EMEA Server Spending Increased 4.1% Year Over Year in Q1 2019, According to IDC

FRANKFURT, July 30, 2019 — The International Data Corporation (IDC) Europe, Middle East and Africa (EMEA) Quarterly Server Tracker shows that in the first quarter of 2019 (1Q19) the EMEA server market reported a year-over-year increase in vendor revenues of 4.1% to $4.1 billion and a year-over-year decrease of 3.6% in units shipped to around 520,000. Looking at the EMEA market in euros, reported revenues in 1Q19 decreased 3.7% year over year to €4.6 billion, the first negative euro growth in the past eight quarters. The top 5 vendors in EMEA and their revenues for the quarter are displayed in the table below.

<table>
<thead>
<tr>
<th>Company</th>
<th>1Q18 Server Revenue</th>
<th>4Q18 Server Revenue</th>
<th>1Q19 Server Revenue</th>
<th>1Q18 Market Share</th>
<th>1Q19 Market Share</th>
<th>1Q18/1Q19 Revenue Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>HPE</td>
<td>$1,243.60</td>
<td>$1,378.25</td>
<td>$1,150.79</td>
<td>28%</td>
<td>28%</td>
<td>-7%</td>
</tr>
<tr>
<td>Dell Technologies</td>
<td>$910.98</td>
<td>$1,149.06</td>
<td>$1,081.78</td>
<td>23%</td>
<td>26%</td>
<td>19%</td>
</tr>
<tr>
<td>ODM Direct</td>
<td>$378.73</td>
<td>$550.07</td>
<td>$499.66</td>
<td>11%</td>
<td>12%</td>
<td>32%</td>
</tr>
<tr>
<td>Cisco</td>
<td>$278.90</td>
<td>$254.44</td>
<td>$287.18</td>
<td>5%</td>
<td>7%</td>
<td>3%</td>
</tr>
<tr>
<td>Lenovo</td>
<td>$312.48</td>
<td>$355.70</td>
<td>$284.56</td>
<td>7%</td>
<td>7%</td>
<td>-9%</td>
</tr>
<tr>
<td>Others</td>
<td>$833.39</td>
<td>$1,259.37</td>
<td>$817.57</td>
<td>25%</td>
<td>20%</td>
<td>-2%</td>
</tr>
<tr>
<td>Total</td>
<td>$3,958.08</td>
<td>$4,946.89</td>
<td>$4,121.54</td>
<td>100%</td>
<td>100%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: IDC Quarterly Server Tracker, 1Q19

When viewing the EMEA market by product detail, the standout contributor to the quarter’s growth was custom multinode units, which grew 53.5% year over year in units and 89% year over year in revenue. Dell Technologies and ODM Direct continue to perform strongly in this product segment, but the most interesting development is Lenovo's entrance into the market and its clear objective to penetrate the hyperscale market.
Large systems continue to show strength, growing a further 5.4% year over year in units. Standard rack-optimized shipments declined 8.1% year over year in units, although revenues continued to grow 7.7% year over year.

"This continued strong growth in average selling prices (ASPs) is a result of both a shift toward higher socket counts, as single socket servers now only constitute 12.6% of all EMEA standard rack-optimized servers shipped in 1Q19, compared with 19.5% in 1Q18, and a continued rise in memory prices. In 1Q19, the average selling prices for two socket standard rack servers grew a further 13.8% as a result of increased demand for richer component configurations and new persistent memory. This trend will be short lived, however. As the market looks for equilibrium, ASP growth is already slowing, and we should see this trend continue," said Eckhardt Fischer, senior research analyst in the European Infrastructure group.

"The bulk of ODM spending in the region still goes to the hyperscalers — AWS, Microsoft, Google, and Apple," said Kamil Gregor, senior research analyst in the European Infrastructure group. "In the past few years, their growth has been fueled by datacenter buildout in several core countries from which these service providers entered the region — Ireland, Germany, and Benelux. The growth has slowed down in recent quarters as the hyperscalers prepare another wave of datacenter openings in new locations, with concrete plans materializing mainly in the Nordics."

**Regional Highlights**

At a Western European level, Ireland maintained a strong performance with 17.6% revenue growth. This is largely the result of continued hyperscale datacenter investments made into the country. France had a very good quarter with a 30% year over year increase in server revenue. With around $791 million in revenue, Germany maintained its position as the region's largest market.

"Central and Eastern Europe, the Middle East, and Africa [CEMA] server revenue recorded another solid quarter, albeit slower than in previous periods, growing 10.9% year over year in the first quarter of 2019 and reaching revenue of $791.9 million. Strong server sales were driven by a positive economy and to some degree by pulling the delivery of some projects forward. The Central and Eastern Europe [CEE] subregion grew 4.3% year over year, with revenue of $334.2 million. Russia recorded the strongest growth, thanks to the uptick in demand from cloud service providers. The Middle East and Africa [MEA] subregion grew 16.3% year over year to $457.7 million in 1Q19. Bahrain, Egypt, and Israel were the top performers, benefitting from an IT infrastructure refresh and the delivery of large deals," said Jiri Helebrand, research manager, IDC CEMA.

**Taxonomy Changes**

**Modular server category:** Server form factors have been amended to include the new "modular" category that encompasses today's blade servers and density optimized servers (which are being
renamed multinode servers). As the differentiation between these two types of servers continues to blur, IDC is moving forward with the "modular server" category as it better reflects the directions in which vendors and the entire market are moving when it comes to server design.

**Multinode (density optimized) servers:** Modular platforms that do not meet IDC's definition of a blade are classified as multinode. This was formerly called density optimized in IDC's server research and server-related tracker products.

For more information about the IDC Europe, Middle East and Africa (EMEA) Quarterly Server Tracker, please contact Eckhardt Fischer (efischer@idc.com), +496990502111.

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