Will Azure top AWS? A Deep-dive into Azure Services ecosystem

December 2019
**Executive Summary**

Microsoft Azure Overview
- Microsoft’s key growth engine is their IaaS/PaaS offering – Azure, which in turn is driving growth of its other business applications in a synergistic relationship.
- Given significant growth, Intelligent Cloud is soon expected to become the largest portion of Microsoft's revenue (33% for Q1 FY20).
- Azure provides over 100 services from running existing applications on virtual machines to exploring new software paradigms such as intelligent bots and mixed reality.
- Migration, Modernization & Managed service comprises ~80% of typical deal size for an Azure services player with gross margins ranging between 40–50%.

Azure vs AWS – Technical
- **Key advantages of Azure include:**
  - Hybrid cloud capabilities
  - Industry leading 90+ compliance and security certifications
  - Platform / language agnostic tools for developers
  - Comprehensive & consistent cloud that integrates legacy systems
  - Pioneer in edge computing
- **Key advantages of AWS include:**
  - Offers more services and functionalities over Azure combined with rapid innovation to add further to the portfolio
  - Maximum number of availability zones combined with lowest downtime amongst all vendors
  - Based on Linux so best for open-source development
  - Extensive documentation helps developers

Azure vs AWS – Commercial
- **Key advantages of Azure include:**
  - Microsoft’s ability to leverage its long-standing relationships with large enterprises (95% of Fortune 500 companies have adopted Azure)
  - Microsoft’s ability across all three major cloud domains: IaaS, PaaS, and SaaS compared to just IaaS & PaaS for AWS
- **Key advantages of AWS include:**
  - AWS was first to come to market and continues to be the largest vendor in terms of market share
  - Large partner ecosystem as compared to Azure

Microsoft Vendor Landscape
- Only 46 Azure Expert MSP partners; over 68,000 total global partners
- There are very few pure-play Azure partners, and most have Microsoft Dynamics & Office 365 as a significant portion of their business
- Some pure-play Azure Expert MSPs include 10th Magnitude, Cloud Direct, Sela, 3Cloud, New Signature, Green House Data and Coretek
- Some multi-cloud Azure Expert MSPs include the likes of large IT services companies (like TCS, DXC, Wipro, Accenture, Capgemini, Cognizant, HCL) and also smaller cloud plays (like Bespin Global, Logicworks, Cloudreach, Smartronix, Sentia, Claranet)

Deal Activity
- Nearly 85+ M&A deals have closed since 2015 – Q3 2019 in the Microsoft ecosystem
- Key strategic buyers include CGI, DXC, Greenhouse Data, Sentia, Cloudreach, HP, CloudDirect and Kaseya
- Key financial investors in this space include Thomson Street Capital Partners, Blackstone, Singapore Technologies Telemedia and Pamplona Capital
- Overall, the deal activity has been limited when compared to AWS due to lack of pure-play Azure vendors (most have Office 365 & Microsoft Dynamics as a significant portion)
- Increasing adoption of multi-cloud strategy by services partners has led to multiple AWS specialists acquiring Azure capabilities

AWS has grown @ 35% to $9Bn in revenues for Q3 CY19 whereas for same period Microsoft’s Intelligent Cloud business is $10.8Bn with Azure growing @ 60%

Continue reading to find who will win…

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1. FY18 - Financial year ending June 2019
Microsoft Overview

Intelligent Cloud Beginning To Eclipse Other Business Segments

Total Addressable Market ($Bn as on CY23E)

<table>
<thead>
<tr>
<th>Productivity &amp; Business Processes</th>
<th>Intelligent Cloud</th>
<th>Personal Computing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Engagement</td>
<td>Internet of Things</td>
<td>Operating Systems</td>
</tr>
<tr>
<td>Business Analytics</td>
<td>Business Analytics</td>
<td>Gaming</td>
</tr>
<tr>
<td>Communication</td>
<td>IaaS / PaaS</td>
<td>Personal Computers</td>
</tr>
</tbody>
</table>

- FY19 Revenue: $125.8Bn
- 131,000 full-time workers
- Microsoft’s key growth engine is their IaaS/PaaS offering – Azure, which in turn is driving growth of its other business applications in a synergistic relationship
- Embracing shifts to open source and technology agnosticism
- Open with competitors to improve Microsoft interoperability
- Acquisitions:

