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Turkey's Medium Segment System Provider / Integrator SDT Accelerates on Export Opportunities

In this interview Ömer KORKUT General Manager of SDT Space & Defence Technologies discusses how the company benefits from seasoned expertise in electronic production and how this has become an advantageous and complementing factor as exports sales increase.

Defence Turkey: Established in February 2005, SDT Space & Defence Technologies Inc. or SDT in short is celebrating its 15th anniversary this year. Could you please review SDT's 15th year in terms of figures such as turnover,

number of staff, number of projects in progress, export sales, R&D budget, etc.? Bearing in mind the added value it creates and the vision it presented, what is SDT's role in the Turkish Defense and Aerospace Industry?

Ömer KORKUT: First of all, I would like to state that to me the 15 years that passed since the establishment of SDT as a private company with local capital is a success story. If we review the last ten years as an indicator, our Defense Industry came into prominence due to the developments based on global and regional balances and it achieved critical growth through the substantial move it made with the support of our state. During this ten-year period, the Defense and Aerospace turnover of our country increased

from US\$ 2.9 billion to US\$ 10.9 billion. In other words, it increased by nearly 3.8 times. In concern with SDT's turnover in the last decade that the figure increased from US\$ 5 million to US\$ 25 million by the end of 2019. Therefore, this 5-fold increase over the average of the sector is one of the most distinct indicators of the growth trend and success of SDT. Considering the number of staff, we also come across a regular increase consistent with the economic growth of SDT. The number of our employees was 184 by the end of 2017, as of the end of 2018 it was 198 and reached 214 by the end of 2019. These figures indicate 7% and 8% increases respectively in the last two years. By the end of the first five months of 2020 - half of which was the pandemic

process - the number of our employees reached 224 and this corresponds to a 4% increase compared to the end of 2019. These figures point out to SDT's determined and balanced growth. In regard to projects, which increase every year, the number of projects in which SDT takes part either as the main contractor or as the sub-contractor has reached 90 at present. In addition to the figure, I would like to underline a fact. In its first years, within the scope of our sector's prominent projects, SDT frequently acted as the system/sub-system provider as a sub-contractor of major systems integrator companies. However, recently, with the capabilities and products it developed in the recent period, the company has started to act as the main contractor in

medium-scale system and integration projects. I interpret this as being a result of the trust that the sector has in SDT. When we look at the export sales as another indicator, we witness that the share of export sales in SDT's turnover in 2019 exceeded 20%. For defense industry companies, positioning their products and solutions in foreign markets is a crucial indicator regarding maturing of their capabilities and marketing capabilities. Therefore, SDT has made substantial progress in this area in recent years. Regarding the R&D issue in your question, as a technology company, at present SDT is conducting its R&D activities not only with the investment items in the budget it takes part in or through the projects funded by grants, but also with its own resources. These R&D activities executed with company equity are based on the target of meeting the requirements of domestic and foreign markets with products developed with the latest technologies. This at the same time is a part of SDT's understanding of product-based development which the company has adopted as a principle since its development. To sum up all these figures and developments, I believe we could claim that within the 15 years since SDT's establishment, the company has achieved stable and sustainable growth with the help of value-added products and solutions. The company has secured its position as a prominent player with

the trust it has built and has made great progress towards becoming a medium segment system provider / integrator company.

Defence Turkey: After a 22-year-long career in the Turkish Armed Forces, you served as the Deputy General Manager in Charge of Technology for 4.5 years at STM and have worked for 6 years in total at STM. Then, this March you have started working as the General Manager in SDT. What would you like to share with us about the activities you plan to launch in 2020 and about your targets?

Ömer KORKUT: 2020 has really been a different year so far, not only for our sector and our country but also for the entire world. Altogether, we have been experiencing this ever since the first days of the year. A pandemic alone is an incident that occurs quite rarely, altering the former way of living, and this has been admitted by the whole world in addition to our country. In my opinion, the global and regional developments besides COVID-19 also make 2020 a different and unique year. Even though these times bring ambiguity along with it, as it often is the case in times of crises, I believe that every crisis is an opportunity. The critical point here is to be able to recognize such opportunities. Thus, in 2020 as SDT we aim to maintain our business continuity and continue the growth trend we achieved in the recent period by correctly using

the opportunity brought by the crisis. To this end, we determined revising our existing strategic plan as our priority. I mentioned that COVID-19 has been a game changer in my first interview with SDT that coincided with the first days of the emergence of outbreak in our country. Particularly with the pandemic we have been going through, the upcoming period seems to be a game changer. Focusing on more suitable areas and being agile and proactive are becoming more important in this process to achieve targets. Agility in particular, is already one of SDT's most prominent characteristics since its establishment and the company has always maintained this trait despite its growth. Therefore, 2020 will be a year where SDT will take critical steps toward improving the company's activities in progress and for further strengthening its institutional infrastructure. In 2020, SDT will create a roadmap that will further advance the company as we approach the celebration of our 20th year of establishment. While we are making all these plans and conducting all these activities, we surely aim to take concrete steps regarding innovations we will be launching in the next 5 years.

