

**Role of Advisors**  
**and**  
**Cooperation Attempts:** *turkVca*  
**in**  
**Private Equity / Venture Capital**

*24 June 2002*

**Levent Bosut**  
**PDF Corporate Finance**

# Agenda

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- I. Introduction: Advantages and Difficulties of PE / VC
- II. Role of Advisors in the PE / VC Process
- III. Cooperation Attempts: TurkVCa

# **I. Introduction: Advantages and Difficulties of PE / VC**

## Advantages of VC – PE Investments

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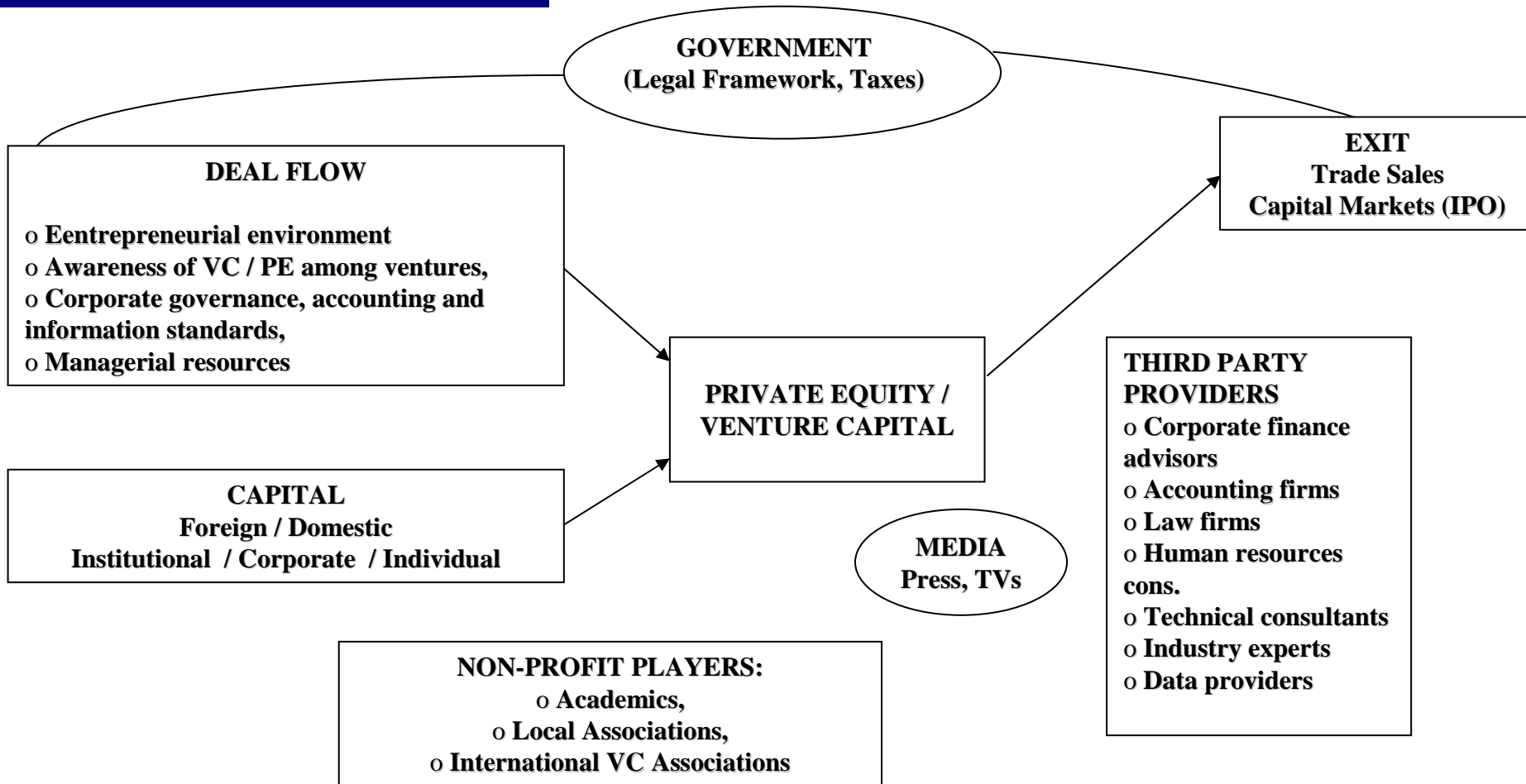
- Invests in companies for which traditional equity or debt funding is expensive, risky or simply non existent
- Adds value because, apart from funding, PE contribution includes;
  - Financing expertise and strategic management support
  - Generate new ideas
  - Contacts and market information
  - Confidential as compared to IPO or even debt funding
  - Independence of the capital markets volatility
  - Positive signaling effects to the market: debt, IPO, M&A, even company's suppliers and customers



