

Turkey Mergers & Acquisitions

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# Technology and Digital

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2010-2015

May 2016

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**EgonZehnder**

## Executive Summary

As an executive search and leadership consulting firm; Egon Zehnder's Technology and Communications Practice Group has a special focus on interpreting the disruptive forces of "digital" across industries and its talent implications. Egon Zehnder emphasizes that a fundamental element of digital transformation is about the talent that drives the change; and digital start-ups are the engine to grow talent in this space.

Mergers and Acquisitions (M&A) in the ecosystem of technology and digital companies is a major source of information demonstrating how internet businesses are evolving and the disruption they would create over other industries over time. In Turkey's technology and digital landscape; the transaction sizes still remain to be low; but the number of transactions increased significantly in the past 5 years.

This report analyses all the M&A activity in the technology and digital ecosystem between 2010

and 2015 in Turkey and tries to shed light to the evolution of the market and the talent landscape associated with it.

Unfortunately; most of the deals in Turkey are made with undisclosed amounts; hence the analysis in this report is based on number of deals rather than the amount of investment flowing into deals.

The research revealed that;

- The investment into the start-ups in Turkey is in the hands of a few angel investors. There is limited interest from Private Equity funds to the technology companies; and the Venture Capitals invest very limited funds.
- E-commerce stays ahead of all the other industries in terms of keeping the investor focus and the growth potential is still there.
- There is consolidation in a few industries, such as digital marketing agencies, systems integrators and call centers.

## About the Authors

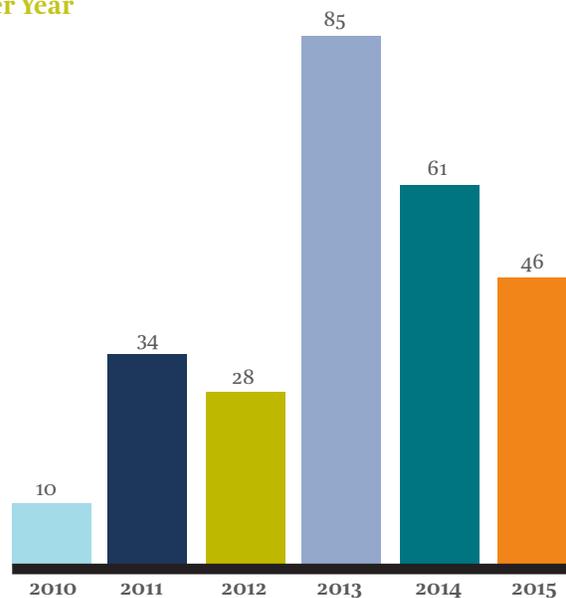
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## Deal Statistics

In 2015, our analysis shows 46 transactions; this is down 25% from the 61 transactions those were announced during 2014. We have seen the foreign investor presence going down due to the numerous issues Turkey's economy and politics have been suffering from in 2015. (Two major elections, Syrian refugee crisis, Ukraine economic crisis, terrorism and Russia plane crash). The investor's appetite goes down with the risk level in a market; hence the reduced number of investments in 2015 wasn't a surprise to the market.

### Total Number of Deals per Year



## Buyer Landscape

In 2015, we have seen few active angel investors who could be considered as “usual suspects”; the individuals who helped shaping the internet industry in Turkey: Sina Afra, Hasan Aslanoba, Nevzat Aydın, Mustafa Selçuk Saraç, Melih Ödemiş. Particularly Hasan Aslanoba; who is the most active angel investor in Turkey is unique with his background. He has come out of a traditional industry and diverted a big amount of his proceedings to internet industry. His success will be an example for many other Turkish businessmen who can bring their funds to the

market. We observe that as a general market trend; the number of people who want to be “Angel Investor” is increasing but the amount of money channeled to investments stay low.

