



Execution support and deal management

Case study

BA assisted a private equity firm throughout the entire investment process, from strategy to managing prospective investors

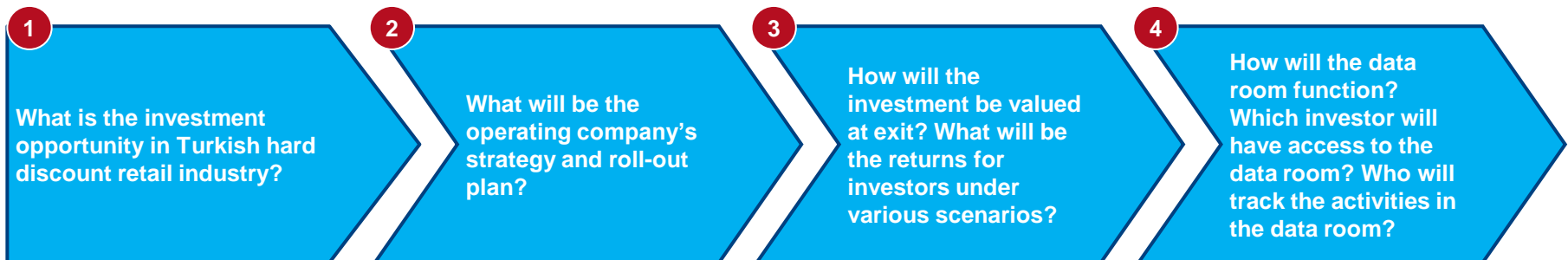
Client background

- The client is a Dubai based private equity firm focused on investing in and developing companies operating in the emerging economies of Africa and Asia region
- The client wanted to invest in a company engaged in hard discount retail in Turkey, by adopting a “buy and build” model—acquiring 3–4 smaller regional players to create an entity, and then expanding operations to achieve a pan-Turkey presence
- The client engaged BA to shadow its activities throughout the investment process, from validating the investment rationale for Turkey, the Turkish retail and hard discount industry, and further by managing the financial model of the operating company, talking to investors, managing the data room access, among others

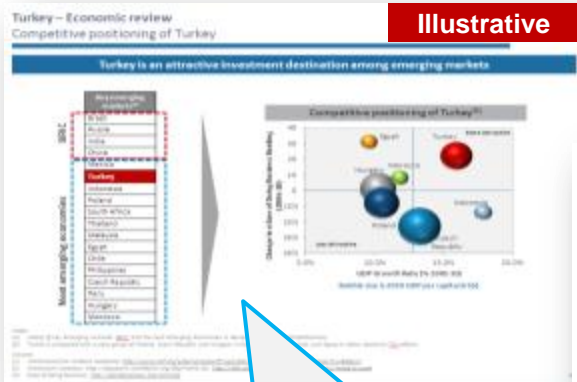
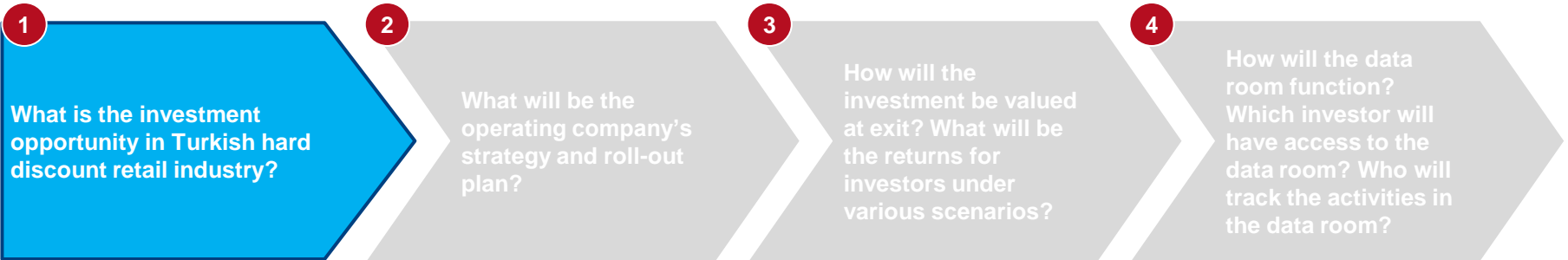
Key highlights

