



BPO Sector in Romania

Players Activity and M&A

A FRD Center analysis





Introduction



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This presentation is produced by FRD Center – www.frdcenter.ro - one of the pioneer privately owned independent market entry consulting and M&A advisory firms in Romania.

Since 2000, FRD Center offers tailor-made market research and intelligence, target origination, B2B matchmaking, background checks on players, M&A consulting services, competitive analysis to foreign companies interested to enter Romania and the emerging markets in Europe as investors or joint-ventures, to acquire a local player, to relocate their operations in CE, SE and Eastern Europe.

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As part of the CSR activity

FRD Center endorses the **Sibiu International Theatre Festival SibFest FITS** -

www.sibfest.ro

The Sibiu International Theatre Festival is the most complex festival in Romania. Internationally, it has become the most important performing arts festival in Europe, judging by its amplexness, dimension, and quality of events, before Edinburgh International Festival (Great Britain) and Avignon Festival (France)



Why Romania?

Romania is the most dynamic large market in the EU. With a GDP growth of 3.8-4.8%, comparable only to Ireland, which is 4 times smaller, Romania might seem - and truly is - a good market for foreign and locally manufactured products, as well as a good production base.

Strong democracy, stable political and banking systems, ***one of the fastest Internet speeds in the world, educated English speaking population.***



Why BPO in Romania?

Romania is one of the most preferred near-shore locations, capitalizing on the solid education system, with a strong focus on IT and finance & accounting and, therefore, providing a steady, relatively inexpensive and qualitative flow of skilled resources to meet the growing demand of SSC/ BPO entities.



Cultural compatibility and a **large scale of foreign language skills**, covering English, French, Spanish, Italian, German, Dutch, Portuguese, Hungarian, Czech, Slovak, Bulgarian and Russian, provide a competitive edge to the Romanian work force.

Here are some facts on Romania that might be of interest to a foreign investor or BPO provider looking to acquire a local player and set up operations in Romania, thus accessing the EU market (510 million people) and other key markets overseas.

Why BPO in Romania?

With a well-grounded tradition in **BPO services**, Romania was ranked fourth in the 2015 BPO and Shared Service Location Index published by Cushman & Wakefield.

The **Romanian BPO market** includes more than 250 companies that activate in the business services sector. More than 64,000 university graduates form the talent pool of the sector.

The Romanian market of outsourcing and support services, estimated at over EUR1.5bn, employs over 109,000 people. According to ABSL, the average attrition rate in the business services sector in Romania is 17 - 23%. The jobs created in the business services sector in Romania have recorded a Compound Annual Growth Rate of 33% during 2013 – 2016.

The **Romanian outsourcing market** has recorded a significant growth in the recent years and currently is consolidating its position as one of the leading outsourcing sectors in Europe.

The outsourcing sector in Romania is characterised by:

- availability of qualified resources
- language proficiency
- relatively low labour costs
- strong IT infrastructure

Main services and sectors in Romanian BPO market

According to an ABSL and KPMG report in 2016 carried out by interviewing 36 outsourcing companies operating in Romania, the main sectors serviced are:



banking, insurance, financial services:	16%
technology and telecom:	15%
industrial and consumer goods:	14%
business and professional services:	13%
consumer services (including media, retail, travel and leisure):	11%
energy, utilities and basis materials:	11%
healthcare:	8%
public sector:	5%
others (transportation, logistics, pharmaceutical, gaming and betting, airport management, automotive, audit etc):	7%

The clients of the domestic business services providers are mainly located in Western Europe and CEE, including Romania. Furthermore, the domestic business services providers have clients located in North America, South America, Middle East, Africa and Asia Pacific.



Main players on the Romanian BPO and SSC market



BPO:

Genpact
Computer Generated
Solutions (CGS)
Accenture
Webhelp
Wipro
WNS
Comdata
Arvato
Sykes
Buw
Competence Call Center
(CCC)
Teleperformance

SSC:

Oracle
Microsoft
IBM
HP
Orange
Vodafone
OMV Petrom
BRD
P&G
Emerson
Bosch





Recent new entries on the Romanian BPO market M&A and acquisitions of local players



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Romanian BPO sector attracts numerous foreign investment, both greenfield and crossborder M&A.

