



Baris Oney, founder and managing partner of Globalturk Capital

Talking Turkey

April 30, 2014

Turkish investment management and advisory firm Globalturk Capital and its US-based venture partner Small Enterprise Assistance Fund (SEAF) are looking at several investment opportunities in Turkish SMEs, the managing partner at Globalturk told EMIS.

"We have screened about 100 companies, shortlisted about 10 and offered 2 investment proposals. We are in the process of working on that. One company is in the ICT sector and the other is in the food and beverage sector. We are planning to close one to two deals within this year," said Baris Oney, Globalturk's founder and managing partner.

Globalturk Capital sees the country as a rare growth market, particularly the SME market. According to Oney, 70% to 75% of the Turkish economy is made up of SMEs. There are about 500,000 companies that are hungry for growth capital and willing to partner with private equity funds. Yet, very few funds concentrate on that segment.

"Turkey is filled with entrepreneurs generating good revenues in need of equity rather than debt. In this country, we have the large investment funds and angel investors but in between, in the USD 1mn to USD 10mn bracket, there is a missing link. From angel investing to private equity there is a huge gap and that gap needs to be filled. We can easily have 20 funds in that space to fulfill that gap," Oney explained.

He declined to give further details about the two lined-up companies but said they have revenues of between USD 10mn and USD 50mn and EBITDA levels of more than USD 1mn. The companies have been operating for over 5 years.

Oney noted that both investments are expected to be made from SEAF's global resources as their fundraising process for a Turkey-specific fund is still ongoing.

"We are targeting USD 100mn and our objective is to finalize fundraising within this year. Fundraising is getting more difficult everywhere in the world and we didn't push as much as we wanted last year. DFLs are looking at our fund initiative. We've had initial discussions and most of them were quite positive," he said.

"Once we have raised the fund for Turkey, we will look for more investments and within 2 to maximum 3 years, we would like to have completed all our investments. From the fund we will raise, we are looking to invest into at least 15 to 20 companies, maybe more. Our targets will be anywhere from USD 2mn to USD 7mn ticket sizes."

In addition, the executive mentioned that Globalturk is currently seeking co-investors for a number of portfolio companies looking to expand in Turkey and abroad.

"We are currently working towards finalising the entry of two potential co-investors in two of our portfolio companies to jointly take the companies forward. If everything goes well, we will close those 2 deals towards May or June. One co-investor is foreign and the other one could be Turkish. One company is active in the ICT sector, Sistem 9, the other one is in medical services," Oney said.

The executive also said he is currently looking for acquisition opportunities for one of Globalturk's portfolio companies. He declined to name the company but said he is on the board of that company.

Lastly, Oney mentioned that Globalturk has stepped up its partnership with SEAF by becoming SEAF's exit partner worldwide.

"As of September 2013, we started working outside Turkey together with SEAF. We are now coordinating their exit operations globally, especially the ones that have the potential to attract non-local buyers. We are currently doing our search worldwide, signing NDAs and having meetings with potential buyers, both strategic investors and PE funds. We have four companies on the exit route at the moment," he said.

Globalturk Capital was established in January 2011 and currently has equity stakes in 3 companies. It has advised 30 companies in the last 3 years in various sectors - ICT, call center, digital signage, logistics, oil & gas, renewable and conventional energy, aviation, building materials, manufacturing, services sectors and real estate groups.

Its most recent transactions were co-investing into Tempo Call Center with Japan's Mitsui and execution support to Ahlstrom Capital's pre-exit restructuring of Elbi Elektrik, which they exited in Q3 2013 by selling the company to ABB.

SEAF is a Washington D.C. -based investment management group that provides growth capital to SMEs in emerging markets and transition markets underserved by traditional sources of capital. Launched in Central and Eastern Europe two decades ago, SEAF has since expanded its operations to Latin America and Asia and has invested in 26 countries to date. It currently manages a portfolio of around USD 800mn worldwide with 24 active funds.

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