

IPO Watch: Turkey Focus 2014

Capital Markets
February 2015



Introduction

We witnessed a decline in both the number of IPOs and the total volume of proceeds in 2014.

Most significant transactions in 2014 were realized in the final quarter of the year. Leading transaction was the IPO of Avivasa, an insurance company. This IPO raised USD 146m alone, which represents 45% of all proceeds in the year. That was followed by the IPO of Ulusoy Elektrik, raising 75m USD.

Out of 13 IPOs in total, 9 took place in the National Market, whereas remaining 4 took place in Emerging Companies Market (“ECM”).

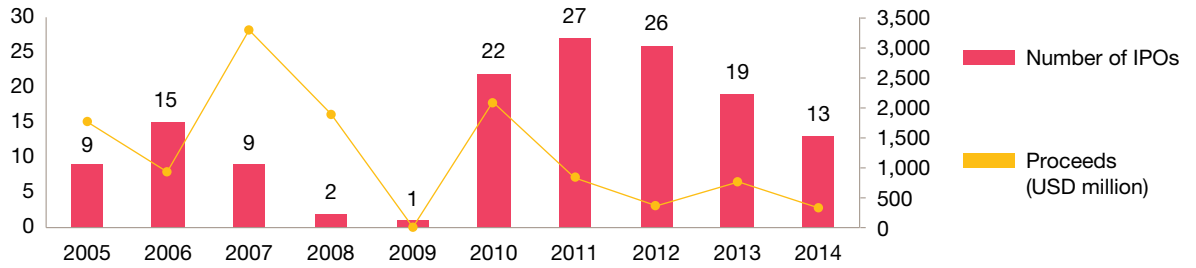
As of the date of this report, there are 8 pending listing applications to Borsa Istanbul in total, 2 for the main market and 6 for the ECM.

Besides global trends, performance of capital markets in 2015 will mainly depend on the performance of Turkish economy, which is expected to be mainly impacted by oil prices and parliamentary elections in June.

Other key items to monitor in 2015 will be the changes in Fed’s monetary policy and growth in the Eurozone region.

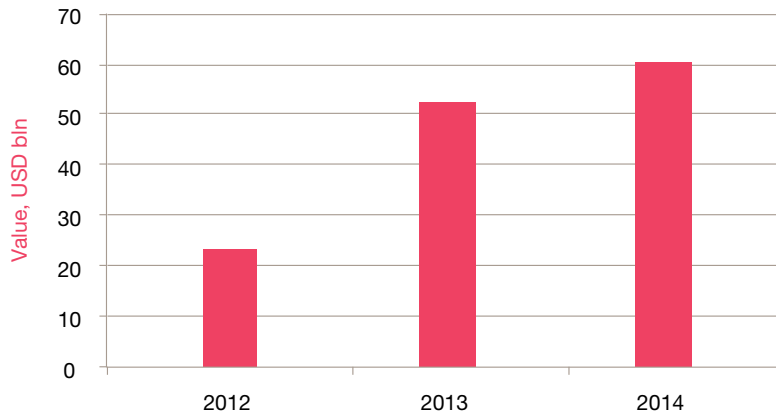
An overview of capital markets activity in 2014

