

MINISTRY OF ECONOMY, ENERGY
AND BUSINESS ENVIRONMENT

Romania's Business Service Sector IT&C, SSC & BPO

August 2020, Bucharest

Romania - Country overview



Area:
238,391 km²



Capital:
Bucharest

2019

GDP Growth 4.1%

FDI stock € 86.4B

FDI flows € 5.3B



**Bridge between East
and West for 500M
consumers market**



2004 - NATO membership



2007 - EU membership



**Strategic US-Romanian
partnership**

Currency: RON
RON/EUR: 4.75
(2019)

Population:
19.4M
(1st Jan 2019)

**Bucharest Metropolitan
Area: ~3M**



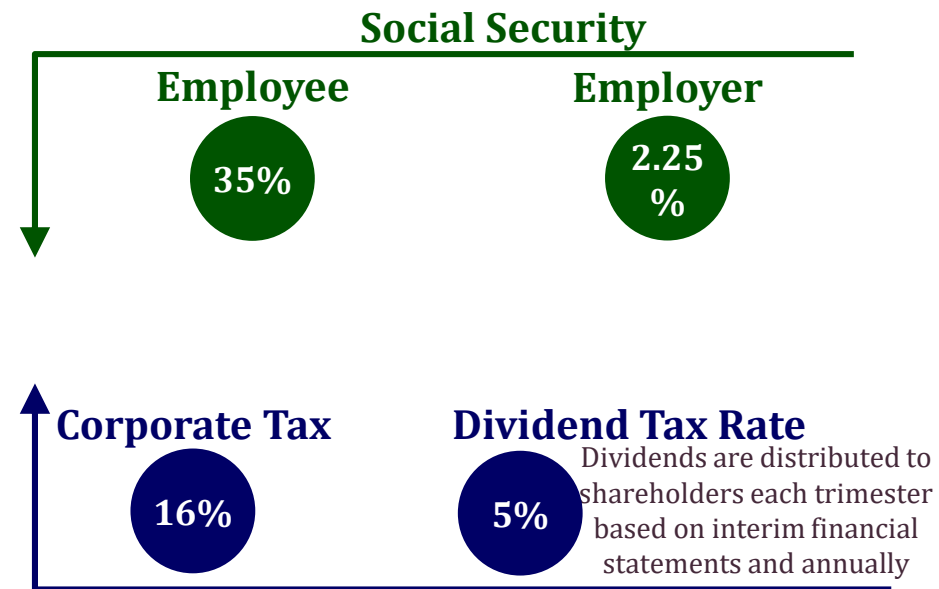
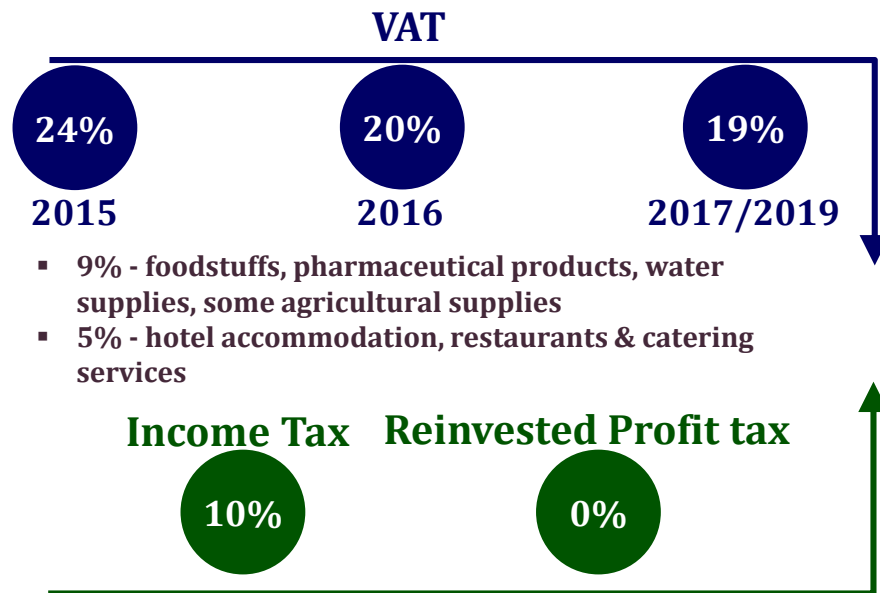
Why Romania

- ✓ **Romania is the one of the leading destinations in CEE for BPO, ITO, R&D or SSC**
- ✓ **The turnover of the business services industry in Romania: 4.5 billion EUR.**
- ✓ **BBS talent pool: > 64,000 university graduates**
- ✓ **Active companies in BBS: over 280**
- ✓ **Employees: > 131.000 in BBS (1.5% of Romania's working population)**
- ✓ **Jobs created in BBS: CAGR (2013-2016): 33%**
- ✓ **Average attrition level in BBS sector: 26%**
- ✓ **High level of foreign languages. English, the most encountered language used in delivering services, followed by French, German, Italian, Spanish, Dutch**
- ✓ **#16 out of 100 countries by "High proficiency" within EF English Proficiency Index 2019, the world's largest ranking of countries by English skills**

Why Romania

- ✓ **Top serviced sectors: Banking, Insurance, Financial Services (BIFS), Business and Professional Services, Technology & Telecom and Industrial & Consumer Goods**
- ✓ **The development of the IT sector has made it an enabler for the automotive sector, the aerospace industry, the chemical industry, agriculture and many others**
- ✓ **Young workforce compared to other European countries**
- ✓ **Popular nearshoring location due to strong IT, finance and accounting skills, as well as the wide range of foreign languages spoken**
- ✓ **Highly skilled and diversified workforce, competitive prices, stimulating business environment**
- ✓ **Main locations: Bucharest, Cluj-Napoca, Timisoara, Iasi**

The Romanian tax system



- IT&C - 0% income tax for employees**
- BA - 14 technical specializations available
 - Employee is hired on a software engineer/programmer/software analyst position
 - Annual revenue per exempted employee must be over USD 10,000