Revenue Breakdown ($Mn)

- FY14: $87,171 (Productivity & Business Application 44%, Intelligent Cloud 41%, Personal Computing 38%)
- FY15: $93,905 (Productivity & Business Application 46%, Intelligent Cloud 44%, Personal Computing 39%)
- FY16: $91,154 (Productivity & Business Application 44%, Intelligent Cloud 28%, Personal Computing 32%)
- FY17: $96,571 (Productivity & Business Application 41%, Intelligent Cloud 28%, Personal Computing 31%)
- FY18: $110,351 (Productivity & Business Application 38%, Intelligent Cloud 29%, Personal Computing 32%)
- FY19: $125,843 (Productivity & Business Application 36%, Intelligent Cloud 31%, Personal Computing 33%)

Source: Microsoft 10-Q, Statista
Microsoft Overview

Evolution From A Dated Technology Company To An Enterprise Software Powerhouse

- 2000: Steve Balmer succeeds Bill Gates as CEO
- 2001: Steve Balmer calls Linux “cancer”
- 2003: Windows Mobile OS
- 2004: Google becomes world’s Largest search engine
- 2007: Windows Vista
- 2014: Satya Nadella becomes CEO
- 2013: Nadella announces Office compatibility with iPad
- 2012: Microsoft acquires Nokia
- 2011: Windows Azure is renamed Microsoft Azure
- 2010: Partnership with Salesforce
- 2009: Microsoft has first ever quarterly loss
- 2008: $6.2Bn write-down for digital marketing agency aQuantive
- 2007: Acquire Skype
- 2006: Windows Phone
- 2005: $7.6Bn write-off for Nokia
- 2004: Last Release of Windows Phone
- 2003: $1Tn Market Cap
- 2002: Microsoft partnership with Oracle, Redhat, & Sony
- 2001: Microsoft has most contributions to GitHub
- 2000: Surface Book debut
- 2019: Half of the virtual machines that run on Azure are on Linux OS
- 2018: Azure IoT is introduced
- 2017: First cloud provider to open data centers in Africa
- 2016: Adobe partnership
- 2015: Subscriptions Office 365 revenue overtook that of conventional license sales of Microsoft Office software
- 2014: Microsoft has most contributions to GitHub
- 2013: Amazon and Microsoft jointly come out with open-source AI/ML tool called Gluon
- 2012: Surface Book debut
- 2011: Acquire Skype
- 2010: Windows Azure
- 2009: Windows Phone
- 2008: Google becomes world’s Largest search engine
- 2007: Steve Balmer succeeds Bill Gates as CEO
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- 2002: Microsoft acquires Nokia
- 2001: Steve Balmer calls Linux “cancer”
- 2000: Windows Mobile OS

Source: Microsoft Website
Overview
Azure provides over 100 services that enable organizations to do everything from running their existing applications on virtual machines to exploring new software paradigms such as intelligent bots and mixed reality. Security/Management and Hybrid Cloud Azure Stack extend over all parts of platform and infrastructure services.

Platform Services
- Media & CDN
- Application Platform
- Database
- Intelligence
- Integration
- Compute
- Analytics and IoT
- Developer

Large Enterprise Client Base

Microsoft’s Underappreciated Growth Engine

CURRENT NEWS
AT&T signs an estimated $2 billion deal with Microsoft - AT&T expected to move most of its non-network workloads to Azure by 2024; Will use Office 365 applications as well throughout enterprise

CURRENT NEWS
Microsoft just scored a huge upset over Amazon by winning the fierce battle over the $10Bn JEDI (Joint Enterprise Defense Infrastructure) contract by US Federal Government
Microsoft Azure

The Breakdown Of Microsoft’s Cloud Platform

1. Presentation Layer
   - Browser
   - Mobile
   - Browser

2. Cloud Architecture
   - Cloud Native
   - Distributed Infrastructure
   - Open Platform
   - Artificial Intelligence
   - Software Defined Network

3. Application & Use Cases
   - CRM/ERP/Finance (Dynamics 365)
   - Talent Management
   - Content (Office 365)
   - Collaboration (Teams)
   - Analytics (Power BI)
   - Storage (One Drive)
   - Audio/Video Conferencing (Teams)
   - Streaming Games
   - Internet of Things Service
   - App Development (.NET and Open)
   - Database as a Service
   - Cortana (Chat bot)
Core Cloud Services

