

TRADE AND INVESTMENT OPPORTUNITIES IN ROMANIA

Q1 2020



Romania is the 2nd largest market in Central Eastern Europe, one of the most dynamic economies in the region and a gateway to both the EU and Eastern European markets.

KEY SECTORS OF POTENTIAL OPPORTUNITY FOR EXPORT AND INVESTMENT TO ROMANIA, FOR SOURCING PRODUCTION AND FOR RELOCATION OF OPERATIONS as observed by FRD Center include:

1. Building and Construction
2. Furniture Manufacturing
3. Agricultural Machinery
4. BPO, Call Centers
5. Metal Parts Manufacturing
6. Wastewater Management

This opportunity report is produced by **FRD Center Market Entry Services** – www.frdcenter.ro - one of the pioneer privately owned market entry consulting firms in Romania. Since 2000, FRD Center offers tailor-made market intelligence, B2B matchmaking and market access consulting services to foreign organisations interested to enter the emerging markets in Europe as exporters, consultants, investors or joint-ventures, to relocate their operations, or to source in CE, SE and Eastern Europe.

FRD Center is the trade consultant for the Irish Governmental Agency, Enterprise Ireland, for Business Finland (Finpro) and the representative of the Murcia region Development Agency (Spain). Other clients are Commercial Sections of Embassies, Export Councils, Trade Governmental Agencies, Chambers of Commerce, private companies, corporations, SMEs from Canada, China, Denmark, Germany, India, Ireland, Israel, Jordan, Norway, Poland, UK, USA, Switzerland etc.

Our services include:

- market research, investment opportunities assessment, sector studies, market briefs
- identification and qualification of B2B distributors, importers, suppliers etc.
- product presentation and assessment of interest from clients / partners
- pre-M&A business support and research, deal origination, M&A assistance
- identification of market opportunities: exports, sourcing, B2B sales etc.
- trade missions, business itineraries, inward buyer missions

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Sources consulted for this report: business mass media, the companies, official sources

FRD Center endorses the Sibiu International Theatre Festival

FITS - www.sibfest.ro





FIGHTING THE COVID-19 IN ROMANIA AND EMERGING EUROPE

In spite of early measures taken by the Romanian authorities, COVID-19 has been spreading across Romania with over 6,300 confirmed cases and 318 deceased, as of April 13.

The government has implemented a range of measures to delay the spread of coronavirus and to support people, jobs, and businesses. This includes declaring a state of national emergency on 16th March, increased testing, social distancing measures, including the closure of schools and entertainment as well as travel and domestic movement restrictions, and capping prices of fuel and utilities.

In regards to the Romanian economy, the Government has taken certain measures in order to counter the negative outcomes generated by the lockdown.

However, the measures announced by the Romanian government so far to stimulate the economy in the context of COVID-19 outbreak allocate only 2% of GDP, which represents a huge difference compared to countries in Emerging Europe such as the Czech Republic: 18% of GDP, 3rd highest in the world after Germany and Italy, or Poland: 6.2% and Lithuania: 5%.

FRD Center has researched this topic from IMF records and detailed the respective measures of the Romanian government below.

1 - FISCAL:

- additional funds for the healthcare system
- covering partially the wages of parents staying home for the period the schools are closed
- measures to support businesses including covering in part the wages of self-employed and workers in danger of being laid off for an initial period of one month, deferral of utilities payments for SMEs

In addition, the government is providing initial 10 bnRON for loan guarantees and subsidized interest for working capital and investment of SMEs.

Other measures include faster reimbursement of VAT, suspending foreclosures on overdue debtors, suspending tax authorities' control, discounts for paying corporate income taxes, and postponement of property tax by three months

2 - MONETARY AND MACRO-FINANCIAL

- reducing the monetary policy rate by 0.50 percentage points to 2.0 percent
- narrowing the corridor defined by interest rates on standing facilities around the monetary policy rate to ± 0.5 percentage points from ± 1.0 percentage points
- providing liquidity to credit institutions via repo transactions (repurchase transactions in government securities)
- purchasing government securities on the secondary market
- operational measures to ensure the smooth functioning of payment and settlement systems

In addition, the Government has issued legislation that banks will defer loan repayments for households and businesses affected by COVID-19 for up to nine months.

As far as the other Emerging European Markets covered by the FRD Center team and our local partners, such as Poland, Hungary, Bulgaria etc. are concerned, their Governments too have taken similar measures to prevent the economic crisis.

A few examples are:

1 - BULGARIA: extended terms for various tax payments for corporations and individuals, interest free bank loans for businesses

2 - CZECH Republic: direct and indirect financial support to keep the employment rate, postponement of tax-payment deadlines, speeding up of procedures for new public transport infrastructure projects

3 - HUNGARY: grant 70% of the wages value, Government support grant for public investments of approx. 1.2 bnEUR

4 - LITHUANIA: tax postponements, additional loans / guarantees available for businesses, subsidies on wages and other measures of a total estimated value of 2.5 bnEUR

5 - POLAND: an "Anti-Crisis Shield" package with a total value of approx. 47 bnEUR focusing on: employee security, health care system, public investments, financial system support, financing for companies.