- R&D - 0% income tax for employees**
- Deduction of R&D eligible expenses:**
- depreciation of R&D equipment, salaries for R&D personnel; 50% of these expenses can be deducted from the taxable income

Value for money

	BUCHAREST	BERLIN	PARIS
Consumer Prices	€100	€140	€155
Rent Prices	€100	€158	€170
Restaurant Prices	€100	€131	€152
Groceries Prices	€100	€138	€163
Standard of living equivalency net salary	€1,966	€3,600	€4,898

Skilled labor force

Languages studied by Romanian students

99%

- 99% of the Romanian high school students study two or more foreign languages
- Predominant languages: English, French, German and Spanish, yet initiatives for teaching Japanese, Nordic languages or the entire Latin language family (Spanish, Italian, French) exist

University students in Romania are proficient in (% of the total):

90%



26%



17%



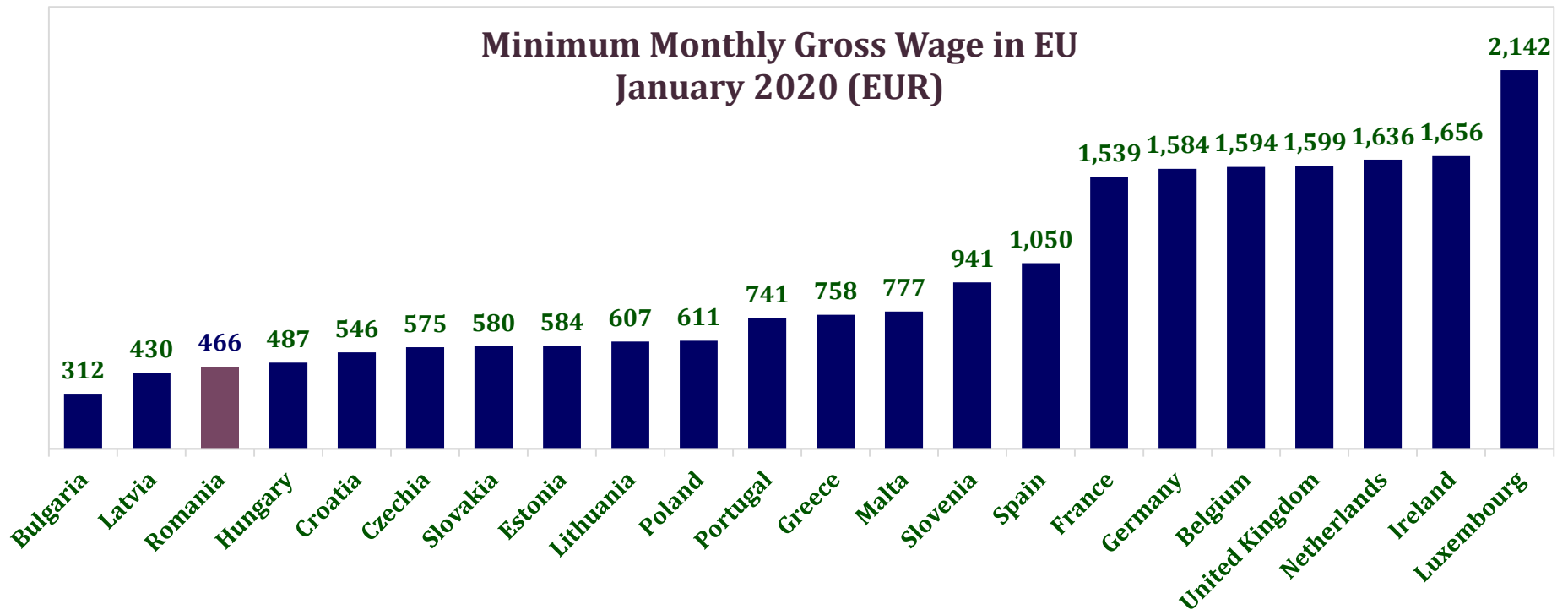
8%



5%



Minimum Wage in EU



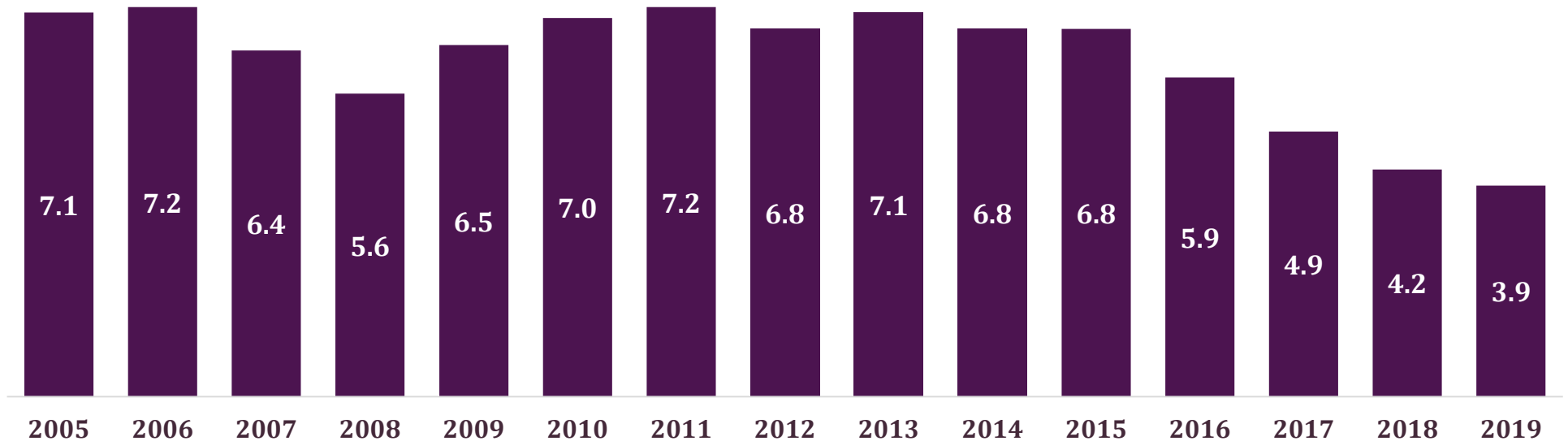
Note: Denmark, Italy, Cyprus, Finland and Sweden have no national minimum wage