Defence Turkey: The novel Coronavirus (COVID-19) pandemic has profoundly affected the defense and aerospace realm as well as our daily lives. Could you please inform us on SDT's activities regarding the COVID-19 pandemic,

the measures it has adopted and the ongoing application?

Ömer KORKUT: As I mentioned earlier, the Coronavirus pandemic caught everyone off-guard. Moreover, there were so many unknown points regarding the virus and the pandemic, so the only thing we could do was to adapt to this environment of ambiguity with maximum precautions and in line with the developments to take the required measures dynamically. These measures must be updated in accordance with developments and as SDT we followed such a strategy. We formed a Crisis Management Team and designed a Crisis Management Plan immediately after the official announcement of the first case in Turkey. In addition to the routine measures to be adopted throughout the pandemic, the Crisis Management Plan contained the lines of action to be pursued according to the potential scenarios where a case or cases emerge. We designed all these plans by focusing on the well-being of our employees as we treasure them the most. The second target thereafter was to preserve our business continuity. We aimed to maintain our well-known sensitivity in fulfilling our responsibilities and the commitments we assumed in our sector in this process as well. To this end, primarily, we implemented the same measures adopted and implemented by the government in the public



realm, we applied exactly the same measures at SDT. We gave administrative leave to our employees in the risk group and followed this measure until it was lifted by the government. We launched a collective leave for a brief period of 5 days in the last week of March when the ambiguity during the pandemic process had reached the peak level. However, even in that period our executives and core staff continued their activities uninterrupted. Later, in line with the plan we made, we continued our activities without interruption by working in three groups, in rotation for 9 weeks, from March 30th to May 30th. We carried out our activities from 07:00 a.m. to 23:59

p.m. This plan included Saturdays and increased social distancing measures to the maximum in our working environment by having only one-third of our staff at our facilities at all times. Moreover, we launched the utilization of personal protective equipment, particularly the use of masks. We started to measure body temperatures at the entrances, had meetings in virtual environments, suspended visits and travel as much as possible, prioritized hygiene, provided our staff with transport options to prevent a reliance on public transport and suspended all socializing in the common areas in our facilities. Furthermore, we constantly reminded

our staff of the personal measures they needed to take against the disease. While we took all the aforementioned steps, we never applied any restrictions on the personal rights of our employees and maintained previous conditions in this sense. As of June 1, 2020, with the launch of the normalization process, we changed our shift operations to rotating two groups from three groups. We also increased our weekly working hours from 30 hours to 39 hours including Saturdays and, in this way, we returned to our normal standard of 42.5 working hours per week. We deemed it appropriate to observe the developments for a while longer before relaunching to a pre-pandemic type of shift system.

Defence Turkey: Are there any changes on SDT's activity schedule for 2020 in this unprecedented environment we have been experiencing due to COVID-19 pandemic?

Ömer KORKUT: Though there has been a slight decrease in our working hours, we did not face any critical problems and found the opportunity to conduct our activities continuously with the help of the measures we adopted. We did not need to make any changes in our schedule so far. Then again, we experienced setbacks in certain activities since a part of our local and foreign stakeholders were negatively affected by the pandemic. However, as I mentioned, none of

them requires a change in our activity schedule and I hope we will not be obliged to make any alterations in the upcoming period.

Defence Turkey: How did the business proceed at SDT in this period, did you make any changes in the working / shift system and how did you manage processes for new contracts and acceptance / testing?

Ömer KORKUT: I touched upon the changes in our working order and our present implementation in my previous reply regarding the measures we adopted. I would like to underline that with the measures we adopted in the last 3 months where our country has been most affected by the pandemic, we primarily aimed to make our employees feel safe in their working environment. In my opinion, we have been successful in this. Since SDT continued activities throughout this period, the determining factor in the management of new contracts, acceptance / tests and other activities has been the pandemic management methods of our counterparts in those activities and their working system during the pandemic. Our only expectation from our counterparts regarding collaborative work has been the strict implementation of the measures dictated by the pandemic as part of the activities conducted outside SDT's facilities and we have not faced any problems in this regard so far.



