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MONITOR

NEWS AND ANALYSIS ON TURKEY

COSKUNOZ HOLDING HAS A 10-YEAR STRATEGIC PLAN TO EXPAND ITS INVESTMENTS ABROAD WITH NEW FACILITIES IN RUSSIA IN THE AUTOMOTIVE SECTOR, AND BY EXPLORING GLOBAL INVESTMENT OPPORTUNITIES IN OTHER SECTORS IN WHICH THE HOLDING OPERATES, SAYS CEO ERDEM ACAY.

**2022 AND BEYOND:
GLOBALIZATION**

Coskunoz Holding to add new sectors to its globalization strategy

► BY HUSNIYE GUNGOR

TEACHERS in Turkey had the desire to be productive and serve the country back in the 1950s, when the republic was still young and eager for industrialism. M. Kemal Coskunoz, a technical high school teacher at Tophane Arts School in Bursa in that era, saw the needs of the country and committed himself to meeting them. It was what any teacher raised with the Village Institutes spirit would do. He laid the foundation for a holding company in 1949, when he opened a small atelier that produced forks, knives, and spoons with mould, which was a first in Turkey. The business expanded into other sectors and eventually transformed into a holding company, which even expanded beyond Turkey's borders in 2012. Coskunoz Holding CEO Erdem Acay summarizes what they now do, over 70 years later, as "trying to maintain M. Kemal Coskunoz's spirit, focused on contributing to production and to the country as much as we can, focusing on the country's present needs." That's a humble way of describing Coskunoz Holding, so let us use the information he provided us to tell the company's story.

Today, Coskunoz Holding carries out mass production and creates molds for automotive brands such as Ford, PCMA (Peugeot-Citroen-Mitsubishi), Kamaz, Mercedes-Benz, RNPO (Renault-Nissan), Tofas/Fiat, Aurus, Volkswagen, Audi and BMW in its domestic and international factories. The company has partnerships with Russian sheet metal producer MMK as well as the Italian company Magnetto Automotive to carry out its automotive production.

Coskunoz Savunma ve Havaci-

lik (CHS), a subsidiary of the holding company that operates in the defense and aerospace sector, manufactures parts for almost all major global aviation companies, including Boeing, Airbus, Bombardier and Fokker. It also produces turnkey products for critical Turkish contractor companies that operate in the sector, such as TUSAS, Roketsan, Aselsan, and TUBITAK Sage.

Coskunoz Holding CEO Erdem Acay expects to finish out 2021 with a turnover of EUR 350m. "With the effect of the pandemic, our turnover decreased slightly compared to 2020, totaling EUR 240m. We will return to 2019 levels again this year," he said. The turnover target for 2025 is EUR 500m, which they plan to achieve with investments and collaborations in line with the company's globalization goals.

The company plans to reach a 17% share of direct exports in this year's targeted turnover rate. Acay expects 15% of the turnover to come from the company's overseas operations by the end of 2021. "Our goal is to increase the share of foreign countries in our total turnover to 30-40% in the medium term," he notes.

Coskunoz Holding began producing the first patented fabric making machine in Turkey in 1950. It took ten years for the company to enter the automotive supply industry, which soon became its main field of activity. In the early 1960s, the company began producing sheet metal bending steel joinery profiles. The company produced the first steel bus body - they were previously made of wood - in this era. The foundations of Coskunoz Metal Form's factory in Bursa, which

is the company's flagship automobile production center, were laid in 1966.

The company entered the defense industry by exporting transport and storage boxes made of aluminum alloys in 1991. In 2012, Coskunoz Holding made its first investment abroad and laid the foundations of Coskunoz Alabuga in Russia. In 2020, it made its second foreign investment following its Russian factory, opening an automotive factory in Romania, Coskunoz MA.

AUTOMOTIVE LEADS GLOBALIZATION

Coskunoz Holding made its first investment abroad in 2012 in Russia. Coskunoz Alabuga LLC, established in the Tatarstan Autonomous Republic of the Russian Federation, started to produce pressed sheet metal parts for the automotive industry in the second half of 2014. The company's second investment in Russia came in 2016 in partnership with one of the country's largest steel producers, PJSC MMK Group. The MMK Coskunoz Alabuga Steel Service Center became the first company in the region to provide roll sheet cutting services for different sectors, such as automobile body parts for vehicle manufacturers and white goods.

"With the cooperation of Coskunoz Alabuga and PSMA, we further expanded our activities to the production and delivery of medium and large-sized body parts for light commercial vehicles. We produce these in the PSMA factory, which PSA Peugeot-Citroen established in partnership with Mitsubishi," Acay said.

