



**Distinguished Representatives of the Business and Investment Community,
Dear Friends and Colleagues,**

We are very happy that our first Newsletter sent in May had such a positive response (<http://www.globalturkcapital.com/Dosyalar/GtcNewsletter1.pdf>) accompanied by additional requests for content that deals with the private equity and the mergers and acquisitions markets. In this issue we will try to fulfill your requests and we will talk briefly about investment activity and the overall outlook primarily here in Turkey. The Overview Section below is by no means a complete and comprehensive treatment of this subject, but it does try to summarize our observations, our research estimates and our thoughts concerning recent developments.

We will also present recent developments at Globalturk Capital as well as highlights from our portfolio companies and clients.



Overview of the Market

Turkey has recently been gaining more importance within the emerging markets. Goldman Sachs, who during the early 2000's originally coined the term BRIC (Brazil, Russia, India and China), has recently introduced the terms MIST and N-11 to complement BRIC. MIST stands for Mexico, Indonesia, South Korea and Turkey while N-11 stands for the 11 largest emerging economies other than those of the BRIC, with MIST being a subset of the N-11. Further, Goldman has now launched its N-11 equity fund to complement its BRIC fund. However, in 2006, between the introduction of the BRIC and MIST, Baris Oney added Turkey to the BRIC cluster. The cluster was named as T-BRIC and it was first mentioned in Deloitte's June 2007 "Private Equity in Turkey" report that he authored (http://www.deloitte.com/assets/DcomTurkey/Local%20Assets/Documents/turkey-en_cf_PEinTurkey_210607.pdf). Since then, it has been used by many analysts. Categorizing Turkey as such within emerging markets obviously elevates the country's profile in general while, more specifically, attracting investors of various capacities from all around the World. In addition, the slowdowns now being seen in the BRIC as well as in the European countries, and the Arab Spring, have all drawn more attention to Turkey.

Banking on such developments, Turkey's Private Equity and Mergers and Acquisitions Market is growing steadily despite the long summer and the Ramadan Season. Since the last Annual IFC-EMPEA Global Private Equity Conference was held in Washington D.C. in May of this year (www.globalpeconference.com), many private equity investors have increased

Globalturk Capital's Partners

Barış Öney, MSc., CF
Managing Partner

Memduh Özargun
Partner

Nevin Sanli
Partner, U.S.

Shahal Khan
Partner, India

Ahmet Önal
Partner, Sweden

H. B. Coşkun
*Partner, Middle East:
Qatar, GCC*

Directors and Managers

Gokcen Sirin, CFA
*Senior Financial
Analyst and
Investment Manager*

Kerem Kapanci
*Strategy and Market
Research Manager*

Advisory Board Members

Hubertus (Bert) Van der Vaart
Senior Advisor

Glenn Golenberg
Senior Advisor

Adrian Goodisman
Senior Advisor

Leon Coskun
Senior Advisor

Events

[15 - 16 May IFC's
14th Annual Global
Private Equity
Conference held in
association with
EMPEA Main
Conference Forum](#)

News

their activities. The Turkey Session that included many prominent fund managers active in Turkey and was moderated by Baris Oney, Globalturk Capital's Managing Partner, attracted over 300 investors to the Ritz Carlton's main conference ballroom, of which 70% had either invested or were planning to invest in Turkey over the next six months.

In the first nine months of 2012, close to twenty private equity investments were realized with an estimated combined size of over \$1.2 billion. This is already more than 2011's total estimated investment volume of \$1 billion. According to recent research conducted by Globalturk Capital, almost all of the private equity investments in Turkey were realized after 2006, as can be seen from the table below, with an estimated 134 investments totaling \$13.7 billion with very few exits so far. With another 0.3 billion between the years 1995 and 2005, the total volume comes to \$14 billion over 17 years. By coincidence, this number equals the total IPO volume during the same period.

	1995-2005	2006-2011	1995-2011
No. of Years	11 yrs	6 yrs	17 yrs
No. of PE Investments	36	134	170
Total Investment Size	\$320 million	\$13,7 billion	\$14 billion
No. of Exits	33	10	43
No. of Successful Exits	25	8	33
No. of IPO Exits	8	None	8
No. of IPOs	178 (150 of them btw 95-00)	58 (27 of them btw 06-09)	236
Avg. No of IPOs/yr	16 (25 btw 95-00)	10 (7 btw 06-09)	14
Total IPO Issue Size	\$6.4 bln (\$4,2bln btw 95-00)	\$7.6bln (\$6,1bln btw 06-09)	\$14 billion

Source: Globalturk Capital Estimates

Private Equity

Of the largest private equity fund managers in Turkey, just two alone have managed to raise a total of close to \$2.5 billion new money from the foreign LPs. The sources of these funds are quite diverse, coming mainly from North America, Europe and from the Middle East. There are currently 5-7 teams working to raise at least an additional \$1 billion over the next few months; to begin with, the majority of this will come from IFIs. This is besides all of the other global and regional investors looking for investment opportunities from their regionally allocated funds. Local funds still do not exist for private equity, except for one or two funds that have accepted some investments from Turkish families.

