

Listing in Borsa İstanbul





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Foreword



Mert Tüten
PwC Turkey,
Capital Markets
Leader

The Turkish economy, 17th largest economy in the world in terms of total GDP, experienced a compound average growth rate of 4.2% in the last decade. According to the latest PwC World 2050 report, Turkey is forecasted to move up to the 14th spot in global rankings in terms of total GDP by 2030, and maintain this ranking until 2050. Turkey has a great potential with its strong fundamentals and demographics and it is expected to post higher growth rates with the help of the structural reforms.

Shift in global economic power towards emerging economies has been increasingly impacting the global landscape of capital market transactions. Recent PwC Capital Markets in 2025 Report mentions that companies from all over the world looking to go public will have more alternatives than before. However, development of deep domestic capital pools and completion of local regulatory infrastructure are the key success factors for the emerging economies to attract these companies. Recently, Turkish capital market authorities and its leading actors have been introducing new project initiatives to create a regional -then global- financial hub in İstanbul.

İstanbul International Financial Centre is one of these ongoing initiatives, intended to transform İstanbul to a regional then an international financial centre, which is considered a bold move jointly supported by the public and private institutions. İstanbul has already fulfilled pre-requisites on a wide range of topics to become a regional financial center and is working for ameliorations in various segments (regulation, infrastructure, education and so on) in order to raise the attraction of Turkish financial system. Stock exchanges are crucial for the formation and sustainability of an IFC, in that they act as the primary capital market institutions. We consider the recent strategic partnerships with NASDAQ, European Bank of Reconstruction and Development and London Stock Exchange, as well as the stock exchange acquisitions carried out in Balkans and Central Asia as remarkable steps toward realizing the potential of Borsa İstanbul in its quest to become a global financial institution.

In this publication, we summarized the strengths of Borsa İstanbul, exploring its markets, application process and timeline, prospectus and other on-going requirements for IPO candidates.

What makes İstanbul

A global capital

Turkey has a great potential with its strong fundamentals and demographics

A route to reach high global investor base

Penetration level shows that there is a significant growth potential

İstanbul aims to become an international financial centre by 2023

İstanbul

attractive?

and a global exchange

Room for growth

International
investor base

Liquidity

Latest
technology
trading platform

Borsa İstanbul



For more information



www.listingistanbul.com

Liquidity

4

1

China

2

Korea

3

Brazil

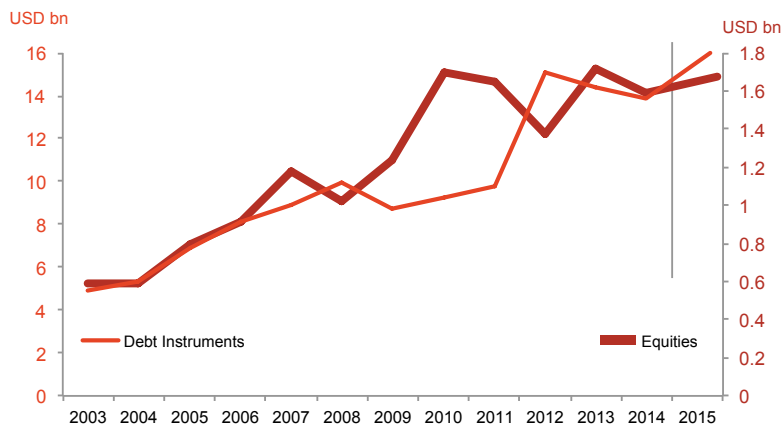
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Turkey

Turkey ranks 4th among Emerging Markets in terms of equity market traded value, and is the only Eurasian exchange included in the top 10.