Unemployment

Unemployment rate (%)

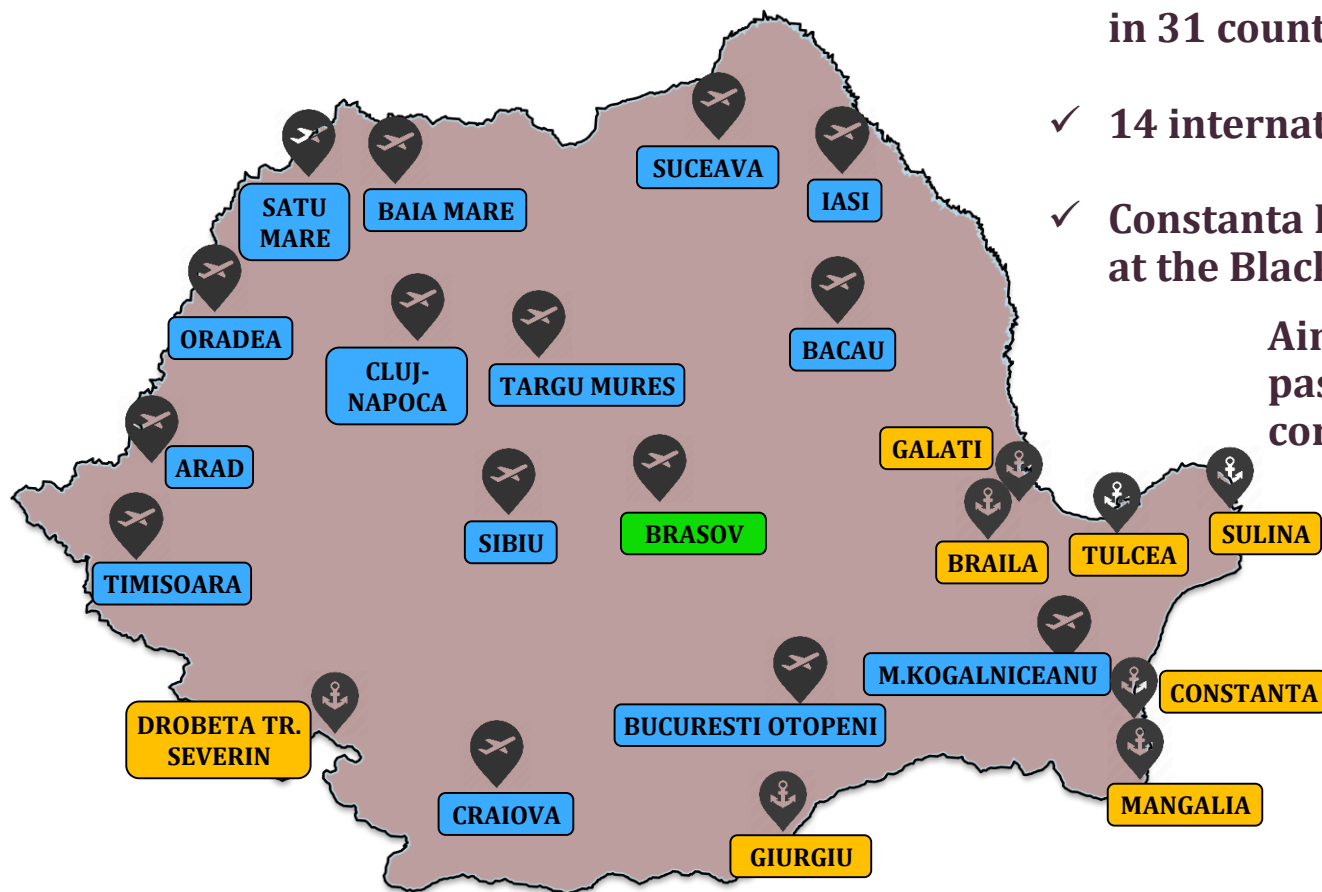
Forecast 2020: 4.4%

(Source: National Commission of Strategy and Prognosis)



(Source: National Institute of Statistics)

Ports and Airports



- ✓ 130 direct flights leading to 76 destinations in 31 countries worldwide
- ✓ 14 international airports and 8 major ports
- ✓ Constanta Port - the deepest and largest port at the Black Sea

Aircraft traffic reached over 21,8M passengers in 2018, up by 7.9% compared to 2017

(Source: National Institute of Statistics)

