

Panel discussion on “Private Equity in Turkey”

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Desired Outcomes of this Presentation

- ▶ Provide a basis for a stimulating discussion
- ▶ Respond to your questions
- ▶ End on time, so we can enjoy our networking time together....

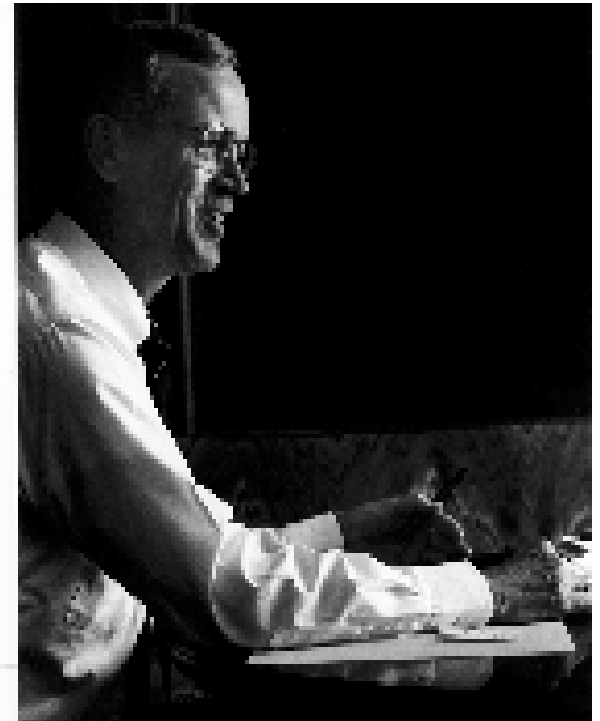


MIT Entrepreneurship Center Mission

To train and develop leaders who will make high tech ventures successful

“I want you to be the premier global center for entrepreneurship, and to be recognized as such.”

“We must not only be the best. We must also serve as a model for others and ensure that, together, we all make a significant global impact in this vital field.”



MIT President Charles M. Vest, July 1996

Why Focus on High Tech?

- ▶ Continuous creation of new, technology-based enterprises enables great leaps forward.
- ▶ Rising living standards underpin democracy.
- ▶ At MIT, we believe our distinctive competence is forging innovations in Science, Engineering, & Management to achieve revolutions, not evolution.

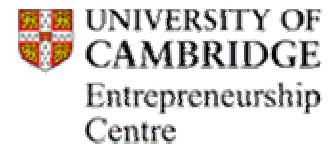


To Compete Successfully...

“MIT startups must attack global markets.”

To teach global high tech entrepreneurship effectively, we need a network of partners:

- ▶ University of Cambridge (UK)
 - The Cambridge Network
 - CEC
- ▶ Taiwan
- ▶ Ireland
- ▶ Germany?
- ▶ Turkey- TurkVCa?



The Inevitable Business Cycle

“In times of great commercial prosperity there has been a tendency [toward] over-speculation on several occasions. The success of one project generally produces others of a similar kind. Popular imitativeness will ... drag a community too anxious for profits into an abyss ...”

- Charles Mackay, 1841



The Impact of US Venture Capital

DRI-WEFA Study – Commissioned by NVCA:

- ▶ Venture firms now account for:
 - 7.9 million employees
 - Annual revenues of \$1.56 trillion,

- ▶ These figures represent:
 - 6.1% of US payroll
 - 14.0% of US GDP
 - 7.9% of US company revenue.

Source: DRI-WEFA (analysis as of 8/2001)

Key Findings - Preliminary

- ▶ For every dollar invested in 1970-1999, there was \$9 in revenue during 2000
- ▶ For every \$21,627 of venture capital investment in 1970-1999, there was one more job in the year 2000
- ▶ Not bad for an industry which was:
 - <1.0% in 1970-1995
 - 2.1% in past 5 years

Source: DRI-WEFA (analysis as of 8/2001)

Current Scene: B2B = Back to Basics

- ▶ The Laws of Gravity Were Never Repealed
- ▶ Entrepreneurs need to have outstanding:
 - Team
 - Technology
 - Value Proposition
 - Market
 - Customers
- ▶ Applies to VCs as well...



Entrepreneurs: Building Your Company

- ▶ Need an “A” Team – “3K” experience
- ▶ Need Serious Technology, which is well protected, and planned, to deliver sustainable advantage
- ▶ Must Solve an important, valuable problem...
 - For clients who have money ...
 - Who want to pay well...
 - With a short sales cycle...
 - And will buy more, soon ...

YOUR VALUE PROPOSITION MUST BE COMPELLING, QUANTIFIABLE, PROVEABLE, REFERENCEABLE, AND EASILY EXPLAINABLE...



Our Message to Entrepreneurs: – Selecting Your Financial Partners

- ▶ Seek True Value Added – “Blue” Money
 - Operating Experience
 - Rolodex/Network
 - Awesome Portfolio (in your space)
 - Cool Limiteds (in your space)
 - Deep pockets / courage to stay the course

- ▶ Keep Realistic Expectations
 - Time to Market
 - Revenue growth
 - Valuations



Future Outlook: After the Shakeout

- ▶ The superficial VC gamblers are dying or dead.
- ▶ A line of bull + .ppt is no longer enough. DAD >> MBBB
- ▶ The number of MIT spin-offs and \$50K teams have not decreased significantly.
- ▶ Serious entrepreneurs, angels, and VCs are quietly and carefully moving forward.

Great time to be starting/expanding a company

- ▶ Expectations and time horizons are realistic.
- ▶ Recruiting top talent is easier.
- ▶ Office space is available, at more reasonable prices.
- ▶ Unprofessional competitors and VCs stepped aside

Companies Receiving First Venture Round (Series A) During Last Downturn (1/1990-6/1992)

- ▶ Artisoft
- ▶ Starbucks
- ▶ Intuit (FKA ChipSoft)
- ▶ McAfee
- ▶ Xpedite
- ▶ Palm Computing
- ▶ Cutter & Buck
- ▶ RF Micro Devices
- ▶ eFax.com
- ▶ Shiva Corporation
- ▶ Wind River Systems
- ▶ FTP Software
- ▶ CheckFree
- ▶ SPSS



Improving the Entrepreneurship and Venture Capital Climate in Turkey

- ▶ Corruption: Savvy investors will not play if the game is rigged
- ▶ Corporate Governance: Hold to the highest standards, from the beginning:
 - ▶ Q-to-Q audited
 - ▶ Transparent Accounting and Board processes
 - ▶ FASB rules (revenue recognition)
- ▶ Seek most demanding customers and suppliers:
 - ▶ European (Germany) and US Market
 - ▶ US / European banks on best local
 - ▶ Big (4) accounting or best local
- ▶ TurkVCa: Build an industry which has an immense future