MARKET NOTE

Key Highlights from NetApp Analyst Day 2018

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EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: Key Highlights from NetApp Analyst Day 2018

NetApp continues to demonstrate progress with its multiyear evolution from a provider of enterprise storage solutions to a company addressing broader data management challenges found within today's hybrid cloud world. The company's broad portfolio of solutions and services support a mix of on-premises and public cloud data services through innovation and partner-centric investment across a range of hardware, software, and services. This IDC Market Note provides a quick overview of key announcements made and themes covered during NetApp Analyst Day 2018 and their contribution to the NetApp's transformation.

Key Takeaways

- The newly opened Data Visionary Center provides NetApp with a physical environment in which the company can host and engage with clients around how NetApp's portfolio can help enable the data management required to efficiently utilize hybrid and multicloud environments.

- NetApp announced the new A800 NVMe-based flash array as well as the release of ONTAP 9.4 and StorageGRID 11.1.

- The company also announced a partnership with Google through which NetApp Cloud Volumes is available on the Google Cloud Platform, further expanding NetApp's footprint within major cloud service providers (SPs).

- Adoption of NetApp HCI has accelerated since its October 2017 release, with the install base now exceeding 140 customers.

- NetApp's financial results through its current fiscal year reinforce the efficacy of its data fabric approach, with the company realizing both top-line and profitability improvement year to date against the respective prior year comparable.

Source: IDC, 2018

IN THIS MARKET NOTE

NetApp Analyst Day 2018 was held May 6-7 in Sunnyvale, California, at NetApp's newly opened Data Visionary Center. Located on NetApp's main campus, the facility provides a large working space through which the company can directly collaborate with clients, showcase technology, and facilitate consultative discussions.

Much of the event, however, served as a platform to highlight the company's progress and strategic advances around its Data Fabric strategy, which supports modern customer needs through its growing portfolio of data services, converged infrastructure, and all-flash solutions. By extending its high-end storage portfolio, enhancing its software suite, and expanding its partnerships with tier 1 cloud SPs, NetApp will cement its role as a key player in enabling clients' digital transformation initiatives by supporting data flow from edge to cloud to core. Key NetApp solutions highlighted at the event are as follows:

- The all-flash FAS (AFF) family of all-flash arrays was expanded through the launch of the A800, an NVMe enterprise-scale platform. The system can house 48 internal drives – resulting in double the capacity of the A700 and A700s when using similarly sized drives (up to 15.3TB) – delivers a 25% increase in memory, and provides 100GbE connectivity. One of the main use cases discussed for the A800 was related to artificial intelligence and deep/machine learning, in support of which NetApp is collaborating with NVIDIA to ensure the linear performance scaling required for data-thirsty GPU systems.

- The A800 was launched in conjunction with the release of ONTAP 9.4, which also allows the AFF 300/700/700s models to utilize NVMe over Fibre Channel protocols, adds support for 30TB SAS-based SSDs, improves hybrid cloud data tiering via FabricPool enhancements, and further eases public cloud integration.

- NetApp Cloud Volumes is now available on the Google Cloud Platform, further expanding ONTAP options for clients seeking to utilize hybrid or multicloud environments. With the offering now extending across AWS, Azure, and GCP, NetApp offers its clients improved cloud SP flexibility while also further extending its indirect sales channel.

- NetApp announced StorageGRID 11.1, which enhances compliance certifications and Amazon S3 integrated life-cycle management policies.

- Converged infrastructure also remains core to NetApp's future road map as the company overviewed features and customer success stories for NetApp HCI, which became available in October 2017. The offering is quickly gaining momentum with over 140 customers and strong traction through NetApp's partner base.

IDC'S POINT OF VIEW

NetApp's strategy of evolving beyond hardware and addressing the broader data ecosystem is driving tangible results, as evidenced by its 5.7% growth and 1.4 percentage point improvement in gross margin during the first nine months of its fiscal year 2018 – a rare combination of concurrent growth and profitability improvement within the datacenter infrastructure market. Notably, what NetApp classifies as strategic solutions (including solutions such as clustered ONTAP, ONTAP Cloud, and all-flash FAS) has grown 23.9% over the same period, accounting for roughly 70% of sales and indicative of the traction its evolving portfolio is gaining in the market. IDC data shows NetApp's external storage systems sales growing 15.9% during calendar year 2017, the same year when the total external storage market value fell 0.5%.

Much of this growth can be attributed to the company's increased investments on critical datacenter technologies that drive real improvements related to infrastructure efficiency and performance (via all-flash arrays), operational simplicity and agility (via converged and hyperconverged infrastructure), and unified data management in a hybrid cloud environment (via data fabric architecture). Announcements made at this event represent a continuation and expansion of NetApp's current strategy that has helped drive some of the strongest growth seen within the datacenter infrastructure market in recent years. The addition of the A800 to NetApp's AFA portfolio will accelerate already robust flash storage revenue growth. According to IDC's Worldwide Enterprise Storage Systems Tracker, flash-based storage systems including the AFF series, EF-Series, and SF-Series generated strong year-over-year growth rates during calendar year 2017.

This traction in flash storage systems, coupled with improved ONTAP functionality and expansion of its cloud service provider partner ecosystem, leaves NetApp well insulated from headwinds associated with clients seeking to move to cloud-based environments. Supporting easy migration of data to and from the cloud, irrespective of clients' cloud SP of choice, ensures that NetApp's storage business will shift alongside buyers' infrastructure consumption preferences.

As flash-based storage, cloud adoption, and increasingly data-rich applications continue to proliferate in the market, IDC expects NetApp to continue generating strong performance from its flash and cloud-oriented portfolio.

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Synopsis

This IDC Market Note provides a snapshot of key highlights and announcements from NetApp Analyst Day 2018.

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