

Media Release

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CEO survey reveals mixed outlook for Asia Pacific technology sector for 2011

16 December 2010: A Deloitte survey of Asia Pacific's fastest growing technology companies revealed that just over half (54 percent) had a strong growth outlook for the next 12 months, while 43 percent predicted weak or negative growth.

Undertaken in the fourth quarter of 2010 by 245 CEOs across the Asia Pacific region, including 32 CEOs from Australia, the survey asked them about their growth experiences and challenges. The results were published in the annual *Deloitte Technology Fast 500 Asia Pacific 2010 Ranking and CEO Survey* publication.

Even with the economic rebound this year, 35 percent of CEOs surveyed said they had mixed performance in the past 12 months. Ten percent said they saw overall decline in their business this year. Half (49 percent) however, said they experienced strong growth this year.

Damien Tampling, Deloitte's Technology, Media and Telecommunications lead Partner in Australia, said that "while the prevailing attitude of CEOs in the past surveys has been of optimism and expectation of fast and sustainable growth, this has waned over the past 12 months. The CEOs see a mixed and cautious outlook, but they also see growth potential especially in niche areas".

The key findings of the survey were:

Economic conditions provide a golden opportunity to diversify

Adaptation is the key to survival and Asia Pacific technology companies are no strangers to looking outside their skins. Of 245 CEOs responding to the survey, 55 percent sought diversification into new geographic markets and 62 percent plan to do so in 2011.

Back to the basic principles of growth

The power of a good product is seen across the region. More than half (58 percent) credit a strong product as a key factor for growth over the past five years, and 71 percent centre growth prospects on new product launches. Selling capabilities are cited by 48 percent as another key contribution to past growth. In years past, M&A activities would have out-ranked product and selling factors, but in 2010, M&A influenced growth by only 13 percent of companies, and it places a mere sixth place in terms of key changes needed to spur growth in the future.

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Recruiting benefits still apparent, but not for long

On the job front, it's become easier for 38 percent of Asia Pacific companies to hire and payroll costs have decreased for 34 percent. Yet, they are concerned it may not remain this way—finding talent is expected to cast a shadow into the next 12 months for 38 percent of CEOs.

Capital sources point to a worrying trend

CEOs indicate that venture capital and public offerings are having less relevance than in past years. This year's CEO survey showed that the main source of financing was cash flow from operations for 89 percent of companies, higher than in past years, while angel and VC funding was ranked considerably lower as finance sources at 7 percent and 20 percent respectively, and IPOs at 14 percent. The outlook for next year remains similar.

Geography matters: India and China tech regions set apart

Of the companies experiencing overall growth in their markets, 70 percent hailed from India and China. Of the companies predicting strong growth in their future, 66 percent come from India and China. For CEOs in India, talent is a major concern. Just over half note the falling availability of qualified recruits will negatively impact their company's outlook.

Carbon credits and cloud computing make a quiet debut in Asia Pacific

While carbon credits are a hot topic for many technology companies in other world regions, 47 percent of Asia Pacific respondents claim they are not relevant to their business. It's a likely case of "wait-and-see" as 28 percent are aware of carbon credits, and 13 percent indicate future markets in carbon credits are a major part of their strategic thinking.

This is true for cloud computing, which is shifting the fundamental business model of delivering and consuming IT services away from infrastructure-based computing. A healthy number of companies (24 percent) in the region are claiming cloud computing has helped them to grow more quickly and another 21 percent say it has reduced costs. When putting a dollar value on capital-raising plans, it's evident that ambitions are modest. One-third have no plans to raise capital and nearly another third are keeping it under US\$5 million.

For a copy of the *Deloitte Technology Fast 500 Asia Pacific 2010 Ranking and CEO survey* go to www.deloitte.com.au

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