Source: World Federation of Exchanges, PwC Turkey

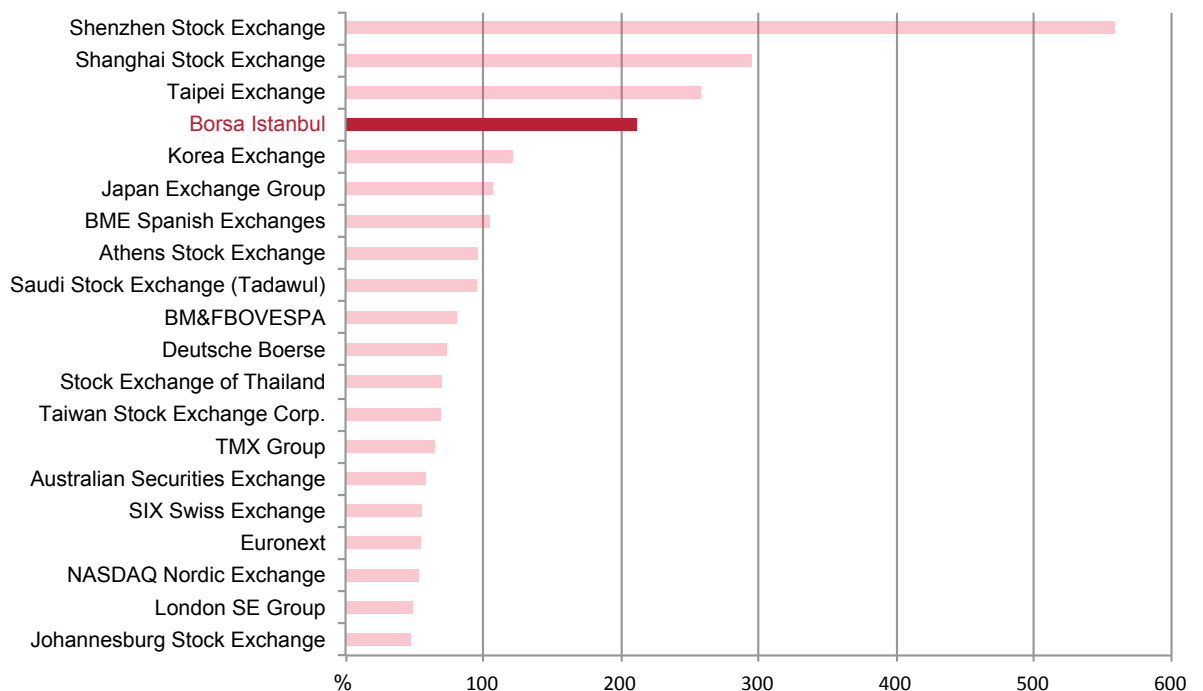
Traded Value Daily Average



Source: Borsa İstanbul, PwC Turkey

Turkey's equity and bond markets daily volumes grew significantly in the last three years.

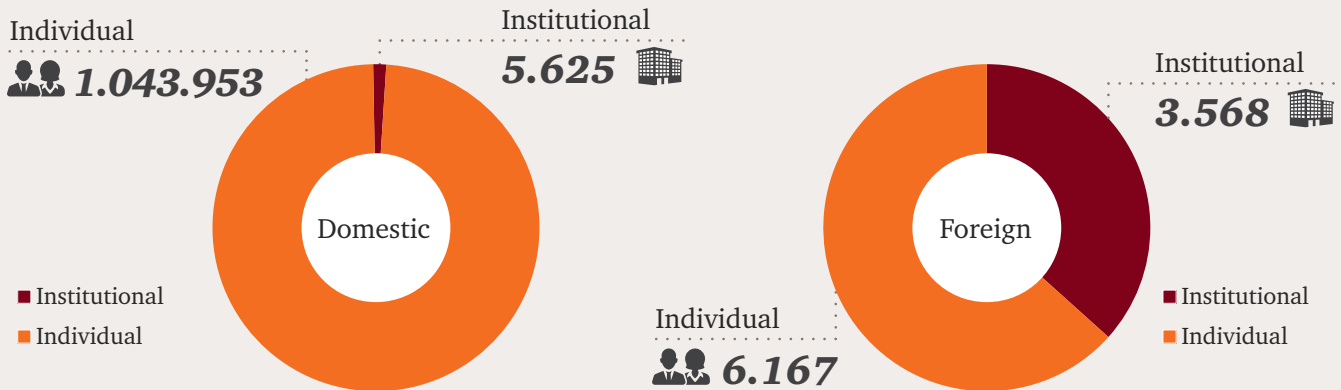
Share turnover velocity top 20 in the world (2015 Q4)



