NINE (9) SECTOR STUDIES FOR THE SMALL AND MEDIUM SIZED ENTERPRISES

SECTOR ANALYSIS:

EXECUTIVE SUMMARY

CALL CENTERS

October 2008

REMACO A.E.
ΣΥΜΒΟΥΛΟΙ ΕΠΙΧΕΙΡΗΣΕΩΝ

ΥΠΟΥΡΓΕΙΟ ΑΝΑΠΤΥΞΗΣ
ΓΕΝΙΚΗ ΓΡΑΜΜΑΤΕΙΑ
ΒΙΟΜΗΧΑΝΙΑΣ

Hellastat

Strategic Review

Major points of the sector:

- Greek call center market is composed of some large firms and many medium size and small companies. Major clients are banks, insurance, pharmaceuticals and telecom companies. Call Center companies, also, are specialized in consumer goods services lines, commonly known as «801».
- Call center market is still at an early stage, as product promotion services consists the major part of services that companies provide.
- Companies concentration and competition degree are high, due to the small number of companies. A main characteristic of the industry is the fact that 20% of the call center companies cover the 80% of total call center market.
- According to General Secretariat for Information Systems records call center companies are 35 in number. Most of them (71,4%) comprises individual firms (only 17% consists of SA and 11,4% consists of personal companies). This shows the ease of a company to entry the industry, as no particular funds for its establishment are required. Also, most of them (66%) are settled in Attica
- According to Hellenic Association of Corporate Telephone Service, the number of people employed in call centers in Greece reaches 10,000 people.
- The most common model for telephone services is outsourcing.
- Collection companies show particularly dynamic growth in recent years shows, forming an important part of the broader call center market.
- Demand for call centers activities is affected by economic environment, seasonality and needs of clients-companies for higher quality services
- However, current economic crisis, which appears to affect the whole economy, creates strongly the feeling of insecurity in the sector.
- Major market problems are: a) lack of legislative framework, which results in the entry of companies that discredit the whole sector b) the early development stage which is connected with the fact that clients focus on achieving a better price and not on demanding better quality services.
- The competitive advantage is ensured primarily by human resources and technology .
- Companies that effectively manage their personnel by employing specialized agents with good communication skills, have lead over the competition by offering better quality services.
- The most important cost for a company is payroll. Its contribution to the total cost reaches 70% The remaining 30% composes other operating costs such as buildings and equipment. New technologies penetration forms new trends which reduces the high cost of human resources.
- A company's entry in the market is easy, due to the absence of legislative framework and to the small amount of investment that is required
- Subsidy funds are difficult to be found because of the fact that the sector is newly established. However, companies can benefit from grants for computer equipment
- Technological equipment upgrading for a call center company takes place every 3 -5 years.

Strategic Review

Strengths & Opportunities:

The dynamic environment of the sector features the following aspects:

- High profit margins due to the recent intrusion of the sector in the Greek market
- Easy entry in the sector for a new-established company
- New technologies deliver services of higher quality
- Banks, constituting a crucial factor of the Greek economy, are the major clients of call center companies
- Participation of large Groups of Companies in the sector
- Growth prospects of consumers' goods in the Greek market

The rising opportunities for the companies of the sector are summarised in the following:

- Expansion and establishment of subsidiary companies in neighbouring markets
- Provision of services to European markets, due to price competitiveness
- Development of more specialized services
- Activity expansion to more Greek areas, besides Attica, benefiting from subsidies (e.g. industrial zones)
- The more intense use of technology will reduce total cost (e.g. voice calls)
- Creation of specialized schools regarding customer service
- Use of EU subsidy programs (e.g. Equal: a program for employment of disabled persons)
- Agents' salary increase will further develop the sector

Strategic Review

Weaknesses & Threats:

The weak points of the sector are the following:

- Lack of confidence by the Greek companies
- Low quality of services
- Absence of legislative framework
- The competition is focused on price
- High turnover rates - difficulty in finding personnel
- The companies operate mainly in Attica