- International Flights
- Ports
- Under construction

Major centers in Romania

Top 5 University Centers

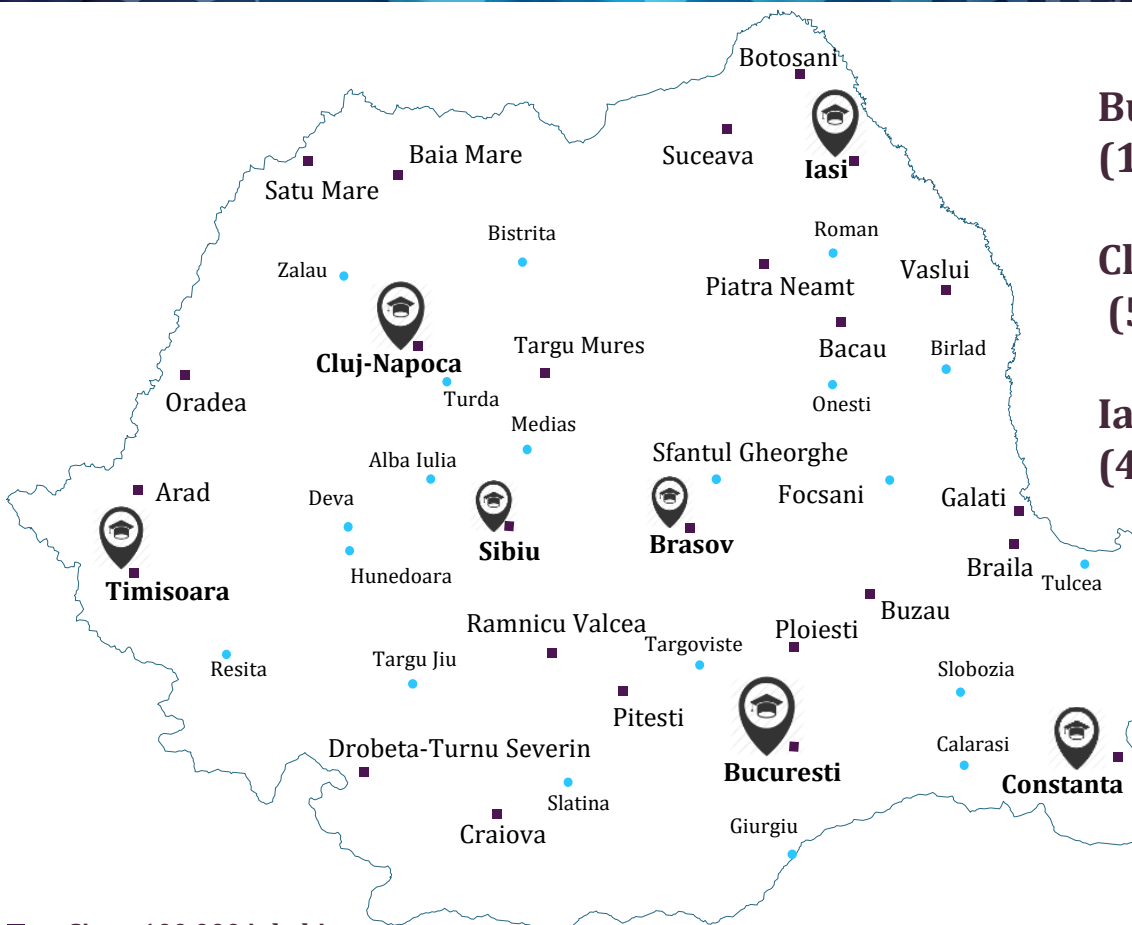
Bucharest - 34 Universities
(126,709 enrolled students/39,727 graduated)

Cluj - 10 Universities
(51,698 enrolled students/13,603 graduated)

Iasi - 8 Universities
(40,828 enrolled students/11,428 graduated)

Timisoara - 6 Universities
(31,190 enrolled students/7,978 graduated)

Constanta - 5 Universities
(19,195 enrolled students/4,976 graduated)

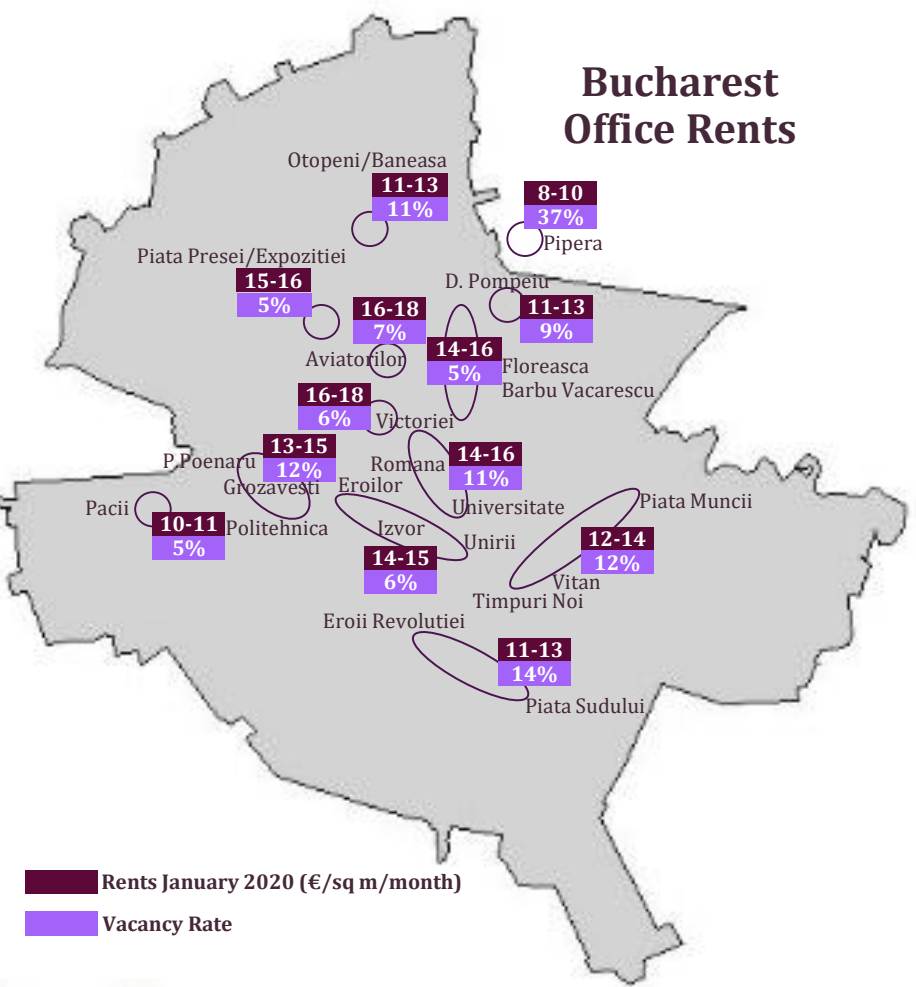


■ = City > 100,000 inhabitants

● = City 50,000 - 100,000 inhabitants

Office market

Bucharest Office Rents



Romania's largest office markets outside Bucharest

	Deliveries (2019, 000S sqm)	Stock (end-2019, 000S sqm)	Vacancy rate (end-2019, %)	Office pipeline (2020, 000S sqm)	Modern office buildings rent (EUR/sqm)
Cluj-Napoca	37	266	7%	12	12.5-14.5
Timisoara	35	217	9%	68	12.5-14
Iasi	7	176	1%	34	12-14
Brasov	15	141	4%	36	11-13

In terms of business sectors, IT&C remained the driving force of the local real estate market, accounting for over half of total take-up (or 200,000 sq m) in 2019, followed at a great distance by the financial sector - 13% of total leasing activity and professional services - 8%.

