

# A Fund Manager's Perspective



**Private Equity in Turkey**  
Istanbul Bilim Merkezi  
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If you don't have a dream, you can't have a dream come true.



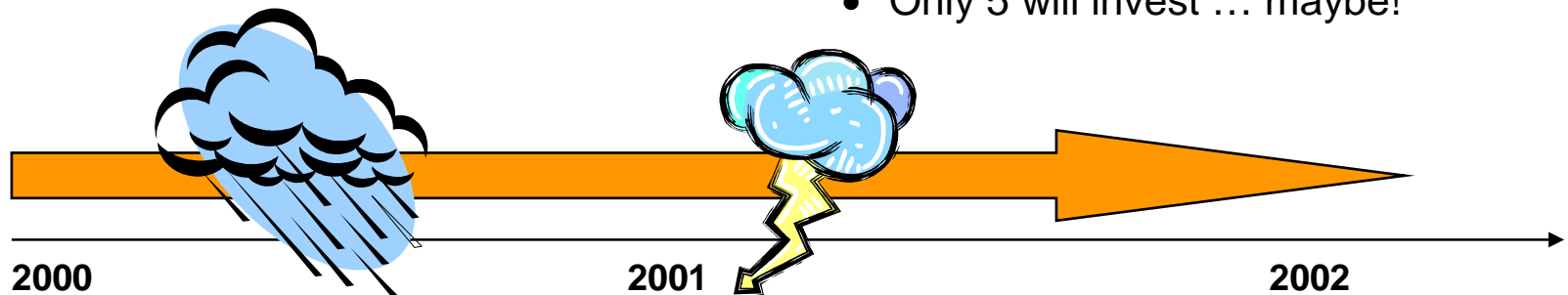
## FUND RAISING FOR TURKEY

### Murphy's Laws of fund raising

- It will take 18 months
- All equity markets will collapse
- TL will devalue >100%

### Persistence

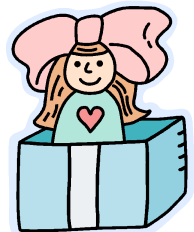
- You will contact 400 investors
- Only 40 will talk to you
- Only 10 will ever call you back
- Only 5 will invest ... maybe!



Turkey has a great future and it will most likely stay that way!

### Personal

- You will get married
- You will have a baby
- You won't have a salary



Luck comes to those who are prepared.



## A ROBUST STRUCTURE IS VITAL



Dedication



Experience



Blue Chip, Institutional Investors



**FMO**

**DEG**



If it looks too good to be true, it probably is.



## INVESTING IN TURKISH COMPANIES

### Observation

### Explanation

- | Observation  | Explanation   |
|--|---|
| • Difficult to determine past performance of companies | ⇒ • Inflation + Macro volatility + Lack of management accounting      |
| • Unrealistic valuation expectations                   | ⇒ • Volatility increases the option value of being a shareholder      |
| • Relative scarcity of focused, pure play companies    | ⇒ • Focused companies may be less robust in volatile markets          |
| • Scarcity of companies with aggressive growth plans   | ⇒ • Leverage and fixed costs are deadly in crises – adverse selection |
| • Long and complicated shareholder agreements          | ⇒ • Insufficient minority rights in the commercial code               |

**DIFFICULT TO CLOSE THE DEAL!**

***This is NOT  
a glorious business!***

It never looks as good as the Info Memo.

**SIZE DOES MATTER !**



## LOOKING FOR 10 GOOD COMPANIES

| <u>Deal Types by Key Driver</u>   | <u>Recent deal flow</u>  |
|---|--|
| <b>Expansion Capital Deals</b> <ul style="list-style-type: none"><li>• Primary focus for our Fund</li><li>• Established companies generating significant revenues and earnings</li><li>• Growth plans – organic or industry consolidation</li></ul> | <ul style="list-style-type: none"><li>• Manufacturing</li><li>• Chemicals</li><li>• Communications</li><li>• Pharmaceuticals</li></ul> |
| <b>Spin Offs &amp; Asset Sales</b> <ul style="list-style-type: none"><li>• Shareholders diversifying their assets</li><li>• Conglomerates spinning off non-core assets</li></ul>  | <ul style="list-style-type: none"><li>• Manufacturing</li><li>• Food</li><li>• Media</li></ul>   |
| <b>Management Buy-Ins</b> <ul style="list-style-type: none"><li>• Combining existing companies and management talent</li></ul>  | <ul style="list-style-type: none"><li>• Media</li><li>• Manufacturing</li></ul>  |
| <b>Recapitalizations</b> <ul style="list-style-type: none"><li>• Larger companies aiming to restructure their balance sheets</li></ul>  | <ul style="list-style-type: none"><li>• Textiles</li><li>• Logistics</li></ul>   |

Source: Turkven

# Three key elements in emerging markets private equity: Exits, Exits and Exits



## WILL PRIVATE EQUITY BE SUCCESSFUL IN TURKEY?

### Turkven Perspective

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- We are a local Fund with the **flexibility** that this brings
- We have solid investors with access to **leverage**
- Our partner Advent have done it before ... and greatly enhance our ability to **EXIT** successfully

### Industry Perspective

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- There are few successful exits in the brief Turkish PE experience
- It is essential that the handful current investors build a track record
- Initiatives like this event are important to build awareness among companies and legislators

**CALPERS**  
*does not invest in a country  
unless there are three Funds  
with track records*



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