



MSC Malaysia 2012

Annual Industry Report

www.msomalaysia.my



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Contents

Message from CEO of MDeC	2
MSC Malaysia Status Companies Growth	4
Survey Methodology	9
Financial Performance	14
Employment Performance	24
Conclusion	30



Foreword from CEO of MDeC



It is with pleasure that we present the MSC Malaysia Annual Industry Report 2012.

2012 saw MSC Malaysia record strong growth with revenue coming in at RM33.53 billion which was an increase of 5.7% from 2011, while exports grew to RM11.6 billion which reflected a 14% rise from the previous year.

In the area of job creation, 9,700 jobs were created in 2012 which represented a 28% growth over 2011 bringing the total number of jobs created since the inception of MSC Malaysia to 128,850.

The Shared Services & Outsourcing (SSO) cluster led job creation in 2012 with 7,388 new jobs, accounting for 76% of total new jobs, followed by the Creative Multimedia cluster which contributed 19.4% or 1,887 new jobs, while IHLs and Incubators accounted for 7.9% with 766 new jobs.

The InfoTech cluster accounted for 44% of the total revenue of MSC Malaysia status companies amounting to RM14.66 billion, while the SSO cluster saw 31% revenue which translated to RM10.45 billion. This was followed by the Creative Multimedia cluster and Institutions of Higher Learning (IHLs) and Incubators cluster which recorded revenues of RM6.99 billion (21%) and RM1.44 billion (4%) respectively.

Investments also recorded steady growth coming in at RM2.92 billion, which represented a 17% increase over 2011. In terms of distribution, 76% of this was Domestic Direct Investment (DDI) while 24% was Foreign Direct Investment (FDI).

71% of total Investments in 2012 were driven by the InfoTech cluster amounting to RM2.1 billion while the SSO cluster constituted 17% of total investment translating into RM0.5 billion. The Creative Multimedia cluster on the other hand represented 12% of the investment which amounted to RM0.34 billion.

Moving forward, we are confident of continued growth and believe that there will be even more opportunities for MSC Malaysia companies as the various components of the Economic Transformation Programme and Digital Malaysia roll out.

At the same time, MSC Malaysia is expected to continue to stand out as a good investment destination for MNCs which are expanding regionally as the economics of the world shift progressively eastward.

Last but not least, we would like to take this opportunity to express our appreciation and gratitude to all our partners and stakeholders, with a special emphasis on our MSC Malaysia status companies for their valuable contribution in furthering our nation's ICT industry.



Datuk Badlisham Ghazali

Chief Executive Officer

Multimedia Development Corporation (MDeC)



MSC Malaysia Status Companies Growth

MSC Malaysia Status Companies Growth 2012

In 2012, 213 new companies were awarded the MSC Malaysia Status recording RM2.92 billion investment of which 24% or RM703.61 million was from Foreign Direct Investment (FDI) while the remaining 76% or RM2.22 billion was from Domestic Direct Investment (DDI). This brought the total number of MSC Malaysia Status awarded to 3,167 as of 31st December 2012.

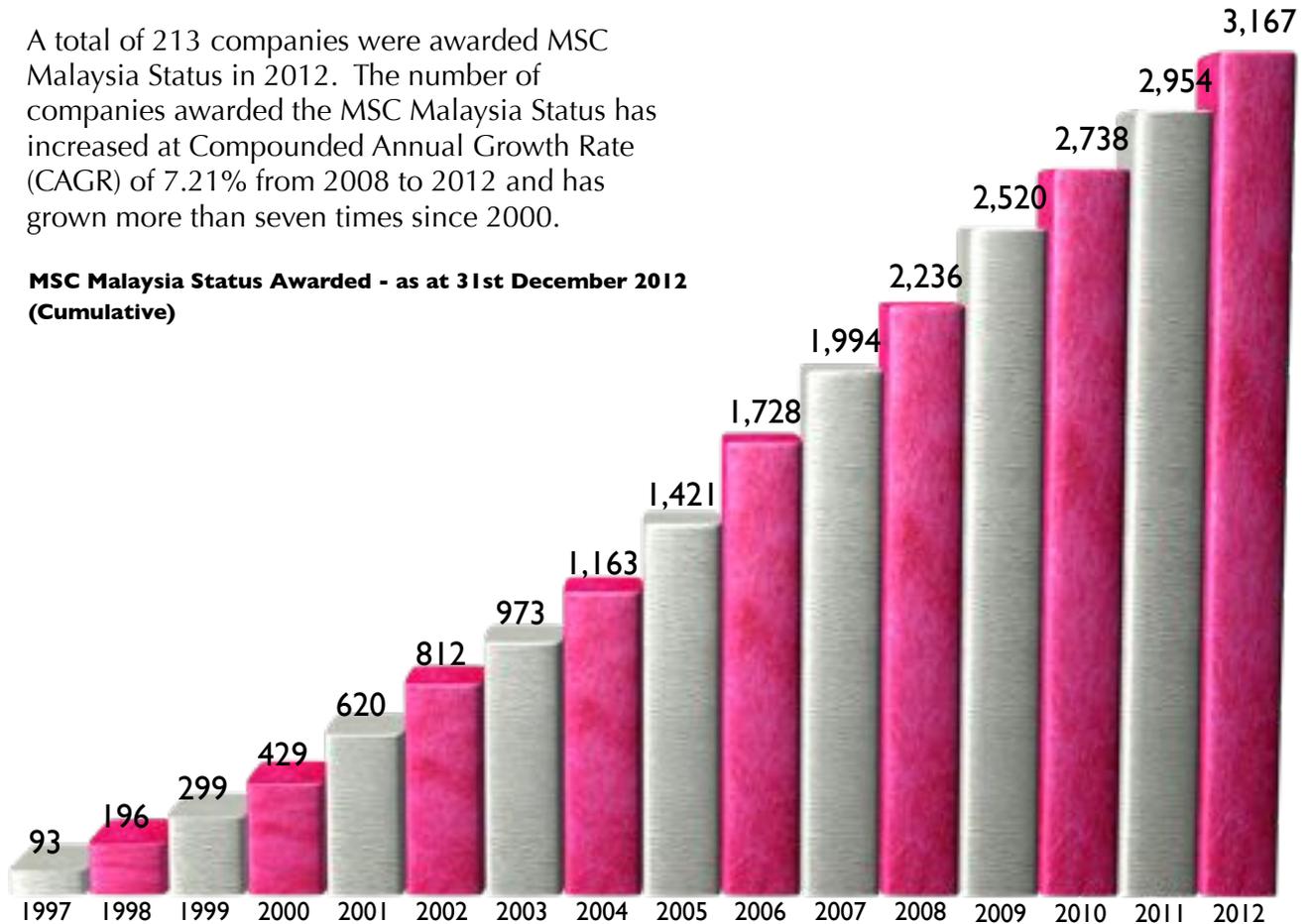
MSC Malaysia Status companies are grouped into four clusters, representing the four major ICT focus areas which consist of the Information Technology (InfoTech) Cluster, the Creative Multimedia (CMC) Cluster, the Shared Services & Outsourcing (SSO) Cluster, as well as Institutions of Higher Learning and Incubators.