IT&C service sector

Romania – IT leader in Europe

- ✓ EUR 159 mil investments in 2019
- ✓ EUR 20 mil yearly growth of investments
- ✓ 12,000 software and services companies
- ✓ 1,000 new companies each year
- ✓ **10% from the total number of companies are with foreign capital**
- ✓ **73% of the sector revenue is generated by companies with foreign capital**
- ✓ **20% yearly increase on the number of foreign capital companies increase**
- ✓ **9% yearly growth rate of the large companies' revenue**

The IT specialists represent a significant category in Romania's economic ecosystem, bringing their value-added contribution to the development of other sectors as well through a horizontal implementation of the concept of "Industry 4.0".

IT&C service sector

Education

- ✓ 202,000 IT professionals (45% under the age of 34 years old)
- ✓ 139,000 have a university degree
- ✓ 7,000 graduates/year from IT&C related universities
- ✓ 2,000 people/year are retrained for IT jobs
- ✓ 5 top technical universities
- ✓ 59 domain-specific universities
- ✓ high degree of mathematical skills
- ✓ IT education programs sponsored by companies

IT&C service sector

Market Overview

€ 6 bln

in 2019

5.7%

from GDP

€ 500
mil

constant
annual growth

High productivity
€50.000/employee/year

- ✓ 72% of the revenues are generated by exports (4,6 bln)
- ✓ 20% annual export growth rate
- ✓ 90% of exports towards EU countries
- ✓ Good spread of IT developed regions across the country: South (Bucharest, Craiova), Center (Cluj, Brasov, Sibiu, Targu Mures), West (Timisoara, Oradea), North East (Iasi)
- ✓ Most desired employers in Bucharest: Oracle, IBM, Microsoft, Google, HP

Largest IT&C distributors

Company	Turnover (mil. RON)		Profit/Loss (mil. RON)		Employee		Majority shareholdings
	2019	2018	2019	2018	2019	2018	
NETWORK ONE DISTRIBUTION	1348.9	1265.1	13.6	21.3	391	341	Romania
GERSIM IMPEX	866.8	713.1	33.4	20.3	30	24	Romania
ALEF DISTRIBUTION RO	273.3	168.8	0.8	-4.6	N/A	50	Czech Republic
ALSO TECHNOLOGY	266.6	240.1	0.07	0.4	27	28	Switzerland
WORLD COM TRADING	N/A	292.3	N/A	14.7	N/A	26	Romania
INGRAM MICRO	N/A	246.7	N/A	-8.6	N/A	40	China
PHONETASTIC GSM	N/A	243.4	N/A	1.8	N/A	16	Romania
ELCOTECH ROMANIA	N/A	230.8	N/A	-3.5	N/A	59	Latvia
ASBIS ROMANIA	170.2	204.5	0.4	-3.2	48	53	Cyprus
IT SMART DISTRIBUTION	163.5	169.6	1.3	2.7	44	48	Romania



Largest IT&C integrators

Company	Turnover (mil. RON)		Profit/Loss (mil. RON)		Employee		Majority shareholdings
	2019	2018	2019	2018	2019	2018	
IBM ROMANIA	N/A	933	N/A	104.8	N/A	3207	USA
ETA2U	314.6	218.2	6.0	5.8	260	242	Romania
S&T ROMANIA	213.2	134.9	-0.2	-3.5	153	142	Austria
RBC	N/A	182.6	N/A	33.5	N/A	193	Sweden, Romania
HEWLETTPACKARD ENTERPRISE ROMANIA	144.3	152.9	5.5	12.5	123	123	USA
ASSECO SEE	136.8	142.2	2.4	2.8	122	148	Poland
ENTERPRISE SERVICES ROMANIA	132.7	143.6	15.8	11.3	534	566	Romania
METAMINDS (NOVA TECH)	124.1	49.6	7.3	2.2	27	24	Romania
BRIGHT DISTRIBUTION	105.2	131.7	8.0	4.7	8	8	Romania
KAPSCH ROMANIA	90.6	95.9	1.9	2.3	48	54	Austria



Largest IT&C software companies

Company	Turnover (mil. RON)		Profit/Loss (mil. RON)		Employee		Majority shareholdings
	2019	2018	2019	2018	2019	2018	
ORACLE ROMANIA	N/A	961.3	N/A	37.2	N/A	4463	USA
BITDEFENDER	N/A	545.9	N/A	6.4	N/A	1238	UK
NTT DATA ROMANIA	379.8	298	21.2	18.2	1052	940	Japan
SOFTVISION	360.9	248.7	27	18.8	1613	1295	USA
LUXOFT PROFESSIONAL	359.1	316.1	33.7	20.5	1765	1613	USA
AMAZON DEVELOPMENT CENTRE	321.3	239.1	14.3	17.8	1956	1089	USA
DEUTCHE BANK TECHNOLOGY	272.1	260.9	23.2	19.5	688	686	Germany
BETFAIR ROMANIA DEVELOPMENT	249.7	188.5	23.1	12.6	782	681	UK
ADOBE SYSTEMS ROMANIA	197.1	170.9	10.7	12.6	630	562	USA
ELECTRONIC ARTS	188.6	177.8	13.7	13.5	490	495	USA