These two investments in Russia laid the foundations for the company's

globalization. As the supplier of Original Equipment Manufacturers (OEMs) in the region, the holding company has increased the accessibility of its services and products. "We have invested around EUR 60m in Russia so far," Acay said, adding that the company's presence in the region will grow further with planned forthcoming investments (EUR 15m this year and in 2022).

The reason for the success of these investments was that prior to the holding company's establishment in the region, there was no automotive sub-industry production there, according to Acay.

When the factory opened in 2014, Coskunoz Alabuga only produced for Ford Sollers, which was only 500-meters away from the plant. The company's client base and business network expanded rapidly. Along with the global automotive brands mentioned above, the company is also the main supplier for Russia's domestic car project, Aurus.

MAIN SUPPLIER FOR RUSSIA'S AURUS

"Aurus is a project that we are very proud to be a part of, and it is of great importance for Coskunoz Holding, especially in terms of prestige," Acay remarks. The company produces all molds and serial sheet metal parts for the project, as well as almost all body parts for the limousine, SUV, and MPV models of Aurus vehicles. Acay thinks that this brand will enter the automotive market as a strong player and will reshape competition in the luxury vehicle category. "We are investing approximately EUR 7m in a new factory, different pressing machines and a laser process for the production



of Aurus Nami,” he added.

Coskunoz Holding first invested in Romania in 2020. Total investment in the country has now reached EUR 27m, and the company has built a factory to produce pressed sheet metal parts, exterior panels and large body parts for vehicles manufactured in Europe and North Africa. The holding company has a 10-year strategic plan (post-2022) to further its investments abroad, including building new campuses in different regions of Russia for existing and new customers in the automotive sector. The company also plans to evaluate new, potential sectors in Russia in which they could operate, such as environmental technologies.

In line with its goal to become a global solution partner as a supplier, Coskunoz Holding has accelerated its efforts to establish strategic cooperation in mass production and automotive mold production in Europe, North Africa,

America, the Turkic Republics, Russia and East Asia. “We aim to increase our mold exports to Europe, North Africa and the U.S. We are also continuing our negotiations with China on a strategic partnership for mold and mass production in Turkey and China.”

Coskunoz holding plans to expand globally with a range of technologies in a variety of sectors. Acal says the company plans to bring their IT company CITS to European countries, primarily to the UK and Germany. “With INEVA, which produces energy from waste sludge disposal, we aim to expand the sludge disposal and treatment system, our domestic technology, to Eastern Europe, the Turkic Republics and Russia,” he adds. UAVERA, which produces a domestic Unmanned Aerial Vehicle, is also working to export to European countries.

“The period from 2021 and beyond will go down in the history of the holding company as the

years when the company increased its exports and investments in new products and sectors with the aim of becoming a global institution,” Acay said.

The founder of Coskunoz Holding, M. Kemal Coskunoz, known as Kemal Teacher, is recognized and acknowledged as one of the most valuable first-generation industrialists and pedagogues of the Republic. Due to his love for teaching, he founded the Coskunoz Education Foundation in 1988 to help young people discover their potential, realize their dreams and make a difference in the world. Kemal Teacher passed away on October 12, 2000, having made a great contribution to the Turkish youth and economy. With his legacy, he continues to prepare thousands of young people for business life and the future, while the holding he founded is making a difference in the world, acting under his motto: “If I do a job, I must be the best.”

GLOBAL PARTNERSHIPS AHEAD IN UAV

Coskunoz Holding made an investment in January 2021 that will carry Turkey’s specialization in the field of defense and aviation to the top of the industry. It acquired Ankara-based unmanned aviation company IVME, which was established to develop domestic and international generic flight control systems for sub-cloud fixed-wing UAV systems, as well as target UAV platforms and unmanned aerial vehicles. Operating within the holding under the company name “UAVERA,” the company will focus on providing products and services for use in the civil and military sectors. It aims to be the market leader and technological innovator in the vertical take-off and small UAV market in Turkey. In addition to UAV and military projects, the company will also provide services and products to semi-private and private institutions, including surveillance, detection, monitoring and maintenance. The company plans to open up to the foreign market and will evaluate global partnerships.

INVESTING IN ENTREPRENEURIAL ECOSYSTEM

“We have taken an important step to contribute to the entrepreneurship ecosystem in our country using our 71-year-old industry experience and innovative culture. We hope to contribute to both Coskunoz and the Turkish economy by investing in initiatives with our venture capital investment fund, which we will formally announce soon. We made our first investment in an initiative spanning the fields of mobility, medical technologies and medical tourism, which we consider critical. We will announce a further investments in the near future.”