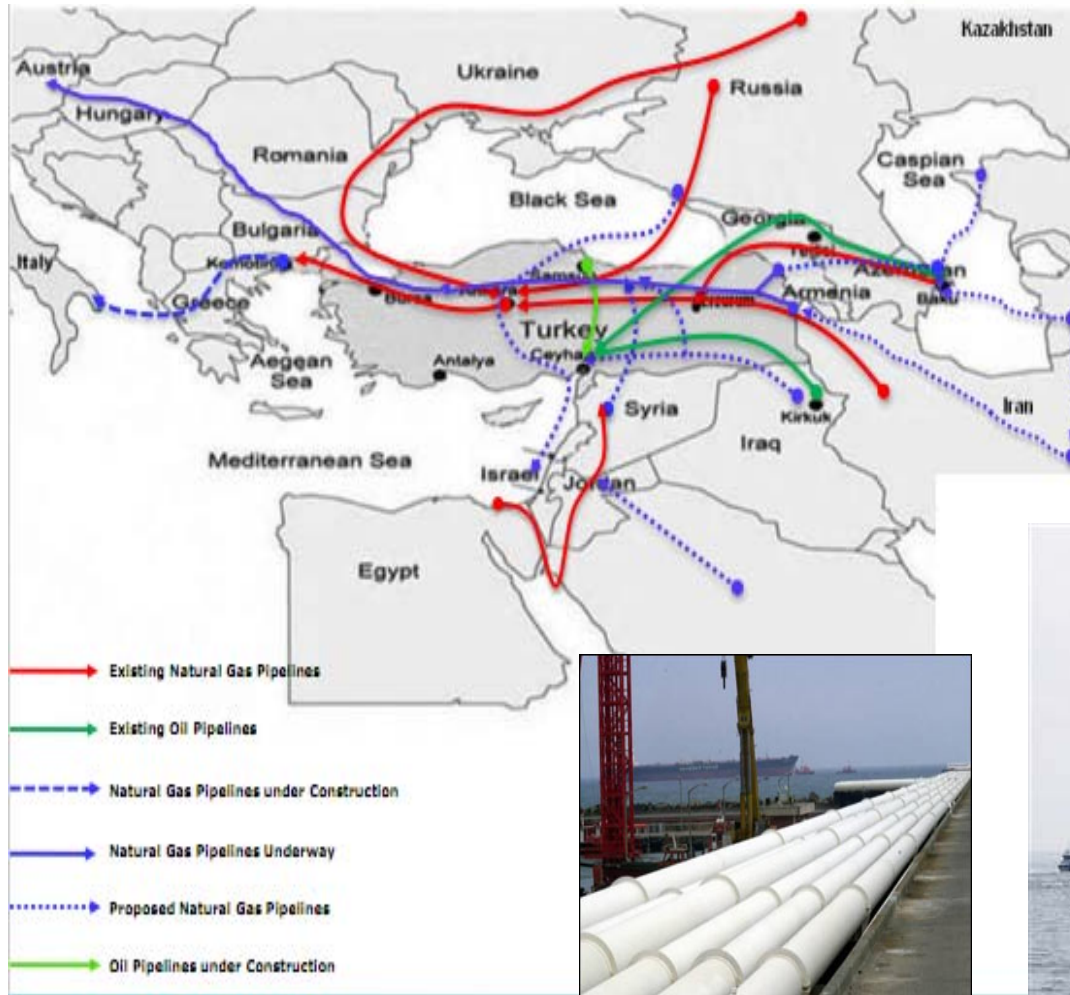
5 Years of Experience in Early Stage Turkish Entrepreneurial Eco-System; Key Findings and Recommendations

iVCI Some Facts About Turkey



- Half of the population < 29 yrs of age
- Open to new technologies
- 35 M internet users
- 62 M GSM users
- 46 M Credit Card users
- World # 3 in Facebook
- World # 5 in MsnLive