Largest IT&C retailers

Company	Turnover (mil. RON)		Profit/Loss (mil. RON)		Employee		Majority shareholdings
	2019	2018	2019	2018	2019	2018	
DANTE INTERNATIONAL	5000	4236.1	N/A	-44.7	N/A	2720	South Africa, Romania
PCGARAGE	N/A	276.9	N/A	5.7	N/A	83	South Africa, Romania
CORSAR ONLINE	N/A	266.3	N/A	-0.1	N/A	128	Romania
ISTYLE RETAIL	237.1	181.3	4.4	0.9	76	67	Romania
ESTEP B2B	191.5	140.1	12.1	17.8	23	22	Romania
ELEFANT ONLINE	170	135.4	-19.3	-23.0	206	241	Cyprus, Netherland, Luxembourg
IDEAL TECH	121.8	103.9	0.3	0.3	75	62	Romania
EVOLUTION PREST SYSTEMS	108	94.3	0.6	0.4	39	52	Romania
F64STUDIO	N/A	109.9	N/A	3.9	N/A	136	Romania



Forecast

- ✓ **Number of jobs within BBS will increase by 9.6% in 2020**
- ✓ **Estimated number of jobs in the next 5 years: 220.000**
- ✓ **Overall need for recruitment: 12,000 IT&C professionals/year**
- ✓ **Need for recruitment in IT&C: up to 400/year as major players maintain high interest in opening new centers**
- ✓ **Average y o y wage inflation in the sector (dependent on IT and language skills): 4-6%**
- ✓ **The top three serviced sectors:**
 - **Technology & Telecom**
 - **Banking and Insurance & Financial Services**
 - **Business & Professional Services**
- ✓ **Sectors with growing IT budgets in the next 5 years: manufacturing, utilities, insurance, healthcare, education, business services**
- ✓ **IT companies - main drivers of demand over the last 5 years, followed by business services (BPO/SSC) and professional services. The trend is expected to continue over the following 2 to 3 years.**



BSS wages & labor cost

- ✓ **The current minimum national gross salary per month, for employees with having higher education and minimum 1-year work experience in the field of studies is EUR 488**
- ✓ **Wages offered at the beginning of the career in the BSS* industry are 30% higher compared to the minimum wage, for employees with higher education**
- ✓ **Seniors in large sector IT hubs can earn more than EUR 4000 net per month**
- ✓ **Hourly labour cost in EUR, in enterprises with 10 or more employees, in Services Sector in 2019: EUR 7.9**

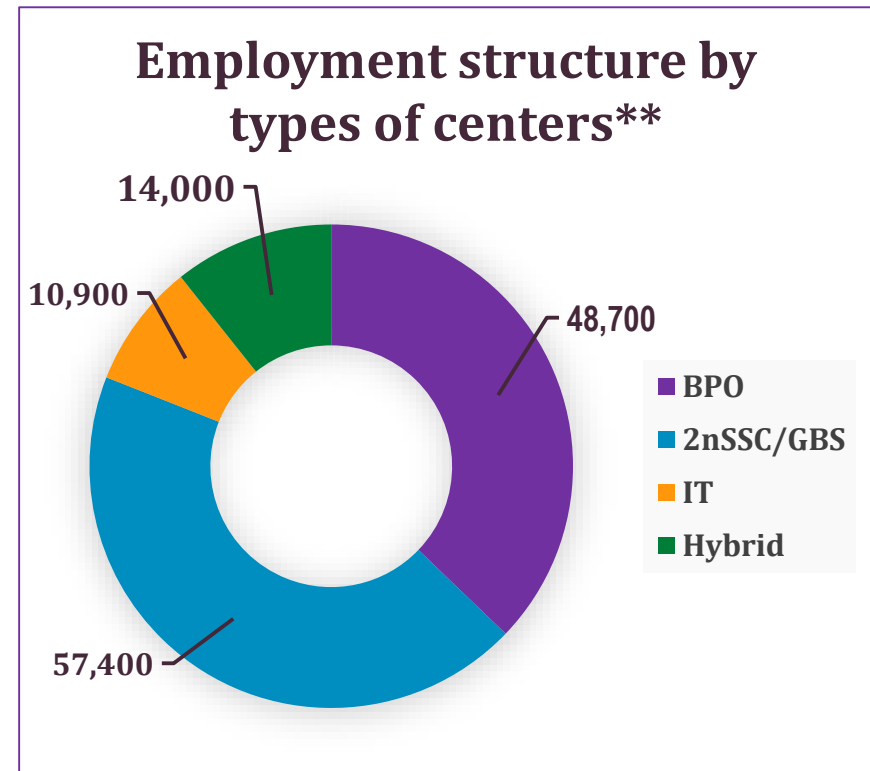
**for a normal work schedule of an average of 167,333 hours per month*

Source: Association of Business Service Leaders, Eurostat

Romanian outsourcing zoom in

key figures

- ✓ 4,5 billion EUR turnover in 2018 (estimated)*
- ✓ Business Services Sector in Romania estimates revenue growth of up to 5% by 2020, following European trends
- ✓ 280 companies (BPO, SS/GBS, IT, R&D centers)**
- ✓ 120 number of large centers (500+ employees)**
- ✓ 131,000 employees in the sector*
- ✓ Aprox. 2.4% of Romania's working population
- ✓ 161,000 forecasted total employment in 2021**



Largest IT & Outsourcing companies

<ul style="list-style-type: none"> 3 Pillar Global 8&8 Research and Innovations Accesa IT Consulting Accesa IT Systems Altran Romania Arobs Transilvania Software Artsoft Consult Belfair Romania Development Bombardier Transportation SSC Bosch R&D Montran Moonwalk Solutions MSG Systems Romania National Instruments Neusoft EDC Nordlogic Software NTT DATA Romania S.A. Office depot Service Center Property Shark Quantic Lab Uniqra Raiffeisen Software VE Interactive 	<ul style="list-style-type: none"> Wolters Kluwer Financial Services Yonder Emerson Endawa Romania Evozon Systems Fortech Frequents Romania Genpact Imprezza Global iquest Technologies ISDC Romania Language Weaver RBH Consulting Recognos Romania Ria Solutions Small Footprint Softech Softvision Stratec Biomedical Thompsons Online Benefits Tora Trading Services Ullink
---	---