In regards to M&A, for example, global BPO player **Telus International** has acquired in 2012 **CallPoint New Europe**, a successful regional BPO provider with operations in the CEE region, including in Romania. CallPoint New Europe had been established in 2004.

NTT DATA Corporation has acquired in 2013 the local company specialised in providing near-shore IT services for international customers **EBS Romania**. With headquarters in Cluj Napoca (NW Romania), EBS has outsourcing experience in the segments of software engineering, software testing, quality assurance and application management and support.

Several local independent BPO and call centers currently operate quite successfully on the Romanian market, reaching turnovers of between 2.5 and 15 MEUR. FRD Center has been monitoring their progress and has direct access as owner-level.

Recent new entries on the Romanian BPO market Case study: Pole To Win International

In October 2016, Japanese BPO services firm **Pole To Win International (PTWI)** has opened its office in Bucharest, as part of its strategy to consolidate the company's position in the European and global market. Bucharest was chosen as a location for the new office alongside Seattle, USA and Hyderabad, India.

Currently, the office in Bucharest has 20 employees, while the company plans to increase the headcount up to at least 100. From the Bucharest office, PTWI will provide customer experience, functional quality assurance, localization quality assurance and software quality assurance.

PTWI identified Bucharest as a key location in Eastern Europe because of the multilingual talent pool, the thriving games and tech community in the city, and the potential for growth at that location.



Six Main BPO Players in Romania

Some of the most active BPO players in Romania are Genpact Romania, Computer Generated Solutions Romania, Accenture Services, Webhelp Romania, Wipro Technologies and WNS Global Services Romania.

FRD Center has analysed their financial performance and activities.

Net turnover (million EUR)	2013	2014	2015
Genpact Romania	71.4	79.1	91.1
Computer Generated Solutions Romania	30.2	31.1	42.9
Accenture Services	13.4	20.6	31.0
Webhelp Romania	12.8	18.6	22.8
Wipro Technologies	20.9	19.6	20.0
WNS Global Services Romania	7.5	8.9	9.3

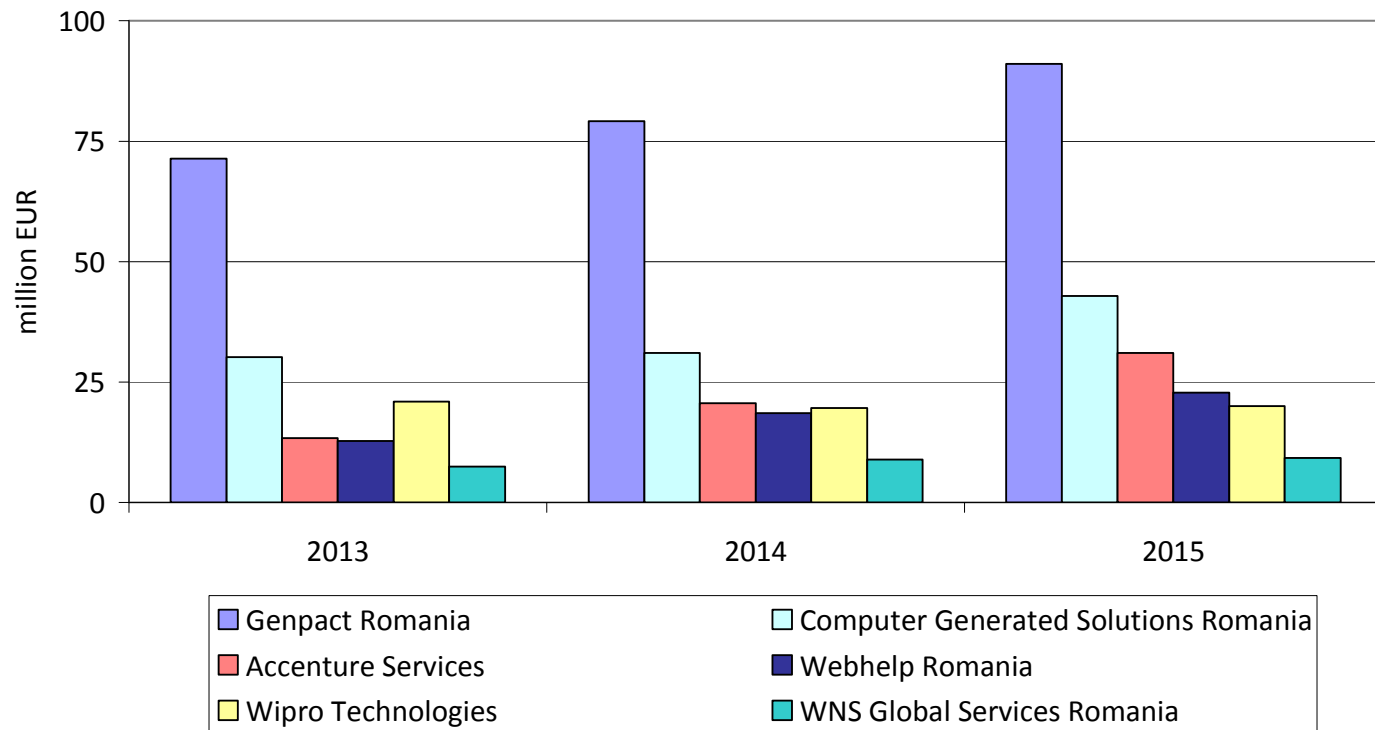
Source: Ministry of Public Finances, FRD Center



