



## **Cloud IT Infrastructure Revenues Fell Below Traditional IT Infrastructure Revenues in the Fourth Quarter of 2018 as Market Growth Slows Heading into 2019, According to IDC**

**FRAMINGHAM, Mass., March 28, 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 28.0% year over year in the fourth quarter of 2018 (4Q18), reaching \$16.8 billion. For 2018, annual spending (vendor revenue plus channel mark-up) on public and private cloud IT infrastructure totaled \$66.1 billion, slightly higher (1.3%) than forecast in Q3 2018. IDC also raised its forecast for total spending on cloud IT infrastructure in 2019 to \$70.1 billion – up 4.5% from last quarter's forecast – with year-over-year growth of 6.0%.

Quarterly spending on public cloud IT infrastructure was down 6.9% in 4Q18 compared to the previous quarter but it still almost doubled in the past two years reaching \$11.9 billion in 4Q18 and growing 33.0% year over year, while spending on private cloud infrastructure grew 19.6% reaching \$5.75 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 – as IDC expected – this share peaked at 69.6% with spending on public cloud infrastructure growing at an annual rate of 50.2%. Spending on private cloud grew 24.8% year over year in 2018.

In 4Q18, quarterly vendor revenues from IT infrastructure product sales into cloud environments fell and once again were lower than revenues from sales into traditional IT environments, accounting for 48.3% of the total worldwide IT infrastructure vendor revenues, up from 42.4% a year ago but down from 50.9% last quarter. For the full year 2018, spending on cloud IT infrastructure remained just below the 50% mark at 48.4%. Spending on all three technology segments in cloud IT environments is forecast to deliver slower growth in 2019 than in previous years. Ethernet switches will be the fastest growing at 23.8%, while spending on storage platforms will grow 9.1%. Spending on compute platforms will stay at \$35.0 billion but still slightly higher than expected in IDC's previous forecast.

The rate of annual growth for the traditional (non-cloud) IT infrastructure segment slowed down from 3Q18 to below 1% but the segment grew 11.1% quarter over quarter. For the full year, worldwide spending on traditional non-cloud IT infrastructure grew by 12.2%, exactly as

forecast, as the market has started going through a technology refresh cycle, which will wind down by 2019. By 2023, we expect that traditional non-cloud IT infrastructure will only represent 40.5% of total worldwide IT infrastructure spending (down from 51.6% in 2018). This share loss and the growing share of cloud environments in overall spending on IT infrastructure is common across all regions.

"The unprecedented growth of the infrastructure systems market in 2018 was shared across both cloud and non-cloud segments," said [Kuba Stolarski](#), research director, Infrastructure Systems, Platforms and Technologies at IDC. "As market participants prepare for a very difficult growth comparison in 2019, compounded by strong, cyclical, macroeconomic headwinds, cloud IT infrastructure will be the primary growth engine supporting overall market performance until the next cyclical refresh. With new on-premises public cloud stacks entering the picture, there is a distinct possibility of a significant surge in private cloud deployments over the next five years."

All regions grew their cloud IT Infrastructure revenues by double digits in 4Q18. Revenue growth was the fastest in Canada at 67.2% year over year, with China growing at a rate of 54.4%. Other regions among the fastest growing in 4Q18 included Western Europe (39.7%), Latin America (37.9%), Japan (34.9%), Central & Eastern Europe and Middle East & Africa (30.9% and 30.2%, respectively), Asia/Pacific (excluding Japan) (APeJ) (28.5%), and the United States (15.5%).