The major threats of the sector are the following:

- Certain companies that offer services of lower quality spoil the image of the whole sector
- Competition focuses on pricing policy and not on the higher quality of services
- Strengthening of internal call centers of the larger Greek companies
- Services are paid according to employers' performance and not according to the specific service
- Global economic crisis is expected to affect negatively the demand for call center services
- The application of the law prohibiting outbound calls, unless the customer agrees

Summary of financial indicators

- The analysis of this study excludes First Data. The turnover of the 36 companies of our sample increased by 19.2% to €174 mn. 69% of the companies improved the turnover as compared to the previous year.
- Gross Profits reached €43.06 mn, having increased by 22% as compared to 2006. The respective margin increased marginally to 24.7%.
- EBITDA also increased by 32.5% (€13.99 million at the end of the year) and operating profit margin increased to 8% (as compared to 7.2% in 2006).
- Operating costs also increased (administration and distribution expenses: +1.9% and +30.2% respectively).
- EBT also increased by 64%, to €5.97 million, while 13 out of 25 profitable enterprises improved their results as compared to the previous year. Ultimately, the average change 07/06 per company reached 6.2%.
- The average Trading Cycle of the sample in 2007 was -52 days.
- The sample operates at a high level of quick ratio and acid test (0.92 in both cases).
- The proportion of debt to equity in 2007 improved to 3.98 to 1 from 5.49 to 1 as compared to 2006.

Population:	**36**
Population per turnover size	
Above € 2,5 mn.	15
Between € 0,3 mn.and € 2,5 mn.	11
Between € 0 mn. and € 0,3 mn.	10

Profitable	**23**
Increase	*8*
Decrease	*9*
Loss reversal	*6*
Loss making	**7**
Increase	*2*
Decrease	*2*
Profit reversal	*3*

Key Statistics	Call centers 2007	Economy median 2007
Sales increase	20 - (69% of the sample)	*55,4%*
Sales reduction	9 - (31% of the sample)	*44,6%*
Median sales growth	6,1%	*4,3%*
Median earnings growth	6,2%	*6,4%*

Key ratrios	Call centers 2007	Call centers trend	Economy median 2007	Economy median trend
Debt to equity	3,98	+	*1,14*	-
Asset turnover	1,86	+	*0,62*	+
Quick ratio	0,92	-	*1,24*	+
EBITDA margin	7,3%	+	*9,4%*	+
Net margin	1,8%	-	*2,7%*	+
RoE	22,1%	-	*4,6%*	+