Six Main BPO Players in Romania TO analysis



Net turnover dynamics of six BPO service providers in Romania



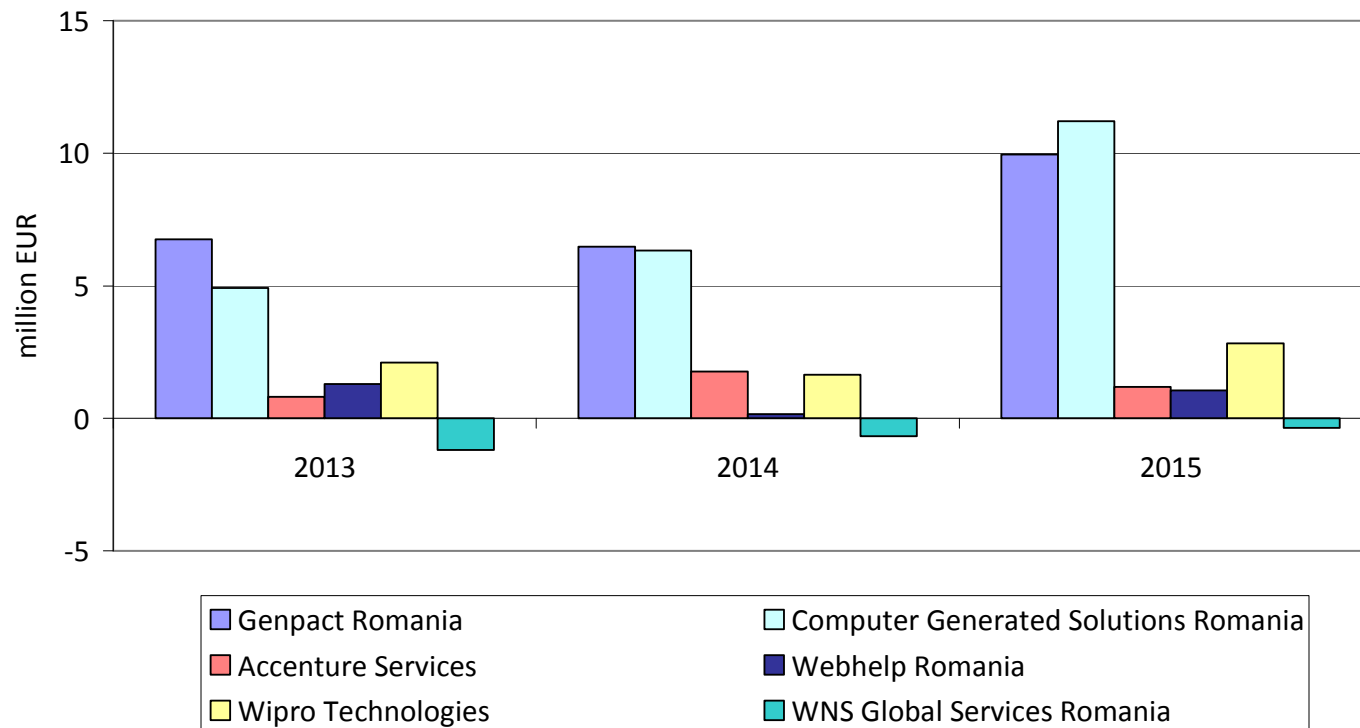
Source: Ministry of Public Finances, FRD Center