The MSC Malaysia Industry Report encompasses respondents from all four clusters and represents a fair sampling of the cluster demographics.

MSC Malaysia Status companies' CAGR is at 7.21% and has grown seven times since 2000.

A total of 213 companies were awarded MSC Malaysia Status in 2012. The number of companies awarded the MSC Malaysia Status has increased at Compounded Annual Growth Rate (CAGR) of 7.21% from 2008 to 2012 and has grown more than seven times since 2000.

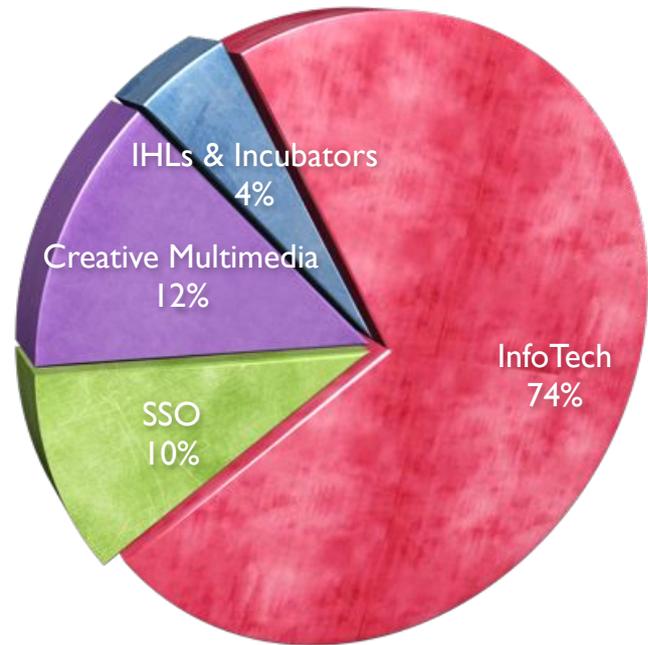
MSC Malaysia Status Awarded - as at 31st December 2012 (Cumulative)



MSC Malaysia Status companies by Technology Cluster

As of 31st December 2012, there were 2,397 active MSC Malaysia Status companies, out of which 74% represented the InfoTech Cluster, followed by 12% made up of the Creative Multimedia Cluster, while the Shared Services & Outsourcing Cluster and Institutions of Higher Learning constituted 10% and 4% respectively.

MSC Malaysia Status companies - Active as at 31st December 2012 Breakdown by Cluster

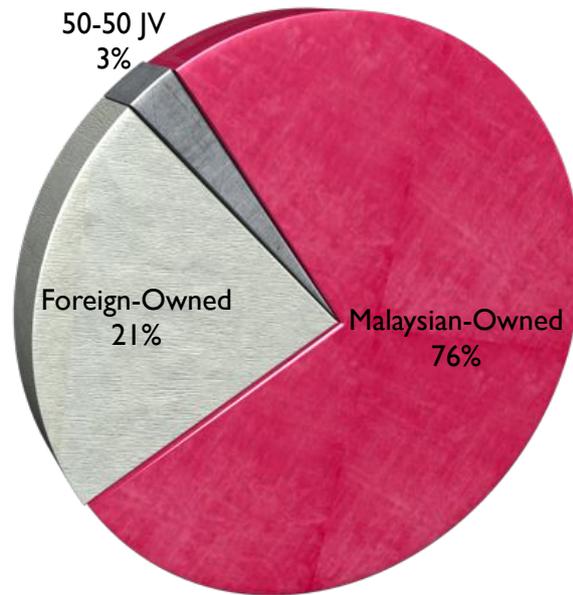


Cluster	No. of Companies Awarded	Active
Creative Multimedia	373	287
IHLs & Incubators	115	106
InfoTech	2,392	1,764
SSO	287	240
Total	3,167	2,397

MSC Malaysia Status companies by Equity Ownership

As of 31st December 2012, 76% of the active MSC Malaysia status companies were Malaysian-owned, while the remaining 24% or 570 were made up of Foreign-owned and 50-50 Joint Venture companies.

MSC Malaysia Status companies - Active as at 31st December 2012 Breakdown by Equity Ownership



Equity Ownership	No. of Companies Awarded	Active
Malaysian-Owned	2,365	1,827
Foreign-Owned	714	508
50-50 JV	88	62
Total	3,167	2,397



Survey Methodology

Survey Methodology

About the report

The MSC Malaysia Annual Industry Report 2012 was conducted online at www.msomalaysia.my/reporting

Data collection began from 2 January 2013 and ended on 21 January 2013.

The report covered the following sections, namely:

1. Financial Performance

- Total Sales
- Local Sales
- Export Sales
- R&D Expenditure

2. Employment Performance

- Total Jobs
- Local Worker
- Foreign Worker

The Methodology

Upon receiving questionnaires in the designated database, each questionnaire set was again filtered by the system and underwent a manual check by the team to ensure data accuracy and consistency.

