2009 Growing after the crisis

BRAZILIAN IT MARKET BEHAVIOR IN 2009 WAS VERY UNEQUAL AMONG DIFFERENT SEGMENTS. IT WAS NEGATIVE FOR HARDWARE AS A FUNCTION OF POSTPONING INVESTMENTS, WHICH HAS EVEN AFFECTED THE REPLACEMENT CYCLE OF THE CORPORATE INSTALLED PARK. IT WAS POSITIVE FOR SOFTWARE AND SERVICES. IN FIGURES, THE MARKET ANALYZED BY ANUÁRIO INFORMÁTICA HOJE 2010 (219 COMPANIES) HAD TOTAL NET REVENUE OF US$ 26.3 BILLION LAST YEAR, REPRESENTING A 3.8% GROWTH. IN REALS, THE GROWTH WAS 15.5% REACHING R$ 53.1 BILLION. THE DIFFERENCE IS EXPLAINED BY 11.3% DOLLAR APPRECIATION DURING THE YEAR (AVERAGE DOLLAR USED BY ANUÁRIO'S CALCULATION TO MEASURE COMPANIES PERFORMANCE IN 2009 WAS R$ 2.0182, WHILE IN 2008 IT WAS R$ 1.8123). FROM TOTAL NET REVENUE, 57% WERE GENERATED BY SERVICE COMPANIES, 33% BY HARDWARE SUPPLIERS AND 10% BY SOFTWARE SUPPLIERS.

Net revenue of service companies has grown 50% as compared to 2008, while net revenue of equipment suppliers has shrunk 11% during the same period. As to net sales profitability, in 2009, the 200 largest Anuário companies had positive performance. Most companies reporting their balance sheets (38%) have shown profitability above 10% – the best result since the first Anuário's survey in 1996. As for the rest, 25% of companies had from 5% to 10% net sales profitability; and 26% from zero to 5%. Slightly more than 11% of companies had negative profitability.

The evaluation of Mauro Peres, from IDC, corroborates results obtained by Anuário Informática Hoje. According to him, the IT market has hardly advanced last year, especially due to the weak performance of the PCs segment. This because corporate customers have postponed their investments, still a reflex of the fears caused by world economy shakes in 2008. Companies have not even ventured to perform the traditional replacement of the installed park, carried out every 2.5 years, observes the analyst. Retail was affected by credit reduction. "These were five bad months of the year, impacting domestic IT market", he points out. The negative impact was especially felt by the hardware segment. On the other hand, software and services investments will hardly stop – these segments advance, even if the rhythm falls to half as compared to previous years.

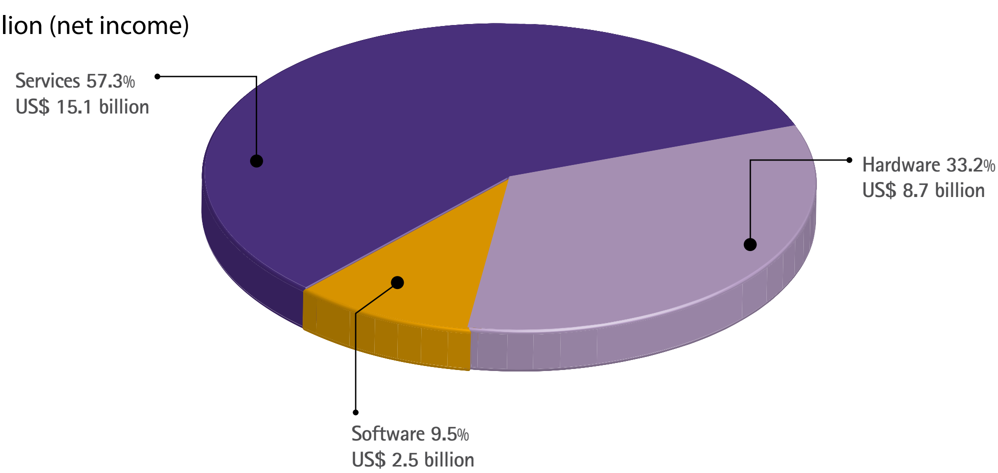
Rodrigo Abreu, Cisco's Brazilian subsidiary CEO, evaluates last year similarly to Mauro Peres, from IDC: "In 2009, the economic crisis has not last until the end of the year. The impact of the first half was very different from the second." And although many projects of the industry were postponed by caution, several IT market indicators show that different segments had shy and unequal growth.

"Economy is growing and the IT market in general is very promising, but also very dangerous", observes Bull's CEO in Brazil, Alberto Lemos de Araújo. The danger, points Alberto, is the arrival of 'many entrants', especially in the service area, and who come to compete in prices.