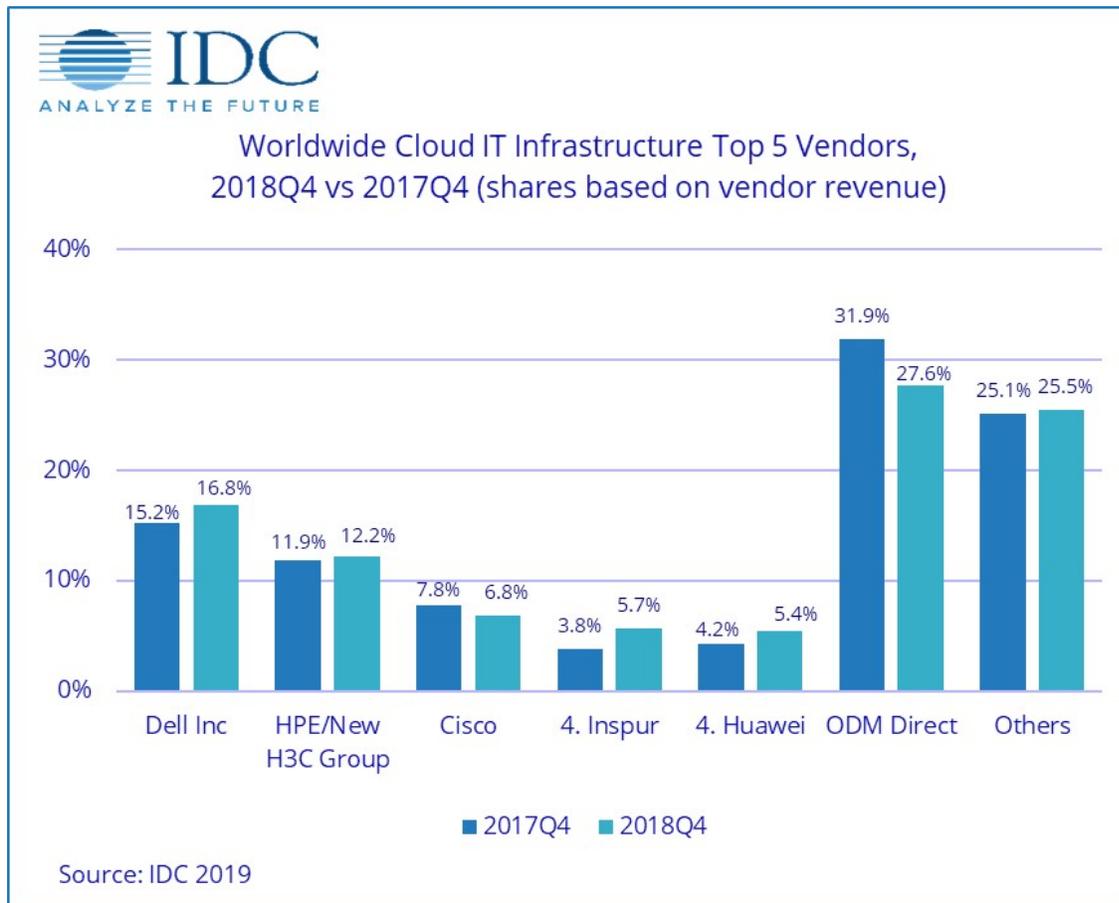
<b>Top Companies, Worldwide Cloud IT Infrastructure Vendor Revenue, Market Share, and Year-Over-Year Growth, Q4 2018</b> <i>(Revenues are in Millions)</i>					
<b>Company</b>	<b>4Q18 Revenue (US \$M)</b>	<b>4Q18 Market Share</b>	<b>4Q17 Revenue (US \$M)</b>	<b>4Q17 Market Share</b>	<b>4Q18/4Q17 Revenue Growth</b>
1. Dell Inc	\$2,820	16.8%	\$1,991	15.2%	41.6%
2. HPE/New H3C Group**	\$2,047	12.2%	\$1,558	11.9%	31.4%
3. Cisco	\$1,143	6.8%	\$1,024	7.8%	11.6%
4. Inspur*	\$950	5.7%	\$504	3.8%	88.4%
4. Huawei*	\$910	5.4%	\$555	4.2%	63.9%
ODM Direct	\$4,631	27.6%	\$4,176	31.9%	10.9%
Others	\$4,268	25.5%	\$3,292	25.1%	29.6%
<b>Total</b>	<b>\$16,768</b>	<b>100.0%</b>	<b>\$13,101</b>	<b>100.0%</b>	<b>28.0%</b>
IDC's Quarterly Cloud IT Infrastructure Tracker, Q4 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

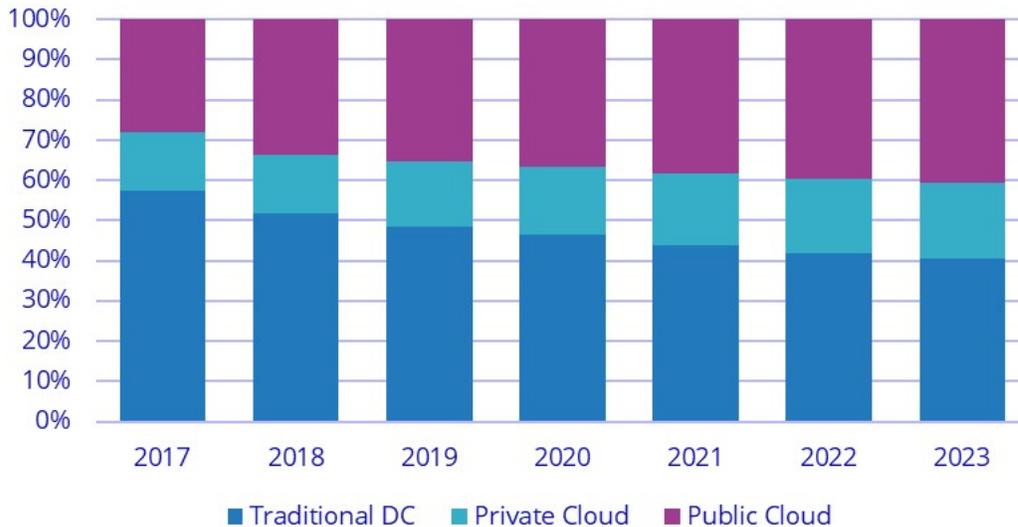


Long-term, IDC expects spending on cloud IT infrastructure to grow at a five-year compound annual growth rate (CAGR) of 8.6%, reaching \$99.9 billion in 2023 and accounting for 59.5% of total IT infrastructure spend. Public cloud datacenters will account for 68.3% of this amount, growing at an 8.2% CAGR. Spending on private cloud infrastructure will grow at a CAGR of 9.5%.

Figure 2



Worldwide Cloud IT Infrastructure Market Forecast by Deployment Type, 2017- 2023 (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 Zsofia Madi-Szabo at [zmadiszabo@idc.com](mailto:zmadiszabo@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](http://www.idc.com). Follow IDC on Twitter at [@IDC](#) and [LinkedIn](#).

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## **About IDC**

IDC is the premier global provider of market intelligence, advisory services, and events for the information technology and telecommunications industries. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. Over 775 IDC analysts in 50 countries provide global, regional, and local expertise on technology and industry opportunities and trends. For more than 40 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company. You can learn more about IDC by visiting <http://www.idc.com/>.

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