



Technology & Business Services



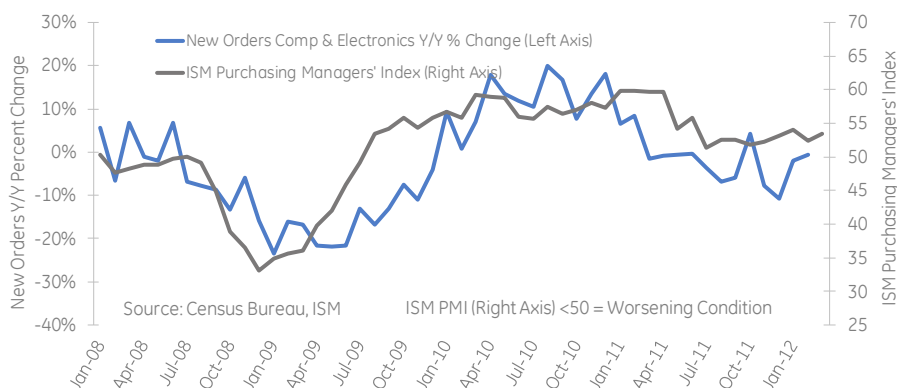
Key Developments

- According to **Gartner**, the global PC industry unexpectedly grew in the first quarter of 2012. PC shipments climbed 1.9% to 89 million units, vs. an earlier expectation of a 1.2% drop.
- **Best Buy** CEO Brian Dunn resigned amid allegations of personal misconduct. Dunn's departure follows closely behind the company's announcement of a 3-year restructuring plan aimed at reducing annual expenses by \$800 million.
- Electronics manufacturer **Foxconn**, a primary supplier to **Apple**, announced that it will sharply reduce work hours and increase pay at its Chinese factories. The changes follow a report by the Fair Labor Association that revealed at least 43 violations of Chinese law.
- **AOL** sold more than 800 patents to **Microsoft** and also granted **Microsoft** a non-exclusive license to its retained patent portfolio for \$1.056 billion in cash.
- **VMware's** CFO Mark Peek is leaving to become CFO of HR software startup **Workday**.

Industry Fundamentals

Despite recent signs of slowing momentum, improvements in various macro indicators over the past six months have raised optimism that growth in global IT spending in 2012 will be comparable to a fairly strong 2011. Still, high oil prices, unresolved sovereign debt and other geopolitical issues remain threats to the economic recovery and likewise discretionary IT spending.

Computer Orders & Purchasing Managers' Index

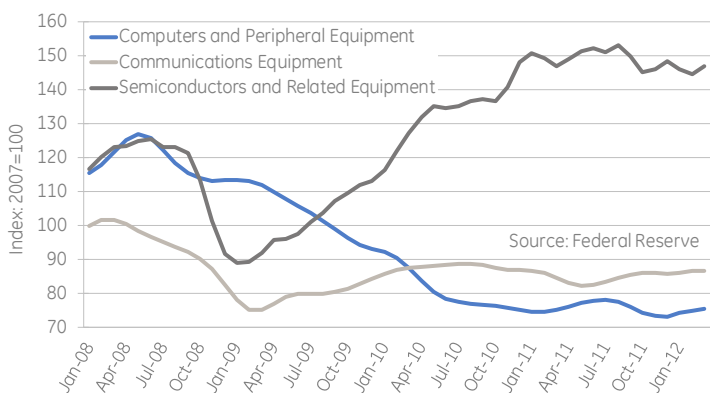


The Purchasing Managers' Index (PMI), which is a measure of near-term business optimism and is highly correlated with orders for new computer equipment, has been trending higher for four of the past five months. The March PMI of 53.4, which was up 1 point compared to February, marks the 32nd consecutive month with a reading above 50 indicating that the manufacturing economy continues to expand. Computer equipment orders, which typically lag the PMI, have finally seen a halt to prior declines and are now essentially flat year-over-year.

