BUSINESS SERVICES SECTOR IN TURKEY

INVEST IN TURKEY
AGENDA

• Executive Summary
• Why invest in the Turkish Business Services Sector
• Business Services Sector in Turkey
  • Call Centers
  • Engineering and Architectural Consulting
    Engineering / Architectural Design / Technical Drawing / Urban Planning / Scientific and Environmental Services
  • Technical Testing
    Composition and Purity Testing / Technical Inspection and Road Transport / Other Testing and Analysis Services
• Knowledge Based Services
  Auditing and Accounting / Legal Advisory / Consulting Services
Turkey’s strategic location at the crossroads of Europe, the CIS, the Middle East, and North Africa, along with the country’s existing potential, the increase in per capita income, and its large, young, and growing population have positively impacted the development of the business services sector in Turkey. Turkey has significant experience in a wide range of business service lines, such as engineering and architectural consulting, technical testing, and call centers. The country also boasts expertise in knowledge-based services, such as auditing and accounting, legal advisory, and consulting.

**Call Centers, Business Process Outsourcing Firms (BPOs)**
- The call center sector in Turkey has gained momentum since the inception of the country’s first call centers in the 1990s.
- According to the Turkish Call Centers Association, the industry had a value of TRY 5.1 billion and employed 91,000 people in all the call centers throughout the country in 2017, up from the 2013 figures of TRY 2.9 billion and 70,200 employees.
- The call center sector has set an ambitious target of having a work force of 300,000 people by 2023.

**Engineering and Architectural Consulting**
- Engineering and architectural consulting companies in Turkey provide services related to engineering, architectural design, technical drawing, urban planning, and scientific and environmental services.
- A skilled workforce, cost-effective service compared to international standards, and expertise in diverse markets and project types help move the sector forward in Turkey.
- During the 2015-2016 academic year in Turkey, a total of 33,785 students graduated from the fields of engineering and engineering trades in universities, while 14,585 students received their degree in the fields of architecture and construction.

**Technical Testing**
- The technical testing market offers a wide variety of business lines, such as composition and purity testing, technical inspection, and road transport.
- The total annual turnover in these services has been showing an upward trend in the last decade, and as industries such as manufacturing, automotive, chemicals, and ICT continue to grow in Turkey the need for technical testing will increase accordingly.

**Knowledge-based Services**
- Knowledge-based services such as auditing and accounting, legal advisory, and consulting also play a crucial role in Turkey’s economy.
- Turkey’s vibrant economy and improved business environment have paved the way for a dramatic increase in the number of foreign companies in Turkey.
- The number of companies in Turkey with foreign capital quintupled in the last decade to reach 58,422 in 2017. This increase, together with the improved business environment, has resulted in the growth of knowledge-based services in Turkey.
- As new regulations come into force and Turkey aspires to have compatible standards with the EU, the sector is set for significant growth.
WHY INVEST IN THE TURKISH BUSINESS SERVICES SECTOR

- LARGE ECONOMY WITH HIGH GDP GROWTH RATE
- YOUNG AND DYNAMIC POPULATION
- UNIQUE GEOGRAPHICAL LOCATION

+ investor friendly investment environment, increasing number of companies with foreign capital, availability of industries supporting business services sectors
Turkish GDP expanded %7.4 in Turkey in 2017 and Turkey became the fastest growing economy among G20 countries.

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP</th>
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<tbody>
<tr>
<td>US</td>
<td>19,362</td>
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<tr>
<td>China</td>
<td>11,938</td>
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<tr>
<td>Japan</td>
<td>4,884</td>
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<td>Germany</td>
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<td>France</td>
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<td>UK</td>
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<td>Switzerland</td>
<td>681</td>
</tr>
<tr>
<td>S.Arabia</td>
<td>679</td>
</tr>
</tbody>
</table>

Source: Turkstat, IMF, OECD provisional data and estimates
2. YOUNG AND DYNAMIC POPULATION

Half of the population in Turkey is below 31.7 years old. (EU28: 42.9 Denmark: 41.7)

Source: EUROSTAT, TURKSTAT
3. UNIQUE GEOGRAPHICAL LOCATION

Turkey offers access to;
- 76 nations
- 1.5 billion people
- USD 24 trillion of GDP
- USD 7 trillion of trade in just a 4 hour-flight radius from Istanbul!