Six Main BPO Players in Romania Profit / loss analysis



Net profit / loss dynamics of six BPO service providers in Romania



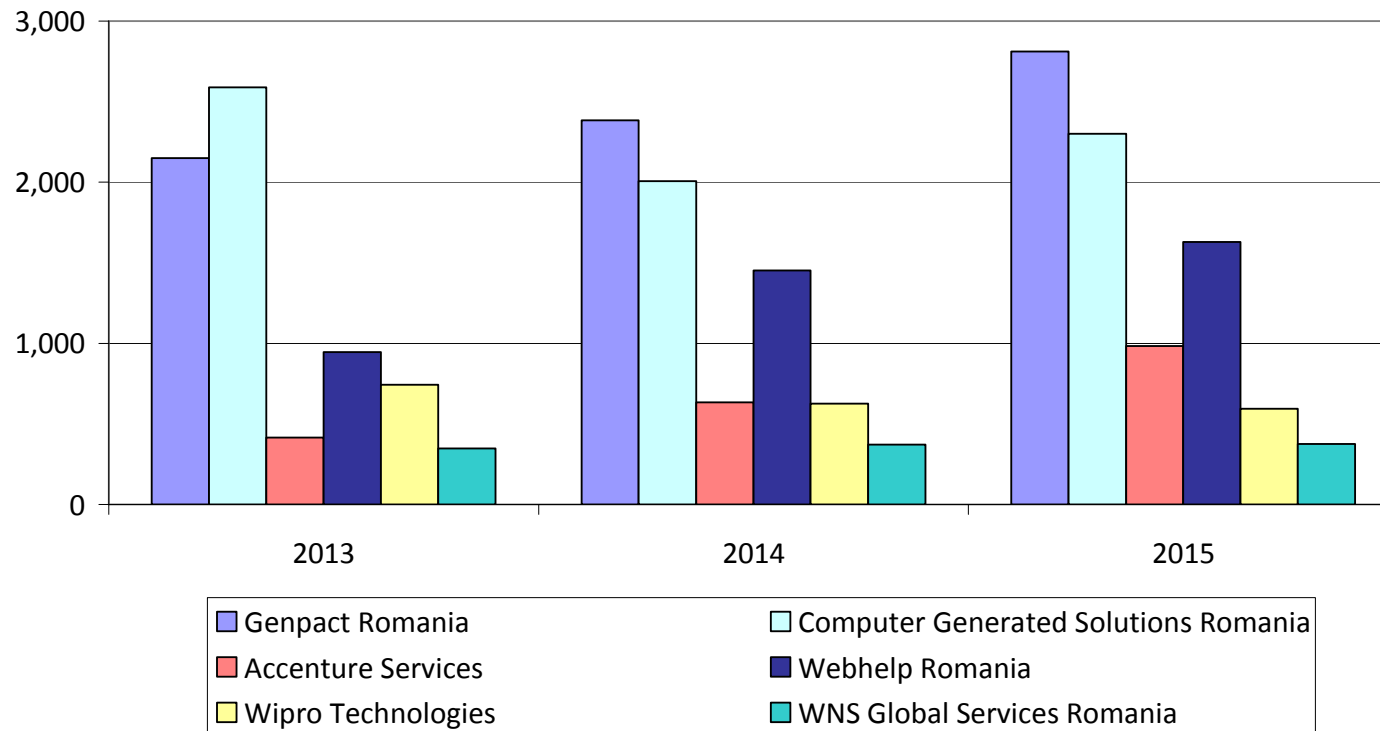
Source: Ministry of Public Finances, FRD Center



Six Main BPO Players in Romania Employee number analysis



Average number of employees of six BPO service providers in Romania



Source: Ministry of Public Finances, FRD Center



Six Main BPO Players in Romania "Rare" languages analysis

Language	Genpact	CGS	Accenture	Webhelp	Wipro	WNS
Dutch	Orange	Orange	Orange	Orange	Orange	Orange
Swedish	Maroon	Maroon	Maroon	Maroon	Purple	White
Norwegian	Green	Green	Green	Green	Green	Green
Danish	Cyan	Cyan	Cyan	Cyan	Cyan	White
Finnish	Blue	Blue	Blue	Blue	Blue	Blue
Hungarian	Yellow	Yellow	Yellow	Yellow	White	Yellow
Polish	Dark Blue	Dark Blue	Dark Blue	Dark Blue	Dark Blue	White