Source: WFE

International investor base

Number of investors



Market Capitalisation by Nationality

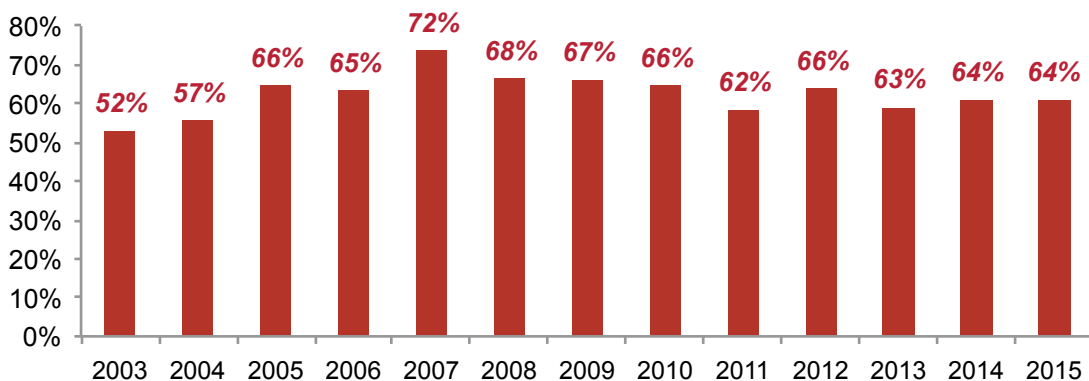


Source: BIST Trends Report / Volume XV: January – December 2015

As of December 2015, foreign investors represent only 1% of the total Borsa Istanbul investor base. Their share in trade volume is 22% and they hold 64% of the total market cap.

Historically, foreign investors have had a significant interest in the Turkish equity market as the average foreign share in market capitalization was 64% between 2003-2015.

Foreign Participation as of % of Free Float Market Capitalization

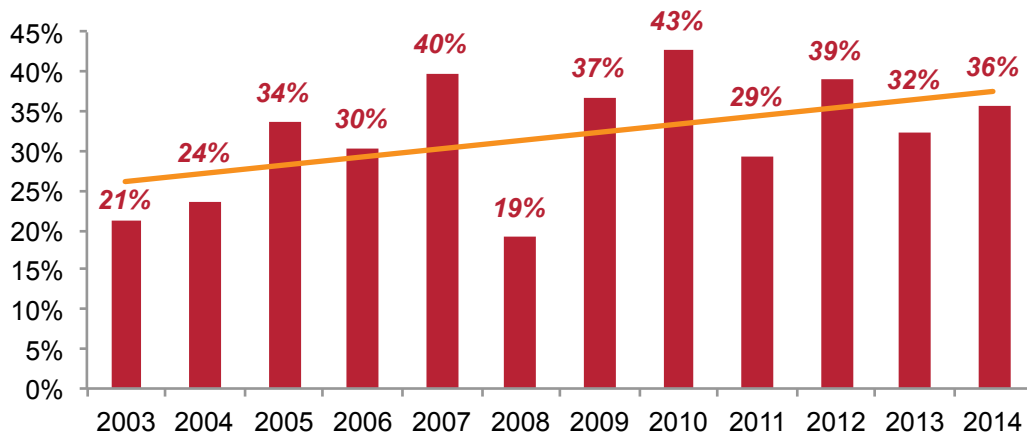


Source: Borsa İstanbul, PwC Turkey

Turkish equity markets offer an opportunity to reach a global investor base with a high foreign participation share.

Room for growth

Market Capitalization / Gross Domestic Product



Source: Borsa İstanbul, Turkstat, PwC Turkey



Borsa İstanbul completed 2014 with a market capitalization of USD270 billion, which is 36% of GDP in USD terms. Looking for the historical series Turkey's stock market has an upward trend in MCap/GDP ratio.

