

Venture Eurasia

1H 2023 Roundup



We help **step up innovation** through market analytics and tech scouting

Our services



INNOTECHNICS Recommendation: Partnership
Best Alternative: M&A

THETARAY
Thetaray offers a tool for processing financial crimes in cross-border payments.

Country: Israel | Founded year: 2013 | US employees: 115 | Total investment: \$10M

Revenue 2022: \$7m per year | Monetisation: License | Ethical/ESG: AI

Solution for Pain:
The SCOD technology enables operations with complete information about complex cross-border transaction flows. The solution enables increasing the volume of transfers without the risk of money laundering, human trafficking, and terrorist financing.

Functionality: A bank / fintech approach. Thetaray is connected to transaction monitoring. The solution is deployed within the transaction infrastructure. All transactions start being scanned using SCOD. SCOD is cloud native SaaS solution to launch all stream transaction monitoring on desktops and generate money laundering (SAS). SCOD, based on machine learning, tracks customer activities to detect threats, such as prohibited activities and payments by organisations under sanctions. The company has already risk-free monitoring capabilities.

Tractors: Covers over 1 billion banking customers. Over 10 billion transactions totaling \$20 billion pass through Thetaray per year.

Benefits for customer: Cost of fraud drops, reduces total cost of ownership and increases return on investment. Efficiency, reduces false positives, detects around 99% of fraudulent transactions.

Competitive advantage: The company has a patented artificial intelligence method that recognizes anomalies. Productivity period is 2 weeks.

Clients and partnerships: Plyntheer, NOVACEL, Serbinorder, Zepher.

INNOTECHNICS

Overview of the Cross-Border B2B Trade Market

The driver behind the 5% growth in cross-border B2B payment volume (which is nearly \$7 trillion) is the increasing popularity of electronic platforms for international trade.

Volume of Cross-Border B2B Payments, \$Bn

Year	Volume (\$Bn)	CAGR
2020	127	5%
2021	144	
2022	151	

Source: A.T. Kearney

MARKET ISSUES

- Cross-border payments typically occur slowly, entail high transaction fees (ranging from 3.2% to 20% of the transaction amount), and are significantly less transparent than domestic payments.
- Both international transactions through unified payments can take several days and require the involvement of a complex network of correspondent banks, which face problems related to data loss of message format and identification (non-client interoperability, time zones, and regulations).
- Furthermore, since the business model of an organisation brings together many different suppliers (global or other), it often faces, and in various ways, the unique regulatory complexity and challenges in terms of reconciliation, currency exchange, and fraud prevention.

- Trendwatching
- Market Research
- Scouting for Startups
- Competitive Analysis
- Tech Monitoring
- Venture Ecosystem

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WELCOME MESSAGE



Arseniy Dabbakh
Founder Innotechnics
INNOTECHNICS

Dear Reader,

In these turbulent times, the discussion around the Balkan venture ecosystem is more crucial than ever. Despite the current slowdown, the seeds of future industry leaders are being sown as startups adapt to new rules and focus on sustainable business models. Over the past years, a wave of IT innovators from the emerging countries has gone global, fueling exciting projects. It won't be long before startup valuations rise, with Eastern European and Balkan teams taking the spotlight.

Corporations are recognizing their role as key players, establishing their own VC firms and innovation studios. DeepTech projects are gaining government support in the vast region, underscoring their growing importance.

The market is no longer on a reckless path; we anticipate a noticeable increase in deals as early as 1H 2024. This upswing may be driven by developments in the U.S. market, including potential landmark IPOs like Instacart, with the potential to spark global market rejuvenation. Any signs of geopolitical stability will also inject optimism into the market.

I eagerly await the opportunity to delve deeper into these trends and more with you. Let's explore the exciting prospects of the Balkan venture ecosystem together!



Venture Market Overview. The Balkans

Albania

Bulgaria

Bosnia and Herzegovina

Greece

Romania

North Macedonia

Serbia

Slovenia

Croatia

Montenegro

BALKAN VENTURE ECOSYSTEM: TRENDS AND GROWTH OPPORTUNITIES 1

In the Balkans, VCs grow bullish on the market's future

Between early 2021 and June 2023 the regional venture landscape held firm. Every six months investment averaged out to about \$260m - except the 1H 2022 outlier when five mega-rounds (\$800m for Viva Wallet, \$667m in two deals for Rimac Group, \$222m for FlexCar, and \$106m for Spotawheel) flung the market sky-high - for a short while, though. With these disregarded, the Balkan VC market posted a healthy 45% YoY rise in 1H 2023.



In addition, local teams are known for their particular savvy in electric vehicle and renewable energy technologies, and European investors and banks shell out willingly for these sought-after verticals. On a downside, though, we must admit that the region has grown overly dependent on foreign money as a result.

The share of Balkan venture investments in the total volume of European financing in 1H 2023 was a negligible 0.9% - compared to 2.7% in 1H 2022. However, last year this became possible mainly due to large deals; without them, the share would have been only 0.2%. This is why it is worth talking about strengthening the position of the Balkans in the European venture industry.

The Balkans is one of the continent's fastest-developing regions with clear prospects for stepping up its role as an investor magnet in Europe. We expect venture funding to snowball later this year as investors still have a lot of pent-up affection for Balkan technologies to release and the region's eight unicorns and 18 soonicorns (Innotechnics' estimates) will likely get their deserved share of the cash.

Transport & Logistics, a new leader for investors

Startups in this field raised an aggregate \$118m, or 47% of all venture money in 1H 2023. EnergyTech and MedTech had their own impressive deals, too. Electric vehicle and solar-driven tech solutions have been in demand since last year, and startups that focus on these are sprouting up daily. It's interesting to note that in 1H 2023, investors supported teams from two dozen tech verticals.



BALKAN VENTURE ECOSYSTEM: TRENDS AND GROWTH OPPORTUNITIES 2

- **Greece and Bulgaria lead the venture race in the region**



Startups in these two countries raised \$176m, or 68% of the region’s total in 1H 2023. Greece was home to two in the Balkans’ five largest deals. One was a \$58.8m investment in Instacar, a flexible car leasing platform; the other was PPC Renewables that got \$31m for its smart energy management solutions.

Between themselves Bulgarian, Romanian and Greek startups had to their names 84% of the region’s overall number of deals. Innotechnics believes it’s simply because these three states have the Balkans’ biggest number of VC funds, angel investors and accelerators/incubators (25+, 70+ and 35+, respectively).

- **The Balkans, a European startup ecosystem hotspot**

The general economic meltdown deepens, but once in a while we still hear of another promising startup or two being born on this fertile soil. The keener investor interest becomes, the more eagerly the region responds with new platforms that liaise between investors and local startups - such as the freshly set-up Balkan Tech Fund that helps investors seamlessly build rewarding startup portfolios.

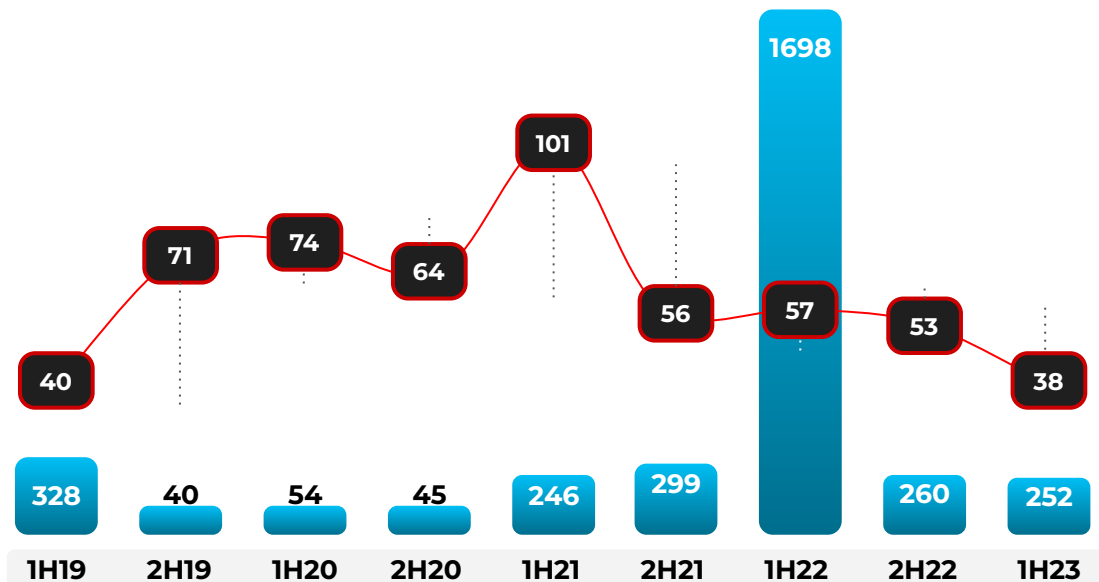
It is expected that by 2026, 900 new startups will have been created (there are an estimated 5,500 in the market today) and, most importantly, steady 10% YoY increments to that projected number are forecasted for each year after 2026.



NO ROLLER COASTER RIDE IN 1H 2023

Investment grew by 45% YoY to \$252m (no mega-deals* worth a total of \$1,795m from 1H 2022 considered here). There were 34% fewer deals in the first six months of this year (38 vs. 52 in 1H 2022). Slightly up there, marginally down here - but the market seems to be generally maintaining its status quo owing to the much increased average investment per deal (up 100+% from \$3m to \$6.6m), especially at the early stages.