6 - SLOVAKIA: state compensation for 80% of employee's average salary, postponement of loan payments for up to 9 months for the self-employed, SMEs and citizens

The Romanian Government measures to stimulate the economy in the context of COVID-19 outbreak, as researched and compiled by FRD Center, are:

Measure for debtor protection:

- The population may postpone the payment of rates for consumer loans, mortgages or leasing, granted by both banks and NFIs, for a period of one to nine months.
- For the mortgage loans, the interest is zero. There is no interest on interest. The banks and NFIs will not subsequently introduce the unpaid commissions during the postponement period in the cost of loans.
- The beneficiaries of this measure are: individuals who suffered wage reductions, lost their jobs, entered into unemployment or technical unemployment, companies whose activity was restricted by the measures adopted during the State of Emergency and companies whose activity was impacted by the crisis of COVID-19 spreading.

Measure for companies on technical unemployment:

- Throughout the state of emergency, the technical unemployment indemnity is 75% of the gross salary, up to the limit of 75% of the average gross salary
- Any company, regardless of size, can access the support measure regarding the technical unemployment indemnity paid from the state unemployment insurance budget

Measures to support the economy and companies affected:

- Credits and lines of credit for SMEs guaranteed up to 80% of the amount of financing granted
- Suspension of the forced executions through deduction
- Elimination of the delay interests and penalties for the due tax obligations starting from the date of entry into force of the emergency ordinance and unpaid until the stop of the measures stipulated by the state of emergency
- Extension of the deadline for restructuring the budgetary obligations until 31 July 2020 for the submission of the restructuring intention and until 30 October 2020 for the submission of the restructuring application

- Exemption from the payment of corporate income tax
- Payment postponement for utility services for SMEs during the state of emergency, based on the emergency situation certificate issued by the Ministry of Economy, Energy and the Environment Business
- Extension of payment term for tax on buildings, land and means of transport from 31 March 2020 to 30 June 2020

Measures to support the business environment:

- Discount for companies that pay the profit tax for the first quarter of 2020 until 25 April 25 2020 inclusive: 5% for large taxpayers and 10% for small and medium taxpayers
- 10% discount for micro-enterprises for the payment of the income tax for the first quarter of 2020 until 25 April 25 2020 inclusive
- Exemptions from customs duties and VAT for imports of certain products (medicines, medical equipment, medical devices etc) during the emergency period and another 30 days thereafter

Other measures taken through Military Ordinances:

- During the state of emergency, the procedures for selling / buying majority shares of companies in the National Energy System are suspended, regardless of their ownership.
- During the emergency period, the prices for electricity, heat, natural gas, water supply, sanitation and fuels cannot be increased above the level practiced at the date of the issuance of the military ordinance.
- During the emergency period, it is prohibited / suspended the export of the following agri-food products: wheat, barley, oat, maize, rice, wheat flour, soybeans, sunflower seeds, sunflower seed oil, sugar, bakery, pastry, biscuits.

For tailored Market Research, New supplier qualification, B2B Matchmaking with local players in the sector, Deal Origination and M&A assistance in Romania and Emerging Europe contact

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1. Building and Constructions sector

Developments, Investments, Building materials locally produced and imported, Examples of main players

a) Sector brief

The Romanian Building and Constructions sector has been quite dynamic in the recent years. It is envisaged that it will continue to be on an upward trend in 2020, in spite of the coronavirus lockdown.

The most recent data about the constructions sector in Romania in 2020 show that in January 2020 compared to January 2019, the volume of the construction works has increased as gross series by 48%.

As for 2019 compared to 2018, according to the official data from the National Institute of Statistics, the volume of the construction works has increased as gross series by 27.6% in Romania.

The increase in 2019 compared to 2018 is reflected in all the construction structure elements:

- new construction works: +32.5%
- maintenance and current repair works: +26.3%
- capital repair works: +0.9%

By construction objects, the volume of the construction works in Romania in 2019 compared to the previous year has increased as follows:

- non-residential buildings: +49.1%
- residential buildings: +26.2%
- engineering works: +16.6%

Some examples of recent investments, market expansion or acquisitions in the building materials sectors in Romania are:

- In September 2019 Holcim has acquired from the private-equity firm Oresa the local producer of concrete precast and autoclaved aerated concrete Somaco in a transaction of over 60 mEUR. Furthermore, Holcim has started in 2019