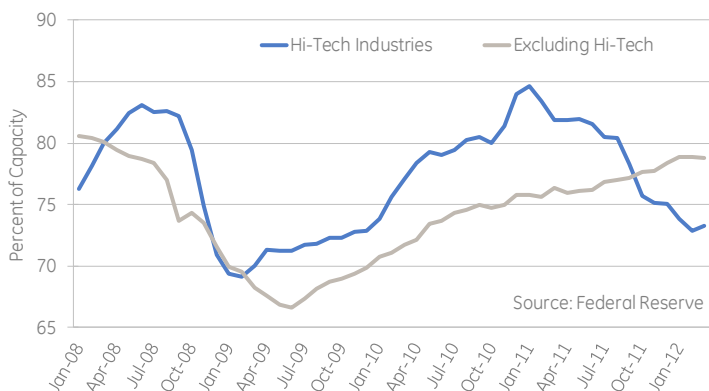
Macro Supply & Demand Indicators

Supply-side indicators (left side exhibits below) are trending in a stable or modestly improving direction. Demand-side indicators (right side exhibits below) have recently begun to reflect typical seasonal weakness. However, the overall trends remain mostly positive with actual IT capex showing a strong finish in 2011 while the ISM services index, which we view as a leading indicator for IT spending, remains well above the levels of 2011.

Industrial Production

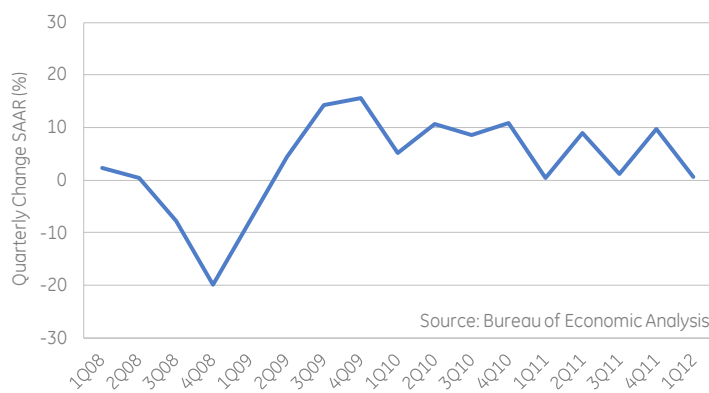


Capacity Utilization

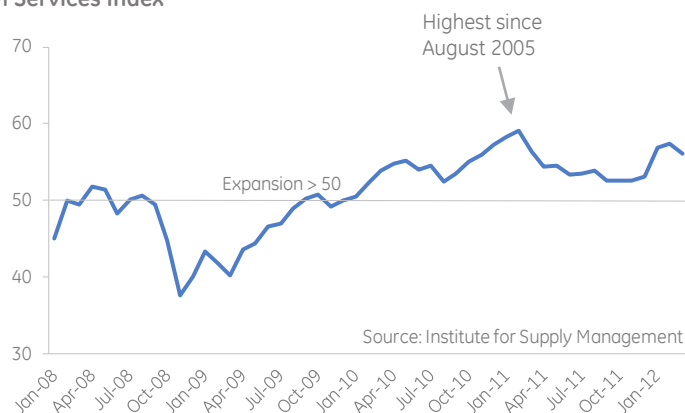


- **Industrial production of semiconductor, computer and communications related equipment remains in a stable to moderate growth phase.** As of March, the indices for the production of computer and communications related equipment had risen 0.4% and 2.3% year-over-year, respectively. Production of semiconductor related equipment was essentially flat year-over-year.
- **Since peaking more than a year ago, technology related capacity utilization recently halted a 13-month slide while non-tech capacity utilization remains relatively stable.** As of March, technology related capacity utilization had bounced from its lowest level since late 2009.

Total Information Processing Equipment & Software Capex Growth



ISM Services Index

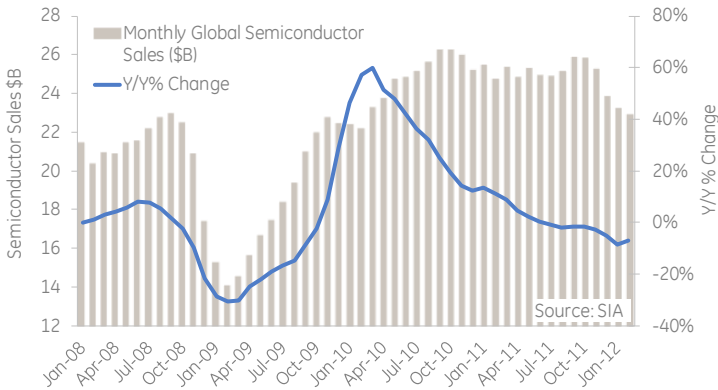


- **Growth of private fixed investment in information processing equipment (mostly computers and peripherals) exhibited seasonal weakness at the beginning of 2012.** During the typically seasonally weak 1st quarter, annualized investment increased 0.5%, down from a robust 9.6% during the typically seasonally strong 4th quarter.
- **Economic activity in the services sector, which constitutes the largest segment of the economy and is a large consumer of IT products and services, expanded in March for the 28th consecutive month.** The Non-manufacturing Index (NMI) decreased to 56 in March from 57.3 in February but remains well above the levels seen through most of 2011.