REMACO A.E. ΣΥΜΒΟΥΛΟΙ ΕΠΙΧΕΙΡΗΣΕΩΝ

ΥΠΟΥΡΓΕΙΟ ΑΝΑΠΤΥΞΗΣ ΓΕΝΙΚΗ ΓΡΑΜΜΑΤΕΙΑ ΒΙΟΜΗΧΑΝΙΑΣ

Hellastat

The major companies

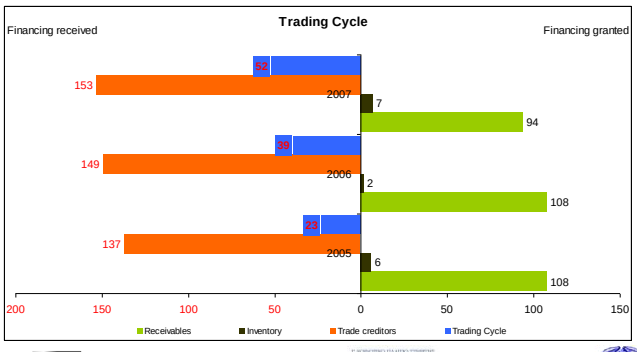
Key Figures [2007]	Sales	Gross results	EBITDA	Earnings before taxes	Total Assets	Equity capital	Current liabilities	Debt to equity	RoA
1 SERVICE 800 TELEPERFORMANCE SA	51,43	9,17	3,61	1,85	26,75	3,38	21,35	6,92	6,9%
2 CALL CENTER HELLAS SA	15,08	1,35	0,44	0,01	6,71	1,13	4,22	4,94	0,1%
3 FINANCIAL PLANNING SA	13,33	3,82	0,97	0,43	7,39	5,23	2,06	0,41	5,9%
4 PIRAEUS DIRECT SERVICES SA	9,25	1,77	0,49	0,28	3,13	1,12	1,53	1,80	8,8%
5 E-VALUE SA	9,02	1,85	1,16	0,02	7,39	3,32	2,90	1,22	0,3%
6 MELLON BUSINESS SERVICES SA	9,00	3,07	0,94	0,49	8,21	0,63	6,12	11,69	6,0%
7 INFOASSIST SA	8,05	1,84	1,20	0,94	4,06	0,55	3,47	6,28	23,2%
8 KIKLOS SA	7,93	2,98	0,30	0,15	2,42	0,82	1,57	1,92	6,0%
9 CARE DIRECT SA	7,53	3,80	0,90	0,12	4,73	0,71	2,59	5,67	2,5%
10 PHONE MARKETING SA	6,28	0,87	0,46	0,07	7,32	0,71	3,53	9,30	1,0%
11 WUNDERMAN SA	5,52	1,89	1,40	1,34	2,95	0,39	2,43	6,22	45,4%
12 FINTRUST SA	4,83	1,04	0,28	0,11	1,74	1,03	0,69	0,67	6,3%
13 EOS MATRIX SA	3,39	1,27	0,50	0,40	1,44	0,15	0,94	8,43	28,1%
14 MEDIA CALL CENTER SA	2,96	0,31	-0,29	-0,34	0,96	-0,53	1,48		-35,1%
15 FIRST CALL SA	2,81	1,03	0,76	0,33	1,43	0,51	0,92	1,81	22,9%
16 TRANSET COMMUNICATIONS SA	2,27	0,90	0,24	0,08	1,77	0,21	1,56	7,35	4,3%
17 STATUS SA	2,22	-0,26	-0,26	-0,27	1,59	1,10	0,43	0,39	-16,9%
18 GENERAL FINANCIAL SOLUTIONS SA	2,21	2,19	0,39	0,34	1,18	0,39	0,79	2,01	28,4%
19 TELERESPONSE SA	2,05	0,49	0,16	0,06	1,09	0,27	0,80	3,01	5,4%
20 VERITAS BUREAU S.A.	1,83	0,23	0,11	0,07	0,49	0,14	0,35	2,52	13,9%
21 DIRECT LINE SA	1,72	0,44	0,29	0,18	1,38	0,19	1,18	6,18	13,3%
22 ALFATEL SA	1,57	1,57	0,03	0,03	0,52	0,07	0,45	6,63	4,9%
23 PRIMUS SA	1,18	-0,07	-0,37	-0,47	1,15	-0,32	1,43		-41,0%
24 RELATE SA	0,92	0,52	0,04	0,01	0,26	-0,54	0,79		2,9%
25 ASTRA INTERNATIONAL SA	0,54	0,19	0,19	-0,01	1,40	0,17	1,23	7,35	-0,6%
26 SUBSCRIBER MANAGEMENT TECHNOLOGIES SA	0,42	0,14	-0,10	-0,12	0,43	-0,06	0,49		-27,4%
27 PANATEL HELLAS SA	0,28	0,27	0,01	0,00	0,29	0,18	0,09	0,52	0,2%
28 PRONOMIO SA	0,25	0,25	0,00	0,00	0,15	0,09	0,06	0,68	0,2%
29 KAPA-PHONE SA	0,14	0,14	0,13	-0,12	2,71	0,07	2,63	36,29	-4,3%
30 HELLAS PHONE SA	0,00	0,00	0,00	-0,01	0,29	0,22	0,07	0,33	-2,2%
31 ACTION PLAN SA	0,00	0,00			0,00	0,00	0,00		
32 TELMAK SA	0,00	0,00			0,00	0,00	0,00		
33 E-CALL SA	0,00	0,00			0,00	0,00	0,00		
34 ALPHALINE GIARY GROUP TELEPHONE SERVICES SA	0,00	0,00			0,00	0,00	0,00		
35 SPACE LINE SA	0,00	0,00			0,00	0,00	0,00		
36 DELTA VISION NETWORK SA	0,00	0,00			0,00	0,00	0,00		