Extensive Functionality Satisfies All Needs Of An Organizations

- Virtual machines and Kubernetes containers that run distributed applications on Windows or Linux in the cloud or on premise
- Connect datacenters such as Virtual Private Networks to VMs to the cloud and provide high availability or host DNS domains
- Solutions that accommodate massive amounts of both structured and unstructured data that are scalable and secure
- Enables developers to create mobile backend services for iOS, Android and Windows apps
- Provide both relational and NoSQL choices that are fully managed in a scalable cloud environment
- Quickly create powerful web-based apps and deploy at scale with managed API services
- Machine Learning and Natural Language Processing to analyze data, text, images, and speech to make predictions
- Fully-managed global IoT SaaS platform that connects, monitors and manages IoT assets at scale
- Cloud-based Enterprise Data Warehouse and Apache Spark-based analytics process complex queries across petabytes
- Development collaboration tools to test and demo applications in the cloud directly from deployment pipelines
PLANNING
- Assess customer's IT environment and determine the data and apps that are viable opportunities for Azure migration
- Offer customers a roadmap for Azure adoption and associated values
- Provide a TCO and ROI analysis for moving their applications to Azure

ENABLEMENT
- Migrate viable workloads to Azure
- Re-platform applications to run in the cloud
- Optimize workloads running in hybrid and public cloud environments
- Help customers with staging, testing, and validation before moving their production environments to Azure

OPERATIONS
- Offer support while delivering on SLAs and uptime guarantees
- Operate and monitor Azure and hybrid cloud environments
- Provide customers with governance over their cloud usage by managing their billing and Azure capacity planning

Cloud Readiness Assessment
Solution Analysis, Scope & Design
Data Architecture Design
Cloud TCO and ROI analysis
Business Opportunity Identification

Systems Integration
Data center Migration
Backup and Disaster Recovery
App re-platform
Database Development
Deployment Services

Help Desk Support
User Rights & Account Management
Performance and App Troubleshooting
Proactive monitoring
Health Checks
Training

Security Management & Identity Protection
Virtual Machine Management & Upgrading
Cloud Usage Forecasting
Billing Management
Capacity Planning
3rd Party Application Management
Azure Services Opportunities (2/2)

Revenue Mix And Profit Margins

Revenue Mix For an Average Cloud MSP

Typical Margins & Deal Size by Service Model

- **Strategy & Assessment**
  - Margins: 25-30%
  - Deal Size: $120K

- **Migration Execution**
  - Margins: 25-40%
  - Deal Size: $225K

- **Modernization**
  - Margins: 44-48%
  - Deal Size: $1,150K

- **Value-added IP**
  - Margins: 80%
  - Deal Size: $200K

- **Managed Service**
  - Margins: 45-54%
  - Deal Size: $120-480K

- **Resale**
  - Margins: <20%
  - Deal Size: $150K

Source: Forrester Study- The Partner Opportunity Assessment For Azure Service Providers, 2019
How Do MSPs Make Money

Pricing Models

1. **A-LA-CARTE**
   - Each function: support, backup, monitoring, etc. has a separate SKU and consumption meter – most common for SMP focused MSPs

2. **PER VM/NODE**
   - Managed Service tiers charged per VM/Node/instance – most common pricing model, especially for infrastructure services

3. **% OF CLOUD SPEND**
   - Managed Service tiers charged as percentage of underlying cloud spend – faster growing price model; typically used by born-in-the-cloud MSPs

4. **PER USER/DEVICE**
   - Typically used for Managed Apps/Mobility Offerings or when building per user, finished services in Azure – most common pricing model used for applications such as Magento, Sitecore, SharePoint online and Power BI on Azure

5. **PER PROJECT APP**
   - Commonly used for finished solutions abstracted from the infrastructure – typically has the highest margin and usually involves some degree of intellectual Property Development
Azure- Key Differentiators
Azure

The Unheralded Cloud Leader

Value Proposition and Potential Key Differentiators of Azure

1. **Hybrid Cloud Stack**
   - Extension of the company’s hyperscale public cloud to private cloud and even edge devices across identity, data, application platform, security, and management

2. **Security & Compliance**
   - Microsoft has an industry leading 90+ compliance certifications and is committed to enterprise data protection with its extensive hybrid cloud