Number of IPOs and amount raised



Debt instruments market

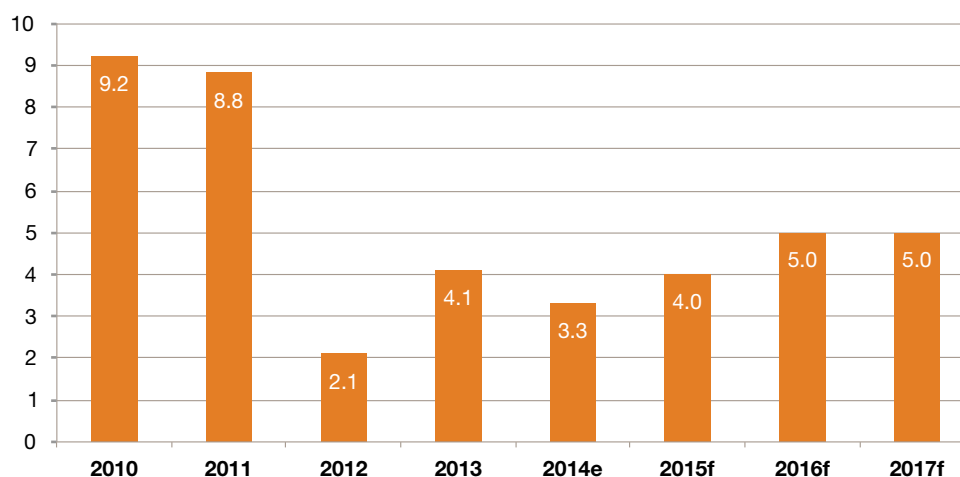
Debt instruments



Outstanding debt amount grew by USD8 bln in 2014. Although non-financial corporate debt constitute 15% of outstanding debt amount, bonds amounting to USD3bln were issued by non-financial corporations in 2014.

Macroeconomic Outlook - Turkey GDP

Annual GDP growth, %



Source: Turkstat, Medium Term Program (Ministry of Development)

Turkish economy grew by only 1.7% in the Q3 where the expectations were around 3.0%. For the first three quarters of 2014, Turkey grew by 2.8% compared to the same period of 2013. With the latest figures, the size of Turkish economy reached USD 800 billion as of Q3 2014.

Looking for the seasonally and calendar effect adjusted growth figures, Turkish economy posted a y-o-y growth of 1.8% in calendar adjusted terms. When one analyze the quarterly performance, Turkey demonstrated a q-o-q growth of 0.4% in seasonally and calendar adjusted terms.

In the production side, the main reason behind the lower than expected Q3 GDP figures was the significant drop in

agriculture. Looking for the other production based GDP figures main drivers continued to be financial services and industry. Industrial production which has c.24% share in GDP, made a little positive contribution by growing only 2.2%.

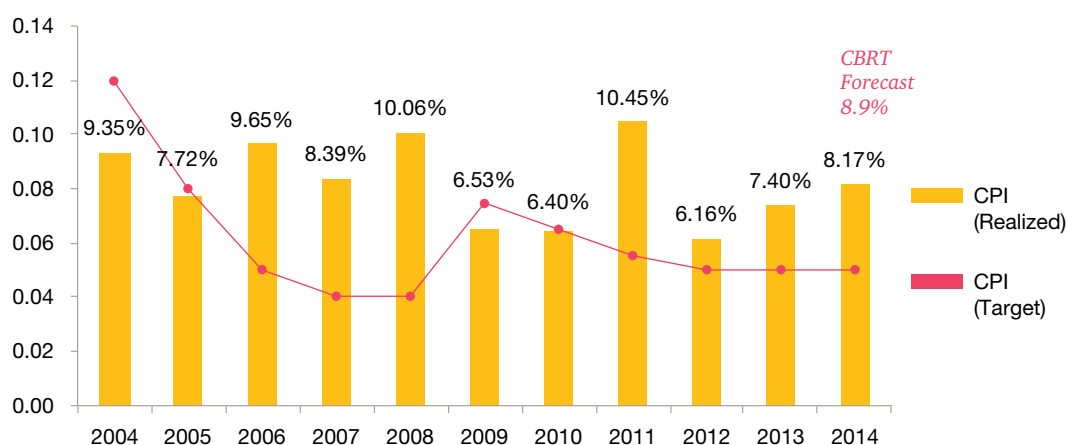
On the expenditure side, the private sector keeps limiting the GDP growth where the pace of resident households spending growth continued to fall with a lower magnitude of investments. The decline in the pace of the consumption growth continued to bring about imports to keep falling. Moreover, the exports continued to rise. We can easily conclude that Turkey is still benefiting from the rebalancing and continued to experience an export-led growth.

The leading indicators do not wholly signal a positive framework. Even if Turkey will post a growth rate of 3% in the last quarter of 2014, it will complete the year with a growth rate around 2.8% that is behind its year-end estimate of 3.3%.

Fall in oil prices is tend to bolster economic growth for the coming period with a higher public expenditures due to general elections in 2015. However, the structural reforms is still a must for raising Turkey's potential growth.

Inflation

Consumer Prices Index (CPI), Year-end Inflation



Source: Turkstat, CBRT

According to inflation figures released by Turkstat, consumer prices showed its first monthly decline of 0.44% in the last month of 2014. Hence, Turkish economy completed the year with an annual inflation of 8.2% (lower than the Central Bank's official year-end inflation forecast of 8.9% but still higher than the target of 5%), where annual average CPI for 2014 materialized as 8.9%.