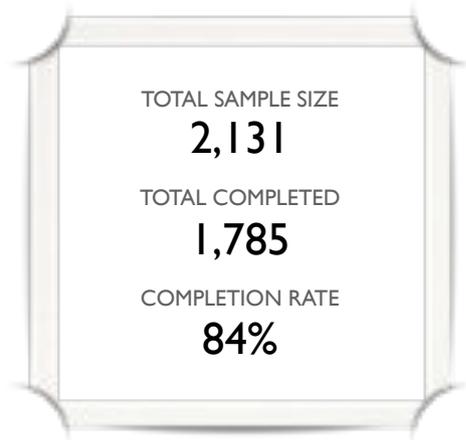
The survey conducted in 2012 had a response rate of 84% from the total active MSC Malaysia Status companies.

The results reflected in this report is derived based on four tier weighted extrapolation (by cluster). This method was deployed to provide a more accurate picture of the cluster's economic performance.



2012 Sample Size

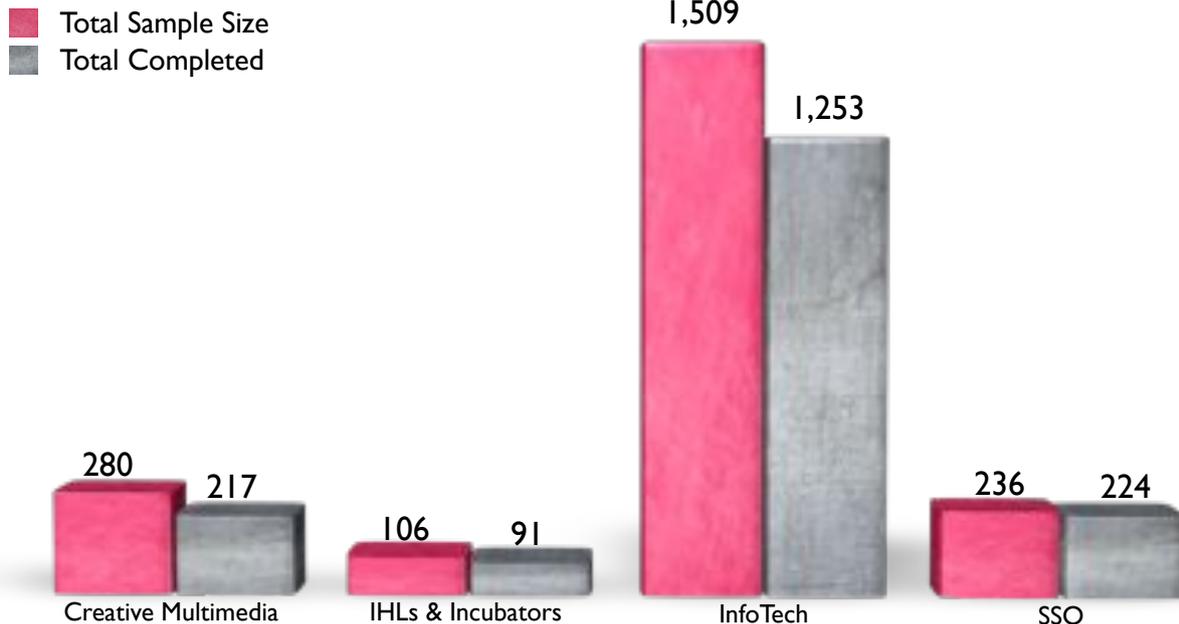
A total of 2,131 companies were targeted for the MSC Malaysia Annual Industry Report 2012. From the sample size, 1,785 companies completed the survey generated a response rate of 84%.



2012 Sample Size by Technology Cluster

Among 1,785 companies completed, 1,253 companies or 70% of respondents were from the InfoTech Cluster, followed by 224 or 13% from the SSO Cluster, 217 or 12% were from the Creative Multimedia Cluster, and 91 or 5% from Institution of Higher Learning and Incubators.

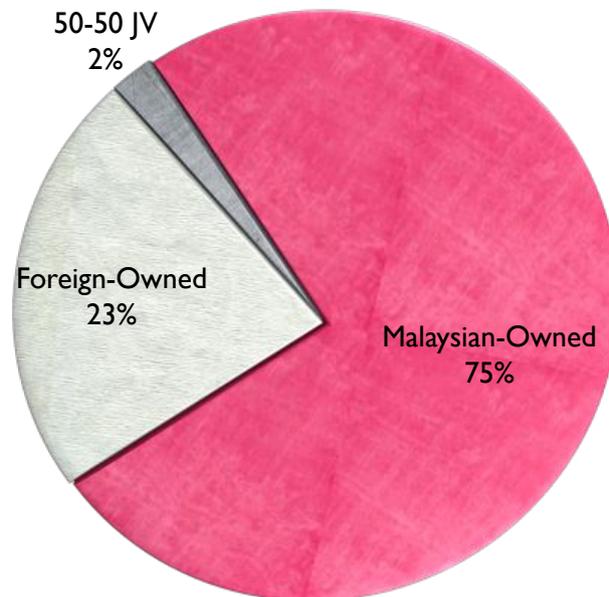
Total Sample Size and Completed Submission - Breakdown by Technology Cluster



2012 Sample Size by Equity Ownership

In the same sample, 1,604 or 75% of the respondents were from Malaysian-owned companies, followed by 480 companies or 23% of the respondents which were foreign-owned companies, and 47 or 2% of respondents had Joint Venture of 50-50% ownership.

Total Sample Size - Breakdown by Equity Ownership



Financial Performance



Financial Performance

Revenue

In 2012, local and export growth of the MSC Malaysia companies increased by 5.7% from 2011 causing the total revenue to rise to RM33.53 billion.

The biggest contributor to the overall revenue for 2012 was the InfoTech Cluster which constituted 43.71% of the total revenue of MSC Malaysia Status companies.

While Creative Multimedia Cluster reported an increment of 15.06% growth of revenue followed by SSO Cluster at 14.28% growth in the same year.