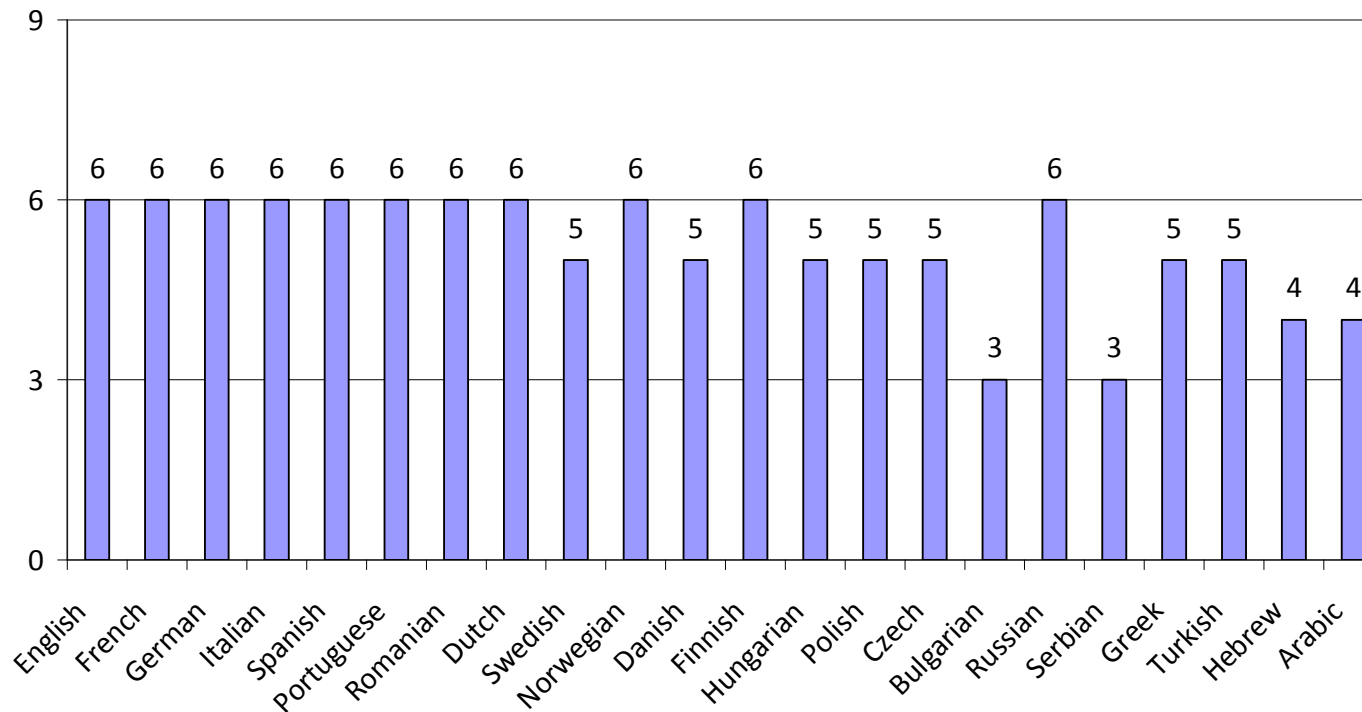
Source: FRD Center



Six Main BPO Players in Romania Languages analysis