There were three Private Equity transactions, in the relatively mature industries in 2015. The UK originated fund Mid Europa has acquired Customer Management Center (CMC); a call center and outsourcing business that has been one of the top 5 players of the call center industry. Investcorp; a Bahrain fund has acquired Arvento; the market leader telematics company in Turkey. The Abraaj Group; a leading private equity fund

operating in the growth markets of Asia, Latin America, the Middle East and Turkey has acquired 25% of hepsiburada.com; the biggest e-commerce company in EEMEA.

On the VC front, the most active VC investor which drives concentration is Aslanoba Capital; the rest of the VC investors are fragmented; with only a few investments from each. Revo Capital's Onedio and Neozeka, Iris Capital (from Saudi Arabia)'s Modanisa, IFC's Iyzico and Zenium, iLAB's arabam.com, Tiger's evidea.com, 500 Startup's Adphorus, Earlybird's oBilet, Elixir Capital's otelz.com and annelutfen.com can be given as examples.

21 out of the 46 transactions in 2015 happened as an acquisition of a company by another; 8 of the 21 transactions happened between two Turkish companies. Logo Yazılım had a very active year in 2015; acquired 3 companies (Intermat Bilisim, Sempa Bilgi İşlem, Vardar Yazılım). Half of the shares of Logo Yazılım belongs to Mediterra Capital;

a private equity that wants to grow the company aggressively like in other private equity cases that we observe. We see a consolidation in marketing agencies since a few years; again in 2015 there were few transactions in this context: GroupM's acquisition of directComm, Opera Mediaworks' acquisition of Mobilike, Publicis' acquisition of Voden are examples. Another industry where we start observing consolidations globally is call center and outsourcing industry. Turkey is no exception to this. Webhelp's acquisition of Callpex is an example that supports this trend. Finally, the traditional industries such as systems integration, distribution and value added reseller business models, software development houses are subject to consolidation, hence a considerable amount of transaction happened in this space.

### **Most Influential Turkish Investors**



**Hasan Aslanoba** is a Turkish angel investor and is also the founder of Aslanoba Capital, a venture capital that invests in early-stage technology companies such as e-commerce, mobile, marketplace and SaaS. Some of his investments are Meal Box, Vivense, Modacruz, Modanisa and Tasit.com. Prior to focusing on internet based business models, Aslanoba was the President and CEO of Erikli Water. Under his leadership, the company grew to become the leader of the bottled water industry in Turkey by 2005. He founded the company. He served as the local partner and Chief Executive Officer of the joint venture between Nestle Water and the Turkish operations of Erikli Water. Aslanoba studied management in Istanbul University and he holds an MBA from San Diego National University.



**Melih Odemis** is a Turkish internet entrepreneur and investor. Odemis is a co-founder of yemeksepeti.com. He has several investments in internet and mobile software companies, where he mostly acts as mentor. Odemis is one of the co-founders of Galata Business Angels and is a founding member of Entrepreneurs' Organization Turkey. Prior to yemeksepeti.com, Odemis spent a year at Citibank. He studied Computer Engineering and MBA at Bosphorus University



**Nevzat Aydin** is a Turkish internet entrepreneur and investor. Aydin is the Co-Founder of yemeksepeti.com, an online food delivery portal which then was sold to Germany based leading online food ordering service company Delivery Hero GmbH. Aydin now continues to run yemeksepeti.com as its Chief Executive Officer. Currently, Mr. Aydin is a member of Endeavor Turkey Board, TOBB Young Entrepreneurs Supreme Board and a founding member of Galata Business Angels. Aydin studied Computer Engineering at Bogaziçi University and after graduating went to Silicon Valley to pursue his MBA degree at the University of San Francisco in USA.



