

Market Share: Application Acceleration Equipment, Worldwide, 1Q06 (Executive Summary)

Joe Skorupa

This market remained flat in 1Q06, with revenue of \$344 million. Of the top vendors, F5 Networks, Citrix Systems and Riverbed Technology grew strongly, but Cisco Systems, Nortel Networks and Radware underperformed.

ANALYSIS

The trend to centralize servers and deploy Web-enabled intranet applications will continue to drive the application acceleration market in 2006. Overall market growth in 1Q06 was flat compared with that in 4Q05, but was up approximately 21 percent on 1Q05. Several strong players, including F5 Networks, Citrix Systems, Foundry, Coyote Point and Riverbed Technology, demonstrated significant growth. Others, including Cisco Systems, Radware and Nortel Networks, underperformed. Some of the sluggishness in 1Q06 can be attributed to seasonal changes and product transition, particularly for Cisco. Despite lackluster performance in 1Q06, we still expect this market to grow in 2006.

Application Acceleration Market Share

The application acceleration market comprises two segments: application delivery controllers (ADCs) and WAN optimization controllers (WOCs). In time, these segments will merge, as successful vendors broaden their solution sets through internal development and acquisitions. ADC market growth slowed to 1.7 percent from 4Q05 to 1Q06, but reached almost \$209 million. The advanced platform (AP) subsegment grew 3.8 percent from 4Q05 to 1Q06, to over \$114 million.

The WOC market was down almost 1 percent due to softness in the limited function, caching-focused businesses of Stratacache and NetApp, and the WOC business of Juniper. But, overall, the market for advanced WOCs that incorporate advanced compression and protocol optimizations remained strong, as demonstrated by Riverbed, which posted another strong quarter, growing more than 30 percent from 4Q05 to 1Q06. To describe more clearly the dynamics of this market, we will begin to break down AP WOCs in 3Q06.

Consolidation will continue as niche players want to be acquired. Packeteer recently announced its intention to acquire Tacit Networks, and Expand announced its acquisition of DiskSites. We expect Citrix to make an acquisition in this area, possibly by the end of 2Q06.

In 1Q06, F5 (with a 33.9 percent market share) expanded its lead over Cisco in the overall ADC market. Rather than slowing F5's growth, Cisco's long-anticipated Application Control Engine announcement slowed sales of its own products. Citrix leapt into third position thanks to a strong product and channel, passing Radware and Nortel, which continue to lose market share to stronger players. We continue to break down the AP ADC subsegment. F5 still leads this expanding subsegment, with a 61.7 percent share.

The WOC market remains very dynamic. Packeteer remained the leader, with an 18.7 percent share of the market. In 1Q06, Stratacache faltered and NetApp dropped slightly. But Riverbed demonstrated continued strong growth, its revenue up more than 30 percent on 4Q05. Riverbed's performance shows the trend toward multifunction products that provide advanced protocol optimizations.

RECOMMENDED READING

"Market Share: Application Acceleration Equipment, Worldwide, 1Q06"

REGIONAL HEADQUARTERS

Corporate Headquarters

56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

European Headquarters

Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters

Gartner Australasia Pty. Ltd.
Level 9, 141 Walker Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Japan Headquarters

Gartner Japan Ltd.
Aobadai Hills, 6F
7-7, Aobadai, 4-chome
Meguro-ku, Tokyo 153-0042
JAPAN
+81 3 3481 3670

Latin America Headquarters

Gartner do Brazil
Av. das Nações Unidas, 12551
9º andar—World Trade Center
04578-903—São Paulo SP
BRAZIL
+55 11 3443 1509