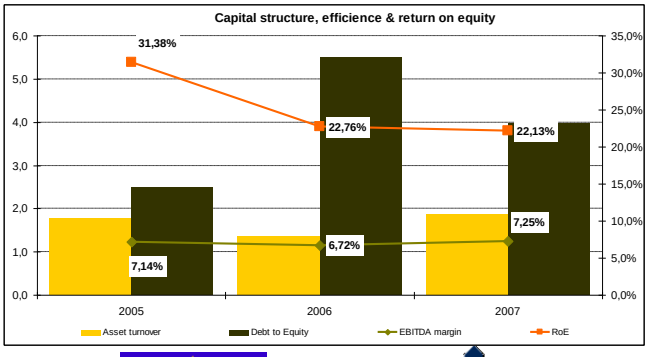
All amounts in mn. €

Financial Statements under IFRS for fiscal years 2005-2004, either detailed or condensed, may not be comparable to 2003 Greek GAAP data

Industry financial ratios

Industry Financial Ratios	Median			Average excluding outliers			Economy median		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Capital Structure									
Current liabilities to sales	0,36	0,41	0,38	0,46	0,65	0,58	0,59	0,59	0,54
Short term bank debt to sales	9,6%	13,5%	10,3%	12,2%	14,8%	16,6%	25,7%	25,5%	23,5%
Debt to equity	3,98	5,49	2,49	4,17	5,84	4,07	1,14	1,09	1,04
Debt to total assets	84,1%	84,2%	75,2%	76,1%	80,7%	75,9%	57,3%	56,3%	54,4%
Interest coverage	5,69	6,26	9,79	5,01	17,42	8,56	3,14	3,09	3,57
Current liabilities to assets	69,2%	73,9%	70,6%	69,0%	71,9%	70,0%	46,3%	46,8%	45,6%
Operating current liabilities to assets	20,3%	19,2%	17,0%	22,1%	27,1%	24,6%	27,5%	28,3%	27,6%
Operating current liabilities to total current liabilities	32,7%	28,8%	29,9%	34,0%	36,6%	36,4%	90,9%	91,8%	92,5%
Liquidity									
Quick ratio	0,92	0,96	1,03	1,02	0,99	1,07	1,24	1,22	1,23
Acid test	0,92	0,95	1,03	1,01	0,99	1,07	0,99	0,98	0,98
Trading Cycle	-52	-39	-23	438	-8	12	46	42	37
Days sales outstanding	94	108	108	108	133	139	140	135	124
Days in inventory	7	2	6	491	7	25	72	71	67
Days in accounts payable	153	149	137	161	148	153	166	164	154
Inventory to current assets	2,0%	1,5%	3,1%	8,7%	2,4%	3,6%	21,1%	21,6%	21,9%
Inventory to assets	1,5%	1,2%	1,5%	4,3%	1,6%	2,5%	13,7%	13,7%	13,9%
Efficiency									
Receivables turnover	3,81	3,34	3,34	3,93	3,56	3,33	2,00	2,06	2,27
Inventory turnover	180,49	173,89	58,19	1.535,35	432,41	188,50	5,16	5,19	5,51
Assets turnover	1,86	1,36	1,77	1,85	1,66	1,63	0,62	0,62	0,65
Administration expenses to sales	17,3%	19,4%	19,2%	19,7%	23,3%	25,6%	9,7%	9,9%	9,7%
Selling expenses to sales	2,8%	5,7%	5,5%	13,6%	10,3%	9,2%	10,5%	10,6%	10,1%
Total operating expenses to sales	23,0%	24,9%	24,8%	30,1%	30,9%	30,7%	21,8%	22,2%	21,1%
Interest expenses to sales	0,95%	0,60%	0,48%	1,08%	0,93%	0,57%	1,72%	1,58%	1,47%
Extraordinary expenses to sales	0,17%	0,37%	0,42%	0,36%	1,44%	0,67%	-0,04%	-0,05%	-0,02%
Profitability & Return on capital									
Gross margin	33,0%	26,2%	24,8%	35,3%	35,2%	32,2%	27,8%	27,2%	26,7%
EBIT margin	3,9%	4,5%	5,0%	4,8%	3,3%	3,8%	5,2%	4,5%	4,9%
EBITDA margin	7,3%	6,7%	7,1%	8,2%	6,7%	6,2%	9,4%	8,9%	9,3%
EBT margin	1,8%	2,2%	3,1%	1,1%	-1,0%	2,8%	2,7%	2,2%	2,6%
Return on assets	4,6%	2,7%	4,8%	4,6%	-0,8%	8,1%	1,5%	1,1%	1,4%
Return on equity	22,1%	22,8%	31,4%	36,5%	2,3%	38,2%	4,6%	3,6%	4,1%