Research and Development (R&D) Expenditure

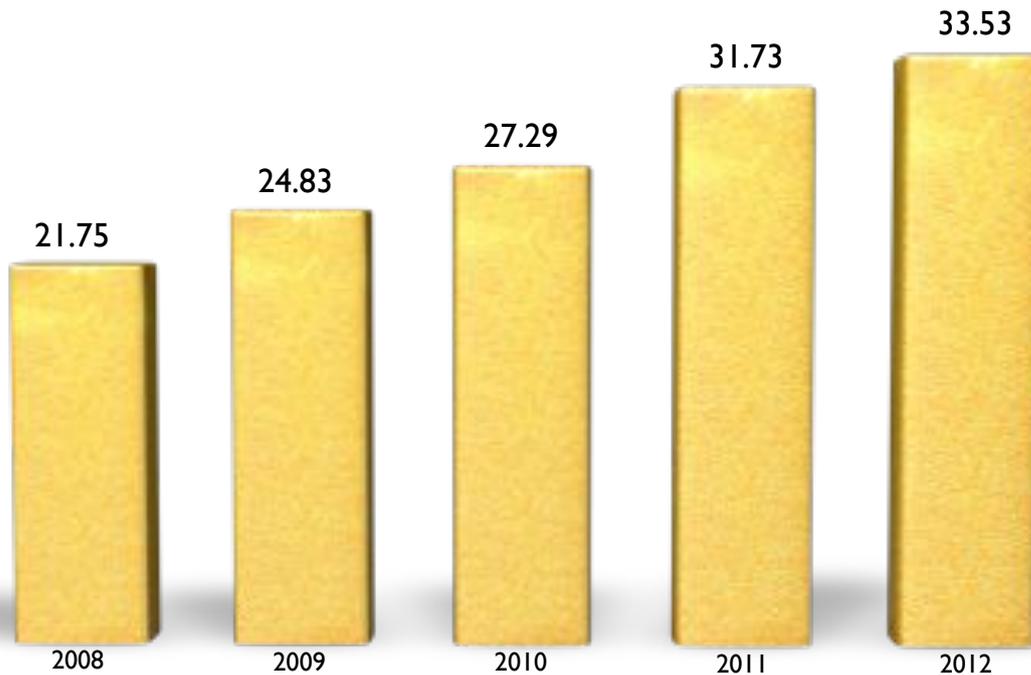
Total R&D expenditure saw a slight increment of 3.25% in 2012 compared to 2011 and stood at RM1.64 billion. The largest R&D spend in 2012 came from the InfoTech Cluster with an investment of RM989.22 million.

Creative Multimedia Cluster increase the R&D growth of 16.75% compared to previous year while the slight R&D expenditure drop was registered by the SSO Cluster with a decrease of 4.5% from the previous year spend to RM262.68 million in 2012.

Total Sales

Year-on-Year growth of 5.7% was reported for total sales from 2011 to 2012.

Total Sales (RM Billion) 2008 - 2012

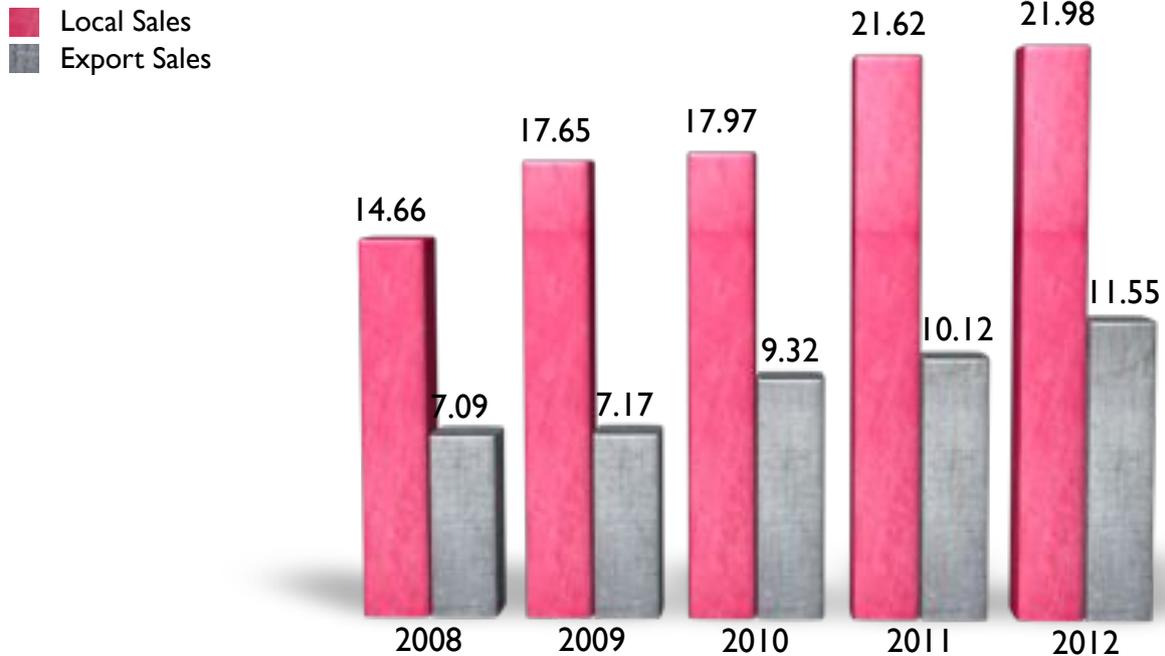


Local Sales and Export Sales

Total MSC Malaysia exports in 2012 rose 14.2% from 2011; a healthy growth rate with a CAGR of 12.98% for period of 5 years.

In 2012, total local sales contributed 66% valued at RM21.98 billion and total export sales contributed 34% valued at RM11.55 billion.