As compared to last year, 2010 represents a "slingshot", in the words of Mauro Peres, IDC. "The market is much better and may grow up to 14%", forecasts the analyst. "This will be a healthier and balanced growth", adds Rodrigo Abreu. According to IDC, hardware may grow 20% (with major help of PCs, the weight of which in the segment is almost 30%) and software and services 8% (with their 5-month purchase cycle). Abinee-IT Data projections for the PCs market is slightly more conservative. If in 2009 sales remained in the same 12 million of 2008, in 2010 they may increase 17%, to 14 million; and 13% in 2011, to 15.8 million units. With this, the installed base shall go to 66 million PCs in 2010 and to 78 million in 2011. Well-known fact, the decreasing participation of desktops on sales (57%, 50% and 45% respectively in 2009, 2010 and 2011) is followed by an increasing presence of notebooks and netbooks (43%, 50% and 55% in the same years).

The Market in 2009

US$ 26,3 billion (net income)

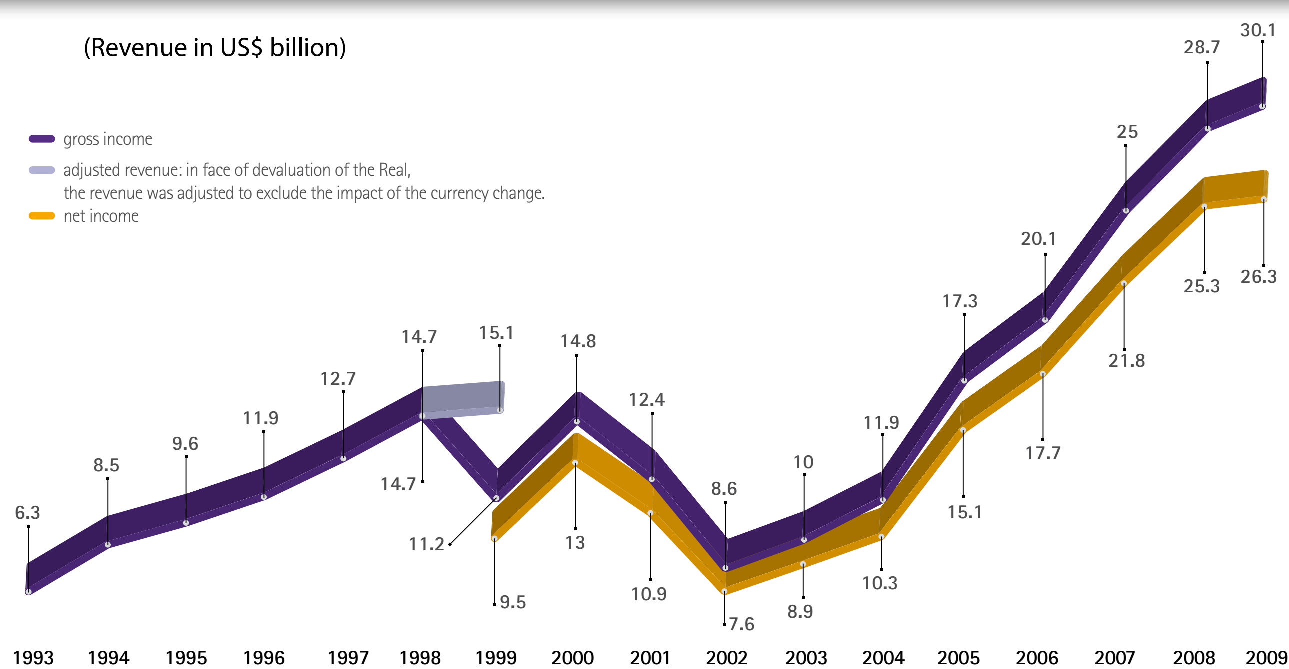


While it is known that pieces of equipment have become commodities, computers intelligence is what ultimately provides them with added value. Namely: software and related services, the local market of which maintains the 12th position in the international scenario, according to a joint study of the Brazilian Association of Software Companies (Abes) and IDC, published in 2010. According to the study, software and related services activities are explored by almost 8.5 thousand companies dedicated to development, production and distribution of programs and services. Among those acting in software development and production, 94% are classified as micro and small-sized companies. Industrial and financial sectors still represent virtually 50% of the user market, followed by services, trade, government and agribusiness. In terms of growth, agribusiness has shown the highest increase on investments, with positive variation of almost 12% as compared to 2008. As Abes and IDC point out, the trend is a slow evolution of the local market, possibly due to the low level of investments on research and development (R&D) for information technologies and communication (TICs) in the country, as pointed out by IPEA's work published in October 2010. TICs is one of the most R&D-intensive areas, as well as a major responsible for worldwide investments in R&D.

