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HPC500 Member Call Discusses IBM/Lenovo Deal *HPC End Users React to Shift in Vendor Marketplace*

SUNNYVALE, CA—June 3, 2014—Intersect360 Research recently held its quarterly HPC500 members-only call, focusing on IBM's plans to sell its x86-based server lines and associated assets to Lenovo. The HPC500 is a group of industry leaders in HPC across government, academia and commercial organizations worldwide. All participants in the call influence future purchases of HPC equipment at their sites.

According to Chris Willard, Ph.D., Chief Research Officer of Intersect360 Research, "Upon completion of the IBM/Lenovo deal, Lenovo immediately becomes a major HPC system vendor — a unique position, given that the company currently has no representation in the HPC market." According to Willard, after the deal is finalized IBM will still be an HPC vendor, but with a more specialized presence. Lenovo would need to acquire and retain two-thirds of IBM's server revenue, without HP or Dell gaining, in order to become the number one-vendor in the HPC market.

With the market view established, the end-user discussion of the call focused on concerns about the transition, challenges for Lenovo, and the potential opportunity for other vendors to capitalize on the transition.

According to the call's participants, IBM is working to make the transition as smooth as possible. Most reported that they had little to no concern about the sale and transition, given IBM's communication with the participants immediately following the announcement, answering any questions and concerns their customers might have and identifying who their contacts (sales reps, system engineers, etc.) would be after the sale.

As one participant stated, "(The transition) is not one of my top three concerns." Another stated that IBM has assured them that, "It will be business as usual."

The future, however, is "up to Lenovo to make successful," as one participant stated. "There are many equally capable HPC hardware vendors out there," another HPC500 member agreed. Both comments emphasize that the success of the IBM/Lenovo deal depends on how well Lenovo proceeds.

The discussion also addressed the question of the participants' likelihood of future purchases from Lenovo, given that it is a Chinese company. For some, that fact is a deal-stopper. "A U.S. supplier is required," one participant stated. For another, the Chinese ownership is not a concern, as "most systems are already not manufactured in the U.S."

Larger concerns were voiced regarding the type of vendor Lenovo will be in the future: "Will Lenovo be a partner or a white-box vendor?" IBM's vendor-customer relationships were valued by many HPC500 members, with the benefits of this partnership ranging from access to IBM's intellectual property to research grants to "their broad basket and depth of capability." Many are waiting to see if these will be provided by Lenovo or if the company decides to "emulate the PC channel" in the HPC market. This group has made no firm assumptions, with one participant saying, "If Lenovo has long-term aspirations to expand their profile, it could be beneficial. We have no reason to think it will not be handled well."

The last major issue discussed was which vendors have the opportunity to capitalize on this transition in future bids. One participant felt this deal “solidified HP and Dell’s position,” but it also “opens the door for a fourth bidder to go head-to-head with Lenovo.” Another participant pointed out that, “Lenovo is not on our approved supplier list, so they will have to get over that hurdle first.”

As far as who might be the fourth vendor, comments ranged from Cray/Appro to speculations of new entrants providing x86 HPC servers, such as Intel or Cisco offering lower-end HPC systems. Another HPC500 member pointed out that it is “hard to differentiate what the HPC vendors are offering because so much of that now has been moved to the chip,” and that there is “not that much difference between the vendor offerings.” This deal has one participant looking more at HPC cloud options.

About HPC500

The HPC500 is comprised of industry leaders who steer the direction of HPC and bring HPC technology to bear on challenging problems in science, engineering, and business. Members represent a worldwide diverse group of established HPC professionals from a cross-section of academic, government, and commercial organizations, spanning geographies, budget sizes, and application areas.

HPC users who are interested in joining the HPC500 are invited to visit HPC500.com to apply for membership.

About Intersect360 Research

Intersect360 Research is a market intelligence, research, and consulting advisory practice focused on suppliers, users, and policymakers across the High Performance Computing ecosystem. Intersect360 Research utilizes both user-based and supplier-based research to form a complete perspective of HPC market dynamics, trends, and usage models, including both technical and business applications.

More information on Intersect360 Research can be found at: www.intersect360.com.