



Cloud IT Infrastructure Revenues Surpassed Traditional IT Infrastructure Revenues for the First Time in the Third Quarter of 2018, According to IDC

FRAMINGHAM, Mass., January 10, 2019 – According to the International Data Corporation (IDC) [Worldwide Quarterly Cloud IT Infrastructure Tracker](#), vendor revenue from sales of IT infrastructure products (server, enterprise storage, and Ethernet switch) for cloud environments, including public and private cloud, grew 47.2% year over year in the third quarter of 2018 (3Q18), reaching \$16.8 billion. IDC also raised its forecast for total spending (vendor revenue plus channel mark-up) on cloud IT infrastructure in 2018 to \$65.2 billion with year-over-year growth of 37.2%.

Quarterly spending on public cloud IT infrastructure has more than doubled in the past two years reaching \$12.1 billion in 3Q18 and growing 56.1% year over year, while spending on private cloud infrastructure grew at half of this rate, 28.3%, reaching \$4.7 billion. Since 2013, when IDC started tracking IT infrastructure deployments in different environments, public cloud has represented the majority of spending on cloud IT infrastructure and in 2018 IDC expects this share will peak at 68.8% with spending on public cloud infrastructure growing at an annual rate of 44.7%. Spending on private cloud will grow 23.3% year over year in 2018.

In 3Q18, for the first time, quarterly vendor revenues from IT infrastructure product sales into cloud environments surpassed revenues from sales into traditional IT environments, accounting for 50.9% of the total worldwide IT infrastructure vendor revenues, up from 43.6% a year ago. However, for the full year 2018, spending on cloud IT infrastructure will remain below the 50% mark at 47.4%. Spending on all three technology segments in cloud IT environments is forecast to deliver double-digit growth in 2018. Compute platforms will be the fastest growing at 59.1%, while spending on Ethernet switches and storage platforms will grow 18.5% and 20.4%, respectively.

The rate of growth for the traditional (non-cloud) IT infrastructure segment slowed down from the first half of the year to 14.8%, which is still exceptional for this market segment. For the full year, worldwide spending on traditional non-cloud IT infrastructure is expected to grow by 12.3% as the market goes through a technology refresh cycle, which will wind down by 2019. By 2022, we expect that traditional non-cloud IT infrastructure will only represent 42.4% of total worldwide IT infrastructure spending (down from 52.6% in 2018). This share loss and the growing share of cloud environments in overall spending on IT infrastructure is common across all regions.

"The first three quarters of 2018 were exceptional for the IT Infrastructure market across all deployment environments and the increase in IT infrastructure investments by public cloud datacenters was especially strong driven by the opening of new datacenters and infrastructure refresh in existing datacenters," said [Natalya Yezhkova](#), research director, IT Infrastructure and Platforms. "After such a strong year we expect some slowdown in 2019 as the overall market cools down and some cloud providers work through adjustments in their supply chain. However, IDC expects the shift in IT infrastructure spending toward cloud environments will continue."

All regions grew their cloud IT Infrastructure revenues by double digits in 3Q18. Revenue growth was the fastest in Asia/Pacific (excluding Japan) (APeJ) at 62.6% year over year, with China growing at an even higher rate of 88.7%. Other regions among the fastest growing in 3Q18 included Japan (48.2%), USA (44.2%), and Canada (43.4%).

Top Companies, Worldwide Cloud IT Infrastructure Vendor Revenue, Market Share, and Year-Over-Year Growth, Q3 2018 <i>(Revenues are in Millions)</i>					
Company	3Q18 Revenue (US \$M)	3Q18 Market Share	3Q17 Revenue (US \$M)	3Q17 Market Share	3Q18/3Q17 Revenue Growth
1. Dell Inc	\$2,395	14.2%	\$1,590	13.9%	50.7%
2. HPE/New H3C Group**	\$1,646	9.8%	\$1,440	12.6%	14.2%
3. Cisco*	\$1,075	6.4%	\$923	8.1%	16.4%
3. Inspur*	\$1,059	6.3%	\$379	3.3%	179.4%
5. Lenovo	\$806	4.8%	\$285	2.5%	182.5%
ODM Direct	\$6,135	36.5%	\$4,046	35.4%	51.6%
Others	\$3,698	22.0%	\$2,761	24.2%	34.0%
Total	\$16,815	100.0%	\$11,425	100.0%	47.2%
IDC's Quarterly Cloud IT Infrastructure Tracker, Q3 2018					