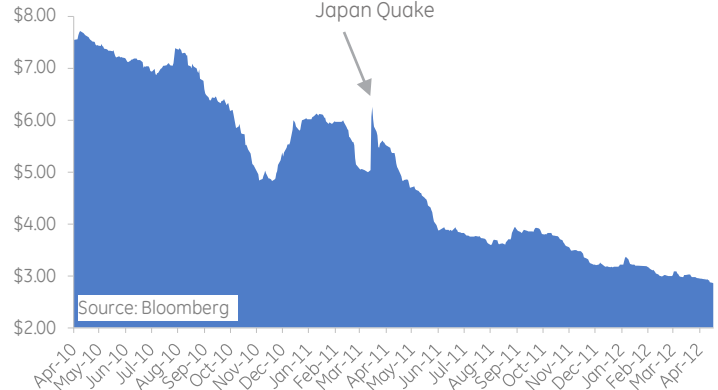
Electronic Components Supply Chain Indicators

Supply chain disruptions due to flooding in Thailand have mostly been resolved but overhanging concerns about the global macro economy, particularly slowing growth in China, remain the primary near-term risk for the global electronics components supply chain. That being said, many leading semiconductor and semi-cap equipment companies have recently expressed optimism that the worst of the cycle is behind them. Overall, the outlook for moderate growth in global enterprise IT and consumer electronics spending in 2012 should result in a similar profile for the component supply chain.

