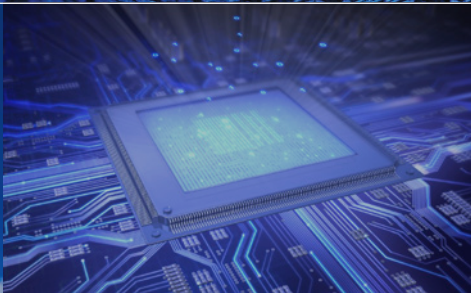
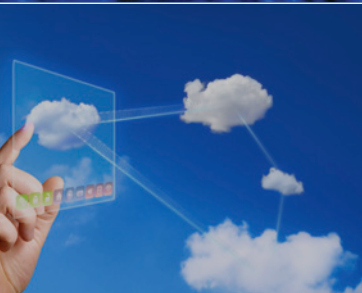
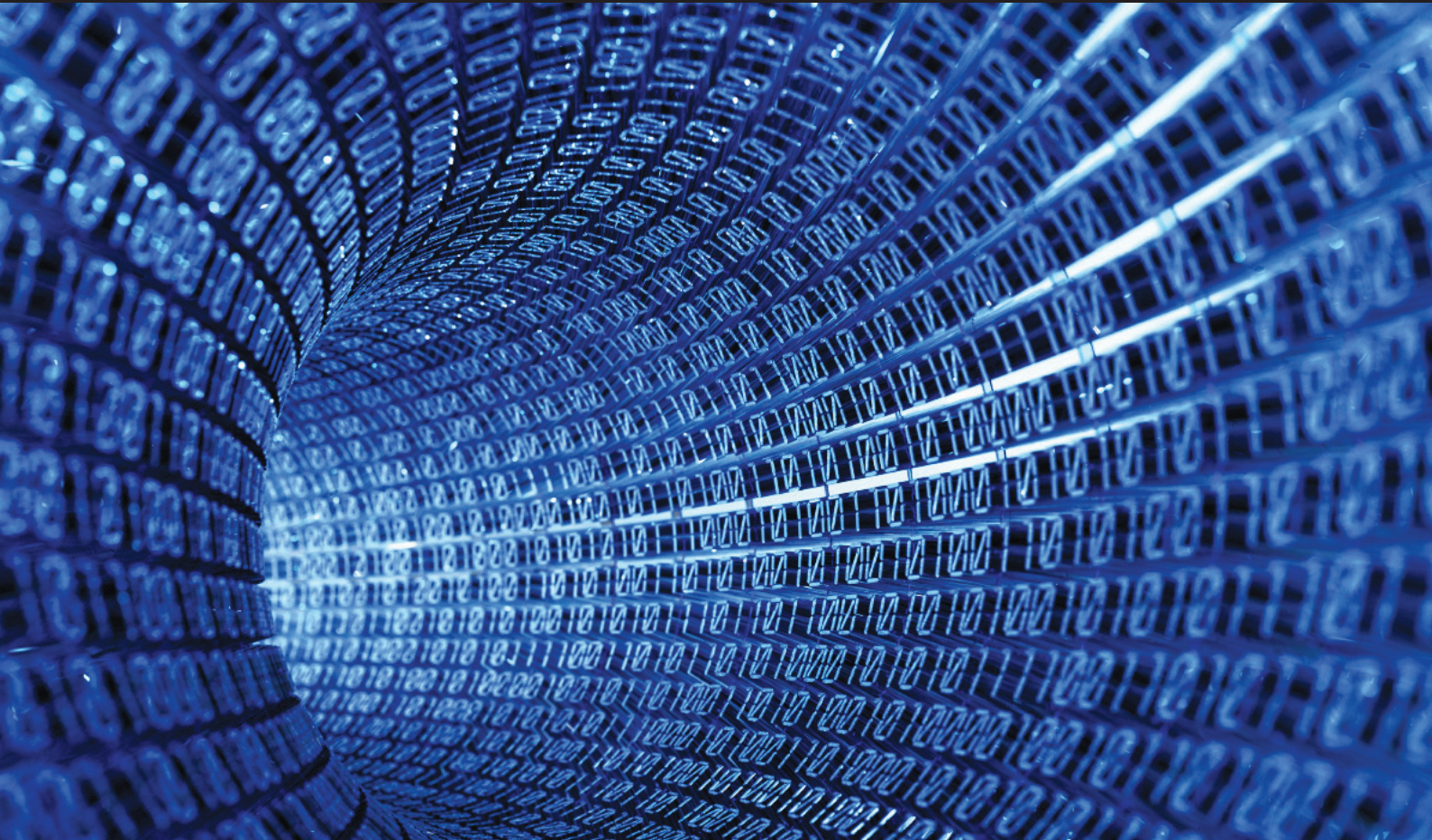