With variations mainly determined by economic conjuncture, even if annual computer sales were stable in 2009, projections reflect a continuous evolution, both of PCs commercialization and their use by companies, especially medium and large-sized companies. Until early 2010, 12 million microcomputers were sold in the country as compared to equal period in 2009, according to the 21st Annual Survey of IT Usage, prepared by the Applied Information Technology Center (CIA) from FGV-Eaesp, coordinated by professor Fernando Meirelles. The same volume was found by Abinee-IT Data for 2009. According to CIA FGV-Eaesp survey, 66 million microcomputers were being used during the analyzed period, with annual growth of 18%. This study compiled the answers of 21 thousand validated companies, which resulted in a highly representative sample of medium and large-sized private Brazilian companies, among them 60% of the 500 largest companies. Annual cost by user has increased 7% in one year, to US$ 10.7 thousand; IT expenditures as compared to net revenue have grown 6.4%, resulting in an annual growth of 5%; the number of microcomputers in network within the companies has grown to 98% while the relationship between the number of users and total number of employees has reached 82%.

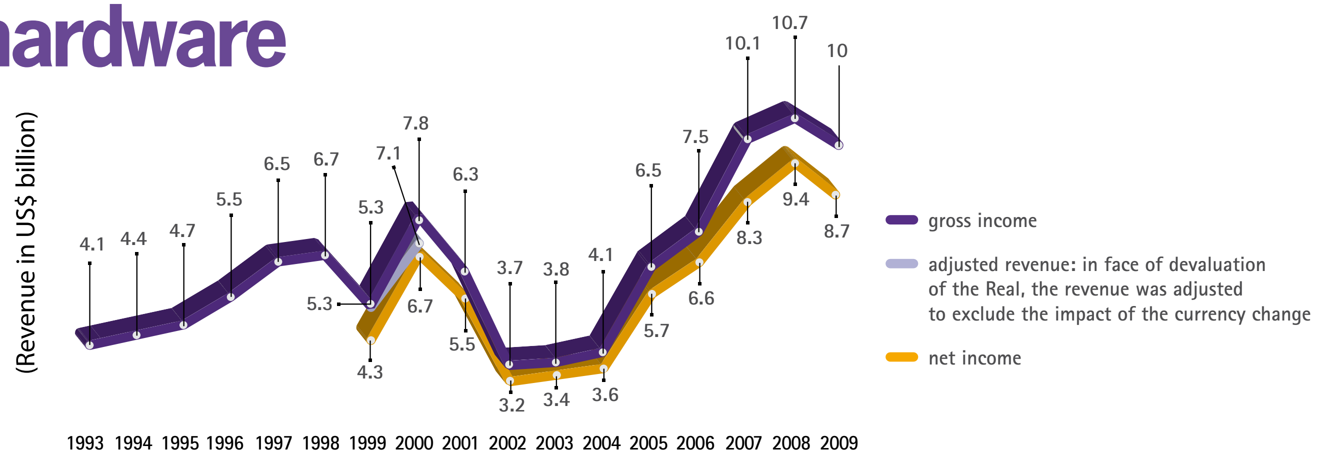
The market evolution

(Revenue in US$ billion)

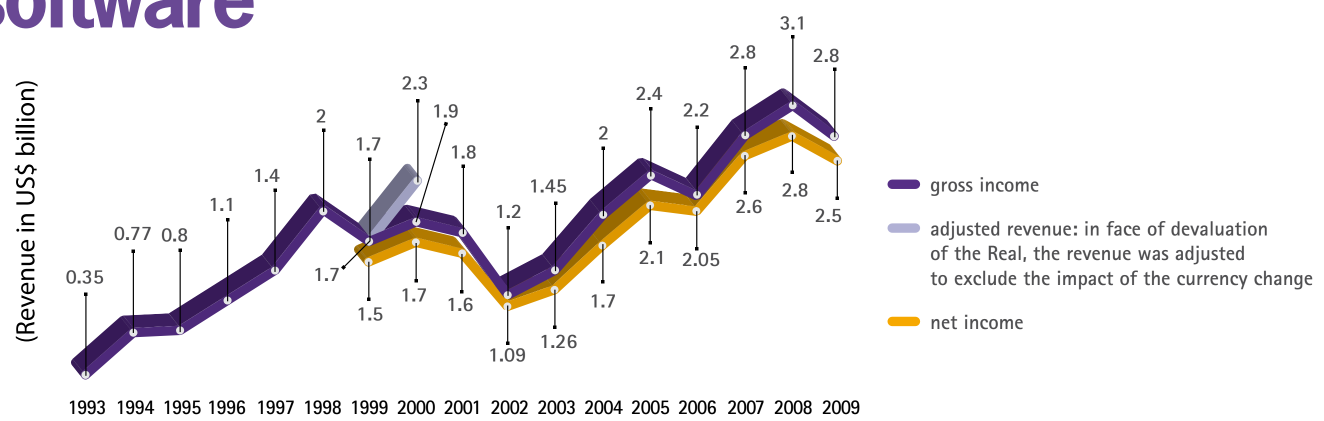


Market Increase

hardware



software



services