

From Turkish Capital Markets to Global Markets: The Key to Cross-Listing



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About Usul Ventures

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Welcome to Usul Ventures – Your Gateway to Capital Markets Excellence

At Usul Ventures, we redefine the future of business. We are a premier consultancy firm headquartered in Istanbul, Turkey, specializing in corporate law, legal consulting, and financial advisory services. Our journey is built upon a passion for innovation, a commitment to excellence, and a dedication to empowering businesses and entrepreneurs on their financial endeavors.

Our Mission

Our mission is to transform innovative ideas into unicorns, to unlock capital growth, and to facilitate early-stage financing for startups and scale-ups. We understand that the financial landscape can be challenging to navigate, especially for those embarking on a new venture. That's why we're here, to guide you through every step of your financial journey, providing the expertise, networks, and market understanding you need to succeed.

Expertise That Sets Us Apart

Our team and partners of legal and financial experts brings a wealth of knowledge and experience to the table. We specialize in capital market law, fintech solutions, and corporate governance. We thrive on staying at the forefront of industry trends, offering the most up-to-date advice and solutions.



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Overview of Turkish Capital Markets

The current state and growth of the Turkish capital markets in 2023 can be comprehensively analyzed through several key indicators:

The number of IPOs, the amount of funds raised through these IPOs, and the increase in both individual and foreign investors in Borsa Istanbul.

IPOs and Funds Raised in Borsa Istanbul
Number of IPOs in 2023:
In 2023, Borsa Istanbul witnessed 39 companies going public.

Funds Raised Through IPOs: These IPOs raised a total of 46.678 billion Turkish Lira (approximately 2.283 billion USD), indicating a robust capital-raising activity in the Turkish market.

Increase in Individual and Foreign Investors
Individual Investors:

A significant uptick in individual investor participation was observed. In July 2022, the number of investors was around 2.525 million, which surged to over 5.176 million by August 4, 2023. This increase represents an addition of about 2.651 million new investors in a single year, underscoring the growing interest among individual investors in the Turkish capital market.

Foreign Investors: The Turkish capital market has also seen a notable increase in foreign investor activity. In June 2023, foreign investors purchased 313.4 million USD worth of shares in one week, marking the largest weekly purchase of the year. In two weeks, foreign investors bought shares worth 575.2 million USD. This surge in foreign investment aligns with the positive outlook on Turkey by foreign institutions and is expected to translate into record-breaking performances in the Turkish stock market.



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Market Performance and Outlook: Borsa Istanbul has shown impressive performance, with substantial gains over various periods. For instance, it registered a 67.2% increase from May 24, 2023, onwards, with the market capitalization of companies rising from 4.872 trillion to 8.5 trillion Turkish Lira. This performance placed Borsa Istanbul among the top-performing global stock markets in terms of annual returns in 2023.

These findings indicate a highly dynamic and growing Turkish capital market in 2023, characterized by a significant increase in IPO activities, substantial funds raised, and rising interest from both individual and foreign investors. This environment presents a fertile ground for investment and growth, making it an attractive market for stakeholders, including companies looking to go public and investors seeking lucrative opportunities.

The Turkish capital markets, particularly Borsa Istanbul, have experienced significant growth in 2023, outperforming some major European markets in terms of IPO activity and funds raised. This achievement is even more remarkable given the global downturn in IPOs. According to Financial Times analysis, Borsa Istanbul hosted 39 IPOs in 2023, raising a substantial amount of 46.678 billion Turkish Lira (approximately 2.283 billion USD). Compared to major European exchanges, Borsa Istanbul surpassed London and Frankfurt in IPO funds raised, with London accumulating just \$967 million and Frankfurt \$1.1 billion. In total, 30 companies in Borsa Istanbul raised \$1.9 billion, placing it among the top 10 global IPO venues for the year.



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The BIST 100 Index has seen a remarkable rise of 318% since the start of 2022, reflecting the buoyant stock market environment in Turkey. Newly listed companies have also seen significant gains, with the BIST IPO index soaring more than 550% in lira terms since the start of 2022.

The majority of companies listing in Turkey are retail-oriented, domestic-focused businesses. There has been a concerted effort by market regulators and Borsa Istanbul to educate people about equity capital markets and encourage retail investor participation. This strategy has increased awareness among founders and investors about the viability of IPOs for exits.

Many of the IPOs in Borsa Istanbul have seen high participation from local retail traders. For instance, Kaleseramik's IPO in July 2023, where 79% of shares were sold to domestic individual investors, exemplifies this trend.

