

# Dogan Holding to launch investment bank in 2021 Q1

► BY HANDAN SEMA CEYLAN

**TURKISH** conglomerate Dogan Holding is preparing to launch its investment bank in the first quarter of 2021. The company has decided to focus on three new sectors -chemistry, auto sub-industry, and packaging. “The large banks’ desks are too crowded,” said Caglar Gogus, CEO of Dogan Holding, adding that SMEs need support the most.

“Large banks sometimes have trouble offering full capacity service. With our e-commerce experience in hand, we believe we can create a technology-friendly structure,” he said.

The CEO also highlighted the importance of managing the business on a quarterly basis under pandemic conditions.

Speaking to daily DUNYA, Gogus said there are three main sectors that the conglomerate is strategically interested in. “We focus on auto sub-industry, chemistry, and packaging. In chemistry, specialty chemicals will be our center of interest, not petrochemicals. We’ve just bought majority stakes at a packaging company,” Gogus declared.

Dogan Holding has acquired a packaging company called Sesa Ambalaj for EUR 57.8 million and is waiting for the judicial process and the approval of the Competition Board. “Aside from that, we aim to strengthen our businesses. We want to either grow our businesses in scale or pay dividends by strengthening our businesses. We’ve paid more dividends in 2019. We

believe it’s important because our investors think so too.”

## TRY 123 MILLION PROFIT FROM FUEL

Dogan Holding received the highest profit from the fuel retail sector through its fuel subsidiary Aytemiz. The conglomerate made a total of TRY 506.8 million gross profit from seven sectors in the first six months of the year. The fuel retail sector constituted the highest amount in the total profit at TRY 123.8 million, followed by electricity generation and trade at TRY 99.6 million and internet and entertainment at TRY 93.7 million.

## WORK ON BANK IN PROGRESS

Dogan Holding has secured a license to establish an investment bank and is still working on the bank’s name. The work on personnel and technical infrastructure has also been accelerated. “We aim to launch the bank by the end of the year,” the CEO said. “It may be one month late or early. We are working relentlessly to build a technology-friendly structure through our know-how and experience in e-commerce.” The holding’s plans on the bank are based on two dimensions, the CEO stated. One is commercial financing restructuring, especially for commercial enterprises, which they see as an opportunity as the big banks are too busy to deal with them. The second is



Dogan Holding CEO Caglar Gogus: Large companies must create operational profit, not financial profit. These companies are not banks. We use very simple derivatives, we never use swap or any other complicated transactions.

to mobilize existing credit models by enriching data usage on e-commerce platforms.

“We receive feedback from the market about their needs on these,” he said, “And Turkey has a significant opportunity. Small and medium enterprises (SMEs) need support the most. Sometimes big banks may fail to provide services. By merging these two dimensions, we believe we can be successful in our investment. It’s a new field for Turkey, and we want to be at the forefront.”

## ► What will be the flagship for the holding after the sale of the media business (Hurriyet, etc.)?

“We are constantly asked about this. The flagship issue is glued to us. Now, I want a more homogenous distribution of profit. I don’t want to see too small players. You can’t receive 80% of your profit or EBITDA from a single company anymore. If you ask me, we are at a point where EBITDA and the net profit are balanced. The energy sector means a lot to us. Our media corporation in Romania means a lot to us. Financial services and factoring in Turkey mean a lot to us. Our commerce activities are going well.”

## ► How has the holding been affected by the pandemic?

“Sectoral diversity became natural hedging during the pandemic and we’ve managed the coronavirus pandemic process well. Our first three months were moderate. It

wouldn’t be accurate if I said we weren’t affected by the pandemic in the second quarter, but our balanced portfolio and homogenous distribution of profit helped. Our shopping mall and tourism businesses were hit the worst. But since our portfolio includes energy, foreign trade, technology, and media, it wasn’t that bad.”

## ► How did you manage to avoid the negative effects of COVID-19?

“Just like everyone else, we focused on cash flow during this period. We reduced net loan levels. We curbed expenses. A large portfolio sometimes becomes a disadvantage in terms of concentration, but it became an advantage during the pandemic. We divided our sectors into three groups: businesses that weren’t affected by the pandemic, businesses that were moderately affected, and businesses that were highly affected. For example, the real estate sector was highly affected by the virus.

Our Turkish real estate platform, Hurriyet Emlak, faced many issues in April and May but recorded a sharp increase as of June. Aytemiz was moderately affected, but the sector also gained pace as of June since public transportation is still not widely used. There’s a flight from public transportation and high demand for personal vehicles. Our margin increased in the majority of our businesses.”

## ► How do you cope with foreign exchange volatility?

“I try to think simply in terms of managing the foreign exchange rate volatility. I avoid complicated products and solutions. We never get foreign currency loans in a project with domestic income. We don’t offer

vacant positions. We never use large derivative transactions. We have that risk in the fuel sector as well. We use limited hedging in the fuel sector until we nationalized it. I see that large companies have lost large amounts due to complicated products. You earn for a year but lose for three years. I also believed that these companies must create operational profit, not financial profit. These companies are not banks. We use very simple derivatives, we never use swap or any other complicated transactions.”

## ► How was the volatility reflected on your management?

“I manage the business on a quarterly basis, like technology companies. We have a yearly budget, but we manage our businesses separately. I even think it would help to manage them on a monthly basis. This model creates overtime pressure, but it works. In terms of the third quarter, there’s a return to technology.

I don’t think that this will be permanent because these kinds of increases outlasting others always have disadvantages for the economy. This rise will cool down in the fourth quarter. But the pace of the slowdown is tied to interest rates and foreign exchange.

Everyone knows that the Turkish economy is indexed to credit increases. When the credit volume increases, the economy grows faster. When the volume decreases, the pace slows down. But it has a balance because when there’s fast-growth, the macroeconomic balances are disturbed. The third quarter will perform well, but the fourth quarter will be moderate. But still, we can’t be certain about the fourth quarter due to the pandemic.”

## Media business in Romania to grow

### ► We almost paid off our debt in foreign media

We have the main business in Romania. It’s going well. In addition to our TV channel, we also have five portals and a radio station. We describe it as an integrated media company. Our TV revenues diversified with cable, internet, and radio, as well as commercials. What I want is to reduce risks and increase predictability. It’s important because if a TV program is not getting the ratings you want, you have to brood over it for the next three months. We have a healthy revenue distribution. This encourages us. We earn Euro, so our company’s debt is nearly paid off.

### ► If you know the industry and the country...

We know that various Turkish companies went abroad in the past with huge claims. But it’s not always easy to put these claims into action. That’s why we are focusing on industries that we know well in foreign countries. We are good at energy; we want to carry it overseas, but we don’t have any new industries or countries on our agenda at the moment. We are looking for foreign opportunities in existing industries.

### ► Strengthening ‘content’ in Romania

Content is very expensive. We know it’s valuable to create content, but it’s also pricy. You need to enrich the content to have a specific amount of subscribers. It’s not that easy, because then you have to think about how many personnel will be required to do the job. Freelance business models are popular, but they are not easy to implement. We want to strengthen our content in Romania. Being a platform has large costs, but since we are well-adjusted in Romania, we want to grow. ●