Venture investment dynamics, Balkans



1H 2022 vs. 1H 2023 (no large deals considered*)

- Investment change **+45%**
- Number of deals change **-34%**
- Average deal size change **+120%**
- Median deal size change **+3%**

*Large deals in 1H 2022:
 Viva Wallet \$800M
 Rimac Group \$667M in two deals
 FlexCar \$222M
 Spotawheel \$106M

Investment, \$M

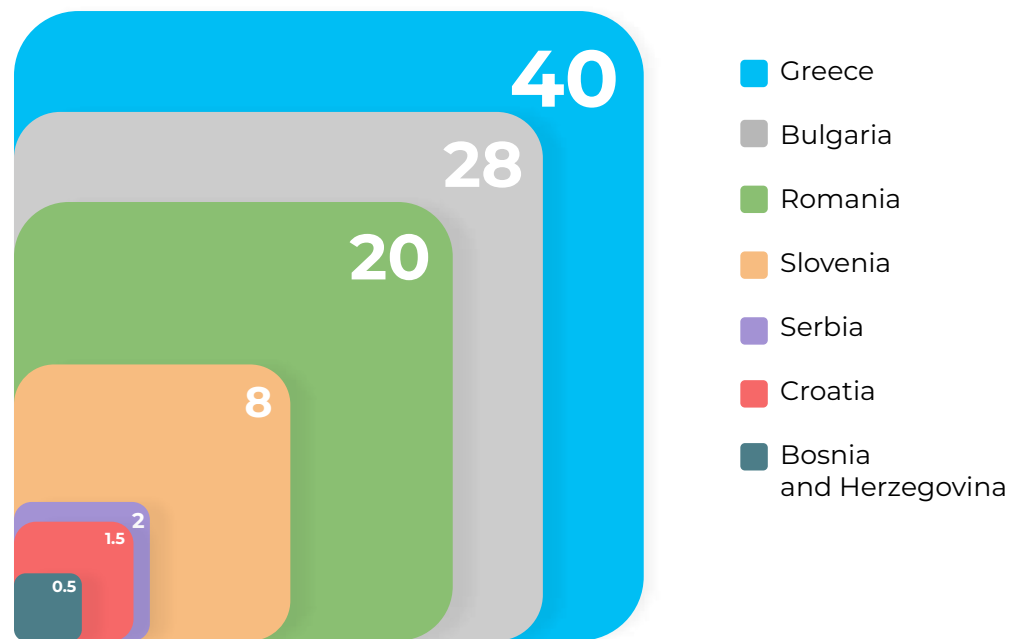
Number of deals

GREECE AND BULGARIA LEAD THE REGIONAL RACE FOR INVESTORS

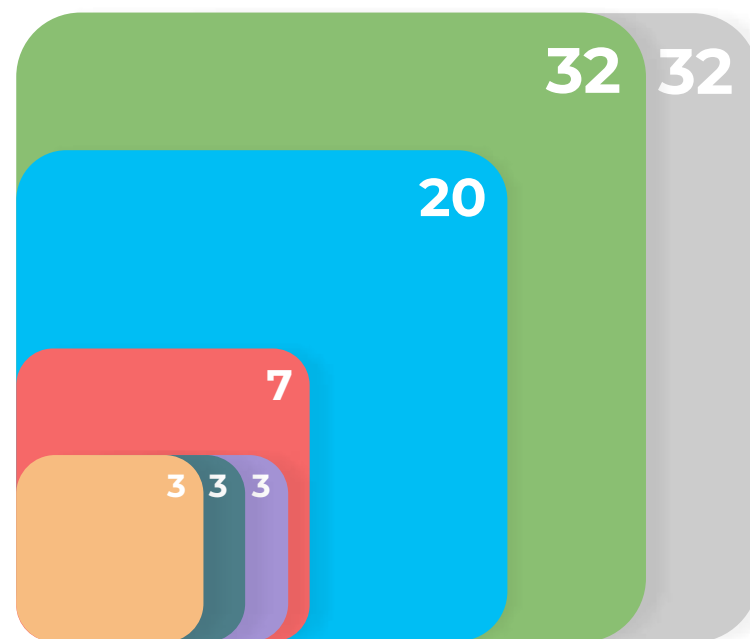
A reported 60% of all the funds investors had intended for the region came into startups from these two countries in 1H 2023. Bulgaria finished second in the investor race thanks to Eldrive, an EV charging station operator that walked away from its round with \$43.7m. In the number of deals, Bulgaria, Romania and Greece led the startup charge, participating in 84% of all deals in the region.

These economies boast a sophisticated venture culture and developed enough infrastructure (90 VC funds, 180 individual and syndicated angel investors, entrepreneurship associations, etc.). In neighboring Serbia, where just one deal was closed, there are seven VC funds and 15 angel investors.

● **Venture investment by country in 1H 2023, Balkans, %**



● **Venture deals by country in 1H 2023, Balkans, %**



TOP 5 LIST OF VENTURE DEALS, BALKANS

1			\$58.8M	February	Transport & Logistics	Investor		
2			\$43.7M	June	Transport & Logistics	Investor		
3			\$35M	May	Business Software	Investor		
4			\$31M	January	EnergyTech	Investor		
5			\$19.7M	June	MedTech	Investor		

Most active investors in the Balkans in 1H 2023

SeedBlink

5 deals

Vitosha Venture Partners

3 deals

Early Game Ventures

3 deals

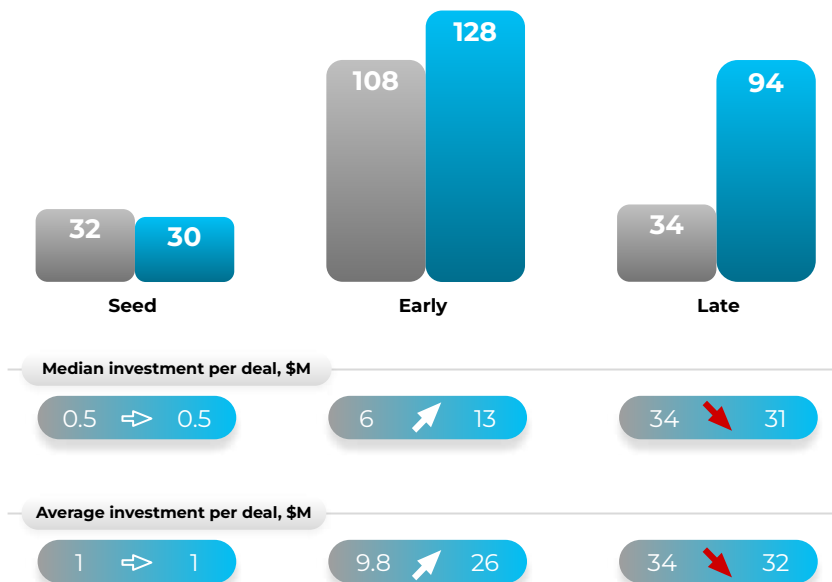
MUCH FEWER DEALS AT THE SEED AND EARLY STAGES

Deals were down by a quarter (to 30) at the seed stages and by half (from 11 to five) at the early stages in 1H 2023. By contrast, investment barely changed at the seed stages and even grew by 18% at the early ones - by reason of a 100% rise in the average and median values per deal at the early stages and of their virtual invariance at the seed stages.

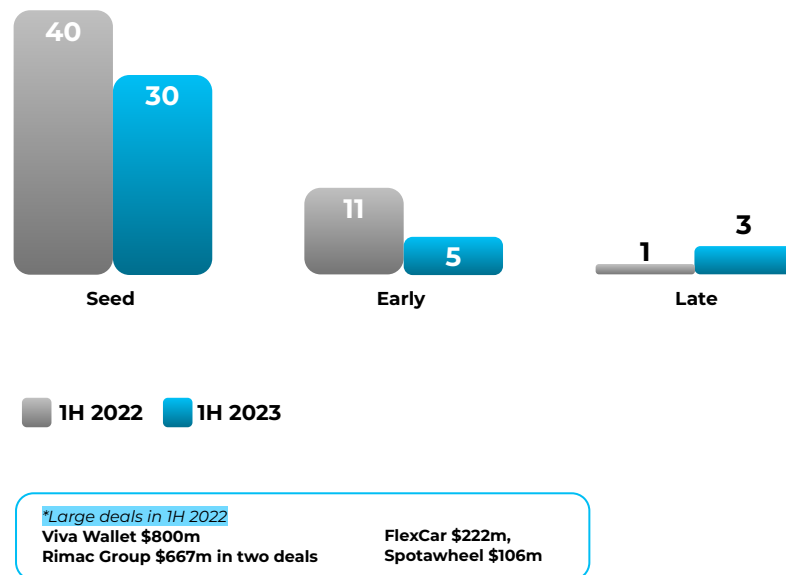
With the **large* outlier deals taken out of the equation, in 1H 2023 both investment and deals tripled at the late stages; the average and median investments per deal inched a bit lower.

Seed-stage deals prevailed, accounting for nearly 80% of the total - almost a mirror image of the 1H 2022 situation.

● Venture investment by stage, Balkans, \$M



● Venture deals by stage, Balkans

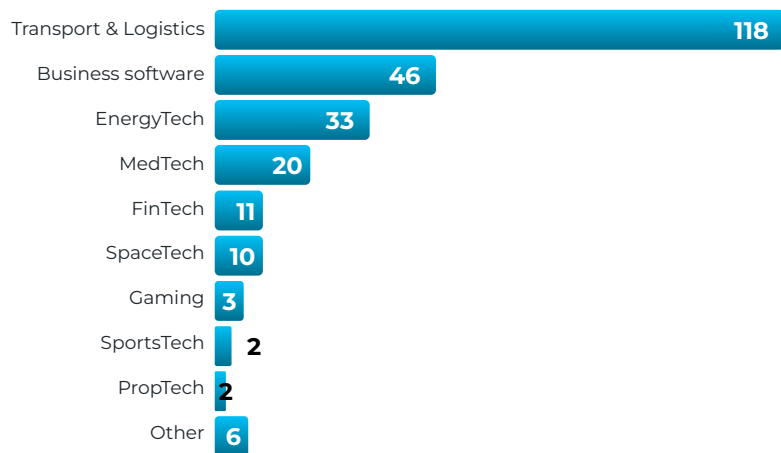


TRANSPORT & LOGISTICS WINS OVER VENTURE INVESTORS

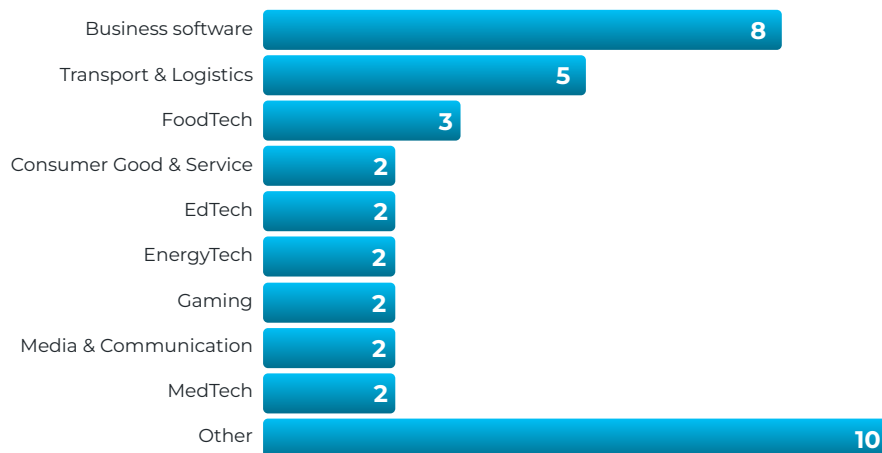
By number, B2B Software grabbed the most investor attention (eight deals closed). By money, however, Transport & Logistics was obviously in the lead (\$118m), accounting for 47% of all the venture inflow in the region. The largest transaction was a \$58.8m investment in Instacar, an early-stage digital service for car leasing.

In the Balkans, the verticals du jour now are electric vehicles and renewable energy. Many businesses and entertainment parks shift to solar-based power supply, seeking solutions from EnergyTech and CleanTech startups. Later this fall, some of the Balkan countries are hosting what may turn out to be a momentous CleanTech startup competition, [BASE Innovation Hub 2023](#).