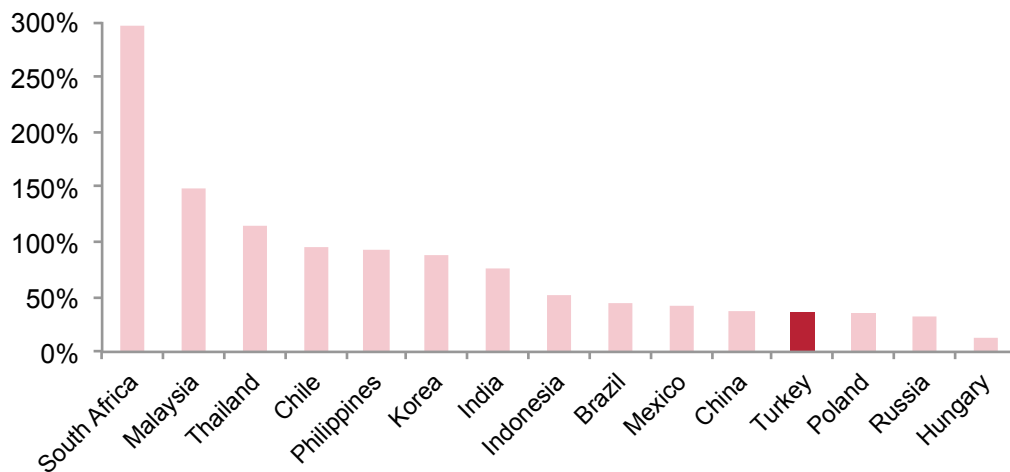


Mert Tüten

Capital Markets Leader,
Partner

With its wide investor base, liquidity levels and relatively low MCap to GDP ratios, Turkish equity markets accommodate a significant room for growth in comparison with other emerging markets.

Emerging Markets Market Capitalization / GDP, 2014



Source: World Federation of Exchanges, IMF, PwC Turkey

Latest technology trading platform

Low latency

*Integrated Risk
Management*

*Multi-asset
Multi-currency*

*Point of presence in
London*



Borsa İstanbul invests heavily in technology. Technological investments, along with a strategic partnership with NASDAQ whereby Borsa İstanbul adopted NASDAQ's trading platform, will increase the volume of the trading and number of trades. Borsa İstanbul's vision is that liquidity will increase and Borsa İstanbul markets will be deeper. More investors will pick Borsa İstanbul for its liquidity, more companies will apply for an IPO to capitalize on their growth.



Which market?





Which market?

Listing venues for equity offerings

Equity Market is composed of three sub-markets (excluding the Equity Market for Qualified Investors and the Collective and Structured Products Market, where investment trusts, ETFs, warrants and certificates are traded):

- BIST Stars
- BIST Main
- BIST Emerging Companies

In order to be listed in any of the sub-markets of the Equity Market, companies are required to meet the criteria related to the respective sub-markets.



BIST Stars & BIST Main markets

- Audited IFRS financial statements for the last 3 years
- Quantitative and financial criteria (see table below)
- Record of profitability and strong equity
- No major litigation

BIST Emerging Companies (BIST EM)

- Audited IFRS financial statements for the last year
- Appointment of a market advisor by the issuer company
- Due diligence by Borsa İstanbul

USD amounts are for indicative purposes.	BIST Stars		BIST Main	
	Group 1	Group 2	Group 1	Group 2
Minimum market value of publicly offered equities	TRY250mn USD100mn	TRY100mn USD40mn	TRY50mn USD20mn	TRY25mn USD10mn
Minimum total market capitalization	TRY1,000mn USD400mn	TRY400mn USD160mn	– –	– –
Positive net profit in the last audited financials	for two consecutive years	for two consecutive years	for two consecutive years	for two consecutive years
Minimum ratio of publicly offered equities to paid-in or issued capital	5%	10%	15%	25%
Ratio of capital to total equity in the last audited financials	>75%	>100%	>100%	>125%

Ongoing requirements

BIST Stars & BIST Main require more criteria for being listed compared to BIST Emerging Companies.

BIST Emerging Companies

- No need to get half-year financials reviewed, no filing for Q1 and Q3
- Relaxed public disclosure requirements