3. **Platform Agnostic**
   - Comprehensive set of development tools for any developer—using any platform or language—to deliver cloud applications – committed to improving the productivity of its customers

4. **Comprehensive & Consistent Cloud that Integrates with Legacy Systems**
   - One programming model, one identity model, security, management, etc., so that modern developers as well as IT can seamlessly span the entire spectrum of services and technologies that Microsoft offers from Azure Sphere to Azure Stack to Dynamics

5. **Edge Computing & AI**
   - Microsoft is pioneering into edge computing, letting customers use the capabilities of Azure through Azure Stack – allowing customers to manage and analyze their devices’ data on private servers

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"We have been focused on addressing the real-world needs of customers with our differentiated approach to the cloud – architecting for hybrid consistency, developer productivity, AI capabilities, and trusted security and compliance."

– Satya Nadella, CEO, Microsoft

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**Azure Revenue Growth Rates YoY**

<table>
<thead>
<tr>
<th></th>
<th>FY18 Q3</th>
<th>FY18 Q4</th>
<th>FY19 Q1</th>
<th>FY19 Q2</th>
<th>FY19 Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>93%</td>
<td>89%</td>
<td>76%</td>
<td>76%</td>
<td>73%</td>
</tr>
</tbody>
</table>

Source: Gartner, Microsoft Website and Quarterly Reports
Hybrid Cloud & Data Security

The Reason 95% Of Fortune 500 Companies Run On Azure

Hybrid Computing

- Flexibly move workloads from private servers to public cloud on a capacity basis; customers only pay for compute/storage and other services when the workloads move to cloud
- Azure Stack is a consistent cloud – Build and deploy applications across the public cloud, on premise servers, and edge devices (IoT) with a singular identity and in a uniform way
- Allows customers to slowly transition to cloud, as they can individually select segments of their business to be run on Azure and others to be run on-premise with Azure Stack

>70% of enterprises will eventually use a hybrid model

World-Class Security Offering

- Steep investment yields fruitful results
- Plethora of data-generating resources to prematurely detect threats

+470Bn Emails Analyzed

+18Bn Web Pages

$1Bn investment per month on Azure Security

54 Global Data Centers and industry leading 90+ compliance certifications

Source: Computer Weekly, Microsoft 10-Q, Microsoft Website
Consistent And Agnostic Service Spectrum
Integrated Ecosystem For Both Microsoft And External Products That Prioritizes The Customer

90% of organizations purchasing public cloud IaaS will do so from an integrated IaaS and platform as a service (PaaS) provider and will use both the IaaS and PaaS capabilities from that provider.

– Sid Nag, Research Director, Gartner

Infrastructure, Platform, & Software Integrated Suite

- Azure can be linked with other Microsoft cloud offerings and software for a seamless and automated cloud experience
  - For example: a customer can take an IoT project, manage and instruct the edge device in Azure Stack and then it ends up as a field-service application with Dynamics – all integrated within Microsoft's navigable interface

Database, Storage and Backup Software Market

<table>
<thead>
<tr>
<th>15%</th>
<th>16%</th>
<th>17%</th>
<th>32%</th>
<th>20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oracle</td>
<td>IBM</td>
<td>Dell</td>
<td>Microsoft</td>
<td>Other</td>
</tr>
</tbody>
</table>

OS and Productivity Software Market

<table>
<thead>
<tr>
<th>6%</th>
<th>16%</th>
<th>58%</th>
<th>19%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vmware</td>
<td>Apple</td>
<td>Microsoft</td>
<td>Other</td>
</tr>
</tbody>
</table>

Source: Microsoft Website, IbisWorld

More Developer Freedom

- Microsoft Azure’s capabilities have become increasingly diverse and open, with improved support for other software like Linux, open-source application stacks, and acquisition of GitHub, the largest cloud-based code repository
  - Azure IoT Edge source code available on GitHub, so that developers can enjoy more flexibility and control over their edge solutions
  - Linux-based operating system created by Microsoft for IoT – the first time Microsoft has publicly released an operating system running the Linux kernel
  - Emphasis on interoperability and ease of development process

- Partnerships and Interoperability with Competition:
Future Prospects Towards AI And Edge Devices