REMACO A.E.
ΣΥΜΒΟΥΛΟΙ ΕΠΙΧΕΙΡΗΣΕΩΝ

ΥΠΟΥΡΓΕΙΟ ΑΝΑΠΤΥΞΗΣ
ΓΕΝΙΚΗ ΓΡΑΜΜΑΤΕΙΑ
ΒΙΟΜΗΧΑΝΙΑΣ

Hellastat

Industry financial statements

	Amounts in mn €			COMMON SIZE			TREND ANALYSIS		
Balance Sheet									
	2007	**2006**	**2005**	**2007**	**2006**	**2005**	**2007/2006**	**2006/2005**	**2007/2005**
Formation expenses	4,47	3,61	3,37	4,4%	4,2%	3,8%	24,0%	6,9%	15,1%
Fixed assets	22,56	20,13	20,44	22,3%	23,6%	23,0%	12,1%	-1,5%	5,1%
Participations	7,37	6,38	5,53	7,3%	7,5%	6,2%	15,5%	15,3%	15,4%
Current Assets	61,98	52,36	57,10	61,2%	61,3%	64,3%	18,4%	-8,3%	4,2%
Inventory	*0,35*	*0,12*	*0,16*	*0,3%*	*0,1%*	*0,2%*	*196,6%*	*-25,6%*	*48,5%*
Receivables	*50,33*	*44,62*	*47,20*	*49,7%*	*52,3%*	*53,1%*	*12,8%*	*-5,5%*	*3,3%*
Cash & securities	*11,30*	*7,62*	*9,74*	*11,2%*	*8,9%*	*11,0%*	*48,3%*	*-21,8%*	*7,7%*
Transitory accounts	4,96	2,92	2,40	4,9%	3,4%	2,7%	70,0%	21,6%	43,8%
Total Assets	**101,34**	**85,39**	**88,84**	**100,0%**	**100,0%**	**100,0%**	**18,7%**	**-3,9%**	**6,8%**
Equity capital	21,35	15,05	17,33	21,1%	17,6%	19,5%	41,9%	-13,2%	11,0%
Share capital	*19,30*	*19,85*	*19,91*	*19,0%*	*23,2%*	*22,4%*	*-2,7%*	*-0,3%*	*-1,5%*
Reserves & retained earnings	*2,04*	*-4,80*	*-2,57*	*2,0%*	*-5,6%*	*-2,9%*			
Provisions	0,17	0,11	0,13	0,2%	0,1%	0,1%	65,9%	-20,7%	14,7%
Long term liabilities	11,30	12,51	10,58	11,1%	14,6%	11,9%	-9,7%	18,2%	3,3%
Reserves & retained earnings	*4,74*	*2,72*	*1,37*	*4,7%*	*3,2%*	*1,5%*	*74,5%*	*97,7%*	*85,7%*
Other	*6,56*	*9,79*	*9,20*	*6,5%*	*11,5%*	*10,4%*	*-33,1%*	*6,4%*	*-15,6%*
Current liabilities	68,20	57,48	60,62	67,3%	67,3%	68,2%	18,6%	-5,2%	6,1%
Suppliers	*8,85*	*6,15*	*6,09*	*8,7%*	*7,2%*	*6,9%*	*44,0%*	*0,9%*	*20,5%*
Checks & notes payable	*4,91*	*4,24*	*6,16*	*4,8%*	*5,0%*	*6,9%*	*15,7%*	*-31,2%*	*-10,8%*