Defence Turkey: Could you please inform us on SDT's export activities?

Ömer KORKUT: As I also mentioned during the first part of our interview, we, as SDT, have increased the share of export sales in our turnover to over 20%. Still, we aim to reach higher figures. The size of the defense market in our country alone cannot maintain sustainable and robust growth in our sector. Therefore, marketing both our products and our solutions to foreign countries at competitive prices has become a requirement. The revenue we will achieve this way is vital in funding our R&D activities and for the development of high technology solutions to meet the requirements of the Turkish Armed Forces' and our security forces' through national facilities as much as possible. We are pursuing our activities in line with this target. Though the on-site performance

of such activities has been affected by the COVID-19 process to a certain extent, we still conduct our business development, marketing and bidding activities in a quite extensive geography from the Middle East to South and South East Asia and from Africa to South America uninterruptedly via the contacts we have made in the electronics sector. Within this framework, I believe that speaking of our data link project which is in progress as part of South Korea's New Generation Combat Aircraft (K/FX), would be appropriate in terms of displaying the level achieved by our export activities as they are a high technology country.

Defence Turkey: You mentioned the Far East, Middle East, and Africa as SDT's target markets. Could you please inform us on the ongoing tender processes in these regions and the needs of these regions?

Ömer KORKUT: As a defense company, surely our focus is on covering domestic and foreign defense requirements and to establish a significant market presence. On the other hand, efforts on the utilization of capabilities acquired and products developed in the defense area in various sectors and accordingly in various markets have been gaining more importance in achieving sustainable growth. Similarly, adapting the capabilities developed by sectors other than defense in line with the demands of the defense industry is equally critical and valuable. Therefore, as SDT we have been working on developing capabilities that will enable these transitions, through flexibility and building cooperation. For instance, we observe that a part of the data entry system and similar products we develop for the platforms of our main sector could be easily adapted to various platforms in the civil sector. In this

case, we believe that the transportation sector and its related market could be a target for us, so we have been working on this and have been following the requirements.

Despite our product-based approach, as required by our sector, we also closely follow the projects in our fields of activity and strive to take part in the projects that correspond with our capabilities. In this sense, we are following the RF jammer projects ranging from manpack-type to vehicle-type and exerting maximum effort to provide solutions and products for these projects. In addition, we are following the tender processes where we could fulfill the anti-drone requirements of defense users and non-defense users through solutions including our Electronic Warfare capabilities and we are participating in these projects as the main contractor or a solution partner.

We follow the tender processes launched to meet the requirements of Turkish Armed Forces and security forces regarding simulation systems and we endeavor to be involved in such projects. Similarly, we pursue tenders in the simulation area in our target markets abroad and place our bids on those projects. Additionally, we are conducting activities to market our SMART Shooter Training Simulator that we developed in the simulation area to position it within defense industry simulation projects. Similarly, we are engaged in the marketing activities of our Tactical Training Pod, targeting foreign countries. We developed this product for our Air Forces Command and hope to launch its serial production soon.

We collaborated with Telespazio previously and now we are negotiating with this company on a new project that entails the utilization of our satellite ground station capabilities in compliance with developing information technologies as part of an offset agreement and we are close to finalization. We have been executing activities that draw upon the experience we have accumulated regarding satellite ground stations, not only in local projects but also to serve as a solution partner in potential international projects.

Furthermore, we are following NATO's demands and tenders. We are involved in the projects in our activity field from their initial stages and take part

in the tender processes with our bids. In addition to NATO, we also are involved in European Union projects and consider these projects, that launch new technologies through cooperation, as a funding source for the development of our R&D capabilities and strive to play a role in them.

Defence Turkey: What would you like to say about the future? What are your projections, targets and expectations regarding 2023 which will be the hundredth anniversary of our Republic and the 18th anniversary of the establishment of your company?

Ömer KORKUT: Without doubt, the year 2023 in which we will be celebrating the first century of the Republic of Turkey that we aim to maintain forever, will be a very special year for all of us. As SDT, we have added special goals to our plans for this crucial year. We will mobilize all our capacity and capabilities to achieve these targets within this 2.5-year-period. A group of these targets are the ones we aim to achieve in SDT's current main activity fields, and the others are those which we either already identified or will identify in areas that we plan to be active. As of today, I can say that we are planning certain surprises and you will not have to wait long to hear about some of them. In the upcoming period, as SDT, we will continue our efforts in transforming our capabilities and presenting products with new capabilities and creating products that fulfill not only the demands of



the defense industry but also the requirements of other sectors. We will also work on branding and developing capabilities and products in innovative areas which we have not been active before. Both the local market and the international markets will be the focus of all these activities. In other words, increasing our export sales will always be amongst our priorities in our operational targets.