- investments of over 10 mEUR in the automation and digitisation of its cement plants.
- During August 2018 - October 2019, the producer Daw Benta Romania has invested 6.5 mEUR in two new production units of adhesives and polystyrene in Mures county, Centre Romania.
 - Policolor has finalised in July 2019 the construction of a varnishes and paints production facility in Bucharest with investments of 7 mEUR.
 - The producer of paints, varnishes and resins Azur has invested in 2018 around 1 mEUR in a new manufacturing line, in automation processes and R&D in Timis county, Western Romania.
 - Akzo Nobel has acquired in 2018 the domestic paints and varnishes producer Fabryo from the Swedish investment fund Oresa Ventures in a transaction of over 50 mEUR.
 - The Swiss Group Sika has agreed to acquire the Romanian producer of construction materials Adeplast in November 2019, in a transaction estimated at over 100 mEUR. The transaction is subject to clearance by anti-trust authorities. Furthermore, Sika has completed in June 2019 the acquisition of the domestic producer of bituminous membranes with elasto-plastomers Arcon Membrane.
 - The domestic producer of construction materials Adeplast has launched in 2018 a new industrial platform in Dolj county, SW Romania, with investments of 22 mEUR.

According to the FRD Center analysis using data from the National Institute of Statistics, in 2018 Romania has produced 209,172 tonnes of varnishes and paints and 29,820 tonnes of refractory bricks.

The Romanian production of ureo-formaldehyde resins has reached 284,552 tonnes in 2018, up by 2.6% compared to 2017. In 2018 compared to the previous year the domestic cement production has increased by 6% while the lime production has grown by 5.8%.

Furthermore, the production of clay briquettes, tiles, ridges in Romania has recorded 20,992 thousands pieces in 2018, which according to the FRD Center analysis is up by 25% compared to 2017.

Production in Romania tonnes	2016	2017	2018	2017 vs. 2016	2018 vs. 2017
ureo-formaldehyde resins	295,837	277,455	284,552	-6.2%	+2.6%
cement	8,037,717	8,441,574	8,951,154	+5%	+6%
lime	1,950,885	2,126,204	2,248,984	+9%	+5.8%

Source: FRD Center, National Institute of Statistics

According to the FRD Center calculations based on Trade Map data, some examples of imports of building materials in Romania and their dynamics during 2017 - 2019 are presented below.

Imports in Romania thousand EUR	2017	2018	2019	2018 vs. 2017	2019 vs. 2018
Granite, porphyry, basalt, sandstone and other monumental or building stone, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular shape	2,726	5,194	5,651	+90.5%	+8.8%
Other paints and varnishes (including enamels, lacquers and distempers), prepared water pigments of a kind used for finishing leather	5,978	8,176	9,518	+36.8%	+16.4%
Glaziers' putty, grafting putty, resin cements, caulking compounds and other mastics, painters' fillings, non-refractory surfacing preparations for façades, indoor walls, floors, ceilings or the like	59,196	62,994	67,327	+6.4%	+6.9%
Ceramic building bricks, flooring blocks, support or filler tiles and the like	10,937	13,622	17,006	+24.5%	+24.8%
Roofing tiles, chimney pots, cowls, chimney liners, architectural ornaments and other ceramic constructional goods	24,134	28,711	30,870	+19%	+7.5%
Ceramic flags and paving, hearth or wall	138,782	161,518	175,902	+16.4%	+8.9%



tiles, ceramic mosaic cubes and the like, whether or not on a backing, finishing ceramics					
Articles of cement, concrete or artificial stone, whether or not reinforced	17,117	22,243	28,377	+30%	+27.6%

Source: FRD Center, Trade Map

Three examples of dynamic producers of building materials in Romania identified by [FRD Center](#) are shortly profiled below.

Holcim Romania SA- www.holcim.ro

Part of LafargeHolcim Group, Holcim Romania is the biggest cement producer on the domestic market. Holcim has in Romania two cement plants, one milling station and 17 concrete stations. The company has reached a net turnover of 273 mEUR in 2018, up by 19% compared to 2017. Furthermore, its net turnover has increased by 2% in 2017 compared to 2016.

Adeplast SA - www.adeplast.ro

Adeplast is a major domestic producer of construction materials on the Romanian market. Its portfolio includes adhesives, mortars, paints, varnishes, primers, glues, plasters, solvents, polystyrene, mineral wool or additives. It exports construction materials under the Adeplast brand to Hungary, Bulgaria, Republic of Moldova, Austria, Spain or UK. Adeplast has registered in 2019 a net turnover of 104 mEUR, up by 3% compared to 2018. Furthermore, its net turnover has increased by 11% in 2018 compared to 2017. The company is currently awaiting the decision of the Competition Council regarding its acquisition by the Swiss Group Sika.

Azur SA - www.azur.ro

Owned by ICC Industries, Azur has a manufacturing unit of paints, varnishes and resins in the Timis county, Western Romania. Its brands are: Evrika, Edil, Qtek, Uzual, Topaz One, Lazur, Palux. Azur has recorded a net turnover of 34 mEUR in 2018, up by 3% compared to 2017. Furthermore, in 2017 compared to 2016, its net turnover has increased by 10%. Approximately 70% of the company’s turnover is represented by exports.