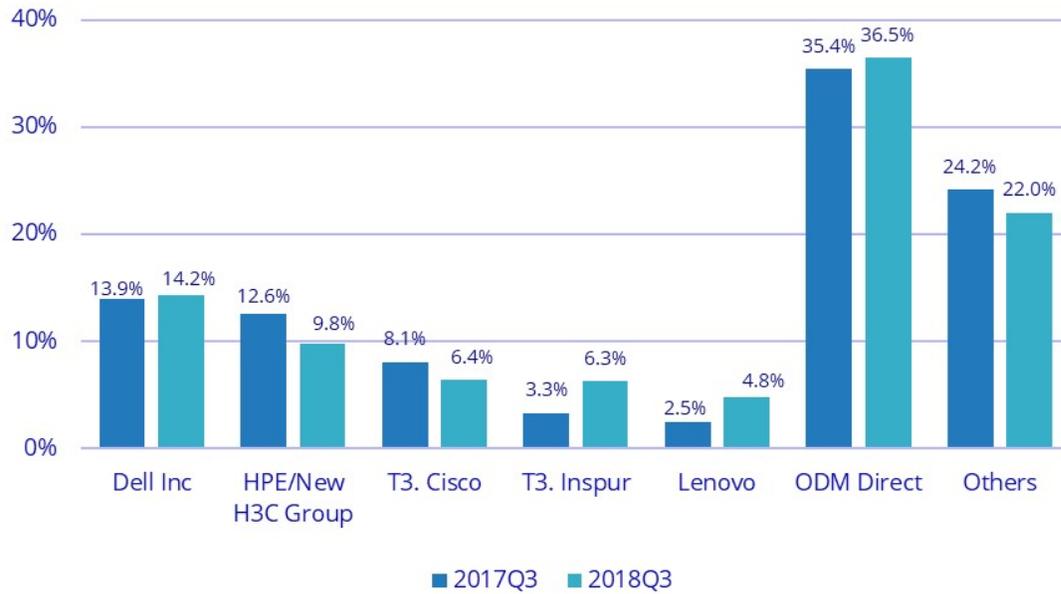
Notes:

* IDC declares a statistical tie in the worldwide cloud IT infrastructure market when there is a difference of one percent or less in the vendor revenue shares among two or more vendors.

** Due to the existing joint venture between HPE and the New H3C Group, IDC will be reporting external market share on a global level for HPE as "HPE/New H3C Group" starting from Q2 2016 and going forward.

Figure 1

Worldwide Cloud IT Infrastructure Top 5 Cloud Vendors,
2018Q3 vs 2017Q3 (shares based on vendor revenue)