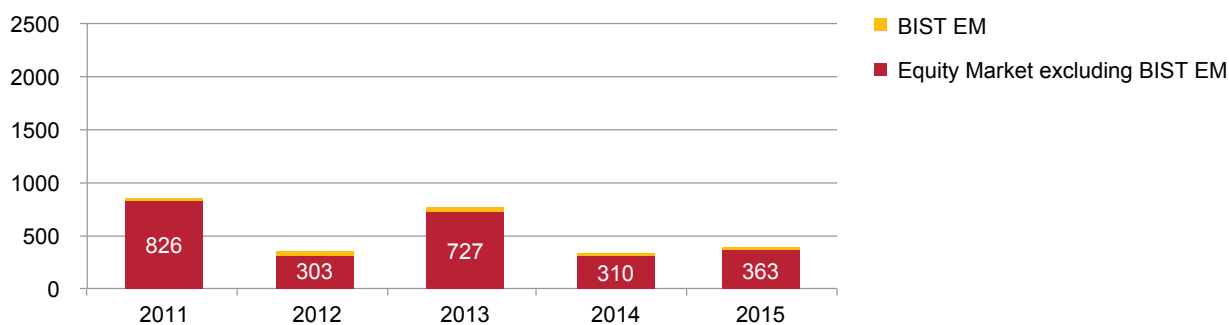
BIST Stars & BIST Main

- Public disclosure requirements
- Quarterly reporting to the Exchange, annual financials need to be audited and half-year financials need to be reviewed
- Ongoing listing rules compliance monitoring by the Exchange

What is the current trend?

BIST Stars is designed for large cap companies that require significantly higher amounts of funding, whereas the prerequisites of BIST Main are meant for the SME segment. The average deal size in the aggregate of BIST Stars and BIST Main have been around USD52mn over the past 5 years. In comparison with BIST Stars and BIST Main, BIST Emerging Companies was designed to allow the listings of relatively smaller companies in their early stages, where the average deal size have been around USD4mn since its inception.

Volume of Transactions in the Public Offerings, USD mn, 2011 to 2015



(*) Excludes securities traded at the Collective and Structured Products, Watchlist, Equity Market for Qualified Investors and Pre-Market Trading Platform.

Which market?

If you prefer debt over equity...

Borsa İstanbul also has a highly liquid debt securities market for companies that prefer debt over equity. The Borsa İstanbul Debt Securities Market has recorded significant growth in recent years, and in Q4 2015 it ranked 8th in the world in terms of total traded value.

Companies can issue debt instruments either through a public offering to all investors or through direct placement to qualified institutional buyers. Different listing and ongoing requirements apply for both:



<http://www.borsaistanbul.com/en/companies/listing/private-sector-bonds/listing-of-bonds/listing-criteria>

Prerequisites for the Issuance of Debt Instruments

Through public offering	Through private placement
Prospectus is required	No prospectus, only an informative issuance document is required
Approval of the prospectus by the CMB	Approval of the informative issuance document by the CMB
Due diligence and approval of Borsa İstanbul Board	No due diligence by Borsa İstanbul
Offered both to retail investors and to qualified investors	Offered only to qualified investors
Operational for at least 2 years.	No operational track record requirement
Net profit in at least one of the last two financial years.	No profit requirement
Total shareholders' equity should be greater than the capital	No capital requirement
Full public disclosure	Limited public disclosure
Independently audited financial statements (2 years)	Not required
Issuer should have adequate financial stability to carry out its operations.	Not required
There should be no legal disputes that may have a negative effect on the business activities of the issuer	Not required
There should be no legal limitation preventing the circulation and transfer of the debt securities offered	
Issue limit shall not exceed 3 times the equity value for non-listed companies, and 5 times for listed companies (issue limit shall be increased %100 for banks, financial institutions and for issuers that have a long-term credit rating corresponding to the highest three investment-grade levels).	

Public offering usually takes 3-6 months whereas a private placement can happen in 3-4 weeks.