TECHNOLOGY VENDOR PIPELINE REPORT

ASIA PACIFIC & JAPAN - NOVEMBER 2011



BSP Braithwaite
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Global Executive Search



Most technology vendors are reporting stellar results in APAC for 2011. The question that every leader is asking is: “how will the current macro-economic situation affect my Q4 and 2012 results?” The answer is less complex than you might think.

By Mark Braithwaite

The complexity of the current macro-economic environment has caused a rollercoaster of changing daily sentiment and volatility in the financial markets. This situation is rightfully driving leaders to examine their outlook and the risks attached to potential negative performance in the coming year.

As one Australian economist recently said, "economists are not experts on the economy, they are experts on an economic model". This tells us that whenever new unprecedented conditions present themselves, there will be many divergent opinions about the future. The reason economists can't agree on a unified path and get an accurate fix on the future is that the data is dynamic and continually evolving. Economics is not yet a science and probably never will be.

Many Asia Pacific leaders are wondering about what 2012 has in store for them. Once you work out how to separate fact from confused opinion, the answers are as clear as day.

The bottom line is that 2012 will be another strong year for technology vendors in Asia Pacific.

You are probably wondering how we get to this position.....

Over the last 6 weeks we have examined three principal data sources:

1. We consolidated the economic outlook statistics/points of reference that all economists seem to agree on and then used the data provided by the IMF as the most credible unbiased source.
2. We spoke with the Asia Pacific Regional Vice Presidents of 41 Global Technology Vendors and asked them about 2011 results so far, the strength of their current pipeline and what the market was telling them about the next year in APAC.
3. We spoke with several US based CEO's about their mood for the coming year.

Starting with the economic data.....

Consider the following two statements made by the IMF in their September World Economic Outlook Report:

"Fiscal uncertainty will not go away overnight. And even under the most optimistic assumptions, growth in advanced economies will remain low for some time".

"Developing Asia is forecast to continue to post strong growth of about 8%, propelled by China and India."

In a recent survey of 80 economists, there was full agreement with both of the above statements. Globally, we have a two speed economy.

On closer examination:

- China, growth will average 9% during 2011-12
- Japan has had a tough 2011 but will return to growth in 2012
- Australia will have strong growth of 3.3% in 2012
- Singapore growth has dropped off to 4.3% down from 14.5% in 2010
- India will grow 7.5% in 2012
- The ASEAN 5 will grow at 5.6% in 2012

There is a raft of data coming through the press about why China's economy will slow, but the IMF has already downgraded China's growth to account for these issues and still forecasts 9%.

Of course, it's not the economists who are buying servers, networks and applications, but revenues for technology vendors are locked directly to economic activity and that is why this data is relevant. The average GDP growth of 8%, forecast for developing Asia in 2012, links directly to a strong sales pipeline.

So, what are the SVP's on the ground in APAC saying?.....

The Regional SVP's we spoke with represent a full cross section of the Information Technology landscape in the areas that include Enterprise Applications, Outsourcing, Networks, Storage, Infrastructure Software, Infrastructure Hardware, Security, Consulting, Telco Infrastructure, Telco Services, Virtualisation and Entertainment. Their companies have APAC revenues ranging from \$100m through to more than \$15bn.