- The study entailed detailed analysis of the food retail industry and the hard discount industry in Turkey, in terms size, growth, regulatory scenario, key trends, drivers and inhibitors of growth, etc. It also included a study of the macroeconomic factors effecting the Turkish economy
- BA also worked on a detailed financial model of the operating company, with sensitivities done at various levels
- In addition, BA is also involved in the discussions with investors, has control over the data room used to share information with potential investors, and also assists the operating team to prepare themselves for any due diligence

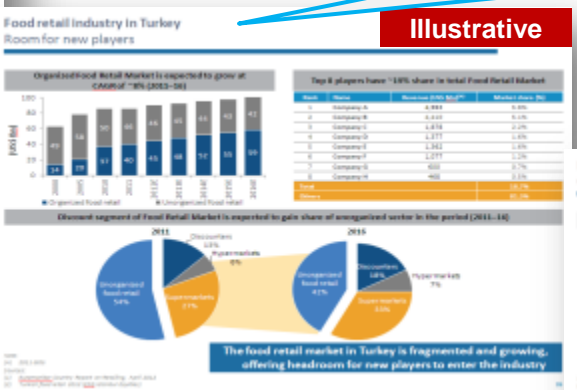
Key business questions



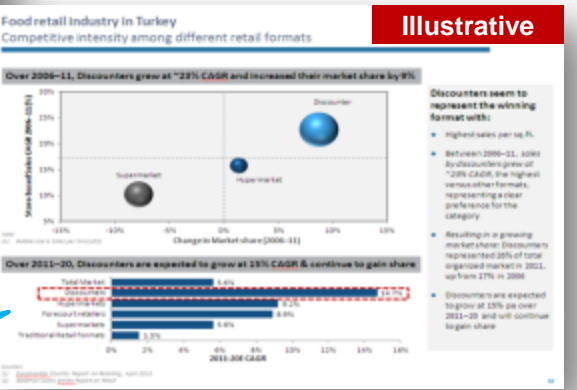
Based on in-depth research and analytical capabilities, BA justified the case of investing in Turkey and its hard discount retail industry



Based on in-depth research, BA showed that the food retail market in Turkey is fragmented and growing, offering headroom for new players to enter the industry, thus making case for a start-up company.

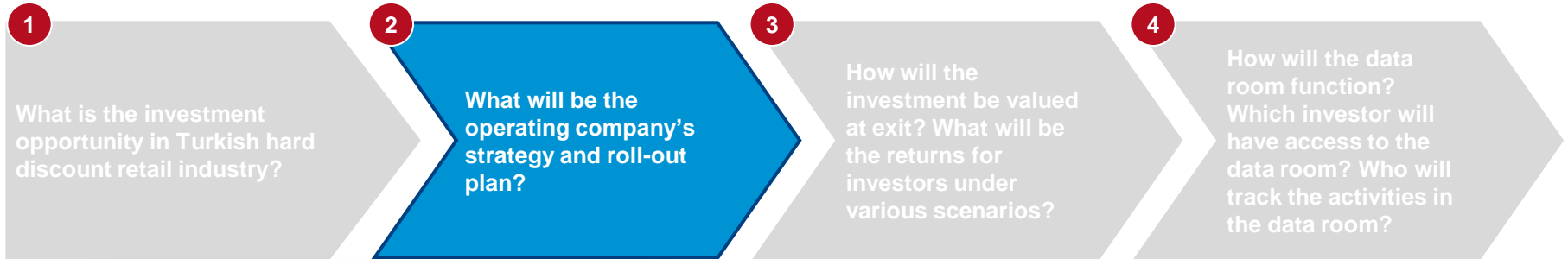


BA developed the “why Turkey” proposition by showing competitive positioning of Turkey amongst other emerging and European economies.



Based on in-depth research on Turkish Food retail industry, BA identified the past and expected growth trends of various retail formats and concluded the Turkish discount segment as the fastest growing.