Borsa İstanbul Debt Securities Market 2011-2015

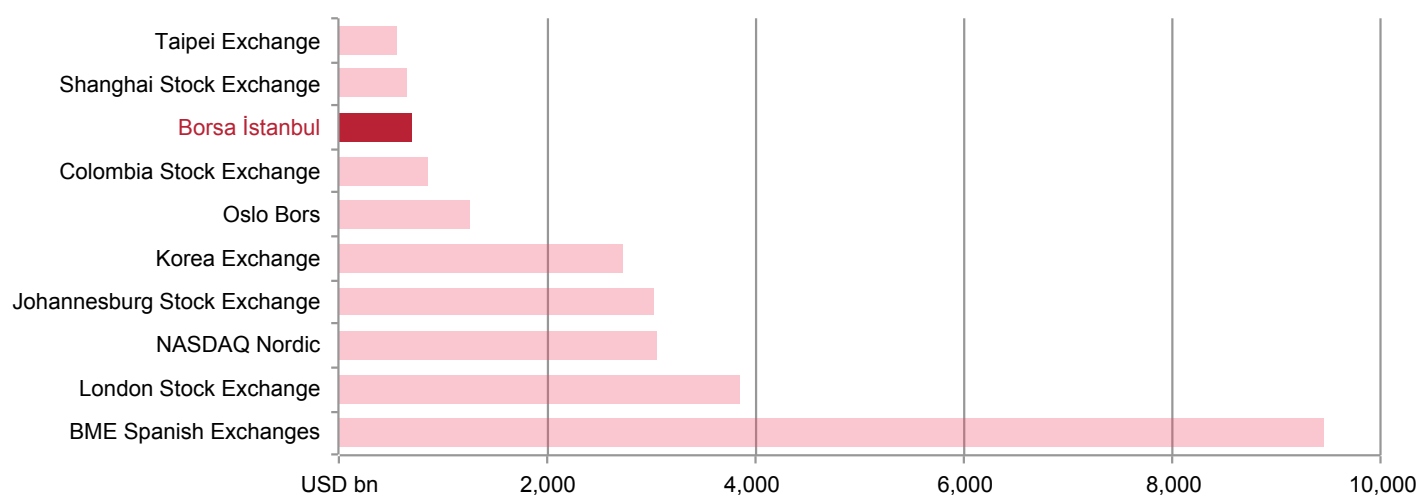
Year	Number of issues	Funds raised (USD bn) (*)
2011	56	10.1
2012	205	17.2
2013	330	21.5
2014	517	30.3
2015	621	29.1

(*) Includes sukuks and asset-backed securities, excludes USD6bn sukuk issuance of Islamic Development Bank.

Source: Borsa İstanbul

8th highest bond traded value in the world

Total value of bond trading, (2015 year-end figures)



Source: WFE

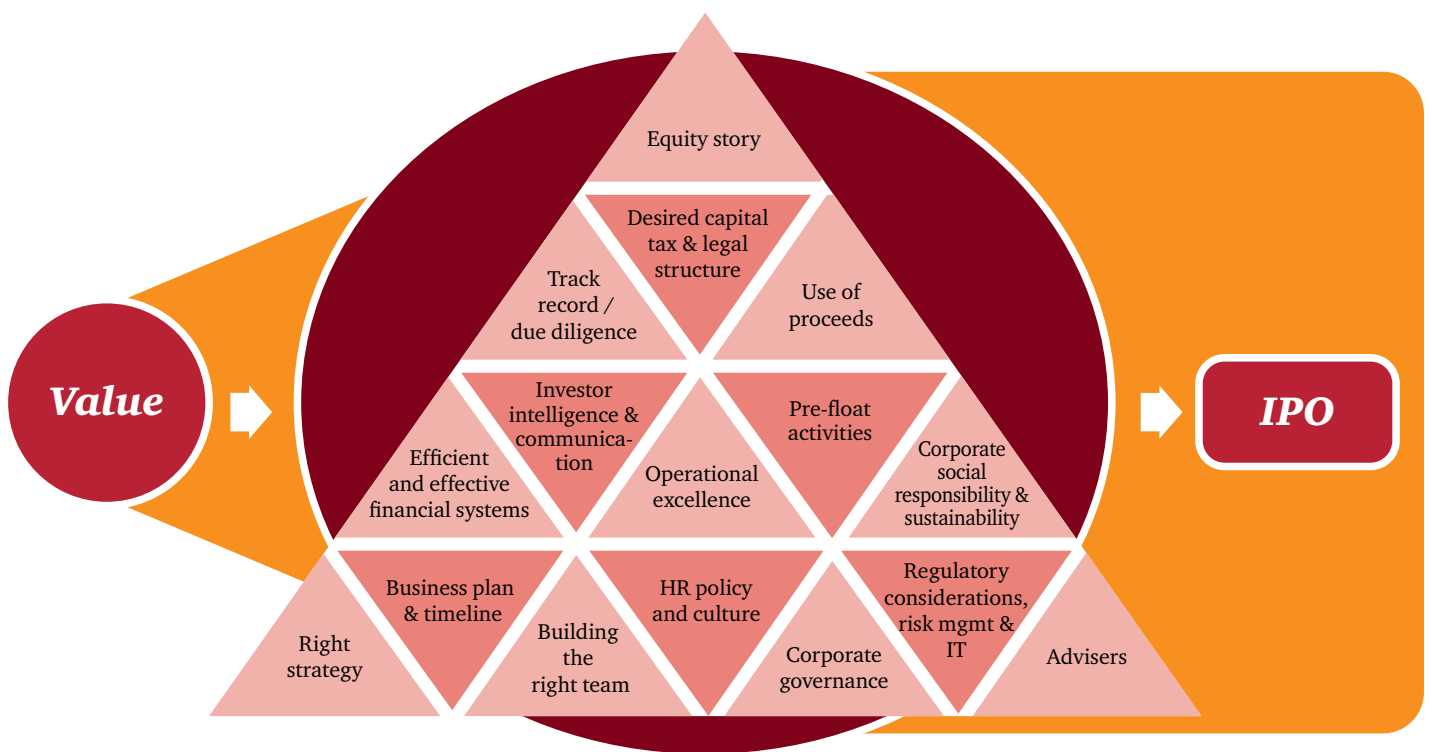
Are you ready?