Enterprises Eyeing IoT To Improve Productivity And Reduce Costs

- Azure is the only hyperscale cloud that extends from public cloud to private cloud to the edge across identity, data, application platform, security, and management – this has made Microsoft leader in enterprise IoT implementation
- Microsoft has ventured into containerization technology – requires less computational power and has more modularity than VMs – to run applications and frameworks on Azure Stack and IoT devices

**Azure IoT Central**
- Best-in-class IoT platform: customers can quickly onboard devices, perform remote maintenance, build KPI dashboards, and even integrate with third-party solutions
- Integration: customers will be able to extend the capability and insights of IoT central to other Azure services such as Logic Apps, Functions, and Microsoft Flow
- Azure IoT Central is the only SaaS-based connected devices platform available in the public cloud market

**Azure IoT Plug & Play**
- Microsoft has brought the ease of plug and play to IoT
- Each connected device has a manifest that describes its core capabilities such as the sensor data it can emit, commands it can accept, core settings that can be manipulated and the metadata associated with the device
- This accelerates the IoT adoption journey for enterprises

**Azure Sphere**
- Azure Sphere represents a new class of secure, connected, crossover MCU that integrates real-time processing capabilities with the ability to run a high-level operating system
- Microsoft built Azure Sphere with tight integration with Azure IoT Hub – the device management layer in the cloud
- Designed on Linux

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Microsoft recently invested $1Bn in San Francisco-based AI research and developing firm: OpenAI. The two have formed a multi-year partnership to develop artificial intelligence supercomputing technologies on Microsoft’s Azure

**AI and Research Group at Microsoft**
*(headcount)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Headcount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>5,000</td>
</tr>
<tr>
<td>2018</td>
<td>8,000</td>
</tr>
</tbody>
</table>

60% Growth

Source: International Journal of Emerging Technologies in Learning (iJET), Microsoft 10-Q
Azure vs AWS
# Microsoft Azure vs. Amazon Web Technical Comparison

## Two-way Race For Multi-Cloud Dominance

<table>
<thead>
<tr>
<th>Category</th>
<th>Microsoft</th>
<th>Amazon</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Infrastructure and Platform Services</strong></td>
<td>▪ Capabilities have grown to rival Amazon</td>
<td>▪ AWS has been the market share leader in integrated infrastructure and platform services for the last ten years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ More mature and robust computing and networking solutions – a key differentiator to AWS IaaS offering</td>
</tr>
<tr>
<td><strong>Total Cloud Services</strong></td>
<td>▪ 100+ capabilities have grown to rival Amazon in the most widely-used services</td>
<td>▪ 165 - AWS is notorious for being a busy and overwhelming platform, with a deep catalogue of capabilities not presented in a user-friendly manner</td>
</tr>
<tr>
<td><strong>Onboarding/ Interoperability</strong></td>
<td>▪ IT professionals already feel at home with Microsoft products&lt;br&gt;▪ Experience in honing the user experience into an organized suite</td>
<td>▪ For those accustomed to Linux environment, Amazon offers the more seamless integration</td>
</tr>
<tr>
<td><strong>Hybrid Cloud</strong></td>
<td>▪ Industry leading hybrid cloud with a single architecture from cloud to edge coupled with high security</td>
<td>▪ AWS has partnered with private cloud giant, VMware, – “AWS Outpost” is an on-premise version of AWS, effectively a “mini” AWS region located at a customer’s data center&lt;br&gt;▪ Have come out with IoT capabilities to compete with that of Microsoft – but IoT proliferation depends on hybrid cloud capabilities</td>
</tr>
<tr>
<td><strong>Security and Compliance</strong></td>
<td>▪ Industry leading 90+ compliance certifications&lt;br&gt;▪ Azure Roles Based Access Control (RBAC) and Active Directory was developed in the early 2000s for Windows</td>
<td>▪ Amazon has had a long relationship with government agencies, and their compliance offerings include certifications in ITAR, DISA, HIPAA, CJIS, FIPS, and more</td>
</tr>
<tr>
<td><strong>Dev Tools/Open-Source</strong></td>
<td>▪ Microsoft acquired GitHub in 2017 which has tremendously added to capabilities&lt;br&gt;▪ Only cloud provider to partner with Redhat&lt;br&gt;▪ Once the bane of developers, Microsoft is embracing agnostic development</td>
<td>▪ In 2018 Accenture labelled AWS the most developer friendly platform in the cloud universe&lt;br&gt;▪ Based on the Linux environment, AWS has been known to be more friendly to open-source</td>
</tr>
<tr>
<td><strong>Latency/Downtime</strong></td>
<td>▪ Key drawback of Azure; but with current data center proliferation and technology advancements, parity is within reach</td>
<td>▪ Best in class; most reliable infrastructure platform with highest speeds due to years of development</td>
</tr>
<tr>
<td><strong>Experience in Cloud</strong></td>
<td>▪ 2008 (R&amp;D Begins); 2010 (Debut)</td>
<td>▪ 2002 (R&amp;D Begins); 2006 (Debut)</td>
</tr>
</tbody>
</table>