For some additional data and potential market opportunities for foreign companies looking to expand to the Romanian market visit the FRD Center business blog posting

about the Romanian constructions sector - new developments and opportunities for natural stone, marble, power tools, insulation materials etc. at <https://market-entry-romania.blogspot.com/2019/10/romanian-constructions-sector-new.html>

b) FRD Center considers that some opportunities related to the Romanian Building and Constructions sector are in the following sectors: EXPORT, KNOW-HOW, TECHNOLOGY, EQUIPMENT, M&A, INVESTMENTS, QUALITY CONTROL, BRANDS, RETAIL, DIY

2. Furniture

Production developments, Examples of main players, Opportunities for outsourcing furniture production

a) Sector brief

Furniture manufacturing is a strong industrial sector in Romania that enjoys a long tradition and qualified technical staff.

The Romanian furniture factories have manufactured products worth 2.49 bn EUR in 2018 and 818 mEUR in the first four months of 2019. For 2020 and 2021, Romanian furniture production is expected to continue to grow, in spite of the economic crisis generated by the COVID19 pandemic.

Some of the types of furniture produced in Romania include upholstered furniture, solid wood furniture, as well as functional retail furniture and contract furniture for HoReCa.

In the first five months of 2019, the Romanian furniture exports have increased by 6.9% compared to the same period of 2018. Romania exports furniture mainly to Germany, France, Italy, Slovakia, Czechia or UK.

The Romanian furniture sector counts on experienced and qualified staff, innovative design, new technologies and locally sourced quality wood. Foreign manufacturers regularly outsource part of their production to specialised Romanian companies and furniture workshops.

FRD Center assists foreign manufacturers with their new vendor identification processes in low cost countries in Eastern Europe, such as Romania. In regards to furniture

manufacturing outsourcing support in Romania, here are two Case Studies of the FRD Center activity:

1 - Furniture manufacturers new supplier identification and selection in Romania for a major Norwegian producer of speciality chairs and furniture:

<https://www.frdcenter.ro/portfolio/furniture-manufacturers-qualification-in-romania/>

2 - Luxury furniture new suppliers search and selection in Romania for Dutch

manufacturer: <https://www.frdcenter.ro/portfolio/luxury-furniture-new-suppliers-qualifications-in-romania/>

Five major Romanian furniture manufacturers identified by FRD Center are shortly profiled below.

Aramis Invest SRL - www.aramisinvest.ro

Based in Maramures county, NW Romania, Aramis Invest is the biggest furniture producer in Romania. It is owned by Romanian entrepreneurs. The company exports over 90% of its production of upholstered furniture. Its main client is the retailer IKEA. The firm plans to invest 5 mEUR in 2020 in order to increase the production capacity. Aramis Invest has reached a net turnover of 230 mEUR in 2018, up by 5% compared to 2017. Its net turnover in 2017 has been 17% higher than in 2016.

Aviva SRL

Established in 2000, Aviva is controlled by Israeli and UK individuals. It is one of the main suppliers of the IKEA retailer. The company's furniture manufacturing facility is located in Maramures county, NW Romania. In 2018 Aviva has recorded a net turnover of 78 mEUR. Its y-o-y net turnover increase has been of 7% in 2017 and 9% in 2018.

PGS Sofa & Co SRL

Part of the French Group Parisot, PGS Sofa & Co is a major producer of upholstered furniture in Romania. The company has a manufacturing facility in Oradea county, NW Romania. PGS Sofa & Co has registered in 2018 a net turnover of 71 mEUR, up by 7% compared to 2017.

Ecolor SRL - www.ecolor.ro

With the HQ in Cluj county, NW Romania and a team of around 700 people, Ecolor produces and exports flat line furniture, mainly to IKEA stores and warehouses around the world. The company has Swedish capital, being controlled by Gyllensvaans Möbler and Mr. Carl Widell. Ecolor has recorded a net turnover of 69 mEUR in 2018. Its net turnover has increased by 3% in 2017 compared to 2016.

Taparo SA- www.taparo.ro

Controlled by a Romanian entrepreneur, Taparo is based in Maramures county, NW Romania. The firm exports over 90% of its furniture production, being one of the main suppliers of the IKEA retailer. Taparo has registered a net turnover of 68 mEUR in 2018. In 2017 compared to 2016 its net turnover has increased by 11%.

b) FRD Center considers that some opportunities related to the Romanian Furniture Manufacturing sector are in the following sectors: OUTSOURCING, TECHNOLOGY, EQUIPMENT AND TOOLS, FACILITIES, KNOW-HOW, INVESTMENTS, QUALITY CONTROL,

3. Agricultural Machinery

Machinery and equipment manufacturing and imported, Examples of local players

a) Sector brief

Romanian agriculture is one of the strongest economic sectors. Romania boasts some of the largest agricultural and cereals outputs in Europe and the world, especially in regards to maize and sunflower production. More details in the FRD Center analysis at <https://market-entry-romania.blogspot.com/2019/11/romanian-agriculture-in-2019-demo.html>

Currently the offer of agricultural machinery and farm technology in Romania is mainly based on imported products. Nevertheless, there are a few types of agricultural equipment and tractors that are being manufactured in Romania.