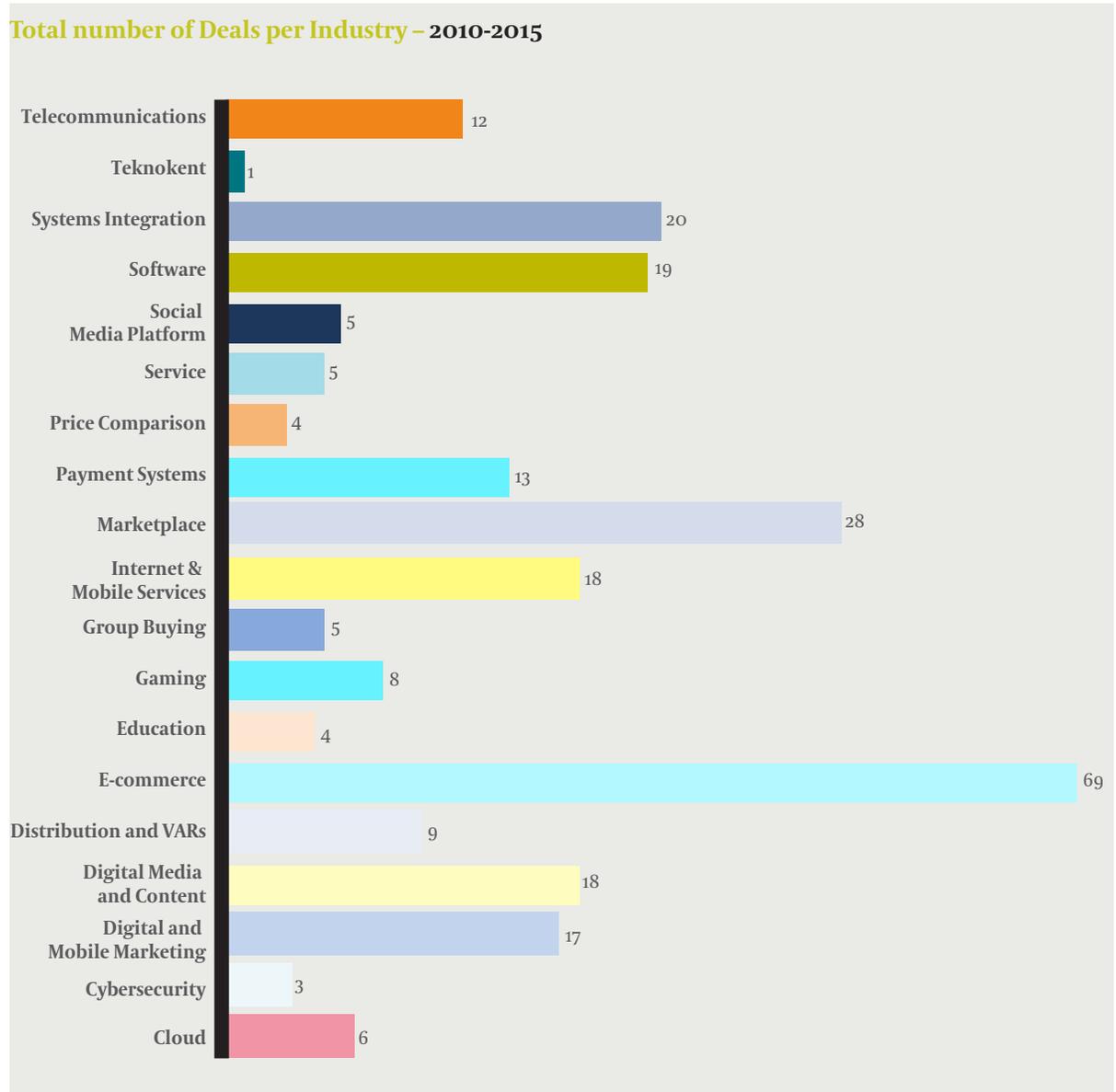
**Sina Afra** is a Turkish German internet entrepreneur, angel investor and author. Afra is best known as the co-founder of Markafoni, the first and leading Online Fashion site in Turkey and other countries. Afra also co-founded Undo-labs. Afra serves as Chairman of the Entrepreneurship Foundation, which he initiated in 2014 with other leading entrepreneurs. Several of his investments are e-commerce sites Lidyana, sadeceon and a web design and development start-up Atolye 15. Prior to Markafoni, Sina spent more than 5 years with eBay and 12 years with KPMG. Sina received a “Diplom Kaufmann” from Münster University in Germany.