Defence Turkey: You actually revealed some clues related to those surprises and stated that certain activities on transportation might be conducted. It seems that we will be gradually seeing SDT in the civil sector in this period.

Ömer KORKUT: Yes, as I said before, we need to create new funds to support our R&D activities so that we can better serve our defense sector. We have to offer the capabilities we develop not only to the service of

the defense industry but also to the other sectors in our country as the defense industry is one of the leading sectors with the highest level of added value not only in Turkey but also in all global economies. Therefore, introducing such capabilities to neighboring sectors should be our actual target. This in fact should be the target of the overall defense industry. When we take a look at the developed countries, we see a decrease in the number of companies based merely on defense. Most of the companies are taking part in horizontal sectors as well. They involve at least in cyber security. Cyber security is not merely an area of defense industry. It corresponds with the whole information technologies sector but nowadays it is mostly associated with the defense sector. Therefore, entering these areas is critical for both creating funds and for positioning our capabilities in these fields.

Defence Turkey: SDT has been focusing on developing products in areas where advanced technologies gain prominence and providing indigenous solutions via local capabilities in certain vertical competence areas focused on R&D. SDT's existing projects mainly focus on R&D based activities. Please provide some details about current R&D activities, achievements, and future targets.

Ömer KORKUT: As you have also mentioned, a substantial part of the capabilities acquired by SDT has so far been the outcome of the R&D activities conducted in vertical competence areas. The following list may be considered among our most prominent areas of expertise and activities in this regard:

- Synthetic Aperture Radar based signal and image processing capability,
- Ground station solutions for observation satellites,
- Data recorder system, platform management system and weapon management system products we design and manufacture for various platforms,
- Simulation products and capabilities, Air Tactical Training Pod (ACMI) developed particularly for our Air Forces and tested successfully in F-16s,
- Our capabilities as part of Electronic Support Measures and Electronic Counter Measures as part of Electronic Warfare and specifically our RF jammer product group developed with our business partner.



SDT ACMI System is seen on the wing of TuRAF's F-16 Aircraft

We will carry out activities in these areas by focusing on branding and developing derivative products in the upcoming period. Additionally, we will work on developing RF products that will enable detection, identification and tracking with new technologies in remote sensing areas. Differently from all these areas, we will be including new areas of activity that contain the technologies of the 21st century, notably the internet of things concept. These new areas to be added to our present vertical competences will integrate our electronic design capabilities with our software development capacity. To this end, we will focus on developing innovative products and solutions that could be utilized particularly in unmanned systems.

Defence Turkey: As an enterprise focusing on 'know-how' and technology, how do you achieve the balance between the research infrastructure and the manufacturing capability of SDT?

Ömer KORKUT: Actually, R&D and production

are complementary capabilities. Transforming design capabilities improved through R&D into a prototype and eventually into a product and having the capacity to manufacture them is quite valuable. In this sense, SDT is among the few companies in its segment to feature all these capabilities. As you may know, at SDT we are not only manufacturing the products we designed, by using our electronic production infrastructure, but we also produce the products designed by our shareholders. Similarly, we use our test infrastructure for both the testing of our own products and to meet the requirements of our stakeholders in this area. Our production capacity enables the launch of our own designs while it provides an income through the manufacturing service we offer to our stakeholders. Then again, we have always considered SDT to be a technology company. We benefit from our strong electronic production not as an alternative to our R&D capabilities but as the complementing factor of

our activities and turn it into an advantage. Correct planning is of vital essence at this point as we need to utilize the production capacity, we own to fulfill our internal demands and to complete production projects assigned by our stakeholders during the committed period.

Defence Turkey: Would you like to convey any messages to our readers?

Ömer KORKUT: I have been following the Defence Turkey Magazine since its first issue and this magazine has been filling a critical gap not only for me but also for our sector in terms of informing and directing the sector as well as relaying information on global developments and contributing to our vision. In this sense, I am very pleased to give my first interview at SDT to such a distinguished magazine. I hope to meet face to face after this normalization process and give good news on our company to your magazine and to our sector. Thank you.

Defence Turkey: Thank you very much for this interview... ■