Worldwide Server Market Revenue Soars 19.9% in the Third Quarter as the Enterprise Catches Up, According to IDC

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FRAMINGHAM, Mass., November 30, 2017 – According to the International Data Corporation (IDC) Worldwide Q uarterly Server Tracker, vendor revenue in the worldwide server market increased 19.9% year over year to $17.0 billion in the third quarter of 2017 (3Q17). The server market has strengthened recently after several slow quarters, in which much of the market waited for the Purley and EPYC launches. While demand from cloud service providers has propped up overall market performance, other areas of the server market are beginning to show growth now as well. Worldwide server shipments increased 11.1% year over year to 2.67 million units in 3Q17.

Volume server revenue increased by 19.3% to $14.2 billion, while midrange server revenue grew 26.9% to $1.4 billion. High-end systems grew 19.4% to $1.3 billion, benefitting from IBM's z14 launch this quarter. IDC expects continued long-term secular declines in high-end system revenue, with short periods of growth related to major platform refreshes.

"Hyperscalers continued driving volume demand in the third quarter, with Amazon again leading the charge, as Google and Facebook also began ramping up their server deployments again," said Kuba Stolarski, research director, Computing Platforms at IDC. "While ODMs have largely been the beneficiaries of hyperscaler server demand, some OEMs have now begun to experience significant growth related to the enterprise segment. Dell Inc grew its server business by 37.9%, relying on the strong synergy between its server team and the storage team incorporated from the EMC acquisition. HPE has been pivoting away from hyperscaler business and focusing on the enterprise, hurting year-over-year comparisons in the short term, but showing strength in the enterprise. China has become a strong market for enterprise growth, as evidenced by Dell Inc growing 42.3% year over year to $433 million, and HPE/New H3C Group growing 49.6% to $421 million. In addition, IBM has demonstrated that the enterprise still has space for non-x86 systems, growing the newly refreshed system z business by 63.8% year over year to $673 million."

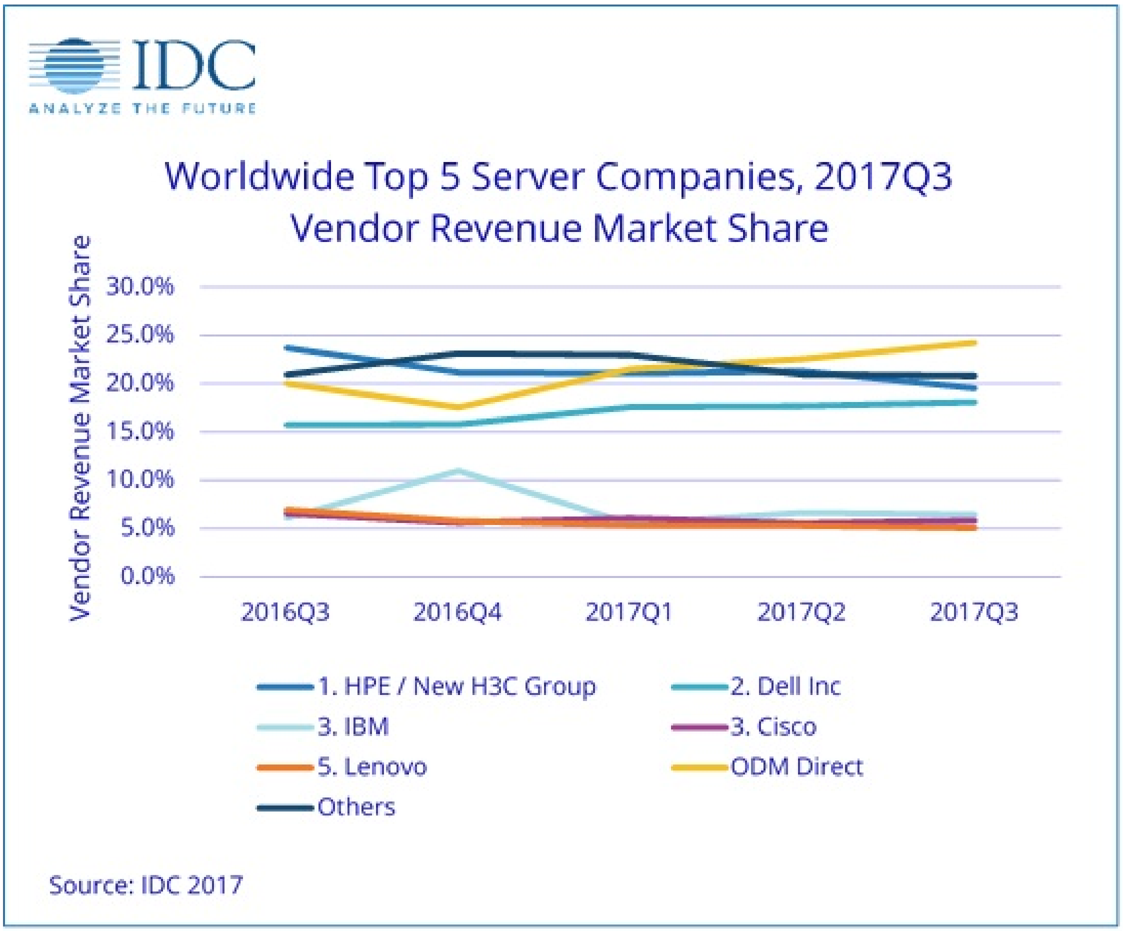
Overall Server Market Standings, by Company