Annual inflation exhibited a better picture for 2014 with the last minute goal. Fall in oil prices were the determinant while the unchanged food prices in the last month of the year was also effective.

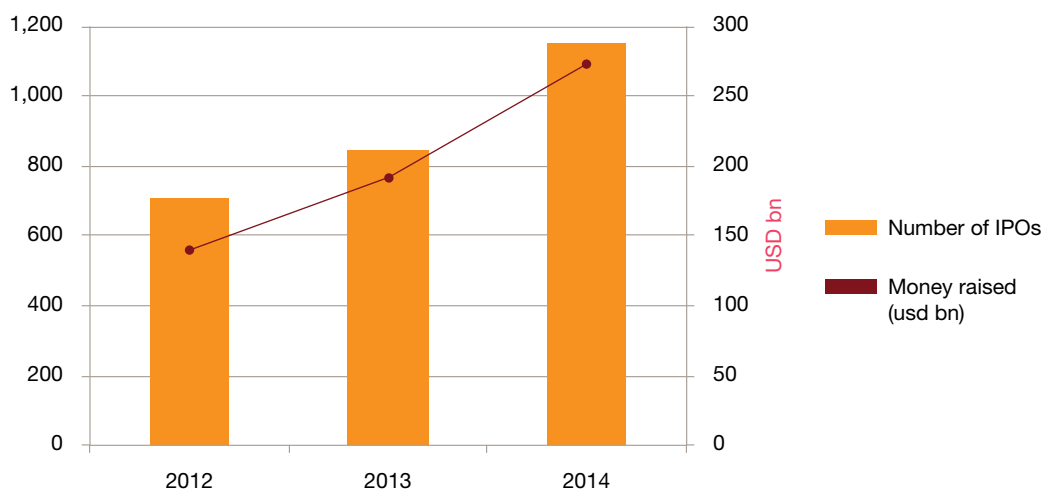
Looking for the 2015,

- The pace of the energy costs will be crucial. The further decline in oil prices will be limited but currently there is no reason for a rise too.
- For the initial months of 2015, weather conditions may put upside pressure on food prices.
- High base effect from the 2014 will also be helpful for this year.
- Risks can be summarized as the depreciation of the Turkish Lira due to the upcoming rate hike from the Fed and a possible hike in import tax so as to curb it.

With a lowered inflation concerns Central Bank may engage in rate cuts so as to support economic growth.

Global IPO trend

Global IPO activity



Global markets for IPOs reached its highest volume since 2010.

2014's top IPO, IPO of Alibaba Group in NYSE, single-handedly raised USD 25 bn. Another significant driver for the markets was private-equity driven deals. A total 209 PE-backed IPOs raised USD 83 bn.

Similar to 2013, financial services industry led the market in terms of proceeds in 2014. Companies in the financial services industry

raised over close to USD 90 bn in 2014, an increase compared to 2013 where they raised just below USD 80 bn.

NYSE was the leading IPO market in 2014, accounting for 27% of all proceeds in 2014.

European IPO market also performed well, growing more than 80% in terms of proceeds. European growth was mainly fueled by London Stock Exchange's performance. There were deals in Spain after a

couple of years without any major deals. European performance may have been better had it not been hampered by uncertainty stemming from political situation in Greece and concerns over global growth.

Decreasing oil prices, increased concerns over global economic growth and the uncertain political future in Greece negatively impacted recent IPO activity across Europe. However, global pipeline is considered to be strong going into 2015.

A comparison of European exchanges in terms of activity

Stock exchange	2014 TOTAL		2013 TOTAL	
	IPOs	Offering value (mUSD)	IPOs	Offering value (mUSD)
London Stock Exchange	137	23,480	103	19,860
NYSE Euronext	41	12,706	26	4,127
NASDAQ OMX	62	5,477	31	1,207
BME (Spanish Exchange)	13	5,465	2	3
Deutsche Börse	17	4,316	9	3,320
Borsa Italiana	26	3,139	18	1,755
Oslo Børs & Oslo Axess	17	1,903	11	1,297
SIX Swiss Exchange	6	1,398	1	1,027
Irish Stock Exchange	3	585	3	999
Bucharest	1	538	2	626
Warsaw	35	379	54	1,563
Borsa Istanbul	13	306	11	663
Wiener Börse	2	235	1	0
Athens	1	42	0	0
Budapest	1	4	0	0
Luxembourg	0	0	7	48
Total	375	59,974	279	36,495