The Turkish Government has for the first time showed great interest to private equity. The Prime Minister's meeting in New York last fall with more than 30 private equity investors has become a cornerstone in the Turkish private equity investment scene. Since then, various ministries in combination with business associations such as TOBB and TUBISAD and institutions like TTGV, KOSGEB and TUBITAK, with the support of EIF, have been working towards improving the private equity ecosystem. Baris Oney, a TUBISAD (Turkey's ICT

- [Overheating Turkey could end up stewing as M&A valuations soar – AltAssets](#)

- [Competitive dynamics in terms of both economy and geography, Turkey is well placed to act as the bridge between Europe and Asia. – Real Deals](#)

- [“Managing Partner Baris Oney on the post investment phase and targeting Turkey's Mid-Market” – Real Deal](#)

- [Business Week, Globalturk Capital News](#)

- [EMPEA Turkey Insight Report](#)

- [Globalturk Capital, Sabah Interview](#)

- [Dunya Newspaper, Globalturk Capital News](#)

- [Fortune Magazine, Baris Oney Interview](#)

Association) Board Member and Chairman of its Private Equity and Corporate Finance Committee, has been active in such initiatives through his support for the preparatory works and through his sharing of reports and ideas with all of the relevant parties. The overall objective is to provide a better regulatory environment, establish a fund of funds to match private funds, and to entice institutional investors and pension funds in Turkey to allocating funds to private equity.

This is all great news for the Turkish private sector in general, but specifically for those ones who are intending to grow through acquisitions both within and outside of Turkey. The Turkish private sector can hardly be classified as an “acquisitive growth” oriented sector but rather, to date, it has tended to adopt strategies of “organic growth”. The availability of such funds is now expected to trigger consolidation plays within various sectors. We have seen during the last year Boyner’s acquisition of Yeni Karamursel with Citicorp Private Equity as an investor as one example, and also Netas’s investment into Probil with One Equity Partners as an investor. We expect to see more players with intentions to grow globally via acquisitions from Turkey arising over the coming years.

Early Stage Private Equity and Venture Capital

Despite the flood of investors into Turkey, the majority of the funds deployed per investment are still between \$30-100 million range and more, which limits investment opportunities in the mass market of which almost 80% is SMEs. According to TUIK (Turkey’s Statistics Office), in 2011, 60% of Turkey’s total exports were made by SMEs who employ less than 250 people: 15% of exports were made by 0-9, 26% made by 10-49 and 19% by 50-250 employee companies.

There are initiatives on the early stage private equity/venture capital, where investments are being made between \$5-\$30 million range. However these are far from being enough to fulfill the demand. In addition, there are almost no institutional funds available for investment in the \$1-\$5 million range, which is an essential fuel for SMEs to make their corporate jump in their lifecycle.

Angel Investing

Meanwhile, the Turkish Angel Investor landscape is gaining substance. With the recent success of some internet start-ups and with initiatives such as Galata Business Angels, a platform established last year, high net worth individuals in Turkey, though not more than 30, are more inclined to invest into start-up companies. The Government also plans to promote angel investing through the establishment of a fund of fund that will match private investors and thus give a further incentive to angel investing. Regulatory preparations are expected to be finalized soon.

Strategic Investors

Strategic investors are more flexible in terms of size, especially when it comes to M&As between Turkish companies. Cross-border M&As are still happening

but mainly among the larger companies. More and more very high level foreign delegations have been coming to Turkey from numerous countries including the U.S., U.K., Ireland, Sweden and Finland, visiting with Turkish officials and representatives of the private sector. Out of an estimated 270 M&As in 2011, approximately 30% were between Turkish companies/investors, with nearly all of the remaining 70% being cross-border.



Globalturk Capital plays a crucial role for both foreign investors and Turkish entrepreneurs, especially SMEs, getting them prepared for joint ventures and smoothly managing them afterwards...