● Tech verticals by venture investment in 1H 2023, Balkans, \$M



● Tech verticals by number of deals in 1H 2023, Balkans



APPENDIX: FUTURE UNICORNS IN THE BALKANS



HYPERSCIENCE®



SevenBridges

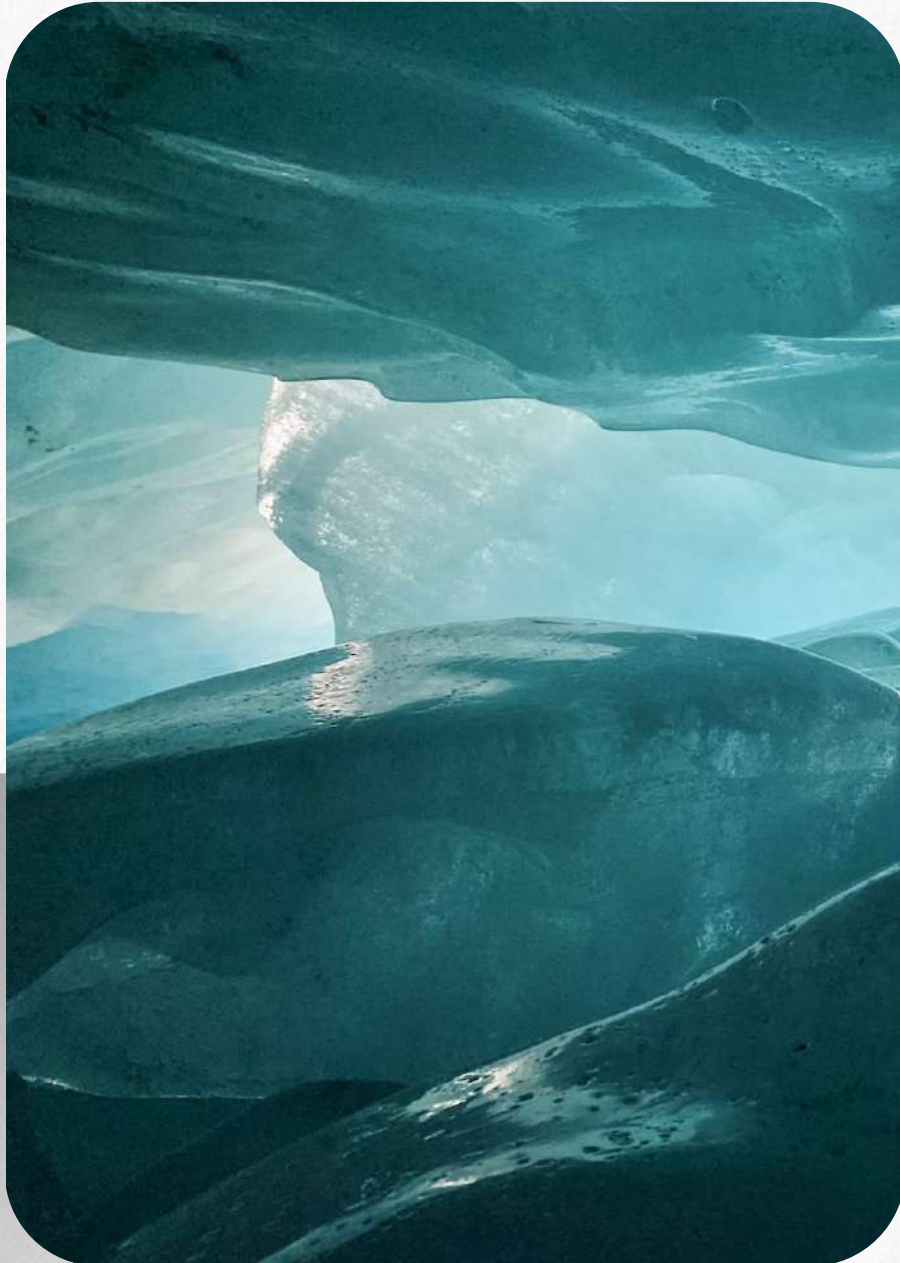


GIDEON



TRADING 212





Venture Market Overview. Turkey

*Turkey is singled out from the Balkans regional group on account of the magnitude of its market and its structural similarity to the Middle East

TURKISH VENTURE ECOSYSTEM: TRENDS AND GROWTH OPPORTUNITIES 1

● Market vagaries do not seem to affect Turkey

Between mid-2020 and June 2023, every six months would show 64 deals closed in the market on average. Investment would come in not so fixed a manner, showing some diversity. In 1H 2022, for example, two unicorn-focused deals drove investment substantially when a mobile logical game developer called Dream Games raised \$255m and Insider, an optimized corporate marketing analytics platform maker, walked away with \$121m. In these past six months, Insider once again raised a considerable \$105m investment. Take such outliers out of the equation - and we can see that over the past two years Turkey has had around \$200m a year in venture money.

Turkey accounted for 0.8% of Europe's overall venture investing in 1H 2022 and 0.9% in 1H 2023. The market apparently owed the slight uptick to heavier investment in Turkey against a backdrop of a noticeable VC shrinkage in the rest of Europe in 1H 2023.

Turkey is home to a broad variety of VCs and investment firms (135+), including large ones such as APY Ventures, Founder One, Alesta Yatirim, Istcapital and others that funded more than 30% of deals in the region in the first six months of this year. Turkey is also a strong angel hotspot in Eastern Europe (400+). The national government actively supports early-stage startups that have the potential to evolve into unicorns; [Turcorn 100](#) is one of such government initiatives.

We believe Turkey is on the way to becoming one of the top startup hubs in Eastern Europe and the MENA region. All it needs to actually walk the walk is more government backing and stronger involvement on the part of VC funds.



TURKISH VENTURE ECOSYSTEM: TRENDS AND GROWTH OPPORTUNITIES

2

Seed in the lead

x30

As another mirror image of 1H 2022, in the first six months of this year seed-stage startups were involved in investment deals an impressive 30 times more often than late-stage ones. The average and median values per deal were going down across both stages anyway. At the late stages, the contraction was a considerable 60% YoY in 1H 2023.

Turkey, yet another sweet spot for business

It's pretty easy to start a business in this country. Permits and licenses are fast obtainable, and residents enjoy no preferential treatment over foreigners. There are many special investment zones there with very attractive financial terms and conditions. For example, if you need your R&D supported, or you're a high-tech startup seeking to get on the radars of investors - do look for tech development zones. There are special industrial zones, too, where resident companies are exempt from the VAT and the real estate tax.

Turkish investors fond of Business Software and Gaming

Startups in these verticals accounted for 55% of Turkey's overall invested startup pool in the reporting period. In EnergyTech, too, there was a sizable deal (\$60m for RePG Energy that develops renewable energy powered heaters).

By number of deals, Gaming is absolutely second to none (20% of all venture deals in 1H 2023). The vertical appears to be Turkey's new Holy Grail; casual and logical games and gamification solutions for retail businesses are taking local users by storm.

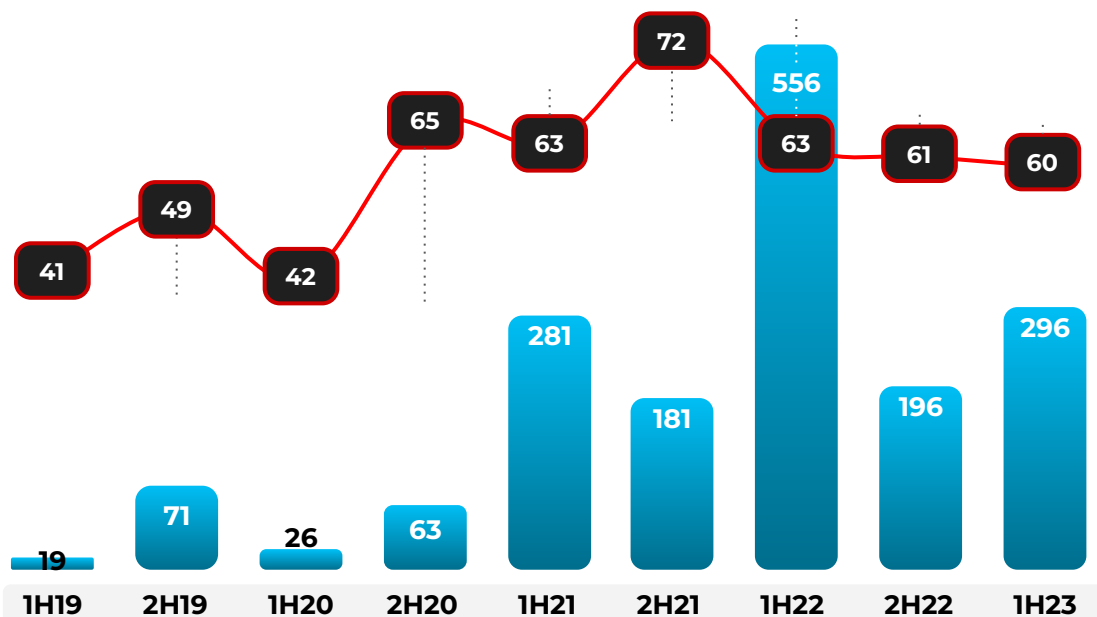


TURKISH ECOSYSTEM IS ANTI-ANTIFRAGILE

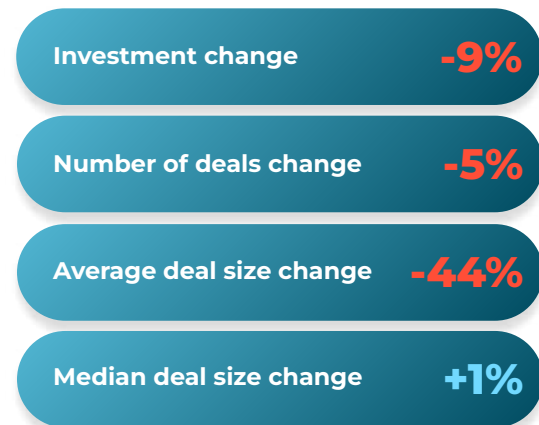
With the large deals* of the first halves of 2022 and 2023 disregarded as outliers, investment flows in these periods barely differed at all - unless you call a modest 9% YoY lapse from \$180m to \$164m a real difference in 1H 2023. The number of deals inched downwards from 63 to 60.

Since 2021 Turkey's VC market has seen no real change in the number of deals which stood at around six dozen each half-year, while investment has varied with sizable transactions at the late stages.

