

Q&A

GLOBALTURK CAPITAL

Managing partner Baris Öney on the post-investment phase and targeting Turkey's mid-market.

Ⓞ **Globalturk Capital is an investment management adviser, but you are also attempting to raise a debut fund. What is it that makes a successful private equity investment in Turkey?**

The most important part of any M&A is the post-investment period. Although it's very difficult to make acquisitions and establish joint ventures – it takes about a year or so – it actually all starts after the closing. At that point all of the advisers go home and the board is left alone trying to manage the investment.

Over the past six years more than \$100bn (€75bn) was invested into the Turkish market from abroad. All of this was in the form of partnerships, where there's a Turkish shareholder in the company alongside the foreign participant. Out of that \$100bn, close to \$14bn came from private equity. We expect another \$125bn to \$150bn FDI coming into the Turkish market over the next three to five years.

Ⓞ **Why is this post-investment phase so crucial?**

Six months to two years in to an investment things can start going wrong, whether it's a problem with bank debt or working capital requirements. Private equity investments are long-term – usually as long as seven years in the Turkish market because it takes a long time to exit. During this period many things can go wrong, so I decided to focus on the post-investment period. But I realised you can't do this just as an adviser. You have to have a seat on the board, an equity stake and to act as a partner. And you also need someone who understands both the foreign way of investing and the Turkish way of handling business.

Ⓞ **You mention taking equity stakes. Has Globalturk invested any of its own money yet and what is the plan for the maiden fund?**

We have not put any of our own money in to date but we are currently aligning people to form a pledge fund. Hopefully we'll get a pool of people to co-invest with us by the end of the year and then we'll be able to invest ourselves. Right now we're negotiating with some private equity funds by taking minimal stakes like I mentioned but, based on performance, we will hopefully be able to increase our stakes by investing our own money at the entry value.



Baris Öney, managing partner of Globalturk Capital

Ⓞ **Turkven has positioned itself as a local partner for incoming private equity firms. Are you adopting the same model?**

Big firms like Warburg Pincus and BC Partners can team up with people like this and have done so. Turkven, up until recently, was a small fund. But now it is about to raise more than \$1bn to invest in \$100m deals. Once you've reached that point, you are no longer a small player that can take ten per cent of a deal. The majority of investors don't want to co-invest with people like that.

More and more FDI is going to come into Turkish SMEs that have anywhere from \$5m to \$50m in revenues. These small companies don't have the infrastructure to deal with these types of foreign, sophisticated investors, but that's where the growth is. These big private equity funds are looking at the country's top 500 companies, but there are almost 500,000 Turkish companies that could be targets for private equity. We're not going to pander to BC Partners for Migros [the country's biggest supermarket chain], for example – that's a huge company. We're looking at the lower to mid-market and that's where a lot of the action is going to be.

Ⓞ **What's your background and where have you gained experience in Turkey?**

I've personally been involved in various assignments, setting up investment banking and corporate finance advisory practices in three of the biggest institutions. Most recently I set up Deloitte's corporate finance operations in 2006, acting as partner.

I also helped run investment bank Yapı Kredi Yatırım and was a director at TSKB. Globalturk partner Memduh Özargun worked as a lead partner at KPMG. Then the firm also has partners in the US, Sweden and India.

Ⓞ **What kind of investors are you speaking to about committing to your pledge fund?**

We're speaking to Californian, Middle Eastern and Indian investors. They mostly comprise either high-net-worth individuals or small family offices.

Ⓞ **Are you talking to any institutional investors?**

Talking to pension funds isn't going to help at this stage. Most managers are trying to raise their initial capital from the international finance institutions and that takes around a year and a half. Then they spend another year and a half speaking to private pension funds. It takes an awful lot of time. There is too much action at the moment and this is a much faster way of backing companies.

Ⓞ **At what point do target companies get selected? Do foreign investors have a business in mind already or do you act like a corporate finance house that stays on after the deal with your own stake?**

It depends. Some of the time we're finding the companies and taking equity first, and then we put it on a new track and look for new shareholders and board members. Other times we go and speak to private equity firms first. They pretty much know about us now. Particularly Middle Eastern investors – they want to team up with us.

Some of the bigger players do not have offices in Turkey or local teams and we talk to them on a project-by-project basis. People find us. Once we've raised the fund we will have more freedom to make initial investments and then approach co-investors from overseas to join us. ●

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