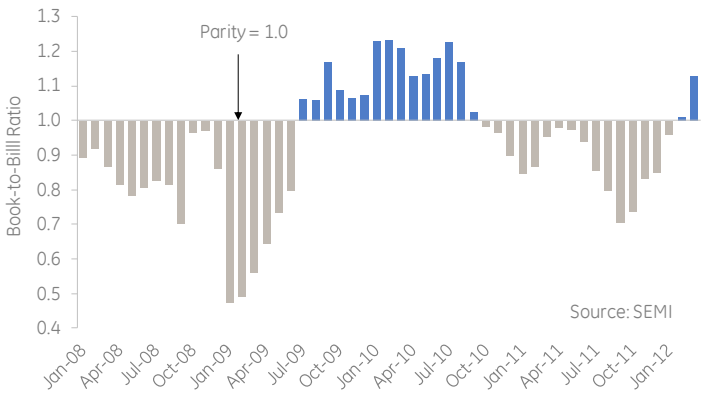
Global Semiconductor Sales



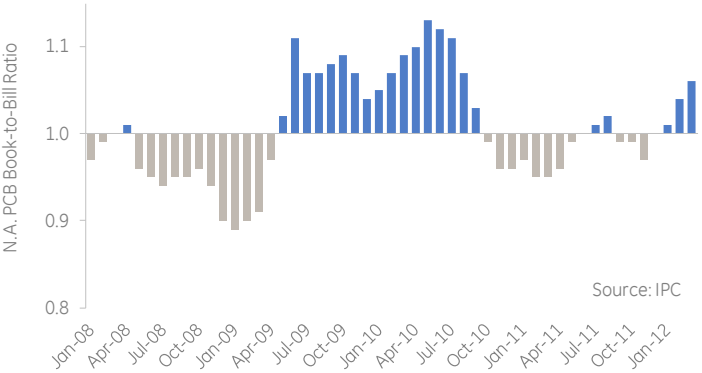
Flash Memory Spot Pricing



Semiconductor Capital Equipment Book-to-Bill



Printed Circuit Board Book-to-Bill



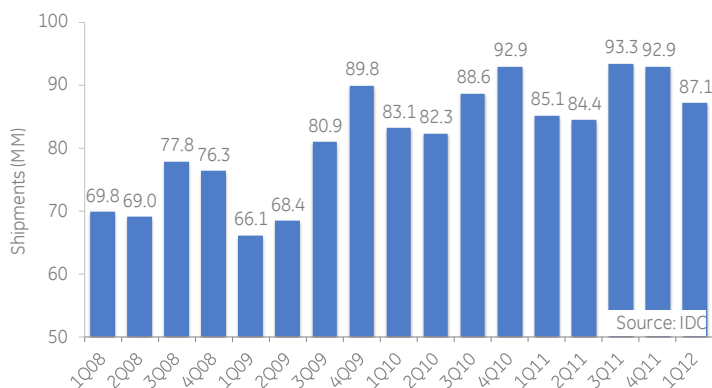
- **Despite macro turbulence, global sales of semiconductors reached a record in 2011 while increasing 0.4% over 2010. That being said, growth has continued to slow in recent months.** Global sales of semiconductors were \$22.9 billion in February, down 1.3% from January and down 7.3% compared to sales of \$24.7 billion in February 2011.
- **Global semiconductor capital equipment sales in March decreased 0.9% month-over-month and were 20.9% lower year-over-year.** However, orders continue to show a strong rebound by increasing 10.7% month-over-month, the fifth consecutive monthly increase. Putting these dynamics together, the semi capital equipment book-to-bill of 1.13 exceeded parity for the second consecutive month.

- **Steady demand stabilizing flash memory pricing.** Spot prices of NAND flash initially shot up 25% immediately after the disaster in Japan but have since resumed a capacity induced downward trend. That said, NAND spot prices have recently found support at a low level from ongoing strong demand for flash intensive devices such as smartphones and tablets.
- **Printed circuit board (PCB) sales and orders continue to rebound in March.** The fourth consecutive monthly increase in the PCB book-to-bill to 1.06 in March points to a continuation of modestly improving near-term sales.

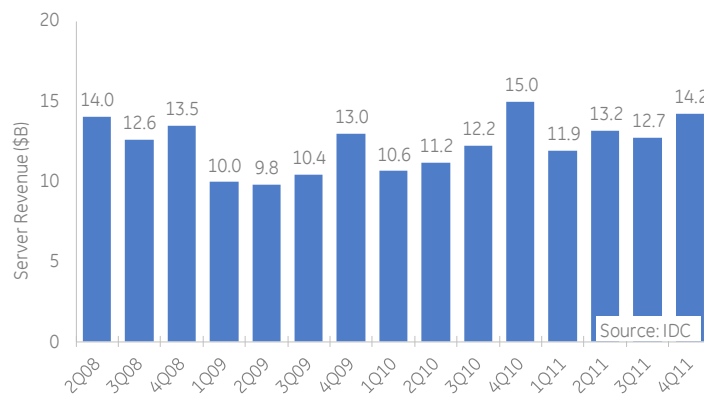
Hardware Systems

Despite longer-term concerns regarding the ongoing adoption of public cloud computing models, the onsite enterprise hardware refresh cycle remains intact with strong sales of enterprise class servers, storage, networking equipment etc. However, lingering HDD supply disruptions due to flooding in Thailand coupled with weak spending trends among consumers and public entities are resulting in moderating PC shipment volumes.

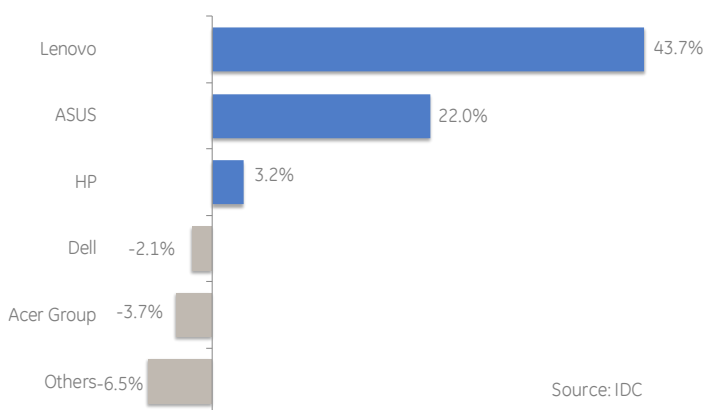
Global PC Unit Shipments (MM)