What does it mean to be ready for an IPO?

Maximising value



Careful consideration of key factors is vital to design a transaction that maximises value for all stakeholders

Strong equity story and track record

What do the various business lines contribute to your strategy?

What are the sources for growth (business lines/ geographic areas)?

Effective and efficient financial reporting process

Reporting of financial and non-financial information

HR & culture

Adequacy of quantity and quality of resources

Regulatory considerations

Ability to adapt and respond to changing situations and environments

Adequate capital structure

Implications on covenants

Track record

Being able to support strategy with performance and KPIs

Listing venue and advisor selection

Desired investor base and platform important for underwriter selection

Governance

An IPO is a transformational process and should be managed accordingly

Investor intelligence and communication

Building public trust

Taxation

Resolving tax issues early will increase predictability of tax position which is rewarded by the market

How long does it take?

It takes some time for companies to attend the gong ceremony.

The illustration on the next page represents a typical IPO timeline in Borsa İstanbul.

Please note that timeline is indicative and may take shorter and longer depending on specific circumstances.

We think proper planning is essential for the successful execution of an IPO. Time spent for planning is time well-spent to avoid future obstacles.

Borsa İstanbul and the CMB has taken steps to speed up the process in the past few years.

Regulatory reviews are completed in three weeks following formal application.



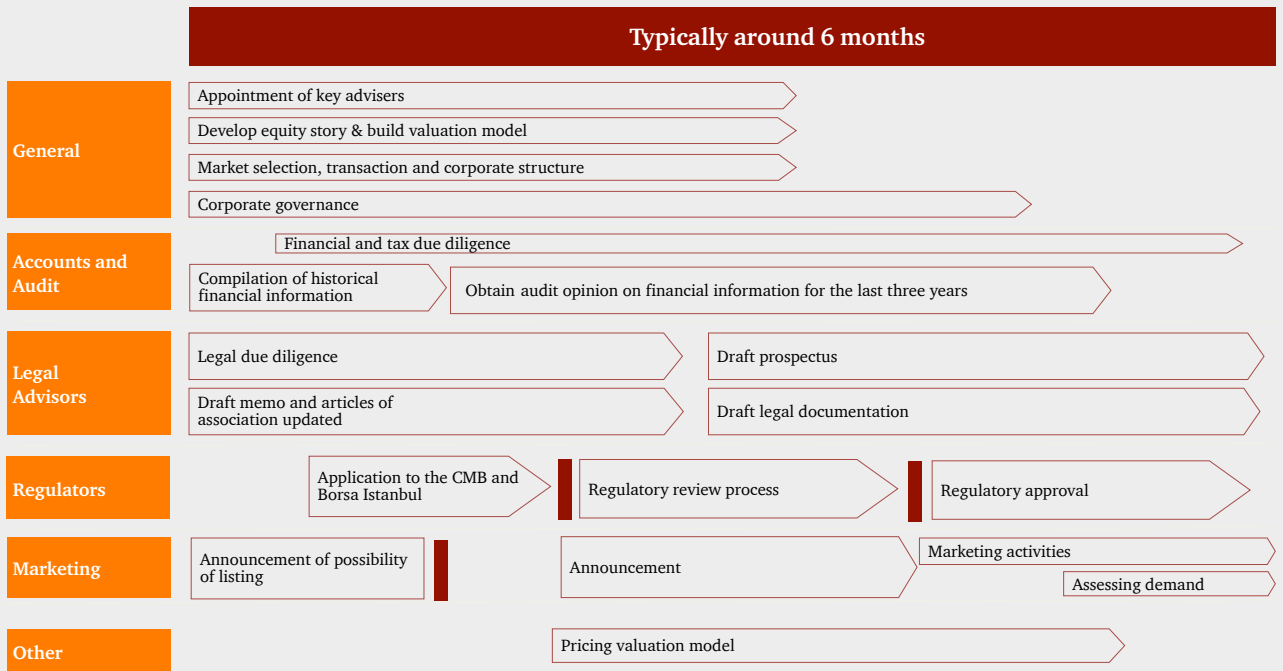
<http://www.borsaistanbul.com/en/companies/initial-public-offering/equity-market/timetable>