Short-term bank debt	*22,30*	*15,94*	*18,15*	*22,0%*	*18,7%*	*20,4%*	*39,9%*	*-12,2%*	*10,8%*
Taxes and social contibutions	*8,77*	*6,79*	*7,81*	*8,7%*	*8,0%*	*8,8%*	*29,2%*	*-13,1%*	*6,0%*
Dividends payable	*3,49*	*3,30*	*4,91*	*3,4%*	*3,9%*	*5,5%*	*5,9%*	*-32,8%*	*-15,6%*
Intercompany liabilities	*0,25*	*1,00*	*0,00*	*0,2%*	*1,2%*	*0,0%*	*-75,0%*		
Other	*19,63*	*20,06*	*17,50*	*19,4%*	*23,5%*	*19,7%*	*-2,1%*	*14,7%*	*5,9%*
Transitory accounts	0,32	0,25	0,18	0,3%	0,3%	0,2%	27,7%	39,3%	33,4%
Total Equity & Liabilities	**101,34**	**85,39**	**88,84**	**100,0%**	**100,0%**	**100,0%**	**18,7%**	**-3,9%**	**6,8%**
Off-balance sheet accounts	4,03	3,58	7,06	4,0%	4,2%	7,9%	12,5%	-49,3%	-24,5%
Profit & Loss Statement									
Sales	**174,00**	**145,92**	**153,74**	**100,0%**	**100,0%**	**100,0%**	**19,2%**	**-5,1%**	**6,4%**
Gross results	**43,06**	**35,29**	**41,77**	**24,7%**	**24,2%**	**27,2%**	**22,0%**	**-15,5%**	**1,5%**
Gross margin	*24,7%*	*24,2%*	*27,2%*						
Administration expenses	19,79	19,42	19,13	11,4%	13,3%	12,4%	1,9%	1,5%	1,7%
Selling and distribution expenses	7,53	5,78	6,00	4,3%	4,0%	3,9%	30,2%	-3,7%	12,0%
EBITDA	**13,99**	**10,56**	**12,86**	**8,0%**	**7,2%**	**8,4%**	**32,5%**	**-17,9%**	**4,3%**
EBITDA margin	*8,0%*	*7,2%*	*8,4%*						
EBIT	**8,08**	**5,56**	**8,26**	**4,6%**	**3,8%**	**5,4%**	**45,3%**	**-32,6%**	**-1,1%**
EBIT margin	*4,6%*	*3,8%*	*5,4%*						
Earnings before taxes	**5,97**	**3,64**	**7,38**	**3,4%**	**2,5%**	**4,8%**	**64,0%**	**-50,6%**	**-10,0%**
EBT margin	*3,4%*	*2,5%*	*4,8%*						
Income taxes	1,96	1,55	2,79	1,1%	1,1%	1,8%	26,3%	-44,5%	-16,3%

Financial Statements under IFRS for fiscal years 2005-2004, either detailed or condensed, may not be comparable to 2003 Greek GAAP data