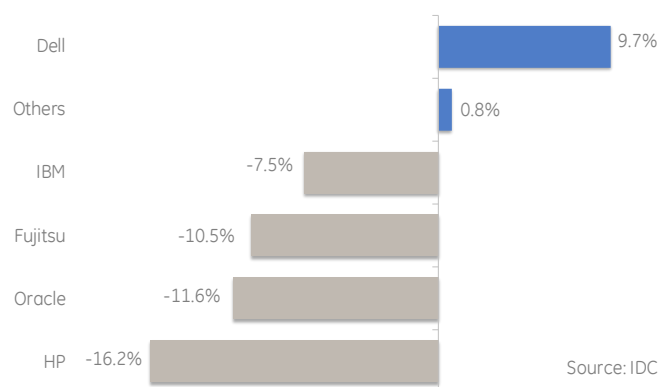
Global Server Revenue (\$B)



PC OEM Y/Y Growth (1st Quarter 2012)



Server OEM Y/Y Growth (4th Quarter 2011)

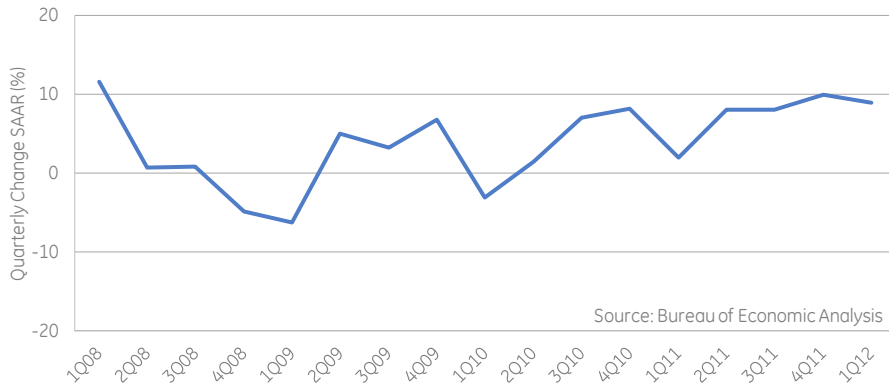


- According to IDC, global PC shipments during the first quarter of 2012 increased 2.3%. Held in check by weak consumer spending, cautious enterprise spending and competition from smartphones and tablets, PC shipments in the U.S. increased only 1% year-over-year. Given pent-up demand for the forthcoming release of Window 8 and the gradual alleviation of HDD supply constraints, IDC currently expects a slight rebound in PC shipments during 2012 of 2% and 5% in the U.S. and globally, respectively.
- HP continues to lose its grip on its global leadership position with unit share of 18% vs. 13% for rapidly rising 2nd place Lenovo. Lenovo continued to take significant market share in the 1st quarter with global unit growth of 44%. Ongoing dominance in Asia coupled with a successful 3rd party distribution strategy elsewhere continues to result in overall market share gains for Lenovo.

- (1st quarter server data will be updated in our next monthly publication). Server revenue declined year-over-year for the first time in 2 years although 4th quarter server shipments increased 2% year-over-year. For the full year 2011, worldwide server revenue increased 5.8% to \$52.3 billion when compared to 2010, while worldwide unit shipments increased 4.2% to 8.3 million units.
- For the first time since the third quarter of 2009, all three server classes (volume, mid-range and high-end) experienced declining year-over-year demand during the 4th quarter. Volume server revenue decreased 2% year-over-year while mid-range server revenue decreased 4.6% and high-end server revenue decreased 18.4%.

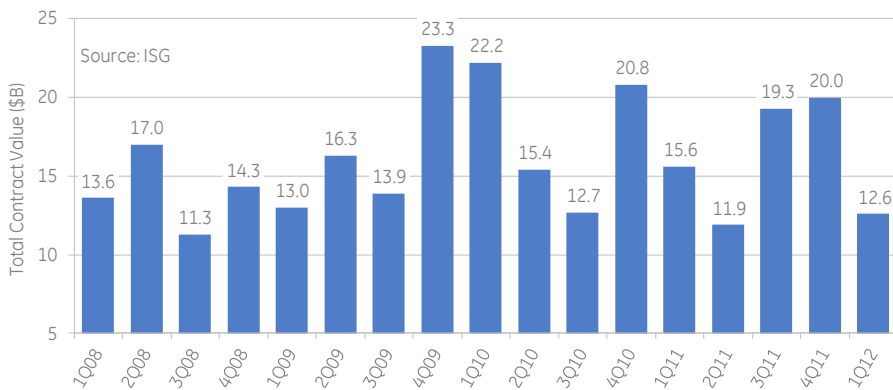
Software & Services

U.S. Private Fixed Investment – Software (Annualized % Change)