● Venture investment dynamics, Turkey



1H 2023 vs 1H 2022 (no large deals* considered)
















*Large deals
1H 2022 / Dream Games \$255m
1H 2023 / Insider \$105m

Investment, \$M

Number of deals

TOP 5 LIST OF VENTURE DEALS IN 1H 2023, TURKEY

1	 <p>\$105M</p> <p>Business Software</p>	<p>May</p>	<p>Investor</p>  
2	 <p>\$60M</p> <p>EnergyTech</p>	<p>May</p>	<p>Investor</p> 
3	 <p>\$11M</p> <p>Blockchain</p>	<p>March</p>	<p>Investor</p>    
4	 <p>\$7.5M</p> <p>FinTech</p>	<p>June</p>	<p>Investor</p> <p>Ertan Aksu</p> <p>Jamal Fayoumi</p> <p>Nezih Sipahioglu</p> <p>Yahya Acun</p>
5	 <p>\$7M</p> <p>IndustrialTech</p>	<p>March</p>	<p>Investor</p> 

Most active investors in the Turkey in 1H 2023

APY Ventures

APY VENTURES



6 deals

Founder One

founder one



6 deals

Alesta Yatirim

ALESTA YATIRIM



4 deals

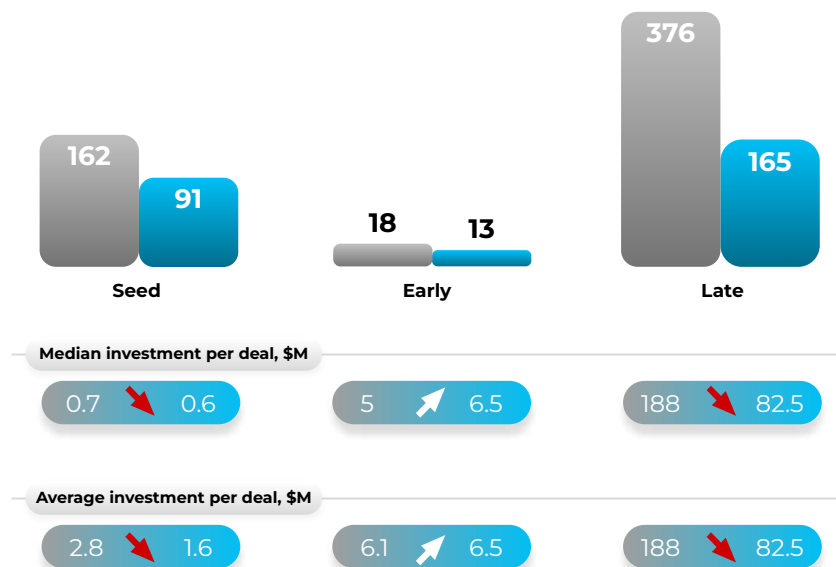
DEAL STATS: NUMBERS **NEARLY FROZE**, MONEYS PERCEPTIBLY CONTRACTED

In 1H 2023, there was little change, if at all, in the number of deals across stages.

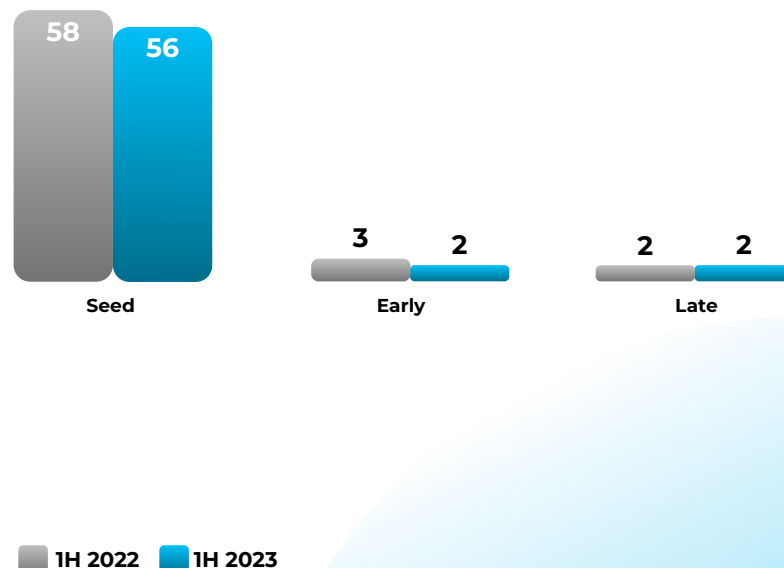
Investment, however, was more than halved at the late stages, dragging the median and average values per deal with it (down 60% YoY in 1H 2023).

Seed-stage startups fared financially as well. Investment shrank by 44%, and so did the average investment per deal (down 43%).

● Venture investment by stage, Turkey, \$M



● Number of deals by stage, Turkey

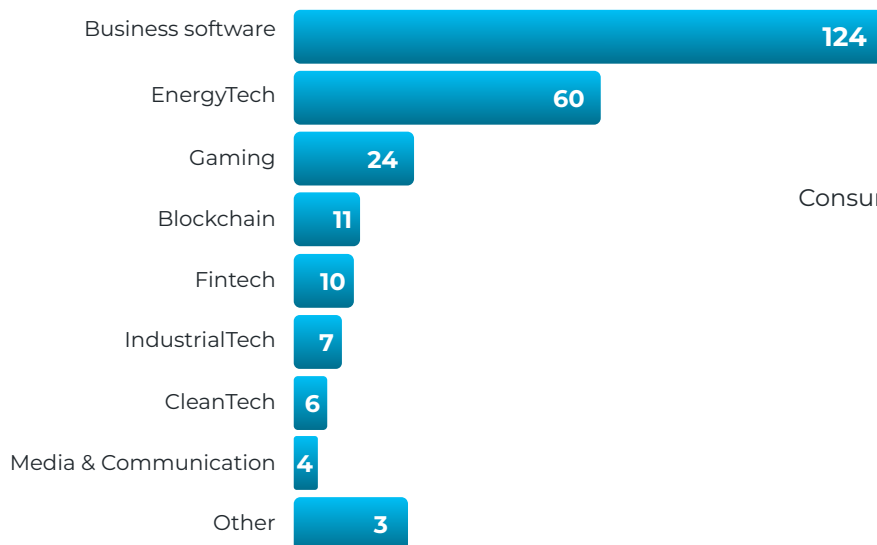


INVESTORS LOVE BUSINESS SOFTWARE AND GAMING

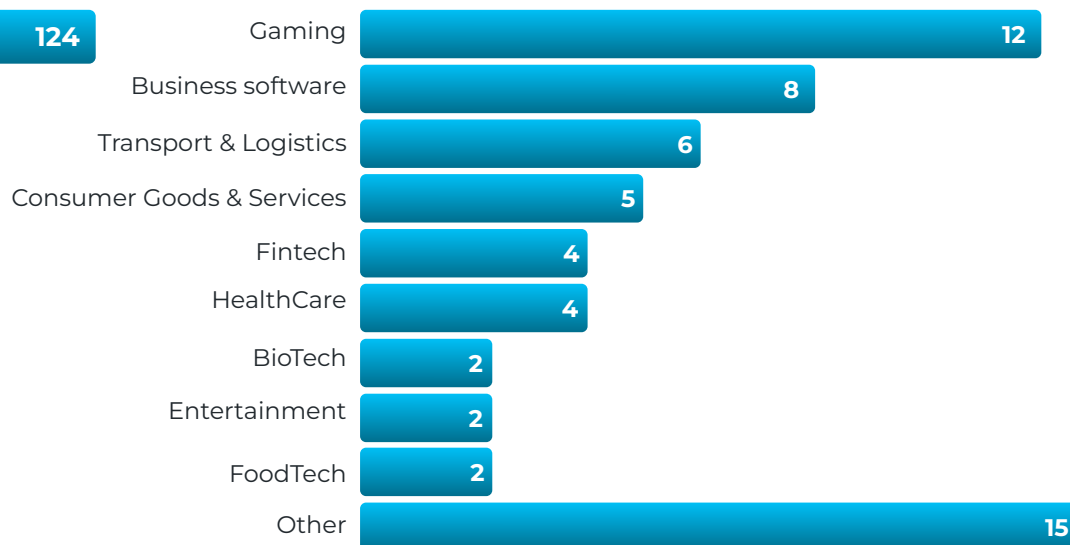
If we look at investment amounts, the Business Software vertical obviously won by a landslide, soaring with the sizable \$105m deal a marketing analytics platform called Insider clinched in 1H 2023. Two that followed, EnergyTech (with its noticeable \$60m RePG Energy deal) and Gaming, trailed too hopelessly behind to contest leadership. If we look at the number of deals, though, Gaming beat the competition decisively.

Analysts report a growing army of sophisticated casual and logical game developers whose products take Turkey and the rest of Asia by storm. It was a casual game developer called Hadi that raised the industry’s biggest \$5m investment for its Pocket Farm, Pocket Land and other products. Such startups now go beyond entertainment and extend their product lines by adding gamification solutions to help Turkish retailers.

● Tech verticals by venture investment, 1H 2023, Turkey, \$M



● Tech verticals by number of venture deals, 1H 2023, Turkey





Venture Market Overview.

Central Asia and South
Caucasus

Azerbaijan
Armenia
Georgia
Kazakhstan
Kyrgyzstan
Tajikistan
Uzbekistan

CENTRAL ASIA AND SOUTH CAUCASUS VENTURE MARKET: TRENDS AND GROWTH OPPORTUNITIES

1

Increasing venture capital activity in the region

1H 2023

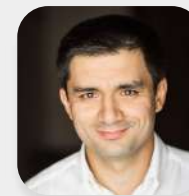
\$139 million  x6

60 deals  x2.4

The vast region reported a noteworthy sixfold year-on-year rise in venture investing (\$139m) and a 2.5-time increase in the number of deals (64) in the first six months of this year. Private VCs and angel investor syndicates ran the show with 58% of all venture transactions in the region. International investors backed 55% of venture financing in 1H 2023; in the first such deal since the stellar 2021, XN, XYZ Venture Capital and Snowpoint Ventures teamed up to spotlight a local maturity-stage startup, an industrial robotics developer called Gecko Robotics.

Armenia took investors by storm, inhaling as much as 90% of the venture money that found its way into the region. Innotechnics believes it's stakeholder numbers that decided investors. The region's least populated country (just 2.9 million people) is home to this territory's most numerous VC funds and angel investors with deep enough pockets to make a difference (at least 13 and 30+, respectively). Armenia is also the region's top startup breeder; Innotechnics identified just shy of 270 innovative companies there.

The Business Software, EdTech, FinTech and HealthCare segments grew exceptionally lovable among investors of all stripes in 1H 2023.



Dilshod Zufarov

Chairman, Uzbekistan Venture Investing Association (UzVCA); Co-founder, UzAngels Angel Club



Central Asia and South Caucasus are actually treading a path similar to the one the technologically developed nations walked 40-50 years ago, with talented startup teams driving venture activity and the government systemically backing them, thus incentivizing potential private players.

At the current state of VC market development in Uzbekistan - and in the region as a whole - partnerships with global institutions will likely go hand in glove with local private investors, whether it's angel clubs or private VCs, who are clearly stepping up activity.



CENTRAL ASIA AND SOUTH CAUCASUS VENTURE MARKET: TRENDS AND GROWTH OPPORTUNITIES

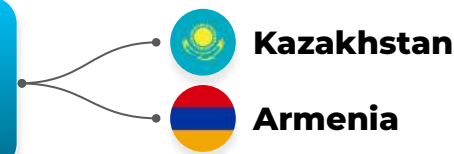
2

Buoyant as it may seem, the Central Asian and South Caucasian venture ecosystem is still in its infancy. We talk about a relatively small, self-centered market, too aw-shucks to keep local startups inwardly focused. Most of them dream of going global from their day one. That said, the regional innovation landscape is increasingly taking attractive shape as the states there are actively reaching out to international organizations, seeking lucrative partnerships. One with the EBRD is said to be bringing local startups low-interest loans and grants that currently cover up to 15% of startup costs. For example, in Kazakhstan the EBRD is running its [Fintecc EBRD program](#) to support developers that promote ESG and resource-saving technologies.

