



**Turkish Outbound
M&A Review 2016**

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Foreword



Başak Vardar
M&A Advisory Leader
Partner

In a challenging business environment, Turkish corporates remained keen on diversifying their investments outside of Turkey within the context of their expansion strategies in the long run. Despite elevated political tension in domestic and neighbouring markets as well as depreciating lira, their appetite to become regional and global players via cross-border acquisitions was enduring in 2016 through 42 deals. Accordingly, the outbound deal volume of Turkish investors in the last decade totalled to US\$26.3 billion through 292 transactions.

While we expect 2017 to be a sluggish year in terms of outbound M&A activity due to the diminishing profitability coupled with lesser availability of funds, still Turkish investors would continue to pursue both opportunistic and strategic investments abroad.

On behalf of our corporate finance team in Deloitte Turkey, we are delighted to share our Turkish Outbound M&A Review, featuring our analyses regarding the cross-border investments of Turkish corporates.

Overview

In 2016, Turkish investors with strong financials continued to show their willingness to become regional and global players via outbound acquisitions and those in smaller scale also remained keen on exploring cross-border investment opportunities in their respective sectors. Turkish dealmakers' outbound M&A activity was around c. US\$2.3 billion through 42 deals (including estimates for transactions with undisclosed values).

While the deal number remained largely flat compared to recent years, the deal volume was at the lowest level in the last five years. Remarkably, the largest deal was the acquisition of Puerto Bolivar Harbor by Yilport Holding with a deal value of US\$750 million, which represented c. 33% of the overall annual volume.

Similar to previous years, we observed Turkish companies engaging in cross border acquisitions with the motives of market diversification, global footprint, brand acquisition and raising competitive advantage through cost efficiencies.

While mid-sized deals drove the total deal number, Doğuř Group, Global Liman İşletmeleri, Yıldırım Holding and MNG Holding through acquisitions in restaurants & hospitality, infrastructure, and mining, maintained their pattern of regular acquisitions over the last years and together hosted almost half of the total number of outbound deals. Venture capital and angel investor deals were on the list as well through a few investments in internet & mobile services and technology.

Predominantly, Euro-zone once again was the most favourite investment destination for Turkish investors, representing c. 76% of the total deal number, followed by countries in North America and Africa.

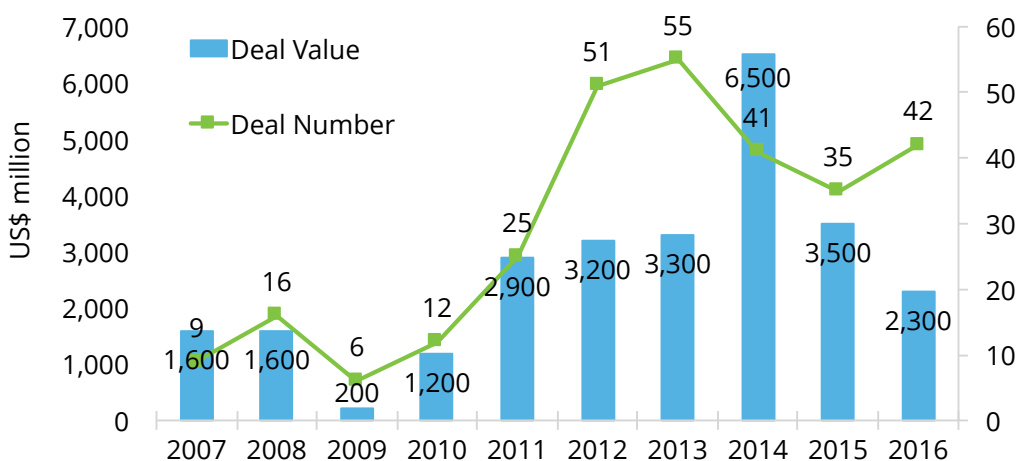
Infrastructure, restaurants & hospitality and manufacturing were the top three sectors both in terms of deal value and deal number, and together hosted 83% and 52% of the total annual deal volume and the total deal number, respectively.

The average deal size was around US\$55 million (including estimates for deals with undisclosed values), lower than in recent years (2015 - US\$100 million; 2014 - US\$159 million; Last decade average - US\$90 million). Most particularly, transactions with a value less than US\$20 million represented more than half of the overall deal number.

Again, Turkish investors mostly preferred to acquire either full ownership or a controlling stake in foreign targets.

Turkish companies with various profiles have been pursuing investment opportunities abroad to accelerate their growth; on the other hand, we expect certain challenges for outbound M&A activity in the following periods due to volatile markets and lesser availability of funds.