Source: Microsoft/Amazon Websites, Gartner Research
## Microsoft Azure vs. Amazon Web Financial and Customer Comparison

### Two-way Race For Multi-Cloud Dominance

<table>
<thead>
<tr>
<th>Category</th>
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<tbody>
<tr>
<td>Infrastructure and Platform Services Revenue (FY18-23)</td>
<td>FY18E: $11Bn  FY23E: $64Bn</td>
<td>FY18A: $26Bn  FY23E: $85Bn</td>
</tr>
<tr>
<td>YoY Revenue Growth Rate</td>
<td>72% (FY19 ending June 2019) for Azure</td>
<td>42% (TTM June 2019) for AWS</td>
</tr>
<tr>
<td>Total Partner Network Members</td>
<td>68,000 in Microsoft Partner Network – More than Salesforce, Google, and AWS combined (30% joined in FY18)</td>
<td>“Tens of Thousands” in Amazon Partner Network – 2017 added 10,000+</td>
</tr>
<tr>
<td>Company Acquisitions</td>
<td>85+ tech-related acquisitions since CY15 in Microsoft ecosystem</td>
<td>50+ tech related acquisitions since CY15 in AWS service provider ecosystem</td>
</tr>
<tr>
<td>Total Clients</td>
<td>Focus on Large Enterprises</td>
<td>Most prevalent among SMEs</td>
</tr>
</tbody>
</table>

Source: Gartner, Reuters, Avendus Research, McAfee, 7Mile Advisors, iDataLabs
Azure & AWS Customer Analysis

95% Of Fortune 500 Companies Run On Microsoft Azure

**AWS Customers by Revenue ($)**
- >1,000Mn: 57%
- 200–1,000Mn: 2%
- 100–200Mn: 13%
- 50–100Mn: 8%
- 10–50Mn: 12%
- 1–10Mn: 5%
- <1Mn: 3%

**AZURE Customers by Revenue ($)**
- >1,000Mn: 21%
- 200–1,000Mn: 7%
- 100–200Mn: 26%
- 50–100Mn: 12%
- 10–50Mn: 21%
- 1–10Mn: 8%
- <1Mn: 3%

**AWS Customers by Industry¹**
- Construction: 25%
- Marketing: 12%
- Financial Services: 9%
- Internet: 8%
- Retail: 7%
- Real Estate: 6%
- Nonprofit: 6%
- IT Services: 3%
- Pharma: 2%
- Computer Services: 1%

**AZURE Customers by Industry¹**
- Construction: 46%
- Insurance: 19%
- Higher Education: 10%
- Management Consulting: 8%
- Computer Hardware: 4%
- Healthcare: 4%
- Financial Services: 4%
- Recruiting: 3%
- IT Services: 3%
- Computer Software: 2%

Source: Idatalabs Website
1. Top 10

- 95% of AWS customers annually earn $1-200Mn; only 5% of customers >$200Mn; only 1.8% have >$1Bn
- 33% of Azure customers have a topline of >$200Mn; 21% have a >$1Bn revenue
- Microsoft is the cloud solution for enterprises because it has the most seamless migration and integration for those with legacy Microsoft software

- Customers that want reliable 24/7 service turn to Amazon (eCommerce, Retail, and Healthcare) – most number of global data centers and lowest downtime
- Financial services industry opt for Azure due to better security and hybrid cloud capabilities
Cloud to the Future

Why Azure Will Top AWS

Despite Amazon’s dominance in infrastructure services and platform services since the beginning of public cloud migration, Azure’s growth has doubled that of its biggest rival because of steep investment into both PaaS & IaaS, and it is the market leader in the highly lucrative SaaS market.