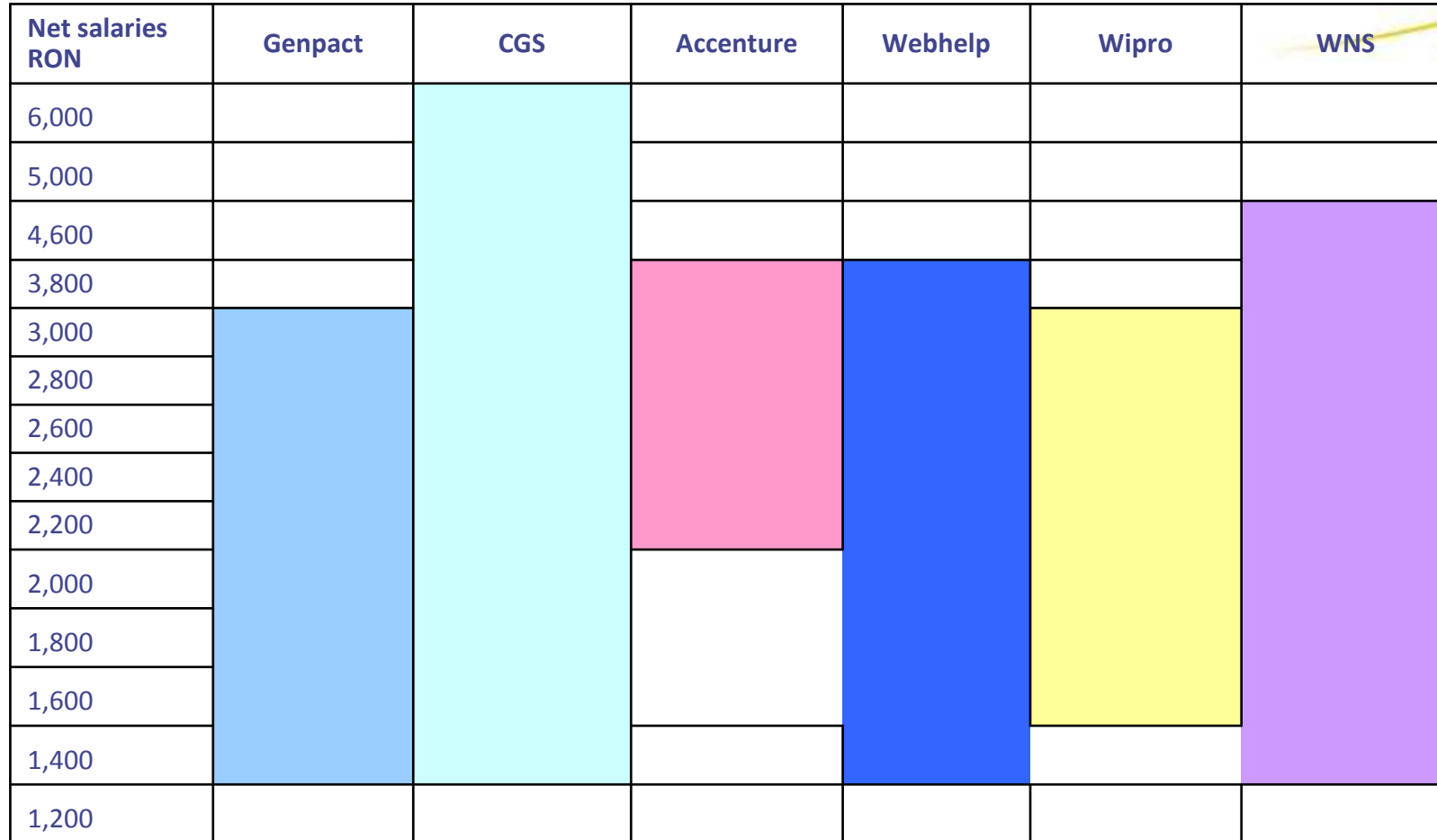
Languages comparison - six BPO service providers in Romania