Local Sales and Export Sales (RM Billion) 2008 - 2012

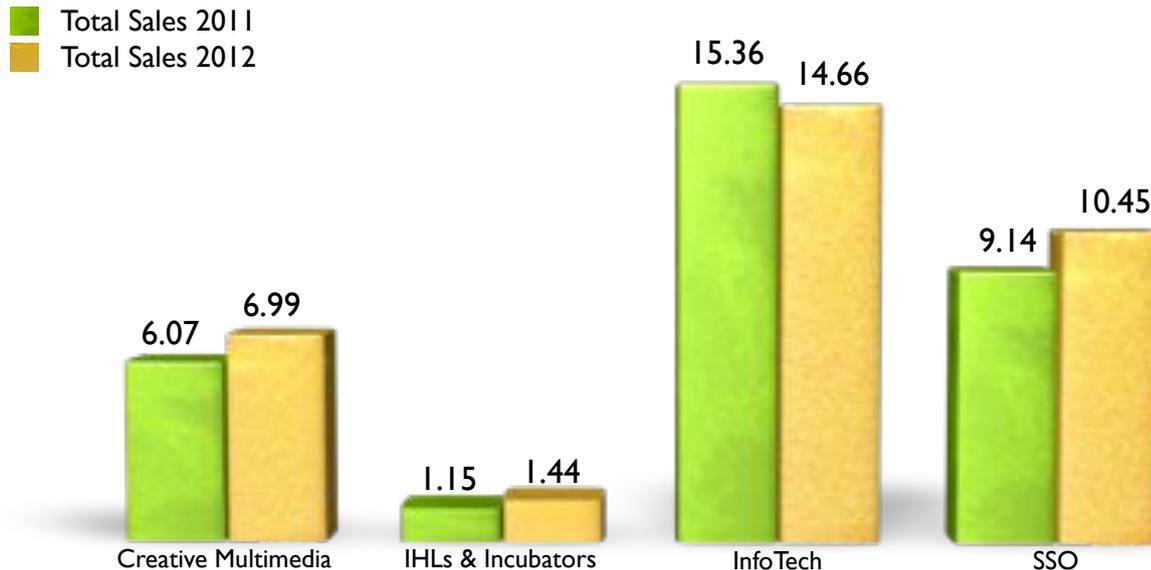


Total Sales by Technology Cluster

Information Technology Cluster remains as the top revenue contributor in 2012 despite a marginal drop from 2011.

2012 saw Creative Multimedia and IHL & Incubators continue contributing revenue at RM6.99 billion and RM1.44 billion respectively. The InfoTech Cluster recorded a slight drop in revenue which stood at 4.6% amounting to RM14.66 billion. On the other hand, the SSO Cluster grew by 14.3% which showcased the highest growth out of overall revenue for the year.

Total Sales 2011-2012 (RM Billion) - Breakdown by Technology Cluster

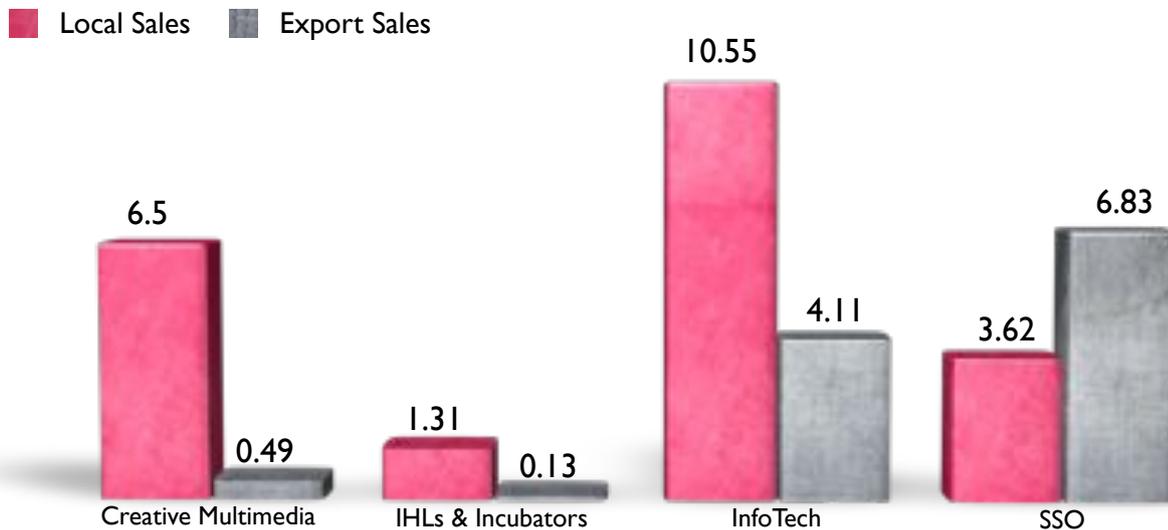


Local Sales and Export Sales by Technology Cluster

In 2012, SSO Cluster generated exports totaling RM6.83 billion, an overall percentage contribution of 59%. While InfoTech and Creative Multimedia Clusters contributed a 36% and 4% respectively from total export 2012.

While all other clusters displayed larger local sales contribution to total revenue, SSO Cluster export contributed the most to the cluster's total revenue at 65% compared to 35% contribution of local sales.