(amounts translated at year-end exchange rates)

Key statistics from Borsa Istanbul

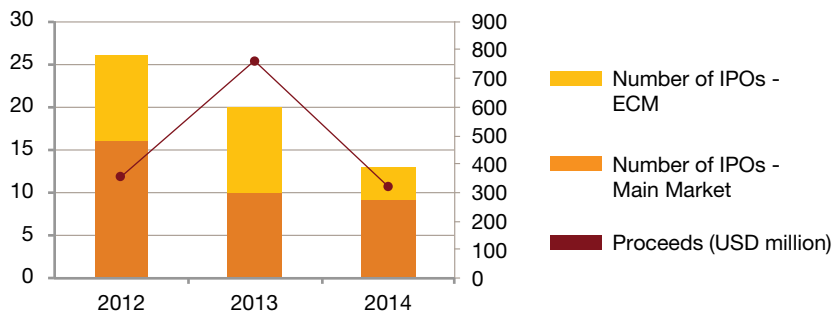
Borsa İstanbul	2012	2013	2014	Annual Change
Publicly Traded Company	388	409	413	0,98%
Exchange Traded Funds (ETF)	16	17	15	-11,76%
Investment Trusts	18	12	9	-25,00%
Private Sector Debt Instrument (Issued)	233	290	431	48,62%
Equity Market Total Market Cap, USD billion	310	237	270	13,84%
Equity Traded Value (Total) USD billion	348	431	399	-7,44%
Equity Traded Value (Daily Average) USD billion	1,4	1,7	1,6	-7,90%
Debt Instrument Traded Value (Total), USD billion	3.814	3.623	3.493	-3,59%
Foreign Share	65,90%	62,34%	63,83%	

Borsa Istanbul IPO activity - main market vs emerging companies market

	2012	2013	2014
Total Turkish IPOs			
National Market	16	10	9
Emerging Companies Market	10	9	4
Total number of IPOs	26	19	13
Total money raised (USD m)			
National Market	303	727	310
Emerging Companies Market	49	33	11
Total Money Raised (mUSD)	352	760	321
Average offering value (USD m)			
National Market	19	73	34
Emerging Companies Market	5	4	3
Average offering value (m USD)*	13	40	25