- **The authorities take startups under their wings**

The national governments in the region increasingly pay attention to startup ecosystem and high technology development, a feature that makes this market clearly distinct. Earlier this year the Kazakhstan authorities shook hands with the World Bank on their joint Impetus for Productive Innovation project that led to the establishing of Tumar Venture Fund.

The new entity has recently invested \$2m in CodiPlay, a local startup whose app helps users learn the ropes of programming by playing arcade games. Right next door, in Uzbekistan, the national UzVCA fund stops at nothing to provide support for as many startup teams as is physically possible. This combination of reasonable government patronage, partnerships with global organizations and active fund procreation helps level off the landscape for pretty successful startups.



- **Armenia and Kazakhstan eclipse their neighbors in venture investment flows**

Kazakhstan and Armenia keep their strong lead in startup ecosystem development, accounting for 70% of all transactions in the region. Uzbekistan follows with a noticeable (but hardly comparable) 16% of all deals; UzVCA, Aloqa Ventures, Semurg VC and Uzcard VC customarily drive the process there. Kazakhstan, Uzbekistan and Armenia all posted a substantial GDP increment in 1Q 2023 (up 4.9%, 5.6%, and a hefty 12.1%, respectively), adding to their venture progress.

It's growing activity shown by the effervescent regional VCs and angel investors (BigStory VC, BANA Angels, Big Sky Capital, Triple S VC and others) that we believe helped the three states get the better of the neighboring ecosystems. There are 25 funds and 70 angels making a splash in just these three. The other nations in the region have one or two of those at most, and their claim to venture vibrancy would be a pretty long shot.

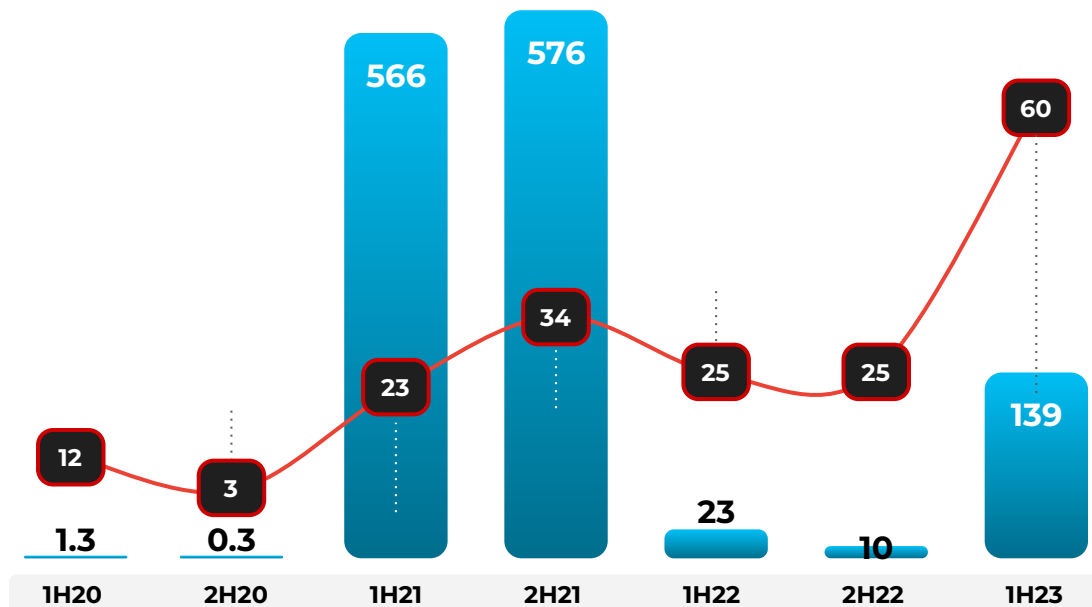
REGIONAL VENTURE ECOSYSTEM: THAWS ALWAYS COME AFTER FROST

The region's venture market survived the slump of 2022 and is coming back to its senses again. Analysts reported a sixfold YoY increase in investment (\$139m) in 1H 2023. The region also saw 2.4 times more deals (60 vs. 25 in 1H 2022).

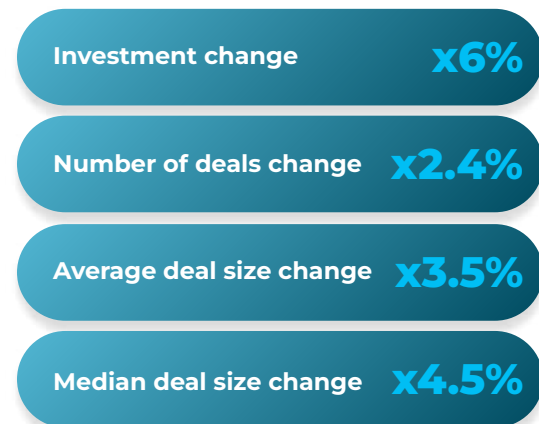
In addition to more numerous deals, it's the much higher average investment per deal that helped keep the pot boiling. The indicator grew by 60% from \$0.9m to \$1.5m (ex Gecko Robotics deal).

The market looks on the upbeat even if the largest deal of the reporting period, \$73m over Gecko Robotics, is taken out of the equation.

● Venture investment dynamics, Central Asia and South Caucasus



1H 2023 vs 1H 2022



Investment, \$M

Number of deals

ARMENIA OUTSHINES ITS REGIONAL NEIGHBORS IN VENTURE MONEY ATTRACTED

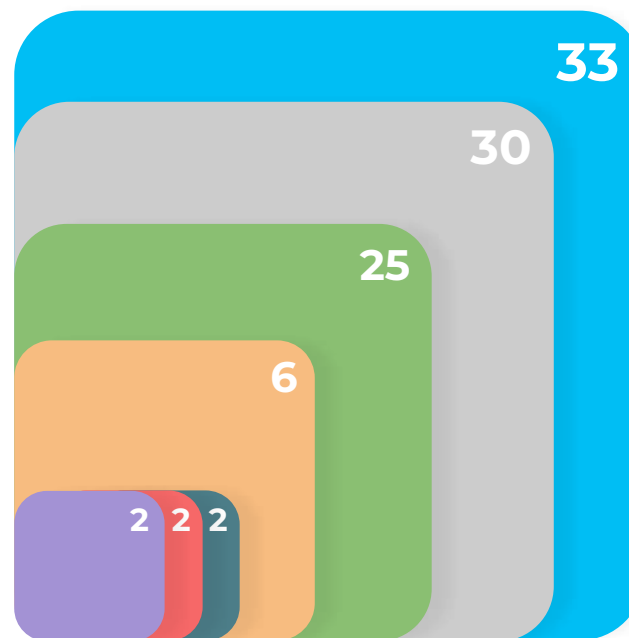
Almost 90% of all the venture investment in the region came to Armenia in 1H 2023. Armenia's startup ecosystem may be similar to a construction site quite a lot of builders feel responsible for, not to mention the large [BANA Angels](#) network that seeks ways of backing tech newbies and sharing knowledge and experience with them. The Armenian angel investors have also formed what they call The Syndicate to facilitate access to the country's best startups by international angel investors.

Kazakhstan and Uzbekistan trailed a bit behind Armenia in the number of deals - but not much: 30% and 25% of all the deals in the region, respectively. The average investment per deal, however, was perceptibly lower there: \$0.7m in Kazakhstan and \$0.2m in Uzbekistan, a fraction of what we saw in Armenia (\$3m, ex Gecko Robotics deal).

Venture investment by country in 1H 2023, Central Asia and South Caucasus, %



Venture deals by country in 1H 2023, Central Asia and South Caucasus, %



- Armenia
- Kazakhstan
- Uzbekistan
- Georgia
- Kyrgyzstan
- Tajikistan
- Azerbaijan

TOP 5 LIST OF VENTURE DEALS IN 1H 2023 CENTRAL ASIA AND SOUTH CAUCASUS

1	gecko Armenia	\$73M Robotics	February	Investor XYZ ventures, Mark Cuban, Gokul Rajaram, iDRIVE, Joe Lonsdale, FOUNDERS FUND, SNOWPOINT
2	Fastex Armenia	\$23.2M Blockchain, Cryptocurrency	January	Investor SOFTCONSTRUCT
3	britive Armenia	\$20.5M Business Software	March	Investor smartgatevc
4	CodiPlay Kazakhstan	\$2M EdTech	June	Investor TUMAR VENTURE FUND
5	Prelaunch.com Armenia	\$1.5M Business Software	March	Investor BANA ANGELS, BIGSTORY VC, Granatus VENTURES, formula VC, Vahe Kuzoyan

Top investors in the Central Asia and South Caucasus in 1H 2023

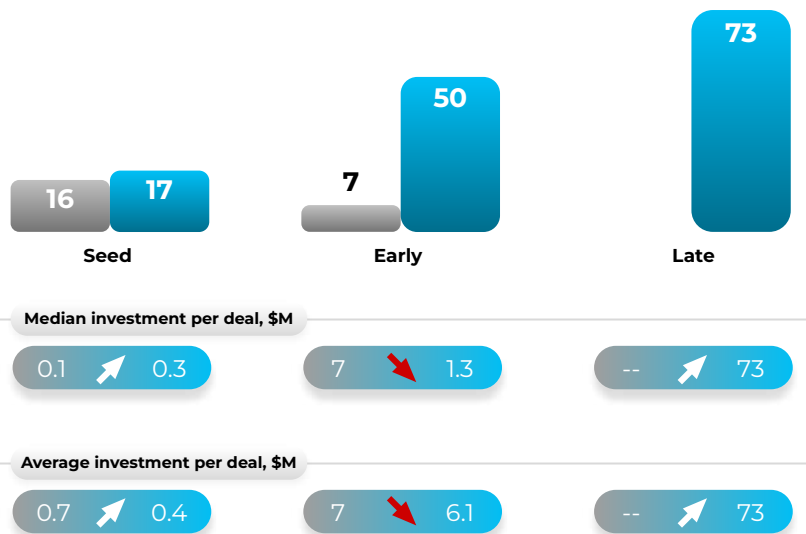
- 500 Global
 - 500 >> 7 deals
- UzVCA
 - UZVCA >> 5 deals
- Big Sky Capital
 - Big Sky Capital >> 3 deals

THE EARLY STAGES WERE IN THE SPOTLIGHT FOR MOST INVESTORS IN 1H 2023

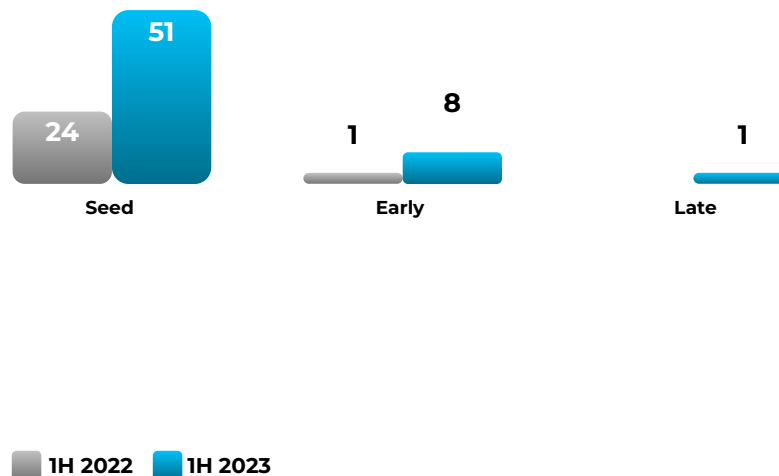
There was a noticeable year-on-year rise in seed-round deals (51 from 24) that led the race; but the early-stage ones challenged their supremacy, showing a sevenfold increase in investment (to \$50m) and a one-to-eight hike in the number of deals. Four of the early-stage deals were closed by private regional funds that typically focus on the seed and early stages, including SmartGate VC, UzVCA, Tumar Venture Fund, and Triple S VC. The early stages were also increasingly on the radar of local angel investors.