Source: IMF
Global investors are free to pursue FDI in Turkey

Foreign investors are subject to equal treatment with local investors

FDI cannot be expropriated or nationalized

Foreign investors may freely transfer abroad net profits, dividends...

Acquisition of real estate

International arbitration

Employment of expats
INCREASING NUMBER OF COMPANIES WITH FOREIGN CAPITAL

NUMBER OF COMPANIES IN TURKEY HAS BEEN STEADILY INCREASING

Source: Ministry of Economy
$15 bn defense spending  
Market: $5+ bn (CAGR: 12%)  
Exports: $1.7 bn (CAGR: 13%)  
A civil aviation hub  
Civilian fleet size: 540  
Civilian passengers: 174 mn  
Well-developed clusters  
Strong support for joint ventures with foreign firms

14th largest auto producer in the World  
2nd largest source to the EU  
Production of over 1 million vehicles per year  
Market: $25 bn (CAGR: %6)  
Export: $20 bn  
Well-developed supplier base

Largest TV & white goods producer in Europe  
Market: $40 bn (CAGR: 6.5%)  
Export: $21 bn
INDUSTRIES SUPPORTING BUSINESS SERVICES SECTOR IN TURKEY

ENERGY
- Market: $70 bn (CAGR: %8)
- Growing demand
- Energy corridor: proximity to 70% of World's proven primary energy sources
- Untapped renewable sources
- Government support for renewables

REAL ESTATE
- Turkish Citizenship offered to property buyers
- No reciprocity requirement
- Residential and commercial opportunities
- Strong demand for malls & grade A retail units
- Sustainable yields

CONSTRUCTION
- Market: $93 bn (CAGR: %10)
- Annual average number of new dwelling units: >800K over the past 5 years
- Infrastructure projects (PPP)
INDUSTRIES SUPPORTING BUSINESS SERVICES SECTOR IN TURKEY

FINANCIAL SERVICES
Robust growth with double digits
Growing interest in Islamic finance
Istanbul Finance Center
Unsaturated insurance sector
Strong presence of foreign investors

PPP
~$150 bn PPP investment (2003-2016)
$325 bn PPP investment expected (2017-2023)
Transportation
Healthcare
Energy

RETAIL
Increasing income per capita
Wealthy tourists from West and Gulf generating sales for retailers in medium and high price range segments
Growth affluence for luxury retailers
CALL CENTERS
As the private sector increasingly focuses on customer services, Turkey’s call center and business process outsourcing (BPO) sector has achieved considerable growth in recent years.

In addition to thousands of business centers with services for telecom operators, airlines, and financial institutions, the sector is set for further growth owing to demand drivers such as a young and skilled work force, strategic geographic position, and government incentives aiming to increase growth in underdeveloped regions. The list of major companies with BPO units in Turkey includes Allianz, DHL, ING Bank, Lufthansa, TNT Express, and Vodafone.

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According to the Turkish Call Centers Association, the industry had a value of TRY 5.1 billion and employed 91,000 people in all the call centers throughout the country in 2017, up from the 2013 figures of TRY 2.9 billion and 70,200 employees.
CALL CENTERS

NUMBER OF CALL CENTER REPRESENTATIVES IN TURKEY

- 2015: 83,000
- 2016: 85,000
- 2017: 91,000

SECTORS PROVIDED SERVICE BY CALL CENTERS IN 2017

- Sectors
  - Telecomunications: 23%
  - Finance: 17%
  - Consumer Goods: 13%
  - Media & Entertainment: 12%
  - Retail: 7%
  - Tourism & Accommodation: 6%
  - Transportations & Logistics: 6%
  - Energy & Infrastructure: 4%
  - Public Services: 4%
  - E-trade: 2%
  - IT: 1%
  - Healthcare: 1%
  - Others: 4%