**Selcuk Sarac** is a Turkish German internet entrepreneur and investor. Sarac is best known as the founder of SadeceHosting, a service provider that offers web hosting solutions for individuals and corporate environments, which then was sold to UK based Europe’s leading datacenter provider TelecityGroup. Sarac invested on different fields of technology such as gaming (Gtech), video processing (Mobilus), social app (Scorp), and mobile payment (Cevrimici Mobile). Mr. Sarac graduated from Ege University in Turkey.

\* Biographies are alphabetically ordered

## Industries of Interest



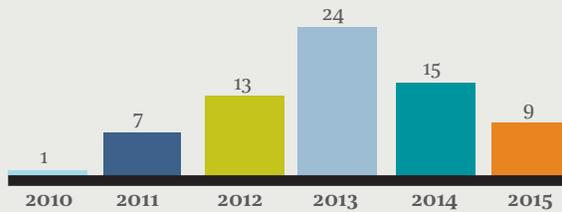
Turkish e-commerce has exceeded 6 billion EUR volume in 2015 and continues to grow around 35% annually. This corresponds to 1,6 % of all retail business in Turkey. E-commerce represents around 6.5% in developed economies; hence there is still great opportunity in this segment in Turkey. E-commerce and marketplaces, which is a different version of e-commerce are the two leading categories of concentration for entrepreneurs and investors; as demonstrated by the graph above.

Following the e-commerce category; we can see that traditional industries such as software and systems integration get more interest than the rest of the industries.

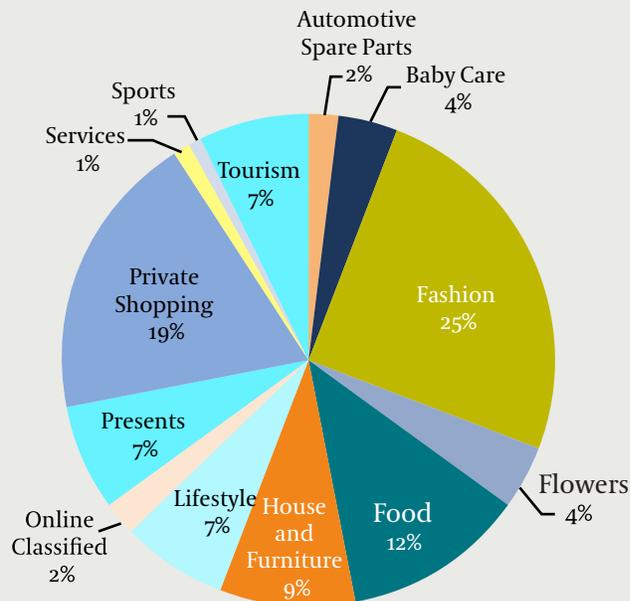
Finally; Internet and Mobile Services; which is a very fragmented market; Digital and Mobile marketing which is still subject to consolidation and Digital Media and Content; are taking more interest from investors than the rest of the industries.

## E-Commerce

Total Number of E-Commerce Deals per Year

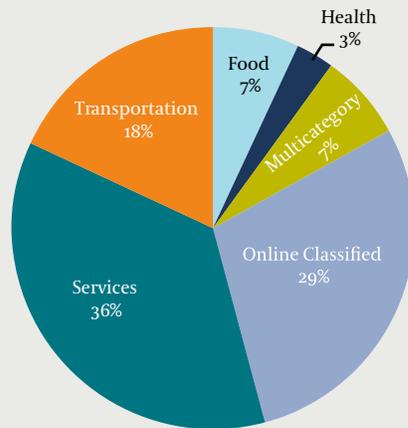


% of Deals in Different E-Commerce Verticals  
(Total of 69 deals between 2010-2015)