Deal Number and Deal Volume*



* Including estimates for deals with undisclosed values

A Few Sizeable Players Drove the Outbound Activity

During 2016, the outbound acquisitions of Turkish investors were driven by large-scale corporates and group of companies including, Doğuř Group, Global Liman İşletmeleri, Yıldırım Holding, MNG Holding, Trakya Cam, Arçelik and Vestel.

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Also, the leading local firms such as Arçelik, Trakya Cam and Vestel, continued to expand their global footprints through cross-border investments. Moreover, TAI (Turkish Aerospace Industries) and Bplas were involved in cross-border acquisitions to develop their exposure in aviation parts manufacturing. Ziylan and Capiton AG's acquisition of Reno Shoes, Europe's second largest shoe retailer also drew attention.

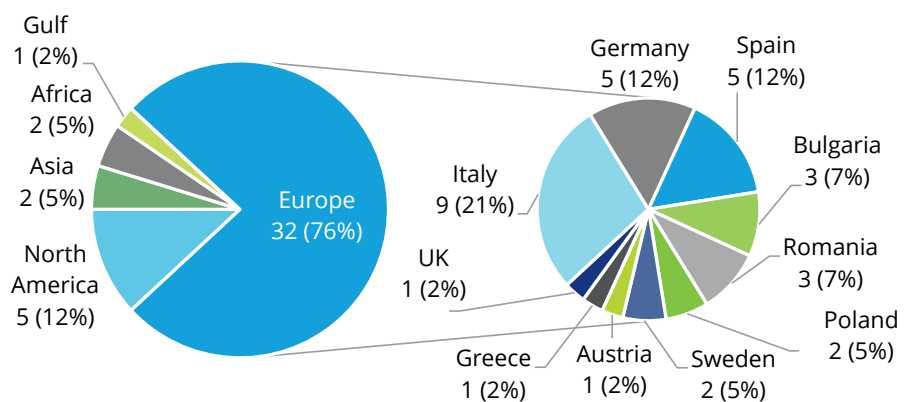
The acquisition of Puerto Bolivar Harbor by Yilport Holding was the largest outbound transaction of the year, alone representing c. 33% of the annual deal volume.

Destinations of Interest

As Turkey's largest trade partner, Euro-zone maintained its dominance among target markets through 32 deals with a total deal value of c. US\$1.2 billion (including estimates for transactions with undisclosed values). This was followed by North America with a deal value of c. US\$ 0.9 billion through 5 deals (including estimates for transactions with undisclosed values). On a country basis, Italy was the most active destination for Turkish investors with 9 deals, followed by Germany and Spain with 5 deals each. On the other hand, new frontiers such as Bangladesh, Burkina Faso and Ecuador appeared for the first time in the list.

Looking ahead, both developed and emerging markets are expected to continue to be on the radar of Turkish investors, due to strong market fundamentals, sectoral dominance and growth potential. On another note, Iran, offering significant market growth potential in various industries, will be targeted by many Turkish companies in the coming period.

Destination - Deal Number



Sectoral Overview

Infrastructure, restaurants & hospitality and manufacturing were the top three sectors both in terms of deal value and deal number, and together hosted 83% and 52% of the total annual deal volume and the total deal number, respectively.

Infrastructure deals played heavily in the overall outbound activity in 2016, and attractive targets in neighboring regions were acquired by Yıldırım Holding, Global Liman İşletmeleri and Ekol Lojistik.

Similar to previous years, Doğu Group demonstrated strong interest in restaurants & hospitality sector and sealed the overall number of deals (8) in this sector. On the other hand, MNG Holding pursued strategic opportunities overseas and realized 3 deals in mining with a certain focus on Africa.

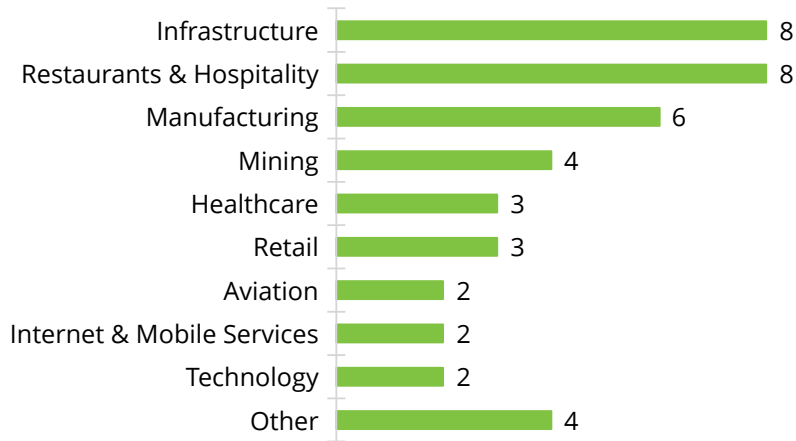
Turkish investors' acquisitions in overseas exhibited certain regional and sectoral investment patterns, i.e. Mediterranean region for ports and tourism facilities, Africa and Canada for mining, East and Central Europe and Asia for manufacturing. On another note, food & beverage, infrastructure, energy, real estate, and manufacturing had been the most targeted sectors by Turkish companies in other geographies in the last decade.