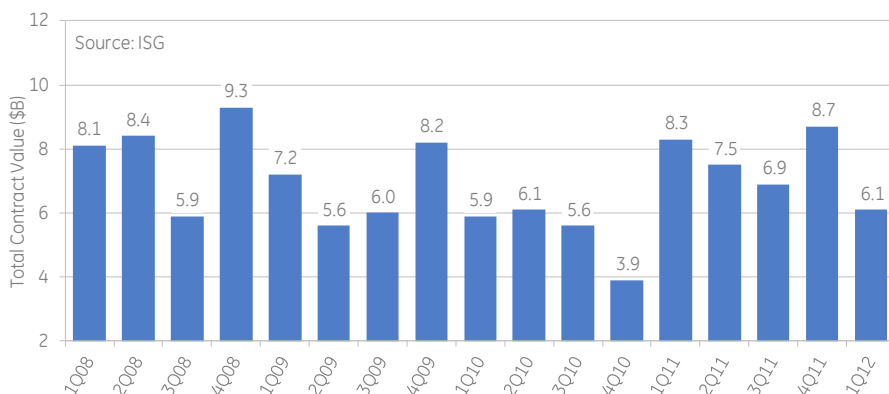
Driven by positive macro trends coupled with investment in new computing models such as cloud, growth in software spending remains strong. Investment in software remained strong during the 1st quarter of 2012 while growing 9% year-over-year.

Global IT Services Contract Signings (> \$25 million)



Following a strong finish in 2011, new IT outsourcing services contract activity was muted during the 1st quarter of 2012. The value of contract signings during the 1st quarter decreased 37% quarter-over-quarter and 20% year-over-year.

Global BPO Contract Signings (> \$25 million)

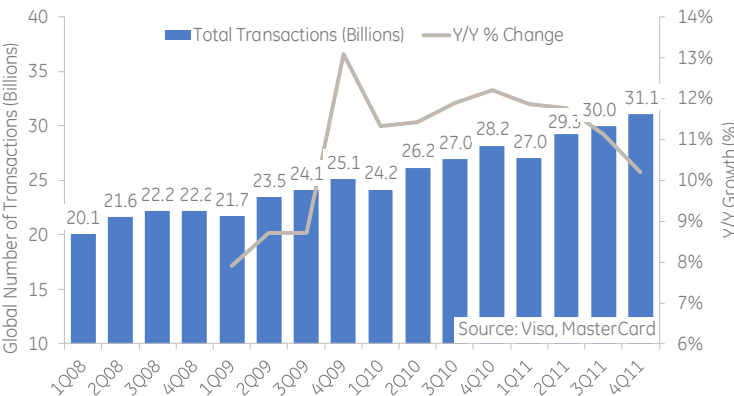


Similar to the trends in IT services contract activity, BPO activity dropped off from a strong finish in 2011. During the 1st quarter, the total value of BPO contract signings declined by 30% quarter-over-quarter and 27% year-over-year.

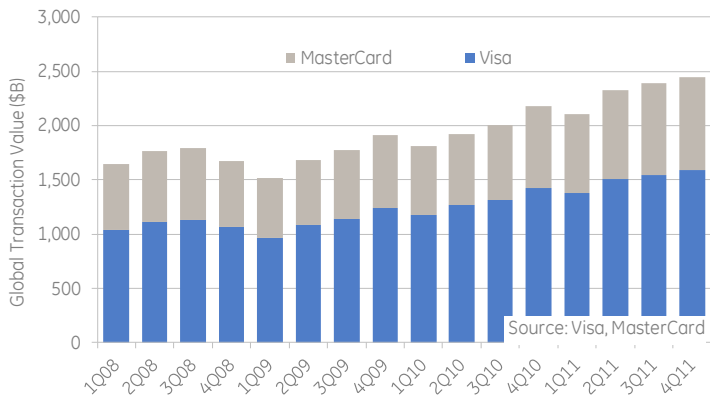
Financial Transaction Processing

Despite global macro uncertainties, the positive trend of financial transaction processing volumes continued through the 4th quarter. Visa and MasterCard continue to see strong growth in the number of transactions as well as the gross value of transactions. During 4Q11 combined global credit and debit volume and value of transactions grew 10.2% and 17.2%, respectively. 1st quarter statistics will be reflected in our next update.

