

Global Business Services - Lithuania, Estonia, Latvia

Sector Overview 2018

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Key Capital provides advice to Financial Institutions and Corporates who are transforming their business models using Shared Services, BPO, ITO and Automation.

With 14 years experience in Global Business Services, including numerous transactions in The Baltic States of Lithuania, Estonia and Latvia, we possess a proprietary dataset and deep insights.

This overview provides a summary of key deals and events in 2018.

If you require the story or data behind the headlines please contact us.

2018 Headlines

1. Growth Story

The GBS sector continued expanding in all three countries, driven by new investments and expansion by existing operators. Investor quality was notably high, with an increased proportion from outside the EU.

2. Focus on Functions

IT, Finance and Client Service all grew strongly thanks to world-class math, IT and language skills. We were correct in our prediction that Analytics would grow but wrong about Supply Chain, which was muted.

3. Uptiering Continues

Regional centres assume wider geographic remits and more complex tasks. RPA is already standard but 2018 saw a higher number of R&D deals.

4. High BPO Activity

BPO and ITO players were particularly active, with Centric and Cognizant opening, Transcom expanding and HCL taking on 460 staff from Barclays (exit).

2018 Headlines

5. Lithuania Dominates

The largest GBS market in the Baltic region, Lithuania had a stellar 2018 with 25 new deals and numerous CEE regional awards. Growth drivers include excellent human capital, cost competitiveness, sector collaboration and strong execution by Invest Lithuania.

6. Steady in Estonia

2018 was relatively quiet for Estonia, where labour market conditions are very tight. Quality remains high, KPMG opening a new centre and long-term operators AGA, Icelandair and Stora Enso all expanding.






7. Latvia Awakens

After much talk the government got organised on GBS sector development and in H2 SEB, Visma and Cognizant were landmark deals. Untapped potential remains.







8. First Losses

The closure of Barclays in Vilnius and failure of SOCAR to get their Tallinn centre operational represent failures. Whilst this was offset by wins, competition among locations is growing and 2019 should show whether this was a glitch or worrying trend.







2018 Deals, Lithuania

| | | |
|-----|---|---|
| Dec |  | Swedish BPO giant to add 390 CS, IT and complex services staff over 4yrs, taking FTE past 1,000 |
| Dec |  | Growth in analytics and BI functions continues as Moody's announces new centre |
| Dec |  | HCL to transfer 460 staff and provide ongoing ITO services as Barclays exits |
| Nov |  | Israeli cloud services integrator TeraSky selects Vilnius for European base |
| Nov |  | Icelandic travel operator Arctic Adventures to open IT, sales and CS centre in Vilnius |
| Oct |  | UK digital experts Primo Interactive select Vilnius for first mainland European operation |







2018 Deals, Lithuania

| | | |
|------|---|---|
| Oct |  | SEB to expands Vilnius centre past 1,000 FTE with additional 70 hires |
| Sept |  | 2017 sector review published, strong growth and innovation trends continue |
| Aug |  | NKT double's Kaunas centre size and adds more complex scope |
| July |  | Yara global Supply Chain centre attracted due to language skills |
| July |  | Convioous announces new IT R&D centre in Vilnius |
| June |  | Western Union wins top robotics implementation in CEE award, reflecting skills and innovation in IT and Finance |

2018 Deals, Lithuania

| | | |
|-----|---|---|
| May |  | US e-logistics company selects Vilnius as global R&D hub |
| May |  | Digital identity solution provider Videntifier to open R&D centre in Vilnius |
| May |  | Telia selects Vilnius for new IT centre, plan to recruit 400 in one year |
| May |  | Global IT giant opens CS operation in Vilnius, reflecting availability of excellent language skills |
| May |  | German industrial group Festo to hire 250 staff for new centre in Kaunas |
| May |  | UK financial services consultants select Vilnius for first nearshore hub |

2018 Deals, Lithuania

| | | |
|-------|---|--|
| April |  | Barclays announces redundancies, full exit from Vilnius possible (as Glasgow announced new IT COE) |
| April |  | Dutch IT firm Hyarchis to open new IT centre in Kaunas |
| April |  | E-Invoice specialist to open new IT and Finance centre in Vilnius |
| Mar |  | ITO and BPO specialist to hire 200 IT and CS staff |
| Mar |  | UK gaming developer selects Vilnius for its first foreign operation |
| Mar |  | Callcredit to add analytics services to existing Kaunas centre scope |






2018 Deals, Lithuania

| | | |
|-----|---|---|
| Mar |  | Global flight information provider OAG opens IT centre in Kaunas, travel is a growing industry vertical in the region |
| Feb |  | US cyber security firm to open new IT development centre in Vilnius |
| Feb |  | Europe's fastest growing HR tech firm to open multi-functional centre |
| Feb |  | Lithuania wins 6 awards at CEE Shared Services and Outsourcing awards |

2018 Deals, Estonia

| | | |
|-------|---|---|
| Sept |  | Icelandair to expand scope of Tallinn Finance centre, including complex revenue accounting |
| July |  | Salary costs bite at IT giant Playtech, Estonia's largest SSC |
| July |  | Stora Enso announces expansion of Tallinn centre and now employs over 450 in CS, HR, IT and now Finance |
| June |  | SOCAR to discontinue recently planned Supply Chain centre in Tallinn |
| March |  | AGA's N. European SSC to add more employees, functions and complexity. Formed in 2006 in employs over 150 FTE |
| Feb |  | KPMG to open new centre to support Nordic and Baltic regions |

2018 Deals, Latvia

| | | |
|-------|--|---|
| Sept |  | Swedish banking giant to expand Riga operation with 80 hires |
| Sept |  | Visma to expand Riga centre following merger in Finland |
| July |  | US BPO giant to open delivery centre in Riga, targets 300 hires |
| June |  | Tele2 appoints new centre manager in Riga as Kim Leandersson moves to Cognizant |
| April |  | Government launches new PPP to develop GBS sector competitiveness in Latvia |

2019 Outlook

1. Global Impact

2019 may be a difficult year globally due to slowing economies and geopolitics. The Baltic States are not immune but can benefit as companies and FI's seek new efficiencies, capabilities and innovations, especially in nearby Nordic and DACH markets.

2. Sale & Leaseback

Related to the above, many companies may seek to sell their captive centres and BPO/ITO to realise cash and reduce ongoing resource requirements. This trend started in 2014 and spiked in 2018.

3. Inflation Concerns

We hold long-term concerns about inflation levels in Lithuania, Estonia and Latvia, which damage competitiveness and are not always offset by productivity gains. Government forecasts are worryingly high.

4. Labour Pool

Lithuania, Estonia and Latvia have small populations, poor demographics and low immigration. Mobility schemes are improving the situation however the fight for talent is on. Certain skills carry a premium. Churn is relatively low however employers must be creative.

About Us

Key Capital is an advisory firm delivering Financial Strategy, Financial Technology and Transformation expertise to Corporates, FinTechs, Governments and Financial Institutions

We have been active in Global Business Services for 14 years, including the Shared Services, BPO and ITO sectors in Estonia, Latvia and Lithuania since 2010.

Transaction experience includes developing software for the European treasury outsourcing industry; assisting Enterprise Estonia develop a sector strategy for GBS and attract foreign investors; and commissioned research for Enterprise Ireland to generate opportunities for their GBS technology portfolio companies.

We possess a proprietary dataset and deep insights, supported by incisive analysis and practical solutions.

To learn more please visit www.keycapital.eu or call us on **+372 5193 6831**.

Disclaimer

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