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Analysis Firm The 451 Group Finds the Grid Computing Market Heading Toward an Inflection Point

***451 Special Report highlights the next 18 months as critical period of market development;
Financial services, life sciences and manufacturing are 75% of early customer adoption;
Grid-related M&A exceeded US\$1 billion over the past year***

New York, October 1, 2003 – The 451 Group believes there is substantial data pointing to acceleration in the grid computing market, with commercialization heading toward an inflection point. The next 18 months will be a critical period of market development for grid computing technologies. Over this period, the commercial viability of the technology will mature and early-adopter customers will give way to broader adaptation of grids for enterprise applications both at single-site and multisite installations. The nature of competition will also mature as vendors integrate grid computing technologies into existing offerings and strategies ranging from utility computing to Web services.

These findings are outlined in a 451 Special Report – *Grids 2004: from rocket science to business service* – which presents key opportunities and challenges associated with the evolution of grid computing over the next 18 months. This 215-page report was released today by The 451 Group, an analysis firm covering the business of emerging information technologies, and was written by John Abbott, chief analyst; Rachel Chalmers, analyst for grid management software and Web services interaction; and William Fellows, principal analyst for grid computing architectures and technologies.

Grids 2004 is the first comprehensive look at the grid computing space from an industry-competitive perspective – examining how vendor companies and investors will realize return on grid technology investments and providing insight into the path to customer traction for grids. It includes significant analysis of M&A within this segment and profiles the competitive positioning of more than 30 grid vendors – ranging from established IT leaders to recent startups.

Key Findings:

- Grid computing developments will result in commercially viable, mainframe-like performance and manageability across distributed systems within the next 12 months.
- Financial services, life sciences and manufacturing verticals are the leading adopters of grid computing at this stage, with customer adoption broken down as follows:
 - 31% - Financial services customer adoption
 - 26% - Life sciences customer adoption
 - 18% - Manufacturing customer adoption
- The grid computing market is currently being driven mainly by cost reduction, both in terms of utilizing spare server capacity and with customers buying cheaper, modular, Intel-based hardware.

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- Vendors agree that grids are built, not bought; therefore, grid computing offers significant opportunities in consulting and professional services for vendors that already have such resources. For those that do not, partnerships will be needed.
- Over the period from September 2002 through September 2003, the announced value of grid-related M&A deals has totaled US\$ 982 million. The financial details of three of the ten acquisitions listed in the report were not disclosed, which means the actual deal total for M&A in the grid space over this period far exceeds \$1 billion.
- In the longer term, grid computing is heading toward a convergence of utility computing from the pricing and delivery perspective, and Web services-based integration and virtualization techniques to enable multiple, networked computers to be managed as one.

Companies Profiled

The 451 Group's *Grids 2004* report divides grid vendors into three primary categories, based on the firm's assessment of both current technology/product/service positioning and current momentum:

- **Tier one grid vendors** are leading IT vendors with strong established positions in grid computing or strong momentum and potential to capture market share; vendors in this category include **HP, IBM, Microsoft** and **Sun**.
- **Tier two grid vendors** are leading IT vendors with strong emerging strategies and/or technology portfolios in grid computing, but will not dominate overall grid revenues in the near term; vendors in this category include **Computer Associates, Intel, Oracle, Platform Computing, SGI** and **Veritas**.
- **Pure-play grid vendors** are emerging vendors with strong portfolios in specific areas, but must evolve – through rapid growth, investment or acquisition – to have a longer-term position in the marketplace. These companies are further categorized by functionality – grid enablement, file systems, provisioning, application decomposition, CPU scavengers and those offering enhancements to Globus; vendors in this category include **Altair, Avaki, Axceleon, DataSynapse, Ejasent, Enigmatec, Entropia, GridFrastructure, GridIron, GridSystems, GridXpert, Powerllel, Tsunami Research, The Mind Electric** and **United Devices**.

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Analyst Perspective

“The critical factor is whether or not grids can break out from the scientific and technical world into commercially oriented enterprises,” comments John Abbott, chief analyst of The 451 Group.

“High-performance computing users don’t mind rolling up their sleeves in order to get something working, and their software tends to be suitable for breaking into discrete pieces that can be executed in parallel. Enterprise users running transaction-processing applications have different requirements and prefer off-the-shelf technology that works predictably every time. Grid technology is on the cusp of the transition... but hasn’t quite made it yet.”

Report Orders

To learn more about this report, or to discuss developing a client relationship with The 451 Group, contact Simon Carruthers via phone at 212-505-3030 x-103.

About The 451 Group

The 451 Group is an analysis firm covering the business of emerging information technologies for a senior executive audience. The firm delivers timely, research-based insight that delves deeply into the dynamics and impact of newly commercialized technologies in all major segments of the enterprise computing marketplace.

The Group is headquartered in New York, with staff in key regional locations, including San Francisco and Silicon Valley, the Boston/Route 128 area and London. For additional information on the Group or to apply for a client trial online, go to the firm’s website: www.the451.com

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