BA coordinated with the operating team to incorporate the project concept , investment thesis roll-out plan and strategy



Project ABC Acquisitions Illustrative

Project ABC will initially be created by consolidating 3 acquisitions

1
Project A
70 stores

2
Project B
19 stores

3
Project C
21 stores

Formation of ABC	<ul style="list-style-type: none"> Project ABC will be formed from an acquisition of a regional player in the Turkish Hard Discount Retail industry—Project A, followed by two further acquisitions <ul style="list-style-type: none"> A was established in 2008 and has 70 hard discount grocery stores in the K12 region B and C, with 19 and 21 hard discount stores have presence in PQR and DEF sides of K13 respectively
Products	<ul style="list-style-type: none"> Products to be divided into four categories— Brands, Exclusive Products, Spot Products and Private Labels
Business model	<ul style="list-style-type: none"> Business model will follow the fundamentals of Hard Discount industry— based on simplicity
Management team	<ul style="list-style-type: none"> Highly experienced management team (has been instrumental in building two top hard discounters in Turkey)
Expansion plans	<ul style="list-style-type: none"> Conservative¹ expansion plan. Growth focused on expanding scale and geographic reach across Turkey

Notes: 1) ABC growth will be approximately 100-150 stores per year. 2) ABC management has decided to open 1000 stores per year.

After thorough understanding of the operating company's "buy and build" investment strategy, BA assisted in preparing the investment rationale case for the Project.

Organic and Inorganic growth plans were graphically represented for better and clear understanding for the investors.

Project ABC – Roll-out plan and strategy Illustrative

Expansion plan is focused on increasing scale and geographic reach within Turkey

Regional expansion plan

Year	Stores
2012	3
2013	5
2014	7
2015	9
2016	11
2017	13

Store expansion plan

Year	Stores
2012	200
2013	450
2014	710
2015	985
2016	1,200
2017	1,550

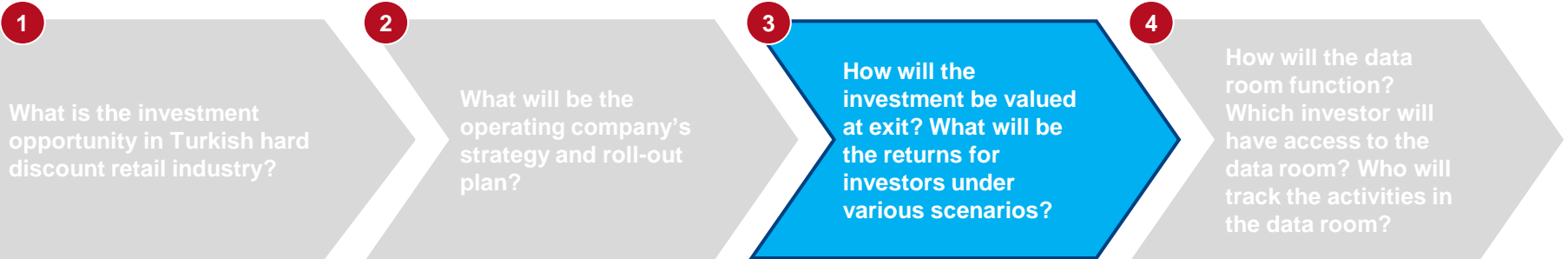
Organic base case growth plan

- Growth will be driven primarily by a prudent expansion plan, to be executed over the next five years
- Primary focus will be on expanding scale and geographic reach to under-served markets across Turkey
- ABC will follow an Amoeba growth strategy to create a strong geographical presence across Turkey

Supplemented by possible growth through additional acquisitions

- Expansion plan provides for possible further acquisitions
- Focus is on companies with:
 - presence in under-served regions to complement the organic growth strategy
 - accretive to the Base Case
- Targets have been identified and discussions are ongoing

