

Moldova IT Park

Dynamics of development in the 1st semester, 2019



Abstract

01

The main growth indicators of “Moldova IT Park”

The current report developed based on residents’ quarterly reports and the statistical data, collected and generalized by the Park administration, represents the analysis of “Moldova IT Park” dynamics of development during first six months of the current year.

The information includes the comparative analysis of data for the 1st and 2nd quarters, as well as a summary of data for the first semester of 2019.

02

Residents of “Moldova IT Park” in numbers

Reporting process

Out of the total number of Park residents, 408 companies were obliged to submit a report for the second quarter of 2019. Only 275 of resident companies fulfilled their obligation to submit a report in due time, which is 67.4%.

03

The employees of “Moldova IT Park” residents

In total, 98% of companies provided their reports for the 2nd quarter, including the companies that submitted reports with a delay.

Processed Data

The information provided by the resident companies includes:

- Number of employees;
- Average monthly salary;
- Sales revenue;
- Types of residents’ activities;
- Types of projects.

01 The main growth indicators of “Moldova IT Park”

According to the data for the II quarter, the number of residents increased by 57 companies. This, in turn, generates 14.7% growth in comparison with the 1st quarter results, and 33% increase in comparison with the beginning of 2019, and equals 112 companies.

Thus, 432 resident companies operated in the framework of “Moldova IT Park” at the end of the analyzed semester.

At the same time, 12 companies lost their resident status during the 2nd quarter. Six of these companies were excluded from the Register of residents through the Park administration’s decision because of non-fulfillment of the main resident’s commitments: submission of annual verification results, provision of quarterly reports, etc. Totally, 18 companies have lost their resident status since the beginning of the year.

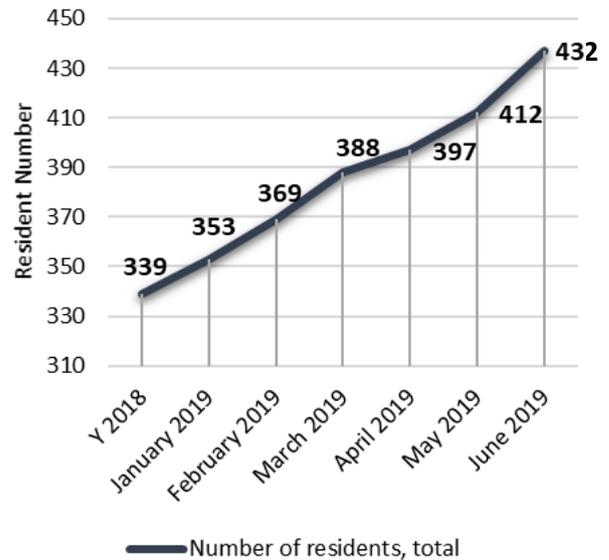
It should be noted that during the analyzed period an increase in the number of companies with foreign capital was registered. This indicator reached 116 resident companies originating from 31 countries. Thus, the growth in company numbers in the 2nd quarter represented 11 companies and 23 companies compared to the end of the last year.

At the end of the 2nd quarter top countries by the number of resident companies with foreign capital are as follows: USA (19 companies), Romania (16 companies), UK (10 companies).

Also, the amount of forecasted revenue declared by the Park's active residents reached 2.8 billion lei by the end of the second quarter.

This value is 50% higher than last year's forecasts. It should also be noted that 33.6% of this growth is due to more optimistic forecasts of residents operating in the Park during the previous year, and 16.4% of increase due to the growth in number of Park residents during this year.

**Number of active residents of
“Moldova IT Park”**



In addition, at the end of the 1st quarter 2019, 33 newly established companies became part of the Park. From this number, only 6 companies were created in 2018, other 27 companies were established in 2019.

Thus, the total number of newly established companies in the Park reached 157 companies.

Summarizing, the dynamics of development of the Park remains stable and positive, continuing to attract new residents and expand the IT sector at the national level.

02 Residents of “Moldova IT Park” in numbers

During the 1st semester, resident companies generated the total revenue in amount of 1582.13 mln lei. The 98% of this amount are related with the revenue from activities stipulated by Law No.77/2016.

Therefore, the amount of revenue generated during the analyzed period covers 71% of the total revenue registered in 2018.