<ul style="list-style-type: none"> Accenture – Energyquote Almaviva Amazon Arcadis Asset Portofolio Romania Atexis Autoliv Basware Beenear Bitdefender Cappemini Cegeka Centric IT Solutions Code 40 Development Conduent Business Services Continental Distribution Toiture Mauricienne 	<ul style="list-style-type: none"> E.ON Business Services Endava EOS KSI Expert Network Fire Credit Focality Gemini CAD Systems GFK Go Daddy Iasi Security Software Levi 9 Mind Software MIOS Romania Ness Romania NTT DATA Romania OM Iasi Oracle OSF Global 	<ul style="list-style-type: none"> Pentalog Preh Romssoft SCC Services Romania Silicon Service Softvision Sonovision Romania Tata Consultancy Services TEC Telecom Thinslices Development Unicredit B.I.S. Veo VS Communication Webhelp Xerox Romania
---	--	--

<ul style="list-style-type: none"> 1&1 Internet Development Accenture ADP Centre of Excellence Alten Si-Techno Romania Amber Studio Arezzo Sky Ariston Thermo Atalian Global Services Avira Soft Axway Romania s.r.l. Carestream EMEA SSC Cegeka Romania Class IT Outsourcing Computer Generated Solutions Conectys Crys Computers DB Global Technology Center DB Schenker DB Schenker Services Europe Deutsche Telekom B.S. Ericsson Global Services Center Ericsson Telecommunications Everymatrix Gameloft Romania Global Remote Services High-Tech Systems & Software Homerun Ciero HP GeBOC IBM Global Business Services Info World Informatica Feroviara SA ING Services Romania Ingenio Software SA Ixia Kellogg Kepler – Rominfo SA 	<ul style="list-style-type: none"> Luxoft Professional Mellon Romania Mood Media Romania Nobug Consulting NTT DATA Romania S.A. OMV Petrom Solutions Optaros Oracle Premium IT Technologies Printec Group Romania Procter&Gamble GBS Qualitance QBS S&T Romania Samsung Shared Services Siemens Romania Sivoco Romania Societe Generale European B.S. Softvision Sparkware Technologies Stefanini Teamnet Solutions International Teleperformance Telligence Technologies TELUS International Temenos SSC TMF Group Romania Ubisoft Vauban IT RO Veeam Software Vodafone Shared Services Walter Services Wipro Technologies WNS Global Services Xerox Yokogawa Europe B.V. Zitec Com
---	--



<ul style="list-style-type: none"> Arvato Services Autoliv Romania Cerner Continental Elektrobit Automotive Iquest Technologies Kronsoft Development NTT DATA Romania S.A. Pentalog Romania Preh Siemens Industry Software Stabiplan Synertrade Tata Technologies Waters Romania

<ul style="list-style-type: none"> ACI Worldwide Alcatel Lucent Atoss Software Berg Computers Bosch Communication Center Continental Automotive Datagroup-INT Infobest Romania Intel Software Development Intelligent Software Systems 	<ul style="list-style-type: none"> ISB Rom NTT DATA Romania S.A. Saguaro Print Sphinx IT SSI Schaefer Survey Sampling Ro Syonic Toluna Romania Wipro Technologies Romania ZTE Services Romania
--	--

New projects in Romania → 2019-2020

 Continental

Extension of its R&D Center in Timisoara

 Tech
Mahindra

R&D Center in Timisoara

 Hub

Extension of its R&D Center in Timisoara

 Imagination

Development and Testing Center in Timisoara

 Microsoft

Technology Development Center in Iasi

 BOSCH
Invented for life

Engineering Center in Cluj-Napoca

 Visteon®

R&D Center in Timisoara

 SCHAEFFLER

R&D Center in Brasov

 THALES

Center of Excellence in Engineering in Bucharest

Projects between 2016-2018



Business Services Center in Bucharest

R&D Center in Bucharest

Global Service Center in Bucharest

Office in Suceava, after Bucharest and Iasi

Group Service Center in Bucharest

Bucharest R&D Center - largest in Europe

Bucharest Technology Hub

Regional Logistics Center - Above Market Planning Hub

Projects between 2016-2018

 voxpro

 Hexaware
TECHNOLOGIES

 GoPro

 accenture

 SIG

SIG Combibloc

 INTERGLOBE
TECHNOLOGIES

 QUEST
BORN TO ENGINEER

 CRF
HEALTH
A CRF BRACKET COMPANY

 amazon

Office in Bucharest

Global Delivery Center in Bucharest

Software Engineering Office in Bucharest

BPO Center in Brasov, after Bucharest, Cluj-Napoca, Iasi, Tirgu-Mures and Timisoara

Business Services Center in Cluj-Napoca

Global Delivery Center in Bucharest

Office in Cluj-Napoca

CRF Health, opened in Iasi

Development Center in Iasi & Bucharest

Bucharest, the largest outsourcing hub

Top players



Key figures

- ✓ strong high-tech service sector growing steadily
- ✓ 83,840 employees in BBC
- ✓ 118 total number of companies (SSC, BPO, IT, R&D etc.)
- ✓ most requests come from companies from USA, UK and Germany
- ✓ 31 Universities, 92 Faculties
- ✓ it has the largest talent pool due to the population and nearly 13,000 students the city offers
- ✓ 127,500 students
- ✓ 39,200 graduates/year
- ✓ 2,840,000 m2 total office stock (7.5% vacancy rate)