The late stages, too, were spotlit for the first time since 2021 - thanks to a single deal, though. Gecko Robotics, a local robotics software developer that works to automate critical infrastructure inspections, raised \$73m.

Venture investment by stage, Central Asia and South Caucasus, \$M

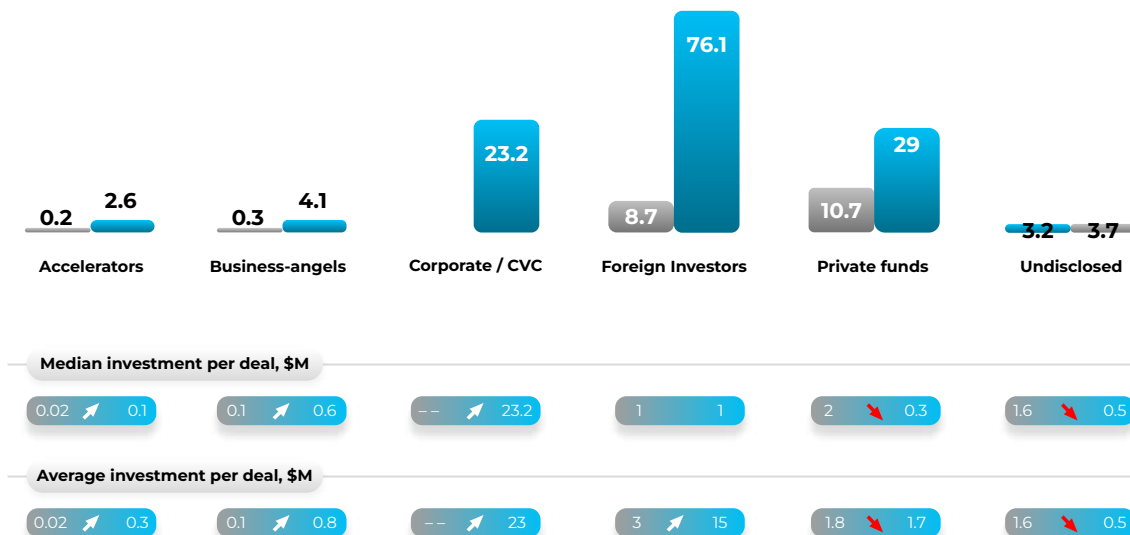


Venture deals by stage, Central Asia and South Caucasus



CORPORATE AND PRIVATE INVESTMENT ON THE RISE

Venture investment by investor type, Central Asia and South Caucasus, \$M

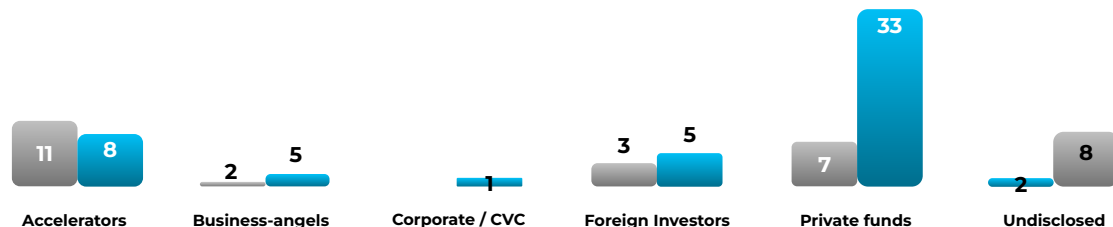


The \$73m investment XYZ Venture Capital, Snowpoint Ventures and other international players forked out for [Gecko Robotics](#) thrust overall foreign investment **upwards by a hefty nine times YoY to \$76m**. Unlike the previous six months, it was not a goodbye from all other investor types that thus foregrounded foreign ones in 1H 2023. In fact, all the types were far from lethargic.

Private funds closed 55% of all transactions in the region - way ahead of all others in 1H 2023. UzVCA, BigStory VC, Triple S VC, Formula VC and Big Sky Capital obviously played first fiddle.

1H 2022 1H 2023

Venture deals by investor type, Central Asia and South Caucasus



PRIVATE FUNDS DROVE EARLY-STAGE INVESTMENT

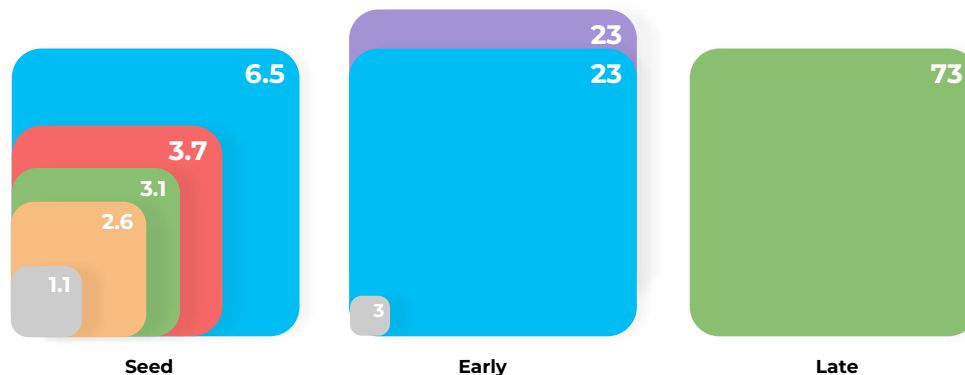
Private funds generated the most investment at the early stages, accounting for as much as 50% in both moneys and numbers. A big uptick in angel investor involvement was also reported at the early stages; the angels would come both individually and in syndicates such as BANA Angels in Armenia.

At the seed stages, private funds ran the show, too, bringing in 38% of all the money and 57% of deals.

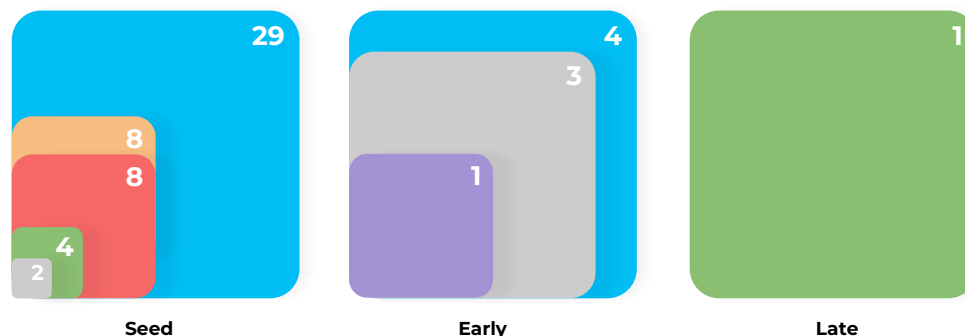
Accelerators did not go beyond supporting seed startups this time, and seven in eight such investments came to Armenia, Kazakhstan, Georgia, Uzbekistan and Azerbaijan from a single backer, 500 Global.

- Private fund
- Undisclosed
- Foreign investors
- Accelerators
- Business angels
- Corporations/CVC

● Venture investment by stage and investor type in 1H 2023, Central Asia and South Caucasus, \$M



● Venture deals by stage and investor type in 1H 2023, Central Asia and South Caucasus

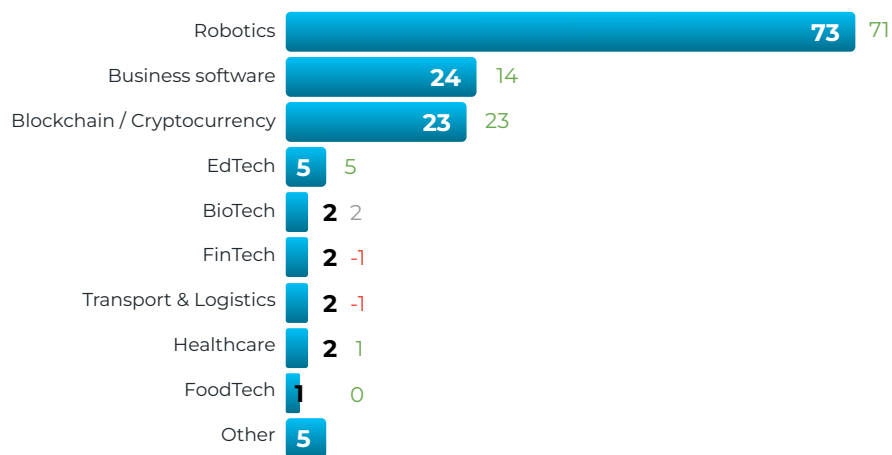


FINTECH & EDTECH KEEP CAPTIVATING INVESTORS

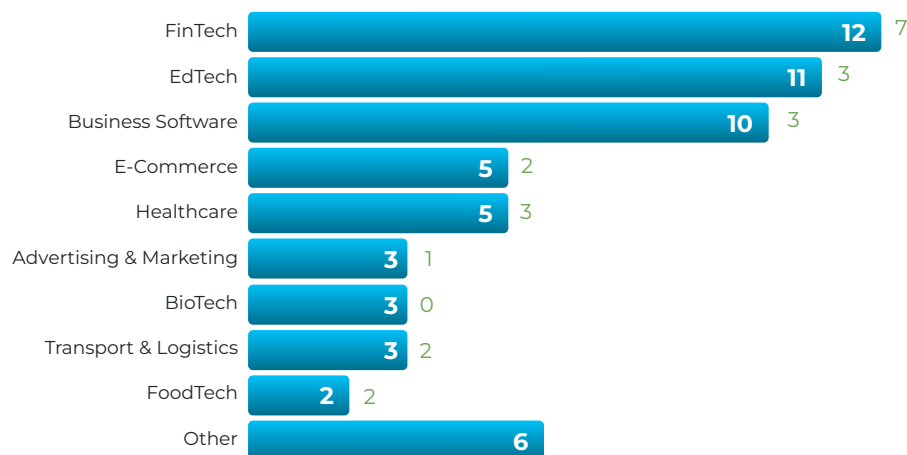
In 1H 2023, investors were eagerly after FinTech (12 deals) and EdTech (seven deals). Ironically, they appear to have been more intent on simply multiplying deals than on competing in the depths of their pockets. Most of the investors spent on their deals very sparingly indeed; all they agreed to shell out was just \$2m for FinTech and \$5m for EdTech.