Local Sales and Export Sales 2012 (RM Billion) - Breakdown by Technology Cluster

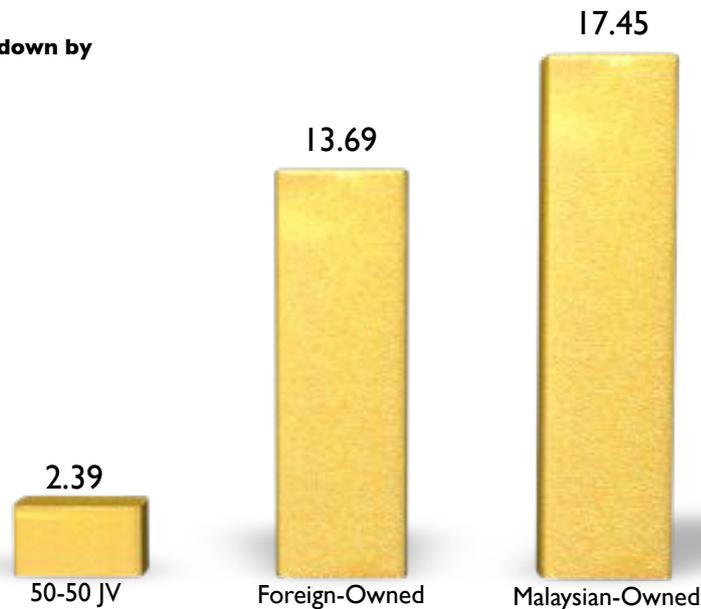


Total Sales by Equity Ownership

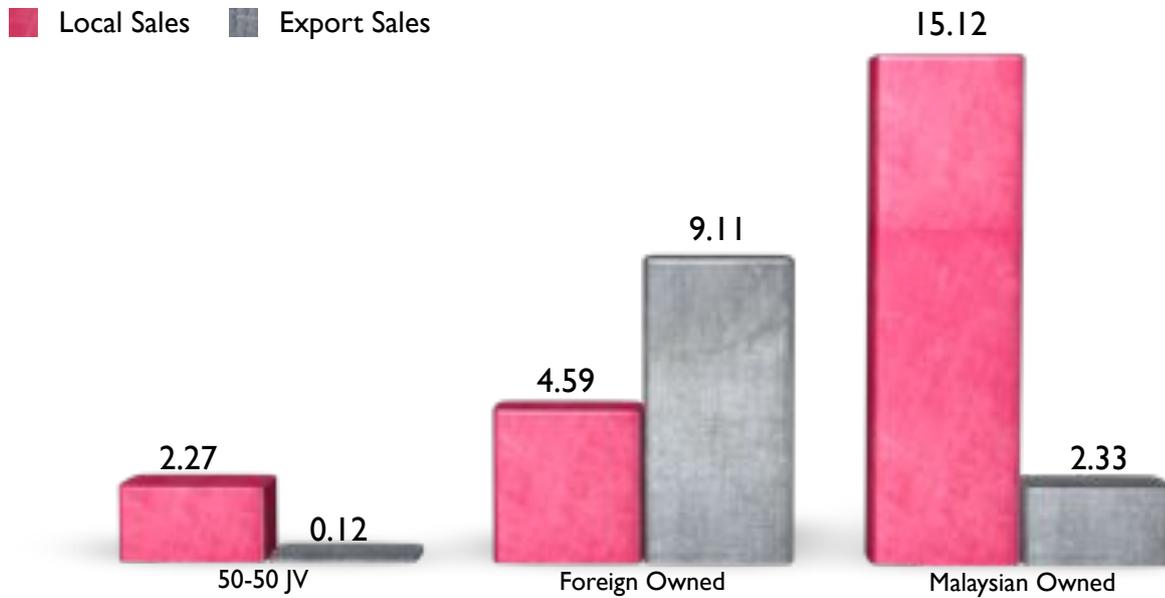
Malaysian-owned companies accounted for the majority of total sales while Foreign-owned companies accounted for the majority of export sales.

The largest contributors to revenue in 2012 were Malaysian-owned companies totaling RM17.45 billion representing 52.04% of the overall revenue generated by MSC Malaysia. Whereas exports were anchored by Foreign-owned entities with 78.8% at RM9.11 billion. 50-50 Joint-Venture companies on the other hand, reported a minimal contribution of total sales 7.12% at RM2.39 billion.

Total Sales 2012 (RM Billion) - Breakdown by Equity Ownership



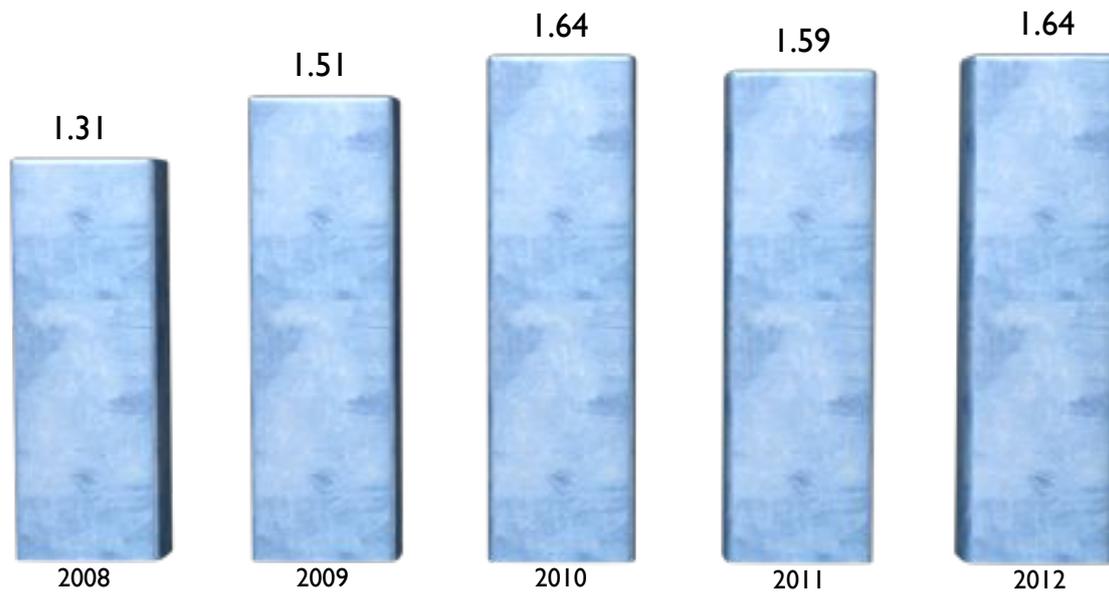
Local Sales and Export Sales 2012 (RM Billion) - Breakdown by Equity Ownership



R&D Expenditure

R&D expenditure in 2012 rose from RM1.59 billion to RM1.64 billion recovering from a slight drop in 2011.