This data, as well as the fact that 56.6% of forecasted revenue for current year was covered during 1st semester, prove the accuracy of the forecasts made by Park residents for 2019.

Out of this share, 25.6% were covered during the first quarter and 31% during the second quarter. As a result, the revenue generated in the April-June timeframe has increased by 21.1% in comparison to the previous quarter, reaching the value of 866.68 million lei.

Summarizing, the companies' revenue indicator demonstrates the positive trend both, at the level of quarterly data correlating with each other, and at the level of annual results.

By the data structure related to sales revenue collected for the 2nd quarter two categories of residents were defined.

Total revenue of the resident companies generated during 1st semester 2019 by categories, mln lei

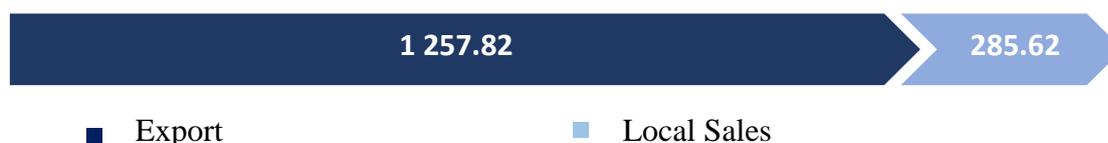


About 1/3 of the reported companies are newly established ones (140 companies), which registered the revenue of 88.2 million lei. This represents 10.15% of the totally generated revenue in the second quarter. The share of newly established companies with foreign capital was 2.5%.

In its turn, 113 companies with foreign capital registered during the 2nd quarter of the year the revenue of 475.8 million lei, which is 55% of the total income for this period.

This trend, presented on the basis of data for the 2nd quarter, characterizes the entire semester.

Total revenue from local sales and exports in 1st semester 2019, mln lei (by types activities, stipulated by Law No.77)

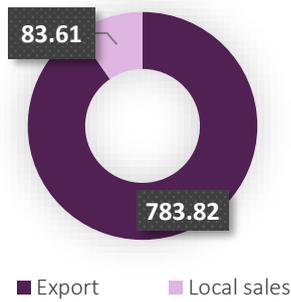


The total revenue registered from export at the end of first half of the year reached 1257.82 lei and 285.62 mln lei from local sales. The percentage of these categories is 81% for export and 19% for local sales.

In the first half of this year export covered 79.9% and local sales 78.2% of sales revenue registered in the previous year.

As a result of the performed analysis for the 1st semester of 2019, the mentioned indicators related to export and local sales can be divided into 3 categories of resident companies.

Companies with foreign capital, mln lei

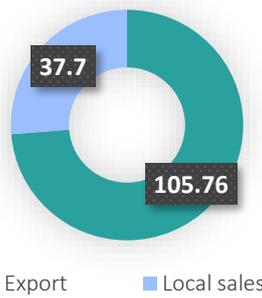


Companies with foreign capital have generated the local sales revenue 9.4 times less than export sales.

The companies' projects are more focused on the external market, reaching 783.82 million lei, i.e. covering 90.4% of the total sales of this category of companies.

At the same time, this figure represents 62.32% of the export sales of all resident companies of the Park.

Newly established companies, mln lei



The export revenue represents 73.7% from the total sales revenue of newly established companies, and the local sales 26.3%.

The export of this category covers 8.4% of total export revenue generated by all resident companies.

Despite the fact that only 19 companies in this category are companies with foreign capital, the projects of all newly established companies are mostly aimed at foreign markets. However, 19 mentioned companies cover 1/3 of this category exports revenue.

Local companies, mln lei



Companies included in this category represent local companies that have been operating on the market for more than two years.

These companies cover the biggest share of total local sales.

However, there is also a tendency for export sales to prevail. Therefore, they are 2.4 times higher than local sales

These companies' share of export represents 31.9% of the total generated revenue.

Projects implemented by the residents were oriented at different categories of consumers: 355 companies carried out B2B projects, 101 companies provided services/supplied products to individuals, and 38 companies developed B2G projects.

From the total number of 22 activities permitted in Park, 13 types of activities were carried out for external markets, and 13 activities were demanded on the local market.

It should be mentioned, that the number of activities carried out by resident companies has increased in the 2nd quarter by three types of activities. For the local sales these are: research and development in other natural sciences and engineering, limited to research and development services of original projects in natural sciences and engineering, except biotechnology (72.19.50). Export oriented included: research and development in other natural sciences and engineering, limited to other experimental research and development services in engineering and technology, except biotechnology (72.19.29); and services for obtaining special effects (59.12.14).