Thanks to the Gecko Robotics late-stage “mega-deal”, Robotics was the most invested segment. Corporate Software also did very well with its stellar \$20m investment in Armenian-founded Britive, a cloud-based secure identification platform.

● Most invested tech verticals in 1H 2023, Central Asia and South Caucasus, \$M



● Venture deals in leading tech verticals in 1H 2023, Central Asia and South Caucasus



Venture Market Overview.

New Eastern Europe

Belarus
Latvia
Lithuania
Ukraine
Estonia



EASTERN EUROPE VENTURE MARKET: TRENDS AND GROWTH OPPORTUNITIES 1

In Eastern Europe, venture activity shrivels

What rose to very promising highs by early 2022 fell disappointingly short of expectations by the end of this past June.

Investment was halved to \$251m YoY (ex \$714m Bolt deal).



The number of transactions followed suit (nearly 50% off). Economic instability and, of course, the war that ravages Ukraine and puts its neighbors at risk combine to scare western investors off. Unfortunately, these factors unnerve the regional entrepreneurs themselves, getting them to consider relocating to safer places.

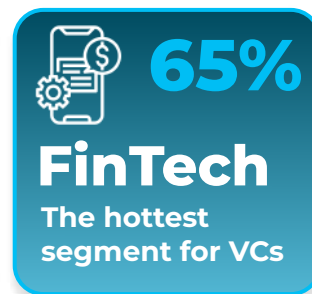
VCs got weaker in 1H 2023, and so did the national GDPs in the regional economies, especially in Estonia (down 3.2%) and Lithuania (down 2.5%).

Unicorns and soonicorns were completely obscured in 1H 2023 - not a single deal at all with the companies that had driven the region's VC growth before. New Eastern Europe accounted for a very sad 0.9% of Europe's total venture investment in 1H 2023, down 0.8% YoY.

Investment dwindled across stages

In 1H 2023, the seed stage posted a painful 55% nosedive in investment, while the early and late stages simply went into free fall (down 82%). Investment per deal expectedly spiraled down, too; at the early stages, both the average and median values per deal shrank by three times, and at the late stages the median one plummeted by a jaw-dropping 80+% from \$308m to just \$56m.

It's not a whimsical nature of the investor that withholds the money, not at all. It's startup re-evaluation and ensuing devaluation in the face of growing economic risks, coupled with capital flight from most vulnerable assets, that threw the wrench into the works in 1H 2023.



FinTech has seen no rival for investor love for two years in a row. In 1H 2023, the segment accounted for 65% of all venture transactions in the region. Four in the nine deals officially disclosed backed cryptocurrency and e-money solutions.



EASTERN EUROPE VENTURE MARKET: TRENDS AND GROWTH OPPORTUNITIES 2

 **Lithuania &**  **Estonia**
still second to none in regional VC

In 1H 2023, Lithuania absorbed half of the money that investors had anted up for the entire region. A deal that under the circumstances can be referred to as “mega”, \$110.5m for an SME financial service generating platform called SME Finance, helped the country outrace Estonia for the first time since 2019. Estonian startups were the runners-up with 43% of investor money. **These two economies have the region’s highest startup-to-population ratio; there are as many as 670 tech entrepreneurial teams in Estonia and 400 in Lithuania.**

Both countries have developed good enough venture support infrastructure with 85 VC funds, 25 accelerators and incubators, and strong industry associations such as Unicorns LT. The national governments, too, lend a willing hand through initiatives such as Startup Estonia and Startup Lithuania.

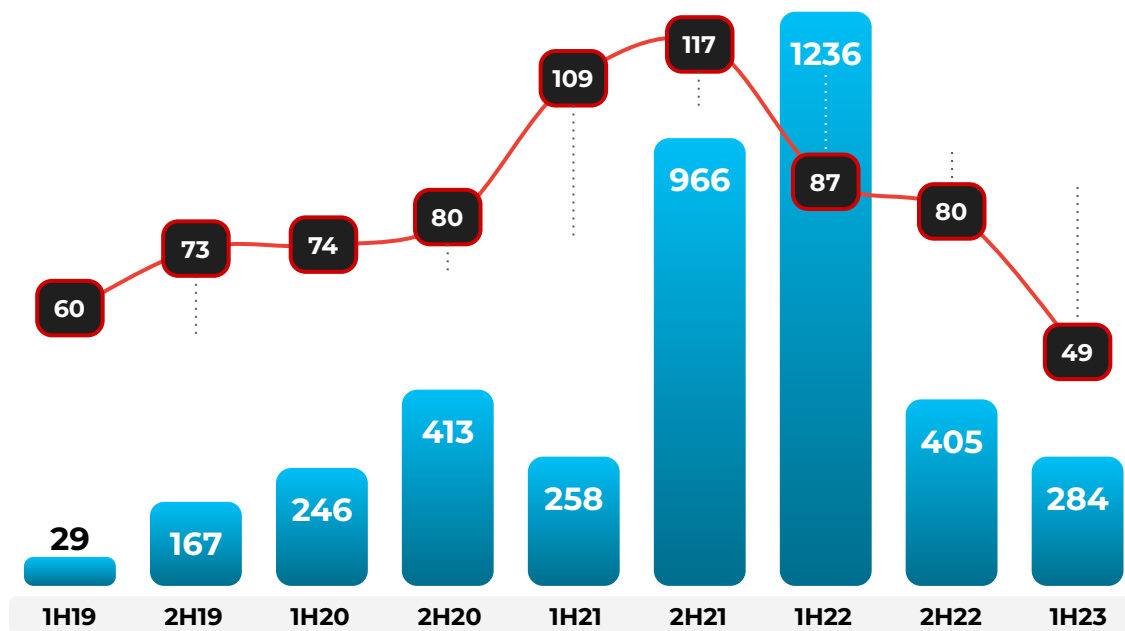
Ironically, Latvia with an apparently winning number of VC funds (20) keeps lagging behind - and its government’s reportedly lukewarm attitude towards supporting the local startup ecosystem is said to be to blame.

 In Belarus, only two venture deals were disclosed in 1H 2023, worth a total of \$32.5m, of which \$32m came to Craft.co, a platform that helps businesses keep their supply chains well-oiled. As the overall crisis deepens and waning investor trust is already at near zero, many Belarusian startups are scrambling to emigrate.

IN 1H 2023, THE REGIONAL VENTURE MARKET WAS LITTLE SHORT OF COMATOSE

In early 2022 venture investment in New Eastern Europe nearly went through the roof; the push seemed lasting and slow to subside. Unfortunately, it only seemed that way. In the first six months of this year we watched the market sag to two-year lows. Investment was halved (even if we take the momentous \$714m Bolt deal out of the equation; if we do not, the plunge is an appalling 77%), and nearly so was the number of deals (from 87 to 49).

● Venture investment dynamics, New Eastern Europe



1H 2023 vs 1H 2022

(no large deals considered)*

- Investment change **-46%**
- Number of deals change **-44%**
- Average deal size change **-65%**
- Median deal size change **+50%**

*Large deals in 1H 2022:
Bolt \$714 млн

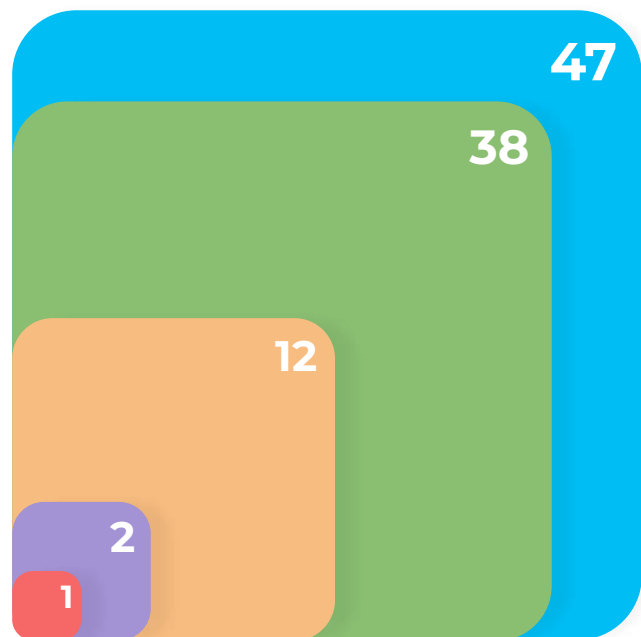
Investment, \$M Number of deals

LITHUANIAN AND ESTONIAN STARTUPS INHALED 85% OF THE REGION'S TOTAL INVESTMENT

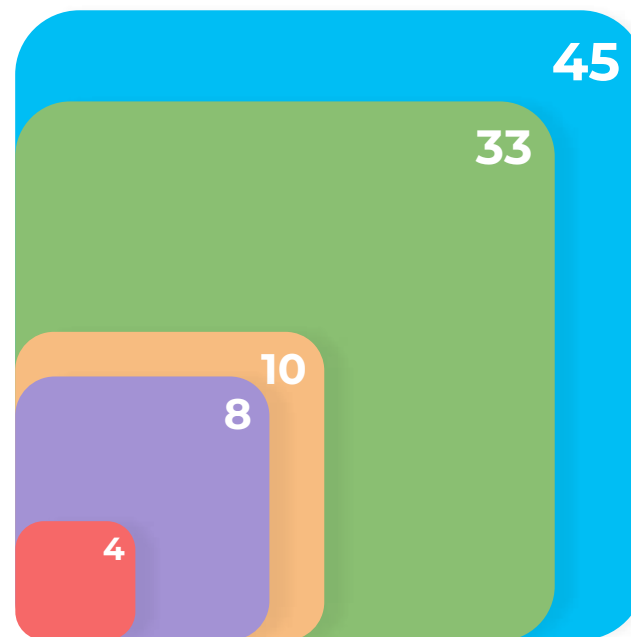
In 1H 2023, Lithuania outshone Estonia in investment volumes (47% of the total) - not without a heavy contribution from the FinTech segment where a late-stage startup called SME Finance raised an impressive \$110.5m. Estonia came second with 38% of total investment - but clearly outdid Lithuania in the number of deals, accounting for 45% of all transactions closed in the region.

It was not so hard to achieve, though; **Estonia leads the region in the per-capita number of startups and unicorns (1,500 startups and 10 unicorns per 1.4 million population)**. Lithuania has firmly held second place in the number of deals since 2020 - 33% of the total this time.