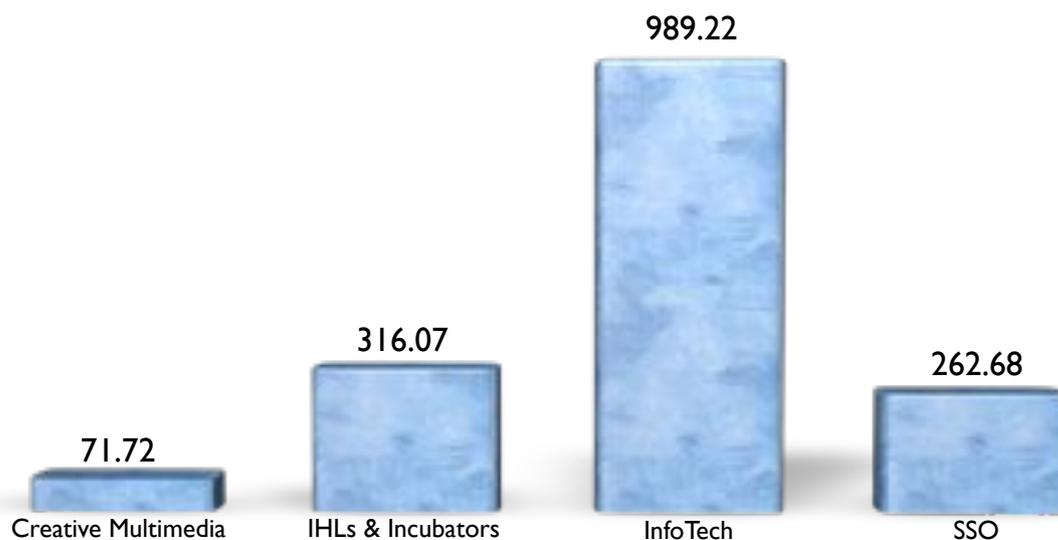
Total R&D Expenditure (RM Billion) 2008-2012



R&D Expenditure by Technology Cluster

The InfoTech Cluster contributed the largest investment in R&D Expenditure for 2012 with 60% or RM989.22 million, followed by IHL & Incubators Cluster at 19% or RM316.07 million, SSO Cluster at 16% or RM262.68 million and Creative Multimedia Cluster at 4.37% or RM71.72 million.

Total R&D Expenditure 2012 (RM Million) - Breakdown by Technology Cluster





Employment Performance

Employment Performance

The total number of jobs contributed by the MSC Malaysia status companies has been on an upward trend from 2008 to 2012 at CAGR of 6.92% 128,850 jobs were reported in 2012.

The SSO Cluster reported 65,835 jobs, representing 51% of the total employment followed by the InfoTech Cluster which reported 37,495 jobs or 29% of the overall job opportunities and Creative Multimedia Cluster contributed 8.6% or 11,070 of the total employment.

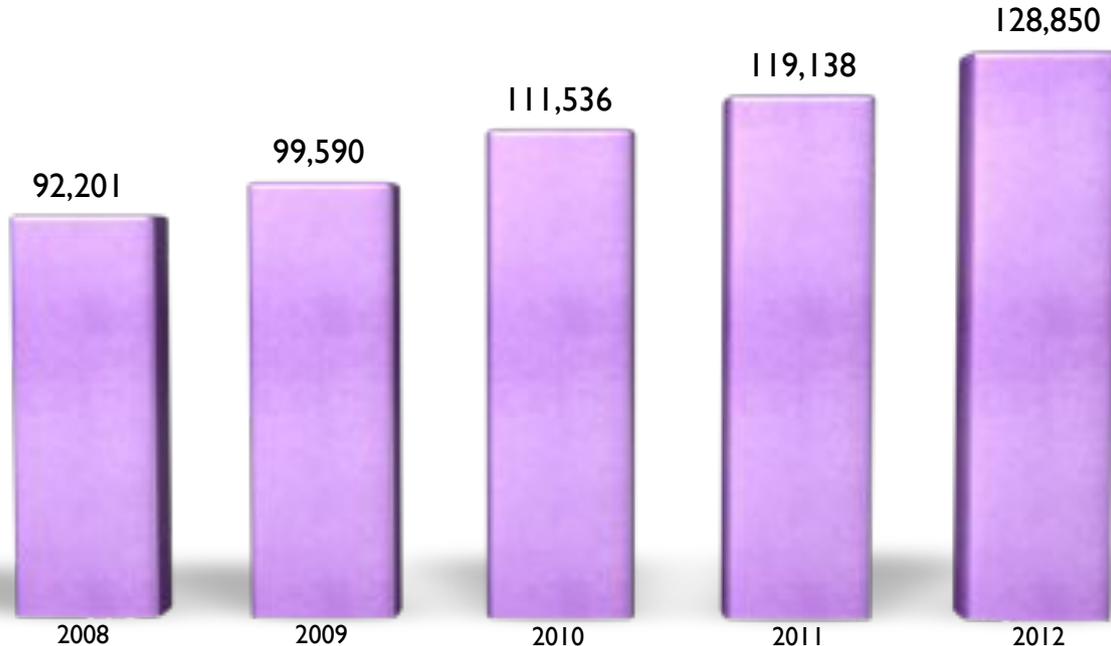
In the same period, Foreign-owned companies contributed the most to employment at 50.2% which translated into 64,679 jobs, followed by Malaysian-owned companies which made up 48.8% or 62,829 of total employment. The least contribution came from Joint-Ventures, which recorded a nominal sum of 1% of total employment.

Employment Performance

There has been a general increase in jobs created by the MSC Malaysia status companies since 2008.

The total number of jobs contributed by the MSC Malaysia status companies has been on an upward trend from 2008 to 2012 at CAGR of 6.92%. 2012 witnessed a 8% increase over 2011 which saw 128,850 jobs.

Total Employment Growth 2008-2012



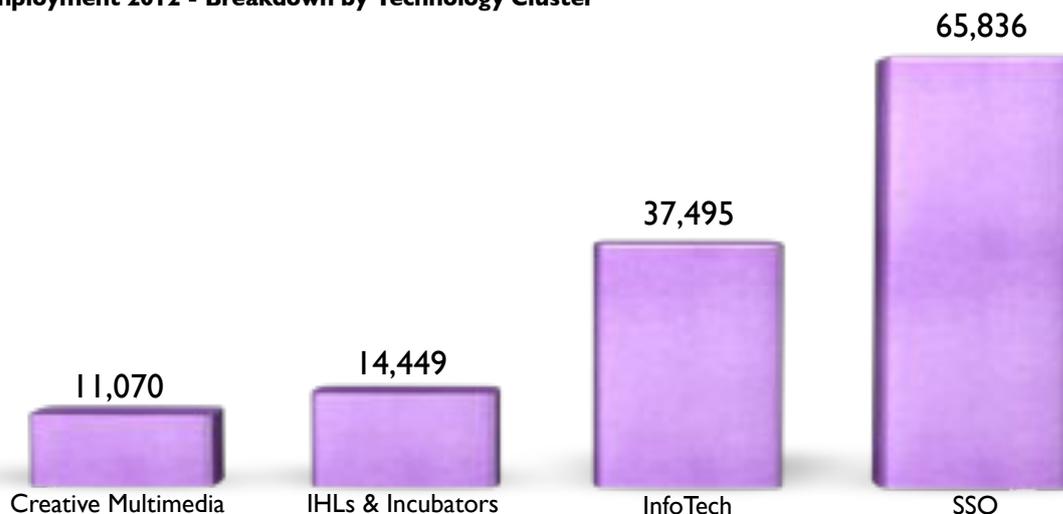
Employment Performance by Technology Cluster

SSO Cluster contributed to the highest number of jobs.