Across the board 2011 performance is strong:

"More than 150% growth last year and 300% this year"
"We have been averaging more than 30% growth quarter on quarter in AP for the last 16 quarters and there is no change in our outlook"
"We are having a record year"
"23% growth in Asia this year"
"121% growth year on year"
"We are growing at almost 20% on more than \$1bn of revenue"
"35% growth over the last year in AP"
"We grew over 40% last year and will do the same this year and next"

In regard to the current pipeline and outlook:

"Pipeline and senses are conflicting"
"Pipeline is strong, but we are watching this carefully"
"No slowdown in domestic markets"
"Have not seen any fallout from the US or EU"
"The financial markets have us all talking, but we have not seen any slowdown in business"
"Nothing seems to be affecting our growth. It is driven by infrastructure investment"
"No change to pipeline"
"The pipeline is still strong, but we are seeing clients using the global economy as a negotiating position. Boards are looking closer at justification"
"Seeing more caution like 12 to 18 months ago. The clients businesses are fine but they are waiting to see what will happen in Australia, Japan, India and Korea. Less so in SEA and China is business as usual"
"Sales cycles have started to extend since April"
"Business pipeline is expanding"
"We are not feeling a slowdown"
"We are not seeing any major deviations - value propositions that drive costs down are getting more air play"
"Lots of interest in cost outlays that are contractually fixed. The client can bank the rest"
"Weekly detailed review of pipeline but no effect. No change to sentiment"
"No change to demand from our market"
"No change to business yet - it's a strange situation"
"Our pipeline is healthy and results are strong. There is no indication of any weakening"

For most companies, results and outlook have not been impacted by economic uncertainty, but some are concerned that things may change and are being cautious about additional headcount. Some SVP's report that clients have been delaying decisions until they can better understand potential impacts.

But some SVP's are spooked by the current macro-economic conditions:

"Customers have not stopped yet, but everyone is talking about defensive measures and this is what happens when the slide starts. We are working hard to book every order as quickly as possible before something happens in the market to freeze things"
"We expect a downturn as an inevitable event. Customers are being careful about CAPEX"
"I expect a troublesome time where projects will be delayed, but not a major dip"
"Not as bullish as I was a few months ago"
"I think it will be a rough ride through the middle of next year"
"Next quarter will be fine because it is locked in, but after that it will be slow"
"We are deferring expenses internally"
"We are running at capacity in every one of manufacturing plants."

It's strange that I have this concern when we are flat out filling orders. I hope I am being overly paranoid"

None of these comments are from SVP's with businesses that are missing targets. Likewise, we heard a very optimistic view from their counterparts:

"We are not changing our forecasts in AP"
"In many places, there are no concerns about tomorrow"
"There is no real slowdown in rapidly developing economies. I am optimistic"
"Our focus remains on growth"

Interestingly, we surveyed two companies competing for the same market. One of those companies was winning market share and growing rapidly. Their outlook was positive compared to their competitor.

Every country is not the same and different vendors are having different experiences:

JAPAN

"Japan slowed after the Tsunami but has recovered and has an encouraging outlook"
"Japan is doing better than we thought after the Tsunami"
"Japan is in decline for us. 20% negative"
"Japan has become inwardly focussed on rebuilding itself"

KOREA

"Korea is consistently in the middle"
"Korea is steady"
"Big Telco infrastructure investment in Korea"
"Korea is very strong"

INDIA

"India is growing strongly"
"No change in India"
"India is powering along"
"India continues to be positive and developing on track"
"India and all other developing countries are moving ahead vigorously"
"India and Korea are very strong for us"

CHINA

"No change in China"
"The Chinese don't seem to have changed behaviour"
"China just keeps growing like crazy"
"China is powering along"
"Outsourcing is challenging in China as they don't want to hand over control to the west, so they spend to learn what they can."
"China is outperforming everything"
"We will quadruple investment in China over the next 2 years"
"We plan 100% growth each year for the next 3 years in China"

ASEAN

"We are seeing the global banks in SEA slowdown"
"SEA market will be affected more than other countries because for us, our revenue is dominated by the global banks"
"Singapore will be quieter because of the global account focus"
"Singapore has been slower over the last 2 years"
"Singapore is weaker at the top end"
"There is large investment happening in Indonesia"

AUSTRALIA

"Resources is strong in Australia"
"Australia has been dynamite"
"Australia retail is struggling, resources is strong, manufacturing is tough"
"Australia is going very well driven from the mining sector"