According to the National Institute of Statistics, in 2018 Romania has produced 323 tractors, 156 ploughs with mechanical drive and 1,529 technological machines for forestry and wood processing.

According to the FRD Center analysis, there are some 15 producers of agricultural machinery currently operating in Romania. In 2018 they have registered a cumulated net turnover of around 122 mEUR, up by approximately 13% compared to the previous year.

FRD Center has briefly analysed three of the main players:

Maschio Gaspardo Romania SRL - www.maschio.com

Part of the Italian Group Maschio Gaspardo, it is the biggest manufacturer of agricultural machinery on the domestic market. It has a manufacturing facility located in Arad county, Western Romania, opened in 2003. The company manufactures in its Arad plant soil preparation machines etc. Maschio Gaspardo Romania has reached a net turnover of 54 mEUR in 2018, up by 14% compared to 2017. Furthermore, its net turnover has grown by 29% in 2017 compared to 2016. For 2020, it is envisaged that it will continue to be on an upward trend, in spite of the coronavirus lockdown.

IRUM SA - www.irum.ro

Based in Mures county, Centre Romania, IRUM is a Romanian family-owned company. It produces agricultural and forestry tractors etc. IRUM has invested over 4.8 mEUR in the first ten months of 2019 in order to increase its productivity. Furthermore, the firm targets to invest over 9 mEUR in 2020 to construct a new production hall and to acquire modern equipment. IRUM has recorded in 2018 a net turnover of 26 mEUR. According to the FRD Center analysis, its y-o-y net turnover increase has been of 28% in 2017 and 27% in 2018.

Mecanica Ceahlau SA - www.mecanicaceahlau.ro

Founded in 1921, Mecanica Ceahlau produces soil processing, seeding, harvesting machinery etc. Based in Neamt county, NE Romania, the company is listed on Bucharest Stock Exchange. Mecanica Ceahlau has registered a net turnover of 7.5 mEUR in 2018. In 2017 compared to 2016 its net turnover has increased by 17%, according to the FRD Center analysis.

However, the local production of tractors and farm technology in Romania is limited compared to the needs for agricultural machinery and equipment.

The majority of agricultural machinery and farm technology used in Romania are imported. According to Trade Map, the imports of harvesting or threshing machinery, including straw or fodder balers, grass or hay mowers, machines for cleaning, sorting or grading eggs, fruit or other agricultural produce have recorded almost 270 mEUR in Romania in 2019, which according to the FRD Center calculations is 6.5% higher than in 2018.

Furthermore, in 2019 the Romanian imports of tractors have reached almost 664 mEUR while the imports of agricultural, horticultural or forestry machinery for soil preparation or cultivation; lawn or sports-ground rollers have registered approximately 193 mEUR.

Three dynamic importers of agricultural machinery in Romania identified by FRD Center are shortly profiled below.

IPSO SRL – www.ipso.ro

Part of the French Group Monnoyeur, IPSO is a major importer-distributor of agricultural machinery in Romania. Its portfolio includes various brands: John Deere, Kuhn, Manitou, Pichon, Bednar FMT, Rivulis, Fliegl etc. With the HQ near Bucharest, the company covers the entire country and offers integrated solutions to Romanian agricultural players. IPSO has recorded a net turnover of 206 mEUR in 2018, up by 9% compared to the previous year. Furthermore, its net turnover has increased by 26% in 2017 vs. 2016, according to the FRD Center analysis.

Mewi Import Export Agrar Industrietechnik SRL - www.mewi.ro

Established in 1995, Mewi Import Export Agrar Industrietechnik imports and distributes a wide range of agricultural machinery: tractors, ploughs, harrows, seeders, cultivators, scarifiers, fertilizer distributors, sprayers etc. Some examples of brands in its portfolio are: Fendt, Vatra, Lemken, Geringhoff, Horsch, Rauch, Fella, Knoche, Merlo, HAWE etc. Based in Timis county, Western Romania, the company has registered a net turnover of 72 mEUR in 2018. It has recorded y-o-t net turnover increases of 14% in 2017 and 4% in 2018.

Serv Class SRL - www.servclass.ro

Founded in 1999 in Braila county, SE Romania, Serv Class imports and distributes a diversified range of agricultural equipment. Its range of products includes tractors,

harrows, ploughs, loaders, scarifiers, seeders etc, the following brands: Claas, Amazone, Lemken, Maschio Gaspardo, Berthoud or Siptec. In 2018 Serv Class has reached a net turnover of 32 mEUR, 20% higher than in 2017. Also, the company's net turnover has increased by 31% in 2017 compared to 2016, according to the FRD Center analysis.