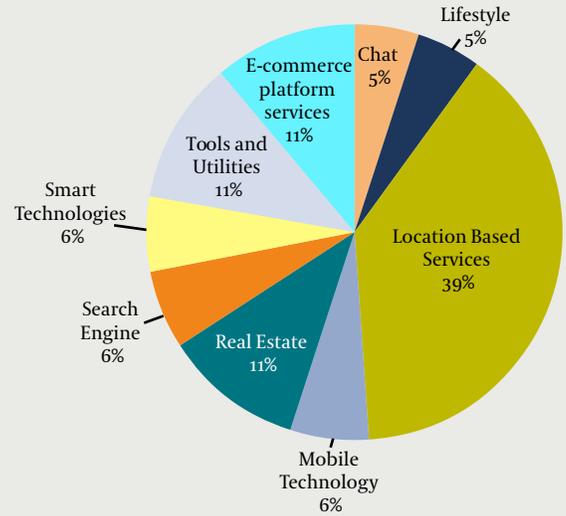
### Marketplace Verticals

(Total of 28 deals between 2010-2015)



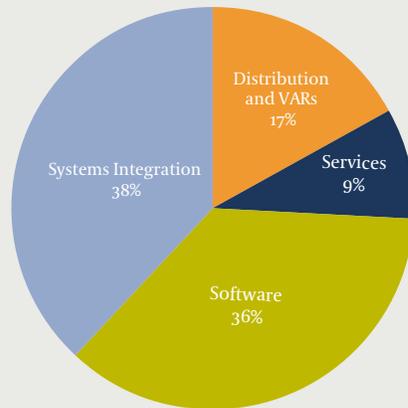
### Internet and Mobile Services

(Total of 18 deals between 2010-2015)



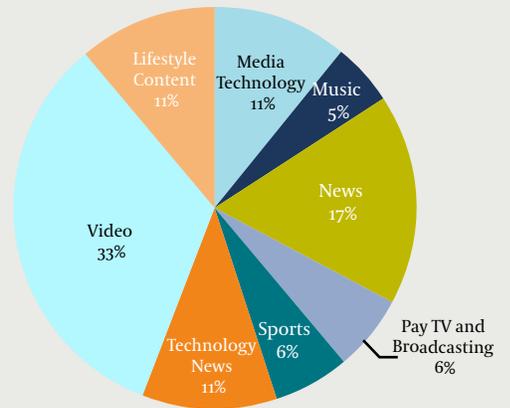
### Traditional Business Models

(Total of 53 deals between 2010-2015)



### Digital Media and Content

(Total of 18 deals between 2010-2015)



## Notable Deals in 2015

**Yemeksepeti.com**, was acquired by Delivery Hero Holding GmbH; Germany at a value of 589 million USD. The deal was announced in May 2015.

Yemeksepeti.com; founded in 2000, is an online food delivery portal, processes over 3 million orders per month and is growing at 60% yearly. Yemeksepeti.com is active in Turkey and Greece, as well as Middle Eastern markets such as Qatar, Jordan and Saudi Arabia via the ordering platforms foodonclick.com and ifood.jo.

**Founders:** Nevzat Aydin, Melih Odemis, Birol Yucel, Bedii Can Yucaoglu.

### **Investments:**

1st Investment – 3 million USD investment in 2008 by European Founders Fund, a venture capital fund led by Rocket Internet's Samwer brothers for a 20% stake with 15 million USD value.

2nd Investment - 44 million USD investment in 2012 by General Atlantic, New York based private equity firm with co-investor Endeavor Catalyst, Stake Unknown.

3rd Investment – 589 million USD investment in 2015 by Delivery Hero Holding GmbH, Germany based global leader in online and mobile food ordering, for a 100% stake.

**Hepsiburada.com**, got 100 million USD investment from Abraaj Capital; for the 25% of the company. The deal was announced in Feb 2015.