Global Credit & Debit Transaction Volume



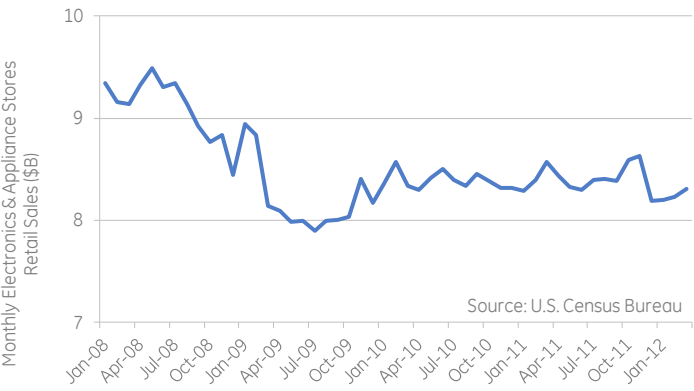
Global Credit & Debit Transaction Value



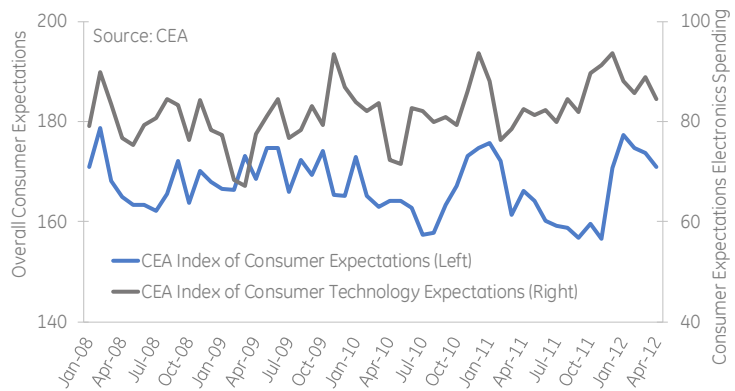
Consumer Electronics

Consumer confidence has weakened recently primarily due to slowing job growth and elevated fuel prices. The CEA Index of Consumer Expectations (ICE) continues to decrease from a cyclical peak in January of 177.3 to 170.9 in April. Nevertheless, the index remains well off the lows of November and 4.7 points higher year-over-year.

Electronics & Appliance Stores (Seasonally Adjusted Sales)

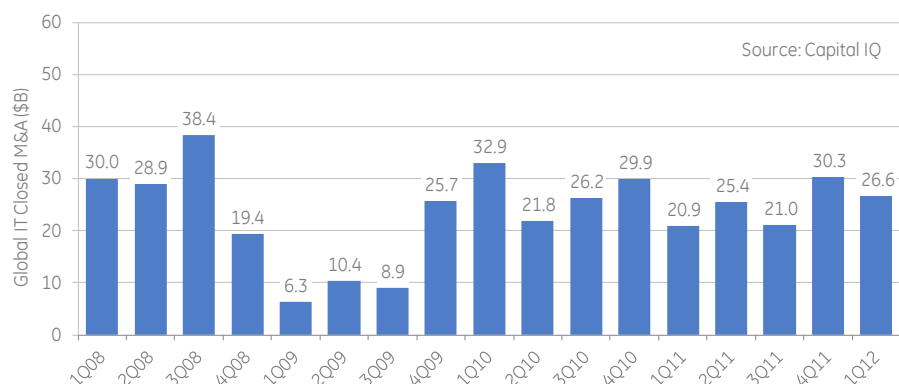


Consumer Confidence & Intentions To Purchase Electronics



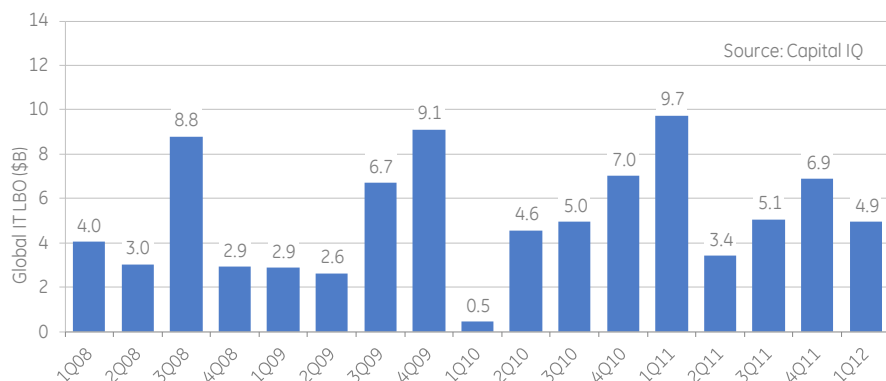
Corporate Activity

Global Strategic M&A Volume (value of closed transactions)