In 2019, FRD Center has released the latest demo market report available for free download at <http://www.frdcenter.ro/wp-content/uploads/2019/11/Romanian-Agriculture-in-2019-FRD-Center-demo-report.pdf>

The sub-sectors detailed in this DEMO report by FRD Center (www.frdcenter.ro) are:

- About Romania
- Romanian Agriculture
- Financial support for Romanian agriculture
- Romanian Agricultural Output
- Romanian Irrigation System
- Romanian Imports of Agricultural Machinery
- Examples of Romanian Importers of Agricultural Machinery
- The Future of Romanian Agriculture
- Market research, Marketing and Conferences in Romanian Agriculture
- Market Entry consulting and support activities

b) FRD Center considers that some opportunities related to the Romanian Agricultural Machinery and Farm Equipment are in the following areas: EXPORTS, ACQUISITION OF LOCAL PLAYERS

4. BPO, Call Centers

Development of main players in the market, New entries, Market expansion, consolidation and acquisitions

a) Sector brief

Romania is a strong player in regards to business processes outsourcing (BPO) and call centers. The Romanian outsourcing market has had a significant evolution, and according to a CBRE study, it has tripled in the recent years. 47% of the Romanian outsourcing companies are offering software services, both development, and



maintenance, 17% are active business service providers for accounting, support or human resources, while 12% mainly provide call center services.

In the current context of the COVID-19 crisis, the BPO services sector in Romania is seen to have further developed.

In the BPO sector, FRD Center has been assisting foreign companies with the target origination for M&A in Romania and Bulgaria, with their business partners search & selection and with in-depth market and players analysis, competitive analysis and background checks of local BPO providers, as well as with M&A advisory services.

For a FRD Center Case Study regarding BPO market expansion support in the region go to: <http://www.frdcenter.ro/portfolio/acquisition-target-search-in-romanian-bulgarian-bpo/>

According to the Association of Business Service Leaders in Romania (ABSL), the business services industry has generated incomes of over 4.5 bn EUR in Romania in 2019, reaching over 2% of the GDP.

The business services industry in Romania has comprised 280 companies and over 131,000 employees in 2019, according to ABSL. The number of employees is expected to increase by 9.6% in 2020. Approximately 45% of the companies in the industry are Shared Service Centers (SSC), 44% are active in the Business Process Outsourcing sector (BPO) and 11% are hybrid.

Romania is a recognised hub for BPO in Europe due a wide range of foreign languages spoken, technical, IT, finance and accounting skills and knowledge, low costs, other knowledge such as soft skills and project management.

For a FRD Center brief analysis of the BPO, SSC, Software and Outsourcing in Romania sector go to <https://market-entry-romania.blogspot.com/2019/04/bpo-ssc-software-and-outsourcing-in.html>

The outsourcing and business services sector in Romania has registered significant growth and maturity in the past years. The market is characterised by innovation, diversification of services, valuable solutions, intelligent automation adoption, digital

incorporation into the business model, focus on data analytics and high quality employment.

According to ABSL, 79% of BPO companies in Romania intend to increase the number of the customers and therefore their turnover in 2020.

According to the FRD Center research, some of the main BPO players in Romania are: Genpact, Computer Generated Solutions, Accenture, Webhelp, Wipro Technologies, WNS Global Services, Comdata, Sykes Entreprises Eastern Europe etc. Most companies which operate on the domestic market are from France, Germany, Romania and USA.

The main services provided are IT, financial and accounting services, customer operations, HR, purchase, project management, business transformation and document management.

There examples of dynamic BPO players in Romania are shortly profiled below.

Computer Generated Solutions Romania SRL - www.cgsinc.com

The US applications, enterprise learning and BPO company Computer Generated Solutions (CGS) has seven centres in Romania, located in Bucharest, Brasov, Sibiu, Targu Jiu, Miercurea Ciuc, Galati and Constanta. CGS has recorded a net turnover of approximately 59 mEUR in Romania in 2019, up by 11% compared to 2018. For 2020 CGS targets a business increase of over 10%.

Wipro Technologies SRL - www.wipro.com

The Indian BPO provider Wipro Technologies has entered the Romanian market in 2006. It has two operating hubs on the domestic market, located in Bucharest and Timisoara. Wipro Technologies has reached in 2018 a net turnover of 40 mEUR. It has recorded y-o-t net turnover increases of 21% in 2017 and 13% in 2018, according to the FRD Center analysis.

Sykes Entreprises Eastern Europe SRL - www.sykes.com

The provider of management solutions and BPO services Sykes Entreprises Eastern Europe, part of the US Group Sykes, has offices in Romania in Cluj Napoca, Brasov, Oradea and Sibiu. The company has recorded a net turnover of 30 mEUR in 2018, 18% higher than in 2017. Furthermore, its net turnover has increased by 28% in 2017 compared to 2016.