**IDEAL FOR TURKEY**

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# Key Actors in VC / PE Market



# Difficulties in Turkey

**Fund raising**

**Funds' interest**

**Deal Flow**

**Legal**

**Exit**

**Cooperation**

- Difficult to raise new PE / VC funds:
- International PE funds have little interest in Turkey
- Difficulties in finding quality deal flow, while there are many companies looking for funding, uninformed market about VC, insufficient managerial resources
- Legislative Environment – Contracting difficulties, minority rights, high taxes
- Exit is not easy – not an effective M&A market, capital markets are volatile for IPOs
- Not enough academic interest, no cooperation between academy and practitioners. Not enough cooperation among market participants

**Not enough VC / PE funds and deals**

## Two Remedies

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- Role of advisors supporting VC market
- Cooperation among market participants to develop the VC market



*turkVca*

## **II. Advisors**



# Roles of Corporate Finance Advisors

**Funds'  
interest**

**Fund  
raising**

**Deal flow**

**Exit**

- Convince international players which are not in Turkey to make investments in Turkey
- Educate the market about VC / PE
- Spot deals and opportunities in which VC / PE funds would be interested
- Screen deals before presenting to funds
- Prepare companies for the VC / PE process
  - Education
  - Expectations
  - Preparation
- Multiperiod game: Advisors will always be in the market. Have to be fair to investors while protecting the rights of their client
- Advisors during exit: M&A advisors, IPO intermediaries

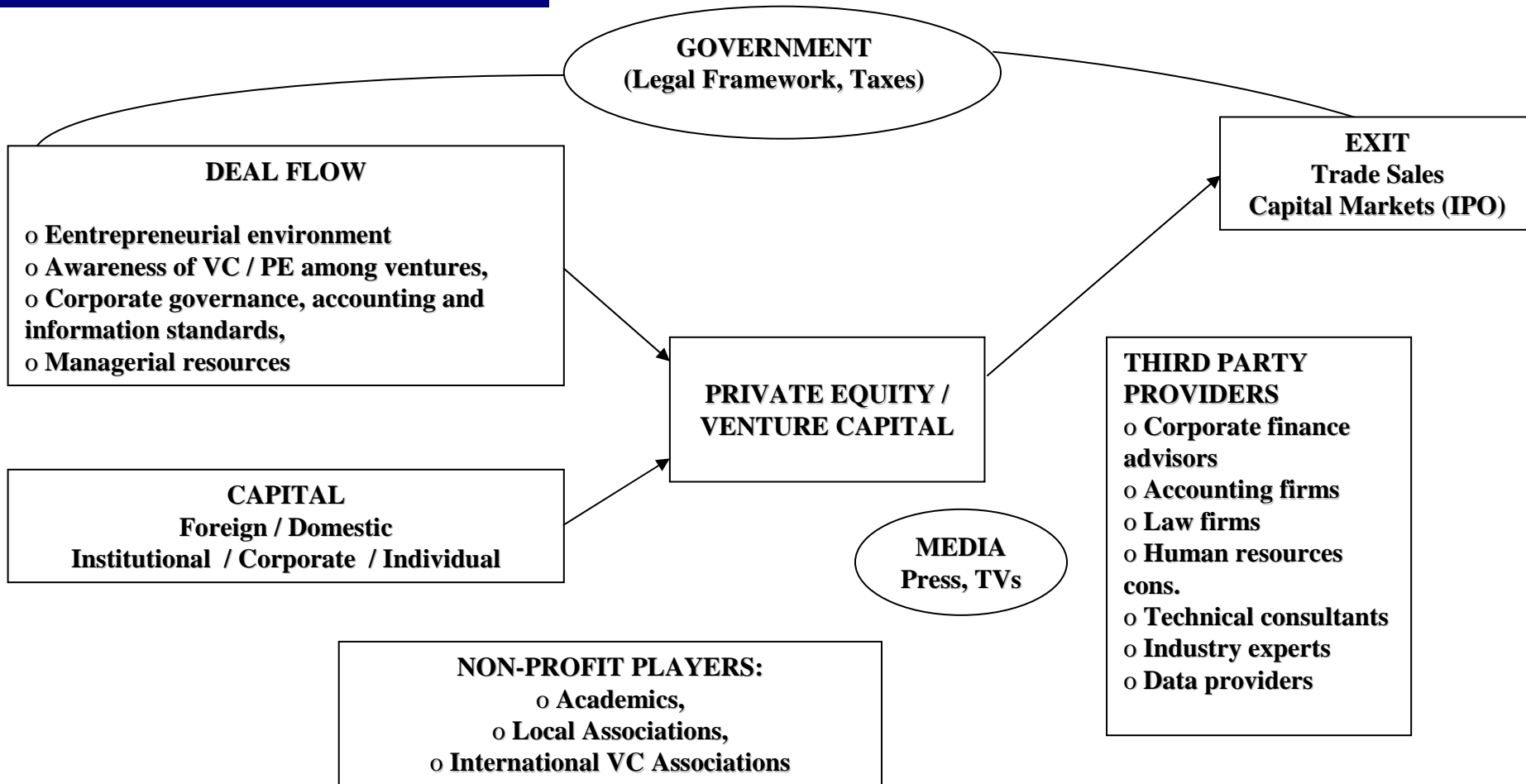
### III. Cooperation Attempts: *turkVca*