In such an investment environment, mismatches and misperceptions occur more than anyone expects and, therefore, Turkish companies, especially SMEs, need a very high level of support to reach a point where they become ready to absorb a foreign investment, be it private equity, venture capital or strategic. Such efforts are usually get downgraded by some company executives and some freelance advisors to just having an independent audit done on the companies. However, what needs to be done far exceeds having companies audited and takes from three months to a year of preparation under very experienced professional guidance prior to starting a proactive search for the right investor.

As Globalturk Capital, we take an active hands-on role in preparing companies for an investor, then staying involved through our taking of an equity stake and board membership so as to make sure that the partnership moves smoothly, according to the shareholders' agreement. We work to eliminate miscommunications and business issues, starting from the pre-investment period, all of which might potentially pose problems between the partners during the post investment period or at any stage in the life of their partnership.



Globalturk Capital has completed pre-investment advisory transactions in the real estate and manufacturing sectors...

Real Estate

Globalturk Capital assisted a real estate developer to acquire old buildings in Istanbul's city center and to convert them into upper class residential flats and/or managed rental rooms. To assist in achieving this objective, Globalturk Capital helped the developer to partner with a real estate investor, where the investor provided funding, development and marketing support for the "TOM TOM Gardens Residential Project" in Beyoglu, Istanbul. The partnership and the project were launched on 14 June 2012 with a reception on site.

Globalturk Capital acted as a pre-investment management and transaction advisor to the developer, leading them to successfully close the transaction (<http://www.globalturkcapital.com/ClientInvestmentPortfolio.aspx>).

Manufacturing

Globalturk Capital assisted a 55-year old drilling and threaded tools manufacturer in Turkey to raise capital for its capital investments, debt payments and working capital needs. The Company is a market leader with around 45% share in Turkey in its specific tool categories and was seeking a partner to further grow its business. Globalturk Capital provided pre-investment advisory services and assisted the Company primarily in its overall growth strategy, financial restructuring and investment planning and modeling the business with long term target settings. In addition, through its worldwide network of investors and business relations, Globalturk Capital helped the Company to identify the right partner to achieve its objectives.

The Company accepted investment from a Turkish private equity investor in June 2012 through the purchasing of its major shareholder's shares, via which the required funding was secured

(<http://www.globalturkcapital.com/ClientInvestmentPortfolio.aspx>).



Globalturk Capital advises new Turkish and foreign Investment Groups as their venture partner, helping to grow their businesses both within and outside of Turkey...

Globalturk Capital, in addition to its current ventures, has started working jointly with a Turkish Holding Group to explore co-investment opportunities in Turkey and Western Europe. The target sectors are mostly ICT, renewable energy, mining and niche manufacturing products mainly for the automotive industry (<http://www.globalturkcapital.com/ClientInvestmentPortfolio.aspx>).

Also exploring co-investment opportunities with foreign strategic investment groups who are planning to enter the Turkish Market through investing into growth companies in the SME market.



Globalturk Capital advises new foreign clients as they endeavor to enter the Turkish market and Turkish clients by assisting them during the pre-investment period towards attracting potential investors/co-investors...

Globalturk Capital in addition to its current advisory and representative roles (<http://www.globalturkcapital.com/ClientInvestmentPortfolio.aspx>) has started advising a number of new foreign and Turkish companies in order to prepare them for a strategic and/or a private equity investor looking to invest in and grow their businesses further with equity based options attached.

Turkish Market Entry as a Venture Partner

We are now representing a U.S. Premium Burger Restaurant Chain to enter and grow in Turkey through franchising or partnerships with prominent local investors (<http://www.globalturkcapital.com/ClientInvestmentPortfolio.aspx>).

Strategic Advisory

We are advising the shareholders of a leading Turkish regional maritime and a logistics services company to clarify the Company's strategies, to assess its financial situation, to assist in developing its business plan and to evaluate alternative partnership/sale options as it prepares for a potential sale.

We are also advising a Holding Group active in the Building Materials and Equipment, Construction and Energy sectors for more than fifty years. We're in the process of raising capital through hedge funds, private equity investors and/or strategic investors for the Holding Group, a number of companies of which are publicly traded on the ISE.

Globalturk Capital is also assisting a real estate developer to acquire old buildings in Istanbul's city center in the Galata Region and convert them into boutique hotels, upper class residential flats and/or managed rental rooms. To support this objective, Globalturk Capital is assisting the developer to partner with a real estate investor, having set-up a joint venture in which the investor will provide the funding.

(<http://www.globalturkcapital.com/ClientInvestmentPortfolio.aspx>)



Globalturk Capital continues to market Genel Energy to the Turkish Investment Community...