Some examples of recent market expansion, consolidation and acquisitions on the Romanian outsourcing market identified by FRD Center are:

- In February 2020, Telus Corporation and its global BPO outsourcing arm Telus International have completed the acquisition of the provider of business services Competence Call Center (CCC). Telus holds now a 100% interest in CCC. Both players have presence also in Romania.
- At the end of 2019 Computer Generated Solutions has opened a new centre located in Constanta, SE Romania to develop projects in the financial, technical, sales and customer service fields, with a team of around 600 people
- In October 2019 the business process outsourcer Webhelp, already active on the Romanian market, has acquired the local technology firm PitechPlus. Founded in 2006 in Cluj Napoca, NW Romania, PitechPlus offers integrated software solutions and digital transformation consulting.

b) FRD Center considers that some opportunities related to the Romanian BPO and Call centers sector are in the following areas: M&A, CROSSBORDER PARTNERSHIPS, EXPERTISE, SERVICES, TECHNOLOGY EXPORT, EMPLOYMENT, TRAINING

5. Metal Parts Manufacturing

Types of parts and products, Examples of main players, Developments and recent investments

a) Sector brief

The **metal parts manufacturing** is a well-developed sector in Romania. There are numerous players on the domestic market manufacturing a wide variety of products such as: stamped parts, turbocharger components, injection parts, cold coiled springs, parts for the construction of industrial equipment etc.

For the metal parts manufacturing, they use the following technologies: laser cutting, flame cutting, CNC bending, welding, CNC turret punching, turning, milling, assembly etc.

The manufacturers of metal parts in Romania have domestic or external clients in various sectors: automotive, industrial, construction, transport, logistics, food, electronics, pharmaceuticals, telecommunications etc.



FRD Center has been assisting foreign industrial players with their identification of new vendors projects in Romania and other low cost countries in Central and Eastern Europe, including in the metal parts manufacturing.

Recently, FRD Center successfully delivered to our Client, a major multinational group active in industrial manufacturing sector, the selected local manufacturers of metal parts of metal sheets identified by FRD Center in Romania as potential new vendors for such products.

This was part of a comprehensive new vendor identification process conducted by the FRD Center in Romania. The Client is a major international provider of car body and powertrain process chains in the automotive industry.

The Client's Head of Localization & BCC Sourcing approached FRD Center with a request for support services as they were looking for vendor base for their requirements in Eastern Europe.

Upon receipt of the FRD Center offer of services, the Client hired FRD Center B2B matchmaking and market research services to carry out a new vendor search and selection in Eastern Europe.

Here are more details about the FRD Center new vendor identification project:

<https://www.frdcenter.ro/portfolio/case-study-sixteen/>

Three of the most dynamic manufacturers of metal parts and other industrial and automotive parts and components in Romania are shortly profiled below.

Compa SA – www.compa.ro

Established in 1886, Compa is a major producer of metal parts and structures. Some of its main clients are: Dacia-Renault, Bosch, Delphi, Haulotte, DMG MORI etc. Its manufacturing facility is located in Sibiu, Centre Romania. Compa has recorded in 2018 a net turnover of 162 mEUR, 5% higher than in 2017. Furthermore, its net turnover has increased by 8% in 2017 compared to 2016, according to the FRD Center analysis.

Feper SA – www.feper.ro

Set up in 1975, Feper manufactures metal parts, racks, cabinets and boxes. Based in Bucharest, the company is ISO 9001:2015 certified. Some examples of its clients are: RCS&RDS, Gema, Delectro, Dirak or Benchmark. Feper has reached a net turnover of 9 mEUR in 2018. According to the FRD Center analysis, it has recorded y-o-y net turnover increases of 5% in 2017 and 18% in 2018.

Setro Metal Group SA - www.setrometalgroup.com

Founded in 2004 Setro Metal Group manufactures metal parts and structures. Based in Arges county, Southern Romania, it is ISO 3834, EN 1090-2, ISO 9001, ISO 18001, ISO 14001 certified. In 2018 the firm has reached a net turnover of 9 mEUR, 16% higher than in 2017. Currently the company has 240 employees.

What do you know about sheet metal parts manufacturing, cutting, bending, assembly? How to reach metal sheet parts manufacturers in Eastern Europe - new vendors and suppliers for global companies? More details in the FRD Center analysis posted on the Market Entry to Emerging Europe business blog at <https://market-entry-romania.blogspot.com/2020/03/metal-sheet-parts-manufacturers-in.html>

b) FRD Center considers that some opportunities related to outsourcing manufacturing of metal parts in Romania are: NEW SUPPLIERS AND VENDORS

6. Wastewater Management

Examples of recent projects, Industries with potential for private sector wastewater expansion projects, Examples of main players

a) Sector brief

With quite strong industrial sectors that require wastewater management technologies, such as food & beverages, chemical and petro-chemical, animal farms, pharmaceutical production and paints & varnishes, Romania presents numerous opportunities for international wastewater treatment solutions providers.