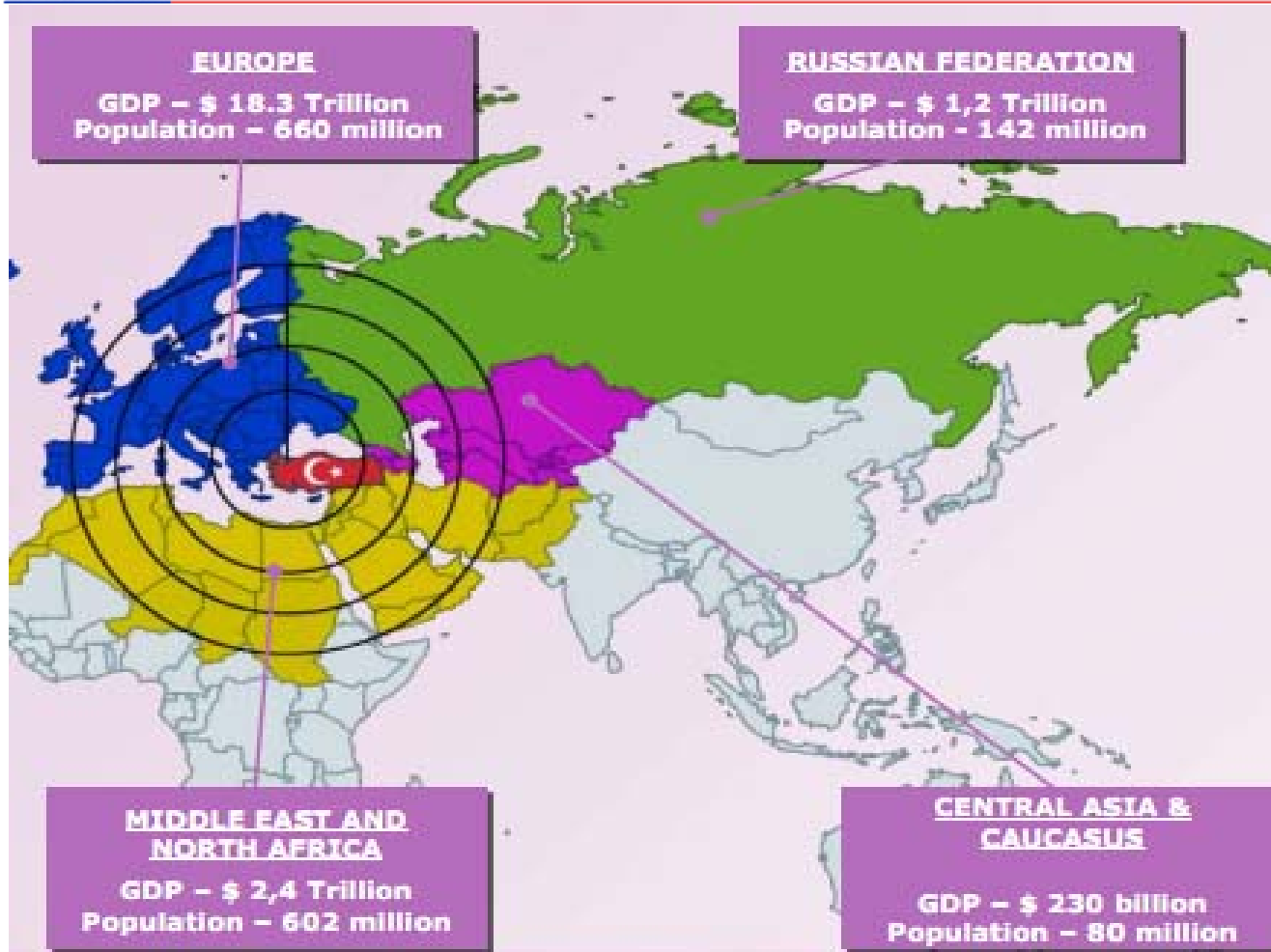
ivci Some Facts About Turkey



European Vision.
Turkish Insight.