Transaction Sizes

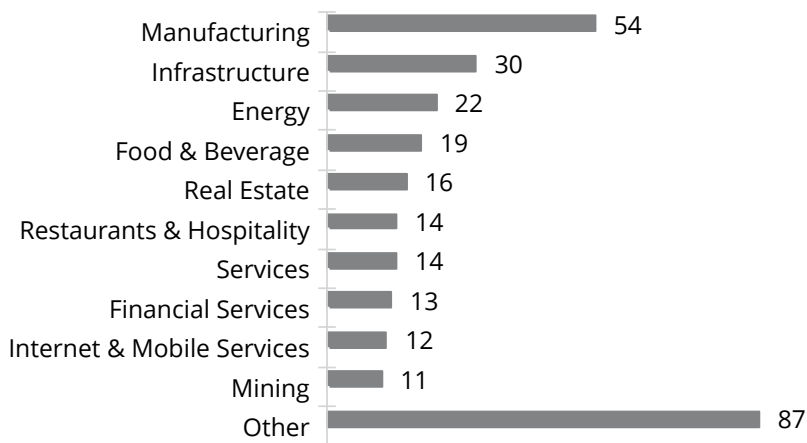
Despite some sizeable transactions by Yıldırım Holding (Puerto Bolivar Harbor – US\$750 million), Arçelik (Dawlance – US\$258 million) and Doğu Group (Hotel Villa Manga – US\$196 million and Hilton Athens Hotel – US\$155 million), the average deal size was US\$55 million, lower than in recent years (2015 - US\$100 million; 2014 - US\$159 million; Last decade average - US\$90 million). Most particularly, transactions with a deal value less than US\$20 million represented more than half of the overall deal number.



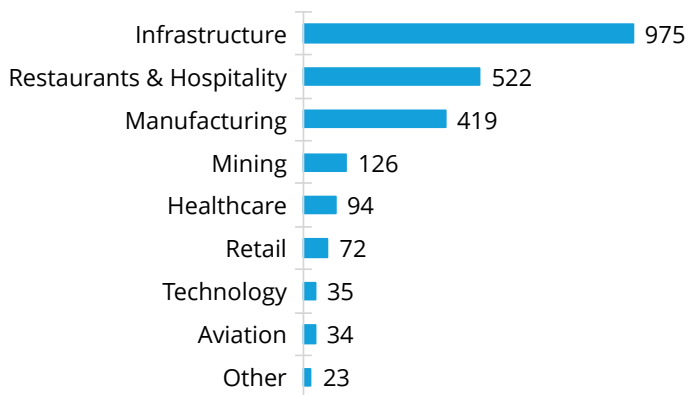
Deal Number (2016)



Deal Number (2007-2016)



Deal Value* (2016, US\$ million)



* Including estimates for deals with undisclosed values

Deal list (2016)

#	Acquirer	Target	Target Origin	Sector	Stake Acquired	Deal Value
1	Acıbadem Sağlık Hizmetleri	Tokuda	Bulgaria	Healthcare	100%	73
2	Acıbadem Sağlık Hizmetleri	City Clinic	Bulgaria	Healthcare	N/D	12
3	Akgün Grubu	Ceramic tile factory in Novi Pazar	Bulgaria	Manufacturing	100%	N/D
4	Arçelik	Dawlance	Pakistan	Manufacturing	100%	258
5	Biosaf Temiz Kaynaklı Yenilenebilir Enerji	Bioenergia Invest	Poland	Energy	100%	5
6	BPlas	AQUILA	Germany	Aviation	100%	N/D
7	Calypso Tour	Prestige Tours	Romania	Tourism	100%	N/D
8	Cemsel Tekstil	More & More	Germany	Retail	37%	N/D
9	Doğuş Group	Aldrovandi Villa Borghese	Italy	Restaurants & Hospitality	100%	54
10	Doğuş Group	Hotel Villa Magna	Spain	Restaurants & Hospitality	100%	196
11	Doğuş Group	Acropolis	Italy	Restaurants & Hospitality	49%	43
12	Doğuş Group	Ten Con Ten	Spain	Restaurants & Hospitality	40%	N/D
13	Doğuş Group	El Paraguas	Spain	Restaurants & Hospitality	40%	N/D
14	Doğuş Group	Ultramarinos Quintin	Spain	Restaurants & Hospitality	40%	N/D
15	Doğuş Group	Amazonico	Spain	Restaurants & Hospitality	40%	N/D
16	Doğuş Group, TEMES SA	Hilton Athens Hotel	Greece	Restaurants & Hospitality	97%	155
17	Ekol Lojistik	Europa Multipurpose Terminals	Italy	Infrastructure	65%	N/D
18	Etohum	BDCabs	Bangladesh	Internet & Mobile Services	N/D	N/D