FRD Center facilitates new leads generation for WWT technologies providers at global level in regards to potential clients in the private sector in Emerging European markets such as Romania.

For example, FRD Center has recently identified and analysed some relevant projects, started or completed in the past years, in the private wastewater management sector in Romania.

These are shortly presented below:

- The pharmaceutical producer Sandoz, part of Novartis Group, has completed at the end of 2019 the construction works at a wastewater treatment station near its production unit in Targu Mures, Centre Romania.
- The resin producer Purolite Romania, part of Purolite Group, has started in 2019 the construction works at a wastewater treatment plant, with investments of over 15 mUSD. It has signed a contract with WABAG for the design, building and ensuring the operation of the wastewater treatment station.
- The soft drinks producer Maspex Romania, controlled by Maspex Wadowice Poland, has started in 2019 modernising works at its wastewater station. The company has a production unit of soft drinks in Valenii de Munte, Southern Romania.
- The wine producer Cramele Recas has modernised its wastewater plant in 2019.
- The beer producer Ursus Breweries, part of Asahi Breweries Europe Group, has made investments in the past years in its wastewater treatment plant at the Timisoara facility, Western Romania. The producer has three beer plants and a micro-brewery in Romania.
- Part of Heineken Group, the beer producer Heineken Romania has modernised its wastewater station in the last years. Heineken has four beer plants on the domestic market.
- The domestic producer of chemical fertilizers Azomures, part of Ameropa Group, has started in 2015 the construction for a wastewater plant with investments of 12 mEUR. Based on a project of the Dutch company Nijhuis, the wastewater treatment plant has been inaugurated in 2016.

The industries with potential for private sector wastewater expansion projects in Romania selected by FRD Center are:

- Production of food: meat, dairy, bakery, pastry, processed fruits and vegetables, oils, sugar

- Production of beverages: beer, wine, spirits, soft drinks
- Production of chemicals and petrochemicals: basic chemicals, paints, varnishes, adhesives, resins, lubricants, fertilizers, detergents, cleaning products, plastics, rubber products
- Pharmaceutical production
- Animal farming

Nevertheless, competition from local and international players in the wastewater management technologies is quite strong in Romania. According to the FRD Center research, there are various local and foreign engineering players offering wastewater treatment services in Romania. Three of them are shortly profiled below.

Edas Exim SRL - www.edas.ro

Owned by a Romanian entrepreneur, Edas Exim provides wastewater treatment services for industrial, municipal, HoReCa or residential sectors. Some of its projects are: design and execution of a wastewater treatment plant in Fundulea, Southern Romania, design and execution of a wastewater treatment plant in Segarcea, SW Romania etc. Edas Exim has reached a net turnover of 6 mEUR in 2018, which according to the FRD Center analysis is up by 84% compared to the previous year.

Adiss SA - www.adiss.ro

Controlled by a Romanian entrepreneur and based in Maramures county, NW Romania Adiss is an engineering company specialised in the wastewater treatment. Some of the company's projects are: extension and rehabilitation of water and wastewater systems in Olt county, SW Romania, extension and modernisation of water and wastewater infrastructure in Arad county, Western Romania etc. In 2018 it has registered a net turnover of almost 5 mEUR, 7% higher than in 2017.

Hill International Bucharest SRL - www.hillintl.com

Part of Hill International Group, the company provides engineering services and technical assistance for wastewater projects. Some of its major projects include: technical assistance for modernization of water and wastewater infrastructure in Caras Severin county, technical assistance for rehabilitation and modernisation and water and wastewater systems in Braila county etc. Hill International Bucharest has recorded in 2018 a net turnover of 1.1 mEUR, which according to the FRD Center analysis, is up by 8% compared to 2017.

What are the opportunities for new leads generation in the wastewater treatment in Romania and other markets in Central Eastern Europe? Here are more details in the FRD Center brief analysis: <https://market-entry-romania.blogspot.com/2020/03/new-leads-generation-in-wastewater.html>

Are you looking to expand your operations to Europe and find new Clients for your wastewater treatment technologies? How to obtain new leads generation in the Wastewater Treatment sector in Emerging Europe?

How to approach at Decision Maker level the Romanian private companies in sectors such as Foods & Beverages, Animal Farms, Chemicals, Oil & Petrochemicals, Mining & Aggregates looking to modernise and expand their current wastewater facilities?

Email the FRD Center team at frdcenter@market-entry.ro for more details about how to obtain new leads generation in the Wastewater Treatment sector in Emerging Europe.

b) FRD Center considers that some opportunities related to wastewater treatment technologies in Romania are: NEW LEADS, CONSULTING, EXPERTISE, TECHNOLOGY, EQUIPMENT, SERVICES, EU FUNDING