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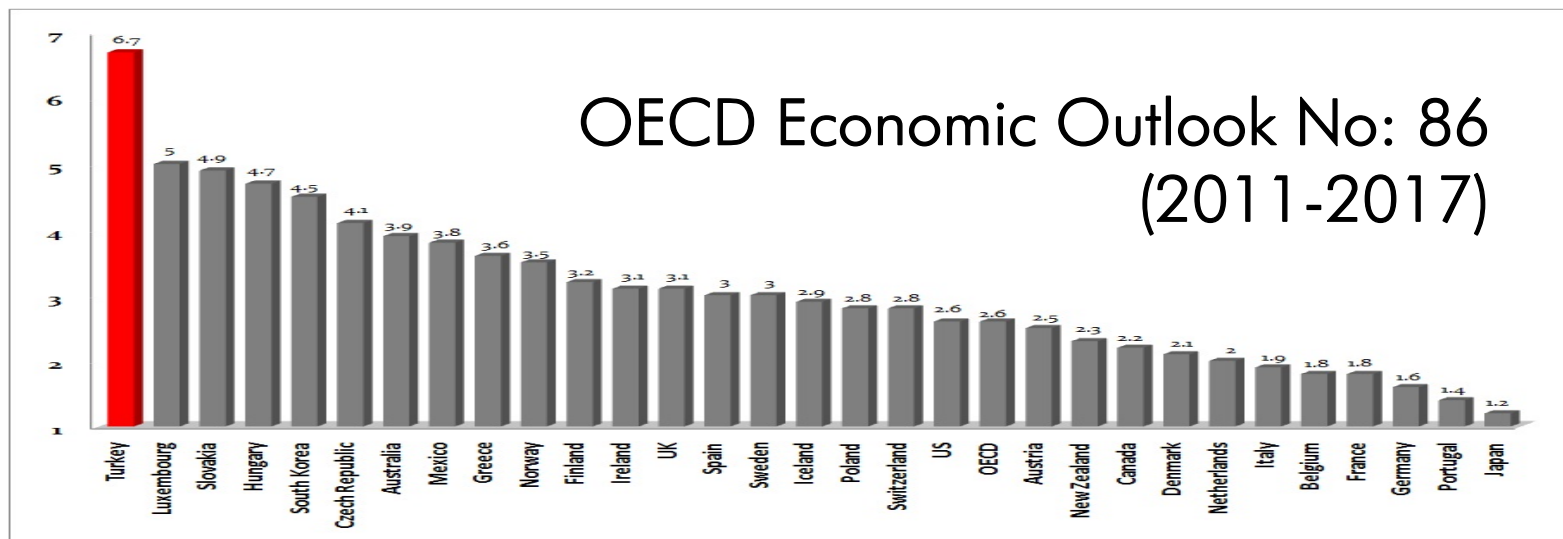
ivCi Some Facts About Turkey



- Within 5 hours flight you are there:
- 1.5 billion population
- 25 trillion \$ GDP

ivCi Some Foresights About Turkey

- **World's 16th and Europe's 6th largest economy.**
- **OECD estimates that Turkey will be the third highest growing country after China and India by 2017 and will surpass India after 2017 to become number two.**



- **Goldman Sachs' recent research predict that Turkey's economy will be the second biggest in Europe, after UK, and 8th in the world by 2050.**
- **Turkey aims to be the world's 10th largest economy by 2023, on the 100th anniversary of the foundation of the Republic.**

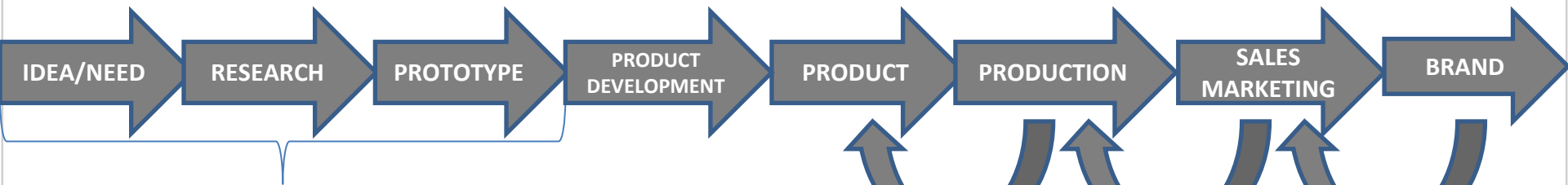
ivCi Some Foresights About Turkey: HOW?

*“Economic growth doesn't arise just from adding more labor and more capital, but from **basic research...**, new and better ideas expressed as **technological progress...** and their **application in the market**” Paul Romer (the architect of “New Growth Theory”)*

*“It is the enterprise that organises the creation of value . **Competition through innovation appears to be as important as price competition as a reaction by enterprises to market pressures...** While **research** is a major contributor to **innovation**, if there is no **entrepreneurial action**, there is no **value creation**.
(European Commission, Annual Book, 2008)*

*“In developed nations today, **competitive advantage** must come from the **ability to create and then commercialize new products and processes, shifting the technology frontier and entrepreneurial activity as fast as their rivals can catch up**” (Porter and Scott, 2003).*

As countries develop economically, **innovation** becomes an increasingly critical determinant of international competitiveness.