Scenario analysis was developed on exit value and exit IRR



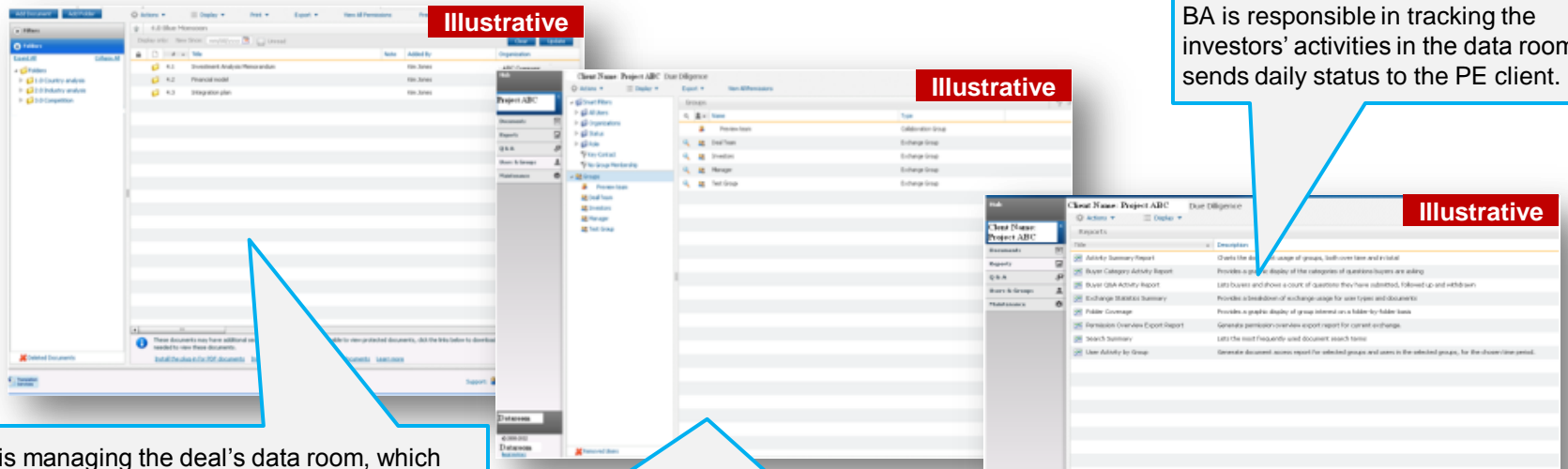
	2011	2012	2013	2014	2015	2016	Illustrative
Investment Share	(88,000,000)	(63,000,000)	0	0	0	0	
Cash in hand	438,157	438,157	438,157	438,157	3,917,749	30,154,000	12,687,172
3 months cash requirement					873,445	6,551,324	
Exit in 2016						439,892,391	
Exit Value						462,994,684	36%
Net Cash Flows	(88,000,000)	(63,000,000)	0	0	0	689,559,970	39.9%
Exit in 2017						689,559,970	
Exit Value						712,824,773	39.9%
Net Cash Flows	(88,000,000)	(63,000,000)	0	0	0	888,534,044	42%
Exit in 2018						888,534,044	
Exit Value						1,039,822,842	42%
Net Cash Flows	(88,000,000)	(63,000,000)	0	0	0	1,039,822,842	42%

BA conducted sensitivity analysis on the exit values and IRR, for different exit years, led by changes in store expansion strategy, exit multiples, and capital expenditure.

	7.5x	8.5x	9.5x	10.5x	11.5x	12.5x	13.5x	14.5x	Illustrative
0.30x	262	274	287	300	313	326	338	351	
0.40x	316	329	342	354	367	380	393	405	
0.50x	370	383	396	409	421	434	447	460	
0.60x	425	437	450	463	476	488	501	514	
0.70x	479	492	504	517	530	543	556	568	
0.80x	533	546	559	572	584	597	610	623	
0.90x	588	600	613	626	639	651	664	677	
1.00x	642	655	667	680	693	706	718	731	

BA conducted research on the expected valuation multiples of various competitors and based on that research, suggested the exit valuation for the investment. Investment returns, which can be realized over different holding periods were also calculated.

BA is managing the functioning of the deal's data room structure and the access to all prospective investors



BA is responsible in tracking the investors' activities in the data room and sends daily status to the PE client.

BA is managing the deal's data room, which is a portal where deal-related information like the investment analysis memorandum, the research related to it, and the financial model is shared with the prospective investors. BA designed the structure of the data room for the client.

BA along with the client is involved in deciding how the research should be presented to the prospective clients, and what will be the level of data sharing, which is based on the level of discussion between the PE client and the prospective investor.

For more information, please contact us at:

contact@bostonanalytics.com

+1- 617-415-1691

www.bostonanalytics.com

Boston Analytics *(A division of Pythos Technology (P) Ltd.)*

Boston

396 Washington Street,
Suite 351,
Wellesley, MA 02481
United States

New York

15 Schuyler Hills Road
Loudonville NY 12211
United States

Gurgaon

18th Floor, Tower-B,
DLF Building No. 5
DLF Cyber City, Phase-III
Gurgaon – 122002
Haryana, India

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