Source: FRD Center



Six Main BPO Players in Romania Salaries analysis



Source: FRD Center

Six Main BPO Players in Romania Sectors served analysis

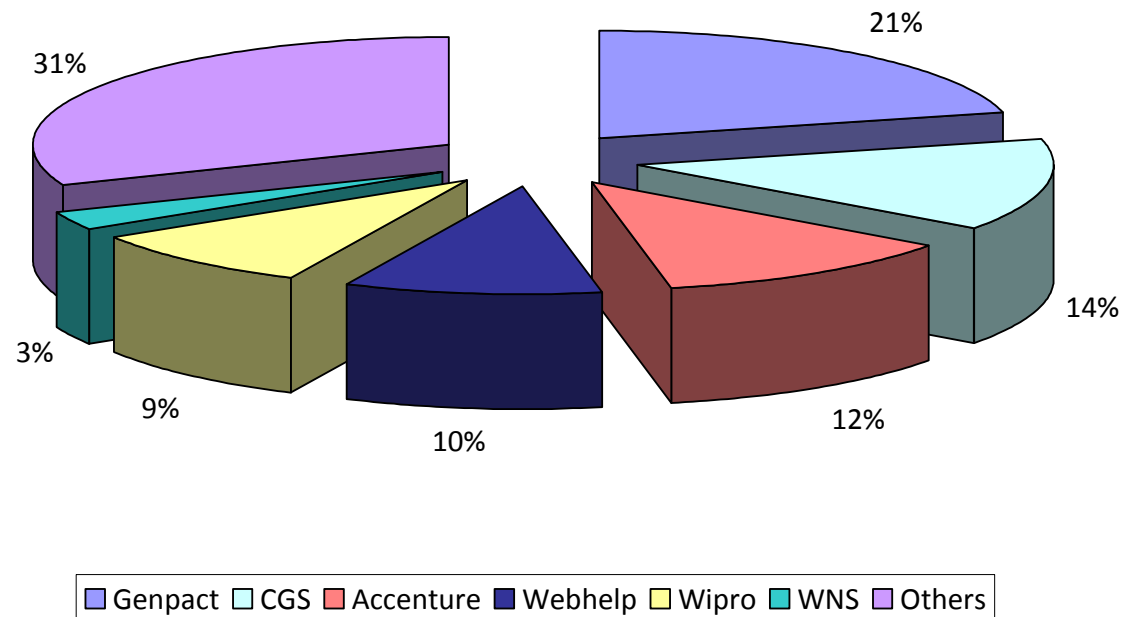
Sectors	Genpact	CGS	Accenture	Webhelp	Wipro	WNS
Telecom						
Utilities						
Financial - Banking						
Insurance						
IT						
Automotive						
Retail & e-commerce						
Consumer Goods						
Pharma & Healthcare						
HR						
Media & Entertainment						
Tourism & Hospitality						
Transport & Logistics						
Public						
Help Desk						
Manufacturing & Engineering						
Education						
Business Administration						



Six Main BPO Players in Romania Estimated market share



Estimated market share of BPO sector in Romania



Source: FRD Center

Brief profile of main BPO Players in Romania: Genpact

Genpact entered the Romanian market in 2005, starting with three customers and approximately 80 employees. Currently, **Genpact Romania** have a portfolio of over 50 customers in Europe and more than 4,500 employees. In 2016, it was awarded the BPO Company of the Year prize by Outsourcing Today.

Over the past two years, the company has expanded its team in Romania to be able to answer its operational necessities. They hired approximately 1,500 people / year, 70% of whom were actively recruited. According to company sources, the Bucharest office is the largest in Europe, with over 2,100 employees, because the most complex operations are delivered from Romania.

According to data from the risco.ro website published by Business Review, Genpact's turnover in Romania totalled EUR91m, with a net profit of EUR9.96m and a net profit margin of 10.9%.

For the short term, the management aims to grow the business and operations in Romania. They expect to expand the Romanian team to 5,000 employees.

BPO sector in Romania: Expected evolution

According to a 2016 ABSL and KPMG report, the 36 outsourcing companies operating in Romania that have participated at the survey have the following plans for the next two years:

- 19 companies have expansion plans (52.8%)
- 14 companies have expansion plans, combined with stabilisation and optimisation of current activities (38.9%)
- 2 companies have plans for stabilisation and optimisation of current activities (5.5%)
- 1 company has no plans to change its current activities (2.8%)

According to ABSL, the number of jobs in the business services sector in Romania is estimated to reach 200,000 by 2020.



BPO sector in Romania: Expected evolution

Future legislative and fiscal changes are expected to support the growth of the outsourcing sector in Romania:

- increased fiscal incentives
- flexibility in hiring and terminating labour contracts
- access to grants and subsidies
- increased government support
- decreased corporate and labour taxation
- facilities for headcount increasing flexibility in arrangements for night shifts

For 2017, the players in the BPO sector in Romania are focusing their strategies to drive value to business and success through new innovation in cloud-based software, mobile technologies, and implementation of workforce analytics

Numerous foreign players are currently considering opening a call center and BPO office in Romania, under requests from major Clients.

FRD Center assists foreign companies with target for acquisition and origination in Romania and the other Emerging Markets in Europe.



For an offer of tailor-made market research and intelligence, target origination, B2B matchmaking, background checks on players, competitive analysis, M&A consulting services in Romania and the region, contact:



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