

Turkven: an old hand

Turkven describes itself as the first and leading independent private equity fund in Turkey. It was set up in 2000 as the country's first non-captive PE fund manager. Its founders were three young entrepreneurs who received the assistance of private equity house Advent International. In 2002 it raised its first fund, worth US\$44m. This came from international institutional investors including the IFC, Netherlands

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Development Finance Company (FMO) and Greece's NBG. In 2007 it raised its second fund, which was 10 times bigger than the first.

Turkven has invested in six companies; involving two LBOs, two expansion capital deals and two refinancings. This has resulted in total equity and debt placements of more than US\$600m, including the first private equity-backed LBO in Turkey, of UNO Bakery in 2003. The company was exited in 2006, by selling it back to its previous shareholders at 3x its original cost.

Other investments have included a fleet rental company and a mobile phone value-added business. The firm works closely with Advent International. "If we can do a deal by ourselves, we will, but if we want a co-investor we turn to Advent International and we're currently looking at a number of deals with them," says Kerem Onursal.

Onursal says Turkven's six deals have been done in the past three years, as in the first two years the firm was busy educating the market on private equity and it was almost impossible to do deals. In 2001 there was an economic crisis in Turkey, which contin-

ued to affect the business climate in 2002 and 2003: "At that time it was almost impossible to agree on a valuation. In addition, people didn't know what private equity was."

But today, according to Onursal, Turkey has become a hot market with overseas investors. "This is, in large part, because Turkey is an emerging market offering the type of returns you'd expect from such a market

but it is more developed than many other emerging markets."

He highlights Turkey's large and dynamic population, with 71 million people of which about half are under 25, as well as its economic links with the European Union. Since 1995 the country has had a customs union with the EU, which was seen as a step towards full EU membership. Although full membership is still a long way off, the customs union has helped boost trade with Europe.

Of Turkven's investments, Onursal highlights Roma Plastik and Pronet. Turkven and Advent International acquired furniture edge manufacturer Roma Plastik last year in a deal valuing the business at €56m. The company, with sales of around €40m last year, is one of the largest manufacturers of its kind in the world. Onursal also flags up the firm's investment in alarm monitoring company Pronet, also acquired last year: "Our investment is helping the company grow at around 100% a year," he says.

Onursal says in response to the challenges of globalization, Turkish companies are becoming more international and many



Kerem Onursal, Turkven

are aiming to expand in their home market and also overseas. These plans require capital and that is why there is likely to be an increasing role for private equity in the coming years.

He says while there are no legal barriers to equity investment in Turkey by overseas investors, the legal system can be slow and it can take up to two years to settle disputes. He adds that other historic problems, such as the disincentives for Turkish institutional investors to invest in private equity, are becoming less acute. "Traditionally, institutions have not invested in private equity and we've not had a developed private pensions sector, which is why the total accumulated funds are not as high as you'd expect," he says. Investors have generally preferred to invest in the safer and high-paying government bonds market, but Onursal says this is becoming less attractive as interest rates come down.

There is still some volatility with the exchange rate which can impact on borrowing decisions. "If you're borrowing in a hard currency then devaluation can have a major impact, and it's hard to borrow in the local market. Having said all that, the US dollar has probably been more volatile than the Turkish lira in recent times," says Onursal.

Kerem Onursal

Kerem Onursal, principal at Turkven, has a background in industrial engineering and economics from Northwestern University in Chicago. He previously worked for McKinsey & Company in Berlin focusing on strategy, private equity, finance and the automotive sector.

Since 2003 Onursal has been a principal at Turkven Private Equity. He represents Turkven on the boards of Pronet and Roma Plastik.