Early Stage

- ✦ Research and Development is Critical
- ✦ Academy Industry Colloboration is Required
- ✦ Early Stage financing is Critical

Know-how
And Tech
Transfer for
Product Design

Tech Transfer
- Assembly
Manufacturing

Distributorship or
Sales Agreements

Pros:

- ✦ Savings from time, resources and infrastructure for technology development

Cons:

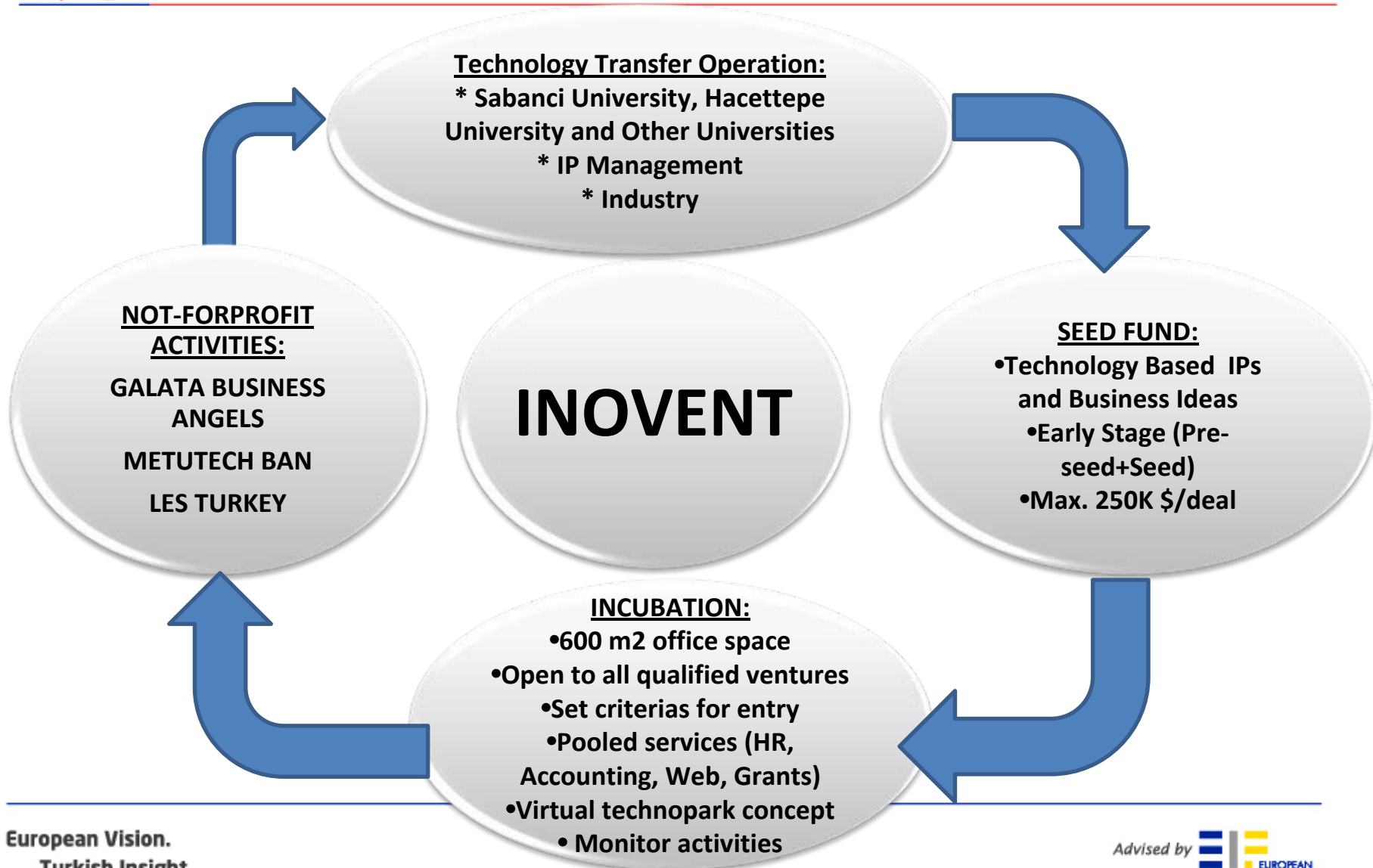
- ✦ Hard to develop high value added products and activities without technological competence and being innovative
- ✦ Couldn't take advantage of brand and technology ownership
- ✦ Dependence on other countries
- ✦ Can only be "follower"
- ✦ Sustainable growth is not possible

Inovent is a wholly Sabanci University owned Venture Company, founded in January 2006 and specialized in:

- 🏛️ Management,
- 🏛️ Commercialization,
- 🏛️ Financing,

of IPs, business ideas and technologies developed by entrepreneurs and academicians, in Universities, Research Centers and Industry.