Steps towards an IPO

Before the commencement of any formal work associated with the public offering process, it is necessary to take a number of preparatory steps (e.g. legal preparations, corporate reorganizations, etc.) in order to ensure a seamless IPO experience.

1	Shareholders decision	- General assembly decision	Companies may need a general assembly resolution before starting the process.
2	Legal steps	- Corporate structure	Changes may be necessary to corporate structure before going public- for instance companies may need to change legal status for eligibility or to achieve certain benefits.
		- Changes to articles of association	Changes will be necessary to articles of association before going public.
3	Building a team of advisors	- Brokerage firm/Investment bank	Brokerage firm/investment bank will be involved in preparing the prospectus, performing due diligence and underwriting. They will support valuation, and the development of the equity story, assist drafting of the prospectus and may also support with post IPO (continuing) obligations.
		- Auditors	Auditors will be involved in auditing the three year financial statements. They may also need to audit interim financial information, audit pro forma financial information and support developments of the prospectus.
		- Legal advisor	Legal advisor will be involved in preparing corporate documents, advising for regulatory approvals and overall legal support.
		- Advertising agency/PR consultant	They will assist with marketing the offering and development of a communication strategy.

IPO Timetable



Prospectus

Companies planning a listing in Europe should prepare a prospectus in accordance with the requirements of the EU - which are outlined in the EU Prospectus Directive.

Companies planning a listing in Borsa İstanbul should also prepare a prospectus. Capital Markets Board of Turkey's requirements for prospectuses apply for preparation of this document.

However, prospectus requirements in Turkey are fully compatible with the EU standards.



<http://www.cmb.gov.tr/apps/teblig/displayteblig.aspx?id=470&ct=f&action=displayfile>



Not ready yet?

BIST Private Market is a web-based and membership-based platform, which brings together companies and investors in order to buy or sell shares without going public.

BIST Private Market allows:

- Access to financing for start-ups and emerging companies
- Exemption from capital market regulations (e.g. the CMB approval, prospectus preparation and public disclosure of material events are not required).

Private equities, qualified investors and angel investors may utilise the platform to exit investments and search for new investments.



<https://www.bistprivatemarket.com/OzelPazar/app/main?execution=e3s1>



Continuing obligations

After the IPO



Upon occurrence, material events should be publicly disclosed

Public disclosure - KAP (Public Disclosure Platform), CMB Communique: II-15.1



www.kap.gov.tr

Independent audit - audit for annual accounts and review for semi-annual accounts, also submitting unaudited accounts at Q1 and Q3 (lighter requirements for BIST Emerging Companies registrants)

Employment of personnel with the CMB licence

Setting up an investor relations department - CMB Communique: VII-128.1

Listing fees (50 percent discount for foreign issuers)

Corporate governance - compliance statement on website and annual report

Setting up an audit committee within the Board - at least 2 independent board members and quarterly meetings (exemption for BIST Emerging Companies registrants)

How PwC can help?

IPO Services

Pre-float

- *IPO check-up (IPO readiness)*
- *Restructuring*
- *Independent audit*
- *Business modelling*
- *Valuation services*
- *Tax advisory*
- *Internal audit*
- *Internal control*
- *Accounting advisory*
- *Corporate governance*

Floatation

- *Accounting advisory and financial reporting*
- *Corporate governance*
- *Relationship management with regulators*
- *Legal advice*
- *Guidance on marketing activity*
- *Establishment of an investor relations department*

Post-float

- *Independent audit*
- *Accounting advisory*
- *Corporate governance*

Managing the process







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