* Calculated based on total offering value over the number of IPOs

Number of IPOs and amount raised

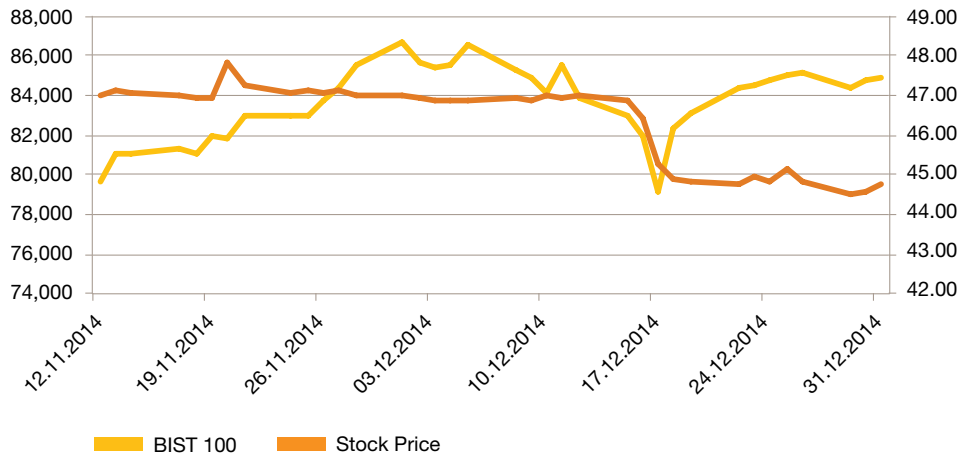


Top IPOs in 2014

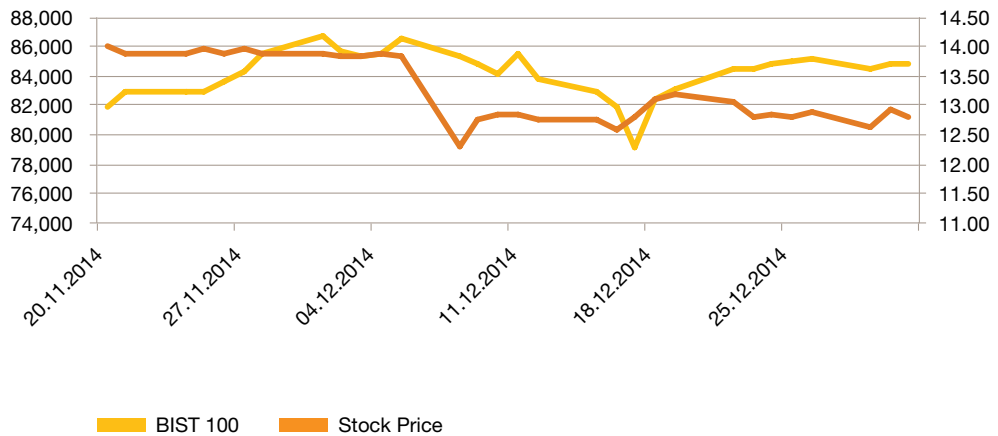
	(m TRY) Amount raised
AvivaSA Emeklilik ve Hayat A.Ş.	331
Ulusoy Elektrik İmalat Taahhüt Ticaret A.Ş.	168
Ulusoy Un Sanayi ve Ticaret A.Ş.	74
Share in total	80%

After-market performance of top 2014 IPOs

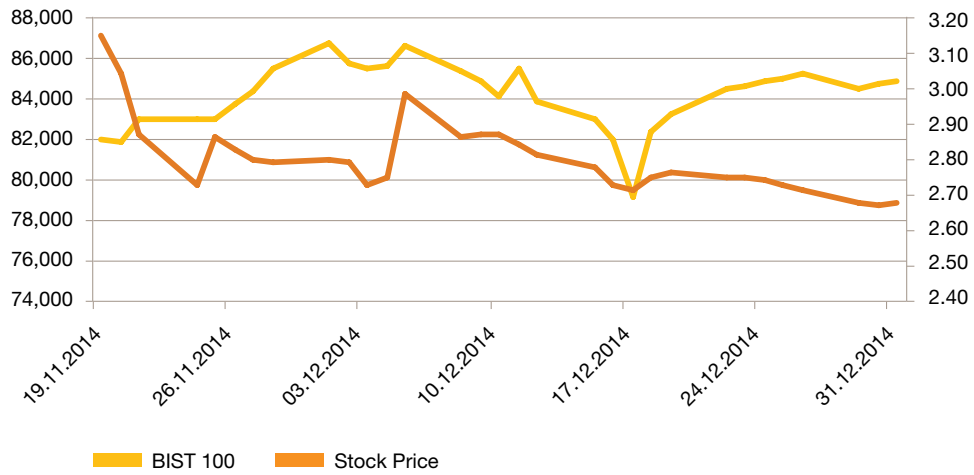
Avivasa



Ulusoy Elektrik

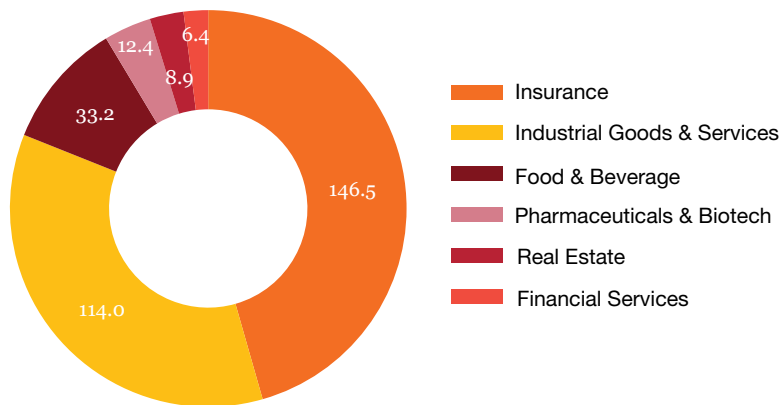


Ulusoy Un



Industry analysis

Amount raised by industry - 2014



Insurance and industrial goods and services led other industries in terms of amount raised in 2014.

Avivasa represents the only company in the insurance sector.

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