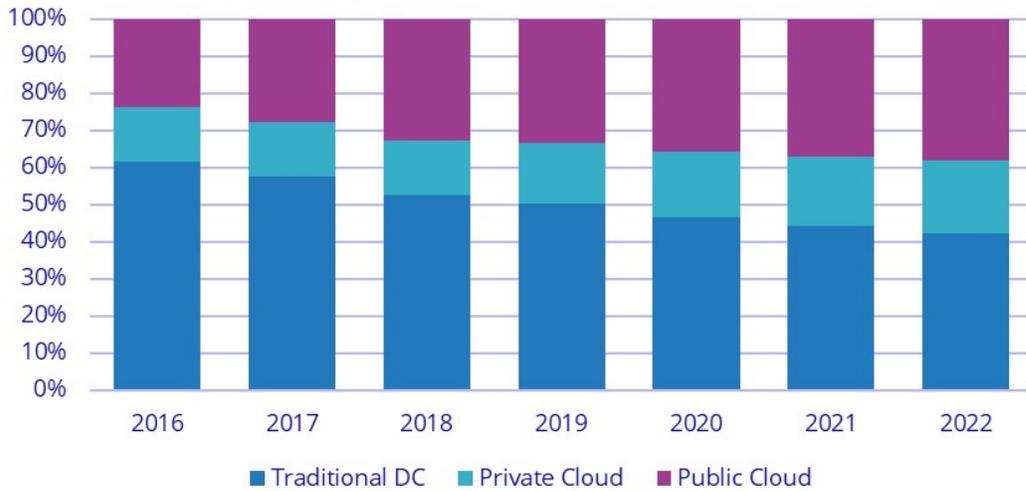
Source: IDC 2019

Long-term, IDC expects spending on cloud IT infrastructure to grow at a five-year compound annual growth rate (CAGR) of 13.3%, reaching \$88.6 billion in 2022 and accounting for 57.6% of total IT infrastructure spend. Public cloud datacenters will account for 66.3% of this amount, growing at an 13.6% CAGR. Spending on private cloud infrastructure will grow at a CAGR of 12.6%.

Figure 2



Worldwide Cloud IT Infrastructure Market Forecast by Deployment Type, 2016 - 2022 (shares based on Value)



Source: IDC 2019

IDC's [Worldwide Quarterly Cloud IT Infrastructure Tracker](#) is designed to provide clients with a better understanding of what portion of the server, disk storage systems, and networking hardware markets are being deployed in cloud environments. This tracker breaks out each vendors' revenue by the hardware technology market into public and private cloud environments for historical data and provides a five-year forecast by the technology market.

Taxonomy Notes

IDC defines cloud services more formally through a checklist of key attributes that an offering must manifest to end users of the service. Public cloud services are shared among unrelated enterprises and consumers; open to a largely unrestricted universe of potential users; and designed for a market, not a single enterprise. The public cloud market includes variety of services designed to extend or, in some cases, replace IT infrastructure deployed in corporate datacenters. It also includes content services delivered by a group of suppliers IDC calls Value Added Content Providers (VACP). Private cloud services are shared within a single enterprise or an extended enterprise with restrictions on access and level of resource dedication and defined/controlled by the enterprise (and beyond the control available in public cloud offerings); can be onsite or offsite; and can be managed by a third-party or in-house staff. In private cloud that is managed by in-house staff, "vendors (cloud service providers)" are equivalent to the IT departments/shared service departments within enterprises/groups. In this utilization model, where standardized services are jointly used within the enterprise/group, business departments, offices, and employees are the "service users."

IDC defines Compute Platforms as compute intensive servers. Storage Platforms includes storage intensive servers as well as external storage and storage expansion (JBOD) systems. Storage intensive servers are defined based on high storage media density. Servers with low storage density are defined as compute intensive systems. Storage Platforms does not include internal storage media from compute intensive servers. There is no overlap in revenue between Compute Platforms and Storage Platforms, in contrast with IDC's Server Tracker and Enterprise Storage Systems Tracker, which include overlaps in portions of revenue associated with server-based storage.

For more information about IDC's Quarterly Cloud IT Infrastructure Tracker, please contact Lidice Fernandez at 305-351-3057 or lfernandez@idc.com.

About IDC Trackers

[IDC Tracker](#) products provide accurate and timely market size, vendor share, and forecasts for hundreds of technology markets from more than 100 countries around the globe. Using proprietary tools and research processes, IDC's Trackers are updated on a semiannual, quarterly, and monthly basis. Tracker results are delivered to clients in user-friendly excel deliverables and on-line query tools.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. With more than 1,100 analysts worldwide, IDC offers global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries. IDC's analysis and insight helps IT professionals, business executives, and the investment community to make fact-based technology decisions and to achieve their key business objectives. Founded in 1964, IDC is a wholly-owned subsidiary of International Data Group (IDG), the world's leading media, data and marketing services company that activates and engages the most influential technology buyers. To learn more about IDC, please visit www.idc.com. Follow IDC on Twitter at [@IDC](#) and [LinkedIn](#).

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