The top activities by the sales revenue in the first half of 2019 remained unchanged over both quarters and were in line with the results of 2018.

A significant change in this structure is related to increase in the share of export of the activity (63.11), data processing, web page management and related activities.

Thus, by the end of the first semester of 2019, the rating of activities by category is as follows:

	Export	Local Sales
CODE	Revenue, mln lei	Revenue, mln lei
62.01	613,17	174,65
62.09	240,64	27,09
63.11	181,86	26,58

 As a result of comparative analysis based on the quarterly data, the following income growth by types of activities was registered:

Local Sales:

- (62.02) „Information technology consulting activities” by **112%** ↗
- (63.12) „Web portal activities” by **81%** ↗
- (62.03) „Management activities (management and operation) of computing means” by **41%** ↗

Exports:

- (85.59) „Other forms of education limited to training in computer science” by **80%** ↗
- (74.10) „Specialized design activities based on the use of specialized high performance computing equipment” by **75%** ↗
- (58.21) „Computer game editing activities” by **60%** ↗

 At the same time, a decrease in export sales volumes for the following types of activities was registered:

- (62.03) „Management activities (management and operation) of computing means” by **66%** ↘
- (59.12.15) „Cinematographic, video and television program post-production activities based on the use of specialized high-performance computing equipment, limited to animation production services” by **31%** ↘

03 The employees of “Moldova IT Park” residents

The second quarter data show positive dynamics in the number of employees during the first half of 2019.

At the end of the reporting period, the total number of employees was 8501 persons, of which 7483 were directly involved in IT activities. For comparison, a number of 7591 employees and 6638 specialists directly involved in the implementation of the activities stipulated in the Art. 8 of Law No. 77/2016 were registered at the end of previous quarter.

Thus, the total number of employees increased by 910 people, and the number of IT specialists increased by 845 people.

The number of employees directly involved in IT represent 88% of the total number of employees of resident companies.

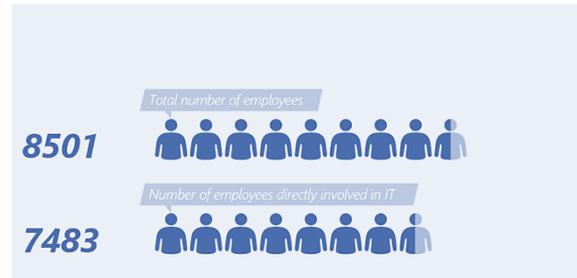
It should be noted that the average quarterly growth rate of the number of employees in the current year is 12%.

This growth is mainly due to the increase in the number of resident companies. In addition, the real growth of the total number of employees in the second quarter (excluding companies that obtained resident status in the period of March-June 2019) is about 6%, equal to 423 employees, while the growth of the number of employees who are directly involved in the activities of IT, was 396 people.

Average monthly salary during 2nd quarter reached 28 656.61 lei. This indicator has been reduced by 7.92% in comparison with the previous period

In order to create a clear overview of changes to this indicator an additional calculation was made based on the data provided by the active residents for the 1st quarter 2019 (excluding the companies that became Park residents in the period March-June 2019). Its result emphasized a decrease of the average salary by 6.62% (2059.51 lei).

NUMBER OF EMPLOYEES



The ratio between men and women directly involved in implementation of the activities allowed in the Park, remained unchanged and constitutes a ratio of 70/30. Thus, by the end of the 2nd quarter the number of men is 5245 specialists and women 2238 specialists.

Also, the increase in number of foreign specialists was registered. At the end of the first half of the year, there are 68 specialists with foreign citizenships.

During the 2nd quarter of the current year, 11 foreign citizens obtained the temporary residence permit through the “IT Visa” program. From this number of employees, 3 persons are specialists and 8 persons are employed in function of managers.

These employees are originated from Romania (4), Russia (2), France (1), India (1), Italy (1), Ukraine (1), Sweden (1).

The total number of the program beneficiaries raised to 29 foreign specialists.

The significant difference in this three quarters shown in the below chart is due to the impact of premiums paid to residents’ employees, as well as the stabilization of the average salary in the sector.

AVERAGE SALARY