## Mission of *turkVca*

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- Facilitate the development of Turkish PE and VC industries
  - By creating a platform to improve interaction and cooperation among the market participants

# Key Actors in VC / PE Market



# Main Objectives of *turkVca*

TVCA intends to improve VC market by:

## Deal Flow

- Bolstering the quality of deal flow by improving:
  - o entrepreneurial environment
  - o awareness
  - o corporate governance, accounting and information standards
  - o interaction among VC / PE firms

## Regulation

- Improving the regulatory framework by:
  - o supporting research on key issues
  - o communicating the findings to Government

## Fund raising

- Promoting Turkish PE / VC to institutional investors and international VC / PE funds
  - o Joint events, networking, providing information and data

## Exit

- Guiding the establishment and development of new stock markets for growth companies. Facilitating networking platforms for trade sales.

## Proposed means of *turkVCA*

- Meetings
  - Conferences, seminars, panels, luncheons
  - Annual VC / PE days, joint events with International VCAs
  - Round table discussions
- Research / Think tank attempts
  - Encourage green papers on legal issues such as “minority rights”, “corporate governance”, “stock options”, “foreign direct investment legislation” etc
  - Encourage and gather statistics, reports, research papers
  - Academic research
- Lobbying
- Education / Academic
  - Educating market participants on VC / PE process and issues
  - Sample term sheets for ventures, other information sources
  - Business plan competitions

# Interaction Examples - 1

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- VC Funds – VC Funds
    - Exchange of information on current and past deals. Joint investment opportunities, creation of black lists.
    - Legal, industrial, academic, macroeconomic information exchange
    - Joint lobbying attempts
  - VC Funds – Ventures
    - Informative sessions, events
    - VC – Venture events, Q&As
  - VC Funds – Investors
    - Joint attempts to attract institutional investors
  - VC Funds – Advisors
    - Events make it possible to network with a large group of advisors
  - Legal Issues
    - Research and lobbying activities
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## Interaction Examples – 2

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- VC Funds – Academy
  - Supporting academic research, potential human resources, adding VC into curriculum
- VC Funds – Management pools
  - Educating management ranks about VC process, potential MBOs, MBIs
- VC Funds – Capital Markets
  - Interaction with IMKB, SPK
- TurkVCa – International VCAs
  - Joint events, showing the presence of the Turkish VC market



# What's Next?

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- Cocktail
- Question: What are the major obstacles? What changes would you like to see?
  - VC practitioners
  - Companies funded by VC
  - Companies negotiated to late stages of VC
  - Law firms
  - Corporate Finance advisors
- A dinner with key market participants