

# The rise of the Adriatic Region: Emerging startup powerhouses in Southeast Europe

*As traditional European tech hubs become increasingly saturated, savvy investors and entrepreneurs are turning their attention to the Adriatic Region in Europe. Croatia, Serbia and Slovenia are emerging as the next frontier for startup innovation, offering a combination of technical talent, cost-effectiveness, and untapped market potential.*

Temps de lecture : minute

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## A surge in Startup activity and VC investment

Recent years have seen a marked increase in both startup formation and venture capital flowing into these countries. Croatia, in particular, has shown impressive growth, with VC funding reaching €92M in 2023, a 30% year-over-year increase. While Serbia's exact figures are not provided, the country has become a notable hub, exemplified by Belgrade-based gaming startup Nordeus being acquired by Take-Two Interactive for over \$300M in 2021 as well as the fact that IT exports in 2023 were €3.44B.

## Key sectors driving growth

While these countries are seeing diverse startup activity, several sectors stand out as particular strengths:

1. Fintech: Croatia's Infobip, a cloud communications platform, reached unicorn status in 2020 and is leading a wave of fintech innovation in

the region.

2. Gaming: All 3 major countries of the Adriatic region are emerging as gaming development hubs, leveraging their strong technical education systems.
3. Enterprise Software: While not as prominent as in some other Eastern European countries, these nations are seeing growth in B2B software development.
4. Cleantech: With a push towards EU climate goals, startups in renewable energy and sustainable technologies are gaining traction, particularly in Croatia.

## Government and EU support fueling ecosystems

A key factor in the growth of these startup ecosystems has been proactive government policies and support from EU institutions:

- Croatia has implemented tax incentives for angel investors and established a network of startup incubators across the country.
- The Enterprise Innovation Fund (ENIF), supported by the European Investment Fund (EIF), provides crucial early-stage funding to startups in both Croatia and Serbia.
- Serbia has been working on improving its startup ecosystem through various initiatives, though specific government programs are not mentioned in the original text.

## Unique advantages over established hubs

While these countries may not yet match the scale of London, Paris or Berlin, they offer distinct advantages:

- Cost-Effective Talent: High-quality technical talent is available at a fraction of the cost found in Western European tech hubs.

- **Less Competition:** With fewer startups vying for attention, it's easier for promising companies to stand out to investors and customers.
- **Untapped Markets:** These regions offer access to fast-growing, relatively underserved markets within the EU and its periphery.
- **Cultural Bridge:** these countries are strategically positioned to serve as a bridge between Western Europe and emerging markets in Eastern Europe and beyond.
- **Quality of Life:** Cities like Zagreb, Ljubljana and Belgrade offer a high quality of life at lower costs, making them attractive for international talent.

## Unicorns and notable startups

Croatia, Slovenia and Serbia have already produced several unicorns and high-potential companies:

Company	Country	Sector	Valuation/Exit
Infobip	Croatia	Cloud Communications	Over \$1B
Rimac Automobili	Croatia	Electric Hypercars	Over \$2B
Outfit7	Slovenia	Gaming	\$1B (acquisition)
Nordeus	Serbia	Gaming	\$378M (acquisition)
Wonder Dynamics	Serbia	AI	TBD (acquisition)
Nanobit	Croatia	Mobile Gaming	Up to \$148M (acquisition)
Photomath	Croatia	EdTech	\$300M (reported acquisition)

## Spotlight on bootstrapped success stories

Croatia, Slovenia and Serbia have a rich tradition of bootstrapped companies that have achieved remarkable success:

- **Lemax (Croatia):** Provides software for tour operators and travel agencies worldwide.
- **Clockify (Serbia):** A time-tracking software used by over 5 million people, including Fortune 500 companies.
- **Two Desperados (Serbia):** The largest independent mobile gaming studio in the region, with titles reaching over 30 million players.

- FishingBooker (Serbia): online marketplace specialised in booking charter boats for recreational fishing.
- Aircash (Croatia): A mobile wallet app expanding across the EU.
- Sofascore (Croatia): Provides live scores and statistics for 23 sports in 30 languages, boasting over 25 million app downloads.