● **Venture investment by country in 1H 2023, New Eastern Europe, %**


















● **Venture deals by country in 1H 2023, New Eastern Europe, %**






- Lithuania
- Estonia
- Belarus
- Ukraine
- Latvia

TOP 5 LIST OF VC DEALS IN 1H 2023, NEW EASTERN EUROPE

1		 Lithuania	\$111M	April	Investor 
2		 Estonia	\$32M	June	Investor 
3		 Belarus	\$32M	February	Investor 
4		 Estonia	\$25M	March	Investor 
5		 Estonia	\$16M	February	Investor 

Most active investors in 1H 2023, New Eastern Europe

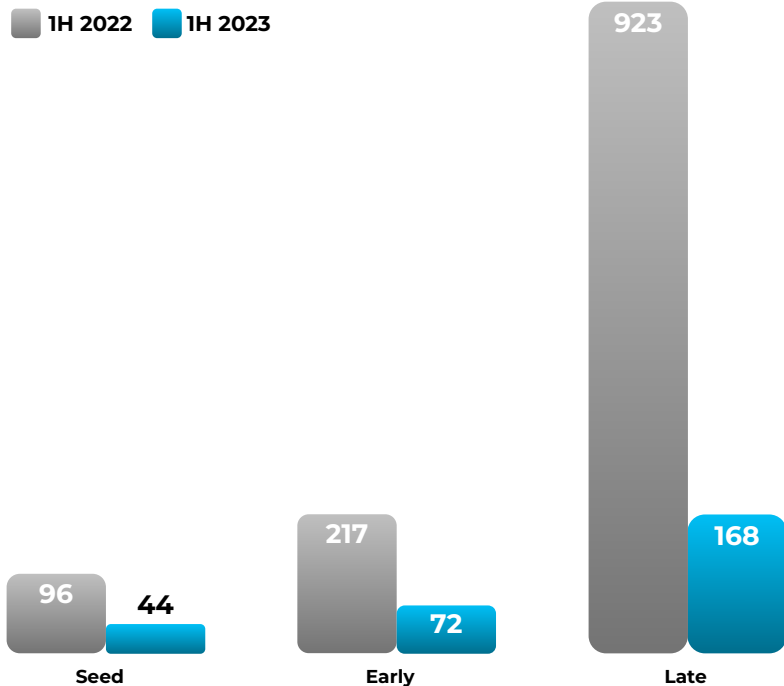
- 
4 deals
- 
3 deals
- 
3 deals

INVESTMENT DWINDLED ACROSS STAGES

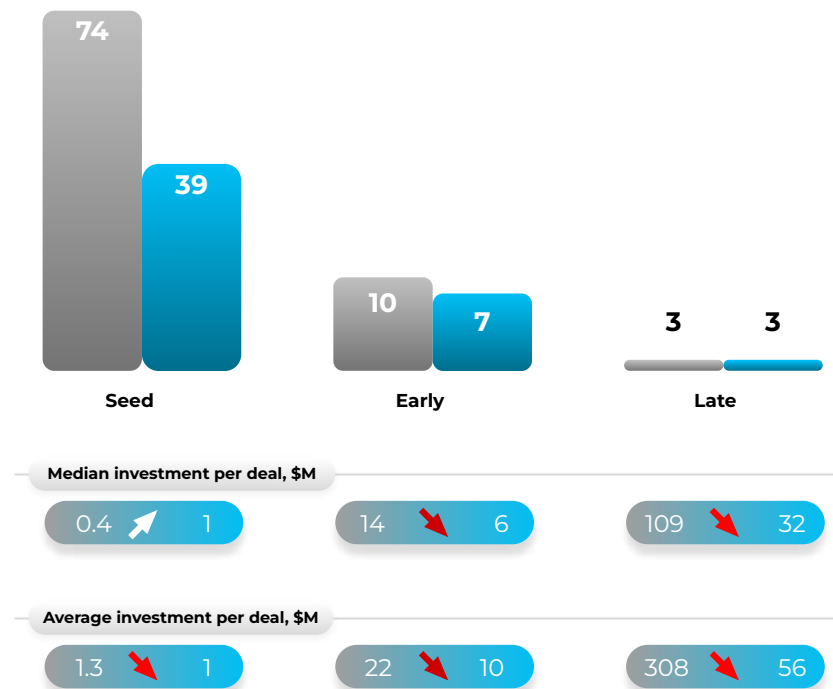
At the seed and early stages, investment withered by 47% and 30%, respectively. Each deal grew smaller, too. At the early stages, for example, the average and median investments per deal lost 75% YoY. The late stages suffered an even tougher blow, with the median investment per deal down 70% and the average one a shocking 80%.

No wonder things played out so calamitously, analysts say; not a single deal was closed with unicorns or soonicorns in the region in 1H 2023.

Venture investment by stage, New Eastern Europe, \$M



Venture deals by stage, New Eastern Europe

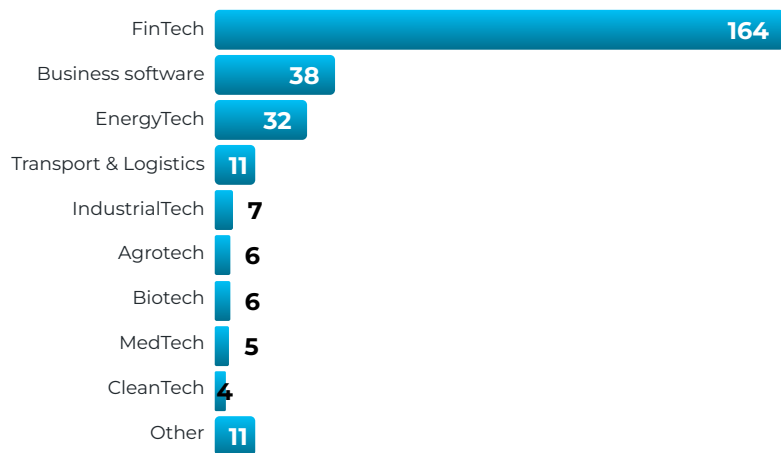


FINTECH STILL CAPTURES INVESTORS' IMAGINATION

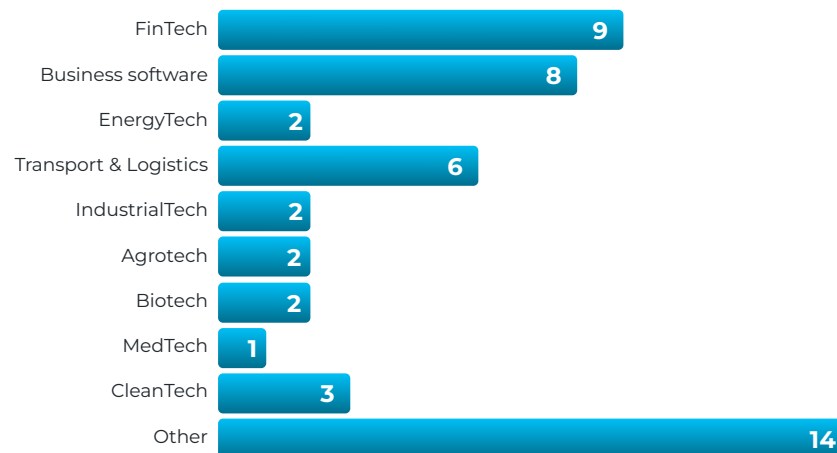
FinTech accounted for 58% of all investment in the region after an AI-driven SME financial service platform called SME Finance announced its huge \$110.5m deal. The segment led the race in the number of deals as well, challenged pretty closely by Business Software. We also found noticeable developments in EnergyTech; the tech vertical ended up in third place with just two deals - but how incomparable these were!

One barely worth mentioning (\$0.5m) and the other worth a hefty \$32m (with Sunly, an Estonian renewable energy storage developer). Gaming, a vertical du jour in 2022, in 1H 2023 didn't even make it to the top 10 list with its two unassuming deals worth a total of \$3m.

Industries by venture investment in 1H 2023, New Eastern Europe, \$M



Industries by number of deals in 1H 2023, New Eastern Europe



METHODOLOGY

In this report, we used methodological recommendations that have been put by the domestic venture capitalists.

Venture investment

This term describes an investment of up to \$150m (at an official dollar rate current at the time of writing) in risky technology projects that promise an IRR of at least 15%*. "Investment" is referred to as a purchase of a shareholding or charter capital in a privately-held legal entity and / or access to a convertible loan under various payback terms. Investments were valued based on the dollar exchange rate at the time of the transaction. The venture investment concept in this Report absorbed new funding strategies, such as crowdinvesting and the syndicated deals.

WE DIVIDED INVESTORS INTO SIX GROUPS:

Foreign / international investors

Companies and funds with headquarters, legal entities and the key part of the team located outside of the local jurisdiction; their regional focus is on foreign privately-owned companies.

Accelerators

Organizations that offer private companies development programs, provide expert assessments for market stakeholders, and help companies improve their products, enter new markets, and raise investment.

Private funds

Legal entities registered in a local or foreign jurisdiction, managing capital raised from more than one source in order to make professional direct investments in privately-owned companies, and promoting themselves accordingly in the market.

Corporations and corporate funds

Funds capitalized from founding organizations' internal sources and putting money into companies that may or may not be affiliated with the founding organizations.

Government funds and corporations

Legal entities and management companies in the local jurisdiction whose majority shareholders are the local Government and / or government agencies.

Angel investors

Private investors (individuals) who buy into a privately-owned company's share / charter capital.

*projects with the internal rate of return no less than 15%

METHODOLOGY

Investment-related information used in this Report is first and foremost the information that became publicly open through the media, blogs, corporate websites, public presentations and startup databases. In any other instance, we contact a newsmaker, or source, for confirmation.

Describing “corporations” in this Report, we refer to corporate funds whose capital comes from corporate founder’s internal sources and whose investment activity is not limited to exclusively supporting affiliated companies.

Additional information regarding certain deals may have been obtained directly from deal participants. Data on some specific transactions came from a closed survey and has been presented in an aggregate form.

Analyzing the overall value of the VC market, we did not consider exits and investments in market infrastructure. “Investment in market infrastructure” is referred to as investment in venture funds, business incubators, accelerator programs, technoparks and other institutions that operate in the VC market but are not venture companies.

Grant

While a grant is a gratis subsidy for R&D, we did consider them as contributions, alongside repayable investments, to the development of commercially driven venture projects.

Exit

This is referred to as a special type of deal which results in no additional investment in a project; instead, one or more shareholders sell their stakes to a strategic investor or in an IPO.

DEVELOPMENT STAGES FOR AN INVESTABLE STARTUP

Seed Stage

An early development stage between the formulation of an idea and the building of a team, new hypotheses verification, and the start of commercial activity.

Early Stage

The early stage of the company’s development, characterized by the beginning of a stable and full-fledged commercial activity, the generation of revenue from it and the growth of the business. The hyperactive stage of the company’s development, when commercial hypotheses are confirmed and the business needs external financing for rapid development.

Late Stage

The stage at which a business demonstrates stability and constant growth - as a rule, less rapid than in previous stages — which reduces investment risks.

**We are genuinely grateful to all the
Media Partners who have lent us a hand in
sharing the Report**