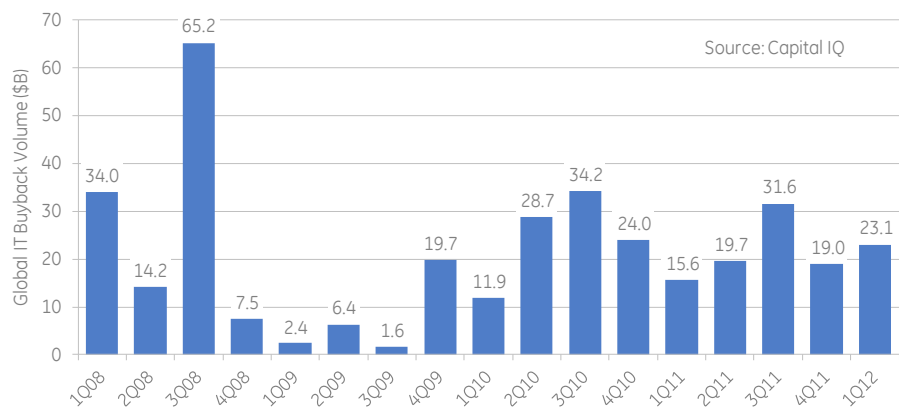
Global M&A activity and associated financing in the technology industry experienced sequential weakness during the 1st quarter but grew nicely compared to the year ago quarter. Closed M&A volume during the 1st quarter of 2012 declined 14% compared to the 4th quarter of 2011 but increased 27% compared to the 1st quarter of 2011.

Global LBO Volume (value of closed transactions)



The pace of private equity transaction closings was slow during the 1st quarter. Closed volume during the first quarter was down 29% quarter-over-quarter and nearly 50% compared to the year ago quarter.

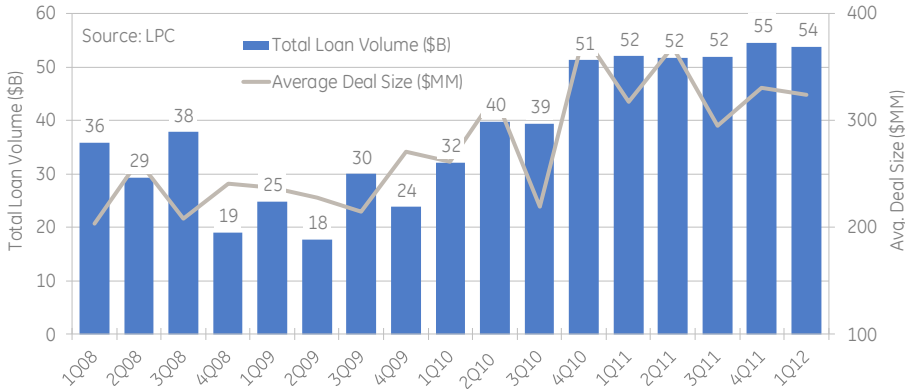
Global Corporate Stock Buyback Volume



Stock buyback volume has been surprisingly strong despite the strength in equity markets during the first quarter of 2012. Buyback activity has generally maintained an inverse relationship with the direction of the overall equity market but corporations are feeling increasing shareholder pressure to deploy or return excess cash.

Financing Trends

Global Technology & Business Services Leveraged Loan Issuance (\$B)



Despite turbulence in the capital markets during the summer and early in the 4th quarter of 2011, global leveraged loan issuance increased 27% during 2011. Leveraged loan issuance started off slowly early during the 1st quarter of 2012 but gained momentum as the quarter drew to a close.

GE Capital's Telecom, Media and Technology (TMT) financing business completed 38 deals totaling \$3.4 billion in financing during 2011. Visit: gecapital.com/tmt

GE Capital Commitments

\$8.6 Billion in Investments Across the Value Chain*

*GE Capital, Americas as of 12/31/11

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\$719 Million
Semiconductors & Capital Equipment



\$5.2 Billion
Software & Services



\$1.1 Billion
Systems & Storage



\$1.6 Billion
VARs & Distribution

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