- ✦ **SCANS** Turkey for technologies and innovative business ideas
- ✦ **EVALUATES** and **VERIFIES** the:
 - ✦ Team,
 - ✦ Technology/Product,
 - ✦ Business Model
 - ✦ Market
- ✦ **IDENTIFIES** the requirements for success:
 - ✦ Managerial Skills
 - ✦ Network and Vision
 - ✦ Financial
- ✦ **PACKAGES** the opportunities
 - ✦ Business Development
 - ✦ Business Plan
- ✦ Either **INVESTS** or **PRESENTS** to local and international co-investors or investment partners
- ✦ **INCUBATES** invested deals
- ✦ **MANAGES** and supply continuous **business development support** for portfolio companies



- ⚡ More than 5 years of early stage and spin-out experience;
- ⚡ 17 companies founded;
- ⚡ 6 exits (2 write-offs; 1 break-even; 1 w/ 2 multiple; 1 w/ 9 multiple; 1 w/27 multiple);
- ⚡ 11 portfolio companies (~2M realised revenue in 2010; ~8M revenue target in 2011);
- ⚡ 4 ongoing due-dilligence (2 investor side; 2 seller side);
- ⚡ Tens of industry involved R&D projects initiated and continuing;



PARABOT



- † Founder and Member of GALATA BUSINESS ANGELS
(<http://www.galatabusinessangels.org/>)
 - † Turkey's leading business angels network
 - † E-BAN partner
- † Founder and Member of LICENSING EXECUTIVES SOCIETY TURKEY
 - † 32 national and regional societies
 - † Transfer of technology
 - † Licensing of intellectual property rights
- † Member of Metutech BAN
- † Played key role in founding GOLDEN HORN VENTURES
 - † Turkey's first venture capital company

Sabancı
Universitesi



METUTECH
ODTÜ-TEKNOKENT



TEKNOLOJİ YATIRIM
TEKNOLOJİ YATIRIM A.Ş.

TCV TÜRKİYE TEKNOLOJİ GELİŞTİRME VAKFI

Microsoft BizSpark

Innovate
ORACLE
PARTNER NETWORK

ankara
patent FIKIR
lerinizi
DEĞER
lendirir

GOLDEN HORN
VENTURES

enterprise
europe
network

European Vision.
Turkish Insight.

- ☪ Importance of early stage will continue to increase (so Inovent will take care of ISF more);
- ☪ What is lacking is neither the deal flow, nor the finance but the entrepreneurial activity (so Inovent will continue to help entrepreneurs and invest in incubation and business development services)

iVCI INOVENT: Key Findings And Recommendations

ENTREPRENEURSHIP

KEY FINDINGS:

Exchange of commodities and services
VS
Exchange of merchandise and intellectual property

Economic role of the start-up companies increases.

RECOMMENDATIONS:

There is the need to create financial support mechanisms
(seed and venture capital firms are required)

SABANCI PRESEED FUND

INOVENT SEED FUND

GOLDEN HORN VENTURES VC OPOERATION

Necessity to support enterprises through convenient
advisory and training activities from establishment to
development and growth phase.

INOVENT ADVISORY BOARD

INOVENT TECHNICAL ADVISORY BOARD

INOVENT INVESTMENT COMMITEE

iVCI INOVENT: Key Findings And Recommendations

BUSINESS INCUBATION

KEY FINDINGS:

Ideas, technology, resources, funds, know-hows of business, and entrepreneurial talent are needed

Incubation services like “shared services”, “low rent”, “management help” are important but not enough

RECOMMENDATIONS:

Business incubators are required to play the role of complementing the founder team and filling the voids.