Some of the SVP's with strong APAC performance offered a perspective on their US and European operations:

"Europe and the US are dead"
"We are doing it tough in Europe, but quite well in the US"
"We are taking cost out of EU and re-investing into emerging markets"
"US is very much a growth market until 2013"
"Our businesses in the US and EU are concerned about the next 6 months"

There were also some common themes in relation to specific market segments:

TELCO

"The Telco sector is strong"
"Telecoms is largely recession proof"
"Telco demand does not slow"
"The China market for Telco investment is locked into local suppliers"

FINANCIAL SERVICES

"In Australia, FSI's are going gangbusters"
"Increased spend in security and regulation for banks"
"Investment banks are in transformation to new revenue streams and this is driving BI and Analytics but not infrastructure"
"We have not seen any slowdown in buying from the banks"
"Local banks are still expanding"
"The big 4 Australia banks have slowed"
"Big global banks are battering down the hatches"
"Lots of nervousness in banking"
"We serve local industry and our business is linked to local economies. The local banks have not been hit by what is happening in the US and EU, but there is nervousness"
"60 to 70% of the operating costs of banks are employee related. They will buy things that will reduce this"
"Our clients buy from us because they are defensive rather than bullish about the market outlook"
"Investment is productivity related, not capacity related"

MANUFACTURING

"Manufacturing in Asia is going well"
"Manufacturing in Australia is poor"

GOVERNMENT

"Government is big in Australia"
"Have not seen any slowdown in government spending anywhere"
"Government spending is holding up well"

We also asked about the discussions local SVP's are having with HQ:

"Our execs are quite relaxed. We took a hit in Q2 in the US because Federal Government business just stopped. We are going through headcount reduction in the US, but still growing headcount in AP"
"We have made big investments in AP over the last 6 months, but HQ is starting to get cautious and I am having to fight for additional headcount. It's really a just-in-case mentality"
"No change in attitude to investment in this region"
"I am seeing the growth of the US MNC's in APAC and this has not backed off. There is confidence that APAC can deliver"
"HQ is focussed on inspection and spending. AP is expected to grow much faster than other GEO's"
"I just spent 40 minutes speaking with the global leadership team about sentiment and the only tension was about Japan and this was just in regard to exchange rates"

So looking through these comments, for companies that are aggressively gaining market share, conditions look good. For those fighting to maintain market share, it may be easier to blame economic conditions than sales execution.

We also interviewed several Silicon Valley CEO's and asked for their perspective on the Tech Sector and their general outlook was.....

"EU is softer, US is solid and Asia is very exciting, particularly India. They have low debt, lots of entrepreneurship and will overcome their challenges with bureaucracy"

"We are not expecting an impact in APAC"

"Our emerging markets have grown from 20 to 30% of global revenue in the last year"

"For my company, we have reached saturation point in the developed world. The build out in APAC will continue for at least another ten years"

So, how do you use this information for your own 2012 planning?

Let's focus on the facts and ignore the noise. The facts are.....

2011

- Developing Asia will finalise its GDP growth at an average of 8.2%.
- Australia will post growth of 1.8%
- Japan will post negative growth of -0.5%
- Almost all Technology Vendors are reporting strong performance from APAC in 2011

All vendors report a strong current sales pipeline.

2012

- Developing Asia will grow at an average of 8%
- Australia will grow at 3.3%
- Japan will grow at 2.3%

The combined GDP of developing and developed Asia will grow from 6.2% to 6.6% in 2012.

It's not difficult to see, that based on the latest IMF forecasts, economic activity in Asia for 2012 will be greater than 2011. The bottom line is that IT spend is linked directly with economic activity.

This is all that's important.



MARK BRAITHWAITE leads the Asia Pacific Operations of Executive Search firm, Braithwaite Steiner Pretty (BSP).

Braithwaite Steiner Pretty has served high growth technology companies across Asia Pacific in securing their executive talent since 1997. BSP has offices in Singapore, China, Japan, Hong Kong, India, Korea and Australia.

BSP is the Asia Pacific member of Access Search Partners. ASP has offices in the US and Europe, giving BSP unparalleled access to exceptional candidates worldwide.

CONTACT markb@bspes.com

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