Hepsiburada.com; founded in 1998, is a multi-category e-commerce site with 1 billion TL revenue, offering wide range of products such as electronics, apparel, stationery, home decor, and groceries with over 15 million monthly visitors. Hepsiburada.com is known to be one of the top players in Eastern Europe, Middle East, Africa (EEMEA) and Russia in terms of revenues.

**Founders:** Oguz Isiten, Kaan Donmez

### **Investments:**

1st Investment – The company started with the name Infoshop and had only two product categories, computer and computer accessories. The next year, they added new categories such as books, films etc. The turnover of the company reached 1 million USD in two years and they captured 30% market share. In 2000, Dogan Holding acquired Infoshop and changed the website's name as hepsiburada.com.

2nd Investment – 100 million USD investment in 2015 by Abraaj Capital, Dubai-based private equity group, for a 25% stake.

## Turkey Talent Landscape

As the world becomes digitalized and entrepreneurship becomes a viable option as a career; the talent landscape starts evolving in a new direction.

- New graduates - More and more graduates from top universities consider joining start-ups or founding their own companies after school. Increasingly, there are business angel networks, incubation centers, entrepreneurship classes that are getting into the lives of these young individuals. Seeing the young billionaires who were not very different from them when they started their businesses are inspirational role models for the young population. This is a sign for a better future of Turkish start up ecosystem in 5 years from now; given that funding is made available to boost this population's ideas.
- Young and innovative digital talent – This is the most demanded talent in the market; both from start-ups in every stage and corporate companies to play key roles in their digital roles or digital transformation journey. This group can be described as; 5-15 years experienced (in digital roles in corporate structures, pure players or start-ups) digitally savvy talent with specific domain expertise. The domain examples are UI/UX, analytics, marketing, coding, mobility. This talent can be described with their strong passion for their domain, style of freedom and casualty, creativity, hard work, flexibility and low ego. They change jobs frequently and are priced above market average. They are self-confident and would only stick to a role if they feel the cultural fit to the environment. They are in the edge of running their own business and continuing a corporate career; most have experience in both sides of the table.
- Mid-career; experienced corporate executives - Digitally savvy experienced executives started to grow a tendency to dive into the world of digital ventures during a career break or with an intentional leave from their corporate careers. While some of these executives become successful, some end up going back to corporate careers; since finding capital is not easy and their lives and families don't give them the flexibility to burn money for a long time. Some members of this group tries to run a start up as a side business to core responsibilities; however this is generally not an effective model for creating a successful venture.
- Some act as investors but their funds are limited; hence significant impact doesn't come from this group.
- Senior; very experienced corporate executives – These are generally top executives who leave their positions and have a passion for the world of digital start-ups, are very networked and credible which gives them the option of creating a fund or acting as an investor to a portfolio of companies to diversify risks. This model resulted in a few successful ventures to be funded and it is a promising career option for the executive leading the effort.
- Retired executives from senior positions with board careers – These executives leverage their extensive network and market credibility and invest in some of the start-ups as angel investors or into funds as contributors to a portfolio. They are great sources to open doors and accelerate the growth of ventures; but their involvement in start-up boards might prove to create some bureaucracy and inefficiencies.

## Appendix

### Definitions and Scope

- All deals from media industry that has a relevancy to digital transformation of media has been included as part of this study. For example transactions involving the ownership change of free to air TV channels or radio channels are excluded while digital and mobile marketing agencies are included. Digital and on demand broadcasting platforms such as Digiturk are included.
- Definition of e-commerce vs marketplace: If the products visual presentation (i.e. studio); pricing; invoicing happens through the website, this is considered e-commerce. Platforms/websites; which facilitate the transaction by providing a platform and not directly invoicing the customer are called a marketplace
- Definition of “Lifestyle”: All personal hobby items such as food, personal care, cinema, books, weddings, are classified as “lifestyle”

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