The combined analysis shows that Borsa Istanbul's growth in 2023 has been driven by a surge in retail investor participation and a conducive regulatory environment, leading to significant IPO activity and funds raised, outpacing some of the larger European stock markets. This trend highlights the potential and appeal of the Turkish capital market, both for local companies seeking to raise capital and for investors looking for robust returns.



Benefits of Listing on International Markets for Turkish Companies



The importance and benefits of listing in international markets for Turkish companies are various;

Global Recognition and Prestige: Listing in international markets enhances a company's global visibility and strengthens its brand prestige. This enables the company to reach a broader investor base in international markets.

Expansion of Investor Base: International listing attracts investors from different geographies, expanding the company's investor base. This increases the company's liquidity in the capital markets and enhances its financial flexibility.

Improved Financing Opportunities: Listing in global markets can offer companies a wider source of financing and more favorable financing conditions. This is a significant advantage for expansion and growth projects.

Corporate Reputation and Trust: Compliance with international standards enhances a company's corporate reputation and investor confidence. It also strengthens the company's ability to conduct business on a global scale and solidifies its market position.



Benefits of Listing on International Markets for Turkish Companies



Higher Valuation Potential: Companies listed in international markets often achieve higher valuations compared to local markets. This increases the market value of the company and the potential for creating value for shareholders.

Strategic Partnerships and Collaborations: International listing can facilitate strategic partnerships and collaborations with other global companies. This provides opportunities for entering new markets and expansion.

Regulatory Compliance and Transparency: Listing in international markets requires companies to be more transparent and comply with regulatory rules. This enhances corporate governance standards and strengthens the company's reputation.

These benefits make listing in international markets a strategic and attractive option for Turkish companies. It is important for companies to capitalize on these opportunities to enhance their global competitiveness and reach a wider investor base.



Advantages of being Listed in OTC Markets Group Indices



The advantages for companies in listing on marketplaces operated by OTC Markets Group are as follows:

Similarity to Organized Exchanges: OTC marketplaces have an operational structure and transaction mechanisms similar to traditional exchanges. This facilitates easier adaptation for companies to these platforms and faster comprehension of current market dynamics. Thus, companies can find the exchange infrastructure and operations they are accustomed to in these markets.

Regulatory Compliance Advantages: OTC markets generally have less stringent regulatory requirements compared to major exchanges like NASDAQ or NYSE. This makes the regulatory compliance process less costly and complex, especially for small and medium-sized enterprises. The reduced regulatory burden allows companies to focus their resources on other important aspects of their business.

Advantages of being Listed in OTC Markets Group Indices



Investor Protection and Sponsored ADR Programs: OTC markets feature investor protection mechanisms through sponsored ADR (American Depositary Receipt) programs. These programs enable the shares of foreign companies to be easily traded in the US markets and provide investors with rights equivalent to those of shares traded in the company's home market. Additionally, these programs require companies to comply with US regulatory standards and enhance transparency, thus strengthening investor confidence.

Role of Custodian Banks: In sponsored ADR programs, custodian banks play a significant role. These banks ensure the safekeeping and management of the stocks. They also handle all transactions related to the stocks and communication with investors. This creates an additional layer of security for investors while alleviating the operational burden for companies.

Advantages of being Listed in OTC Markets Group Indices



Stability in Stock Prices: In OTC markets, stock prices are generally less volatile compared to major exchanges. This is particularly important for low-volume transactions. While significant price fluctuations can occur in major exchanges due to low volume, such fluctuations are usually less common in OTC markets. This provides a more predictable investment environment for investors, especially beneficial for small and medium-sized companies.

These details clearly outline the various advantages of listing in OTC Markets Group's marketplaces for companies.

Conclusion



In conclusion, the Turkish capital markets, led by Borsa Istanbul, have demonstrated significant resilience and attractiveness in 2023, with a robust influx of IPO activities and heightened interest from a diversified investor pool. This dynamic environment, bolstered by a regulatory framework that encourages participation, offers a fertile landscape for Turkish companies seeking capital infusion and visibility on a global scale. Meanwhile, the inclusion in OTC Markets Group's marketplaces presents Turkish companies with an unparalleled opportunity to enhance their global footprint, offering investor protection through established ADR programs and facilitating access to a broad spectrum of international investors. These platforms serve as a testament to the growing prowess and potential of Turkish enterprises, promising a progressive trajectory towards global economic integration and success.



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