HPE/New H3C Group remained first in the worldwide server market with 19.5% market share in 3Q17, as revenue decreased 1.1% year over year to $3.3 billion. HPE's share and year-over-year growth rate includes revenues from the H3C joint venture in China that began in May of 2016; thus, the reported HPE/New H3C Group combines server revenue for both companies globally. Dell Inc maintained the second position in the worldwide server market with 18.1% of vendor revenue for the quarter and 37.9% year-over-year growth to $3.1 billion. IBM and Cisco were statistically tied* for the third market position. IBM had 6.4% share, with revenue growing 26.5% year over year to $1.1 billion. Cisco had 5.8% share, with revenue increasing 6.9% to $992 million. Lenovo was ranked fifth with 5.1% share and revenue declining 12.6% to $861 million. The ODM Direct group of vendors grew revenue by 45.3% to $4.1 billion. HPE and Dell Inc were in a statistical tie* for first place in unit share, each with 18.8%. IDC initiated reporting Super Micro results in the Server Tracker with this release.

Top 5 Companies, Worldwide Server Vendor Revenue, Market Share, and Growth, Third Quarter of 2017 *(Revenues are in Millions)*

Company	**3Q17 Revenue**	**3Q17 Market Share**	**3Q16 Revenue**	**3Q16 Market Share**	**3Q17/3Q16 Revenue Growth**
1. HPE / New H3C Group	$3,317.4	19.5%	$3,355.4	23.7%	-1.1%
2. Dell Inc	$3,070.4	18.1%	$2,226.7	15.7%	37.9%
3. IBM*	$1,093.7	6.4%	$864.4	6.1%	26.5%
3. Cisco*	$992.5	5.8%	$928.0	6.6%	6.9%
5. Lenovo	$861.2	5.1%	$985.0	7.0%	-12.6%
ODM Direct	$4,118.7	24.3%	$2,834.5	20.0%	45.3%
Others	$3,528.7	20.8%	$2,965.5	20.9%	19.0%
Total	**$16,982.6**	**100.0%**	**$14,159.5**	**100.0%**	**19.9%**

IDC's Worldwide Quarterly Server Tracker, November 2017



Top 5 Companies, Worldwide Server Unit Shipments, Market Share, and Growth, Third Quarter of 2017 *(Units are in Thousands)*					
Company	**3Q17 Units**	**3Q17 Market Share**	**3Q16 Units**	**3Q16 Market Share**	**3Q17/2Q16 Unit Growth**
1. Dell Inc*	503.0	18.8%	452.3	18.8%	11.2%
1. HPE / New H3C Group*	501.4	18.8%	510.2	21.2%	-1.7%
3. Lenovo*	151.8	5.7%	226.8	9.4%	-33.1%
3. Inspur*	149.1	5.6%	108.2	4.5%	37.9%
3. Super Micro*	136.7	5.1%	106.4	4.4%	28.4%
3. Huawei*	133.3	5.0%	127.9	5.3%	4.2%
ODM Direct	668.0	25.0%	461.7	19.2%	44.7%
Others	428.0	16.0%	409.7	17.0%	4.5%
Total	**2,671.2**	**100.0%**	**2,403.3**	**100.0%**	**11.1%**

IDC's Worldwide Quarterly Server Tracker, November 2017

Notes:

***** IDC declares a statistical tie in the worldwide server market when there is a difference of one percent or less in the share of revenues or shipments 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 and New H3C Group as "HPE/New H3C Group" starting from 2Q 2016 and going forward.

Top Server Market Findings

On a geographic basis, Asia/Pacific (excluding Japan and China) was the fastest growing region in 3Q17 with 30.6% year-over-year growth. China grew 23.9%, and Japan grew 8.5%. USA grew 19.7%, Europe, the Middle East and Africa (EMEA) grew 19.5%, Canada grew 14.5%, and Latin America grew 2.4%.

Demand for x86 servers increased 20.4% in 3Q17 with $15.4 billion in revenues. Non-x86 servers grew 15.1% year over year to $1.5 billion.

IDC's Server Taxonomy

IDC's Server Taxonomy maps the eleven price bands within the server market into three price ranges: volume servers, midrange servers and high-end servers. The revenue data presented in this release is stated as vendor revenue for a server system. IDC presents data in vendor revenue to determine market share position. Vendor revenue represents those dollars recognized by multi-user system and server vendors for ISS (initial server shipment) and upgrade units sold through direct and indirect channels and includes the following embedded server components: Frame or cabinet and all cables, processors, memory, communications boards, operating system software, other bundled software and initial internal and external disk shipments.

IDC's Quarterly Server Tracker is a quantitative tool for analyzing the global server market on a quarterly basis. The Tracker includes quarterly unit shipments and revenues (both vendor revenue and value of shipments), segmented by vendor, family, model, region, operating system, price band, CPU type, and architecture. For more information, please contact Lidice Fernandez at 305-351-3051 or lfernandez@idc.com.

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 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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Enterprise server