#	Acquirer	Target	Target Origin	Sector	Stake Acquired	Deal Value
19	Etsan	Zielpunkt-8 Stores	Austria	Retail	100%	N/D
20	Global Liman İşletmeleri	Ravenna Terminal Passeggeri	Italy	Infrastructure	54%	N/D
21	Global Liman İşletmeleri	Cagliari Cruise Port	Italy	Infrastructure	71%	N/D
22	Global Liman İşletmeleri	Catania Cruise Port	Italy	Infrastructure	62%	N/D
23	Global Liman İşletmeleri (*)	Venezia Terminal Passeggeri	Italy	Infrastructure	11%	9
24	Istanbul Startup Angels, Bluecap, Private Investors (Abdullah Orkun Kaya, Emre Göver, Can Selçuk)	Instapio	USA	Technology	N/D	N/D
25	Karsan	Industria Italiana Autobus	Italy	Manufacturing	5%	2
26	Logo Yazılım	TotalSoft	Romania	Technology	100%	34
27	MNG Gold	Youga Gold Mine	Burkina Faso	Mining	90%	25
28	MNG Gold	Balogo, Babonga and Yako Projects	Burkina Faso	Mining	100%	3
29	MNG Gold	Aureus Mining	Canada	Mining	74%	90
30	Private Investor (Nevzat Aydın)	Justmop.com	UAE	Internet & Mobile Services	N/D	N/D
31	Private Investor (Ziya Eren)	Crawley Town FC	UK	Entertainment	100%	N/D
32	Servet GYO	Oswe Real Estate	Germany	Real Estate	14%	4
33	TAI (Turkish Aerospace Industries)	Grunewald Stade	Germany	Aviation	100%	N/D
34	Trakya Cam	Glasscorp	Romania	Manufacturing	10%	4
35	Trakya Cam	Sangalli Vetro Porto Nogaro	Italy	Manufacturing	100%	93
36	V.O.S.S. Varinak Onkoloji Sistemleri	Capintec	USA	Healthcare	100%	8
37	Vestel	Compal Electronics Europe	Poland	Manufacturing	100%	N/D
38	Yıldaden Holding	Bear Metallurgical	USA	Mining	100%	8

(*) Acquired through the established consortium with Costa Crociere, MSC Cruises, Royal Caribbean Cruises

#	Acquirer	Target	Target Origin	Sector	Stake Acquired	Deal Value
39	Yilport Holding	Baltic Sea Gateway	Sweden	Infrastructure	100%	N/D
40	Yilport Holding	Gävle Container Terminal	Sweden	Infrastructure	20%	N/D
41	Yilport Holding	Puerto Bolivar Harbor	Ecuador	Infrastructure	100%	750
42	Ziylan, Capiton AG	HR Group	Germany	Retail	100%	N/D



Deloitte.

Deloitte Turkey

İstanbul Office

Deloitte Values House
Maslak No1
34398
İstanbul
+90 (212) 366 60 00

Ankara Office

Armada İş Merkezi
A Blok Kat:7 No:8
Söğütözü, Ankara
06510
+90 (312) 295 47 00

İzmir Office

Punta Plaza 1456 Sok.
No:10/1 Kat:12
Daire:14 - 15
Alsancak, İzmir
+90 (232) 464 70 64

Bursa Office

Zeno Center İş Merkezi
Odunluk Mah. Kale Cad.
No:10 d
Nilüfer, Bursa
+90 (224) 324 25 00

Çukurova Office

Günep Panorama İş Merkezi
Reşatbey Mah. Türkkuşu
Cad. Bina No:1 B Blok Kat:7
Seyhan, Adana
+90 (322) 237 11 00



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