Microsoft’s commercial-cloud business is continuing to grow at more than 40%, with the Azure YoY growth rate at over 70%.

The extensive set of solutions for “intelligent cloud” and “intelligent edge” – preparing for the next wave of enterprise AI trends and IoT.

Microsoft’s ability to deliver broad and deep cloud solutions across all three major cloud domains: IaaS, PaaS, and SaaS.

Its longtime and unwavering commitment to the hybrid cloud, cybersecurity, and developer freedom as the cornerstones of its cloud strategy.

The ability to leverage the massive base of Office 365 users across the globe, experience in developing cohesive user experiences, and the flexibility of onboarding using hybrid cloud as an “on ramp” to Microsoft’s broader cloud services.

Its incredibly deep, long-lasting and highly trusted relationships with and knowledge of the world’s largest corporations and how they work.

More than 70% of on-premise servers workloads today run on Windows Server.

98% of respondents in a McKinsey Survey reported that most companies within their industry include enterprise IoT initiatives in their strategic road maps.

According to CFO Amy Hood, 9 out every 10 Dynamics CRM customers chose Microsoft’s cloud offering last fiscal year.

Despite being of equal size, Amazon is a conglomerate of disparate companies penetrating a wide variety of verticals while Microsoft is exclusively an enterprise technology solution and services provider.

Source: Microsoft Website, 7Mile Advisors, Gartner
Cloud to the Future

Why AWS Can Sustain Lead

First mover advantage has established AWS as the pioneers in this space – it started off in early 2000s

AWS has extensive and mature service offerings and functionalities which is unmatched and this has been combined with rapid pace of innovation

AWS’s leadership can be gauged from the market share that it holds currently (47% as per Gartner): it has been the go-to vendor for born in cloud companies

AWS’s broad network of 6,000+ partners has helped AWS penetrate the global market

AWS has the maximum number of availability zones combined with lowest latency and down-time amongst all vendors

AWS has an enterprise friendly platform at the same time being developer friendly since it is based on Linux OS

As per Gartner – “The largest of the IaaS providers, Amazon accounts for nearly half of the total IaaS market”

Over the last ten quarters the AWS year-on-year growth rate has been pretty steady and has averaged just a little under 50%

According to Tolga Tarhan, CTO Onica, “AWS is so far ahead in their service portfolio. The mindshare they have among developers is a huge asset. I think the three big guys will do well, but the lead that AWS has will stay”

Despite the growth seen by Azure, AWS continues to lead in terms of market share with steady growth rate and has also been a favorite amongst developers

Source: AWS Website, Gartner, Avendus Research
While AWS has an early mover advantage and more than Azure’s market share today, Azure has been growing faster and is seen as a serious challenger.

The adoption of cloud has had two different waves. The early adopters were startups that went directly to cloud and became very big. Amazon benefited from that wave. Now everyone is moving to the cloud, including big enterprises. The second wave is benefiting Microsoft.

It is unlikely that there will be one player who will rule the entire market, rather it would be a battle amongst a few players with AWS & Azure being amongst Top 2 vendors for the next 10 years.

Multi-cloud strategy is here to stay, and companies want the freedom and flexibility to choose the right cloud platform for each of their offerings/needs.
### Azure Vendor Landscape (1/3)

**Only 46 Azure Expert MSPs Globally; Over 68,000 Total Partners**

<table>
<thead>
<tr>
<th>Revenues (Mn)</th>
<th>Azure Expert MSPs</th>
<th>Other Microsoft Gold and Silver Consulting Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100+</td>
<td>Tata Consultancy Services, DXC, technology, HCL, wipro, Fujitsu</td>
<td>NRI, Hitachi, Inspire the Next, SAIC, Perle, slalom, CSRA, Deloitte, HP, Insight, SFT Software, CRC, SENSIBLE, AIS, NOUS, VULANSYS, etc.</td>
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<tr>
<td>$50–100</td>
<td>Capgemini, rackspace, ensono, Crayson, Telestra, CenturyLink, Cognizant</td>
<td>SENSIBLE, AIS, NOUS, VULANSYS, etc.</td>
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<td>$25–50</td>
<td>Cloudreach, Smartonix, Logicworks</td>
<td>Parallel, bjss, intertecs, General Network, APLANA, ServiceNow, etc.</td>
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<td>NORDCLOUD, claranet, ans, Sentia</td>
<td>Blazeclan, KPI, dedalus, ipm, SyCom, etc.</td>
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</table>