## The evolution of development shops

Croatia and Serbia have been recognised as hubs for outsourcing engineering and product development. However, many development shops in these countries are now evolving beyond their traditional roles:

- 3Lateral (acquired by Epic Games) started as a software development, and later emerged as a leading player in the creation of digital characters across AAA gaming productions.
- CAKE.com (formerly COING) in Serbia transitioned from a consulting business to creating successful products like Clockify.
- Infinum in Croatia has spun off successful SaaS businesses and established a joint venture with Porsche Digital.
- Attic42 in Serbia has emerged as one of the leading players in cryptography and web3, and has played an instrumental role in the development of Polygon.

## Rising stars: Potential Unicorns

Several startups from Croatia and Serbia are poised for significant growth:

- Solflare (Serbia and Croatia): one of the largest global web3 wallets built on Solana.
- Gideon (Croatia): Building flexible autonomous mobile robots for industries.
- Orqa (Croatia): Producing video headset devices for remote vehicle control.

- Tenderly (Serbia): A blockchain platform for monitoring and debugging smart contracts on Ethereum.
- ReversingLabs (Croatia): A cybersecurity scaleup focusing on software supply chain risks.
- Treblle (Croatia): An API management platform processing and analysing API requests.
- Insightful (Serbia): An employee productivity platform benefiting from the shift to remote work.
- Fonoa (Croatia): An API-based platform for automating taxes on online transactions.
- BirdBuddy (Slovenia): a smart bird feeder with 235k users.

## Active VC funds in the region

A growing number of venture capital funds are actively investing in the Croatian and Serbian startup ecosystems. These funds play a crucial role in supporting early-stage companies and fostering innovation in the region. Here are some of the notable VC funds active in Croatia and Serbia:

1. South Central Ventures (Serbia, Croatia Slovenia, Northern Macedonia):
  - Notable investments: Agrivi, Cognism, Insightful
2. Fil Rouge Capital (Croatia):
  - Notable investments: Entrio, Spona, Oradian, Native Teams
3. SQ Capital (Croatia):
  - Notable investments: Repsly, Pythagoras, Omnisearch
4. Fifth Quarter Ventures (Serbia and Croatia):
  - Notable investments: Wasp, Taalas, Cosmic
5. Silicon Gardens (Slovenia):
  - Notable investments: BirdBuddy, BibleChat, Daytona
6. Feelsgood Capital (Croatia):
  - Notable investments: Beon, Vidi, Agrivi

## 7. Omorika Ventures (Serbia)

- Notable investments: Trickest

These funds not only provide crucial financial support but also offer mentorship, networking opportunities, and strategic guidance to startups in Slovenia, Croatia and Serbia. Their presence and activity in the region are key drivers of the growing startup ecosystems in both countries.

It's worth noting that while these funds are particularly active in the region, many of them also invest more broadly across Southeast Europe or the Balkans. This regional approach helps to create a more interconnected and robust startup ecosystem.

Additionally, several international VC funds have shown increasing interest in Slovenian, Croatian and Serbian startups, often co-investing with local funds or participating in later funding rounds. This growing international interest further validates the potential of the startup scenes in these countries and helps to bridge the gap in later-stage funding.

## The road ahead

The presence of unicorns, successful exits, and active VC funds underscores the growing maturity and potential of the startup ecosystems in Slovenia, Croatia and Serbia. As more success stories emerge and more capital becomes available, we can expect to see an acceleration in innovation and company formation across the Adriatic region

However, challenges remain. Both ecosystems still lack the depth of later-stage funding found in more established hubs. Additionally, talent retention can be an issue as successful startups are often acquired by larger, foreign companies.

Despite these challenges, the trajectory is clear: the Adriatic region is

becoming an increasingly important player in the European startup landscape. For investors and entrepreneurs looking for the next big opportunity, these emerging ecosystems offer a compelling combination of talent, innovation, and untapped potential.

As the global tech landscape continues to evolve, investors and entrepreneurs would do well to keep a close eye on Slovenia, Croatia and Serbia. With their combination of technical talent, supportive policies, and unique market positioning, these countries are poised to produce the next generation of European tech success stories.

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