The SSO Cluster was the key contributor to MSC Malaysia Status companies' employment, with 51% in 2012. This was followed by the InfoTech Cluster at 29%, whereas Institutions of Higher Learning and Creative Multimedia Cluster contributed 11% and 9% respectively.

The InfoTech Cluster witnessed a 0.9% decreasing jobs reported compared to previous year of 37,824 jobs.

Total Employment 2012 - Breakdown by Technology Cluster

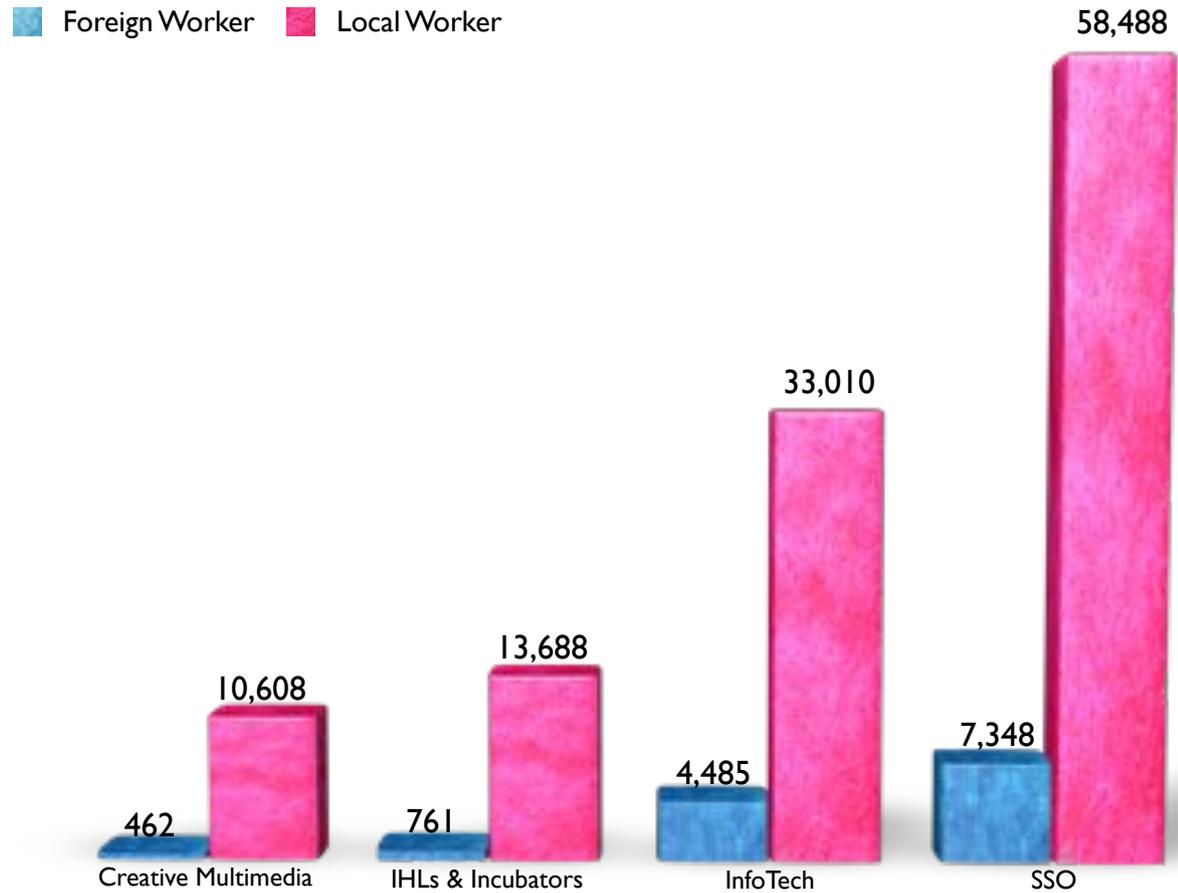


Employment Performance by Technology Cluster

SSO companies continued to contribute to the majority of total jobs as well as local workers.

Local workers made up 90% of the total workforce in 2012, while the remaining 10% are made up of foreign workers.



Total Employment by Worker Type 2012 - Breakdown by Technology Cluster

Conclusion

MSC Malaysia Status companies continued strong performance during the year under review compared to previous years. In 2012, MSC Malaysia revenue came in at RM33.5 billion which was an increase of 5.7% from 2011, while export grew to RM11.55 billion which reflected a 14% rise from the previous years.

In the area of job creation, a total of 128,850 jobs have been reported since the inception of MSC Malaysia.

The strong performance in 2012 can be attributed to several factors including MSC Malaysia's strategy of continuing to look at key emerging South East Asian markets, improving market access, acceleration of channel development programmes and the formation of our new go-to-market stacks that offered flexible product portfolios, thus meeting industry demands.

In addition, MSC Malaysia's sustained attractiveness as a destination for Knowledge Process Outsourcing (KPO) has also contributed to the positive growth. Our strategic move to enhance the delivery capability of our companies from pure play Business Process Outsourcing (BPO) services to KPO and now integrated solutions in specific verticals such as Finance and Accounting and Oil and Gas has resulted in a clear competitive advantage.

Moving forward, MDeC is confident of continued growth and beliefs that there will be even more opportunities for MSC Malaysia Status companies as the various components of Economic Transformation Programme (ETP) roll out.