Cluj-Napoca, a good value for money

Top players

Key figures



- ✓ Cluj is the second largest BSS destination in the country due to availability of skilled, multi-lingual workforce and high quality of life
- ✓ most of the BSS is focused on provision of IT and financial support services
- ✓ 15,040 employees in BBC
- ✓ 60 total number of companies (SSC, BPO, IT, R&D etc.)
- ✓ 10 Universities, 50 Faculties
- ✓ 50,000 students
- ✓ 13,425 graduates/year
- ✓ 335,000 sq m total office stock
(7% vacancy rate)

Timisoara, a vibrant technology environment

Top players



Key figures

- ✓ the winner of “The Best City for Businesses in Romania” award, Timisoara is well known for the IT & automotive industry and, in the last years, for its strong Business Services Sector presence
- ✓ 11,000 employees in BBC
- ✓ 43 total number of companies (SSC, BPO, IT, R&D etc.)
- ✓ 6 Universities, 31 Faculties
- ✓ 31,000 students
- ✓ 7,978 graduates/year
- ✓ 280,000 sq m total office stock (6% vacancy rate)

Iasi, an emerging technology hub

Top players



Key figures

- ✓ cultural and academic hub in the North - Eastern part of the country
- ✓ Iasi - Emerging City of the Year 2018 at the CEE Shared Services and Outsourcing Awards Gala
- ✓ 8 Universities, 38 Faculties
- ✓ 42,000 students
- ✓ 11,096 graduates/year
- ✓ 224,000 sq m total office stock (6% vacancy rate)

Romanian Success Stories



June 2020 - UiPath, the leading enterprise Robotic Process Automation (RPA) software company, has been named to the CNBC Disruptor 50, an annual list of forward-thinking and ambitious private companies in a range of industries, whose innovations are changing the world. UiPath was also named the fastest growing technology company in the Americas by FT Americas' Fastest Growing Companies 2020 and ranked No.1 Fastest Growing Company in North America on Deloitte's 2019 Technology Fast 500.








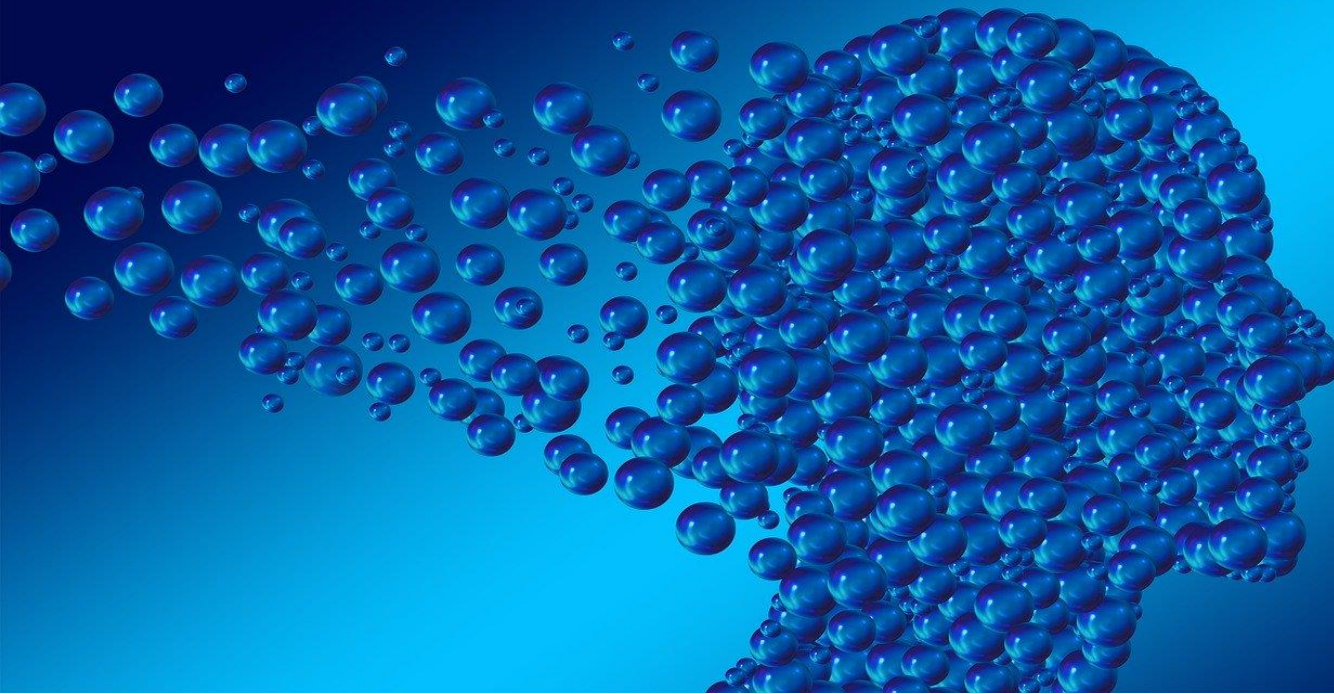
July 2020 - Brillio, a leading digital technology consulting and solutions company, has expanded analytics capabilities with Cognetik acquisition, a Romanian data and insights company with deep expertise in improving digital experiences for its customers. Companies such as Facebook, eBay, Pizza Hut and McDonald's are among Cognetik's clients.



July 2020 - Zitec, leader on the Romanian IT & digital marketing market, became Google Cloud Premier Partner, the highest level for partners who have demonstrated agility and performance in implementing Google Cloud solutions.

InvestRomania in a nutshell

-  **“one-stop-shop” for foreign investors, assisting and advising international companies for project implementation in the country**
-  **Promoting and facilitating foreign investment in Romania**
-  **Main interface between foreign companies and central / local authorities**
-  **Assisting worldwide entrepreneurs in project implementation**
-  **Tailored and individually custom-made solutions for developing new or current units**
-  **Consultancy and guidance during all stages of the decisional process (state aid & fiscal incentives)**



GOVERNMENT OF ROMANIA
Ministry of Economy, Energy and Business Environment

152 Victoriei Av.
District 1, Bucharest, Romania
www.investromania.gov.ro
E-mail: office@investromania.gov.ro
investromania@investromania.gov.ro