More valuable services should also be delivered:

- Domestic/Global networking
- Relationship with seed and early stage investors
- Monitor grants and incentives
- Lobbying
- Matchmaking
- Caring the company even it graduates from the center to increase the survival rate

iVCI INOVENT: Key Findings And Recommendations

National Innovation System

KEY FINDINGS:

Almost all institutions necessary for a well-functioning NIS exist in Turkey

R&D support schemes are all supply-side policies (direct subsidies, tax deductions for R&D personnel)

Regulations are to protect failing firms

RECOMMENDATIONS:

What is missing is the monitoring and evaluation mechanisms

Complementary demand-side policies (higher quality/new products, enforcing and regulating quality standards)
Besides money granted Gov't should allocate money for Early Stage VC operations (funds of funds)

Incentives and support to (potentially) thriving firms.

IVCi INOVENT: Key Findings And Recommendations

EDUCATION builds a nation's ability to absorb new knowledge and technology. Education gives rise to individual's initial tacit knowledge, which is an essential building block in technological learning.

KEY FINDINGS:

Advanced education in science and technology

Entrepreneurial mindset is missing: Focus in current education system is on skills and knowledge

RECOMMENDATIONS:

The government should assume full responsibility for taking necessary measures to promote human resource development and world class education system.

To increase entrepreneurial mindset, transformation of education system to focus on entrepreneurial values and attitudes is required

iVCI INOVENT: Key Findings And Recommendations

HUMAN RESOURCE

KEY FINDINGS:

Entrepreneurial mindset is lacking. More obvious in those who has technological competence.

Total number of researchers are very low (even worse situation in business)

RECOMMENDATIONS:

Nurture high-calibre entrepreneurs, scientists, engineers...

Increase the attractiveness of the area for highly-qualified workers and entrepreneurs as a place to live and work together.

Reverse brain drain:
Incentives for xpat researchers willing to start-up a business and institutions willing to recruit those consider returning to homeland

IVCi INOVENT: Key Findings And Recommendations

INDUSTRY – UNIVERSITY LINKAGE and commercialization of the technology is very important for the sustainable technology development,

KEY FINDINGS:

UIL programs imitated from abroad and generally it works

Firms are accustomed to thinking of the marketability when they begin to develop the new technology and the new products. However, universities usually have a different incentive mechanism like publications.

Historically and culturally co-operation between the business and the research communities is weak

RECOMMENDATIONS:

To make it work properly assimilation efforts should be conducted according to local characteristics

Reform the incentive mechanism so that both the university and private firms may actively, voluntarily, and sustainably participate in sharing the knowledge.

Incentives and government grant programs should be designed to promote joint R&D activities

IVCi INOVENT: Key Findings And Recommendations

INDUSTRY – UNIVERSITY LINKAGE

KEY FINDINGS:

Researchers VS entrepreneurial approach.

Professors in universities have been respected as a kind of social mentors rather than the technology providers.

RECOMMENDATIONS:

Incentive mechanisms and training activities for spin-out companies can be conducted

Inovent's Entrepreneurship Development Program for Academicians

There should be an environment created where entrepreneurship among academicians is promoted by creating success stories

IVCi INOVENT: Key Findings And Recommendations

INDUSTRY – UNIVERSITY LINKAGE

KEY FINDINGS:

The academic curricula VS needs of the business.

Very early stage technologies

RECOMMENDATIONS:

Build up the competence of universities so that they can meet the demand of the industry both in education and in research

Open doors for early stage venture capitalists in order spin-out companies and technological firms to be able to raise the necessary capital for passing proof of concept stage

Also a friendly environment must be designed for early stage investment firms and teams to raise finance, to invest, to manage portfolio companies, to exit and to cash-out investment

IVCi INOVENT: Key Findings And Recommendations

INDUSTRY – UNIVERSITY LINKAGE

KEY FINDINGS:

Insufficient number and quality for intermediaries

RECOMMENDATIONS:

Promote Technology Commercialization Centers with following functionalities:

- discover and evaluate technologies,
- write and evaluate venture and business plans
- analyze the commercialization potential
- give business development support
- foster government support
- network with venture capitalists

IVCi INOVENT: Key Findings And Recommendations

TECHNOLOGY

KEY FINDINGS:

Immediate jumping process from low technology to high technology does not exist

Self-sustaining ecosystem is difficult and requires long term commitment from the upmost level

RECOMMENDATIONS:

The policy horizon should be long and the strategies should be prepared according to the current situation by step-by-step approaches

The government is expected to provide longer term R&D investments

THANK YOU



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