FOREIGN LANGUAGES CALL CENTERS PROVIDE SERVICE IN OTHER THAN TURKISH (2017)

- Languages
  - German: 53%
  - English: 31%
  - French: 11%
  - Arabic: 3%
  - Other languages: 2%

GEOGRAPHICAL DISTRIBUTION OF THE CALL CENTER REPRESENTATIVES (2017)

- Cities in Turkey
  - Istanbul: 39%
  - Ankara: 12%
  - Izmir: 5%
  - Other cities: 44%

Source: Call Centers Association (cagrimerkezleridemegi.org)

%66 of the call center representatives are female

Average age of the call center representatives is 26.5
SOME OF THE MAJOR COMPANIES IN THE CALL CENTER SECTOR IN TURKEY

CMC
assTT
COMDATA
arvato BERTELSMANN
Tempo
Atos
prizma
webhelp
CCC
PUSULA
Teleperformance
alonet
SOME OF THE GOVERNMENTAL AND NON GOVERNMENTAL ORGANIZATIONS IN THE SECTOR

- TC ÜLÜŞTRİM, DENİZcilik ve HAREKÂESİne BAKANLIĞI
- ÇSGB
- BDDK
- BTK
- ÇAĞRI MERKEZLERİ DERNËGI CALL CENTERS ASSOCIATION
- TÜRK PATRONLUĞU KURUMU
Engineering and architectural consulting firms in Turkey provide services in engineering, architectural design, technical drawing, urban planning, and scientific and environmental services.

Skilled workforce, cost effective service compared to international standards, and expertise in diverse markets and project types help move the sector forward in Turkey.

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SOME OF THE MAJOR COMPANIES IN THE ENGINEERING AND ARCHITECTURAL CONSULTING SECTOR IN TURKEY
SOME OF THE GOVERNMENTAL AND NON-GOVERNMENTAL ORGANIZATIONS IN THE SECTOR
TECHNICAL TESTING
The technical testing market contains a variety of business lines such as composition and purity testing, technical inspection and road transport, and other testing and analysis services.

The total annual turnover in these services has been showing an upward trend in the last decade. As industries such as manufacturing, automotive, chemicals, and ICT continue to grow in Turkey, the need for technical testing will also grow.
SOME OF THE MAJOR COMPANIES IN THE TECHNICAL TESTING SECTOR IN TURKEY
SOME OF THE GOVERNMENTAL AND NON GOVERNMENTAL ORGANIZATIONS IN THE SECTOR
KNOWLEDGE BASED SERVICES
The knowledge based services such as auditing and accounting, legal advisory and consulting services also play a crucial role in Turkey's economy. Turkey's vibrant economy and improved business environment have helped to achieve a dramatic increase in the number of the foreign companies in Turkey.

The number of companies in Turkey with foreign capital has quintupled in the last decade, from 11,700 in 2005 to 58,422 in 2017. This increase, together with the improved business environment, has resulted in the growth of knowledge based services in Turkey.

In addition, as new regulations come into force and Turkey aspires to have compatible standards with the EU, this sector will continue to grow.
KNOWLEDGE BASED SERVICES

SOME OF THE MAJOR COMPANIES IN THE KNOWLEDGE BASED SERVICES SECTOR IN TURKEY

Deloitte
Roland Berger
PwC
EY
KPMG
BCG
Crowe Horwath
Graf von Westphalen
Bain & Company
CLIFFORD CHANCE
McKinsey & Company
Baker & McKenzie
AT Kearney
SOME OF THE GOVERNMENTAL AND NON-GOVERNMENTAL ORGANIZATIONS IN THE SECTOR