

Worldwide Server Market Revenues Grow a Robust 17.2% in the First Quarter Accompanied by Healthy Shipment Growth, According to IDC

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FRAMINGHAM, Mass., May 27, 2015 – According to the International Data Corporation ([IDC](#)) [Worldwide Quarterly Server Tracker](#), factory revenue in the worldwide server market increased 17.2% year over year to \$12.8 billion in the first quarter of 2015 (1Q15), the fourth consecutive quarter of year-over-year growth. This quarter revenue grew in all form factors, including rack-optimized, blade, density-optimized, and tower. Worldwide server shipments totaled 2.3 million units in 1Q15, an increase of 8.4% when compared with the first quarter of 2014.

On a year-over-year basis, volume system revenue increased 13.6% and midrange system demand increased 7.2% in 1Q15 to \$9.7 billion and \$1.0 billion, respectively. The volume segment was aided by a continued expansion of x86-based hyper-scale server infrastructures while midrange systems were helped by enterprise investment in scalable systems for virtualization and consolidation. Meanwhile, 1Q15 demand for high-end systems experienced a year-over-year revenue increase of 44.7% to \$2.1 billion, bolstered by IBM's z13 refresh.

"We continue to see a market profile that is increasingly driven by new compute deployment scenarios, often in hyperscale datacenters. These customers tend to buy in large contracts, creating considerable variability within any given quarter, with this variability usually associated with density-optimized server products," said [Al Gillen](#), Program Vice President, Servers and System Software at IDC. "Shipments of density-optimized servers tend to land in a given region in a given quarter, and either in a different region, or not at all, in the subsequent quarter. This leads to a relatively unpredictable profile. This was true in the first quarter of 2015, where we saw density-optimized server shipment growth of 26.1% and revenue growth of 51.6%. This growth follows the previous quarter where density-optimized shipments and revenues were both in significant decline on a year-over-year basis. More traditional form factors typically have far more stable growth profiles."

Overall Server Market Standings, by Vendor

HP captured worldwide market share of 24.9% in 1Q15 on 10.6% year-over-year revenue growth to \$3.2 billion. HP's revenue growth was driven primarily by strong demand for its rack-optimized servers. Meanwhile, the company's density-optimized business, while small overall, experienced triple-digit growth year over year.

Dell showed year-over-year growth of 12.6% and its \$2.3 billion of revenue placed the company in the number 2 position with 18% market share this quarter. Dell also benefited from revenue growth in density-optimized and rack-optimized products. Dell's density-optimized revenue was the largest of any of the top 5 vendors.

IBM retained its number 3 position following its x86 divestiture with \$1.7 billion in revenue and 13.2% market share. IBM's revenues are now associated with its POWER and mainframe product lines.

Lenovo and **Cisco** finished the quarter in a statistical tie* for the number 4 position. Lenovo captured 7.5% worldwide market share with \$966 million in 1Q15 revenues. Cisco was close behind with \$890 million in revenue and 6.9% revenue market share. Cisco's year-over-year

growth of 44.4% was well above average for the industry, and suggests the company is not done capturing incremental market share in the server market. Cisco's blade business also continued to grow well, with Cisco producing more blade revenue than any other single company besides HP in 1Q15.

**Top 5 Corporate Family, Worldwide Server Systems Factory Revenue, First Quarter of 2015
(Revenues are in Millions)**

Vendor	1Q15 Revenue	1Q15 Market Share	1Q14 Revenue	1Q14 Market Share	1Q15/1Q14 Revenue Growth
1. HP	\$3,195.2	24.9%	\$2,888.7	26.4%	10.6%
2. Dell	\$2,308.7	18.0%	\$2,049.5	18.7%	12.6%
3. IBM	\$1,693.7	13.2%	\$2,084.0	19.0%	-18.7%
4. Lenovo*	\$965.7	7.5%	\$117.5	1.1%	721.6%
4. Cisco*	\$890.3	6.9%	\$616.6	5.6%	44.4%
ODM Direct	\$974.9	7.6%	\$798.9	7.3%	22.0%
Others	\$2,804.7	21.9%	\$2,390.6	21.8%	17.3%
Total	\$12,833	100%	\$10,946	100%	17.2%

IDC's Worldwide Quarterly Server Tracker, May 2015

*** Note:** IDC declares a statistical tie in the worldwide server market when there is less than one percent difference in the revenue share of two or more vendors.

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"As the market continued to focus on healthy hyperscale datacenter growth, non-x86 servers, in particular high-end mainframes, had significant growth this quarter on the back of IBM's z13 refresh," said [Kuba Stolarski](#), Research Manager, [Enterprise Servers](#) at IDC. "While IDC does not expect high-end non-x86 sales to continue to grow at such high rates, this quarter

does illustrate that there is still significant demand for high-end systems. Even as high-end systems are increasingly being deployed on x86 platforms, opportunities for long-term non-x86 growth still exist with OpenPower and ARM, as customers are looking for non-x86 alternatives to hyperscale problems. Some of that transformation is likely to occur in the greenfield opportunities related to Internet of Things (IoT) solutions, while optimizing hardware and software for hyperscale datacenter workloads continues to be a driver of design innovation and supply chain diversification."

Top Server Market Findings

- While Asia/Pacific usually shows the greatest revenue growth year over year, this quarter the US market showed a 28.5% increase, while Asia/Pacific growth followed at 20.8% year over year. Growth in Western Europe was a healthy 9%. Latin America and the Middle East and Africa (MEA) showed revenue growth rates of 26.3% and 10.7%, respectively. In 1Q15, only Central & Eastern Europe (CEE) and Canada showed declines of -14.9% and -10.6%, respectively.
- Demand for x86 servers improved again in 1Q15 with revenues increasing 13.4% year over year in the quarter to \$10.3 billion worldwide as unit shipments increased 8.4% to 2.2 million servers. HP led the market with 28.9% revenue share based on 12.4% revenue growth over 1Q14. Dell retained second place, securing 22.4% revenue share following 12.6% year over year revenue growth.
- Non-x86 servers experienced showed a strong quarter, with revenue growth of 31.6% against a weak prior quarter in 1Q14.

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 factory revenue for a server system. IDC presents data in factory revenue to determine market share position. Factory revenue represents those dollars recognized by multi-user system and server vendors for ISS 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 Worldwide Quarterly Server Tracker is a quantitative tool for analyzing the global server market on a quarterly basis. The Tracker includes quarterly shipments (both ISS and upgrades) and revenues (both customer and factory), 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.

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Contact

For more information, contact:

Kuba Stolarski
kstolarski@idc.com
508-935-4172

Matt Eastwood
meastwood@idc.com
508-935-4503

Michael Shirer
press@idc.com
508-935-4200

Katja Schmalen
Director Marketing & PR

direct +49 69 90502-115
mobile +49 172 6284037
fax +49 69 90502-100
email kschmalen@idc.com

IDC Central Europe GmbH
Hanauer Landstrasse 182 D
60314 Frankfurt am Main
www.idc.de

Geschäftsführer: Kirk Stefan Campbell, Steven Frantzen, Wafa Moussavi-Amin
Amtsgericht: Frankfurt am Main HRB Nr. 51346 • USt-ID-Nr. DE811465155 • Steuer-Nr: 14310080137

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