Globalturk Capital has been sharing with the Turkish investment community all news and research related to Genel Energy, be it electronically or through one-on-ones with selected investors and portfolio managers. Since the investor roadshow in April of this year followed up by a constant sharing of information and related marketing, the level of interest in Genel Energy has been continuously increasing and investors are now trading shares of the Company. Genel Energy has been growing rapidly with its activities in Northern Iraq as well as acquisitions in Africa.

(<http://www.globalturkcapital.com/ClientInvestmentPortfolio.aspx>)



Globalturk Capital is attracting renowned members to its Advisory Board...

Bert Van der Vaart, Small Enterprise Assistance Fund's ("SEAF") Co-Founder and Executive Chairman, joined Globalturk Capital's Advisory Board (<http://www.globalturkcapital.com/AdvisoryBoard.aspx>). SEAF, founded in 1989, is the largest U.S. emerging markets early stage private equity fund, having a specific focus on investing in SMEs. SEAF has \$650 million under management in emerging market SMEs and a network of 19

offices in Latin America, Central Europe, and Asia. SEAF funds include Sichuan-China, Vietnam, India, Central Asia, Colombia and Eastern Europe.

Leon Coskun, Chairman and Managing Partner of MAZARS-DENGE, has joined Globalturk Capital's Advisory Board. As an entrepreneur Leon Coskun founded Denge, one of the pioneering financial accounting and tax consulting firms in Turkey, a firm that has grown to more than 600 clients operating in 55 sectors and employing over 250 working professionals. He has been representing MAZARS-Turkey since 1999.

(<http://www.globalturkcapital.com/AdvisoryBoard.aspx>)

Adrian Goodisman, Managing Director of the Oil & Gas Investment Banking Division of the Bank of Nova Scotia (Scotiabank) in Houston, Texas, has joined Globalturk Capital's Advisory Board. Adrian Goodisman has over thirty years of experience in the oil & gas industry, especially in applying his deep understanding of assets' technical aspects. He has managed a majority of his transactions in the North American basins as well as in Latin America, Europe, Asia and West Africa. He possesses deep investment banking, strategic consulting, and engineering and operations experience.

(<http://www.globalturkcapital.com/AdvisoryBoard.aspx>)



Globalturk Capital's Management Team continues to grow...

Globalturk Capital has entered the third quarter of 2012 by expanding its partner and management team, thanks to its growing operations and portfolio. In addition to our Turkey, U.S., Northern Europe, Middle East and India partners, we added U.K. country coverage to our global partner network last month.

Gokcen Sirin Yasar, CFA, Senior Financial Analyst and Investment Manager has joined Globalturk Capital. She has over 10 years of professional experience in financial analysis, control and reporting, business development and M&A projects for Start-ups and Holding Companies operating in the health care, energy, TMT and various other industries. Her specialties include developing business plans, budgeting, financial reporting, cost control, setting-up ERP systems and monitoring, performance measurements and operational functions for companies in Turkey and abroad

(<http://www.globalturkcapital.com/Management.aspx>)

Kerem Kapanci, Strategy and Market Research Manager with over 15 years of professional experience, also joined Globalturk Capital during the third quarter. Kerem Kapanci's focus is on assisting portfolio companies and clients in building their growth strategies. In-line with these approved strategies, he assists in positioning companies in their own competitive environments, helping them to develop effective use of their product and service portfolios, new items, distribution channels, CRMs and to set up proper outsourcing partner networks, both prior to raising capital and during the post investment management periods. (<http://www.globalturkcapital.com/Management.aspx>)



Events and Conference Organizations

During the summer months we were invited to be a speaker or a moderator at numerous international Private Equity and sector events. The “IFC-EMPEA Global Emerging Markets Private Equity Conference” in May in Washington D.C. (www.globalpeconference.com), “The British Chamber of Commerce - Energy Event” (<http://www.bcct.org.tr/forthcoming-event-detail.aspx?menuid=2&catid=8&subcatid=3&id=90>) in June and the “Power Industry Turkey 2012 Conference” (<http://www.powerindustry-events.com/Turkey>) organized by the ITE Group in September in Istanbul were just a few of these.



We look forward to another exciting quarter ahead of us and we hope to pursue and initiate successful prospects and businesses with all of our invaluable portfolio companies, clients, business partners, associates, colleagues and friends.

With Sincere Regards,

Barış Öney
Founder and Managing Partner
Globalturk Capital

Should you not wish to receive this newsletter, please [click here](#).