Source: Microsoft Website, Company Websites, Datafox

Note: The above list include multi-cloud players
## Azure Vendor Landscape (2/3)

### Vendors that Exclusively Offer Microsoft Services

<table>
<thead>
<tr>
<th>Revenues (Mn)</th>
<th>Azure Expert MSPs</th>
<th>Other Microsoft Gold and Silver Consulting Partners</th>
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<tbody>
<tr>
<td>$100+</td>
<td>-</td>
<td>proMX, Melbourne IT, Other Microsoft Gold and Silver Consulting Partners</td>
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<tr>
<td>$50–100</td>
<td>10TH MAGNITUDE, SELA</td>
<td>Managed Solution, Dataprise, WinWire Technologies, Corporate Renaissance Group</td>
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<td>$25–50</td>
<td>SYNTegra, CloudDirect, NewSignature</td>
<td>Concurrency, MetaOption, Bennett Adelson, Menlo Technologies</td>
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</table>
| $0–25         | BaggyN stos, GTPLUS, Coretek, Predica, Arquam, Logivics, Techstern, Binary Solutions, Henson Group, Saviant, Marqiva, 3Cloud, Intercept, Greenhouse Data, Hanu, CR Technologies, Gatun Technologies, Welcome Networks, Azure Cloud Experts, Canarys |}

Source: Microsoft Website, Company Websites, Datafox

Note: Above list includes pure-play Microsoft players

Avendus
## Azure Vendor Landscape (3/3)

### Geographical Spread of Select Azure Vendors

<table>
<thead>
<tr>
<th>Region</th>
<th>&gt;10,000 Employees</th>
<th>&gt;1,000 to ≤10,000 Employees</th>
<th>&gt;100 to ≤1,000 Employees</th>
<th>0 to ≤100 Employees</th>
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<td>3Cloud, Atmosera, PX Innovation</td>
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<tr>
<td>Others</td>
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Select Azure Managed Service Partner Competencies (1/2)

Every MSP on this list is a Microsoft Gold Partner with proven experience in Azure Managed Service

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<th>Azure Stack</th>
<th>Security and Compliance</th>
<th>Backups and Archives</th>
<th>Disaster Recovery</th>
<th>Cosmos DB</th>
<th>Networks</th>
<th>Active Archive Directory</th>
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Source: Stackify (https://stackify.com/azure-managed-service-providers/)
## Select Azure Partners Competencies (2/2)

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</table>

Source: Stackify (https://stackify.com/azure-managed-service-providers/)
Azure Deal Activity
Microsoft Partners M&A Activity

Acquisitions In Azure Ecosystem

Why are many investors acquiring both AWS and Azure partners?

July 2018 survey by analyst firm Forrester found that 86% of respondents (727 cloud strategy and application management decision makers in the US, EMEA and APAC) characterized their organizations’ cloud strategy as ‘multicloud’, identifying most with the description ‘Using multiple public and private clouds for different application workloads’.

Recent Partner Deal Activity

Thompson Street Capital Partners acquired BCM One, a leading technology solutions partner. BCM One will enhance its position as a leader in delivering fully managed technology solutions to businesses, serving over 6,000 customers across all verticals.

Hitachi Solutions America acquired Capax Global, an Azure cloud services partner. This acquisition augments Hitachi’s already diverse suite of Azure services.

AccountabilIT acquired ClearPointe Technologies, a Microsoft Azure focused cloud migration MSP; Deal funded by Boston PE firm, Westview Capital

Source: MergerMarkets, Microsoft Website, Company Websites, iDataLabs
## Azure Deals (1/5)

<table>
<thead>
<tr>
<th>Date</th>
<th>Target</th>
<th>Buyer</th>
<th>Target Geo</th>
<th>Buyer Type</th>
<th>Technology</th>
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<td>Oct-19</td>
<td>PowerupCloud</td>
<td>L&amp;T Infotech</td>
<td></td>
<td>Strategic</td>
<td>AWS, Microsoft, GCP</td>
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<td>Contino Solutions</td>
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# Azure Deals (2/5)

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## Azure Deals (4/5)

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## Azure Deals (5/5)

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